available—as a result of our foreign trade deficit in the products of manufacturing industries. Our Nation's import deficit in textile mill products, apparel, and manmade fibers amounted to an equivalent of 82,000 jobs.

The same report has a special analysis of the employment effects of U.S. trade with Japan in 1967. Our Nation's trade deficit with Japan for that year represents a loss of 28,000 jobs in the textile mill products, apparel, and manmade fibers industries.

Mr. President, I firmly believe that our Nation can exercise some reasonable amount of regulation over the rising consumption of foreign goods to help domestic industries.

President Nixon and Secretary Stans should be strongly supported in their efforts to find a solution to the textile import problem. I support now—as I have in the past—legislation that will regulate the amount of foreign-produced textiles which can be admitted to the United States.

Congress can make its desires perfectly clear to the President and our trade partners. Our imports need to be regulated in some reasonable manner consistent with the welfare of our people as well as that of those workers in other lands who desire access for their products to the U.S. market. If the torrent of imports is not brought under the control of a safe channel, it will erode the American market to such an extent that the welfare of foreign workers will be sacrified, no less than that of our own people.

ADJOURNMENT TO 11 A.M.

Mr. KENNEDY. Mr. President, I move that the Senate stand in adjournment, in accordance with its previous order, until 11 a.m. tomorrow.

The motion was agreed to; and (at 4 o'clock and 34 minutes) the Senate adjourned until tomorrow, July 1, 1969, at 11 a.m.

NOMINATIONS

Executive nominations received by the Senate June 30, 1969, under authority of the order of June 27, 1969:

AGENCY FOR INTERNATIONAL DEVELOPMENT

Roderic L. O'Connor, of New Jersey, to be an Assistant Administrator of the Agency for International Development.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

David W. Oberlin, of Minnesota, to be Administrator of the St. Lawrence Seaway Development Corporation, vice Joseph H. McCann, resigned.

MISSISSIPPI RIVER COMMISSION

Brig. Gen. Willard Roper, U.S. Army, to be a member of the Mississippi River Commission, under the provisions of section 2 of an act of Congress approved 28 June 1879 (21 Stat. 37) (33 U.S.C. 642), vice Maj. Gen. Clarence C. Haug, who is retiring on July 31, 1969.

Executive nominations received by the Senate June 30, 1969:

INCORPORATOR

Carter L. Burgess, of New York, to be an Incorporator of the corporation authorized by section 902(a) of the Housing and Urban Development Act of 1968, vice Edgar F. Kaiser.

ATOMIC ENERGY COMMISSION

Clarence E. Larson, of Tennessee, to be a member of the Atomic Energy Commission for a term of 5 years expiring June 30, 1974.

IN THE AIR FORCE

Lt. Gen. Seth J. McKee, [redacted] (major general, Regular Air Force), U.S. Air Force, to be assigned to positions of importance and responsibility designated by the President in the grade of general, under the provisions of section 8066, title 10 of the United States Code.

The following-named officers to be assigned to positions of importance and responsibility designated by the President in the grade indicated, under the provisions of section 8066, title 10 of the United States Code.

To be general

Lt. Gen. John C. Meyer, [redacted] (major general, Regular Air Force), U.S. Air Force.

Lt. Gen. Jack J. Catton, [redacted] (major general, Regular Air Force), U.S. Air Force.

To be lieutenant general

Maj. Gen. Harry E. Goldsworthy, [redacted], Regular Air Force.

Maj. Gen. John W. Vogt, Jr., [redacted], Regular Air Force.

Maj. Gen. Timothy F. O'Keefe, [redacted], Regular Air Force.

Maj. Gen. George S. Boylan, Jr., [redacted], Regular Air Force.

Maj. Gen. George B. Simler, [redacted], Regular Air Force.

Maj. Gen. David C. Jones, [redacted], Regular Air Force.

Maj. Gen. Paul K. Carlton, [redacted], Regular Air Force.

The following officers for appointment as Reserve commissioned officers in the U.S. Air Force to the grade indicated, under the provisions of sections 8218, 8351, 8363, and 8392, title 10 of the United States Code:

To be brigadier generals

Col. Clarence E. Atkinson, [redacted], Delaware Air National Guard.

Col. William J. Crisler, [redacted], Mississippi Air National Guard.

Col. Jack Motes, [redacted], California Air National Guard.

Col. Earl G. Pate, Jr., [redacted], Tennessee Air National Guard.

CONFIRMATION

Executive nomination confirmed by the Senate, June 30, 1969:

CHAIRMAN, JOINT CHIEFS OF STAFF

Gen. Earle Gilmore Wheeler, [redacted], Army of the United States (major general, U.S. Army), for reappointment as Chairman, Joint Chiefs of Staff, for an additional term of 1 year.

HOUSE OF REPRESENTATIVES—*Monday, June 30, 1969*

The House met at 12 o'clock noon.

Rev. Donald H. Bowen, Downtown Baptist Church, Alexandria, Va., offered the following prayer:

Lord God, into Thy holy presence we come, not as beggars asking crumbs, but as children talking to their father.

We pause to ask Thy special favor upon these, our leaders. May every single one of us be mindful of the promise that the fear of the Lord is the beginning of wisdom and your further promise of blessing to those who place their trust in You. As with Thy servant of old, may we not be ashamed then to bow our heads and ask for wisdom, understanding, and most of all, a double portion of Thy spirit.

And here, on the eve of our national birthday, may we be especially mindful of Your many blessings upon this land of ours and may we be proud to salute the Stars and Stripes and sing "God Bless America." At the same time, may we be mindful of Your promise: "Righteousness exalteth a nation, but sin is a reproach to any people," and most of all, mindful of that word of warning, "Except the Lord build the house, they labor in vain that build it; except the Lord keep the city, the watchmen waketh but in vain."

In the name of Jesus Christ, Your Son, our Saviour. Amen.

THE JOURNAL

The Journal of the proceedings of Friday, June 27, 1969, was read and approved.

CONFERENCE REPORT ON S. 1011, TO AUTHORIZE APPROPRIATIONS FOR THE SALINE WATER CONVERSION PROGRAM, 1970

Mr. ASPINALL submitted the following conference report and statement on the bill (S. 1011) to authorize appropriations for the saline water conversion program for fiscal year 1970, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 91-333)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1011) to authorize appropriations for the saline water conversion program for fiscal year 1970, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill, and agree to the same with an amendment as follows: In lieu of the matter inserted by the House amendment insert the following:

"That there is authorized to be appropriated to carry out the provisions of the Saline Water Conversion Act (66 Stat. 328), as amended (42 U.S.C. 1951 et seq.), during fiscal year 1970, the sum of $26,000,000 as follows:

"(1) research and development operating expenses, not more than $17,223,000;

"(2) design, construction, acquisition, modification, operation, and maintenance of saline water conversion test beds and test facilities, not more than $5,355,000;

"(3) design, construction, acquisition, modification, operation, and maintenance of saline water conversion modules, not more than $1,450,000; and

"(4) administration and coordination, not more than $1,972,000.

"(b) Expenditures and obligations under any of the items in this section except item (4) may be increased by not more than 10

per centum if such increase is accompanied by an equal decrease in expenditures and obligations under one or more of the other items, including item (4).

"SEC. 2. In addition to the sums authorized to be appropriated by this Act, the Secretary may utilize any funds previously appropriated for this program which are not obligated on June 30, 1969, subject to the dollar limitations applicable to the fiscal year 1969 program."

WAYNE N. ASPINALL,
HAROLD T. JOHNSON,
JAMES A. HALEY,
JOHN P. SAYLOR,
CRAIG HOSMER,
Managers on the Part of the House.

HENRY M. JACKSON,
CLINTON P. ANDERSON,
FRANK E. MOSS,
LEN B. JORDAN,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House on the disagreeing votes of the two Houses on the amendment of the House to the bill S. 1011, to authorize appropriations for the saline water conversion program for fiscal year 1970, and for other purposes, submit this statement in explanation of the actions recommended and adopted in the accompanying conference report.

The committee of conference adopted the language of the House version of S. 1011 except for the amount authorized to be appropriated. The Senate version authorized $27,000,000 and the House version authorized $25,000,000. The revised recommendation of the Administration was $26,000,000. The committee of conference agreed to an appropriations authorization of $26,000,000, thus agreeing to the Administration's request in this regard and reflecting a division of the difference in the House and Senate versions of S. 1011. The $1,000,000 thus added to the amount included in the House version is added to category I, research and development operating expenses, increasing that amount from $16,223,000 to $17,223,000.

WAYNE N. ASPINALL,
HAROLD T. JOHNSON,
JAMES A. HALEY,
JOHN P. SAYLOR,
CRAIG HOSMER
Managers on the Part of the House.

RESTORE ANCIENT NAME OF "CAPE CANAVERAL" IN FLORIDA

(Mr. SIKES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SIKES. Mr. Speaker, on behalf of a very substantial majority of the Florida House congressional delegation, I announce emphatic support for the proposal to restore the ancient name of "Cape Canaveral" in Florida. This action supports a resolution adopted by the Legislature of the State of Florida to the same effect and steps taken by Florida's two U.S. Senators for this purpose. The Florida State Senate resolution, which was concurred in by the State house, requested the restoration of the name "Cape Canaveral" to the geographical area of the cape while retaining the name of the "John F. Kennedy Space Center" for the space program facilities. The resolution asked that the President of the United States, with the concurrence of the Honorable EDWARD M. KENNEDY, advise the Secretary of the Interior that the Board of Geographic Names should retain the name of the John F. Kennedy Space Center for the space program facilities and restore the name "Cape Canaveral" to the cape.

It was pointed out at a delegation meeting that the name "Cape Canaveral" was over 400 years old, one of the oldest names applicable to any geographical feature in the United States, and that the original intention of the Government apparently was to name the space center after the late President but not to change the name of the cape.

The Florida delegation's recommendation is being addressed to the President.

TAX REFORM AND THE SURTAX

(Mr. VANIK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. VANIK. Mr. Speaker, today the House of Representatives will be taking an action which will decide the future of meaningful revenue-raising tax reform.

We as Members of the House of Representatives have a responsibility to follow the mandate of the people who are discouraged with promises unfulfilled and pledges unredeemed. Reform was promised in the Revenue Act of 1964. Reform was promised in the surtax bill of 1968. Reform will again be promised today—if only we will capitulate and pass this act today.

Our patience with promises and pledges has run out. Reform must not be delayed.

Today, this critical bill reaches the House under a closed, controlled, and protected rule. There are no options except the motion to recommit which will be the sole privilege of the Republican minority.

Although I protested this procedure before the Rules Committee, I will not seek a rollcall on the rule. Many Members opposed to the bill will procedurally support the closed rule so that they can more clearly proceed to vote against this bill.

The issue is now joined. The American people can determine with interest who is for reform and who is opposed.

EQUITY REQUIRED IN TAX BURDEN

(Mr. HANNA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HANNA. Mr. Speaker, I join with the gentleman from Ohio, who has just been in the well to express what I think is the true question which I think will be before the House today. The question is whether or not this House will stand up to its responsibility to bring equity in the burdens of taxation which this House places upon the people of this country.

We are going to be asked to extend the burden that has been placed primarily upon the middle-income earners of America, and they know, these middle-income earners, that there are inequities which are placing upon them an unreasonable burden that is not being equally shared.

I suggest we are in a situation, just as the gentleman of the Republican Party brought to our attention 2 years ago. At that time the Democrats urged the Republicans it would be irresponsible not to vote for an increase in the debt limit. We did not get their support on this, and the debt limit was not passed. We might have thought the country was going to fall apart. It did not. Within 24 hours we had a debt bill that carried with it a required $6 billion reduction in spending and thus gained the approval of the Republicans.

I predict, Mr. Speaker, if we do not pass this particular tax bill today, within 24 hours we will have on the floor of this House a tax bill that will include within it the tax reform that this country is so urgently striving for and seeking today.

Make no mistake; if we do not have tax reform tied to extension of the surtax, we will not be successful in achieving meaningful reform. No matter how vehement the statements made by leaders of the House or leaders of the committee. The history of efforts of tax reform should make this crystal clear to the most casual observer.

MEANINGFUL TAX REFORM REQUIRED

(Mr. HAYS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HAYS. Mr. Speaker, it seems as though the leadership on both sides of the Ways and Means Committee have made up their minds to try to rape the average taxpayer today.

I want the Members of the House to know I am not in sympathy with that, nor do I intend to vote for the bill. I think the votes of those who vote for the bill today without meaningful tax reform being included, will come back to haunt them—and I am going to do everything I can to see that it does haunt them.

If anybody here thinks for 1 minute—including my friend, the gentleman from Louisiana—if we pass this bill there will be out of the Ways and Means Committee a meaningful tax reform bill, he is kidding somebody, probably himself, because it will never happen—and the gentleman knows it and I know it.

CHEROKEE DRAMA, "TRAIL OF TEARS," BEGINS FIRST SEASON

(Mr. EDMONDSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. EDMONDSON. Mr. Speaker, thousands were deeply moved by the opening night performance of the Cherokee drama, "The Trail of Tears," last Friday evening, near Tahlequah, Okla.

The presentation, which took place in a spectacular new outdoor theater, was hailed by critics for its music, pageantry, and poetry.

Written by Dr. Kermit Hunter, with music by the late Dr. Jack Kilpatrick, "The Trail of Tears" is the story of the Cherokee Tribe's tragic removal from their homes on the east coast to Indian territory, in what is now Oklahoma, and tells of the bitter split within the tribe during the Civil War.

Colorful dances and songs are woven into the story, which is featured by strong characterizations of the two Cherokee leaders, John Ross and Stand Watie.

Thousands of visitors are expected to witness presentations of "The Trail of Tears" during the summer of 1969. It is a memorable experience for all.

HAPPY BIRTHDAY, "H.R."

(Mr. HALL asked and was given permission to address the House for 1 minute.)

Mr. HALL. Mr. Speaker, three score and 10 years ago today, there was brought forth on this earth, where the tall corn grows near Arispe, Iowa, one infant, a dozen squared, to be named HAROLD ROYCE GROSS.

This world may little note, nor long remark what I say here today, but "H.R." has lived up to his name as a four-square, yes, 12-square straight shooter.

The presents he receives today may not be to his liking, for he is a modest but unassuming man, but be assured the Chamber, the Members, and yes, the people of the Nation, will know of his presence here.

Student, statesman, researcher, and bane of ill-doers, the latter cannot but respect him, and all have long since given up researching what drives him on relentlessly for God and country, for truth over everything, and for rights and individual liberties of all.

I suspect it is the distillate of inheritance, sprinkled with experience and intelligence, constant application and true national interest, generally leavened with prudence and judgment of an uncommon man; but—

Whatever the milieu, the good Lord made few like him and perhaps for reasons more will understand, He then surely threw away the key. Those of us who admire and love, those of us who dread but respect, and even those who fail to perceive, join today in saying, "'Happy Birthday, H.R.' We are glad you were borned. We are happier you are here. Many happy returns."

AMENDMENT TO THE FEDERAL WATER POLLUTION CONTROL ACT

(Mr. TEAGUE of California asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. TEAGUE of California. Mr. Speaker, I am introducing legislation at this time which would amend the Federal Water Pollution Control Act to establish the Santa Barbara Channel as a marine sanctuary. Pollution in the Santa Barbara Channel resulting from a continuing oil leak has reduced the quality of interstate waters below the water quality standards approved by the Secretary of the Interior under section 10(c) of this act and damages the environment.

I have carefully reviewed the Federal Water Pollution Control Act, and especially section 11, which deals with control of pollution from Federal installations. Recent action by the House Public Works Committee on H.R. 4148 amends this section to resolve the problem of controlling pollution from not only Federal installations but also form federally authorized projects. My amendment to that act is, I feel, consistent with this House Public Works Committee approach which was as unanimously approved by the House passage as H.R. 4148.

EXTENSION OF THE SURTAX

(Mr. CARTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CARTER. Mr. Speaker, in 1968, the administration stated that the surtax was needed to save the dollar, to combat inflation, and to provide support for our men in Vietnam. Now, this year, we are still faced with the dollar crisis, inflation has not been abated, and our men are still involved in the terrible conflict in Vietnam.

Although 75 percent of the people of my district in my questionnaire last year indicated opposition to this tax, I felt it necessary to save our country from economic chaos. Therefore, I voted for the surtax. The need for this tax is as great or greater now than it was then.

It is time for the Members of this House to place the welfare of our country first. To my friends on the opposite side, I say, "I stood with you to save the dollar, to combat inflation, and to supply the needs of our men in Vietnam."

I ask you today to join with me in supporting the tax proposals of a different administration, to save the dollar, combat inflation, and to supply the needs of the men in Vietnam.

A VOTE AGAINST THE TAX EXTENSION

(Mr. ANDREWS of Alabama asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ANDREWS of Alabama. Mr. Speaker, I plan to vote against the tax bill today. I have been here 26 years, and we have been promised year after year after year that we would have a tax reform. I have not seen a meaningful tax reform bill since I have been here. The record shows—and this will come out in the debate—one of the big oil companies had a net income of $145 million and paid not one thin dime in Federal taxes. That is unfair any way you look at it, and I do not intend to continue placing the burden of the expense of this Government on the backs of the middle-income people of this country. They are tired of it. We ought to defeat this tax bill in the hope that we can equalize the tax burden in this country.

THE SURTAX EXTENSION

(Mr. RARICK asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. RARICK. Mr. Speaker, today we take up giving a present to all of those who had hoped to go on a Fourth of July vacation and to worry those who will. It is the pledge that a big hunk of money will continue to be taken out of their income—despite campaign promises to the contrary.

A year ago the surtax was sold as some special device to bring under control the runaway inflation which plagues our land. The surtax was passed and the taxpayers were forced to uphold their end of the contrivance but big brother Government broke the covenant by not cutting, as promised, unnecessary Federal spending. Now a year later we find inflation not under control but, if anything, escalated.

We are now led to believe that unless the surtax passes, the country will face depression, chaos, and that the people will suffer. This politics of fear is undoubtedly valid—because the people will continue to suffer whether or not the surtax continues. The monied interests who have continued to prosper during inflationary "good times" will be the least affected by the action of the House.

The big question before us today is whether or not this House will act as true representatives of the American people—those people who, from all accounts and indications, do not want to bear the continued burden of the surtax.

Certainly something has to be done, but the people look to us in Washington to curb the problem through tax reforms and a reduction of unnecessary Federal spending and not to aggravate the problem with more threats and more reprisals and more taxes against decent, honest, silent, hard-working American taxpayers.

Mr. Speaker, I plan to vote for my people and represent them by voting against the surtax extension.

PERSONAL ANNOUNCEMENT

Mr. MONAGAN. Mr. Speaker, on rollcall No. 85, the motion to recommit the cigarette bill, I was absent because of official business. Had I been present, I would have voted for the motion to recommit.

CALL OF THE HOUSE

Mr. PELLY. 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, and the following Members failed to answer to their names:

[Roll No. 96]

Blatnik	Green, Pa.	Pirnie
Boland	Hébert	Powell
Brooks	Kirwan	Rees
Cahill	Lennon	Reid, N.Y.
Carey	Lipscomb	Rosenthal
Celler	Lujan	Scheuer
Clark	MacGregor	Stephens
Donohue	Mikva	Teague, Tex.
Dorn	Morgan	Thompson, N.J.
Evins, Tenn.	Mosher	Vander Jagt
Ford, William D.	O'Konski	Watson
	O'Neill, Mass.	Wolff
Gallagher	Ottinger	
Goodling	Philbin	

The SPEAKER. On this rollcall 393 Members have answered to their names, a quorum.

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

TEMPORARY CONTINUING SURCHARGE AND EXCISES, REPEALING INVESTMENT CREDIT, AND PROVIDING LOW INCOME ALLOWANCE

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 453 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 453

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12290) to continue the income tax surcharge and the excise taxes on automobiles and communication services for temporary periods, to terminate the investment credit, to provide a low income allowance for individuals, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Missouri (Mr. BOLLING) is recognized for 1 hour.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from California (Mr. SMITH), pending which I yield myself such time as I may consume.

GENERAL LEAVE TO EXTEND

Mr. BOLLING. Mr. Speaker, I ask unanimous consent that all Members may extend their remarks on this rule.

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

There was no objection.

Mr. BOLLING. Mr. Speaker, I do not plan to yield until I have concluded my remarks, and then if I have time available I will yield.

Mr. Speaker, I have probably helped to pass more rules with brief comment then anyone. I do not waste time on rules ordinarily. I happen to believe that this rule faces no great difficulty, and I happen to believe that the issue it brings to the floor is of overriding importance. Therefore I intend to take a little time, as I have indicated.

I want to make, if possible, a clear statement, so I will not yield until after I have finished.

Now, why, Mr. Speaker, do we have a closed rule today? I announced publicly earlier to the distinguished chairman of the Committee on Ways and Means that I did not necessarily plan to support a closed rule. I am not so ignorant of the history of the House to believe that the House cannot function without a closed rule. For many years the House dealt with the tariff with an open rule.

Mr. Speaker, I know that the closed rule is a convenient myth, and the reason that we have an unmodified closed rule, as far as I am concerned—and of course I only have one vote in the Committee on Rules—is that those who desire a tax reform could not get together on a single bill to support, and those who oppose the legislation felt—and I believe wisely—that if they had a closed rule it would be easier to vote against the legislation.

This is really why we had 10 votes for a closed rule in the Committee on Rules.

Mr. Speaker, I happen to believe that under the circumstances that exist that this is the right way to consider this bill—under a closed rule. There is no real alternative. Some Members asked for an open rule, some Members asked for a rule that would make in order amendments offered only by members of the Committee on Ways and Means.

I could conceive of an open rule at some other time than the last day of the bill's life. I could conceive of it even on a matter that is enormously controversial, and upon which we were prepared to spend a month or so, but I could not conceive of it under these circumstances.

And in the absence of any agreement on a plan of reform, it was ridiculous for us to consider a modified rule.

There is great complaint, and I think absolutely justified, on the way this bill has been handled and scheduled. But it has been complicated and difficult.

The President of the United States had to change his mind on two critical issues before the bill could come to this floor in this fashion. He campaigned against the extension of the surtax and he came to the conclusion after he was President that the country had to have it and his administration had to have it. He made it pretty clear that he was not for the repeal of the investment credit until just a few days before the announcement that again he had changed his mind.

I am not being critical. I think he made the right decision. I happen to have felt that way all through the campaign and do feel that way now.

I do not think much of the way the matter is scheduled. Frankly, I am not being critical of any individual. But I must say, and everybody must know I have been a somewhat vocal critic of both the Democratic leadership and the chairman of the Committee on Ways and Means over a period of time. I suspect that I have been the most vocal and a most outspoken critic. So certainly the way it is scheduled and how it has been handled is not the reason I am for the rule and the extension of the surtax.

Some of the people with whom I have had the pleasure to work with on every great cause in the years that I have been in this Congress, in the domestic field, in the field of civil rights, and on all the humanitarian measures, the welfare matters, the leaders of the great American labor movement, and almost all liberal organizations oppose this bill. I am still for it.

I am for it because I think it is important in very real terms—not in the terms of absolutism that you may hear during the debate today—not that if we fail to pass a tax bill there will be a disaster. I do not know that there will be, but is merely my best judgment that there may be.

Not because one may say it is responsible to be for it and irresponsible to be against it. I do not believe there are very many people on either side—although there are a few and they are on both sides of the aisle who demagog on great issues—I think there are very few Members of this institution who when we get down to the wire do not vote the way they believe is best for the country. It is not a question of responsibility.

One can blow up the idea of responsibility by talking about who voted for it the last time and who voted against it; and who will vote for it this time and who will vote against it. I mean you are going to have a wonderful collection of interchanges, but that has nothing to do with responsibility—or even with politics because a Republican has a reason to believe in his heart that this administration will be more frugal than a Democratic administration. A Democrat has a reason in his heart—not I—to distrust a Republican President's use; that is, the political use of the passage of the surtax. This is not irresponsibility.

This is just looking at what some people consider as first things first.

But I am for the bill and for the surtax for the very simple reason that I have had the misfortune to have spent years working on political economics in the Joint Economic Committee. I have been on it since 1951.

I have an acquaintanceship with the economists of the country—liberal and conservative. The ones whom I respect—and that includes Walter Heller, whose statement is being circulated among the liberals purportedly to prove that he really feels we should not vote for the surtax today—all the economists whom I respect say that they think it is important that we have it. All the economists who have a good record in dealing with the economy indicate that it is important.

Now, I might even be against it, even despite that, if I thought my friends who keep talking about reform were realistic. There is no question that we urgently need tax reform, and in my judgment there is no question but that we are going to get it. I cannot say that I regret it, because I think maybe a small step will be important. But I certainly regret the timing of when we are going to have a reform bill on the floor of the House and in the Congress as a whole. Why should my liberal friends be so insistent on reform in this Congress, in this ad-

ministration? This, to me, is the most remarkable phenomenon I have ever seen.

Here we have an administration which, perfectly legitimately, is probusiness. Why not? There is nothing wrong with being probusiness. But they are more probusiness than the majority over here. What kind of reform are they going to be for? The elimination of depletion allowances? I think the only real targets that are standing up there without constituencies, probably, are—guess what?—the poor old foundations.

A great many people keep telling you that this Congress is controlled by the Democrats. It is a convenient myth. A convenient myth. Anyone who counts votes on issues knows that this Congress is controlled by those of like mind who are conservative. I am not even going to call them a conservative coalition. They agree with each other. That is the Congress from which to get real tax reform? Jokes.

There are some alleged alternatives. Some of my friends whom I respect greatly point out that in their judgment what we should be doing is to try to get a new regulation, consumer credit control. Really, that might be right. But I am one of the few people left who served on the Committee on Banking and Currency back when the Korean war hit, and I watched what happened when we tried to impose that kind of control, how long it took to get the legislation started, much less finished. It is not something that is done easily. It is very tough work. And when you get price and wage controls, although I started in in 1950 being for them, I learned that they did not work very well or very fairly. I can conceive of a situation where I might be for them again.

And I think I have covered pretty well where we are on reform. We are going to have reform. The President has made a commitment. I see the minority leader nodding. I know he is committed. The chairman of the committee is committed. The ranking minority member is committed. We are going to have a reform bill, and I will probably vote for it—but I probably will not like it. But I believe that when we get to the final moment today and vote on this bill, we should place our bets carefully. If you vote against the surtax and it fails, and we have the kind of reaction that I think may take place, you are going to have it on your conscience for a long time. We have not had a real recession in this country since 1937. Do not kid yourself. We have had little ones in the post-World-War-II period. We have the the greatest economic skew today that we have ever had, and the fault is bipartisan and I am not going to lay the blame here. We have the greatest economic skew we have ever had since World War II, and no one knows what will happen if this measure is voted down.

Do not take the chance. It is a good bet to vote for it, because what have we lost if it passes? A little popularity, perhaps, for a short time in the off year. I am not talking about responsibility. You can make an argument for voting either way if you wish. I am just giving you my best judgment on why I am on the side that is, from every point of view, except what I believe, wrong. It is not politically expedient. It does not seem to be a very smart side.

I just happen to believe we have to pass the surtax, not next month, but today.

(Mr. SMITH of California asked and was given permission to revise and extend his remarks and include extraneous matter.)

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the distinguished gentleman from Missouri (Mr. BOLLING) has explained House Resolution 453. It will provide 4 hours of debate, with a completely closed rule, waiving all points of order, amendments only by the Ways and Means Committee, and one motion to recommit. This is in consideration of the bill H.R. 12290, the surcharge and excise extension and investment credit repeal.

Mr. Speaker, the purposes of the bill are:

First, to continue the surcharge at existing rate through calendar 1969 and at a reduced rate through fiscal 1970;

Second, to postpone for 1 year the scheduled reduction in excise taxes on autos and communications;

Third, to repeal the investment credit as of the end of April 18, 1969, with exemptions for future work or equipment contracted for by that date;

Fourth, to provide a 5-year amortization for air and water pollution control equipment to replace the investment credit in this one field; and

Fifth, to provide an increased low-income provision to remove many low-income families from the tax rolls and lower taxes for many other families.

The committee estimates that the effect on revenues during fiscal 1970, if the bill is enacted, will be to increase revenues by $9,260,000,000. The extension of the surtax will bring in about $7,640,000,000. The repeal of the investment credit will increase revenue by $1,350,000,000 and the excise extension will bring in $540,000,000. The low-income allowance will reduce revenues by $270,000,000.

The report states that the extension of the surcharge is necessary. Not to do so would feed the existing inflationary psychology, permit the current excessive economic activity to continue unchecked, which could drive interest rates still higher, and allow greater international pressure on the dollar. While it does not appear that the surcharge has been too successful in stemming inflation, much of this is due to loose money policy which was dropped for a much more restrictive one early this year. This reversal is now beginning to show results which will roll back inflation when coupled with an extended surcharge.

The bill continues the current 10-percent rate through calendar 1969. The rate is reduced to 5 percent through June 30, 1970, making the effective rate on 1970 taxpayers only 2.5 percent.

In order to insure an adequate brake on inflation, the bill also repeals the 7-percent investment credit available on plant and equipment. The credit is canceled as of April 18, 1969. Only construction, modernization, and equipment which was contracted for before April 19 will still qualify for the 7-percent credit. The credits available on plant and equipment which have not yet been placed in operation must be used by the end of 1974 or they lapse. Any credits available but not used by the end of 1970 will be reduced by one-tenth of 1 percent each month from January 1971 until the cut-off date, December 31, 1974. This will induce taxpayers to get their new plant and equipment operational because investment credit deductions cannot be taken until they are operational.

While repealing the investment credit without exception the bill also takes special notice of the problem of air and water pollution. Equipment for this purpose now qualifies for the investment credit. Under provisions of the bill such equipment will now qualify for a speeded-up amortization period of 5 years. Since equipment life is at least 15 to 20 years, it is expected that this provision will help continue purchases of pollution-fighting equipment.

The bill increases the minimum standard deduction program initiated by Congress in 1964. Present law provides the starting level of taxation by the number of $600 exemptions combined with the minimum standard deduction—$300 for the first exemption plus $100 for each additional. The bill virtually removes from the tax rolls all those families below the poverty level—$3,300—with eight persons or less. Approximately 5.2 million tax returns will pay no taxes and an additional 7 million returns will have reduced taxes under the bill, which provides $1,100 of nontaxable income for a family of eight or fewer persons. The additional tax-free income provided by the bill is phased out gradually on the basis of a reduction of $1 in the amount of the additional allowance for every $2 by which the taxpayer's adjusted gross income exceeds the maximum nontaxable amount.

Finally, the bill provides for the continuation of the excise tax on autos and communications. The auto excise is 7 percent; on communication services it is 10 percent. These rates are extended until January 1, 1971, a year longer than provided for by current law, and the planned reductions to lower rates are each put back 1 year.

No agency letters are included in the report.

Mr. Speaker, at this time I place in the RECORD an editorial from the Burbank Daily Review, dated June 19, 1969, and an editorial from the Pasadena Star-News, dated June 20, 1969:

[From the Burbank Daily Review, June 19, 1969]

ANTI-INFLATION ACTION IMPERATIVE

For nearly half a year the administration of President Nixon has been trying vigorously to curb the problem of inexorable inflation it inherited and the "inflation psychology" in the United States of America.

The inflation is largely the result of the federal government spending wildly beyond its means for about eight years. The "infla-

tion psychology" occurs when people overbuy because they believe prices will be higher later.

The fact that the efforts to curb inflation and the thinking that nourishes it have not had the full effects desired was made painfully clear by the recent academic discussion of wage and price controls.

Treasury secretary David M. Kennedy, warning that we could "be close to runaway inflation," said wage and price controls are an extreme possibility. It was a view later upheld by President Nixon.

Neither Mr. Kennedy nor Mr. Nixon suggests or wants a freeze in salaries and prices. Both are on record, in fact, as outspoken opponents of economic controls which crystallize existing problems, postpone solutions, halt competition and disrupt the interplay of the free market system.

Mr. Nixon and Mr. Kennedy were simply underscoring dramatically the fact that Congress and the people of the United States are apathetic about taking some eventually inescapable actions to bring inflation under control.

As a minimum the action required of Congress is the passage of Mr. Nixon's inflationary control package, now largely approved in committee. It includes extension of the 10 per cent surtax which will expire June 30, continuation of the telephone and automobile excise taxes and repeal of investment tax credits designed to stimulate construction of plants.

The executive warnings also should stimulate Congress to support moderate budget cuts proposed by Mr. Nixon which would leave a $5.8 billion budget surplus—also a deflationary tool.

Mr. Nixon and Mr. Kennedy also were speaking to businessmen, labor—all people. They are asking restraint in price increases, moderation in wage demands and common sense in buying things.

And the urgency of their message has been further underlined by the volatile stock market, a barometer of the national economic state; the perpetually rising interest rates, and warnings from the Federal Reserve Board that a limit might have to be placed on the size of business loans.

The message is that we can no longer overcome years of economic excesses by doing business as usual and hoping that inflation will go away without any sacrifices on our part.

The question now is how to keep the sacrifices to a minimum.

[From the Pasadena Star-News, June 20, 1969]

BUSINESS PLANNING WOES

This is an especially difficult time for businessmen. Like those in the Pasadena-San Gabriel Valley Area, businesses across the nation have the always present problems of how to balance the ultimate in service for their customers with the need to make a profit so as to stay in business.

But the ordinary problems are currently compounded for businessmen trying to adequately plan for the future—either short range or long range. They really don't know how much tampering with the economy the federal government is going to do. They read about efforts to curb inflation while interest rates go up and up. They are forced to wonder if anyone, including the federal government, has any idea of how far controls can go without causing a painful recession.

A repeal of the 7 per cent investment tax credit is moving through Congress and an extension of the income tax surcharge looks more probable day by day. Companies which have been relying on the investment credit will complete projects already under way, but the impact of the credit loss will be great on new equipment expenditure. The surtax extension, on the other hand, will not be more easily handled because it is based on the assumption that current tax rates will be maintained.

One of the biggest problems is the lag time between the movement of economic factors and the statistical evidence of their workings. In the month or two in which the statistics are being compiled, other developments may have occurred to affect the trend in some other way.

Every businessman will agree that inflation is horrible, but he also knows that attempts to cure it by ill-timed measures can be worse. The machinery of government is adjusted to a certain pace and that pace all too often is too ponderous and slow to actually control the economy.

The big question is whether public confidence can survive while the government attempts various forms of restraint. If the screws are applied too hard and a credit crunch develops to a full extent, public confidence begins to weaken, bringing about a stagnation in the retail and construction fields and a weakening of the stock and bond markets.

When the brakes are applied by government, there inevitably are interruptions of plans involving billions of dollars. Economists can only guess whether these painful shocks can be absorbed while business as a whole maintains a reasonable profit.

Up to this point, there are no real signs of a breakdown—but neither has the inflationary spiral been curbed. Businessmen are worried because they cannot make adequate plans and they are living in a world with rapidly rising material and wage costs.

The current moves being considered by Congress and those which have been implemented by the Federal Reserve Board have been taken in stride. It is what may come after these moves and what the future statistics will show about the state of business and unemployment which are of deep concern.

Thus, the Nixon administration and Congress are walking arm-in-arm across a tightrope. They are charged with managing an economy with a gross national product of more than $900 billion. They must halt inflation, but must not cause a recession.

Their successes and/or failures in managing the economy the next few months will have a deep impact on the social and political future of the United States and the world.

Mr. Speaker, for my personal opinion, last year when the surtax was up, I voted against the surtax. This year when the whip count was taken, I stated that I had not made up my mind and I hoped nobody would bother me, that I, Mr. SMITH of California, would talk to the gentleman from California. I did so for quite a considerable time yesterday afternoon. I heard and saw the minority leader, the gentleman from Michigan (Mr. GERALD R. FORD), on television, and Mr. Heller; and I also listened to Mr. Burns.

The surtax has not done what it was claimed it would do. But no one knows what might have happened if it had not passed.

I have never voted for bills which have placed us into the serious fiscal position we are now in.

Leading economists have predicted some very dire possibilities for our future if this measure is not passed. Whether they will occur, no one knows. But I believe their opinions must be given serious consideration. Certainly no one wants any of these dire possibilities to occur.

If they did, and my vote contributed to the cause, it would be on my conscience for the rest of my life. I do not wish this to happen.

Those facts, together with all the other information in my files, has led me to believe that the only thing for me to do this year is to vote for the continuance of the surtax, which I intend to do, and do so make a statement at this time. I hope it will accomplish what the proponents claim it will.

Mr. Speaker, I urge the adoption of the rule and the passage of the bill.

Mr. BOLLING. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana (Mr. MADDEN).

Mr. MADDEN. Mr. Speaker, my colleagues, I hope, will realize that today's vote on surtax extension might be the most important vote that we cast in the 91st Congress.

Your vote today will establish your image and record for our constituents as to how you can resist the pressure of the powerful tax loophole lobby versus effective tax reform.

In my remarks on this floor last Friday I think I definitely established that up to this date the majority of the Ways and Means Committee have been filibustering and delaying any effective action to curb fabulous tax preference to big oil, big foundations, big real estate millionaires, stock market speculators, capital gains, and so forth.

This mammoth tax loophole carbuncle on the good name of the House of Representatives is caused by the antiquated policy of a closed rule—no amendments—to any tax laws which the majority of the Ways and Means Committee submit to the Congress.

In this session the Members who have been fighting for equal taxation for all segments of our economy have at least aroused millions of American taxpayers to the fact that only a mere handful of their 435 Representatives have any force or power to control Federal tax legislation.

I have received thousands of letters and telegrams from Indiana and other States demanding that fabulous and, in some cases, fraudulent, loopholes, depletions, credits, and tax deductions to corporate and millionaire tax dodgers be repealed and an equitable and pro rata tax policy be enacted by this Congress. If this surtax increase is passed today it will add almost a $10 billion tax burden on millions of people least able to pay—the middle-class salary and wage earner. Economists report that $20 to $30 billion could be paid into the U.S. Treasury if the Ways and Means Committee stopped filibustering on tax reform and reported an antitax-loophole bill.

Never in my memory has the high-powered tax loophole lobby organization been more active than in trying to pass this legislation with their hope that it will relieve the public pressure for effective tax reform. Last Friday when we considered the 30-day extension on the surtax I expressed, during my remarks on the consideration of the rule resolution, extended arguments on why this additional year's surtax extension should be defeated.

Last Friday I also secured permission to include the statement which I made

before the Ways and Means Committee almost 4 months ago, setting out in detail some of the fraudulent and fabulous tax loopholes extended to multimillion-dollar oil companies, foundations, and so forth.

Each Member has received the CONGRESSIONAL RECORD of last Friday. I do hope during this debate you will read on pages 17626 to 17628, the extended statement I made before the Ways and Means Committee on March 26, on why we should enact effective tax reform legislation in this Congress.

Every Member of this Congress knows that tax reform legislation on corporations and millionaire tax dodgers has been agitated for several years. The majority of the Ways and Means Committee and the leadership on both sides for some reason or other have ignored the appeal of the American people for Federal tax equality and justice. My office desk is piled up with letters and telegrams from organizations—fraternal, business, labor, schoolteachers, older people, younger people—and we today are being asked by selfish interests to ignore the anti-high-tax uprising throughout this land.

Had this Congress, last January, properly responded to the public demand for tax reform we could have enacted by April or May an effective bill closing, repealing, and curtailing 90 percent of the fantastic and fraudulent tax loopholes that have been inflicted on the American people by powerful lobbyists during the last 30 years.

This bill today to assess the American people an additional $10 billion for the next 12 months would be unnecessary if we had acted. If this bill passes the House today it will relieve the worry of the tax loophole lobbyists of any danger of any effective tax reform during the 91st Congress.

No doubt the Ways and Means Committee possibly this fall or next spring will bring in a skim-milk tax reform bill and ask for a closed rule, as usual, when this comes before the Rules Committee.

Five members out of 15 members of the Rules Committee voted for an open rule on this legislation. I notice that both in the Ways and Means Committee and in the Rules Committee not one Republican member voted against this bill which will pick the pockets of the middle-class taxpayer of almost $10 billion in the next year. Two-thirds of the Democrats on the Ways and Means Committee opposed this legislation and I predict that today the vote on the Democratic side of the House will reveal an increased percentage against this surtax and in favor of closing major tax loopholes in this session of Congress instead of waiting 2 years from now in the 92d session of Congress. In the 1970 November election this Congress will get a resounding verdict from the American taxpayer on tax reform.

I do hope that the Members of Congress who go home over July 4 and when asked why big tax dodgers have not been curbed and compelled to pay their just share of our tax burden, will be truthful and tell their constituents that they have no power to vote on amendments, and in fact, are shackled when tax legislation comes to the floor of the House. Fifteen or 16 members of the 25-member Ways and Means Committee have the power to write tax legislation for the other 520 Members of Congress. If you are not a member of that select majority of the tax committee you might as well stay home as far as your district being represented on tax legislation in Congress is concerned.

I fully outlined many other facts about this unfortunate surtax legislation and the necessity for immediate tax reform in Friday's CONGRESSIONAL RECORD, pages 17626 and 17628, which is now in your office and also at your seats in the House Chamber.

I hope you read it before you vote this afternoon on the surtax extension.

Mr. BOLLING. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. SISK).

Mr. SISK. Mr. Speaker, I support this rule at this time. I think since we have come this far the proper thing to do is go ahead and adopt this resolution and permit the Committee on Ways and Means to present the case such as they have.

I might say frankly that I moved for an open rule in the Committee on Rules, and I said quite frankly at that time I had one purpose and one only in my motion, and that was to send the bill back to the Committee on Ways and Means. I was positive that had we been able to adopt an open rule that the gentleman from Louisiana and the other members of that committee would not have come to the floor of the House under an open rule. So my move was open and aboveboard. I pulled no punches. I am not sure but what this House probably should be working today under an open rule and attempting to meet its responsibility, and to try to write a reasonably decent tax bill.

Mr. Speaker, let me say that I enjoyed the rather ringing speech by my good friend from Missouri. I too am basically in support of, and I think we will get some surtax. I think that we have a responsibility to the country, and each and every one of us I am sure will answer his own conscience, but my good friend from Missouri totally ignored, I believe, the principle issue that faces us today, and that is what to me is significant. We are today dealing with the only tax bill that is going to have any chance of ever becoming law in the 91st Congress, in my opinion—and I recognize that is my opinion—and I might say that it is the opinion of a great many other people. If we pass the bill today under this closed rule, under this procedure, we will be yielding our prerogatives to the other body to write meaningful tax reform.

I believe there is no use kidding anyone. I believe the majority leader of the other body was quite frank yesterday, along with statements by a number of others, that they do not propose to accept this package and pass it; that if this is what they have to work on, they are going in and will take whatever period of time is necessary to try to write some meaningful tax reform, and if this takes until fall then it will simply be in the fall.

So I would hope that each and every one of us today, if we examine our own positions, once this comes to a final vote some time later this afternoon, will keep in mind that so far as this House is concerned I believe we are working on the only tax bill that will ever have a chance of the light of day, and of becoming law in the 91st Congress.

I am not calling in question the words of my friend from Louisiana, or the distinguished chairman of the Committee on Ways and Means, their desire possibly later on to try to come out with some additional tax reform, but I am thinking of some of the hurdles and some of the roadblocks and the chances that this bill would have to run before it became law, and I am firmly convinced that this is it for the 91st Congress.

So I would hope that when the motion to recommit comes, that the Members of the House will by an overwhelming majority vote to send this bill back to the Committee on Ways and Means, where they will have ample time, and if they need more time we can give them another continuing resolution for 30 days, because basically that is what we should do—this is the time to go ahead and do the job in this package, and the Committee on Ways and Means are amply able to do this, and they will have available the time in which to do it.

So, Mr. Speaker, I would hope that this bill would be recommitted to the Committee on Ways and Means, and let us do this job decently and let us not surrender our prerogatives to the other body because constitutionally it is our job and it is our obligation and our responsibility, and I hope today we are prepared to vote to live up to that responsibility.

Mr. SMITH of California. Mr. Speaker, I yield such time as he may consume to the gentleman from North Dakota (Mr. ANDREWS).

Mr. ANDREWS of North Dakota. Mr. Speaker, I would like to join in the concern over what may happen to this bill when it goes to the Senate, and with tax reform amendments tacked onto the bill during the floor fight over there. So I would hope we can send this bill back to the Committee on Ways and Means for meaningful tax reform in there before it next comes to the House for consideration.

In the meantime, Mr. Speaker, we have a continuation of the withholding to protect the interest of the public.

Mr. ANDREWS of North Dakota. Mr. Speaker, I would hope that we could amend this rule to provide for amendments or defeat the rule and in effect, send the bill back to committee, where significant long-overdue steps toward tax reform could be incorporated into it.

Since I spend as many weekends as possible visiting in my district with the people I am privileged to serve, I can tell you that there is a tremendous revolt brewing among average American taxpayers. They are just plain sick and tired of a tax system which piles inequity upon inequity, while spinning off additional benefits for the poor, enlarging tax shelters for the rich, and placing an increasingly larger burden on the people in between—that great majority of all Americans who are the backbone of our Nation.

Make no mistake about it. They are quite aware of the fact that the surtax was passed as a temporary expedient to deal with inflation and curb rising interest rates, and they are equally aware it has done neither.

In a thinly disguised effort to make this surcharge extension more palatable, the legislation we are considering today includes a total exemption from taxes for our poorer citizens and total elimination of the investment tax credit.

Trumpeted as initial steps toward tax reform, these provisions are, instead, true to the pattern of the present tax structure in that they, once again, ignore the middle-class citizens.

I refer specifically to the investment tax credit. I am sure most everyone is aware that the investment credit has allowed a deduction from the final, net Federal tax bill of an amount equal to 7 percent of the funds invested in machinery and equipment. It was first adopted as part of the Revenue Act of 1962. In 1966 when capital expenditures were believed to be contributing to the inflationary pressure, President Johnson persuaded Congress to suspend it, but 5 months later the administration asked that the suspension be revoked—an abrupt turnabout necessitated by a threatened recession.

But, I think, it is well to remember that Public Law 89–800, which enacted the short-lived suspension, did not remove the investment credit with respect to purchases of up to $20,000.

The same exemption for the benefit of small businesses and farmers should be included in the legislation we are considering today if we are not to place a double burden on those who can least afford to bear it. Refusal to allow the continuation of this investment tax credit on small businesses buying purchases of up to $20,000 has united the American Farm Bureau Federation and the National Farmers Union, two of the largest farm organizations, against this bill.

Since I represent one of the most agricultural districts in the House of Representatives, I would like to dwell for a few moments on the problems American farmers face today, and will point out to my colleagues the reasons why they simply cannot afford the additional burden of the repeal of the investment tax credit.

They are probably the prime victims of inflation.

Average farm income last year was only $4,863—73 percent of the nonfarm per capita income. American farmers are producing for prices per pound and per bushel that are less than 20 years ago, but production costs have risen until last year they took 81.5 percent of the return for his sale of agriculture products.

Americans eat better than any other people in the world, but they spend only 17 cents out of their take-home dollar for food, the lowest percentage of any nation in the world. In France, they spend 30 percent, and in Japan it takes 43 percent.

The U.S. farmer receives 38 cents of the consumer's food dollar. Twenty years ago he got 47 cents.

Meanwhile, a combine, which had an average cost of $6,940 in 1957–59, cost an average of $10,700 in 1968. A 60–69 horsepower tractor, which cost an average of $5,720 10 years ago, sold for $6,820 last year. The average cost of a corn picker-husker went from $2,120 to $3,500 in the same period and cotton pickers went from $16,680 to $22,000.

The cost and the shortage of skilled farm labor makes it essential that these heavy investments in time-saving, labor-saving machines be made. As a matter of fact, in 1959, the value of machinery and equipment used on U.S. farms totaled $11.2 billion. In 1968, it had reached a total of $26.2 billion a year, mostly for replacement equipment. Thus, the total repeal of the investment credit will add 7 percent to the price tag of the machinery and the equipment he must buy. This will mean a reduction of $210 million from net farm income, a loss farmers can ill afford.

In their report related to Public Law 89–800, the Committee on Finance in the other body gave its reasons for favoring the retention of a limited investment credit for farmers and small businessmen:

> The pressure for loans to finance significant increases in plant and equipment spending stems largely from the Nation's larger business organizations. The $25,000 exemption will be a negligible factor in the investment decisions of such organizations. It will not be negligible, however, to small business enterprises and farms, many of which presently have difficulty raising funds because of existing monetary restrictions.
>
> Furthermore, investment by small business and farms makes up a relatively small percentage of total investment in machinery and equipment. . . .
>
> The action also is consistent with long standing public policies to foster small business and farming.

Inflation is a cancer eating away the purchasing power of the dollar, thus destroying the value of life savings and hurting most, those who can resist the least, such as those living on fixed incomes or pensions and social security. Realistic measures tc stem inflation deserve, and will get, the wholehearted support of the Congress.

It should be noted, however, today's inflation is not the cost-push variety we have endured in the past. Instead, it is a problem of too much money persuing too few goods. Small businessmen and farmers, however, do not contribute to this inflationary spiral. Indeed, they are among the victims.

In this inflated economy, the small businessman like the farmer, is hard pressed to make investments which would allow him to take advantage of technological advances or increase his efficiency and productivity which are in themselves anti-inflationary. The result in recent years has been a decrease in small business manufacturers, for instance, while we have seen more mergers and the development of more conglomerates and a sharp increase in the share of various markets controlled by larger corporations.

The repeal of the investment credit, coupled as it is with higher and continually climbing interest rates, will rule out needed small business expansion and I submit, it is these mainstreet merchants and small manufacturers who are the real backbone of our Nation's economy. Congress, historically, has recognized this fact and has given special limited investment incentive, which will allow them to proceed at least in part with their expansion plans and encourage their competition with their big business rivals.

Mr. Speaker, the small businessman and the farmer, who are clearly the prime victims of inflation, are now threatened by the proposed cure for inflation we are considering today.

A year ago, the Congress was asked to approve the 10-percent surcharge with the assurance it was a temporary measure designed to halt inflation and hold down interest rates. We were further assured that surcharge would be followed by meaningful tax reform.

In the last 12 months, inflation has continued at an alarming pace. Interest rates have been increased and increased again.

Taxpayers, while still awaiting tax reform, have been treated to such revelations as the fact that 154 persons in this country with incomes over $200,000 in 1966 paid no Federal income taxes.

Now we are asked to extend the surcharge, and further, to approve the elimination of the investment credit without even an opportunity to offer amendments designed to protect the small businessmen and farmers who are in such severe economic jeopardy.

Our farmers and small businessmen have listened to many promises made and broken by both the Congress and the White House in this decade. Proponents of the surcharge extension have presented their case well and it is clear that the present fiscal crisis demands that Government must have more income. It is also essential, however, that this Government demonstrate it is fully prepared to keep faith with the people of this country by reducing Federal expenditures, military included, wherever possible, and by coupling the surcharge extension with meaningful tax reform to protect those people on the "whip-end" of the inflationary spiral contributed to so much by the irrational and indefensible fiscal policies of the past.

If it is necessary to delay extension of the surcharge as reason for tax reform, then so be it. I believe this would be a small price to pay to help restore the peoples' confidence in their Government.

Our peoples' patience is rapidly approaching an end, and it is up to those of us who are privileged to serve in this Congress to do more than just artfully dodge the issue.

Mr. SMITH of California. Mr. Speaker, I yield 7 minutes to the gentleman from Illinois (Mr. ANDERSON).

Mr. ANDERSON of Illinois. Mr. Speaker, I want to begin with this afternoon by expressing my profound admiration for the actions of my colleague, the gentleman from Missouri (Mr. BOLLING), in pronouncing his intention to stand with us on this very crucial issue this afternoon.

I can only hope that he will not find my embrace in this regard too much of an embarrassment, that is political em-

barrassment. But I think it clearly illustrates that the issue this afternoon is one between liberals and conservatives because certainly the gentleman's credentials as a liberal are impeccable—and some on this side of the aisle whose credentials as conservatives I think are equally impeccable. Yet, he has made a plea, and I join him in that plea, that we try to consider this issue this afternoon calmly and dispassionately from the standpoint of what is good for the entire country.

I thought it was significant when I arrived at my office this morning that there were two telegrams which greeted my eye. The first of these was from the National Association of Manufacturers calling for the defeat of this legislation, suggesting that it was going to add a tax on business and that by a repeal of the 7 percent tax credit we were taxing business unfairly. The NAM called for the defeat of this bill today and suggested that Congress should see if we could cut Government expenditures and obviate the necessity for any surcharge at all.

The other telegram that greeted my eye was one from the president of the International Auto Workers saying that we ought to vote against this and content ourselves with the palliative of a 30-day extension of the withholding rate, an action this House took last Friday.

So what we have here is big labor and big business riding together in tandem making a plea for the defeat of this legislation.

Their reasons are apparently somewhat different. Yet, the cold fact of the matter is that the effect following their advice is going to be precisely the same. The effect of their advice is to release into the spending stream approximately $10 billion and to add to the consumer and business investment demands at a time when those demands are clearly excessive. It would have the effect of sending the Government into the money market during the next 12 months to compete for funds at a time when interest rates are already extremely high—so high that they are threatening to ruin such vital industries in our country as the home construction industry.

Let me assure the Members of this body that it is not particularly easy for me to stand before you today and recommended the extension of this surcharge because I represent a city which ranks among the top three in the Nation in the production of machine tools. You can imagine the kind of letters, wires, and telegrams that I have been getting. Admittedly, the impact of repealing the investment tax credit on the capital goods industries, at least initially, is not going to be favorable but rather is going to be quite severe.

Even such distinguished economists, those whom we have heard mentioned including the name of Dr. Walter Heller, are critical of that decision to repeal and believe the better course of action might well be suspend rather than repeal. Yet, as recently as yesterday afternoon, I listened to Dr. Heller and he did not retreat from the position he takes that it is of absolutely critical importance that this House support a continuation of the surcharge at least at the rate of 10 percent until January 1, 1970, and thereafter at the rate of 5 percent.

Now the suggestion is made by the National Association of Manufacturers that we should defeat this bill today and that some later time we can come back and reconsider it in the light of further efforts to reduce Government spending.

That kind of argument ignores completely that the consequences of the defeat of this bill this afternoon would be to provide a psychological stimulus to a fresh round of inflation. It would occur at a very critical point, in my opinion, at a juncture when there is some hope that, given the right mix of fiscal and monetary policy, we are perhaps entering a period of greater stabilization in the economy. I submit that reconsideration at some later, undefined date might very well come too late.

The communication from Mr. Reuther to which I referred purports to be a plea in the name of the millions, of low-moderate- and middle-income families for tax reform. He suggested that we ought merely to continue withholding rates at the present level for 30 days. That kind of action would not be enough. That kind of action would not provide the clear, unmistakable ring of fiscal restraint that would indicate both at home and abroad that the efforts that we are making in this country to fight inflation are real, that they ring true, that they are genuine. Instead, there would simply be the dull reverberation that would indicate we are accepting the counterfeit coin of a currency system which is to be still further debased, still further debauched by the forces of inflation in this country.

It seems to me that Mr. Reuther's plea completely ignored the fact that it is the low, it is the moderate, it is the so-called middle-income families today that are precisely those who are suffering the most from a continuation of the present economic conditions. You do not find the speculators in their ranks, the people who can hedge against inflation, who can even turn inflation to their advantage.

In conclusion, I would suggest that his plea is grounded on the false assumption that this session of Congress will not see meaningful tax reform. And I respect the gentleman from California (Mr. SISK) who spoke earlier, as did the gentleman from Indiana (Mr. MADDEN) my colleagues on the Rules Committee.

But if you had been in the Rules Committee, as we were just a week ago, and heard the ranking Democratic member of the Ways and Means Committee—and I refer, of course, to the gentleman from Louisiana (Mr. BOGGS)—and the ranking Republican on the Ways and Means Committee, the gentleman from Wisconsin (Mr. BYRNES), you would have heard in clear, understandable, precise, unequivocal language the pledge that we will have a tax reform bill on this floor, if humanly possible, in August. I submit that those are men of honor. They are men who are not accustomed to deal in deceit when it comes to addressing a committee of this Congress or the House of Representatives.

I, for one, am willing to take them at their word, and I voted for a closed rule on this bill.

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

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

Mr. GROSS. What assurance can the gentleman give the House that if this bill is passed today it will not be taken over by the other body, as was the excise tax bill last year, and converted into a Christmas tree?

Mr. ANDERSON of Illinois. Of course, the gentleman now in the well is in no position to give assurances to the gentleman from Iowa as to what action the other body will take. But I have confidence—again I repeat—in the chairman of this committee, in the ranking Republican members of the committee, and the others who will represent the House in any conference that occurs on a tax bill. I have confidence that they will stand firm on any position that this House takes.

And I would submit that, although I voted for a closed rule on this bill, I would be inclined to vote for an open rule on any future tax-reform bill that comes to the Committee on Rules if it is not the kind of a meaningful package of reform that we have been promised. I feel safe and secure in making that kind of statement here on the floor today precisely because of the confidence I feel in those who represent us on that distinguished committee.

Mr. GROSS. Mr. Speaker, will the gentleman yield further?

Mr. ANDERSON of Illinois. I yield further to the gentleman from Iowa.

Mr. GROSS. That was precisely the assurance that we had last year, that the House would not surrender its position, but it did.

Mr. ANDERSON of Illinois. I would repeat: Had the gentleman from Iowa been in the committee with me the other day and had he listened to the gentleman from Louisiana (Mr. BOGGS) and to the gentleman from Wisconsin (Mr. BYRNES), he would be as sure as I am at this hour that they are going to give us the kind of bill in August that will give the low-income, the middle-income, and the moderate-income families of our country the kind of tax relief that they need and deserve—convinced that these were the sincere opinions of honorable men who have neither the desire or the habit of practicing deceit with this House.

To suggest that the defeat of this bill is essential to assure adoption of tax reform is to ignore facts that are clearly established in the record. A vote for this bill in no way signals an abandonment of the eminently desirable goal of trying to eliminate inequities in the present tax structure. To those who are so cynical that they still do not believe, I would suggest that they lack faith in the power of public opinion to effect reforms in our system of government. There is a powerful demand by the public today for a genuine overhaul of existing tax preferences, and I do not believe that the public will be denied.

In conclusion, I would make this appeal to my liberal friends in this Cham-

ber. And let me make it clear that I feel on the issue of the extension of the surcharge liberals and conservatives should unite albeit for somewhat different reasons.

The U.S. Conference of Mayors meeting in Pittsburgh on June 18 supported by formal resolution the legislation before us today. They did so for two reasons:

First. Abandonment of the surcharge would accelerate dangerous inflationary movements in the economy.

Second. Prospects for adequate Federal funding of essential social and economic programs would be worsened without the revenues obtained through the surcharge.

Surely, we dare not sacrifice badly needed housing, education, and manpower training programs or the fight against hunger.

I hope that the House will adopt this rule and the bill which it makes in order by an overwhelming margin.

I submit we ought to adopt this rule. We ought to pass this bill overwhelmingly, and signal to the rest of the country and to the world that we are prepared and willing to take a policy of fiscal restraint that will begin to choke off inflation in our country.

Mr. BARRETT. Mr. Speaker, today is the day we will stand up to be counted; when we must face up to our responsibilities to our constituents—to the people—American taxpayers.

We have before us for consideration House Resolution 453. Let us not misunderstand what this resolution provides. It merely allows the House to talk about—not work its will, but just talk about—a tax bill, H.R. 12290. A tax bill which will increase the income tax of many millions of Americans by extending the income tax surcharge. A tax bill which does not provide any serious or meaningful tax reform which is so sorely needed.

Mr. Speaker, all sorts of dire predictions are being made as to what might happen if we fail to continue the income tax surcharge. We were given similar arguments in behalf of the surtax last year, which I voted against, and great promises that its enactment would put the brakes on inflation. The fact is that it apparently has had the opposite effect, particularly as affecting the vast, vast majority of our people.

Mr. Speaker, the American people throughout the length and breadth of this country are clamoring for tax reform legislation. Legislation long past due to make our income tax system just and equitable. Let us not forget that it is those tens of millions of middle-class families and individuals with incomes of $7,000 to $20,000 who pay over half of our individual income tax. There is an urgent need for tax reform legislation to close so many of the loopholes that are costing our Government over $50 billion a year. Closing a number of these loopholes will provide more than ample funds needed by the Federal Government and do much more to combat inflation than a continuation of the surtax.

I will vote against adoption of the resolution and urge my colleagues to do the same. Should the resolution be adopted, I assure you, I will vote against H.R. 12290.

Mr. CLAY. Mr. Speaker, I cannot support the proposed extension of the 10-percent surtax. This President intends to collect another $9 billion from the taxpayers so he can declare a $6.3 billion surplus in July of 1970. He can just as easily declare a greater surplus by closing the loopholes in the present tax system. Should he like to go a step further to an eradication of the public debt, all he need do is stop the war in Vietnam.

It makes no sense to me to perpetuate a tax system which is overwhelmingly recognized as a subsidy to rich people. Oil companies, defense contractors, and other corporate entities have entrenched themselves into the Establishment. Because they do not pay taxes, big money interests can afford lobbyists, political favors, and Government payoffs whereby they sway policy to conform with their private interests. In contrast, the taxpaying citizens cannot, even now, see their way through to January without borrowing money to pay their taxes.

The reasons cited for passing this legislation are negated simply by the revenues which could as easily be collected through comprehensive tax reform. As long as the powers that be are successful in raiding the pockets of people who now pay taxes—there will be no stimulus for raising revenues from people and corporations now evading taxes. Take another $9 billion from the low- and middle-income taxpayer and what incentive will there be to seek revenue from the fat cats of the country. Until I witness legislative evidence of sweeping reform, I will not endorse another raid on the current tax roll.

We have heard a lot of talk about the taxpayer revolt. When there are 155 people with $200,000 incomes who do not pay taxes—why should the ordinary taxpayer not rebel? When he reads about 21 millionaires who do not pay taxes, I can understand his fury. When the 22 largest oil companies pay only 8.5 percent on their $6.8 billion profits, I see the discrepancy. When a person earns between $5,000 and $15,000 annually and pays 30 percent of it for taxes, I can understand the resentment. When these disparities are recognized as fact and still more taxes are sought from the same taxpaying group, I understand and agree with the taxpayer revolt. Until this Government establishes equitable tax reform, there is no justification for any other tax proposal.

The present surcharge has been a dismal failure. Originally conceived as a device to halt inflation and to retard the rise of interest rates, it has, instead, fed inflation while interest rates have escalated five times in the last 6 months. Prices continue to rise—this year at 6 percent.

President Nixon has declared that his new fiscal restraints should take effect in 2 or 3 months. If that is so, let him seek only a 2- or 3-month extension of the surtax while the reform bill can be reported and considered by the Congress.

I not only object to the system used by the Federal Government in collecting its money, I also object to the system adopted for spending it. Both systems are discriminatory and designed to benefit a privileged class. Our tax system discriminates against the low- and middle-income persons. The spending system discriminates against all three groups—middle income, lower income, and people of bare subsistence levels. The spending system is geared toward a production of materiel, of weapons, of highways, and of empires—not toward the provision of services for people.

Mr. MIZE. Mr. Speaker, all of us know the importance of stopping the inflationary spiral which has boosted wages and prices way out of line and interest rates to one of the highest levels in history. Curbing inflation has been given high priority by this administration and it behooves the Congress in taking the necessary legislative action to cool the overheated economy.

Although the surtax which was imposed last year has not made the anticipated progress toward weakening the inflationary pressures, most economists agree that this is the simplest and best form of tax action to take on a temporary basis in dealing with a fiscal emergency of the scope we have now. They say there are indications that the surtax is beginning to apply the braking action the economy needs in order to curb inflation.

Under the circumstances, it appears prudent to accept the recommendation of the administration and extend the surtax for another year—6 months at the 10-percent rate and the other 6 months at 5 percent. This recommendation has been approved by the Ways and Means Committee during its deliberations even though it was reluctant to continue, even temporarily, the present tax burdens. The conclusion was reached, however, that the consequence of not extending the surtax would be far worse.

Painful as it is to accept this conclusion, there is not much else we can do, and I am willing to give this administration every chance to achieve its goal of fiscal soundness. Stopping the inflationary spiral is the first order of business.

Mr. Speaker, I will support the extension of the surtax, but it disturbs me that this extension is coupled with repeal of the investment credit which has been so important to our economy over the past 7 years. I think it is a mistake to take this action to repeal the credit. I am sure the same thing will happen that happened before. After a few months, we will find that it will have to be reinstated.

We adopted the investment tax credit in 1962 after other countries had been using this type of incentive for years. We found it necessary to promote economic growth by encouraging modernization and expansion of machinery and equipment. We also found that one of the most important benefits from the investment credit has been to shore up our balance-of-payments position by placing our firms on a better competitive

basis in dealing with their foreign counterparts. We all know it has been of special assistance to the farmers. Farmers faced with the need to make heavy investments in new machinery and equipment as a means of increasing their efficiency have come to rely on this credit and believe it should be considered a permanent feature of our tax system.

When we put the investment credit on the books the first time, industry was given certain assurances that it was designed to be a permanent feature of depreciation reform. Its long range value has been proved, and when it was suspended in 1966, it was reinstated within a period of 5 months although the original suspension was intended to last for something like 15 months.

It does not work as an on-again-off-again proposition. In fact, the committee report on the surtax extension bill states:

> The investment credit does not lend itself well to suspension, restoration, and then suspension again. Investment plans are made on the basis of availability of the investment credit and various commitments are then made on this basis. Then, when credit is suspended, taxpayers are caught in various states of commitment to invest.

There is every reason to feel that repeal instead of suspension this year will have the same effect as the 1966 suspension, and if the investment credit is not restored within 6 months, it will be necessary to replace it with another incentive in the form of a more liberalized depreciation allowance.

In this regard, I am impressed with a line of reasoning presented in opposition to repeal of the investment credit. It goes like this:

> It cannot be overemphasized that new investment capital equipment is necessary not only to expand capacity, but to modernize it, therefore to ease pressures on costs and prices. In fact, of course, the ultimate anti-inflationary weapon of the U.S. economy is its productivity, which must be maintained and enhanced to encounter the now deeply embedded elements of inflation in our economic structure. More efficient plant and equipment and a more productive economy are particularly crucial in view of the full or near-full employment conditions that we have had since the mid-1960's with all their implications for labor costs.

So, Mr. Speaker, if we are going to fight inflation, let us do it with all the means at our command. Let us give the investment credit its due as an anti-inflationary device. Let us keep in mind that this credit helps increase productivity and enables the economy to deal with wage increases without price increases. We always have the problem in an inflationary period of too much purchasing power chasing too few goods. The investment tax credit can help battle inflation by producing more rather than spending less.

Although this legislation does repeal the investment credit so that the surtax can be reduced to 5 percent at the start of 1970, it is important that we keep a watchful eye on conditions because I am sure we will find that we will need to restore this credit early in 1970 as well.

Mr. BOLLING. Mr. Speaker, I yield the balance of my time to the gentleman from Mississippi, the chairman of the Rules Committee, to close the debate.

The SPEAKER. The gentleman from Mississippi is recognized for 5 minutes.

Mr. COLMER. Mr. Speaker, the Nation's house is on fire. The flames of inflation are out of control and threaten to destroy the Nation's economy. The value of the American dollar is rapidly eroding. The 1939 dollar is now worth 38 cents. It has lost almost 7 cents in the last 5 years. We are rapidly traveling the path that lead to the collapse of so many foreign governments in the past 30 years.

This is not the time to call off the firemen. Rather, the President is urging all of us to man the hoses and squelch the flames.

There is no time for partisan bickering or group bargaining.

Admittedly, the imposition of the surtax for the past year has not stopped inflation. But, who can say with authority that it would not have been much worse without the tax. Likewise, there is no guarantee that the continuation of the tax for another year alone will do the job. It should be but one flank of the attack. The assault should be and must be on a broad and comprehensive front. Other weapons such as curbing the extravagant credit system now operating in all facets of our economy should be discouraged. For, the withdrawal of money through the surtax from the Nation's heated economy can easily be offset by unbridled credit. Surely, we have gone overboard in urging people to buy and even store commodities on long-term credit. Certainly, private business has reached the point of the ridiculous by urging our citizens to borrow money to take vacations.

But more importantly, the Congress must remember that the people must support the Government and that, conversely, the Government cannot support the people. The Congress must quit engaging in the pleasant but deadly game of unbalanced budgets and deficit financing.

Mr. Speaker, in recent years we have heard much lip service in both Chambers of this Congress for the poor and the middle-class, and we will, no doubt, have a repetition of this in this Chamber today. But, I ask my colleagues, both to the right and the left, Who suffers the most from the continuous deflation of the value of our currency? Who suffers the most from the ever-decreasing purchasing power of the dollar? Is it not the people with fixed incomes, the wage earner, the salaried man, and above all, the aged and the widows and orphans?

Mr. SCHERLE. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield to my friend from Iowa.

Mr. SCHERLE. Will the gentleman from Mississippi give me one shred of tangible evidence as to what the surtax really has done within the last 12 months?

Mr. COLMER. No. As I stated earlier, I do not think the surtax has stopped inflation. I know it has not. But can the gentleman tell me that inflation would not have been worse if we had not had the surtax? Nobody can evaluate that situation, because it is an unknown quantity. But I come back to my statement that this is but one facet of the attack on this enemy of our Republic—inflation.

Mr. Speaker, I hope I may be pardoned if again I point out that I have been raising the warning flags in the well of this House against the impending destructive storm of inflation for more than a decade; at the same time emphasizing to the best of my ability that I feared the evil of inflation even more than the false ideology of communism. If we are to stop this devastating enemy, inflation, there must be retrenchment in our Government and a realization of our fiscal responsibilities.

Mr. Speaker, I urge the adoption of the resolution and the passage of the bill.

The SPEAKER. The time of the gentleman from Mississippi has expired.

Mr. BOLLING. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

Mr. OTTINGER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. BOGGS. 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. 12290) to continue the income tax surcharge and the excise taxes on automobiles and communication services for temporary periods, to terminate the investment credit, to provide a low income allowance for individuals, and for other purposes.

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. 12290, with Mr. MONAGAN in the chair.

The Clerk read the title of the bill.

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

The CHAIRMAN. Under the rule, the gentleman from Louisiana (Mr. BOGGS) will be recognized for 2 hours, and the gentleman from Wisconsin (Mr. BYRNES) will be recognized for 2 hours.

The Chair recognizes the gentleman from Louisiana (Mr. BOGGS).

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

Mr. Chairman and members of the Committee, may I begin by saying that I did not seek the position that I am now in, nor did I retreat from it when I had to take it because of the untimely and unfortunate illness of one of the great Members of this Congress, and one of the great chairmen of this Congress, my good friend, the gentleman from Arkansas, Chairman MILLS?

I might say to those of you who have been skeptical about certain things that I had a talk with Dr. Pearson just a few minutes ago, and he told me that he had advised Chairman MILLS not to be here today, but he is here, and on behalf

of the Committee on Ways and Means, Mr. Chairman, I express our profound appreciation.

Now, my friends and Members of this body, I would first like to echo if I might the very eloquent statements made here a few moments ago first by the gentleman from Missouri (Mr. BOLLING) and then by the gentleman from Illinois (Mr. ANDERSON) in which they did so effectively disassociate labels from those who support and those who do not support this proposed legislation.

I have been called every name under the sun, but I am not concerned about that. I believe that my responsibility is the same as every other Member of this great deliberative body: to look at an issue, to come to a sound conclusion, and then to act on that conclusion on what I consider is the best for this great country that all of us represent.

Our first obligation and the first obligation of any administration is to govern. Any administration, regardless of how it may be characterized, whether it be Democrat, Republican, or what-have-you, must first demonstrate its ability to govern. And today in this troubled world of incipient revolutions, constant change, disorientation, conflicts between races, conflicts between the young and the old, conflicts between the cities and the country, between the suburbs and the inner city, and conflicts abroad everywhere the ability to govern becomes a very difficult ability to exercise, indeed.

A few weeks ago the Speaker of this great body, the gentleman from Massachusetts (Mr. MCCORMACK), the majority leader of this great body, the gentleman from Oklahoma (Mr. ALBERT), the minority leader, the gentleman from Michigan (Mr. GERALD R. FORD), and the minority whip, the gentleman from Illinois (Mr. ARENDS), and the chairman of the Committee on Ways and Means, the gentleman from Arkansas (Mr. MILLS), and the ranking minority member of that committee, the gentleman from Wisconsin (Mr. BYRNES), the chairman and ranking member of the House Committee on Appropriations and the minority whip and myself were invited to the White House to discuss the fiscal affairs of the Government of the United States.

To me, this was not a unique meeting because I have been to many similar meetings when Democratic Presidents had summoned the joint leadership. I have a profound recollection of the time when President Kennedy called the joint leadership in the Cuban crisis, and when to a man the Republican leadership said, "We stand with you, President Kennedy."

They did not ask him whether he was a Democrat or a Republican.

I recall on this very measure we have here today when the gentleman from Michigan (Mr. GERALD R. FORD) and the gentleman from Illinois (Mr. ARENDS) and the gentleman from Wisconsin (Mr. BYRNES) coming to the White House slightly more than a year ago and saying to President Johnson, "Yes, Mr. President, we think the country requires this measure and we will support you."

That did not make them any less Republicans. It did not make me any less a Democrat when I was there 2 or 3 weeks ago. It meant that together we were confronted with a national crisis and together we sought its resolution.

So what happened when we went this year? We went back to the Committee on Ways and Means, and we put together in record time, I believe, a comprehensive tax measure—and this is a very comprehensive tax measure, which I shall explain in just a few minutes.

But it had a lot of support.

Before I leave this subject, I should say that this bill was not exclusively that of President Nixon. I attended a meeting of the Democratic leadership in the White House in January of this year, prior to January 20 and prior to the time that President Nixon took the oath of office. During the time that President Johnson had the responsibility to send to the Congress the budget estimates for the fiscal year 1970 and had to determine what he would recommend and what he would not recommend, he said, "I cannot send a message to the Congress unless I can get an understanding with the incoming administration that they will support an extension of the surcharge."

And, I say to you in truth and in fact, until Treasury-designate Kennedy and President-elect Nixon said that they would support the extension, that message was not sent to the Congress.

Here is what he said, and I am talking now about the Democratic administration and the Democratic President, President Johnson. I will read to you verbatim "Extension of the 10-percent surcharge."

He asked for a full-year extension of the 10-percent surcharge, and I will tell you in just a moment this bill differs in some respects from this recommendation. I quote now from President Johnson:

> Caution and prudence require that we budget our resources in a way which enables us to preserve our prosperity, strengthen the U.S. dollar, stem the increased price pressures we have experienced in the past few years.

And then he said—

> The budget calls for the extension of the income tax surcharge at its current rate of 10 percent for one year from July 1, 1969, until June 30, 1970. My economic and financial advisers unanimously agree that this fiscal restraint is essential in safeguarding the purchasing power of the dollar and its strength throughout the world.

I regarded the surcharge as a temporary measure, and for that reason I was especially interested in the following statement of President Johnson:

> My proposal for a one-year extension preserves the option of the new Administration and the Congress to eliminate the surcharge more rapidly if peace comes in the world.

Let me turn now to the views of the Joint Economic Committee. This is a committee, on which the distinguished gentleman from Missouri serves, and of which the distinguished gentleman from Texas (Mr. PATMAN) is chairman, and on which I have had the privilege of serving for a great many years.

Someone said to me not very long ago, "My goodness, why don't you get off that committee? How can you do all of these things?" I have an affection for the committee, because it is educational for me. If one will attend its sessions and listen to the witnesses, one just by osmosis will acquire knowledge that otherwise would not be available to him.

After the President sent his budget message, here is what the Joint Economic Committee recommended, and I think unanimously—I read no dissents—on both sides of the aisle. I quote from the official report of the Joint Economic Committee of April 1, 1969, just a few weeks ago:

> First priority in tax reform should be given to repeal of the 7 percent investment tax credit as a signficant step towards reducing inflation. . . .
>
> It is imperative that extension of the surtax and excises should not be the excuse for relaxing efforts to tighten control over expenditures, to increase economy and efficiency in government, to eliminate obsolete or low-priority items in the budget . . .

In other words, they recommended extending the surcharge 10 percent for a year and repealing the investment tax credit. They did recommend certain considerations for small business, for which I voted in the Ways and Means Committee, as the gentleman from Oregon can testify. Then they recommended that we use every conceivable effort toward efficiency in Government. And the gentleman from Texas, the chairman of the great Committee on Appropriations, has already brought to this body a resolution setting a limitation of $192.9 billion on the overall budget.

Now, we changed the recommendation to extend the surcharge at a straight 10 percent. The gentleman from Ohio (Mr. VANIK) came before the Democratic caucus, duly assembled, with a resolution that called for the repeal of the 7-percent investment credit, which on a full-year's basis would cost the Government $3.3 billion in tax receipts.

The Democratic caucus endorsed the resolution offered by the gentleman from Ohio (Mr. VANIK). Thereafter the President of the United States endorsed the Democratic caucus resolution. Then, because of this resolution, the administration was able, in place of recommending a 10-percent surcharge rate for 12 months, to recommend a 10-percent surcharge through December 31, 1969, and a 5-percent surcharge from January 1, 1970, through June 30, 1970, or more accurately a 2.5 percent surcharge for the full calendar year 1970.

In reference to the remarks of the gentleman from Indiana with respect to lobbyists, I would like to correct some impressions that may have been left. Usually they are hard-working people, who earn their pay. They provide us with much useful information and serve a useful purpose. But the gentleman talked about fat-cat lobbyists, and I do not know what a fat-cat lobbyist is. However, it is a fact that the National Association of Manufacturers is opposed to this bill and it is also a fact that at least one of the major farm organizations is opposed to this bill.

So, Mr. Chairman, I have no criticism of these organizations. That is the democratic process. We have had lobbyists ever since Congress has met. They contribute to our deliberations by giving us information we might not otherwise have. I am not criticizing them, whether they come from my friends in labor—and they have been my friends—or whether they come from my friends in business.

Now, if Members will permit, let us get down to the specific provisions in the bill. In other words, what is in the bill?

First, the bill extends the surcharge from the first of July, beginning tomorrow, at the 10-percent rate through the end of this year, December 31. After that time, the rate drops to 5 percent, and at the end of June next year it goes off altogether.

Second, the bill repeals the investment tax credit without any exemption—not one. The gentleman from Oregon offered three exemptions. One would have exempted investments up to, I think, $20,000 which would benefit small business primarily.

A second exemption would have excluded certain purchases made by common carriers, such as railroads, truck-lines, and aircraft. The third would have exempted equipment used to reduce the pollution of air and water.

There were nine votes for that package amendment. I voted for it, because I thought there was much merit in those proposals. But we were defeated, and there are no exemptions. Revenuewise, I did not think the impact would be too great, but that is not before us now.

There was a substitute offered, however, by the distinguished gentleman from Wisconsin, the ranking minority member of the committee, on the question of air and water pollution, which provided in many ways a much broader treatment for business firms that are seeking to clean our air and purify our water in order to provide us the environmental climate we so desperately need in this country today. That amendment was adopted, I believe, unanimously. This is the third major provision in the bill.

The fourth major change in the bill postpones for 1 year reductions which would otherwise occur in the excise taxes on automobiles and telephone service. These taxes are to stay at 7 percent and 10 percent respectively for 1 more year and future reductions also are postponed 1 year.

There is a final thing we did. To me it is unbelievable that anyone can oppose it. I have been on the Ways and Means Committee for 23 years. I did not know that—even today—a man who makes about $20 a week pays about $20 in Federal income tax—a week's wages—and that a man who makes $40 a week pays about $175 in Federal income tax.

We debated last Friday a provision which was considered essential for the children of our country. There also was discussion about the need for a meaningful overhaul of the welfare program. I am very hopeful and very sanguine that the Ways and Means Committee will do that, since it falls within our jurisdiction.

But in truth and in fact, under the present tax structure, one is better off if he is on welfare, so far as Federal taxes are concerned, than if he goes out and takes a low paying job. He would be better off on welfare. He would not have to pay any taxes, and the taxpayers would be footing the whole bill.

So we said for the single man and the married couple, and the married couple with children who have incomes below the poverty level, "These people henceforth shall not pay Federal income taxes." We actually removed from the rolls about 5 million taxpayers, but we reduced or eliminated the taxes of nearly 12 million taxpayers.

Now the argument is made, "You cannot vote for that, because if you do so, it is likely to defeat tax reform." That is like saying to a man who is starving to death, "Now, look. We would give you a glass of milk and a hamburger but you need a steak." So we let him starve to death because the steak will not be available until a little later. That is just about as logical. Of course this will not stop tax reform.

These are the five provisions in the bill.

Now let me deal with some of the arguments I have heard for the past 2 weeks.

In the first place, as far as individual income taxes are concerned, they are lower today than they have been at any time since the conclusion of World War II except for the period immediately before the surcharge was imposed.

You know, I remember HOWARD BAKER telling me the story once where he was trying a murder case which was based on circumstantial evidence. He thought he had it made, when all of a sudden here comes an eyewitness. When an eyewitness shows up and you have a case based on circumstantial evidence, sir, you are dead.

Now, without being selfserving, I just happen to have been an eyewitness to what has happened with regard to taxes in this country for the last quarter of a century, just as the gentleman from Wisconsin (Mr. BYRNES) has been an eyewitness and just as the gentleman from Arkansas (Mr. MILLS) has been.

As a matter of fact, I made the statement in the Committee on Ways and Means last fall that there are only three of us on this committee who ever previously had to vote for a tax increase. You fellows know how wonderful it is to vote for tax decreases, but we had to vote for tax increases in the committee at the time of Korea. As a matter of fact, that bill started out as a tax decrease, and when it left the House, it was a tax decrease. It then went to the Senate and, of course, as I might tell the gentleman from Iowa, in the meantime the war in Korea began. The Senate took one look at the bill to decrease taxes, and when it came back it was a tax increase. It was a steep one, too, which included the requirement that we report out an excess profits tax bill that fall.

Tax decreases have also been provided in the past. There were tax decreases enacted in 1945, 1948, 1954, 1962, 1964, and 1965. The 1945 reduction, which was the first of these, amounted to $5 9 billion. In the second of these tax reductions, in 1948, there was a $5 billion reduction. In 1954 the reduction was $7.4 billion. In 1962 the reduction was $170 million. The reason it was not larger is that we passed structural changes which offset a good part of the reduction from the investment tax credit. The investment tax credit cost $1.02 billion and the other changes picked up $850 million. In 1962, as a result of administrative action on depreciation guidelines, there was also an additional reduction of $1.3 billion. In 1964 there was a reduction of $11.5 billion. In 1965 there was a reduction of $4.7 billion. In terms of current levels of tax liability the decreases which have been granted since 1962 represent a total of $27.2 billion. As far as rates are concerned, they began at 23 percent in 1945. Just imagine what they were like to a fellow earning $1,200, when he paid 23 percent. Today the tax rate begins at 14 percent. The upper bracket in 1945 was 94 percent. Today it ranges from 14 to 77 percent, including the surcharge.

The impact of the surcharge at the full 10 percent rate for individuals, my colleagues, is less than 50 percent of the tax reduction that was granted in the 1964 act. That is its full impact and its total impact.

Now, the gentleman from Illinois, I believe it was, talked about the impact of inflation. Let me just say this: The workingman, the blue-collar man, the man who has no exemptions, who has no municipal bonds, who does not have a fast writeoff for real estate, who has no access to any percentage depletion—whether it be oil or one of the 110 minerals that have percentage depletion rates—he is hurt more by inflation than any other person. All the rest of them can hedge on it some way or other. The only people who are hurt worse than the low-income taxpayers are the old people who are living on fixed incomes. Other persons who are hurt by inflation are civil servants, such as a policeman, a fireman or a schoolteacher; these suffer greatly from the tax which inflation represents.

Talk about a cruel tax, inflation is the cruelest of all. The thrust of this bill is to offer protection from still more inflation.

Now, let me deal with the matter of tax reform. Anyone who says that we have not had significant reforms in our tax structure in the past 10 years is misinformed. Let me tell about some of the reforms in the past 10 years, since 1959.

In 1959 life insurance companies were for the first time taxed at a significant tax rate.

Next, the Revenue Act of 1962 contained a large number of reforms.

It provided for the recapture of the depreciation on personal property, a major revenue item.

It disallowed excessive entertainment expenditures. This certainly was an important change.

It significantly increased taxes on savings and loan associations.

It stopped tax avoidance with respect to the distributions of foreign trusts. That was an interesting device. You could go abroad and set up a trust in a country not taxing them and then after an accumulation for a number of years the trust would make a distribution to a member of your family, a child, brother, sister or grandson, cousin, neice or nephew. In this case there was little or no tax payable.

It corrected the computation of the foreign tax credit through the provision for the so-called gross up. That meant that when a foreign corporation makes a distribution to a U.S. corporation you recognize that part of the income with respect to which the foreign tax was paid was the income used to pay this tax. Under this provision you gross up the amount considered as distributed by the amount of the tax.

I am reciting all of this simply to say to all of you, my colleagues, and I say that with every ounce of sincerity at my command, that when one says that with the stroke of a pen or within the time it takes for the hand of the clock to make the round or that within a day or a week these problems can be resolved, I say to you, my colleagues, that one just does not understand.

Let me go ahead.

The 1962 act tightened considerably the tax treatment of foreign corporations owned by Americans.

It increased substantially the tax on cooperatives. This was one of the most difficult issues that we had to settle and some are still not satisfied.

It removed a loophole wherein foreign real property previously had been excluded from gross estates under the death tax.

The Revenue Act of 1964 also made many important and significant reforms in the tax laws. Let me list these for you.

It repealed the 4-percent dividends received credit provisions for individuals. That meant a taxpayer who received a large amount of dividend income, he was able to reduce his tax liability by subtracting the 4-percent credit for dividends received that exceeded the $100 exclusion. We eliminated the credit and increased the dividends not subject to tax from $100 to $200—on a joint return—in order to benefit the small investors.

Group term life insurance in excess of $50,000 for employees was for the first time subjected to a tax.

Casualty and theft losses were limited to amounts in excess of $100.

The provision where the interest was transformed into capital gains by not being stated separately was eliminated.

As to the personal holding company tax, significant tightening amendments were made.

Limitations were placed on aggregations of property in computing depletion deductions for oil and gas.

An income averaging provision was enacted. We did that for people whose incomes vary a great deal from year to year so they would not be taxed any more than those whose incomes were spread more evenly.

Restrictions on surtax exemptions in the case of multiple corporations were provided.

Let me tell you what we have done up to now on tax reform, and let me tell you how difficult the job is. The distinguished chairman of the House Committee on Banking and Currency came before our committee and made the most impassionate plea I have heard about foundations. I heard someone else here say, "That foundation thing will never be closed." We made a progress report not very long ago in which we spelled out tentative decisions that have been made by the committee; several of these related to foundations. A few days later I read an editorial in the New York Times dated June 14 under the headline "Undermining the Foundations."

The editorial stated—

> In its tentative proposals for the tax treatment of foundations, the House Ways and Means Committee would emulate the farmer who burned down a perfectly sound barn in order to rid it of a few pests. Instead of pinpointing its fire on the culprits inside—those foundations which are operated as blinds for tax dodgers—the committee proposes a blunderbuss attack on all foundations.

Then I read in another issue of the New York Times—a newspaper which I read diligently and respect greatly—another editorial entitled "Surtax in Danger." It goes on to call for the passage of a tax, but it criticizes us for not including tax reform. Some of the biggest reforms of all are needed in the foundation area. They do not like what we did there. Others may not like what we do in other areas.

Mr. BURKE of Massachusetts. Mr. Chairman, will the gentleman yield?

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

Mr. BURKE of Massachusetts. I imagine the gentleman would be interested to know that one of the large stockholders of the New York Times is the Ford Foundation.

Mr. BOGGS. I do not know who owns stock in anything, I have so little myself. I do not cite that as a reason for taking a position one way or the other on the surtax. I merely cite that as an illustration of the problem of developing tax reforms.

Let me give you one or two other areas where there will be problems. Let us take municipal bonds. Today you can hardly sell municipal bonds. You may need to build waterworks. You may need to build sewage treatment plants. You may need to build streets and schools. You may need to clean up ghettoes. But can you sell the bonds? The amount of unfinished work in our country is fantastic. Yet in my biggest parish we cannot sell bonds because the interest rate is so high that it is above the legal limit.

The minute proposals were made to tax municipal, State, and other type bonds, every mayor, every Governor and every city councilman—I never saw such a list—said, "Don't do that. We can't sell our bonds now. What do you think will happen if you do this to us?"

I am not saying we will, or will not, do it. I am merely trying to demonstrate for the benefit of you who have open minds—and I think that includes everyone in this body—what the problems in tax reform are. You know, it is so easy to say, "I am against taxes." Anyone can say that. But it is a lot more difficult to find out where you are going to get the money to run the Government and honor the commitments of this country, whether it be here or somewhere else in the world.

Laboring under these difficulties, this committee has heard over 600 witnesses.

We have covered the following subjects, and I will list them for Members.

Private foundations.

Other tax-exempt organizations—and that includes the churches.

The tax treatment of charitable contributions—and if Members want to get large volumes of mail from the universities and most of the churches, just start to study revisions in this area seriously.

Tax treatment of other deductions, including such items as farm losses—and Members will be getting mail on that.

The treatment of capital gains. This is certain to be a lively topic for us.

The minimum and maximum income tax on individuals. The minimum tax would provide that regardless of how much a man makes, or where he obtains his income, he has to pay at least a minimum income tax. That is a real reform.

Tax treatment of the elderly—do Members think that is simple? Eliminating the complicated retirement income credit and developing a workable substitute for that. I recite this only in an effort to show the Members—and convince the Members—that the charge that this committee has not worked diligently is irresponsible and untrue.

The foreign tax credit.

Multiple trusts.

Multiple surtax exemptions.

Depletion allowances across the board—for all 110 minerals, from oil and gas and sulfur down to clay.

The accelerated depletion on real estate—with respect to this, Mr. Chairman, I recently read a statement in the paper by Mr. Romney, the Secretary of Housing and Urban Development. Let me repeat it for the benefit of my colleagues:

> But Romney added that he was even more concerned over the proposal by the House Ways and Means Committee to eliminate the accelerated depreciation tax treatment on real estate apartments and dwellings and so forth. He said housing will come to an even worse halt if we do.

I do not know whether that is true or not. I simply want to get the facts.

We have also had before us the subject of bank bad debt reserves, tax treatment of State and municipal bonds, tax treatment of corporate mergers—the conglomerates as they are called, estate and gift taxes—and the treatment of tax depreciation by regulatory agencies.

Mr. Chairman, I have detailed this to a great extent. We really have done so much that it took Mr. Woodworth and Mr. Martin, who are able staff people, 12 pages to try to put it down as briefly as they could. I will not read it because I think I have recited enough to show that rather than being dilatory, the committee has been working hard and at a time when the Congress by and large has been inactive. When many of the committees,

because in some areas there have not been recommendations from the administration, have not had to sit and work every day, the Committee on Ways and Means met practically daily. Even when we had no program on the floor and most Members could stay at home, we were meeting. And a day after we reported this bill, we again met on tax reform.

Now let us talk about one other thing, and then I will stop. I want to address myself to the question asked by the gentleman from Iowa about whether or not this surtax has had any impact on inflation; the argument being, of course, why do it, since it does not make any difference? Is that not the argument?

Mr. SCHERLE. Mr. Chairman, if the gentleman will yield, I should like for the gentleman from Louisiana to outline for me tangible evidence that the surtax has actually served the purpose for which it was designed. Many Members testified in the CONGRESSIONAL RECORD, which I have read in its entirety, last year.

Mr. BOGGS. I yielded to the gentleman for a question, not for a speech. What is the question?

Mr. SCHERLE. Has the surtax served its purpose within the past 12 months, and to what extent?

Mr. BOGGS. I will do my best to answer that question.

I will say to the gentleman, speaking for myself, I was one of those who thought the surtax should have gone on earlier. I made a motion in the Ways and Means Committee which would have made that possible and I got five votes.

I will first answer the gentleman as the gentleman from Mississippi answered him, but then I will answer affirmatively.

Every economist from the councils in the Eisenhower, Kennedy, Johnson and Nixon administrations, who has said anything, has said that if we do not extend the surcharge we will have a chaotic situation. They have said that if this does not happen the faith and credit of the dollar, which is the symbol of fiscal stability in the world, will be under serious attack, and the waves emanating therefrom will not be limited to my district or to your district but will be felt all over this earth.

They have been joined in their opinion by many former Secretaries of the Treasury. This is true of Mr. Anderson, Mr. Dillon, Mr. Fowler, and Mr. Joe Barr.

Mr. VANIK. Mr. Chairman, will the gentleman yield for a question?

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

Mr. VANIK. I should like to ask the distinguished gentleman a question. In his statement he said there were no exceptions to the repeal of the investment credit. I should like to address the gentleman's attention to goods which are produced by foreign companies outside of the United States for use in this country. Is such production under the law entitled to the investment credit?

Mr. BOGGS. No; such production was not excepted from the repeal of the investment credit.

Mr. VANIK. If an American company, for example, should order a machine or turbine from a foreign company for use in this country, would that domestic company using that equipment be entitled to have an investment tax credit of 7 percent?

Mr. BOGGS. The answer is "No," if the machine was ordered or put in place after the cutoff date.

Mr. BYRNES of Wisconsin. Will the gentleman yield?

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

Mr. BYRNES of Wisconsin. The question there is, When was the order placed? Was it a firm order before the 18th of April? If so, then he would get the credit.

Mr. VANIK. Yes; it was a firm order. Of course it was a firm order.

Mr. BOGGS. The answer then is that the investment tax credit applies in the case of equipment purchased abroad for use here under the same rules set out for the termination of the investment tax credit on domestically produced goods.

Mr. VANIK. That is exactly correct. But I raised that question in the committee and I was specifically told by the Treasury representatives that the investment tax credit did not apply for goods manufactured outside the United States.

Mr. BOGGS. Does that answer your question?

Mr. VANIK. I have one other question.

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

Mr. BOGGS. I yield to the chairman of the committee.

Mr. MILLS. I think what my friend from Ohio has in mind is this: The 7-percent investment tax credit never has applied to equipment which is used by a taxpayer outside of the United States.

Mr. VANIK. That is correct.

Mr. MILLS. If the equipment or machinery is used within the United States, regardless of where it was produced, whether in the United States or outside, it is eligible for the 7-percent investment tax credit. If there was a firm contract as of April 18 last for the purchase of such an item, whether it is outside or within the United States, so long as it is for use in the United States, then the 7-percent investment tax credit applies.

Mr. VANIK. That is exactly the response I wanted.

I have one other question. I would like to ask the gentleman in the well whether the gentleman can give some estimate as to the dollar loss to the Treasury in exempting these pipelines from the investment credit repeal, providing that the necessary application for a certificate of convenience and necessity is filed with the regulatory board.

Mr. BOGGS. I cannot answer the gentleman because the gentleman did not properly state the facts.

Mr. VANIK. I stated a question.

Mr. BOGGS. You asked a question as if there were an exemption. There is no exemption. The provision you apparently are referring to, as I read it, provides that if a contract to transport property has been entered into prior to midnight April 18, 1969, then the contract is totally binding, if there was an application before a regulatory agency which specified the property to be built in order to transport the property subject to the contract. That is all there is to it and it is not an exception.

Mr. VANIK. My question is, What was the dollar loss to the Treasury, if the gentleman can provide it.

Mr. BOGGS. I cannot provide it because I do not know how many transportation contracts there are which qualify. I will say to the gentleman that I believe it is relatively insignificant.

Mr. VANIK. If the gentleman will permit that, I have a letter here from the Federal Power Commission in which they detail the list of the estimated cost of the applications. It runs, according to these figures, to $611,874,034. That is the size of it.

Mr. MILLS. Will the gentleman yield?

Mr. BOGGS. I yield to the chairman.

Mr. MILLS. Has the gentleman from Ohio actually looked to see whether all of those pending applications meet the requirements of the law here in order to receive the 7-percent investment tax credit? For example, will existing pending contracts before a regulatory commission account for half or more of the use of the transportation property for most of its useful life?

Mr. VANIK. I cannot tell that. That is the confidential files of the company.

Mr. MILLS. That is necessary, though, to know before anyone can say who is eligible under this provision.

Mr. BOGGS. And in addition to that——

Mr. VANIK. It is a $611 million loophole.

Mr. BOGGS. Is the gentleman talking about what the pipeline costs or the investment tax credit?

Mr. VANIK. No. I am talking about the contracts.

Mr. BOGGS. You mean the contracts? That is the amount of the contracts?

Mr. VANIK. Yes.

Mr. BOGGS. But the investment tax credit is only 7 percent of that even if all of those contracts met the conditions in the statute.

Mr. VANIK. Yes.

Mr. BOGGS. So it is not $611 million but it is 7 percent of $611 million.

Mr. VANIK. It is 7 percent of $611 million.

Mr. BOGGS. Assuming those contracts qualify.

Mr. VANIK. Yes. It is a considerable sum of money.

Mr. BOGGS. It is likely that many of these contracts do not qualify but even if they all did the amount involved would be only $43 million.

Let me go further, if the gentleman would put the question the other way, if you took the total of all plants which are involved in the investment tax credit, and I see the gentleman picked out this provision because the gentleman evidently believes that three may qualify under it.

Mr. VANIK. It is not only three, there are about 40.

Mr. BOGGS. We do not know how many qualify but let us say there are 50.

If you took the revenue loss from the credit on all the plants involved, you

would talk about how many billions of dollars?

Mr. MILLS. $3.3 billion.

Mr. BOGGS. $3.3 billion. So what the gentleman from Ohio was seeking to do, he is seeking to have——

The CHAIRMAN. The gentleman from Louisiana has consumed 1 hour.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that the gentleman from Louisiana may be permitted to proceed for 10 additional minutes.

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

There was no objection.

Mr. BOGGS. Mr. Chairman, what the gentleman from Ohio is seeking to do is to make this appear to be something different for every industry. The only difference the gentleman is pointing out relates to a regulatory agency. The contract has been entered into and qualifies as a binding contract. If you were to build a plant in the district represented by the gentleman from Ohio, and no equipment has been installed, but they have simply entered into a contract, a binding contract, prior to April 19, that equipment is eligible for the full 7 percent, and the gentleman knows it.

Now, let me continue about the inflation point, if I may, and then I will conclude.

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

Mr. BOGGS. If the gentleman will please let me conclude.

Mr. VANIK. I will do it on my time, then, if I have any time.

Mr. BOGGS. The gentleman will have some time.

Mr. Chairman, I want to deal with inflation.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield for one question at that point?

Mr. BOGGS. No. I cannot yield to the gentleman at this time.

Mr. Chairman, I listened, as probably most of the Members did, yesterday to discussions on the TV, and I heard Dr. Heller and some of the other economists speaking on the big problem in our economy as being how do we keep a steady growth without it becoming so incindiary that it runs like a wild fire. On the other hand, if you put on the controls so tight that, as Dr. Heller said, you overkill, then in place of having overemployment you have unemployment. In place of having full plant capacity, you have idle plant capacity. It means in place of having revenues approximating $198 billion, you have much smaller revenues.

Translated in terms of people, it is kind of a last-in and first-out proposition. The last man hired to take a job, the least skilled worker, is the one that loses his job first. And it also means that the psychology changes from one of being worried to death about inflation, to one of being scared to death about deflation.

So it is a very difficult balance and, thank God, that Congress in 1946 created a Council of Economic Advisers under the Employment Act of 1946. That Council has had an enormous impact on our Government. It has been a good impact.

Most of the Members who have been on that Council have specifically approved of this package, as a sound package.

Dr. Heller said yesterday that he was not sure that we should not suspend rather than repeal the investment credit. We did that once and then we put it back on. I have mixed emtions about that myself, to be quite frank with you.

I can give you the figures, if you are interested.

Plant and equipment expenditures generally increased from 1962 through 1966. The percentage increases, particularly in 1965 and 1966, were very large—15.7 and 16.7 percent, respectively. In 1967 these expenditures leveled off showing only a 1.7-percent increase over the prior year. In 1968 the increase was slightly larger—3.9 percent. In 1969 the estimate again shows a very large increase over the prior year—12.6 percent. This is the estimate based upon the May survey. The survey of plant expenditures in February was slightly higher—13.9 percent above 1968 levels ($72.96 billion) of investment expenditures.

Now that is a fantastic increase.

That meant that management everywhere was hedging against inflation thinking—well, I had better build my plant today rather than tomorrow because if I wait until tomorrow, it will cost me more in material, more for labor and more for everything.

So we went from 1962 when we passed the investment tax credit when total expenditures for new plant and equipment were $37.31 billion to $64.08 billion in 1968; and an estimated $72.17 billion in 1969.

This latter figure, however, is down from the $72.96 billion they thought it would be last February.

Let me return, however, to the facts on the slowdown in inflation. The fact that the 1968 action on the surcharge had an impact on slowing down inflation is shown by several indicators. Let me summarize these briefly.

The annual rate of increase in the real GNP—that is, expressed in constant 1958 dollars—has consistently declined since the second quarter of 1968 when the surcharge first became effective. The increase in real GNP in the second quarter in 1968 over the first quarter was 6.2 percent, the change in the third quarter over the second was 5 percent, the change in the fourth quarter over the third quarter was 3.4 percent, and the change in the first quarter of 1969 over the fourth quarter of 1968 was 2.8 percent. In other words the rate of increase continued to decline.

The recent release indicated of the eight reported "leading indicators," showed declines in four important series. One remained level and three rose. However, two of these three rose only slightly and merely reflected rising prices and costs. The remaining one was common stock prices which rose, but the seesaw price patterns in the stock market in recent months makes this an unreliable guide.

The leading indicators which declined were: industrial employment placements which fell 5.5 percent; new orders for durable goods which fell 3.2 percent; contracts and orders for plant and equipment which dropped 4.8 percent; and new permits for private housing construction which were down 8.8 percent.

On the other hand, two of the three indicators which rose showed much slower changes: industrial material prices were up 1 percent and the ratio of price to unit labor costs in manufacturing was only two-tenths of 1 percent. The third indicator which rose, common stock prices, has maintained a seesaw pattern in recent months and actually most recently is down.

Now let us see what happened to the savings rate. The savings rate reached a high of 7.8 percent in the fourth quarter of 1967. During 1968 it tapered off slightly to a savings rate of 6.8 percent in the fourth quarter. In the first quarter of 1969 this slight downward trend has continued and the savings rate in the first quarter was 6.1 percent.

Disposable personal income expressed in constant dollars since the second quarter of 1968, also has shown a generally declining rate of increase. The increase in the second quarter of 1968 over the first quarter was 5.3 percent. In the third quarter the increase was 2.1 percent, in the fourth quarter 2.5 percent, and in the first quarter of 1969, 1.1 percent.

The Consumer Price Index expressed as an annual rate of percentage change over the prior month reached a high of 9.6 percent in March 1969. Since that time the rate of increase has tapered off. The increase in April over March was 7.6 percent and the increase in May over April was 3.7 percent.

The wholesale price increases, although somewhat erratic in their pattern, have shown large increases over the prior month in months as late as May of this year. The increase in May over April was 9.6 percent; the increase in June over May, however, was only 4.2 percent. While a 1-month change may not indicate a trend in wholesale prices, yet this could well represent the beginning of a slowing down of wholesale price increases, assuming the surcharge is continued.

The new forecast of Fortune magazine is that the Nation's economic growth will slow considerably in the next 18 months. It predicts the GNP will increase only 3 percent this year, drop to half that in 1970, and resume its normal 4-percent growth in the second half of 1970.

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

Mr. BOGGS. Mr. Chairman, I ask unanimous consent that I may have 5 additional minutes, and I yield myself 5 additional minutes.

Mr. SISK. Mr. Chairman, reserving the right to object, since the gentleman has been operating in the last 10 minutes under a unanimous-consent request, I

merely wish to inquire of the gentleman, does he recall the conversation we had in the Rules Committee in connection with the question of fairness in the division of the time between himself and the gentleman from Wisconsin? I submit the gentleman is now an hour and 10 minutes in his time. I am curious to know if there is going to be such a division as we discussed in the committee.

Mr. BOGGS. It is my intention to conclude in 5 minutes. I am doing the best I can with a difficult subject, and I intend to yield as soon as I can.

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

Mr. PUCINSKI. Mr. Chairman, reserving the right to object, I would like to know if the gentleman intends to yield any time for questions, or are we going to listen to a monolog and not be able to ask any questions?

Mr. BOGGS. I am happy to yield to the gentleman from Illinois right now.

Mr. PUCINSKI. First, let us get the 5 minutes.

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

There was no objection.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield for a question?

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

Mr. PUCINSKI. We have been talking a great deal about loopholes here. I am under the impression that this bill has one of the biggest loopholes ever brought to this House, and I would like the gentleman to tell me whether this is correct or not: This legislation proposes to extend for 6 months a 10-percent surtax, and then for another 6 months a 5-percent surtax. Now, a wage earner who has his money withheld obviously is going to pay the 10 percent and 5 percent. But a self-employed individual who has some control over his earnings and profits may very well defer his earnings and profits in the last 6 months of 1969, when the 10-percent surtax is applicable, and carry them over into 1970 and give himself a windfall in January, paying only 5 percent surtax on those earnings and profits. Is that not the biggest loophole in the bill?

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

Mr. BOGGS. I yield to the distinguished chairman of the Committee on Ways and Means.

Mr. MILLS. It is usually quite difficult for someone to make such a determination to suit his own convenience. Either he has earned his income during the taxable year or he has not earned the income during that taxable year. The same rates would apply to everyone, including those whose taxes are withheld from salaries, such as you and I, and those who operate businesses have to estimate their taxes. We all pay the same rate on the same amount of income.

Mr. PUCINSKI. Mr. Chairman, if the gentleman would yield further, the wage earner, the working man who has his taxes withheld every week from his pay has no control over what he will pay. He has to pay the 10 percent and then the 5 percent.

Mr. MILLS. That is correct.

Mr. PUCINSKI. But the one who does control his earnings can carry over to 1970 those earnings and receive a windfall by paying only 5 percent on them. I suggest that the committee look at that loophole again.

Mr. MILLS. The gentleman knows that it is difficult for most taxpayers to carry over from 1 year to the next their taxable income.

Mr. BOGGS. Mr. Chairman, I will complete my statement and then I will yield to anyone who wants me to yield. I want to conclude. I want to say in my judgment the idea that we will not have a tax reform bill is one that I would reject. We have commitments from everybody on the committee. Even the Democratic policy committee in the Senate has insisted on writing amendments into this bill, and it is entirely possible that this very bill, when it comes back to conference, could contain many of the provisions that the gentleman is interested in.

Mr. MILLS. Mr. Chairman, will the gentleman yield at that point?

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

Mr. MILLS. Mr. Chairman, it will be an unusual day from the standpoint of the gentleman from Arkansas and for the gentleman from Louisiana when the Senate starts writing reform measures on this bill which are accepted in conference.

Mr. BOGGS. I have been a Member here for a long time—for 30 years approximately—and I have consumed more time today than in all the time I have been here. The only reason I did it was because I felt this issue was of such paramount national importance, and in view of the fact that I have been so intimately associated with it, I felt I owed the House a full explanation. I apologize if I have talked for too long a time.

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

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

Mr. VANIK. Mr. Chairman, following up the question addressed previously to the gentleman in the well, it is possible that with the bill written as it is—10 percent to the end of the year and 5 percent after January 1—a taxpayer who can arrange to move his income, under this type of provision can move it into the 5-percent portion of the tax year simply by deferring it.

Mr. BOGGS. I do not know whether it is possible or not.

Mr. VANIK. Is it?

Mr. BOGGS. In my judgment it is unlikely. But if this is a major problem we will consider the problem in conference.

Mr. VANIK. What the gentleman is telling us now is he will make every effort in conference to insure that income will not be spread over into the next year for the purpose of getting this smaller tax.

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

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

Mr. MILLS. Mr. Chairman, let me assume for the moment the gentleman from Ohio is correct—and I do not agree he is in most cases—it would follow that even if this bill is not enacted the taxpayer could carry over his income from this year when presently the surcharge is 5 percent to next year when there is no surcharge.

Mr. BOGGS. Mr. Chairman, I will be happy to yield time myself if additional time for questions is required by anyone; otherwise, I will yield the floor.

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

Mr. KOCH. Mr. Speaker, I ask unanimous consent that the gentleman be allowed to proceed for 1 additional minute.

(On request of Mr. KOCH, and by unanimous consent, Mr. BOGGS was allowed to proceed for 1 additional minute.)

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

Mr. BOGGS. I yield to the gentleman from New York.

Mr. KOCH. Mr. Chairman, I understood from the gentleman's presentation that the Ways and Means Committee has labored hard and long on tax reform and has promised this House that there would be changes in the Tax Code with the removal of tax loopholes, and that eventually tax reform will occur. I ask the gentleman, What was the reasoning that prevented this committee from coming in with a proposal which would have extended the surtax for 4 months, so as to permit the committee to come back at the end of 4 months with a tax reform bill and thereby have permitted us to vote on meaningful tax reform proposals simultaneously with a further 8-month extension of the surtax?

Mr. BOGGS. Mr. Chairman, I understand the gentleman's question. The reason is very obvious in my judgment. The purpose of this legislation, as the Washington Post said very forcibly in an editorial this morning, is basically to control inflation. If we send forth the message that all we are doing is playing that we really do not mean to take the steam out of the inflation—and that is what waiting for tax reform would mean—then we would have accomplished nothing.

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

(By unanimous consent, Mr. BOGGS was allowed to proceed for 1 additional minute.)

Mr. MURPHY of New York. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from New York.

Mr. MURPHY of New York. Mr. Chairman, I would like to address a number of questions to the gentleman in the well. Will the committee take up the question of the tax reform this year?

Mr. BOGGS. Of course.

I yield to the chairman of the committee.

Mr. MILLS. Mr. Chairman, if the gentleman will yield, I do not know how many times it is necessary for us to say what the schedule of the committee is.

Let me see if I can say it again. We started in February. We heard over 600 witnesses. We have been in the committee working ever since that time. The gentleman from Louisiana has listed the areas we have covered.

We have not had a tax bill before us. We have to develop a tax bill. I have set a target, knowing that I had the full cooperation of every member of the Ways and Means Committee, to try to have a bill on the floor of the House by the time we leave early in August. I do not believe we ought to go anywhere until we can give people an opportunity to see whether or not they want us to vote for a good, real, wholesome, effective reform measure. We expect to have it here some time in August.

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

(By unanimous consent, Mr. BOGGS was allowed to proceed for 2 additional minutes.)

Mr. MURPHY of New York. When the question of tax reform comes up and tax reform is debated by the committee, will the question of oil and gas depletion allowances be considered?

Mr. BOGGS. There is no question about it; not only oil and gas depletion allowances, but also depletion allowances on the 110 other minerals.

Mr. MILLS. Mr. Chairman, if the gentleman will yield further, we have covered every subject matter. When we bring the bill in here your mail is going to increase considerably, I will tell you that, but we will pass a tax reform bill.

Mr. SLACK. Mr. Chairman, will the gentleman yield for a question?

Mr. BOGGS. I yield to the gentleman from West Virginia.

Mr. SLACK. Mr. Chairman, I would like to ask the gentleman from Louisiana a question regarding the repeal of the investment credit, specifically with reference to the application of the binding contract rule to a plant being constructed in my district. As I understand this rule, it would allow the investment credit for property which is constructed pursuant to a contract that was binding on a taxpayer on April 18 and at all times thereafter.

In the latter part of last year a company entered into a binding contract for the engineering and construction of a hydrogen peroxide plant in my district and the work is proceeding under this contract. The central part of the hydrogen peroxide manufacturing process in this plant basically involves a four-stage procedure. Recently the company made a technological discovery which would increase the efficiency of the type of hydrogen peroxide manufacturing process to be used in the plant. The company has modified the engineering and construction contract to take advantage of this technological advance.

Essentially this will involve a modification of a part of the first of the four stages I have just mentioned. It is estimated that in its entirety this first stage will account for about 6 percent of the total cost of the plant. As I indicated, however, it will be necessary to modify only a part of this stage.

The rest of the plant will be essentially as originally contemplated in the contract, except for relatively minor design, engineering, and material changes that are of the type I would think normally would arise during the final design and construction phases of a facility of this size. Thus, the plant will be located on the same site, will have basically the same capacity, will cost approximately the same amount, will involve the use of the same basic type of process to produce hydrogen peroxide, but will be modified in the ways I have mentioned.

I note that on page 24 of the committee report on the bill it is said in explaining the binding contract rule, and I quote:

> On the other hand a contract which is binding on a taxpayer on April 18 will not be considered binding at all times thereafter if it is substantially modified after that date.

Am I correct that the type of modification of a binding contract I have described, in the case of the hydrogen peroxide plant in my district, would not be considered as a substantial modification which would make the binding contract rule inapplicable?

Mr. BOGGS. Yes. The gentleman's understanding of the application of the binding contract rule to the facts he has described is correct.

Mr. MILLS. There is no question about it.

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

(By unanimous consent, Mr. BOGGS was allowed to proceed for 2 additional minutes.)

Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

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

Mr. LONG of Maryland. Could the Ways and Means Committee give the Committee a target figure on what the reform proposals would add up to in billions of dollars?

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

Mr. BOGGS. Yes.

Mr. MILLS. It makes no difference what amount of money we may be able to develop, whether it is $1 billion or $20 billion. The hope of the committee, as I understand it, is that we should bring in a bill that will be a modest bill as far as the revenue is concerned. If we can think how to raise that much revenue, certainly we will give somebody else some relief.

Mr. LONG of Maryland. If the gentleman will yield further, it has been estimated that probably even a mild reform bill can yield another $9 billion in revenue by closing loopholes. Will the gentleman agree with that?

Mr. MILLS. That is a pretty generous estimate, I will say.

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

Mr. BOGGS. I yield to the gentleman from New York.

Mr. PIKE. Both you and the chairman of the committee, in response to the question of the gentleman from Illinois, indicated that it will be impossible for a self-employed person to defer income. Now, as an attorney, it seems to me that I have recommended many, many times to a self-employed person that he defer billings until the next year. A corporation can both defer billings and can increase inventory in the last months of the year. What on earth is to prevent self-employed people from deferring their billings and putting their income into 1970 and paying the tax at the lower rate as a wage holder, whereas the wage earner pays at the higher rate?

Mr. MILLS. If the gentleman will yield, it is possible if the taxpayer is on a cash basis to forego perhaps the collection of some accounts until the following year, although, of course, that means he will not have the money this year. His total income could be affected in that manner. However, the gentleman refers to corporations, and I will say that practically all corporations are on an accrual basis. Many, many of your proprietors are also on an accrual basis, especially if the have inventories. So it makes no difference about tax deferral in these instances. The income is attributed to the taxable year in which it accrues.

Mr. PIKE. Would it not be fair to say that even as to those who are today on an accrual basis, if they thought that they could make a lot of money by doing so, would they not go on a cash basis?

Mr. MILLS. No. They cannot shift from the accrual to cash basis without permission of the Treasury, which is unlikely to be obtained. However, the point that I am trying to make to the gentleman from Ohio and the gentleman from Illinois and now the gentleman from New York is that if you let this surcharge die after June 30, today, then certainly the difference is not between a 10 percent and 5 percent surcharge, but the difference is between 5 percent surcharge this year and a zero surcharge next year.

Mr. BOGGS. For next year, even with present law, the surcharge changes.

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

(Mr. BOGGS asked and was given permission to proceed for 1 additional minute.)

Mr. BOGGS. I do not think the gentleman understood the response of the gentleman from Arkansas.

Mr. PIKE. I think I did.

Mr. BOGGS. Let me explain it to the gentleman. The gentleman said that if you let it expire now, then there is a 5-percent surcharge this year and a zero rate surcharge next year.

Mr. PIKE. If you let it expire now?

Mr. BOGGS. That is right.

Mr. PIKE. Then there is no surcharge now.

Mr. BOGGS. Under present law the 5-percent surcharge applies for the entire calendar year 1969. Next year under present law the surcharge is zero.

Mr. PIKE. But it is true for everybody in that respect.

Mr. BOGGS. That is true.

Mr. PIKE. And the difference then is, if the gentleman will yield further——

Mr. BOGGS. I am afraid we have a

misunderstanding. The same rule applies exactly under the extension as applies now if you let it expire. So if you are smart enough to get this thing you are talking about, I presume you could take the 5 percent that he would have had to pay this year and move it to next year, and he would not have to pay anything under present law.

Mr. MILLS. If the gentleman will yield, I know an individual may be able to shift capital gains income. He could shift from one year to the next year the actual sale of the asset. That can be done. But you could not tax him until he had actually made a sale of that asset.

Mr. PIKE. He can defer the sale of an asset and defer the billing to clients.

Mr. MILLS. He could not if he maintained an inventory because then he would have to be on an accrual basis.

Mr. PIKE. Will the gentleman yield further?

Mr. BOGGS. I do not have any more time.

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

(By unanimous consent, Mr. BOGGS was allowed to proceed for 1 additional minute.)

Mr. VANIK. Mr. Chairman, if the gentleman will yield, I would like to ask the gentleman if he can tell the Committee how much revenue we have raised to this date on all the recommendations that have already been adopted by the Committee on Ways and Means on the question of tax reform, just how much revenue have we raised by their tentative proposals?

Mr. BOGGS. We have raised $3.3 billion on the repeal of the investment tax credit.

Mr. VANIK. That is in the surtax.

Mr. BOGGS. The gentleman is right.

Mr. VANIK. I am talking about tax reforms

Mr. MILLS. I would state to the gentleman that we have not asked for those estimates as yet, as the gentleman knows, but my guess in the overall, counting losses as well as gains, is that we are probably $500 million ahead

Mr. VANIK. So all of this effort has resulted in about half a billion dollars?

Mr. MILLS. We have agreed to some losses as well as some gains, but so far I believe we have a $500 million net gain.

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

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the minority leader, the gentleman from Michigan (Mr. GERALD R. FORD).

Mr. GERALD R. FORD. Mr. Chairman, this bill is before the Committee today for two reasons. First there is a need and necessity for adequate revenues to finance the many programs, domestic and military, for the benefit of the country. The legislation is before this body today because it is asserted by experts that this is an important and essential weapon in fighting the battle against inflation.

Mr. Chairman, let me say at the outset that the cornerstone, the foundation and the future of any country is a reasonable and constructive fiscal policy. Nations have fallen in the past because they did not handle their finances properly. Nations have deteriorated, become weak and impotent because they were unable to handle money matters successfully. One of the ingredients of a reasonable fiscal policy is adequate revenue.

Mr. Chairman, I know that in this body and also at the other end of the Capitol there are legitimate, bona fide differences of opinion as to where we as a Congress should allocate the expenditure of our revenues. There are those among us who say that we ought to spend more money on housing, on education, on agriculture, on space, and public works. Let me just say this: That unless legislation such as this is enacted there will not be sufficient revenue on hand to do even a reasonable amount in these many programs that effect the strength of this country domestically. If we do not pass this bill we will be hard put to say in good conscience that we can spend more money for public works, more money for space, more money for housing, and more money for agriculture—if we do not have it in the till we cannot spend it.

Second, there are a number of us in the Congress who think we perhaps have been a little too conservative in the expenditure of adequate funds for national security. Certainly I am not condoning waste in the Department of Defense. But there are programs which involve our national security which, in my judgment, ought to be funded. I cannot in good conscience recommend such expenditures unless we have the courage to stand up here today and vote for adequate revenue.

You have to have the wherewithal, if you are going to spend the money. This is true in domestic programs as well as those involving our national security.

If you give to the Treasury and to the President adequate money, then we in the Congress can work our will on how we slice the pie and how we make the division of resources and how we decide on the list of priorities.

But if we do not provide the money, $10 billion—you just cannot do many of these things that many of us think ought to be done both domestically and militarily.

So on that basis, I urge that we vote for this legislation today.

But let me take a second question. Every economist that I have heard about or have read about, and certainly the 12 who signed this letter, and who represent the spectrum of economists in this country, have written and said that this Congress must pass an extension of the surtax with the phaseout on June 30, 1970.

Here is a copy of the letter, and let me quote the first sentence:

> We, the undersigned economists, urge the Congress to act promptly to extend the surtax and to avoid a reduction in the withholding rates on July 1.

This is a broadly based group of liberal and also conservative economists who say that if we are to avoid the dangers of a recession, or something worse perhaps, then we must pass this bill today.

I know there will be some who will allege that a comparable plea was made a year ago and that some will say that the passage of that 10 percent surcharge last year did not provide the necessary tools to meet the challenge of inflation.

I must confess that the legislation did not do as well as I had hoped in the battle against inflation. It did not do the job as effectively as some of the experts said it would.

But let me say this. The passage of that legislation a year ago avoided the catastrophe of an international monetary crisis. The enactment of that legislation precluded the devaluation of currencies around the world. I think there are many who would honestly say that if we had not passed it, instead of the inflation we had in 1968 of about 4.7 percent, it would have been infinitely worse.

I say that if we do not pass this bill today in this body, and shortly thereafter in the other body, the specter of the consequences terrifies me. I do not want the kind of inflation that some people allege will happen. I do not want the catastrophe of an international monetary crisis as a result of our failure to step up and do what we ought to.

Let me take a minute, if I might, to talk about a situation about a year ago. In May of last year, President Johnson asked the Republican and Democratic leaders to come down to the White House. Prior to that meeting, nobody in the Congress was more adamant than I was against the tax increase. Everybody was certain that I was going to stand firm against an increase through the surtax process. We sat there at the White House a year ago and Mr. William McChesney Martin made one of the most dramatic pleas that I have ever heard a person make for affirmative action in a crisis.

Mr. Martin pointed out—and most of us who were in that room can well remember—that unless we stood up and passed the surtax, we as a nation faced the distinct possibility that there would be something comparable to the depression of the 1930's. As I look around the room here today, most of us in one way or other had that depression imprinted on us and on our families. I do not think we want to gamble with that possibility in 1970 or 1971 .We do not want to subject the children of this generation to the horrors of wanting to work and not being able to get a job—and that is what happened in the 1930's.

I know fine people who had ability and who wanted to work but who could not get a job because somewhere along in the 1920's someone had mismanaged our economy. Let us not be guilty of that in 1969.

This was the story that Mr. Martin told all of us, and as a consequence we on the Republican side came back, after promising President Johnson we would do everything we could to help on that crucial vote, and the net result was the Republicans—I am proud to say it—came up with 114 votes out of 187 votes—60 percent of the Members on our side supported the then President and his request for a 10-percent surtax, a new tax for a full 12 months.

Just about 3 weeks ago our new President had a comparable meeting at the White House with the leadership of this body, our distinguished Speaker, the distinguished majority leader, the majority whip, the chairman of the House Committee on Appropriations—I do not believe the chairman of the Ways and Means Committee was there, but he was there in spirit if not in person. After a plea by Mr. Martin and others, the leadership on this side of the aisle did as we on our side of the aisle did a year ago, and our Speaker and the majority leader and the majority whip have publicly done what they can to help the President as we on our side of the aisle did a year ago. Our Speaker and the majority leader and the majority whip have publicly done what they can to help the President to avoid the kind of economic consequences that might take place if we do not vote for this legislation this afternoon.

I am confident that when the chips are down, this House will vote affirmatively.

Oh, I know that someone will say, "Inflation is still continuing."

Let me make this observation: According to the Bureau of Labor Statistics, in March the cost-of-living went up 0.8 percent. That is a 9.6 percent annual average. In the month of April the cost-of living went up 0.6 percent. That is a 7.2 percent increase in the cost-of-living over a 12-month period, a reduction from the previous month. The latest figures show a 0.2 percent increase in the cost-of-living, an annual average of 2.4 percent.

We are making headway in the battle against inflation, but you will throw it down the drain if you do not pass this legislation here this afternoon, and the cruelest tax of all will be imposed on 205 million people in the United States.

Let me finish with this observation: We have heard a great deal about tax reform. I do not know how many people have to lay their reputations on the line or how frequently. The chairman of this committee has said, not once but many times today, and for days before, that tax reform is coming out of the Committee on Ways and Means.

The gentleman from Wisconsin, the ranking Republican, has made an equally affirmative commitment.

The President of the United States, on February 10, issued a directive indicating that his Secretary of the Treasury was to have tax reform recommendations before the Congress in 1969.

The President of the United States on April 21 sent a message to the Congress recommending tax reform.

Let me say this: The chips are down. We are going to have to have tax reform. We have to have this legislation to provide the revenue. We need this legislation if we are to continue the fight against inflation and successfully achieve victory over the cruelest tax of all. If we fail today, we will fail the country.

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

Mr. GERALD R. FORD. I yield to the gentleman from Iowa.

Mr. SCHERLE. I thank the gentleman for yielding.

Perhaps the best argument we can have this afternoon is the argument in the CONGRESSIONAL RECORD which I read in its entirety last year.

My question is, if we pass this bill this afternoon and it expires on June 30, 1970, will we have the same situation as last year? After we passed it last year, we increased the debt ceiling to $377 billion. At the present time we are over $365 billion. I have no doubt whatsoever that inflation will continue even if this bill were passed, but what will be the position of the Congress next year, in an election year?

Mr. GERALD R. FORD. Let me say if we do not pass this bill, we will have to increase the debt limit not once but many times, and in addition we will have indefinitely worse inflation than we have today—and it is bad enough right now. If we are going to win the battle against inflation, we will have to pass this tax bill today.

Mr. SCHERLE. The only way we are going to win the battle against inflation is to reduce expenditures.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from California (Mr. UTT).

Mr. UTT. Mr. Chairman, I take this time for the purpose of setting the record straight in certain areas. Of course I also rise in support of the legislation pending before the Committee today.

Mr. Chairman, I do want to take time to compliment the gentleman from Louisiana (Mr. BOGGS), who took over a very difficult job at a very difficult time and who has done a very marvelous job in handling the bill in the House today.

We in the Ways and Means Committee are so used to having Mr. MILLS handle all of our legislation that comes out of the committee, that we all are found resting on our oars and leaving the work up to him. The gentleman from Arkansas has been the target of very unfair criticism in the last few days and I as a member of the minority party want to take this opportunity to say to the Members that Chairman MILLS is the outstanding tax expert in America—not only in this House but in America—and the House is very fortunate indeed to have him as chairman of the Ways and Means Committee.

The gentleman from Iowa has asked the question once, twice or three times: Has the surtax performed its duty in the past? My answer is yes, insofar as it could go. I would say to the gentleman from Iowa (Mr. SCHERLE) that had the surtax not been passed—and this has been said before—we probably would have had a prime interest rate of 8.5 percent 4 months before we did have it and we would have had a higher increase in the cost of living.

Let me say it is not easy for me to support some parts of this legislation. I am probably the most business-oriented man on the committee—at least, I have felt that way from time to time—and it is not easy for me to say to my friends in business that we are going to take the 7-percent investment credit away from you. We know it is going to be hard, but we are going to do it. I have had to take that position.

I have had to take that position with the churches, and say we are going to begin collecting revenue out of their unrelated income. That is not going to be easy to do.

I have had to say to my cooperative friends, that they are going to have to pay taxes on their revenues from the magazines they are printing in competition with Dow-Jones and the Donnelly Publishing Co., McGraw-Hill, and some of the others, because they are paying taxes and the cooperatives are not paying their share of the taxes.

So I have had to go down the line. I have probably lost most of my friends among all of those who supported me, with the exception of the taxpayers in my district. In checking it over, I find that most of them are taxpayers. When they find that we have stopped inflation, and when they find that interest rates are going to be lower in time because we pass this legislation, then, when the time for election comes along, I will be entirely vindicated.

There has been a lot of talk around the floor about "loopholes." I do not know just what a loophole is, but I always thought a loophole was something which resulted, when you did not get the intended result from legislation.

I do not call depletion a loophole. We passed it that way. It may be inequitable but it is not a loophole. It may have to be changed. I will support some changes in it. I do not call depreciation of buildings a loophole. If others want to call it a loophole, then they had better look at the big loopholes.

One is the joint returns we are able to file. That is a $5 billion loophole, because we are permitted to file joint returns.

And we could go further. If anyone wants to call these things loopholes, let us look at the $600 exemption we all have. That is not a loophole, but probably some want to call it that. That costs $18 billion a year. If you want to pick up $18 billion, eliminate that loophole.

A great deal has been said about "are we going to have reform?" Let me say to the Members, I am dedicated to reform. I am committed to reform. It is not going as far as some may want, but it will go a lot farther than some of us want it to go.

I do not think we are going to find much gold in mining reform, because we will take off the high spots and fill in some of the low spots, and the net result is not going to be many billions of dollars.

So we have to look at the present time to the repeal of the 7-percent credit which will bring in an additional $3 billion a year, and also the surtax, which will bring in a total of $7 billion or so.

Did it work last year? Had we not had the surtax last year, the Federal Government would have had to go into the market and compete for the money which you and I have to have to run our businesses, which we have to have to

build our homes, which we have to have for expansion.

The greatest pressure there was last year was in the expansion of plants and machinery. There was a great demand for money. I doubt if many of you realize that 90 days prior to the prime interest rate going up to 8½ percent the commercial loans—not the bank loans, but the commercial loans—in America jumped from $14 billion to $26 billion, a $12 billion crunch in a 90-day period.

Had the Federal Government been at that trough, to get $10 billion more, we would have had 8½ percent money long before we had it. We will have it a lot higher if we do not pass this bill at the present time.

Now, as the chairman has said and as the gentleman from Louisiana (Mr. BOGGS) has said, there have been many, many days of hearings. Many a time the chairman of the committee, Mr. MILLS, with his black snake, kept us there until 6 or 7 or 7:30 o'clock at night, listening to the witnesses and taking testimony.

Let me say that in the 15 volumes of testimony, if the Members will examine them and the questions asked by the Republican side as well as the Democratic side, they will not find one member of the committee who questioned the fact as to whether the people who were giving testimony were going to have to face some kind of reform. It was unanimous.

I can assure you that in the 91st Congress, before the end of this present session, we will be debating a bill in the House. If you try to write it into this bill you will not get enough votes to pass it.

Even members of the Committee on Rules said the other day that, "If you try to tax municipal bonds, I will never vote for a rule." There are others who say that if you pass certain other taxes, we will not support the bill. If we bring about reform in the 15 or 20 or 25 areas of taxation that we have already had hearings on, we are going to get into a real donnybrook when that bill hits the floor, especially if it comes up under an open rule where anybody can make a motion or add an amendment to it.

So I urge you today to vote for the passage of this bill so that we can have a stabilized money market and we can have a decrease in the cost of living. As our Republican leader said a moment ago, the indexes are beginning to change. We have an entirely different situation than we had a year ago. It is beginning to bite and to take hold. In the next few months, if we pass this bill, we will continue to see a deflation of prices and a drop in interest rates. I do not know anybody in this country who will be happier than the voters when they find the cost of living and the cost of borrowing money is going down.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio (Mr. BETTS) a member of the committee.

Mr. BETTS. Mr. Chairman, the argument that we should not extend the surtax until there is tax reform is an argument which simply does not exist. It does not exist because the chairman of Ways and Means says we will have a reform bill—and I respect his word.

The real, and overriding argument for the bill is that it is necessary to check inflation. Congress passed a surtax for President Johnson and should do it for Richard Nixon. If it had not passed last year no one can say what the result would have been. Certainly we would have had some degree of runaway inflation. It did not perform a miracle and automatically and instantly stabilize the economy. This is impossible for at least two reasons. The economy is too massive to react to any one remedy at once. And second, the inflationary psychology has to be stopped. Something has to be done to show that the Government really means business before people will stop thinking in terms of spending more and more money, the situation was well stated recently in a report by Aubrey G. Lanston & Co., Inc.:

> Despite the recent change in monetary policy, reversing inflationary pressures and psychology will be a slow process. The inflationary problem facing the country is pervasive and deep seated. A slow down in economic activity is, of course, an essential part of the current anti-inflation program but it is not likely to be reflected immediately in a dramatic reduction in the upward movement of prices. After all, inflation has been allowed to continue virtually unimpeded for an extended period and the psychosis it has generated runs deep.

In the June 20, 1969, issue of Time magazine economist Albert T. Sommers of the National Industrial Conference Board is quoted as saying:

> There does not seem to be any riskless, costless, comfortable escape from the psychology of inflation.

From "Monetary Indicators" of June 27, 1969, issued by Mellon National Bank and Trust Co., I quote as follows:

> While a continuance of restrictive credit policies is essential for the near term, extension of the 10% tax surcharge is also crucial if the drive to stem inflation is to be successful. To allow the surcharge to lapse would serve to perpetuate and prolong the inflationary spiral and drive interest rates even higher. Furthermore, the psychological impact of abandoning even this modest measure of fiscal restraint could touch off a disruptive boom and bust cycle of business activity and trigger a worldwide loss of confidence in the integrity of the dollar with ominous implications for the expansion of world trade.

So the importance of passing this bill is not only economic or political. It also has psychological implications. As the present symbol of the fight against inflation it represents the Government's way of stopping excessive spending and restoring the economy to some form of stability.

As Sommers says, there is no comfortable way out. In other words, there is no easy way to fight inflation. Everyone has to pay a price and make a sacrifice. For some, it will be paying on a phase-out of the surtax. For others, it will be giving up the benefit of the investment tax credit. I am not happy that I have to vote for either. I had hoped that somehow we could avoid one or the other. But economists tell us that one of the primary causes of inflation is plant expansion which can be curbed only by repeal of the investment credit. That and the surtax will help balance the budget.

Actually the administrative budget will not be in balance even then. It will be $5.4 billion in the red in fiscal year 1970. And this is important to remember. Looking at the financial posture of the Government in terms of the unified budget, to my way of thinking, presents a distorted picture. Including the trust funds simply accounts for income and expenditures that are fairly well balanced by special laws. But the administrative budget which is limited to the general fund is subject to the pressures for appropriations and limited to income from general revenue. In my opinion, it is here that spending and revenues must be adjusted to determine whether we really have a balanced budget. If this bill is not passed, the administrated budget will have a deficit of $14.6 billion in fiscal year 1970.

Some of the opposition to this bill comes from the farming community. Farmers are in favor of retaining the income tax credit. But I believe passage of this bill will result in benefits which will in the long run far out weigh the loss of the tax credit. For years I have told farmers' meetings that inflation was one of the root causes of the farm problem. While the prices farmers receive for their products remain the same—the cost of necessities they buy has been constantly increasing. If this gap can be stopped or reduced, the farmer will have won a major battle. I live in and represent a rich agricultural area. I have always supported measures which I thought were for the benefit of the farmer. This is one of those measures. As an anti-inflation measure it provides a remedy for the farmers' worst enemy—the continued rise in prices of the equipment which he needs to do business.

Finally, I wish to stress the fact that this bill represents a phase-out of the surtax. Tax reform is equitable and necessary and I support it. We will soon have the opportunity to vote for it. But it is aimed at the very rich. After a tax reform bill is passed the tax burden of the middle class will remain untouched. When this bill is passed and our financial house is in order and later tax reform is accomplished then our first priority should be a systematic reduction in income taxes and an accompanying meaningful reduction in spending. The passage of this bill will give us this opportunity and that is one of the main reasons why I support it.

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield for a question?

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

Mr. PUCINSKI. Mr. Chairman, the gentleman made a very strong point that even if this was continued that there is going to be a $5.4 billion deficit—I believe that is what the gentleman stated.

Mr. BETTS. In the administrative budget, not in the unified budget.

Mr. PUCINSKI. Will the gentleman in the well or the gentleman from Wisconsin explain to us the reason why last

year, when this legislation was passed, the price of support for this legislation was a $6 billion cut in Federal spending, and a Federal job freeze, as part of the anti-inflationary package, but there is no such caveat in the legislation before us today. Would someone care to tell the Members why we left out that kind of requirement for this legislation? The statement is made of our concern about inflation. Can somebody tell us why we don't have a firm promise of a $6 billion cut this year if inflation is the prime concern?

Mr. MILLS. If the gentleman will yield?

Mr. BETTS. I will be glad to yield to the chairman.

Mr. MILLS. As my friend knows, we have already taken action on the expenditure ceiling in a recent appropriations bill. We have a ceiling of $192.9 billion on what can be spent in fiscal year 1970 in the second supplemental appropriations bill of 1969. The Committee on Ways and Means has no jurisdiction over the expenditure side of the budget.

Mr. PUCINSKI. If the gentleman will yield further, last year we went beyond that, demanding that we have an additional $6 billion cut as part of the anti-inflationary package. And if indeed inflation is so serious—and I believe it is—I am wondering why we do not have that same sort of condition now?

Mr. MILLS. I believe the gentleman knows that last year we were dealing with a Senate amendment. That was an entirely different situation. As an original matter in the House, expenditure ceilings are matters for the Committee on Appropriations, not matters for the Committee on Ways and Means. We have no recommendations from the Committee on Appropriations.

Mr. BETTS. I think our chairman is saying we are trying to get the same thing this year as we did last year, and the chairman stated time and time again before this bill came to the floor that he was not satisfied with the cut we had in the supplemental appropriation bill.

Mr. MILLS. Mr. Chairman, I hesitate to ask the gentleman to yield further, but the gentleman was discussing one point about this matter which I believe is most important. On the basis of President Nixon's revision of the budget, you have on the unified basis a surplus of $5.2 billion. If this bill is not passed, then that surplus becomes a deficit of $4 billion. And the gentleman was pointing out that in spite of the $5.2 billion overall surplus there is better than a $5 billion deficit in the administrative budget. That becomes a $14.3 billion deficit without this bill, which means we have got to turn around some time before the year is out, if this bill is not passed, and ask for another $10 billion increase in the public debt.

Mr. BETTS. Mr. Chairman, I want to thank the chairman of the Committee on Ways and Means for reinforcing the statement I made, because it seems to me that that is a very important comment. The administrative budget reflects the ebb and flow of pressures for increased spending, and increasing or reducing taxes. Actually this is where inflation is really generated.

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

Mr. BETTS. I yield to the gentleman.

Mr. BARRETT. Mr. Chairman, I rise in opposition to H.R. 12290, the proposal to continue the income tax surcharge. A year ago the Congress was faced with a similar situation regarding enactment of the surtax. Dire consequences were predicted should the Congress fail to pass the surtax. It was alleged then, as it is now, that there was a need to increase Government tax receipts to put the brakes on inflation. Inflation has not only continued; it has accelerated. The cost of living is almost 8 percent higher now than it was a year ago.

Let there be no misconception about the proposal before us. This is not a simple continuation of a tax; nor does it postpone tax reduction. Quite to the contrary. It would raise taxes. For individuals, the surtax applied only to part of 1968. Continuing it for all of 1969 raises the effective rate of the surtax from 7.5 percent on 1968 taxes to 10 percent on 1969 taxes. In addition, inflation and real growth push taxpayers into higher and higher brackets subject to higher and higher marginal tax rates. And the surtax is a percentage of tax, not of income.

I spoke out against the income tax surcharge last year and do so again today. I voted against it last year and will vote against it today. I restate, as I have on many occasions, that there is a need for tax reform. No longer is this need merely pressing, it is urgent. We all know of the clamor for tax reform throughout our land.

I have introduced a measure, H.R. 6721, to amend the Internal Revenue Code of 1954 to raise needed additional revenues by tax reform. Enactment of this measure would more than offset the loss of revenue by allowing the surtax to lapse, as was intended last year when it was enacted. Furthermore, the enactment of tax reform would serve to make our income tax system more just and equitable. Let us not forget that 72 percent of all the income taxes paid by individuals to the Federal Government are paid by those who earn less than $15,000.

When I refer to tax reform, I mean meaningful tax reform and not the few sweeteners in the bill before us. There is a need for a minimum tax on every individual who can afford to pay. A system which allows more than 24,000 individuals with adjusted gross income of $10,000 or more to pay no taxes, and this group includes 21 millionaires, is manifestly and grossly unjust and unfair. The unlimited charitable deduction should be repealed as should the multiple surtax exemption for corporations. The percentage depletion rates for oil, gas, and certain other minerals should be reduced or repealed and tax-loss farming should no longer be allowed, to mention a few of the areas where tax reform has been long recognized as needed and proper.

Mr. Chairman, the average American taxpayer, the middle-class American, is presently heavily overburdened with taxes by the Federal, State, and local governments. He is in urgent need of relief. We can set the proper example for State and local governments by our action today. We should and must vote down the measure before us. There is adequate time for proper tax reform to be brought to the floor of the House so that it can be enacted into law before the end of the year. I urge my colleagues to vote against H.R. 12290.

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin (Mr. BYRNES).

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois (Mr. COLLIER).

PARLIAMENTARY INQUIRY

Mr. MADDEN. Mr. Chairman.

Mr. COLLIER. Does the gentleman from Indiana desire me to yield to him?

Mr. MADDEN. I have a parliamentary inquiry.

The CHAIRMAN. Does the gentleman from Illinois yield for a parliamentary inquiry?

Mr. COLLIER. Certainly, I yield to the gentleman for that purpose.

The CHAIRMAN. The gentleman will state the parliamentary inquiry.

Mr. MADDEN. Mr. Chairman, my parliamentary inquiry is this.

The Committee on Rules granted 4 hours of general debate. I understand that the ranking member of the Committee on Ways and Means took 1 hour and 33 minutes and about 2 hours and one-half have been consumed of the 4 hours and there has been nobody on this side who is opposed to this bill who has been granted or who seems to be able to get any time.

The CHAIRMAN. The time was equally divided under the rule and is under the control of the gentleman from Louisiana (Mr. BOGGS) and the gentleman from Wisconsin (Mr. BYRNES).

Mr. MADDEN. Mr. Chairman, would there be any way that the opponents of this legislative monstrosity can get some time? I am not speaking for myself because I have already spoken. But I think some of these other Members who are opposed to this bill should be given an opportunity at least to express their views.

Mr. COLLIER. Mr. Chairman, I submit that that is not a parliamentary inquiry which is what I yield to the gentleman from Indiana for.

The CHAIRMAN. The gentleman from Illinois declines to yield further.

The Chair recognizes the gentleman from Illinois.

Mr. COLLIER. Mr. Chairman, I do not know anything that is politically easier to do than to rationalize a vote against a tax bill.

Last year when the Johnson surtax bill was brought before us, I, like many of my colleagues who had not actually contributed by reason of their vote and performance in this House to the then existing budget deficit, felt that I would vote against this bill. Then, after listening to the outstanding economists of the country—and I might say they were economists who have ranged in philosophy from the liberal to the conservative—without exception tell us that the sur-

charge bill was necessary last year, I as a Republican supported President Johnson's surtax bill.

I did so because I recognized that if all of the outstanding economists of the country felt that it was necessary, I did not have the expertise in this field to question them. Perhaps there are some of you here today who think that you are better equipped and better qualified than all of these economists who again this year say that it is necessary. I do not know. It is easy for me to confess that I do not have this sagacity that apparently can be found elsewhere in this Chamber. I do not believe that the smokescreen—and, I repeat, smokescreen—of tax reform being in this legislation is valid. I was one of those who, for the past 4 or 5 years, as the record will indicate, wrote the Treasury Department, wrote Mr. Surrey, and asked that there be some tax reform recommendations. They were not forthcoming, and at this point I think there is no need to question why they have not come forth.

But this year, within 60 days after the new administration took office, we had a meaningful set of recommendations on tax reform.

There can be those of you, of course, who will say, "Well, they did not go far enough in this area or in that area." But, indeed, that is the responsibility of our committee. That is the responsibility of this Congress. The President merely recommends in the final analysis. It is the Congress that has the responsibility and the duty to make such changes as are necessary in the President's recommendations, and certainly this is nothing new. We have done this on other legislation for the 13 years that I have been a Member of this body.

The chairman of our committee and our ranking member have promised that there will be a tax reform bill. I do not know of any member of our committee who will not vote for a meaningful tax reform bill this year. Maybe you do not trust them. I do not know since I can think of no other reason for the skepticism expressed today.

Let me remind you that if those of you who are opposed to the bill on these grounds had secured every tax reform provision you desire you would have no assurance of what would happen to it when it would go over to the other body, which traditionally and historically has been unpredictable in these matters.

I would say to you again today that the surest way, in my opinion, to kill a tax reform bill would be to tie it in with this bill before you today. Indeed it merely would provide a host of new and varied reasons for voting against a tax increase bill.

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

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

Mr. MADDEN. The question I am about to propound possibly should be answered by the chairman or the ranking member of the Committee on Ways and Means.

Mr. COLLIER. I am delighted to yield, but I can give the gentleman assurance who will answer his question.

Mr. MADDEN. I thank the gentleman for yieding. The Member who preceded the gentleman in the well had a difficult time explaining loopholes. There is one point I would like to have clarified: Former Under Secretary Joseph W. Barr in January testified that 21 persons with incomes of over $1 million paid no taxes at all in 1967, while 155 with incomes of over $200,000 annually also escaped taxes entirely.

In 1962 the Atlantic Oil Co., with an income of $61,110,000; in 1963, $56 million; in 1964, $64 million income, paid no taxes.

Will those individuals and the Atlantic Oil Co., which former Under Secretary of the Treasury Joe Barr testified about, be affected by this 10-percent increase? My arithmetic tells me that zero multiplied by 10 is zero.

Mr. COLLIER. I submit to my friend from Indiana that if he were here earlier today—I did not see him on the floor, but he may have been—there was quite a detailed explanation as to the areas in which tax reform legislation would be directed in virtually every field.

Let me answer the question. I would submit further to the gentleman that the tax reform bill that will come out of the committee—as has been promised—will go into all those areas, which are understandably disturbing to my friend from Indiana.

Mr. MADDEN. When the chairman of the Ways and Means Committee was before the Rules Committee 3 years ago, I asked that same question, but it was not answered—and it is not answered now.

Mr. COLLIER. I just answered it.

Mr. MADDEN. What I am trying to convey to the Members is that everybody around here talks about dribbles and drabbles, but nobody talks about the elephants. What the gentleman is talking about is the small kittens. Let us talk about the elephants. If we go after the elephants, the bill about increasing the surtax would not be on the floor of the House.

Mr. COLLIER. I repeat again we are going to go after the elephants. We are going to do this.

Mr. MADDEN. Mr. Chairman, I withdraw my question.

Mr. COLLIER. As long as I have satisfied the question by assuring the gentleman we are going after the elephants, I trust our colloquy has been productive.

I wish to say again to every Member of this House in conclusion that I would hate to wake up tomorrow morning and find that the Congress has voted down a bill that would have such earth-shaking effect upon the dollar internationally, one that would have the frightening effect that would be inevitable on our domestic money market.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 7 minutes to the gentleman from Iowa (Mr. GROSS).

Mr. GROSS. Mr. Chairman, in a brazenly unconstitutional procedure a year ago, the House of Representatives approved a Senate-originated 10-percent surtax on the American people, and with it went a sugar-coated deal by which actual expenditures were to be cut by $6 billion in fiscal year 1969 and some 240,000 employees cut from the Federal payroll.

What happened? It is the old story of the spider and the fly. The taxpayers were led into the parlor and socked for the 10 percent additional tax on incomes but the cuts in spending and employment were figments of assorted imaginations and still are.

Interesting are a few of the statements made a year ago. The chairman of the Ways and Means Committee, Mr. MILLS, said then:

> Last year (1967) we were appalled by the fact that interest rates had risen to a level greater than any level in the last 40 or 50 years. Do you realize that so far in 1968 interest rates have risen further and are now higher than they have been in over 100 years?

Is there any one in doubt about what has happened to interest rates since the surtax was inflicted a year ago?

> It will do no good to take $10 billion out of the American taxpayers' pocket if it is just brought to Washington and spent on additional Federal expenditures—

Said Mr. MILLS, and in a colloquy with Mr. FORD of Michigan, regarding the "good faith" of the administration in supporting the reduction in spending and payrolls, it was agreed that the Appropriations Committee could and would force the reductions if the administration refused.

I said earlier—

Continued Mr. MILLS,

> that I would not support this surcharge tax unless this type of spending limitation is employed and carried out.

Then Mr. MILLS put the lid on any credibility gap that might open by asserting that if Members would only vote for the surtax, spending and employee reduction package and, barring an expansion of the Vietnam war, or the starting of another war, "we will not have to tinker with the debt ceiling for the fiscal year 1969."

The war in Vietnam has not been expanded; another war has not yet been started, but the debt ceiling was "tinkered with" in fiscal 1969 as every Member of the House well knows.

Mr. BOW, of Ohio, the ranking Republican member of the Appropriations Committee, joined the parade of surtax supporters last year with such assertions as the following:

> I view this vote as the most important of my service in the House. It marks the turning point in the fiscal policy of the United States. . . . Today we will say "stop." This is the limit. This is the turning point. We are leveling off and we are going to reduce.

What has happened since those stirring words were spoken on June 20, 1968. Have actual expenditures been reduced? Has inflation been halted? When do we reach the turning point?

And a year ago Mr. BYRNES, the ranking Republican on the Ways and Means Committee, urging support for the surtax

and the purported reduction in spending and employment, had this to say:

> We also have the assurance that unless the administration buckles down and implements the (expenditure) ceiling, we are going to have another chance to do something under the debt ceiling.

Well, what happened when the debt ceiling was raised a few months ago? There were the usual excuses and alibis for sending it further skyward but none of the ominous penalties that were so freely threatened on June 20, a year ago, were inflicted. This is an excellent time and place for someone who supports this legislation to explain the continued hoodwinking of the House of Representatives.

Mr. Chairman, we are here today confronted with the evil results of governmental mismanagement on the part of past administrations which have borrowed and wantonly spent billions of dollars, meanwhile succeeding in destroying much of the integrity of the dollar through the promotion of inflation and thereby levying upon the ordinary citizen of this country the most insidious and evil tax of all. Nor is there any substantial evidence at this point in time that the present administration has any intention of cutting spending below last year's levels.

A President who permits Congress to give him a 100-percent pay hike and a Congress which hands itself an enormous pay boost cannot, with a straight face, expect Mr. and Mrs. Average Citizen to believe them when they talk about fiscal self-discipline and austerity. In these circumstances, the continuance of the surtax is a piece of hypocrisy.

And, paraded in the finery and name of fiscal prudence, the surtax is the rankest kind of deception for, unless accompanied by at least an equal amount in reduced spending, it will only serve to cover the costs of still further expenditures.

Six months of this session of Congress are gone, and scarcely a bill has been approved by the House that did not provide an increase in spending over the actual appropriation of the last year. This with scarcely a murmur of protest from the Nixon administration. Funding of the International Development Association was increased from $300 million to $480 million with the blessing of the White House, and the request for foreign aid is up nearly a billion dollars, also with the same blessing. So it goes, up and down the line fiscal insanity is something to be talked about, not treated.

Mr. Chairman, I am also opposed to this bill for the reason that it barely scratches the surface of tax reform. And I regret the closed rule for its adoption makes reform impossible. Were it possible to do so, I would offer an amendment to provide that every dollar of revenue raised by the surtax be dedicated to retirement of an equal amount of the Federal debt, thus applying the brakes to the rocketing interest payments which will require an estimated appropriation of $17,300,000,000 in the fiscal year starting tomorrow.

In the absence of any evidence that this administration proposes to use the weapon of deep cuts in expenditures in conjunction with other measures in the war against inflation, I cannot vote to continue the surtax for as the chairman of the House Ways and Means Committee said 1 year ago:

> It will do no good to take $10 billion out of the American taxpayers' pocket if it is just brought to Washington and spent on additional Federal expenditures.

I will not be a party to the duping of the taxpayers of this Nation.

Mr. MADDEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. MADDEN. My inquiry is this: Would the chairman or the ranking member of the Committee on Ways and Means be accused of violating the Civil Rights Act because of discrimination since almost 4 hours have passed and half a dozen Members would like to talk on this bill, but they do not have any time offered to them?

The CHAIRMAN. The gentleman is not stating a parliamentary inquiry.

The Chair recognizes the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia (Mr. BROYHILL).

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

Mr. BROYHILL of Virginia. I yield to the gentleman.

Mr. BYRNES of Wisconsin. I got the impression that the last speaker, the gentleman from Iowa (Mr. GROSS), was opposed to the bill, if I understood him correctly, so I think we have been yielding some time to the opposition.

Mr. BROYHILL of Virginia. Mr. Chairman, I rise in reluctant support of H.R. 12290, a bill to continue the income tax surcharge, repeal the investment credit, extend the expiration date for excise taxes on automobiles and communication services, and to provide a low-income allowance for individuals. I say reluctant support not because I have any reservations that fiscal responsibility necessitates this legislation, but because I am sorry that the present state of the Nation's fiscal affairs requires the Congress to continue to ask our citizens to bear this additional tax.

During the past 8 years, I have continually emphasized the need for restraint in Federal spending. The string of increasingly large Federal deficits that the Government has incurred during the past 8 years could only result in the economic dislocations we are presently experiencing—record high interest rates, runaway inflation, and balance-of-payments problems. If my Democrat colleagues in the Congress and the Democrat administration had recognized the need for moderation in Federal expenditures, the new administration would not have inherited the fiscal crisis that our Nation now faces.

The failure of the previous administration to heed our advice has created the present problems. From fiscal 1962 through fiscal 1969 there was a string of eight consecutive deficits in the administrative budget. When these deficits are added, it produces a grand total of $70.2 billion. Between 1966 and 1968 the deficit in the administration budget increased from $2.3 billion to $28.3 billion—an increase of $26 billion. The inflationary impact of this rapid swing from a budget nearly in balance to the largest deficit—excluding World War II—in our Nation's history fanned the fires of inflation.

Many Members of the Congress, including myself, continued to warn that the Vietnam conflict and pressing social needs required examination of the Federal budget with a fine-toothed comb to establish priorities. We asked that Federal spending be subject to the discipline required by the times. We were told by the administration that we could have both guns and butter, that we could solve all our problems at one time. It was intimated that those of us who disagreed lacked a sufficiently sensitive social conscience. Yet as a result of this guns and butter policy, the American people have been asked to assume a double dose of additional taxes: the invisible tax of inflation and the all too visible levy imposed by the surtax.

The new administration has attempted to establish priorities in Federal spending. Despite the rising costs of providing Government services and the pressing problems our Nation faces, during the short period it has been in office the administration has reduced estimated expenditures for fiscal 1970 by $4 billion below the level of the programs proposed in the January budget. The administration is now asking that the surtax be extended at the full 10 percent for 6 months from July until January, and at a reduced level of 5 percent from January to July with the tax being completely eliminated next July. This will provide the administration with sufficient time to introduce order into the Nation's fiscal affairs in place of the chaotic situation prevailing when it assumed office earlier this year. The new administration was entrusted with the stewardship of the Nation's fiscal affairs last November, and it is entitled to at least this much of an opportunity to resolve severe economic problems that were inherited from the outgoing administration.

The importance to the economic health of the Nation of extending the surtax has unfortunately become mired in political maneuverings that are entirely inappropriate. I would urge my colleagues on the Democrat side who have been advancing reasons to vote against extension of the surtax to remember that the surtax was recommended by President Johnson and enacted by a Democrat Congress to deal with the fiscal emergency created by the spending policies of a Democrat administration. President Johnson in his final budget message submitted in January recommended continuation of the surtax for another year at the full 10-percent level. The proposal recommended by the Nixon administration now before the Congress for extending the tax at a reduced level will pro-

vide the time to correct these inherited economic problems within a framework providing for stable economic growth at full employment levels without inflation.

It has been contended by some individuals that the surtax has had little impact in diminishing an overheated economy. In view of this, the Congress is advised to let it expire. While it is difficult to estimate with any precision the exact impact of the surtax, it has had some influence in keeping the intolerable level of inflation from becoming disastrous. The statistics indicate that the annual increase in the growth of our gross national product has diminished, and that the proportion of personal income spent on consumption has declined since imposition of the surtax. This has reduced the heavy demands placed on our economy for goods and services and has held the rate of inflation below what it otherwise would have been.

Additionally, the impact of the surtax was delayed and diminished due to an easing of monetary policy toward the end of last year and because consumers initially maintained their high rate of consumption by decreasing their savings rate. Finally, part of the difficulty involved in demonstrating the efficacy of the surtax results from the logical impossibility of proving a negative. No one can really tell what would have transpired if the surtax had not been enacted last year, because it was enacted. We can only make the kind of analysis that I have been attempting to make, and I think that analysis demonstrates that while the surtax was not as effective as we had hoped, it still was, and is, an important part of our efforts to control inflation.

This is no time to abandon ship. The prime interest rate is now at a record high 8½-percent level. If we fail to enact the surtax, the Government will have to borrow an additional $9 billion in the money market during fiscal 1970, placing further pressure on interest rates. This increased pressure on interest rates may result in additional rate increases as lending institutions attempt to ration the limited funds available for loans in the face of increased demands for credit.

If the Congress does not enact this bill today, the deficit on an administrative budget basis for the coming fiscal year will be increased from $5 to $14.3 billion. On a unified budget basis we would go from a $5.2 billion surplus to a $4 billion deficit. This swing of over $10 billion in the Federal budget would be interpreted by many segments of our economy as a lack of resolution on the part of the Congress to deal meaningfully with present inflationary problems. The lack of restraint in Federal budgetary policy may mean that monetary policy will have to play a larger role in dealing with present inflationary problems.

Equally important, a failure to extend the surtax would fuel the fire of inflationary psychology which has fed the traditional wage-price spiral during the last year. Workers attempting to protect the purchasing power of their earnings which have been eroded by inflation ask for larger wage increases. Businesses pass these wage increases and other increases in costs along to consumers in the form of higher prices. Consumers are forced to spend a higher proportion of their personal income to maintain their standard of living, and then in turn feel compelled to ask for higher wages. This wage-price escalation, often referred to as "cost-push" inflation rather than "demand-pull," would be aggravated if the people conclude that their Government does not mean business in dealing with inflation.

Mr. Chairman, my remarks so far have emphasized the economic necessity of passing the surtax extension. I would like to now discuss the other parts of the bill that the Ways and Means Committee has labored so diligently to produce. The legislation would also extend the scheduled phaseout period for the excise taxes on automobiles and telephone services, repeal the investment credit, and provide a low-income allowance that would eliminate or reduce the taxes now due on over 5 million returns at or near the poverty level.

I strongly supported the Excise Tax Reduction Act of 1965. At that time, the committee concluded that the manufacturers excise taxes—which had been imposed as temporary measures during depression and war time—discriminated against the products to which they applied and in favor of products not subject to tax. Lack of uniformity of the excise taxes, and administrative difficulties associated with them, led the committee to conclude that all excise taxes should be eliminated, with the exception of user taxes, such as the taxes on gasoline; sumptuary taxes, like the levy on alcholol and tobacco; and taxes imposed for regulatory purposes, such as those imposed on marihuana and firearms.

Due to the revenue loss involved, the excise tax on the manufacture of automobiles and on telephone services was scheduled to be phased out. When Congress enacted the surtax last year, this phaseout schedule was extended in order to avoid a large Federal deficit that would have aggravated our economic problems.

For the same reason that I feel is imperative to extend the surtax at the present time, I feel that the phaseout of the excise taxes must also be delayed. However, I want to reaffirm the decision that the committee reached in scheduling these taxes for elimination along with repeal of the other manufacturers and retailers excise taxes. The tax on automobiles and on telephone services should not be retained any longer than the temporary fiscal crisis requires. When the new administration has had an opportunity to put the Nation's fiscal affairs in order, these taxes should be allowed to expire.

The committee's bill also repeals the investment tax credit. This will provide additional revenue that will permit the reduction of the surtax from 10 percent to 5 percent January 1. The sharp increase in investment in capital goods in recent months has added to inflationary pressures in our economy, even though in the long run these investments will reduce inflationary pressures. The Nation must maintain its leadership among world economies, and our plant and equipment will have to be as modern as any in the world. But it is my feeling that this can be best accomplished by insuring that liberal depreciation allowances are available that accord with modern economic realities. Liberal depreciation rules have an advantage over the investment credit in that they relate capital recovery to the capital actually consumed in the business. The investment credit is simply an additional first-year allowance of 7 percent that is unrelated to capital actually consumed in the business.

The Treasury Department has assured the committee that it is reviewing our tax laws relating to capital recovery to insure that depreciation rules are realistic. The Ways and Means Committee will be reviewing the Treasury's study in the near future to insure that our tax laws contribute rather than retard the efforts of American private enterprise to remain in the forefront of world economic leadership.

Finally, Mr. Chairman, the committee's bill contains a most imaginative provision that will reduce or eliminate taxes of millions of low-income Americans. At a time when we are extending the surtax it seems appropriate to consider extending relief to those in our society who have been hit the hardest by inflation. Individuals near the poverty line have experienced the most difficulty in maintaining their standard of living in times of rapidly rising costs. They are spending a greater proportion of their income just to meet the basic necessities of life, and when the cost of these necessities increases faster than their increase in income, it produces a real hardship. The new administration is to be congratulated for devising a workable proposal to alleviate the tax burdens imposed on the poor and recommending it to the Congress.

Mr. Chairman, I want to point out that the continuation of the surtax in no way diminishes the enthusiasm of the Ways and Means Committee, which I share, for comprehensive reforms in our tax laws. This is one of the most urgent tasks facing the Congress today. It is a task that requires time, diligence, and patience. The committee held comprehensive hearings on tax reform that extended over a period of 3 months and involved the presentation of testimony by 365 witnesses. The hearings record runs to 15 large volumes. The reforms the committee is considering will affect all aspects of American social and economic life, as well as the take-home pay of all of our citizens. These are not decisions that can be made with undue haste.

The committee in its executive sessions has been proceeding to develop tax reforms and has issued tentative proposals on many of the measures before it. The chairman of the committee has stated

that the goal of the committee is to report and pass legislation through the House of Representatives by the August recess. Considering the prodigious task involved in reforming our tax laws, this time schedule imposes real demands on the Ways and Means Committee, but we will make every effort to meet it. The committee agrees that the confidence of the American people in the integrity of our tax system requires that far-reaching and meaningful reforms be enacted into law as soon as possible. My colleagues who recognize the need for the surtax need have no fear that it will in anyway retard the progress that we are making toward tax reform. I urge my colleagues to join me in voting for the surtax to deal with our pressing economic problems while reaffirming our intention to work diligently for the comprehensive reform of our tax laws.

The CHAIRMAN. The gentleman from Virginia (Mr. BROYHILL) has consumed 10 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may require to the gentleman from Pennsylvania (Mr. SCHNEEBELI).

Mr. SCHNEEBELI. Mr. Chairman, virtually all of the people who have had any direct responsibility and involvement in connection with our national fiscal problems are in support of the phaseout of the surtax and the other fiscal matters contained in H.R. 12290. Six of the previous Secretaries of the Treasury, as well as both Presidents Johnson and Nixon, support this surtax phaseout strongly. Most of the leading economists of our country joined by both our national and international banking community insist that this surtax be extended at its full 10 percent at least until January 1, 1970. Federal Reserve Director Martin believes that the surcharge rates should be higher than 10 percent and extended for at least a full year.

The Mellon National Bank publication Monetary Indicators reports:

> The reported reluctance of the Congress to extend the tax surcharge for another year as requested by the Administration could seriously jeopardize the outcome of the battle to reduce inflation.

Additionally, the publication states:

> In summary, to extend the 10% tax surcharge seems a small price to pay for an orderly return to domestic price stability and the preservation of international confidence in the integrity of the dollar. Without the surcharge, inflationary forces are likely to gather further momentum, and the task of regaining economic balance will be infinitely more difficult to accomplish without increasingly harsh measures of restraint, which could precipitate a recession in business activity and rising unemployment.
>
> And finally, those who advocate wage and price controls as a seemingly painless remedy for our present difficulties should recognize that, at best, the imposition of such measures can only temporarily suppress inflationary pressures which will again erupt once the controls are removed— as in fact happened in the late 1940's and after the Korean War.

Another leading financial publication states:

> The future of the tax surcharge remains in doubt, although the outlook for passage improved significantly when it was approved, pretty much intact, by the House Ways and Means Committee. Failure to pass the surcharge would be a blow to the efforts to control inflation, and it would have a significant Impact on the Treasury's financing needs and on the cost of money to the Treasury and all other borrowers. If the surcharge is continued the Treasury will probably have to raise $9 billion to $10 billion in new money over the next six months, all of which would be retired next spring. If the surcharge is allowed to lapse the Treasury would need to raise approximately $13 billion to $14 billion in new money. While the former range is seasonal and manageable, the latter would be something of a problem. In addition to its effect on interest rates, the additional borrowing needs would complicate severely the task of the Fed in maintaining a tight monetary policy while at the same time throwing a further burden on that policy in curbing inflation.

Some of the opponents of H.R. 12290 state that meaningful tax reform measures will have to precede any favorable consideration on their part in behalf of the surtax extension. It is quite obvious, regarding the matter of tax reform, that it is too early to expect a great amount of tax reform legislation before August 1, due to the enormous area for consideration. There are at least 17 major areas being intensively studied in the committee executive sessions and the committee members will virtually all vouch for the intense application and concentration in trying to get the job done as expeditiously as possible. However, since this is the first comprehensive attempt to reform the tax code in 15 years, there will be no quick solutions recommended since there are so many problems inherent in each of the areas to which our economy has become accustomed and adjusted. Precipitous action in any of the areas could easily disrupt the present precarious balance that exists in these interrelated economic-tax problems. The committee chairman and the ranking minority member have both pledged to the Congress and to the public their strong position that meaningful tax reform in all areas will be forthcoming quickly after proper and necessary deliberations. Apparently several of the Members of the House question the statement and integrity of these two committee leaders, whose statement is also supported by most of the committee members. It is unfortunate that the committee leadership's reputation is questioned since certainly these two men have performed an outstanding job in the last several years in tax equality and fiscal leadership and responsibility. It would appear that the position of no action on the surtax without tax reform at the same time is more of an excuse than a reason for being opposed to H.R. 12290.

Surely Chairman MILLS and Representative BYRNES must be believed and trusted in their pledge to complete committee action on tax reform as soon as it can be accomplished, while at the same time insuring that the recommendations made by the committee are meaningful and in the national interest. This is a sensitive area full of problems in so many instances that proper deliberations must be made to avoid costly mistakes that could very well jeopardize some of our finer national institutions. The chairman has promised to have a bill for tax reform ready for a House vote before our August recess; this statement is certainly not any evidence of a slowdown in this tremendously broad area of tax reform.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may require to the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman, I support enactment of this legislation.

The point has been stressed by opponents of this measure that the surtax has not had the desired effect of reducing inflation—indeed that the inflation rate has gone up since the enactment from 4.7 percent to over 6 percent. Most of these opponents agree that 6 percent is an intolerable rate of annual currency depreciation, but they claim that history shows the surtax has not been an effective fiscal antidote. I have noticed that most of these same people also opposed the surtax last year and doubtless the superficial historical logic of their argument is fortified by their desire for a superficial consistency.

There are two points I would like to make about this position: First, many factors have combined to cause this disastrous inflation. The argument that the surtax has not worked would be more compelling if Government fiscal policy were the only influence on our economy. It is a major influence, without a doubt, and the $25.2 billion Federal deficit of the last fiscal year gave a great upward push to the rate of inflation. The argument that the surtax has not worked could be used as well against cutting back on Government spending, since we did this at the same time we enacted the surtax. You see, the surtax was not the only fiscal device used to eliminate the deficit and we might as well take the position that a ceiling on Government expenditures is useless in fighting inflation as to blame our failure on the surtax. The fact is that we have no alternative tools of any significance available to us in this fiscal field. We also have no way of knowing what would have happened had we not enacted the surtax-spending ceiling package last year, although we can guess with the economists that the economy would be even more overheated than it is now.

While nobody can promise that extension of the surtax as proposed by the President will reduce inflation to manageable proportions, I think this body should follow the advice of economic experts, doing what it is responsible for us to do and relying on our monetary managers, our businessmen and our laborers also to do what it is responsible for them to do.

My second point is, I acknowledge that passage of the surtax last year was an anti-inflationary step about which reasonable men might differ in the light of the rate of savings. It has taken effect slowly because people tend to pay increases taxes out of savings rather than reducing their demands for goods and services. The question, however, is no longer one of increasing a tax burden at

a time of high savings; the issue now is what happens if by our inaction we reduce taxes by 10 percent at a time when the economy is already overstimulated. A Congressman does not have to be an economist to know that reduction of taxes is a stimulus to the economy, particularly when that reduction is not matched by a corresponding reduction in expenditures. By itself, then, such a reduction in taxes in inflationary times, would be bad economics. It is doubly bad when it signals a return to deficit financing and the resulting increase in Government borrowing. It is triply bad if it occurs at a time when inflationary psychology has driven private borrowing for capital investment purposes to a level more characteristic of a banana republic than the world's leading free economy.

In closing I would like to discuss briefly the issue of tax reform. Tax reform is not a fiscal measure and the revenue implications of reform are quite modest, particularly if reform is coupled with any degree of tax relief, something most of us would like to see. We are promised reform by the Democratic leaders of the House and Senate, within whose control the development and scheduling of reform legislation lies. Republican legislative leaders have stated their support for tax reform. President Nixon, himself, proposed comprehensive tax reform measures within 3 months of his assumption of office, promising more recommendations to follow, and thus breaking the pattern of silence established by previous administrations. The Ways and Means Committee has put in many hours on development of a comprehensive reform bill and there are still many hours to go with some of the most controversial subjects still ahead of us. Nothing but symbolic reform could be written into this bill on the floor. The tax structure is too important to be thrown out of balance by casual or punitive legislation. If we do not have the wisdom and courage to pass needed fiscal measures, I question whether we will have the wisdom and courage to pass comprehensive tax reform and yet I do not think we ought to settle for anything less than comprehensive tax reform. The sort of measure that could be quickly attached to this bill is also the sort of measure which must be included in comprehensive tax reform legislation if it is to have the kind of balance to pass the House. I believe our leaders of both parties when they say they support tax reform. I have no intention of facing my constituents in the next election without having done everything possible to bring about greater equity in our Federal tax system. As a matter of fact, my greatest regret at this time is that those who control the Congress did not demonstrate enthusiasm for tax reform before now, when the cause seems to have become as much an excuse for not voting needed fiscal measures as an exercise of congressional responsibility.

Mr. BOGGS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman and member of the committee, the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Chairman, I would say to my colleagues that with these new mathematics that we have around here, there is very little time for the truth.

I feel a little guilty to take 5 minutes in opposition to the bill because there are 23 Members on the list to speak and 37 minutes of time.

I would say, first, if this were simply a 4 to 6 months' extension of the surcharge and a continuation of the excise tax that I would be voting for the bill today. That is the kind of bill we should have before the House.

I do not agree with those who say that reform should be in this bill. We have a reform bill coming up. I have every confidence in our distinguished chairman and his full dedication to bringing out on the floor a complete tax reform measure and I am sure that the committee is so committed.

But I will say this: By including the low-income allowance in the bill, we may very well be defeating the reform package on the floor of the House.

The low-income allowance does not belong in this legislation. It is a key part of a comprehensive tax package and by pulling it out of the tax reform, we are seriously jeopardizing the passage of this bill in the Congress.

Now let me give you the reasons why I oppose this bill.

First, we are making a very sad mistake today by repealing the investment tax credit. The investment tax credit is not a tax loophole.

On the contrary, if you will recall when we instituted the investment credit, it was a tax reform measure. It was designed to bring growth into a stagnant economy. It was designed to gain revenue and not to lose revenue. I predict it is not going to be very many months before we will very desperately need the investment tax credit. When you are voting for this bill, you are voting to repeal for all time one of the finest vehicles for growth that we have ever invented in the American economy.

The American plant, I remind you, is not modernized yet. We are not yet completely competitive in the world market. Look at your balance of trade today. We need to become more competitive. Industry needs these incentives, as do the small farmers and the small businessmen, because they are facing today interest rates higher than we have faced since the Civil War, and without the investment credit, you are putting an additional burden on them.

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

Mr. ULLMAN. I yield to the gentleman from Louisiana.

Mr. BOGGS. I supported the gentleman's position in the committee, as he well knows.

Mr. ULLMAN. I appreciate that. This is one of the finest regulatory devices to manage the economy that we possibly could conceive of. That is why I offered in the committee a motion to reduce the investment credit from 7 to 3 percent. That is what we should be doing today. Then, when we need growth again in the economy—and it is not going to be very far off—it is a simple matter to increase it again to 5 or 7 percent.

Let us turn now to the matter of the 10-percent surcharge. In the committee I offered a 4-month extension of the surcharge. Looking at the combined budget—and that is what you have to look at when you talk about the effect on the economy—a 4-month extension would give us a surplus in the combined budget. Inflow and outflow from Government are the only meaningful concepts in terms of economic impact, and I think we need that kind of extension and I favor it. As I said, I would vote for such a bill today.

No one would argue with the proposition that inflation is one of the most serious problems facing this country. No thoughtful person would deny that this Congress has a responsibility to enact appropriate fiscal measures to counter excessive economic pressures that weaken the value of the dollar at home and in foreign commerce. That is why I advocated and supported the income tax surcharge when it was enacted last year.

But an effective fight against inflation requires cautious and closely coordinated management of our fiscal and monetary policies. Unfortunately, there has been a total failure on the part of the executive branch, the Federal monetary authorities and major sectors of the private economy in their responses to the anti-inflation mandate of the Revenue and Expenditure Control Act of 1968.

The major burden for this failure rests squarely on the Treasury Department, the Federal Reserve Board, and the major banks for their cavalier disregard of sound monetary policies. When Congress voted for fiscal restraint last year, it expected a concomitant check to be displayed in monetary affairs—greater discretion by the Federal Reserve Board in regulating the Nation's money supply, more effective use by the Treasury of Federal trust funds and debt financing to allocate selectively the Nation's financial resources into noninflationary endeavors. Certainly the Congress expected the country's major financial institutions to exercise greater care in their lending policies for expansionary activities.

Instead, we have been treated to an orgy of indiscriminate monetary expansion, record high rates on Treasury borrowings and a 40-percent increase in prime interest rates in the past 6 months on a first-come, first-serve, basis. The enactment of the surcharge, it seems, simply served as a signal to the financial world that it was again time for business as usual.

The harm to the Nation has been incalculable. The anti-inflationary actions of the Congress were rendered ineffective. New and greater dislocations were fixed in our economic structures. Work on new housing, particularly for low- and middle-income people, has been virtually paralyzed in the scramble to expand high-interest-earning consumer credit and unnecessary business expansion. Too many individuals and too many companies are trying to beat inflation by

making new investments now before prices go higher, and the major share of the lending resources of this Nation has been diverted to feed on this inflationary psychology. The lenders are getting all the traffic will bear, while every taxpayer is asked to continue his sacrifice in the war against inflation by living with the surcharge for another 12 months.

As we debate our course, we must consider closely the attitudes of our supposed allies in this fight. We should ask if the Secretary of the Treasury is prepared now to use the full resources of his office to introduce restraint in the Nation's interest rate structure, or if he intends to sit back while the market saddles the taxpayer with new unconscionable increase in debt financing.

We should question whether the Federal Reserve Board is ready to hold the line on monetary expansion, or if it will use new congressional anti-inflationary efforts as a signal to relax once more.

We should inquire whether the Nation's major financial institutions are at last ready and willing to cooperate in financing the real needs of the Nation, or if they will just offer more of the same—business as usual.

We need help if our efforts are to combat inflation effectively. I am far from certain that we can count on getting it.

If the surcharge is to be effective, the administration must commit itself to hard policy decisions that will insure our monetary resources are utilized for compelling national priorities. It must establish what the priorities for investment should be. It should describe limits of acceptability on new wage, price, and interest-rate increases.

Such commitments have not been expressed to date. Without these commitments, I find it impossible to vote to commit the American taxpayer to another full year of heavy burden. A 4-month extension at present levels can be justified. This would give us a balanced budget, a worthy objective. But a 12-month extension cannot be justified in the light of present uncertainties about our economy and what others beyond these Halls intend to do about them.

It has been said on the floor here that we may very well have a recession if this bill is not passed. Let me tell you whether we do or whether we do not have a recession has absolutely nothing to do with your action here today. If we have a recession—and we may very well because of failure to properly manage this economy of ours—then the first thing we should be doing is to repeal the 10-percent surcharge and to reinstate the investment credit.

I ask the Members to vote to recommit this bill, to vote against it so we can bring out a simple, straightforward package to extend the 10-percent surcharge and to extend the excise tax.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from Texas (Mr. BUSH).

Mr. BUSH. Mr. Chairman, as a member of the Committee on Ways and Means I just want to add a few comments to those already made by our able chairman and our distinguished ranking members.

I am disappointed at the concerted drive by the big union officials to gun down the extension of the surtax.

We have heard a lot about lobbyists today. The major lobbying on the Hill is by the unions.

I have been on the Ways and Means Committee for 3 years. Not once in that time have I been contacted by the unions urging tax reform, and now my office has been barraged by telegrams.

The people of this country do want tax reform. Almost upon taking office, President Nixon fired a forceful reform message up to the Hill.

The Committee on Ways and Means is diligently working on reform legislation—the mood of the committee is serious.

In my view every Member wants tax reform. There will, of course, be differences as to what should be included, but there is in the committee a strong desire to eliminate abuses.

Yes, the people want to see that rich people who pay no taxes do pay taxes, and in my view this body should have a bill that will accomplish that purpose.

In my view, however, what people want more than reform is tax relief. They are not in the least bit impressed when they are told "Your Federal tax rates are lower today than they were 7 years ago."

I tried this on a women's group, and almost got hit by a purse.

We are paying less Federal taxes than we were in 1962 and 1963, but people look at the total tax bill and they are overtaxed.

They are overtaxed by municipalities, by States, by the Federal Government; but worse than all of this, they are overtaxed by inflation.

Inflation is the worst tax of all. It is cruel and it is hidden, and though it hits everybody, it hits the low-income people the hardest.

To cut taxes today, by letting the surtax expire, would give the average taxpayer a momentary sigh of relief, and then he would be hit right between the eyes by a boost in inflation which would more than offset the surtax relief.

This bill today will help check inflation.

Without it the inflation tax will be increased.

All economists agree that this is not the time for a direct tax cut, but they also agree that this is the time to cut the inflation tax.

Last year the surtax was passed and inflation was not halted.

There are three pertinent points:

First, the Federal Reserve Board eased the money supply, thus offsetting the benefits of the tax.

Second, we were not as successful as we hoped in operating out of the red. This administration is determined to keep expenditures under control and budgetary revenues are up.

Third, there are certain indications now that the economy is beginning to cool a little.

I want to avoid wage and price controls.

I still have basic confidence in our system but we must exert discipline.

The politics of voting "aye" today are not good.

But I urge the House not to cut income taxes at this time.

We must not force the Government to jump into the head of the borrowing line for another $10 or $12 billion—interest rates already sky high would be in orbit.

Last, I would urge my colleagues who are crying for reform not to hold out the false hope that reforms will mean enough revenue to avoid a continuation of the surtax.

Tax reform means tax equity, not necessarily more revenue.

Last year many of us on both sides responded to the eloquent pleas of our President to put aside politics and support the surtax. I am convinced we did the right thing. Without this unpopular tax, we would be much worse off as a nation.

Today a new President is asking the same thing. I am confident the Congress will again face up to its responsibility.

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

Mr. BUSH. I yield to my colleague from Texas.

Mr. ECKHARDT. I would just like to clear up one point from my distinguished colleague from Texas, because I know he is knowledgeable in this field. On page 14 of the bill there is a provision providing that when a certain kind of contract is in existence on April 18, 1969, plus an application before the FPC, this will constitute a satisfactory basis for which the tax credit would be applicable.

I would like to ask the gentleman, what kind of contract is that? Is that not a contract to supply gas rather than a contract to purchase capital goods?

Mr. BUSH. I think when the proposals were made, as I understand them, and there was no specific case discussed in the committee, the proposal was restricted to one where specific equipment was required to perform it.

Mr. ECKHARDT. Under (ii) on page 15, it says that where this is a contract where "property is to be used to transport one or more products under such contract or contracts." It seems to me that would mean a contract to transport products rather than a contract to purchase goods.

Mr. BUSH. It is, but the contract spells out the equipment required and if those people have a bona fide contract, they should not be denied the benefit of the credit because some Federal agency is sitting aside and refusing to act.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas (Mr. ECKHARDT).

(Mr. ECKHARDT asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ECKHARDT. Mr. Chairman, it is necessary here to clarify the provision of the bill called certain lease and contract obligations, paragraph (B). The contract which is required to be in effect on

April 18, 1969, under that section is a contract to transport one or more products under such contract. See the language of the paragraph, pages 14 and 15 of the bill.

This is not, as the distinguished majority whip implied, as I understood him, a contract to purchase equipment. If it were, and if that contract were complete, there would be no reason for special treatment for those who had by April 18, 1969, filed an application before a Federal agency.

Since I am sure I must have misunderstood the distinguished Member from Louisiana, because I know him to be most familiar with this legislation, I asked my good friend from Texas (Mr. BUSH) to clarify the matter. I know him to be extremely familiar with this special provision and knowledgeable in the field of oil and gas. But I regret that his answer did not clarify the matter. I must say, with deference, that his answer further muddied the water.

Though the exception quite obviously applies to gas transmission pipelines, he stated, as I heard it, that no particular business was contemplated by this peculiar provision. But the committee report itself gives the example on page 31:

An example of the type of case covered by this provision would be a situation where a company has entered into a binding *contract to transport fuel* through a pipeline for another party * * * (Emphasis added.)

For reasons which do not readily appear, gas pipelines have received preferential treatment in the investment tax credit provisions of the law from its inception. Other utilities received only 3 percent investment credit, but gas transmission lines were given the full 7 percent investment credit. 26 U.S.C.A., section 46. Thus, electric, water, sewage, telephone, telegraph, and gas distribution systems got only a 3 percent investment credit.

All of the utilities are entitled by law to a reasonable return on their investment. None needed the same investment credit that other companies needed as an inducement to improve or decrease their plants, and Congress recognized this—except with respect to the gas transmission pipelines.

Yet net gas utility plant, for the entire Nation, had grown from about $6 billion to about $8 billion from 1957 through 1961. Obviously there was plenty of inducement to improve and increase plant for gas pipelines without any investment credit. Indeed, through the next 6 years, net gas utility plant grew by about the same amount, from about $8 billion to about $10 billion. Thus the investment tax credit was not needed to encourage investment in plant and it apparently did not affect such investment.

Congress was again soft on the gas pipeline companies in the Revenue Act of 1964, which eliminated any authority on the part of the Federal Power Commision to use the investment tax credit without the consent of the company involved in determining its cost of service. The tax savings from the investment tax credit could thus be used by the companies for reinvestment or dividends without regard to their rate of return.

From 1962 through 1967 the interstate natural gas pipeline companies generated $296,124,000 in investment tax credits. Of this amount, they utilized and retained $247,106,000. Statistics of Interstate Natural Gas Pipeline Companies, 1967, Federal Power Commission, page 9.

Now the gas transmission companies are again asking for special treatment, as if they needed special relief. Are they weak? Are they an industry with a declining growth pattern? Quite on the contrary, the industry has grown by one third in the last 5 years. In 1962, natural gas utility sales were 100.81 billion therms and in 1967 they were 133.42 billion therms. See 1968 "Gas Facts" of American Gas Association.

It is just not possible to put an extra dollar value on this special provision in the surtax and investment credit bill as to how much it benefits gas pipelines. But it clearly would defer the cutoff data for withdrawing the investment tax credit. As I have pointed out, they never needed it or deserved it in the first place; and, at more than twice the figure granted other utilities, it was nothing but a windfall for the stockholders—not the consumers.

The windfall was at an average of about $50 million a year. Typically, in past years, the highest number of rate applications by the gas pipelines have been in the winter months. In the winter of 1967 and 1968 approximately as many permits were filed as during the entire remainder of the year. This was not exactly the situation in the FPC fiscal year 1968–69. In that year over 70 percent of the applications had been filed by January 1.

I am frank to say, I cannot tell the significance of the timing of the applications other than to say an adroit timing of applications well in advance of actual equipment purchases could keep the 7-percent investment credit going for a considerable time. If this extended time be 6 months, the special treatment in this law is worth $25 million in investment credits generated to the gas pipelines.

I served for a good number of years in a legislative body which was very sympathetic with gas pipeline companies, and I have had the experience of their long arm reaching right into a conference committee of the Texas Legislature to render a tax unconstitutional. I thought I had escaped this tampering when I came to Congress, but I underestimated their reach.

Mr. BOGGS. Mr. Chairman, I yield 5 minutes to the distinguished gentlewoman from Michigan (Mrs. GRIFFITHS).

Mrs. GRIFFITHS. Mr. Chairman, I am opposed to this bill. I oppose this bill because it carries no reform, but I would like to suggest first to those who have advanced the argument that they do not care to take the responsibility of waking up in the morning if we do not pass this bill, because we will be responsible for anything that happens—Mr. Chairman, they should rest in peace. Nothing is going to happen if we do not pass this bill. We have the withholding on the surtax extended for 30 days. In 30 days our chairman has assured us that we are almost going to have a tax reform bill, so we can extend it another 30 days and bring out a tax reform bill with this bill.

I would like to say also that in this body and certainly in the committee there is a general feeling for tax reform. I want to point out to the Members, Mr. Chairman, this Congress has been in session for 6 months lacking 3 days. We have brought one previous bill to the floor, plus a few small ones that took 1 day. We have never had a single vote in the Ways and Means Committee on a tax reform bill—not one.

Some 3 months ago I suggested that the ranking Republican member, the gentleman from Wisconsin (Mr. BYRNES), had suggested we have a minimum tax, and the President had made this suggestion, and I said, "Let's vote on it." I think it is a good idea. But we did not have a vote, and I served notice then I am not voting for the surtax unless there is some meaningful reform.

I do not see how this Congress can return to middle-class America and say, now of course Mr. John D. Rockefeller III appeared before the Ways and Means Committee and said, "Of course I do not have to pay taxes, but I feel that everybody should pay something, so every year I have my accountant make out the form and I pay either 5 or 10 percent on the adjusted gross, whichever I think is reasonable."

On the day, Mr. Chairman, that the American public can pay either 5 or 10 percent on the adjusted gross, whichever they think is reasonable, there will be no objection to taxes.

I do not feel that we can ask a public health nurse in my district, who is widowed and home-owning, to pay 32 percent on the adjusted gross when she knows that the wealthiest people in America do not pay anything.

I personally have had it. I do not see how anybody can explain it, I believe we need to say, "Look. If this surtax is going to be borne by you, we guarantee that everybody else enjoying the greatest that America can give is going to pay his share."

And that includes Mrs. Dodge, from Detroit, who has her entire fortune invested in municipal bonds. She draws, I am told, an amount variously estimated between $1 million and $5 million a year, and does not even make out a form 1040.

I personally believe that the thing to do with this bill is to vote for the motion to recommit, if it is a straight motion, and give the Ways and Means Committee the time it asks to bring to this floor a bill that says, "When the middle class pays everybody pays."

Let them pay. What kind of nonsense is this? This bill is a tax surcharge for some and relief for others, and that relief applies in an unwritten rule to the gas and oil pipelines of this country, which are getting back millions of dollars,

to which they are not at all entitled. They have no contracts for purchase of equipment.

I urge you, Mr. Chairman and members of the committee, vote for the motion to recommit or vote against this bill. Nothing will happen tomorrow. We can write a bill.

(Mr. HICKS asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. HICKS. Mr. Speaker, 1 year ago the surtax was urged upon and passed by Congress on the grounds that it would provide the necessary antidote to inflation. At that time, I favored broad-scale revision of the Internal Revenue Code, and only after the Johnson administration forcefully argued that there was insufficient time to prepare meaningful tax reform legislation did I become reconciled to a vote for the surtax without tax reform. It has now been in effect for 12 months and inflation has not only continued, it has accelerated. Statistics for 1969 indicate that despite the surtax, the cost of living index has risen at an unprecedented rate. Interest rates have also skyrocketed. On December 2, 1968, the Nation's commercial banks announced that the prime rate for loans would be raised from 6 percent to 6½ percent. In less than 7 months it has been increased five times to 8½ percent, highest in over 100 years.

Today Congress is being told by the Nixon administration that the surtax extension is necessary to pull spendable income out of the economy, helping curb inflation by reducing purchasing power for goods and services. As one noted economist puts it, this argument is simply a case of "once wrong, twice right." It appears to me that this argument has proven false during the past year and if it were correct, tax dollars raised by closing unjust loopholes are equally effective at pulling money out of the spending stream as are surtax dollars taken from the already over-burdened middle-income taxpayers.

It would, of course, be less than honest to claim that the surtax has been of no benefit to the economy. First, taxpayers have restrained their spending in response to the surtax, but as economist Milton Friedman points out, "that is only half the story." The persons from whom the Federal Government would otherwise have had to borrow to finance its expenditures have had more to spend or lend to others. Consequently, total spending has not been affected by the surtax. The slowdown in the growth of consumer spending has been more than matched by an acceleration in spending by business and industry for new construction, investments, inventories, and the like.

It seems to me that the most respectable argument in favor of the surtax is that it has been symbolic of our Government's willingness to swallow unpalatable medicine in an effort to save the position of the dollar in international trade. However, indications are that without necessary fiscal and monetary reforms these efforts are destined to failure.

Attitudes toward tax reform usually vary depending upon whose sacred loophole is being gored. Speaking before the Joint Economic Committee, Secretary of the Treasury David Kennedy said: "First, we have the question of equity: Are all Americans in similar circumstances paying approximately the same amount of tax?" Probably most Americans would agree with Secretary Kennedy's criterion for equity. In fact, it is this issue that has generated the public outcry for tax reform. Joseph W. Barr, former Treasury Secretary in a widely quoted statement to the Joint Economic Committee in January contended that Congress faces a revolt by middle-income taxpayers if it fails to enact major income tax reforms.

According to Mr. Barr, "The middle-income taxpayers are likely to revolt against income taxes not because of the level or amount of the taxes they must pay but because certain provisions of the tax laws unfairly lighten the burdens of others who can afford to pay more. People are concerned and indeed angered about the high-income recipients who pay little or no Federal taxes."

The income tax rate schedule, which calls for paying increasingly higher rates as income rises, leaves the inescapable impression that the more a person earns, the greater share of his income goes to the U.S. Treasury. But in the higher economic stratosphere, the truth is much different.

A Government report has shown that in 1964, 24,084 individuals with adjusted gross incomes of $10,000 or more, totaling $523,515,000, paid no income taxes. This includes the now famous, "21 Club." Twenty-one individuals who earned upward of $1 million each, yet through sophisticated tax loopholes avoided paying 1 cent to the U.S. Treasury.

The recommendation to continue the surtax further compounds these inequities because those who escape paying their fair share of income taxes automatically escape their fair share of the surtax, while middle-income groups are loaded down with an even heavier share of the tax burden.

In an attempt to determine the opinions of residents in Washington's Sixth Congressional District regarding the surtax, I learned the following:

First, 10 percent favored extending the surtax as proposed in an attempt to slow down the economy and ease inflation.

Second, 7 percent favored extending the surtax at the full 10-percent rate for another year and using the revenue obtained to reduce the national debt.

Third, 9 percent favored extending the surtax at the full 10-percent rate for another year and using the revenue obtained for programs aimed at solving the problems of cities.

Fourth, 56 percent favored allowing the surtax to expire on July 1 and closing tax "loopholes" to obtain needed revenue.

Fifth, 18 percent favored ending the surtax and raising the revenue it provided with an "excess profits" or "war" tax.

As the figures indicate, an overwhelming majority opposed continuation of the surtax. This was coupled with a strong sentiment to see existing inequities rooted out of the present tax system.

The recommendation to continue the surtax is a recommendation to postpone tax reform. In fact, it is a recommendation to raise taxes for the 35 million American taxpayers in the $7,000- to $20,000-income group who pay over one-half of all individual income taxes. For these people, the surtax applied only to part of 1968. Continuing it throughout 1969 raises the effective rate of the surtax from 7½ percent on 1968 taxes to 10 percent on 1969 taxes. In addition, inflation and real growth pushed these taxpayers into higher and higher brackets subject to higher and higher marginal tax rates. It must be remembered, that the surtax is a percentage of tax, not of income.

Congress has clearly placed itself on the course toward tax reform. The Revenue Expenditure Control Act of 1968 extended the promise of tax reform by calling upon the Administration to study the matter and report back to Congress. When discussing my vote for the surtax last year, I pointed to this study and indicated that I would continue to press for the enactment of substantive tax reform.

Today, I vote against extension of the surtax to keep faith with my constituents who have waited patiently for Congress to deliver on its promise for tax reform.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from North Dakota (Mr. KLEPPE).

Mr. KLEPPE. Mr. Chairman, the U.S. Government must deal effectively and now with the galloping inflation which is today rocking the very foundations of our national economy. The more than 25-percent increase in the consumer price index over the last 10 years—more than one-fifth of it in the last 12 months—underscores again the urgent need to put the brakes on runaway costs and prices.

The real total cost of this inflationary binge cannot be calculated in dollars alone. How do you put a price tag on hardship inflation has inflicted upon so many millions of Americans? The impact of skyrocketing costs is incalculable in its adverse effect upon retired people and others living on relatively fixed incomes. It has been a disaster for farmers—small farmers especially—who have seen their operating costs soar to new record highs month after month, while prices of the products they sell decline or, at best, hold about even.

Mr. Chairman, over the past few years, inflation has pushed more people into the poverty category than all of the Government welfare and public assistance programs have been able to lift out of that classification. The cold, hard fact is that both the cost of public assistance and the number of people receiving such aid have been accelerating at even more rapid rate than inflation itself.

Many people retired 5 or 10 or 15 years ago on incomes which would, without Government assistance, meet something

more than their basic minimum needs. Today those same incomes are below the poverty level guidelines set by the Federal Government itself. Inflation, the cruelest tax of all, has reduced these retired people from independence to dependence—and through no fault of their own.

Government itself created inflation and then persisted in stoking the fires with more and more irresponsible fiscal actions. Only Government can halt inflation. Already we have waited much too long. We must act now.

I am convinced that early approval of the tax measure before us is absolutely essential if we are to win the war against inflation. The President has made it crystal clear that he is determined to put an end to spiraling costs and prices. But he cannot win the battle with words alone. He must have weapons, as well. He must have this bill now. Additionally, this measure would remove from the Federal income tax rolls several million Americans at the lower rungs of the economic ladder—people who are among the principal victims of inflation.

Mr. Chairman, last year I voted against imposition of the 10-percent surcharge. I felt then this was the only effective way I could register my protest against continued deficit spending and the ballooning national debt which went with it. I strongly believed—and still do—that substantial reductions in Federal spending should precede consideration of higher taxes. I have always believed in doing first things first. I think there must be priorities in Federal fiscal matters and that reduced spending carries a higher priority than heavier taxation.

I could not see how inflationary pressures would be eased by extracting some $10 billion more from taxpayers, if the Federal Government itself then proceeded to spend that $10 billion, along with additional billions of borrowed money. In fact, I believe that excessive government spending can generate more heat in the economy than an equal amount of civilian spending.

Now, it seems to me, the objections I had to the surcharge a year ago have been largely resolved—both by the President and by Congress itself. Mr. Nixon proposes to spend $4 billion less than was recommended by President Johnson in fiscal year 1970. I am convinced that the Congress will make further cuts of $1 billion or more.

I was not a Member of the House when the Great Society programs were launched in 1965–66. But I have been around since the bills began falling due. The President and the Congress have no choice but to meet these obligations as they are presented for payment. Without extension of the surcharge and repeal of the investment tax credit, there simply would not be enough money on hand to honor these past commitments. I think, however, there is a moral here for those who would undertake new multibillion programs without any regard for how the costs are to be met.

Without the phaseout of the income tax surcharge over the next year, I would have reservations about supporting the bill before us. As it stands, however, the 10-percent rate would be continued for only 6 months, dropping to 5 percent for the next 6 months and expiring completely on June 30, 1970. Mr. Nixon has made it clear that this is not to be a permanent tax like so many of the emergency revenue measures of the past which have been welded into the tax structure, seemingly forever.

I would have liked to see retention of the investment credit tax for farmers and small businessmen, with a limitation of perhaps $15,000 to $20,000. At the same time, I recognize the problems which would have confronted the Ways and Means Committee had the door been opened ever so slightly for any group.

I would like to commend the chairman and the members of the commitee for facing up to an extremely difficult problem and coming forth with what is perhaps not a perfect solution which will satisfy everybody but certainly the best which was attainable under the circumstances.

I strongly urge my colleagues to support the committee and the President in their determination to halt inflation. It is one war we must win now.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may require to the gentleman from Illinois, Mr. ARENDS.

Mr. ARENDS. Mr. Chairman, this is not an ordinary tax bill. It is extraordinary in character and in purpose. It is before us not solely as a revenue measure but as an economic one of the greatest urgency.

This is an anti-inflation bill. It is designed to help avert an impending emergency that could readily escalate into economic disaster with far-reaching international repercussions. Failure to pass this bill is to invite disaster. To say the least, it is to ignore the plight of our people who plead with us to do something to halt the rise in prices.

As burdensome as taxes are, even more burdensome to the average citizen and particularly those dependent on fixed incomes, is the continuing rise in prices. Inflation is a hidden tax. As between paying these hidden taxes in the form of constantly rising prices, week by week and month by month, with no end in sight, I am confident the American people would prefer to pay temporarily the income surcharge, especially knowing that in 6 months it will be cut in half, from 10 percent to 5 percent, and in 6 more months it will terminate.

What hope can there be for the termination of inflation if we do not have the courage to take the necessary steps to bring it to a halt?

I believe the American people are not as self-centered and shortsighted as some seem to think. I am convinced that, given the facts, people generally will set aside their own temporary self-interest, and will think and act responsibly in the national interest. And they look to us who have the responsibility for their interests to think and act responsibly in the decisions we make in the national interest.

The amount of revenue involved in this bill is $9.26 billion. Failure to pass it will mean that a projected budget surplus for the fiscal year 1970, beginning tomorrow, will be converted to a deficit of $4 billion. We will be saying to our people that we do not have the will and the courage to "kick the habit" of unbalanced budgets and deficit financing.

To defeat this bill will be tantamount to saying to the money markets of the world that we, in the United States, do not intend to put our fiscal house in order. It will be an invitation to foreign holders of dollars to convert their dollars to gold. It is a risk of such consequence that I, for one, am not willing to take it.

Aside from the revenue or budgetary aspects of this bill, it is designed to serve as an economic instrument—a "brake on our economy." It has long been recognized by economists that taxes can be an instrument for stimulating or for retarding economic activity. They can be used to encourage consumption or capital investment. And they can be used, as proposed in this bill, to discourage consumption and to discourage capital investment.

The 7-percent investment credit provision was written into our tax law in order to stimulate our economy. That was its sole purpose. It goes without saying that our economic situation is now such that we must remove this incentive to capital investments. The repeal of this provision will thus operate as a depressant.

The income tax surcharge likewise operates as a depressant. It has been argued here that we have had the surcharge for a year and we still have inflation. But that does not mean that the surcharge has had no depressant effect. It must be recognized that the situation last year was quite different. Our fiscal policy itself was different than now. Our monetary policy was not the same as now. Moreover, it takes many months before the economic impact of any taxes is fully felt. And I might point out that there are signs that our economy has begun to slow. A number of factors, including the income surcharge, account for this.

In any case, it seems to me axiomatic that if the individual has less to spend it will ultimately have a retarding effect on his spending. It is also axiomatic both private and public spending constitute an inflationary pressure, and it is incumbent upon us to take the necessary steps to reduce both.

It has also been contended that action on this measure should be deferred until we are prepared to act on much needed and long overdue reform of our Federal tax structure. But, Mr. Speaker, anyone with any knowledge of our Federal tax law knows that the intricacies and technicalities of the innumerable interrelated provisions of our permanent tax law are such that it will take many months of detailed study, not to mention the painstaking legislative drafting, to present a reform measure. It is for this reason that all tax bills are brought

up under a rule that precludes Floor amendments.

When one considers such matters as the rate of tax, the exemptions, the deductions, the allowances, the carry-overs, the carry-backs, there is considerably more involved than the amount of revenue lost or gained by a particular action. There is the question as to the impact the proposed change will have on individual and corporate taxpayers, and there is the question as to the impact on certain segments of our economy, and there is the question as to its impact on our economy as a whole.

Let me give you just one example. If we increase the allowable personal exemptions by $100, from $600, as provided by existing law, to $700, the amount of revenue lost by this single action will amount to $3.1 billion. Perhaps this action should be taken or perhaps not. The question becomes where and how is this revenue loss to be offset in whole or in part.

Mr. Chairman, the bill before us is an emergency measure. It is designed to meet the critical situation now facing us. It deals with the emergency of inflation. There is a risk in mixing an emergency measure, such as now before us, with the more complex, long-range reforms on which both the Administration and the Ways and Means Committee have been working. The action which we must now take, to extend the surcharge and repeal the investment credit and extend certain excise taxes, cannot wait until next month or however long it will take our committee to submit a sound tax reform measure.

Close the loopholes in our tax laws is a must. Make our entire tax structure more equitable is a must. It is a must with our President. It is a must with the Ways and Means Committee. And it is a must with all of us.

The first sentence in President Nixon's message to Congress on April 21—only 3 months after he took office—reads: "Reform in our Federal income tax system is long overdue." There could not possibly be a firmer commitment to tax reform.

But that is a matter separate and distinct from the issue now before us. What we have before us is an interim emergency measure. Time is of the essence. I cannot overemphasize how important it is to our national well-being for this bill to be enacted as soon as possible. The responsibility is ours.

May I respectfully suggest to some of the Members of the House on both sides of the aisle that when bills come before this group, particularly appropriation bills, we stop, look, and listen in a sincere and honest effort to reduce appropriations coming before us.

Let me simply say this in addition: The many people who have convictions about certain legislation as to its merits may feel strongly about it, but let me add, ladies and gentlemen, you cannot have it both ways. If you are going to vote for continued increased appropriations, you owe it to your Government to vote for increased taxes. You have no alternative. I repeat, you cannot have it both ways.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 1 minute to the gentleman from Iowa, Mr. SCHERLE.

Mr. SCHERLE. Mr. Chairman, I am totally and unequivocally opposed to this legislation because it continues the 10-percent income tax surcharge, repeals the 7-percent investment credit, disproportionately increases the great tax burden already borne by middle-income taxpayers, continues to favor those already enjoying wide tax benefits, and weakens the chances of obtaining enactment of really significant tax-reform legislation during this Congress. Increasing taxes to curtail inflation is merely an exercise in futility. It has not worked. It will not work. Reduction of expenditures is the only way this goal can be achieved. I feel certain that without this reduction that next year we will continue the surtax and increase the debt ceiling to a new all-time high.

INCOME TAX SURCHARGE

The 10-percent income tax surcharge was sold to the Congress as an emergency anti-inflationary device, to be abandoned within a few months as inflation was curbed through the tax and through wise use of other monetary and fiscal instruments. However, despite the imposition of the 10-percent income tax surcharge, we have seen the cost of living increase 4.2 percent during 1968, in the worst inflation year since the end of the Korean war, and interest rates have climbed to highs of 8½ percent. Inflation has continued to skyrocket despite the promises that the surcharge would hold it down.

This inflation in general has not been consumer created. There is no wide supply shortage and no consumer overindulgence. The inflationary pressures have been principally created by this country's fiscal mismanagement. There is no real assurance that extension of the tax surcharge would have any substantial impact on inflation, so long as there is no real assurance that it would be accompanied by comprehensive reexamination of national priorities and revision of the Federal budget.

The limitation on overall spending and on personnel acquisition contained in the previous surtax legislation proved to be largely illusionary and ineffective. Placing a similar limitation on total spending in a separate appropriation bill probably will prove to be no more effective in holding down excessive Federal Government spending and in controlling inflation. Surtax revenues in the hands of the Federal Government are sure to be spent in one way or another, in accordance with Parkinson's laws. Those same moneys left in the hand of individual taxpayers would, to a much larger degree be used to retire debts, to purchase capital goods and investments, or to increase savings toward retirement, and less for consumer goods with consequent immediate inflationary impact on the economy.

Until the Federal Government shows the same restraint on its spending habits that it expects the taxpayer-consumer to show, no headway will be made against our economic problems. Instead, the legislation now before the House, H.R. 12290, would require the already-burdened taxpayer to make further sacrifices while the Federal Government and other sectors of the economy carry on business as usual. If this regressive surcharge tax is not extended, the Federal Government will be forced to make now those economic decisions that it would have to make sooner or later in any real attempt to counter inflation and restore policies of fiscal sanity and responsibility to the national scene.

INVESTMENT CREDIT

The 7-percent investment credit provisions of our tax laws would generally be repealed by H.R. 12290. The repeal of this provision would, in effect, impose an additional tax surcharge on farmers, small businessmen, and others affected, in addition to the 10- and 5-percent tax surcharges imposed by this bill and to the all-time high State and local tax burdens.

The investment tax credit has been used in various other countries since World War II. It was finally adopted in the United States in 1962, in order that our own producers could become more competitive through stimulation of investment in modernization and expansion of our industrial capacity and thereby regain world markets and restore a favorable balance of payments. It was recognized that we could not hope to achieve the increased rate of capital formation necessary to more rapid economic growth and full employment unless we brought our tax treatment of capital investment into line with the standards which our competitors in Europe and elsewhere used so successfully in the 1950's.

The investment credit has helped enormously, but the on-again, off-again tactics of previous administrations and Congresses in suspending the investment tax credit in 1966 and then restoring it within a few months had an unnecessarily upsetting effect on business decisions. The experience, however, demonstrated that permanent repeal of the investment credit would be ineffective as a temporary anti-inflationary device and would have an inflationary effect in the long run.

The investment tax credit should not be considered as a subsidy, but rather as an integral part of a long-range realistic depreciation policy. We need even greater capital spending to modernize our plants and to bring the American economy to greater productivity and efficiency so as to improve our international competitiveness. The United States continues to have the lowest ratio of investment to gross national product of any major industrial nation. Repeal of the investment credit would further deteriorate our relative position and aggravate our balance-of-payments problems, increasing the drain our our gold reserves.

As stated by the minority of the Joint Economic Committee in its report this April:

> The very nature of the 7-percent investment tax credit makes it an inappropriate tool for shot-run economic stabilization.

It is not essential that the investment tax credit be repealed or that the surtax

be extended in order for these other programs, such as tax-sharing and the Human Investment Act tax credit for those who invest in the training of young men and women, to be undertaken. Sufficient funds would be found for these programs, without any necessity of increasing Federal tax rates or deleting desirable features such as the investment tax credit, if comprehensive tax reform legislation were to be enacted, and if serious endeavors were to be made by both Congress and the executive branch at all its levels to eliminate waste and duplication, and to curb nonessential Federal spending wherever found.

I doubt whether I would concur in the absolute necessity or urgency of the Federal Government acting on "newly urgent social priorities" which some of the proponents of the present bill before the House claim make investment tax credit repeal and extension of the surtax necessary. I believe many of these proposed programs or problems could best be met by a strong and viable private enterprise system, or by State or local governmental programs where Government assistance proves essential, rather than increased Federal Government activity and spending.

At the very minimum, the 7-percent investment tax credit should be retained for farmers and small businessmen for capital investments up to $15,000. The repeal of the investment tax credit and the concurrent extension of the across-the-board surtax, at a time when interest rates are at alltime highs and when our farmers are laboring under tremendous burdens due to the cost-price squeeze, will have serious repercussions on rural America, possibly of tragic proportions.

Even were I to otherwise favor repeal of the investment tax credit, I could not favor the bill now before the House. The investment tax credit repeal provisions of H.R. 12290 are highly discriminatory in their providing valuable tax benefits for certain giant gas pipeline companies and barge companies, for example, while denying to our farmers and small businessmen the relatively small, but very important and critical, tax credits for their capital investments. It is absolutely essential that our farmers and small businessmen acquire modern equipment and technology if they are to maintain their positions in our economy, and it is in our national interest that nothing be done by this Congress that would discourage them from making this necessary capital investment.

PLIGHT OF THE MIDDLE-INCOME TAXPAYER

H.R. 12290 removes from the tax rolls 5.2 million returns of those presently at or below the so-called poverty level, at a cost in Federal revenues of $270 million. This low-income allowance feature thus places an even greater proportion of the total tax burden and of support for Federal programs—most of which benefit principally those who escape paying any taxes under either present laws or the pending bill—upon the already hard-pressed middle-income taxpayer.

The middle-income taxpayer is already impatient with this tax burden and rightly, justifiably demands reform. He is near revolt in his desperation. The pending bill, H.R. 12290, does not provide this desired reform, but instead invokes new inequities. The low-income allowances provided in this bill might make more sense were they to be in the context of a total package of balanced tax reforms, but as provided in this bill they are highly discriminatory and, in my view, unsound. Yet the very fact that these low-income allowance provisions are in the pending legislation may have the effect of eliminating the possibility of later passage by this Congress of meaningful tax reform legislation.

We must have realistic and serious tax reforms to obtain proper tax relief for those who now pay far too disproportionate a share of our total Federal revenues. The present inequities of our tax laws would be increased, not reduced, by the pending bill, H.R 12290. These inequities are threatening the very integrity of our internal revenue system. I shall support genuine, thoughtful moves toward tax reform—but shall oppose H.R. 12290.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 1 minute to the gentleman from Washington (Mr. PELLY).

Mr. PELLY. Mr. Chairman, I rise in support of extending the surtax. And, I fully support strong and firm tax reforms which I hope either the Senate will add to this bill or will be forthcoming from the administration.

But, a far more important matter faces us today, and that is the necessity of passing this bill. This body's first obligation is to our great Nation, and today the economic foundation of our country is threatened by a weakening that would have world implications. The failure to extend this surtax and place a curb on inflation could cause a severe lack of confidence throughout the world in the U.S. dollar. The stability of the dollar has to be our first consideration.

However, Mr. Chairman, I am mindful that President Nixon is the first President in my years in Congress who has requested tax reforms. On June 12, 1969, the President pledged to House and Senate leaders full commitment to further tax reform. Treasury Secretary Kennedy has recognized that additional reforms are needed and now are being prepared by his Department.

So, I am confident that we will achieve some tax reform in this session of Congress, and I say this having for many years called for the closing of loopholes in our tax laws.

As vital as tax reform is, Mr. Chairman, it is important to realize that on June 11, 1969, all six living former Treasury Secretaries urged extending the surtax.

So, I shall continue to work for tax reform, but the continuation of the surtax until December, then cutting it in half until next June, and then eliminating it altogether, appears to me to be in our national interest at this time, and I urge its passage.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan (Mr. CHAMBERLAIN) a member of the committee.

Mr. CHAMBERLAIN. Mr. Chairman, in the legislation before us today there is more that is cause for concern and regret than there is for approval and enthusiasm.

No one is happy about extending taxes, especially when we have been assured so many times in the past that these were only to be "temporary" burdens and that policies were shortly to be adopted that promised to eliminate their future need.

It is because those promises have not been kept—and adequate new policies have not been implemented—that the new administration and the 91st Congress is faced today with the choice that it is.

Nothing dramatizes this sad circumstance so well as the request, contained in this bill—page 6, lines 3 to 20—to postpone yet once again the scheduled reduction and repeal of the excise tax on automobiles—and I would like to direct my brief remarks to this aspect of this legislation.

Under present law, adopted by Congress only last year, this 7-percent levy is earmarked for reduction to 5 percent next January, followed by 2-percentage-point drops in both 1971 and 1972, with full repeal at the beginning of 1973.

After years of urging the repeal of this so-called temporary, luxury tax, it was deeply gratifying when Congress in 1965 finally recognized—on the record—this tax for what it was, a highly selective and discriminatory penalty on one class of workers, consumers, and businessmen. In a message to the Congress on May 17, 1965, the President specifically cited this tax as an "unfair burden on many businesses and workers." The Ways and Means Committee concluded then in reporting the Excise Tax Reduction Act of 1965 that "it could not justify leaving the tax on passenger cars," and this was agreed to by the House and later by the other body.

So in 1965 Congress, for these and other reasons, acted to eliminate this discrimination—or so the American people thought at the time.

Since then, Congress has voted not once, but twice, to disregard what it promised to do in 1965, and today we are asked for the third time to "temporarily" postpone what we have so permanently postponed in the past.

It would be difficult to find a wider credibility gap that that which exists between the words and deeds of the Congress with respect to the automobile excise tax.

If we look at the revenue involved in postponing the scheduled drop from 7 percent to 5 percent next January, we find it will be about $300 million in fiscal 1970. Measured against the latest forecast surplus of $6.3 billion for this fiscal year, the added revenue gain from an extension of the 7-percent tax rate looks small—too small, in fact, to warrant our going back on our promise again. The public's confidence in our word is being eroded by our procrastination.

The tax on automobiles, let us not forget, is a highly discriminatory levy originally enacted as a so-called temporary

emergency measure. In World War II and in the Korean war, the automobile tax had the company of a host of other temporary wartime excises on manufactured products. Now, it is the only remaining general revenue excise on manufactured during goods. Others were discontinued in 1965 as indefensible, and even the Vietnam war emergency has not seen them restored. Only the automobile has been singled out among all manufactured durable goods, which would indicate a certain inconsistency in the logic of retaining this levy at this time when the tax climate has permitted termination of others.

I recognize the temper of the House is such that, given the continuation of the Vietnam war, it may well vote to extend the 7-percent automobile tax for another year. But I want the RECORD to show that I do not condone this action and that I regard it as a violation of a firm congressional commitment.

If, nevertheless, the House continues this tax at current rates, then it should be with the understanding that reduction—followed by early repeal—of the automobile tax must be the first order of business just as soon as current financial pressures subside. We have the promise of the automobile companies to pass on to dealers, and through them to car buyers, the full benefits of repeal of this tax. The record shows the automobile industry fully lived up to its promise when the tax was reduced from 10 percent to 7 percent and this was confirmed by a special report of the Council of Economic Advisers. Thus, passing the tax cut through to new car buyers has exactly the same effect, as far as the car buyer is concerned, as a price reduction.

The sooner we can eliminate this tax completely the sooner we will be passing substantial saving to the consumer on a major item in the family budget—and the sooner we will be making good on our 4-year-old promise.

In conclusion, Mr. Chairman, I should like to state that if accorded the opportunity to do so I shall offer a motion to recommit this bill to the Ways and Means Committee with instructions to delete the continuation of the automobile excise tax at the current rates, thereby cutting the reductions in this tax as now provided by law to become effective.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey (Mr. MINISH).

Mr. MINISH. Mr. Chairman, I rise in opposition to H.R. 12290, providing for an extension of the tax surcharge. I voted last year against passage of the original 10-percent surtax, and nothing has occurred in the interim to alter my conviction that the surtax merely serves to intensify the already inequitable tax burden borne by the average American.

I feel strongly that my constituents, already hard pressed by inflation and by onerous taxation at every governmental level, must not be asked to continue to pay the "temporary" 10-percent tax surcharge beyond its scheduled expiration data. The administration has cited the need for an additional $9 billion in requesting the extension. In point of fact, sweeping revision of our loophole-riddled tax laws would provide sufficient revenue without any tax increase, and very probably would enable the Congress to reduce taxes. Many tax authorities estimate that $40 to $50 billion of potential revenue is lost to our National Treasury each year through various tax loopholes.

Our tax system is riddled with inequities and loopholes. In 1967, 381 Americans with incomes exceeding $100,000, including 21 who earned more than $1 million each, did not pay 1 cent of Federal income tax. Such unconscionable tax avoidance has accelerated in recent years. Over the last 12 years, the number of millionaires not paying income taxes has increased fivefold. For those withincomes over $200,000, there has been a sevenfold increase.

How is it possible to justify this situation to the ordinary taxpayer? In my own area of New Jersey, inflation, ever-increasing local taxes, and the 10-percent surcharge have put the great majority of taxpayers in a real financial bind. I hear daily from constituents in all walks of life and economic circumstances as to the ever-mounting problem of managing on incomes which are chiefly, if not wholly, derived from wages, salaries, or pensions. Let us face it—our tax laws as presently constituted soak the last penny from the ordinary citizen while allowing privileged groups to escape contributing their fair share to our national well-being.

Mr. Chairman, is it any wonder that the former Secretary of the Treasury, Joseph M. Barr, warned:

> We face the possibility of a taxpayer revolt if we do not soon make major reforms. The revolt will come not from the poor, but from the tens of millions of middle class families and individuals with income of $7,000 to $20,000, who pay over half of our individual income taxes.

When an official of Mr. Barr's stature speaks of the danger of a taxpayers' revolt, it is time for the Congress to listen. Yet, if we are to judge by the measure before us today, clearly Mr. Barr's appeal has fallen on deaf ears. The low-income allowance provision in the bill is gratifying. Nonetheless, this inclusion would suggest that many other urgently needed reforms could have been similarly written into the measure.

One loophole that typifies the injustice of our tax system is the 27½-percent oil depletion allowance. I have sponsored legislation in both the last and the present Congresses to eliminate this unjustifiable privilege in its entirety.

The oil depletion allowance currently permits oil companies to deduct 27½ percent of their income before paying taxes. It has been estimated that this tax break saves oil tycoons, and—it cannot be emphasized too strongly—costs the average American workingman approximately $2 billion each year. An average manufacturing company in the United States pays taxes at a rate of about 48 percent. Even in the low- and middle-income brackets an individual pays 14 to 20 percent. The major oil companies, on the other hand, regularly pay less than 10 percent—some, in fact, have actually received tax refunds in recent years despite huge and consistently increasing profits.

The plight of the overwhelming majority of our taxpayers could be substantially lessened through reforms like the repeal of the antiquated and outmoded oil depletion allowance. The circumstances which originally caused the conferring of special incentives upon the oil industry in 1926 no longer prevail. Oil has one of the lowest rates of failure of any business in the United States and two-thirds of the depletion allowances are claimed by companies with assets of over a quarter of a billion dollars.

The current $600 exemption for individuals is another area of our Tax Code in desperate need of revision. It is outdated and bears no relation to the present high cost of living. Over the past three decades the cost of living in the United States has more than tripled. During this same period the personal exemption rate, originally designed to relate to the cost of living and the expense of raising a family, has been increased only once and then by only $100.

Government statistics bear out my point: The Department of Health, Education, and Welfare reports that it now costs an average of over $1,400 per year to raise a child to the age of 18. To then provide this same child with a college education now costs American parents approximately $2,500 per academic year.

Any revenue loss resulting from the enactment of a higher exemption such as the increase to $1,000 provided in my bill, H.R. 7331, could be more than compensated for by plugging only a few of the many loopholes written into our present Tax Code.

Last year we heard the same argument—a vote for the surtax is a vote against inflation. It was not true then and it is not true now. For the year ending April 1, 1969, a period when the surtax was in effect, the consumer price index rose at the alarming rate of 5½ percent. The surtax actually has been contributing to our present inflationary spiral by prodding business to raise prices to cover its higher taxes. The Mountain States Telephone Co., for example, recently obtained a $3¾ million rate hike and notified its customers that it had done so in order to pass along the costs of paying the 10-percent surcharge.

Mr. Chairman, we need tax reform, not the tax surcharge. Prompt and thorough revision of our tax system would reduce the inflationary pressures in our economy and protect our competitive free enterprise system. Above all, however, it would bolster the faith of the American people in the equity and integrity of their Federal tax system and distribute the burden in accordance with the democratic principle of ability to pay.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. Mr. Chairman, I am opposed to the extension of the income

tax surcharge and intend to vote against it.

Mr. Chairman, I supported the surtax a year ago in the belief it was a needed, if unpalatable, device to forestall the inflationary spiral which has its harshest effect on hard-working, middle- and low-income people—people I represent—and because I believed deeply that we needed additional revenues to fund desperately needed programs for our cities.

The surtax has been a bitter pill to swallow because the inflationary spiral continues, as does the tax burden on those who already carry more than their share of the national tax burden. While economists concede that the surtax has indeed resulted in the withdrawal of billions of dollars from our overinflated economy and has slowed inflationary trends, this salutory effect is not as visible as it might have been hoped to be. Many businessmen had made their plans for capital outlay for new plant and equipment, based upon an inflationary psychology which in effect was a self-fufilling prophecy. Nevertheless, overall, the surtax did ultimately slow down our economic growth. The rate of annual growth in our gross national product is down since last year from 6 percent to 3 percent, in real terms. Furthermore, although retail sales levels are up from last year's level about 2 percent, in terms of dollar sales, because of the approximate 7-percent inflation in consumer prices during the last year, consumer sales were actually down several percentage points in real terms.

Mr. Chairman, notwithstanding these apparent advantages, the bill which we are asked to approve today represents a "Hobson's choice," with our economic well-being hanging in the balance. We are asked to continue this burden on our low- and middle-income taxpayers without an end to the costly and wasteful war in Vietnam, without meaningful tax reform, and without any safeguards against the clear prospect of increased unemployment which must inevitably result from the cooling of our economy, and the dampening of employment-producing economic activity.

Laudably, the bill before us would remove 2 million low-income taxpayers from the tax rolls. This is a highly commendable goal; its cost to the Government will be minor, less than about $500 million during 1969. Yet the bill does not provide protection for the recently employed poor, particularly minority poor, who have benefited from our economic growth through the creation of jobs. It fails to protect those who have achieved jobs through our poverty programs. Increased unemployment will significantly and adversely affect our poor, most of whom come from minority groups, who are generally the last hired and the first fired, and whose unemployment rates have historically been two or two and a half times the national average.

Of equal importance is the fact that the bill which contains some half-hearted measures which might be characterized as tax reform, is clearly designed to serve as a substitute for the meaningful reform of our tax structure which we urgently need. If the administration were concerned simply with the need for time to prepare its reform package, it could quite simply have asked for, and undoubtedly would have received, a 2- or 3-month extension of the surtax while it drafted its bill. We can only regretfully conclude that this mini-reform is the only tax reform we can hope for from this administration.

Last year, in passing the surtax, many of us hoped that the nearly $10 billion to be derived from the tax would be used to fund sorely needed social programs. There has been no real effort to use these funds to meet our pressing domestic needs. To the contrary, notwithstanding additional available funds, we have seen funding cuts across the board in our programs for poverty, education, and health, the programs most desperately needed by millions of Americans aspiring to better lives.

It is time we stopped passing a disproportionate share of the cost of meeting our fiscal problems to millions of Americans who are already staggering under a welter of Federal, State, and local taxes. Congress and the administration must act decisively to end the war in Vietnam, to lop $5 to $10 billion from our military budget, to distribute equitably the burden of meeting our obligations by closing tax loopholes, and to reexamine our vast system of Federal programs, many of which subsidize the rich, while failing in meaningful measure to help the poor into jobs and independence.

The surtax, as we are here confronted with it, simply represents an avoidance of the obligation of the administration and the Congress to face its responsibility to deal with these problems in forthright effective fashion. Therefore, Mr. Chairman, I cannot, in good conscience, vote for the surtax under these circumstances, at this time.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri (Mr. BURLISON).

Mr. BURLISON of Missouri. Mr. Chairman, today we are called upon to vote for a 1-year surtax extension. We are told that it is imperative that we do so for the good of the economy. It is promised that a vote for the surtax extension is a vote against inflation and for fiscal sanity—legitimate goals, obviously. If I thought there was some chance that the enactment of the bill would result in the accomplishment of these laudable purposes certainly I would vote "aye."

When the surtax was before the House last year proponents offered it as a means of fighting inflation, yet inflation has worsened since passage. The Consumer Price Index rose nearly 6 percent last year and shows every indication of accelerating. Contrast this with the 4.1-percent increase for the year prior to the enactment of the surtax. Granted, 4.1 percent is high, but nonetheless lower than that we have endured since passage of the surtax.

It was asserted that the surtax would force interest rates down, yet interest rates are at record highs, rising 36 percent in the past 7 months to record highs of 8½ percent and more.

Obviously inflation hurts those on fixed incomes such as retired persons, but as just pointed out, it robs the working and salaried man of his purchasing power and lessens the value of his savings. It is now proposed that the wage and salary earner, the great middle class of this country, already feeling the pinch of inflation, bear the brunt of the surtax. It looks to me like the middle class is being made to suffer for all this country's economic ills when as a group they bear the least responsibility for those ills.

It is no wonder that former Treasury Secretary Joseph W. Barr was moved to warn the Ways and Means Committee that Congress was facing a potential taxpayers' revolt. The bill before us today makes a mockery of tax reform, and I cannot in good conscience support it. We are passing up the best opportunity in years to correct the inequities of the tax structure. If that opportunity is ignored who can say when it will come again.

I leave it to the proponents of this bill to convince those thousands of my constituents who will have to dig into their pockets to come up with a share of the $7½ billion to be raised by the surtax, that it is fair that some people whose incomes exceed the average by more than 100 times, including last year 21 who grossed over $1 million and 155 over $200,000, should pay not 1 cent of the surtax. This privileged class from whom so little is taken is not concerned about the surtax because they do not pay any taxes at all.

As I recall, Mr. Chairman, President Nixon labeled the surtax a war tax and urged its repeal as soon as the war ended. He said:

> It is a war tax, and it should be ended because I think the tax level in this country rather than going up, should be reduced.

Me, too, Mr. President. But, apparently the President has changed his mind. Now the surtax is an anti-inflationary measure whose termination is, from my reading of the bill, not tied to a cessation of hostilities in Vietnam. I am now attempting to help the President keep his campaign promise to the American people.

Mr. Chairman, if I had some illness and I went to a doctor who prescribed some type of wonder drug which made me even sicker, and after I told him about it he prescribed larger doses of the same drug, I think I would start looking for another doctor. By the same token, I think we need a change of economic medicine. What we have been taking has obviously not been working.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. TUNNEY).

Mr. TUNNEY. Mr. Chairman, I am extremely disappointed and deeply concerned that the Congress is not considering in-depth tax reform today in conjunction with the proposed extension of the surtax. It is for this reason that I must vote against an extension of the surtax.

I share the desire to fight inflation, but feel that the surtax without tax reform merely deals a double blow to the average taxpayer, while continuing and even reinforcing tax loopholes for the privileged few with tax-sheltered income.

Tax reform is a matter that deserves top national priority. We are now past the point of saying that tax reform is long overdue. The inequities of our tax system have reached the proportions of a national scandal. To extend the surtax now for 1 year without substantial tax reform, would merely serve to perpetuate existing tax injustices. I cannot in good conscience vote to do this, and furthermore, can see no reasonable excuse for failure to act now on tax reform.

It seems to me a rather anomalous situation that the administration finds itself in. During the past campaign, the President, in appealing to the "silent majority," said over and over again that the middle class had no effective spokesman in the halls and chambers of power in Washington, D.C. Today we see just how inconsequential President Nixon's campaign promises were on this subject. The administration has shown much more interest in the extension of the tax surcharge than they have in tax reform. I am convinced that if we pass a 1-year extension of this surcharge, that we have effectively precluded the possibility of meaningful tax reform in the 91st Congress. It is the middle class without all the deductions, exemptions, and exclusions who are going to have to sustain the burden of this decision. I for one do not intend to be a party to it.

For those who say that if we do not have an extension of the tax surcharge today there is a grave potentiality of recession or an international monetary crisis, I say that it would not take more than 1 week to bring up a tax reform bill concurrently with or immediately prior to the surcharge extension bill. On the alternative, the surcharge could be extended for 4 months giving the Ways and Means Committee 4 months to bring a tax reform bill to the floor of the House. If we get tax reform I am prepared to vote for a surcharge extension but not otherwise.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. HANLEY).

Mr. HANLEY. Mr. Chairman, I rise in opposition to the proposed extension of the surcharge for another year, and I do so as one who voted for the original bill in the last Congress. There are a variety of reasons for my coming to this decision, not the least of which are the failure of the administration to provide the Congress with any meaningful proposals for a reform of the Federal tax structure and the collateral failure of the Congress itself to come forth with a real tax reform package. I do not consider the few bones of reform which the Ways and Means Committee has included in the measure now before us as meaningful or substantial. The real guts of this issue—the fact that the average taxpayer is picking up far more than his share of the tax liability of this Nation—has not been considered seriously. Multimillionaires, wealthy oil and gas companies, tax-free foundations of questionable eleemosynary value, and the like, continue to enjoy preferential status before the Internal Revenue Service, while Joe Citizen continues to be squeezed to the wall. Now we are asking this same individual, who is supposed to feed, clothe, house, and educate his child on $600 a year, to dig a little deeper. We claim to be concerned about the impact of this average citizen's meager spending on inflation, yet when the big bankers decided to gouge the public by raising their prime lending rate to 8.5 percent, many of our highest Government officials simply turned their backs.

I am as worried about inflationary trends as anyone in the Congress, particularly because they hit those who can least afford them—individuals on fixed incomes. But the testimony offered by administration witnesses has failed to convince me that the existing surcharge has contributed to a deflation of the economy. Maybe their arguments are a little too sophisticated for me, but I cannot see how taking an additional 10-percent tax bite out of an individual's pocket and then forcing him to borrow at 8.5 percent to pay for his children's education and medical expenses contributes much to the halting of inflation. When you add to these the fact that State and local taxes have skyrocketed in the last couple years, the present proposal becomes repressive.

It has been suggested by administration officials and various congressional figures that the Federal Government needs the funds which a surtax would produce. How, I submit, can we possibly know how much we will need, unless and until we pass a tax reform measure and close some of the existing loopholes.

Mr. Chairman, the House and Senate have already passed stopgap resolutions authorizing the tax withholding at the current level for another month. If Congress is serious about the business of tax equality then I urge Members today to vote against this proposal which will lock the surtax in for another year, and then urge them to press the Ways and Means Committee and the Senate Finance Committee to produce within the month a meaningful tax reform package.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. KOCH).

Mr. KOCH. Mr. Chairman, I rise to speak out against the passage of this surtax bill and to give my reasons for the nay vote which I intend to cast. The debate today has indicated that there is a diversity of opinion as to whether or not the surtax is the most effective weapon to deal with the inflation now sweeping this country. I believe the surtax is one weapon in the fight against inflation and it ought to be employed. However, I also believe that another weapon would be substantial tax reform to close up those loopholes which permit the wealthy and affluent to engage in tax avoidance with the help of their ingenious tax lawyers.

We have been told that if we vote for this bill, there will be major tax reform in this session of Congress. Many of us, myself included, are reluctant to accept such assurances. In the last three administrations, Congress was told that there would be meaningful tax reform and in none of those administrations did meaningful reform take place. The pressures against such reform were always overwhelming, notwithstanding the good intentions of each of those administrations. Because of past performances, those of us who will not vote for the surtax unless it is coupled with meaningful tax reform know that once this surtax is extended without simultaneous passage of a tax reform bill, our only leverage in getting tax reform will be lost.

I have urged the Ways and Means Committee to simply extend the surtax for a 4 month period so as to give it time to come back to this Congress with a meaningful tax reform package and a further and full extension of the surtax for 8 more months. We would thereby have accomplished two goals, first that of continuing the surtax without interruption and secondly insuring tax reform in this session of Congress.

It is true that in an artful way, there have been inserted into this bill two desirable changes in our tax law, namely the removal of the 7 percent investment tax credit, and the removal of a number of taxpayers from the tax rolls who are now below the poverty line. These are good provisions and we should pass them separately or as part of a major tax reform bill. But they are not enough to make me give up my opposition to the present bill.

The inequities in our tax system have the effect of making the middle-income taxpayer bear the greatest tax burden while allowing so many of the wealthy to pay little or no tax at all. It is unjust and for these reasons I will cast my vote against the bill before us.

Mr. BOGGS. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri (Mr. HUNGATE).

Mr. HUNGATE. Mr. Chairman, in early 1969 I mailed to my constituents a questionnaire reading: "Should the surtax be extended beyond its June 30 expiration?" Over 30,000 responded and of these, 63 percent said "no" to 26 percent who said "yes" and 11 percent undecided. In my mail since that time, I can discern no change in their sentiments.

I urge defeat of this surtax extension at least until such time as meaningful tax reform can be enacted.

The surtax was proposed to help inflation. After 1 year of the surtax, inflation is worse than ever. Interest rates are 8½ percent and over. Many millionaires receiving annual incomes in excess of $1 million escape all Federal income taxes. Large companies with incomes in the millions escape taxes. A year ago the country was promised tax reform if only a surtax could be adopted. Now we get the same old promise from a new face. I do not disbelieve the promise of tax reform. I would just like to hold off surtax extension until they "show me" tax reform.

Mr. BOGGS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman

and member of our committee, the gentleman from Ohio (Mr. VANIK).

Mr. VANIK. Mr. Chairman, under the controlled and protected rules of this House in considering this bill, the time has been allocated almost entirely to those in support of the bill. Fortunately, the case for and against this bill has been completely submitted. We have the advice of our economic advisers—none of whom ever supported a meaningful tax reform. We have the advice of the financial community urging support of the surtax—and this group has been more irresponsible that any other segment of our country. Whom shall we believe? Whom can we believe? The forces who enjoy the loopholes and the tax preference are for the surtax. A vote for the surtax bill as presented is a vote against reform.

We were promised tax reform in 1964—it never came. We were promised tax reform last year when we considered the surtax—it never came. Yesterday, Arthur Burns said we would get President Nixon's tax reform package next year. What will this package be and on what day will it come? Is there credence to rumors that any effort to modify the oil depletion allowance will be vetoed? Will there be any basis for believing that a minimum tax on untaxed wealth will come this year? I think not.

There are assurances that comprehensive tax reform will be reported out this year. And this is indeed a possibility. The bill may very well become a comprehensive title which provides no new revenue. The oil depletion allowance may indeed be reduced from 27½ to 27⅓ percent. The capital gains holding period may be extended by several days.

In our work on reform up to date, we have produced no substantial revenue, only a net gain of one-half billion dollars after a 6-month effort. If it took 6 months to raise one-half billion dollars, how long will it take to bring about meaningful revenue-raising reforms.

If a straight motion to recommit is made—I expect to vote for it. This will send the bill back to the Ways and Means Committee where it belongs until tax reform can be written into it. I urge the Members of the House to support a straight motion to recommit and vote against the bill. If there are any instructions in the motion to recommit, I urge its defeat.

Whichever way this vote goes, I know it will be close. This vote will be a mandate for reform.

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

Mr. VANIK. I yield to the gentleman.

Mr. REUSS. Mr. Chairman, there is no doubt about it, fiscal responsibility requires that we get enough revenue in the Federal Treasury in the year ahead so as to put the budget into surplus. There is an overwhelming disposition on the part of Congress to do just that. So let me assure the European bankers that they may rest easy, the dollar will remain sound.

The sole question before this House is whether the needed revenue shall be obtained by imposing a further surtax burden on the average moderate-income taxpayer, or whether it shall be obtained to the maximum possible extent by plugging the major tax loopholes.

We are assured by the Nixon administration that if we will only vote today to impose the surtax burden on the moderate-income taxpayer, the Nixon administration will come up next November with an adequate loophole-plugging program.

Take it on faith, it is said, and you will get your tax reform.

Well, I cannot take it on faith. It does not look to me as if the Nixon administration is going to do anything serious about the major tax loopholes—the oil depletion allowance, the capital gains provisions, tax-exempt municipal bonds.

In a November 1, 1968, campaign speech in Texas, Mr. Nixon solemnly promised that he would never tamper with the 27.5-percent oil depletion allowance.

The gentleman responsible for formulating tax policy, Secretary of the Treasury Kennedy, earlier this year, with respect to stock in his Chicago bank negotiated successfully with the Senate to take advantage of the stock option provision of the long-term capital gains tax. Because he disposed of his stock in under 6 months, the loophole turned out to be unavoidable.

The gentleman responsible for enforcing our tax laws, Attorney General Mitchell, was a leading tax counsel for the issuers of tax-exempt bonds for many years. Since becoming Attorney General, he has said that taxing income from such bonds would be unconstitutional, even though the great weight of legal authority is to the contrary.

Do you blame me, Mr. Chairman, if I am a little skeptical that the present administration is going to do anything meaningful about plugging tax loopholes next November?

There is nothing to stop the Nixon administration from finding its sense of fiscal responsibility and coming up tomorrow with a meaningful program of plugging loopholes. I shall then unhesitatingly vote for a further continuation of the surtax sufficient to yield the necessary revenues while such an administration-backed loophole-plugging program is being enacted, and while its revenue-raising features are beginning to take effect.

If the administration will sincerely support such a program, it obviously can rally the Republican votes which are needed for meaningful loophole-plugging. The Republican leadership has promised to deliver, later on this afternoon, 170 Republican votes for extending the surtax on the moderate-income taxpayer. Feats of persuasion, ranging from the selection of an Assistant Secretary of Health, Education, and Welfare to school desegregation guidelines, are reported to be back of this superlative Republican legislative performance.

I say, let President Nixon put this same effort behind a sincere program of tax loophole-plugging. Then our Democratic votes can join with Republican votes in the overwhelming passage of a tax package of combined loophole-plugging and surtax.

My vote is instantly available for that kind of a package. I call on Mr. Nixon to show some responsibility, too.

Mr. BOGGS. Mr. Chairman, I yield to the gentleman from Pennsylvania such time as he might consume.

Mr. DENT. Mr. Chairman, I oppose this administration tax bill.

Mr. Chairman, I regret that this bill is before us under a closed rule.

Second, Mr. Chairman, the handling of the alloted 4 hours of debate has been taken almost in its entirety by the proponents.

There are those of us who would have needed some time to put forth the opposition as it must be presented.

I can only put my views in a limited version into the RECORD at this point.

The argument of the minority leader is that this is a must if we are to deflate the inflationary spiral in our Nation.

We are also told that this bill will act as a deterrent on the increasing of the prime interest.

Let us look at the record. Insofar as inflation is concerned the highest rate of increased inflation in any 1 year period in this decade has come since the passage of the 10-percent surtax.

When it comes to the prime rate increases, history records the highest rate of interest in our history with Americans paying as high as 10 percent plus 2 to 4 percent discounts making a rate of 12 to 14 percent.

How can anyone really agree that the tax is against inflation and high interest rates.

The record is to the contrary.

The next issue in the bill is even more serious than the previous arguments since they are based upon political expediency rather than fact.

I speak, Mr. Chairman, of the so-called tax relief to the low-income families.

I disagree with the committee that a $1,100 added deduction for these families is equitable.

The formula is one cleverly conceived to sweeten the harassed taxpayer, especially in the so-called low earnings brackets.

Simply put, a single taxpayer with no dependents will get his normal $600 exemption as a dependent plus $1,100 deduction giving him an annual deduction of $1,700.

However, a family with eight dependents will receive the present $600 per dependent plus $1,100 making his deduction an average of $737 per dependent as against $1,700 for a single taxpayer.

Further, after six children a taxpayer receives no $1,100 if his income is the basic $600 for eight dependents, ignoring all dependents over eight.

This destroys the basic concept that, under the law every dependent would receive the same amount of deduction regardless of number of children.

One situation that points at the inequity of the proposal is to take two families with a form dependency tax deduction.

One family is made up of father,

mother and two children fully dependent upon their parents.

Under the present law, this family would get a $2,400 deduction. Under the bill, the family will get a $3,500 deduction, or $875 for each dependent.

The other family is made up of a father and mother, both working and paying as individual taxpayers. They have two children, living at home, earning their own incomes, and also making individual returns.

Under the present law, their total deduction would be $2,400, the same as family No. 1.

However, under this new law, each of this family's members would qualify for the extra $1,100, for a total of $6,800 tax deduction if their incomes come within the level set under the law.

If this is equitable, then it is based upon a theory that it costs a low-wage taxpayer more to live by himself or herself than it costs for a man with a family.

If this is so, then the present law is completely wrong in concept. Allowances for family members under public relief are based upon family membership. Workmen's compensation makes allowance upon the number of minor children in a family. Federal loans for students are based upon income measured by number of members in a family group.

Mr. Chairman, this violates the fairness of tax equality under the very inadequate deduction for family dependents.

The reasonable approach this Congress could pursue would be to increase each dependent's allowance to a minimum of $1,000 per dependent.

A family of four would under my proposal get $4,000 deductions as against $3,500 under this bill and $2,400 under present law.

A family of one would receive under my proposal $1,000 as against this proposal $1,700 and the present $600.

A family of six would get a deduction of $6,000 under my proposal as against a $4,700 under the administration proposal and $3,600 under present law.

The real loser in this whole area offered by the administration is a family of eight or more.

A family of 10 for instance would get a $10,000 deduction under my plan while they would receive $6,100 under this fraudulent tax relief proposal and $6,000 without any new law.

Let us make no mistake, Mr. Chairman, this is a tax the poor bill, all the way.

Unless we learn to keep from hitting those least able to pay for all this country's expenditures we will find ourselves paying more out for relief than the increased taxes will return in revenue.

Mr. Chairman, we can also look with dismay at the sugar-coated exemptions allowed under this so-called tax bill.

One of the proposals sold to Congress a few years ago was the 7-percent tax credit for business expenditure for new plants, plant expansions, new equipment and machinery for production, transportation, and public utilities.

We were told by the same forces now asking for its repeal, that this Nation had to give the credit to encourage industry to modernize, to expand in order to meet the mounting volumes of imports from subsidized foreign industry.

We were told that this would encourage U.S. industry to expand here rather than abroad.

We were told this legislation would create jobs in the United States rather than overseas.

Now we are told that this 7-percent tax credit is a loophole. The same leaders have peddled both versions.

Fantastic. Not so in Congress. The last 10-percent surtax bill was a straight tax bill. Now it is a surtax with a couple of sugar-coated frauds to cover the fact that President Nixon and his whole party called this a war tax and promised to remove it.

Mr. Chairman, without tax reform there can be no vote of confidence in the leadership either Democrat or Republican.

Unless we recognize the loopholes made available to the richest purses in America, the oil companies, the wealthy corporate-type farmers while pressing the valve of tax oppression on the family farm, the everyday worker, the middle-class taxpayer and finally the honest and patriotic taxpayer who pays his way as he goes.

Mr. BOGGS. Mr. Chairman, I yield whatever time he may consume to the gentleman from Illinois (Mr. MIKVA).

Mr. MIKVA. Mr. Chairman, the surtax tax, H.R. 12290 may well be known as the topsy-turvy tax act of 1969. As one reads the undisputed facts and figures contained in the report accompanying the bill, one is reminded of the mathematics professor who drowned in a river that averaged 6 inches in depth. By way of illustration, take a look at the much-heralded provisions for relief of the low-income families. The biggest relief goes to students who work part time. I am relieved to know that the mood of Congress is not quite as angry at the students as some of our actions from previous weeks might have led them to believe. Perhaps this tax relief is a way of compensating for some of the more restrictive measures approved in recent bills.

On the other hand, a family with seven or more children gets no relief under these poverty provisions no matter how abject their poverty or how many children they have. In fact, the measure of relief declines geometrically with the increase of family size between one and eight.

I have read and reread the report accompanying the bill, and the closest I can find as an explanation to this quixotic result is that the computer has fallen in love with the figure of "$1,100" as a total allowance for low-income families. This may be a little difficult to explain to a hard-working father with seven or more children as a reason why he does not need any relief from the exigencies of inflation. In fact, he is going to help fight the battle of inflation by paying more tax in April 1970 than he did in April 1969.

Which leads to the surtax. Tables 2 and 3 together on page 5 of the report make it clear that in every month since the imposition of the surtax last year, the effects of inflation on the consumer have been more ravaging. Unfortunately, there are a few statistics that do not appear in the report that would shed some light on our inflationary problems and how to control them. For example, during that same period since the imposition of the surtax last year, real wages have gone down. It would not surprise the average housewife and her wage earner to know that the same hour's labor buys less chopped meat after the surtax than before. One of the reasons, of course, is that his taxes went up last year.

Another interesting statistic is that the percentage of profit—as well as the dollars of profit—went up during this same period. In other words, investors have fared better since the imposition of the surtax than have wage earners. One sharp example of that is that a wage earner is now paying 8½ percent after taxes if he wants to get a mortgage for his house, while the coupon-clipper is collecting 5½ and 6 percent on municipal bonds without any taxes to worry about, "sur" or otherwise.

The country is suffering from an inflationary stomach ache all right—but this bill says that only the little people are going to have to take castor oil. Not only is that an unfair remedy, it is also an unworkable remedy.

Nor can our collective consciences be salved by pointing to the repeal of the investment credit as a meaningful effort to have the business and investment sector take on its share of the burden of fighting inflation. In the first place, the repealer is so full of holes, it looks more like a Swiss cheese than a repealer. Some of the exceptions may even smell that bad. Second, the amount involved is negligible for the immediate succeeding period, when the battle against inflation will be won or lost.

The surtax by definition contravenes the whole philosophy of our Internal Revenue Code. It puts a larger share of the tax burden on the low-income groups than does the normal tax structure. If it can be justified at all, it can be justified only as an emergency crash measure taken in conjunction with other emergency crash measures to stem the tide. Such measures at the very least would include revisions of the Internal Revenue Code to close up loopholes such as oil depletion and real estate depreciation which not only distort the fairness of our tax code but encourage speculative investment, the most inflationary type of all. At the very least, they would include efforts to slow down the whopping appetites of business and consumer alike—not by encouraging the interest rates to go up to a record high, but something like regulation W which requires a little more cash and a little less credit for the transaction to be allowed. They would include an excess profits tax. And they would include efforts to see to it that an attack on inflation was not allowed to become an invitation to recession. They would do something about the high interest rate and its effect on housing starts. They would do something about the present crunch on domestic pro-

grams with Health, Education, and Welfare receiving less support from the Federal Government—with the net result that the average American receives less in services or pays more in regressive local and State taxes for the same amount of services. They would get at some of the root causes for inflation, such as the standing Armed Forces of over 3⅓ million men with over half of them stationed at sea or overseas, draining such a large share of our gross national product into nonproductive activities.

The program in short would say, "Let's everybody tighten our belts," not just those with the weakest voice or the smallest waistline.

I will vote "no" on this bill. I think that our committee and the administration within the next 30 days can come up with a package of tax measures—or a commitment for same—which spreads the burdens more equally. They can only be made to try if this measure is defeated.

Mr. BOGGS. Mr. Chairman, I yield to the gentleman from Virginia (Mr. ABBITT) such time as he might consume.

Mr. ABBITT. Mr. Chairman, I am opposed to the continuation of the surtax and feel that its extension is neither justified nor desirable.

I opposed the tax when it was originally enacted last year as I did not feel that a convincing case had been made for it. Those who supported the tax contended that it was to be temporary and was to meet the increasing cost of the war in Vietnam. It was also contended that the tax was necessary to meet the problem of inflation and assurances were given that it would end on June 30, 1969.

I felt at that time that there would be those who would want to continue it—which is now the case—and we are told that present plans are to allow the tax to be phased out, but my impression is that if we vote to continue the surtax it is entirely likely that subsequent appeals will be made for further continuation.

In my opinion, additional taxes is not the proper way to meet inflation. I believe we should have a reduction in Federal expenditures and I am firmly convinced that if an honest effort were to be made by the executive agencies, substantial reductions could be effected. I do not believe that such an effort has been made and certainly we will not encourage it by continuing to approve additional revenue-raising devices such as the surtax.

I am convinced that if we had proper tax reform, it would serve a much better purpose than is presently contemplated by the bill now before the House. Many of our people are being discriminated against while others are not even paying their proportionate part of the tax burden. I feel that we should have a general overhaul of the tax code and unless and until this is done we will continue to operate on a hodge-podge system of collecting revenues.

We are today collecting revenues of more than $190,000,000,000 and efforts to prune expenses have been frustrated on every hand. It is inconceivable that with an expenditure of close to $200,000,000,000 we cannot find ways of balancing out our budget without additional revenues.

The news media have made it appear that the bill now before us is simply an extension of the surtax. Such is, of course, not the case, because in the provisions of this bill are additional steps which will ultimately lead to more taxation and more spending, despite the fact that the Treasury Department makes this appear to be a net gain for the economy.

Our people have been patient and understanding for years as they have seen a continuing increase in Government expenditures which have resulted in inflationary pressures on the family budget. I believe that this Congress needs to look carefully at the possibilities of eventual taxpayer revolt against Government policies which are in and of themselves the biggest contributor to our uncertain economic situation. Until this is done, Congress will not have dealt realistically with the problem which confronts us.

I feel that the surtax should be allowed to die at the end of the statutory period, which was the promise given to the American people at the time it was enacted.

Mr. BOGGS. Mr. Chairman, I yield such time as he may require to the gentleman from Missouri (Mr. SYMINGTON).

Mr. SYMINGTON. Mr. Chairman, I rise in opposition to the bill. It has been suggested that the timing of this House action was advanced to occur this week instead of next, in order to avoid Fourth of July exposure to constituent opinion. I do not believe that, but if there was any fear that our ears would ring with opposition to the surtax extension, should we visit our respective districts, I wish to say that I went home this past weekend, and the fear is fully justified.

Today we heard the argument that big business and big labor oppose the extension, the inference being that we should look suspiciously upon cooperation between big business and big labor. I would have thought we would want to encourage such cooperation wherever possible. But I do wish to reassure those who think it suspect that it is joined by the views of "small" business and labor if by such terms we can include the average taxpaying citizen.

Many constituents—large and small—with few exceptions, oppose this bill. Some of them reluctantly endorsed the concept a year ago, but did so in the belief that tax reform would ensue shortly, by which the burden would be more fairly shared, as well as the understanding that rigid priorities of expenditure would be established. They were much moved by the campaign philosophy of the administration which took office in January, that the surtax was not required to provide needed revenue because there were "other ways" to raise it. Now they are being asked by that same administration to put that compelling thought out of mind in the name of fiscal responsibility.

Responsibility is, indeed, a key word in the dialog of the day. For my part, and from the debate we have heard, I think we can reject any implication that a vote on one side or the other is "irresponsible" per se. Each of us votes today according to his understanding of what is best for the Nation. In so doing we must not forget that the Nation consists not simply of sources of funds but of people, whose confidence in their Government's ability to govern fairly is being tested as never before. By passing this inequitable tax we tell the average taxpayer that his money is more important to us than his confidence.

St. Louis Countians, for example, were required to pay millions of dollars of surtax over the past year. They are no less patient or patriotic than the learned economists prevailed on to support this bill. They are indeed for taxation, but not without representation or their right to be taxed fairly. Still, they would be willing again to forgo the satisfaction of a kept campaign promise, if to it were firmly attached one of the following:

First. A tax reform program which would reach the millions of dollars of protected income which today remains untaxed;

Second. Clear indications by the administration that the sums collected in surtax would be earmarked for debt retirement or investment in critical domestic areas;

Third. A schedule of reasonable priorities for the use of the tax dollar. With minor exceptions, insofar as the middle-income taxpayer is concerned, this bill and the rhetoric behind it offer nothing. Something would be something but nothing is simply nothing.

The one hope which the taxpayer has, and which he entrusts to us, is that we forbear from begging his further indulgence until we can offer the inducement of equity. He knows, or at least he legitimately fears, that passage of this bill alone would delay, perhaps indefinitely, the reforms which have been so long due. Some of us agree. We agree to the extent of honoring with our vote this most reasonable trust. Should the surtax be defeated, I have no doubt that the administration and House majority and minority leadership will work together quickly to marry fiscal responsibility to concern for the taxpayer. On the other hand, if the bill is passed, I doubt the two will soon meet.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio (Mr. WHALEN).

Mr. WHALEN. Mr. Chairman, the issue confronting this body today is precisely the same as the question that confronted the House of Representatives on September 25, 1963. At that time the question was, as it is today, Should the rate of taxes remain the same or should the tax rate be reduced? Because, indeed, this is what is going to happen if we fail to pass H.R. 12290: We will see a reduction in the tax rate paid both by corporations as well as by individuals.

Traditionally, fiscal policy has called for a reduction in taxes when the economy needs a stimulant. This was the underlying motive behind the tax reduction on September 25, 1963, in what is now called the Expenditure Act of 1964.

What is going to happen if this bill fails to pass and taxes are reduced? Actually, two things will occur:

First, there will be returned to the

private sector of our economy, to business, and to individuals, an amount equal to the sum of the tax cut. In this case it will be about $9¼ billion.

Second, there will occur what we call a multiplier effect. In other words, the impact on the economy will not be just the $9¼ billion in the form of tax cuts, but this sum will be spent and respent by those benefiting from the cut.

It is estimated that the total effect would be probably twice or 2½ times the amount of the tax cut.

Therefore, the impact on the economy, if we or the other body fail to enact this legislation, will be not $9¼ billion, but anywhere from $19 billion to $22 billion.

I think, therefore, we have to determine today whether, indeed, the economy does need a stimulant.

I shall not belabor you with economic statistics. I think perhaps just one is sufficient. In May 1968, the industrial production index stood at 164.2 percent of the 1957–59 average.

In April 1969 it had increased to 171.8 percent. It took another point jump in May. It now stands at 172.8 percent.

I think certainly this statistic and the other indexes indicate that the economy today is more buoyant than it was at this time in 1968. Therefore, I do not feel that it would be fiscally prudent at this time to have a tax cut which would have an impact on the economy in the amount of perhaps $19 billion to $22 billion.

Let me cite one other argument. Perhaps in the not too distant future there may be a combination of factors which might slow down our economy and which would perhaps bring us to the brink of a recession. I think at that time certainly a stimulant in the form of a tax cut would be warranted. I think, however, if we give the economy an unnecessary stimulant today, it not only will have an adverse economic impact, but we will be wasting an important weapon—a tax cut—which might be better utilized in the future.

It is for these reasons, therefore, Mr. Chairman, that I intend to support today H.R. 12290.

Mr. BOGGS. Mr. Chairman, I yield 3 minutes to the distinguished member of the committee, the gentleman from Tennessee (Mr. FULTON).

Mr. FULTON of Tennessee. Mr. Chairman, there was once a great country that had a wondrous goose that solved its financial problems.

Once a year, around April 15, the Government sent a notice to the goose, requesting that it lay a golden egg.

Each year, the government asked for a larger egg, until the poor goose was overcome with the strain.

The goose called upon the government to spread the work around, and seek out some of the fat geese that had managed to escape their share of the egg laying.

The Government's response to this request from the average goose was that it did not have time to work out a fair means of spreading the golden egg-laying chores among all the geese, and that to expedite the need for funds at this time, the average goose would be required to lay an egg 10-percent larger than usual.

With the passage of this bill, the average goose may simply stop laying any golden eggs. I urge the defeat of this bill.

That is just about what we are faced with today.

The average taxpayer is being frustrated at every turn to gain any kind of relief.

He is told that a 10-percent surcharge is an absolute necessity if we are to curb inflation.

Yet, he learns that after 1 year of such a surtax, at the very time when the surtax is supposed to be exerting its fullest effects, statistics show that during the 2 months this spring, the cost of living went up at a record rate and that the Labor Department has revealed that the cost-of-living increase, coupled with the surtax was seriously eroding the average taxpayer's take-home pay.

The average taxpayer knows, as we well know, that the surtax has failed to serve as an anti-inflationary weapon.

The legislation before us today, requesting an extension for 1 year of the 10-percent surcharge on personal and corporate income taxes, is coupled with a provision deliberately designed to win support for this unpopular bill.

The inclusion of a tax measure to remove a large percentage of below poverty level families from the tax rolls is a pure political maneuver.

For 6 years I have called for total revision of our tax laws. Included in such tax revision and reform would be tax relief for those who fall below the poverty level. But tax reform has no place in legislation seeking to extend the surcharge. By adding tax relief to the poor within the surtax bill, and removing it from a tax reform bill, you then automatically kill a great deal of the incentive to bring about overall tax reform, including tax relief for the average income group—and the closing of tax loopholes which have given unfair tax advantages to special interest groups.

It has been argued that we must extend the surtax for a full year, regardless of tax reform, if we are to demonstrate to the world that our Nation means business in its fight against inflation.

Fine and good. But I am even more concerned with a demonstration of good faith to the American taxpayer that our tax laws are fair and equitable to all—and that a fair tax is one where an individual, or a corporation, or an entire industry carries its fair share of the tax burden.

We are told we do not have time to act on a comprehensive tax reform bill.

We cannot afford not to act on such a bill.

The people are demanding to be heard on this matter—and they are going to be heard, if not through their correspondence to each of our offices, then at the polls. And they are going to speak loud and clear, and in a language each of us can understand.

If we give in today, and extend the 10-percent surcharge for a year, those of us who have sought tax reform over the years will have to resign ourselves to a hard truth—we may never get a comprehensive tax reform bill before the Congress this year.

We might even become a contributing factor to a statement made by Karl Marx, that there is only one way to kill capitalism—by taxes, taxes, and more taxes.

It is almost beyond my understanding that we can fail to even seek tax relief for the average taxpayer, and then be called upon so readily to extend the surtax.

We do not have to make a choice between the surtax and tax reform.

Last Friday, a 30-day extension was granted the surtax, and even though I opposed such an extension, on the same grounds that I oppose the 1-year extension, we can, if necessary, continue to grant temporary extensions of the surtax until a meaningful tax reform bill is devised.

With such tax reform we can make a 10-percent surtax unnecessary.

We might even extend the life expectancy of that golden-egg laying goose mentioned earlier in my remarks.

I believe we are all familiar with the various means by which individuals, corporations, and industries have escaped their share of the tax load.

The oil and mineral depletion allowances are supported by the argument that the oil and minerals taken out of the ground cannot be replaced, and therefore, these industries should be granted special tax incentives.

If we follow this same logic, then every taxpayer should be granted a depletion allowance, since every year he works is 1 less year of his capital too—and that working year cannot be replaced.

There are the cases where an individual has purchased property, and years later, when that property has greatly increased in value, it is donated to a tax-free organization at its current market value. Land that may have originally cost only a few hundred dollars, then becomes a tax writeoff worth, in some cases, many thousands or even millions of dollars.

There are the tax-free trust funds that provide a tax shelter for personal or family interests, existing for no more worthy cause than the support and well-being of special interests, or even in some cases, a specific family to perpetuate their family estate.

Tax-free institutions control vast amounts of real property and control industries through stockholdings, which they may have received, in the first place, as tax-free charitable gifts.

All of these are the loopholes we hear so much about—but apparently are so unwilling to do anything about.

It is much easier to slap on an extension of the 10-percent surcharge and continue bleeding the average wage earner, than it is to correct the problem.

Aside from the billions of revenue lost through such loopholes, still more billions of taxpayers' dollars are squandered through the waste in military hardware and equipment as a result of sloppy con-

tracting, disregard for cost, outmoded and nonexistent accounting practices within the Pentagon.

We hear a great cry and hue about possible waste in our welfare programs, in our medicaid and medicare programs, or within our various antipoverty programs.

Waste does exist, unfortunately, in these areas, but compared to the staggering waste within our Military Establishment, it looks more like penny ante poker versus house stacks in a Las Vegas casino.

Why bring up the waste in military spending when my real subject is the defeat of the surcharge extension?

It is very simple.

We have been told the surtax extension is necessary to combat inflation.

That is simply not true.

We are being asked to extend the surtax for a very simple reason—the revenues raised are needed to carry on the war in Vietnam. This is a valid reason, and would probably bring about some support for the surtax.

But at the same time we should expect full value for our defense dollar. This we are not getting, and unless strong pressures are brought to bear on this situation, we will continue to be cheated—grossly cheated—on our military expenditures.

Our military leaders are loyal, patriotic, and militarily competent, but it is still a fact that there is waste of an unbelievable magnitude in the Defense Department and nothing, apparently, is being done about it.

Yet, today, we are being called upon to extend the 10-percent surtax for 1 year.

Congress will be derelict in its duty if it approves a 1-year extension of the surtax in its vote today, and continues to drag its feet in the area of tax reform and modernizing the accounting methods of the Department of Defense.

Should the surcharge be extended for 1 year, we will be throwing away a major tool of leverage we now have in correcting an unjust situation.

We will have lost the best bargaining weapon we have to correct what is truly wrong with our economy.

The inflation we suffer today is not consumer created, and it has been demonstrated that the 10-percent surcharge is ineffective as an anti-inflationary weapon.

The inflation we face today was created by our involvement in Vietnam, and by the mismanagement of our fiscal affairs.

That mismanagement includes the adoption of the surtax last year, our failure, as of now, to revise our tax laws, and our unbelievable waste in military spending, which has no relation at all to maintaining our position of military strength.

I urge my fellow Members of the Congress to reject a 1-year extension of the surtax.

If necessary, let us grant temporary extensions, as we have already done, until we can deal, effectively, with a real cure of our fiscal ills—through tax reform and tightening of our defense contracting methods.

Our failure to do so will bring on a revolt by the taxpayers that will have repercussions throughout the Halls of the Congress.

The responsibility is ours. I hope that we meet that responsibility.

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

Mr. FULTON of Tennessee. I yield to the gentleman from New Jersey.

Mr. JOELSON. Mr. Chairman, I would like to point out that in medieval medicine, if a man was sick and weak, the doctors resorted to something called blood letting, which meant the patient got sicker and weaker.

The economists today are saying to middle-class America, "You are economically sick. You are faced with high prices. You are faced with high taxes. So we are going to help you out and we are going to take more money from you."

To me, this is economic bloodletting and I would say if this is the type economics we are going to practice, God help the average American taxpayer.

Mr. FULTON of Tennessee. Mr. Chairman, I would like the RECORD to show that I concur in the remarks made earlier by my colleague, the gentleman from Washington (Mr. ULLMAN).

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

Mr. FULTON of Tennessee. I yield to the gentleman from Illinois.

Mr. PUCINSKI. Mr. Chairman, earlier today we were talking about the possibility of a carryover from one year to another by a self-employed person, and the chairman of the committee and the ranking minority member said it could not happen.

I asked the Ways and Means Committee staff to figure out what would happen if a wage earner earned $10,000 and paid taxes of $1,800 and what would happen to a self-employed person who earned $10,000 and was to pay the same $1,800 Federal tax.

The wage earner who is automatically under withholding would have withheld from his income a tax of $182 for the surtax in 1969. But the self-employed person if he elected to carry his profits or earnings over to the next year, would pay only $45 surtax for the same income. The reason is that the salaried worker would have the surtax deducted at the rate of 10 percent in 1969 while the self-employed could pay his surtax in 1970 at 2½ percent. What most in the House do not realize is that the 5 percent for the first 6 months of 1970 becomes only 2½ percent for the entire year and the surtax is computed on a whole year's income. So it can happen. It would be my hope this bill could be recommitted so that at least the committee can correct this glaring error in the present bill.

My further problem with this bill is that only today, at the urgent request of our Governor and also the plea of the mayor of Chicago, the Illinois State Legislature is scheduled to approve for the first time in our State's history a State income tax of 2½ percent on individuals and 4 percent on corporations. I cannot see how any one from Illinois can impose here in Congress a continuation of the surtax on the people of my State when beginning August 1, they will have to start paying a State income tax.

The point has been made here all afternoon that this surtax is needed to fight inflation. It occurs to me that when the people of Illinois start paying a State income tax beginning August 1 of this year, they will be doing more than can be reasonably expected of any people to help fight inflation.

I have stated time and again I shall oppose any tax measure until such time as Congress is given an opportunity to vote on much needed tax reform. I know of nothing our constituents want more than to see the very unfair and totally illogical $600 a year deduction now allowed for each dependent raised at least to $1,000 or more. Until such reform is submitted to the House I shall continue my objections.

Mr. FULTON of Tennessee. Mr. Chairman, I urge the Members to vote for the motion to recommit.

Mr. BOGGS. Mr. Chairman, I yield 3 minutes to the distinguished member of the committee, the gentleman from New York (Mr. GILBERT).

Mr. GILBERT. Mr. Chairman, I think it is worthwhile for me at this point in the proceedings to read the separate views, which are part of the committee report, which are signed by the Honorable MARTHA GRIFFITHS, the Honorable RICHARD FULTON, the Honorable CHARLES VANIK, the Honorable SAM GIBBONS, and me. I think this more or less coalesces the position of the people who are opposed to the bill. I think it is important that it be read and I am going to do that now:

We feel that the enactment of this legislation will relinquish leverage and relax pressures for tax reforms which are critically needed to incease Government revenues and eliminate the rampant injustice which treatens the integrity of the Nation's tax system. It is time for Congress to provide some substantial relief to the average taxpayer who carries the overwhelming tax burden.

It was promised last year that the surtax would halt inflation. The inflationary spiral has been soaring ever since.

It was promised last year that the surtax would hold down interest rates. They have been skyrocketing ever since.

There is every reason to believe that the surtax will continue to fuel inflation if it is extended. The record supports this conclusion.

Public utilities and other consumer needs are next in line for long-term price increases based on the added cost of the surtax. These increases will remain firm long after other price pressures recede. We can still hold back some proposed price increases by repealing the surtax.

The inflation we suffer is not consumer created. There is no shortage of supplies. There is no consumer overindulgence. It was created by our involvement in Vietnam and by the mismanagement of our fiscal affairs which included the adoption of the surtax last year. Neither of these factors can be cleared up as long as we resort to the lazy economics of the surtax.

If the sole purpose of the surcharge is to keep the Government out of the money market, this could have been accomplished by

plugging the loopholes, and collecting from those who now pay nothing or too little of their share of the tax burden. The passage of this bill reduces the possibility that any meaningful reform bill will ever be enacted. Therefore, we oppose the enactment of this bill.

Incidentally, I support the straight motion to recommit.

Mr. BOGGS. Mr. Chairman, I yield 3 minutes to a distinguished member of the committee, the gentleman from Florida (Mr. GIBBONS).

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

Mr. GIBBONS. I am glad to yield to the gentleman from New York.

Mr. LOWENSTEIN. Mr. Chairman, some Members appear to find something sinister in the fact that major business and labor organizations are opposed to this bill. They forget that virtually every other group representing substantial sections of the public are opposed to it too. Is it possible that this unusual state of affairs, far from being sinister, might be worth the consideration of Members of this House before they vote? Is there any question how the country would vote if it had the chance?

In the minute I have been able to obtain, through the courtesy of the distinguished gentleman from Florida, it would be foolish to try to discuss the substantive merits of the bill. It is difficult to rebut in 1 minute the hours of arguments that have been piled onto us on its behalf. I will therefore simply endorse the brilliantly reasoned statement of the remarkable Congresswoman from Michigan (Mrs. GRIFFITHS).

But I must comment on how strange these proceedings seem to me to be. Finally, after several months with apparently so little to do that for long stretches we hardly met at all—finally we are presented with legislation that one way or another will profoundly affect the lives of almost every American. We are told by the leadership of both parties, and by the President himself, of the great urgency of this legislation. Why then is this debate so arranged that it smacks of irony to call it a debate at all?

Is it really possible that only 4 hours could be found for the whole discussion. Is debate irrelevant in deciding on questions of national magnitude? If not, is it conceivable that anyone considers it fair or proper to divide what limited time is allowed for debate in such a fashion that 80 percent or 85 percent of it is allocated to those who favor extention? Do we set out deliberately to demean the deliberative process of this House in this manner? Are we eager to further damage the reputation of this House, which is, after all, part of the supreme legislative body of this country and which should be one of the leading examples of democratic process in the world?

So I rise simply to state that the need for reform of more than the tax structure has been illustrated and underscored by these proceedings. I rise to say that millions of middle-class Americans have, to use a phrase given wide currency lately, "had it up to here" when it comes to continuing to pay enormous and needless taxes while small groups of privileged individuals and corporations go on leading charmed lives, apparently all but immune to the travails of normal mortals.

This is bad legislation, this is a bad way to legislate, and if this kind of legislation can be adopted in this fashion, it will be a sad day for this House and for the country.

Mr. GIBBONS. Mr. Chairman, 183 years ago our forefathers wisely—at least, they thought wisely—left to the House of Representatives the sole prerogative of originating and proposing tax legislation, because they felt that this was the body which was nearest the people, that this was the body which would work its will and would bring forth just tax laws.

But through a device called the closed rule we have come up with a highly discriminatory piece of tax legislation and this has been going on for the last 50 years. Here we are again today, June 30, 1969, performing the same act, and the middle class moderate wage earner in America is going to find it socked to him again, because of our action or because of our inaction.

We are here with a bill that should be amended, that could be amended, in which much justice could be done, but we have tied our hands and gagged our voices. We ought to be ashamed of what we are doing.

Mr. Chairman, there were 24,000 people who filed income tax returns in the United States the year before last who had adjusted gross incomes of more than $10,000 who paid no Federal income tax.

There were 154 people who filed income tax returns with more than $200,000 worth of adjusted gross income who paid no income tax.

There were 21 Americans, rather wealthy ones, who filed income tax returns with incomes of more than $1 million a year each, who paid no income tax. If you look at the corporate side of this, where there is no graduated income tax, you will find that the average industrial corporation pays a 43-percent income tax, but if you look at the banks, you see that they pay 23 percent. If you look at the oil companies, you will find they pay about 10 percent income tax. If you look at the 20 largest oil companies in the United States, you will find those oil companies paid an average income tax after profits and after all other taxes were paid, instead of 43 percent, only 8.8 percent. Now, if you look at the sixth largest oil company in the United States, the Atlantic Richfield Co., you will find that from 1962 through 1967 that company accumulated and paid out in dividends about half a billion dollars in profits but paid no Federal income tax at all.

Mr. Chairman, it is time this type of tax discrimination be stopped. It ought to stop with the motion to recommit, or failing that, it ought to stop with the vote on final passage.

(Mr. ADAMS asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ADAMS. Mr. Chairman, I rise to oppose the surtax package proposed by President Nixon. It is too bad that this bill comes to the floor under a closed rule which does not allow the bill to be changed in any way. I believe we need changes in our tax structure. If we could establish meaningful tax reform that would make our tax system fair, then many of us who oppose this bill might be willing to reconsider our position. The manner in which this bill is being presented makes compromise of the issue impossible.

My position on the surtax will come as no surprise to the President or to members of the Ways and Means Committee. On April 2, 1969, I testified before the House Ways and Means Committee and filed a detailed statement indicating my reasons for opposing an extension on the surtax and I offered a program for tax reform which would eliminate many of the major loopholes and make a full 10-percent surtax unnecessary.

I. THE PROBLEM OF INFLATION

The chief argument that has been made in favor of an extension of the surtax is that it will control inflation. This is not true. We have had the surtax now for over a year and we have had no significant braking of the inflationary trend, and in fact we now have higher interest rates and a continuing price rise. Many of us predicted this when we voted against President Johnson's surtax proposal. The present inflation is caused mainly by inflation in the Nation's capital structure caused by large companies using the loopholes available in our tax law to borrow huge sums of money and use this leverage to manipulate the financial structure through conglomerate mergers, and so forth. The theory of this surtax is basically to prevent the middle-income taxpayer from spending his money for consumer goods and in this way reduce an inflationary pressure on the economy. The great mistake with this reasoning is that the inflationary pressure has not been in the consumer goods area.

The great tragedy of the surtax has been to cause spiraling interest rates which have raised the price of goods purchased on credit by our middle-income taxpayers. This means we have had pure inflation in the credit-granting area. Our middle-income taxpayers are paying more on their credit purchases and receiving less than they did in the past. This is the worst kind of inflation. The enactment of this surtax package will not cure inflation, but in my opinion will probably aggravate it. This type of inflation and a removal of the investment credit can lead to a future depression.

II. CORRECTING OUR INEQUITABLE TAX SYSTEM

The average American will bear many hardships if he believes that everyone else is suffering in the same fashion. The reason for the present taxpayers' revolt is that many middle-income taxpayers are now aware that they are paying a higher effective rate on their income than those individuals who are earning more than they are. The average middle-income taxpayer making between $6,000 and $15,000 per year pays an effective

tax rate of approximately 14 percent. As I pointed out in my testimony before the Ways and Means Committee, last year there were 155 taxpayers earning over $200,000 per year who didn't pay any tax at all. There were 21 earning over $1,000,000 per year who were paying no tax at all. The major oil companies in 1966, because of the oil depletion allowance earned $6,809,000,000, and yet paid only $585,000,000 in Federal income taxes, which is an effective rate of 8.5 percent.

The surtax places a burden on the top of an already inequitable system. We should not continue the surtax until meaningful tax reform is passed.

III. THE PROPOSED CHANGES ARE NOT TRUE REFORM

President Nixon's proposal to give some aid to the poor and to repeal the 7-percent investment credit probably selects the two worst areas as a proposed system of tax reform. If you wish to relieve the poor, it could be done by increasing the personal exemption from $600 to $900, which would effectively remove from the tax rolls those families of four who are below the poverty line. This would also give significant relief to the middle-income taxpayer and would not require any new special provisions in the law.

A repeal of the tax investment credit is the worst possible place to start on tax reform. I will support changes in this tax credit because it can be used as a loophole but this must be carefully examined because it is designed to modernize America's industrial plant. This is needed if we are to compete abroad. It can also encourage the production of particular specialized equipment, such as air pollution machinery, and so forth. We should at least consider a suspension before enacting a total repeal.

IV. SOME PROPOSED REFORMS

In my testimony before the Ways and Means Committee in April I suggested 13 tax changes as a start on true tax reform:

First. To tax capital gains untaxed at death.

Second. To change the unlimited charitable deduction.

Third. To repeal certain stock option provisions.

Fourth. To repeal the dividend exclusion.

Fifth. To repeal the multiple surtax exemptions.

Sixth. To change the municipal industrial development bond deduction.

Seventh. To create a municipal bond guarantee corporation—which would help substitute for the removal of municipal industrial development bonds from their tax-exempt status.

Eighth. To reduce the depletion rate for oil and gas and certain other minerals.

Ninth. To increase the gift tax rates to the estate tax rate level.

Tenth. To repeal the section allowing U.S. bonds to pay estate tax liabilities.

Eleventh, to repeal the use of farming deductions to offset nonfarm income in excess of $15,000.

Twelfth, to limit certain exemptions in the disposal of depreciable realty.

Thirteenth, to change the 7 percent investment tax credit.

In addition to the changes listed, I would also consider changing the capital gains provision to make it a true investment deduction by providing that assets be held for a period longer than 6 months. This would limit speculative gambling on the stock market which is inflating stock prices unreasonably. On a short term basis we could also consider an excess profits tax.

These tax changes would enable the Government to recoup approximately the same amount of money as the President's surtax proposal, and would truly control inflation.

CONCLUSION

I oppose President Nixon's package to extend the surtax. I am willing to consider a very limited extension but only for the time necessary to complete work on the tax reform bill. Frankly I do not believe that tax reform will ever be enacted unless we have the pressure of the administration and the business community to pass it. We have been promised tax reform for years. We have never seen a bill covering oil depletion, and so forth. It is absolutely vital that we combine any extension of the surtax with tax reform. We are waiting and so are the American taxpayers to see when this tax reform bill will appear and what its form will be.

Mr. BOGGS. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from California (Mr. Moss).

Mr. MOSS. Mr. Chairman, I have no time to yield to anyone, and I sincerely regret it. I would like to see us have far more time to discuss an issue as important to the American people as this is.

I am not opposed to voting for taxes, but I voted against this bill last year and I will vote against it today because it continues in our tax structure every inequity that was ever put into it. It is eminently unfair to the American taxpayer. This is an unconscionable assault upon the taxpayer's pocketbook. It relies too much upon a part of our economy that is overdemanded by every level of government. I think it is time we stopped for a moment and took the time to restructure responsibly and responsively the Federal income tax system. I can think of nothing that justifies the mad rush we are engaged in here today. We extended for 30 days the withholding. We are told that we are going to have a tax bill here restructuring the Federal taxes by August. I would be willing to wager that this bill is not back from the other body by August.

Mr. Chairman, we have the time if we take it. In all responsiveness to the people we represent we ought to take that time and make reasoned and rational a system of taxation which defies any standard of rationality.

Mr. BOGGS. Mr. Chairman, I yield 2 minutes to the distinguished chairman of the Committee on Banking and Currency and the chairman of the Joint Economic Committee, the gentleman from Texas (Mr. PATMAN).

Mr. PATMAN. Mr. Chairman, the surtax, the economists tell us, is a means of cooling the economy. And as part of this cooling we are supposed to expect lower interest rates.

That's what we were told when the surtax was passed in 1968. Yet in the past 6 months—during a period when the surtax was in full force—we had five separate increases in the prime lending rate charged by the big banks.

December 2, 1968, Chase Manhattan Bank announced that it was raising its prime lending rate from 6¼ to 6½ percent. The other major banks followed within hours with identical increases.

December 18, 1968, the First National City Bank of New York City announced that it was raising its prime lending rate from 6½ to 6¾ percent. The other major banks immediately followed with identical increases.

January 7, 1969, First National City Bank of New York City announced that it was raising the prime rate from 6¾ to 7 percent. The other major banks immediately followed with identical increases.

March 17, 1969, Morgan Guaranty Bank of New York City announced that it was raising its prime lending rate from 7 to 7½ percent. The other major banks followed within hours with identical increases.

June 9, 1969, Bankers Trust Co. of New York City announced that it was raising the prime lending rate from 7½ to 8½ percent. The other major banks followed within minutes and hours with identical increases.

These increases, extending from December 2 to June 9 constitute a 36 percent increase in the cost of money.

Now, once again we are being told that the surtax will help bring down interest rates.

Mr. Chairman, I think it is obvious that something more than the surtax is needed to bring down interest rates. Most of all we need personnel in the Treasury Department and at the Federal Reserve who really want lower interest rates. Only then can we expect relief from these record high interest rates. The surgeon, who wields the knife, should want the patient to live.

We cannot expect lower interest rates so long as the Nation is "blessed" with a Secretary of the Treasury who is tied to the commercial banking industry. We cannot expect to have lower interest rates so long as this Congress and this administration are willing to allow the Secretary of the Treasury to maintain his financial ties with the Continental Illinois National Bank—the Nation's eighth largest bank—which he formerly headed as chairman of the board of directors.

The Secretary of the Treasury is the chief political officer in the Cabinet who must make the call for lower interest rates. But David M. Kennedy cannot bring himself to oppose his old friends and employers at Continental Illinois.

Conflict of interest keeps the Secretary of the Treasury from acting in the public interest. He cannot support the needs of the Federal Government when his outside interests—the banking interests—pay him more—more than his Federal salary.

Mr. Chairman, for those not familiar

with David Kennedy's conflict, let me point out these facts about the financial arrangements he now has or has had with the Continental Illinois National Bank since becoming Secretary of the Treasury.

First. A monthly pension of $4,800 from the bank.

Second. Health and life insurance paid by the bank.

Third. A $1,400,000 bank stock option exercised and sold while serving as Secretary.

Fourth. A promise of a $200,000 payment to be made to him by the bank after he leaves office. The promise was made after Mr. Kennedy was nominated as Secretary.

Fifth. A $645,000 profit-sharing plan with the bank.

Mr. Kennedy and his wife also have another block of 7,846 shares of Continental Illinois bank stock placed in some kind of trust arrangement, but he still owns this stock.

With this kind of conflict, it is not surprising that the Secretary did nothing to stop the latest increase in the banks' prime rate and that he has done nothing to roll back the increase.

Ten days ago he appeared before the Banking and Currency Committee and he made it plain that he would do nothing to disturb his close relationship with the banking community. Here is what he told me after I asked what he had done to stop the prime rate increase:

Mr. PATMAN. I asked you if you did anything yourself to stop this increase or to discourage it.

Secretary KENNEDY. And I answered your question; if you mean did I call the banks and ask them as you did or make a bold statement, no.

Mr. PATMAN. Not necessarily call them, but did you do anything? If so, tell me what it was.

Secretary KENNEDY. There was really nothing I could do.

Mr. PATMAN. You did not do anything then because you said there is nothing you could do?

Secretary KENNEDY. There is no legal possibility of me rolling that back.

Mr. PATMAN. Did you discuss that with the banks about rolling it back?

Secretary KENNEDY. No, I did not.

Mr. PATMAN. Did you discuss it with anybody?

Secretary KENNEDY. No.

Mr. PATMAN. Why didn't you?

Secretary KENNEDY. Why should I?

The Secretary of the Treasury is obviously a "do nothing" public official. He will not do a thing that would disturb his benefactors at Continental Illinois National Bank.

He pretends that he has no power to act on this prime rate. But, of course, the Secretary has great powers to persuade the banks if he is willing to use them. His predecessor, Henry Fowler, did not hesitate to speak out when necessary against similar interest rate increases.

All of us recall, Mr. Chairman, that the Secretary of the Treasury and President Johnson used their powers of moral suasion to force a roll back of a prime rate increase in December of 1964. They forced the banks to move down from 4¾ to 4½ percent.

Yet Secretary Kennedy and President Nixon stand mute on this latest increase.

Mr. Chairman, it is obvious that the surtax, alone, will not bring down interest rates. It will also take a Secretary of the Treasury willing to fight for lower interest rates and against the greed of the banks.

Mr. Chairman, this surtax should be coupled with a firm resolve on the part of the Congress to force President Nixon to name a new Secretary of the Treasury—a Secretary who can put the public interest ahead of the banking interests.

Last Friday, we saw how political contributions from a special interest group could control the naming of the top health official in the Federal Government. The big medical interests made their weight felt at the Department of Health, Education, and Welfare. The banking interests have made their weight felt at the Treasury Department. And I hope the press will make some inquiries about what kind of contributions the banking industry made to President Nixon. What size contribution is required for an industry to name its own man as Secretary of the Treasury?

We need a Secretary of the Treasury who will fight for monetary reform and tax reform. We need both reforms.

It is difficult for this Congress to believe that a Secretary so hopelessly tied to the special interests will speak out and fight for tax reform. This is extremely unfortunate because I am convinced that we must have tax reform before we adjourn this first session.

Mr. Chairman, I am interested in seeing justice done on a wide variety of tax reforms, but I am particularly concerned that we have action to correct the abuses and the special privileges enjoyed by the great tax-exempt privately controlled foundations. I am encouraged by what the Ways and Means Committee has done in this area already, but much more must be done if we are to call this real tax reform.

Mr. Chairman, this Congress will be in serious trouble unless this surtax is coupled with a meaningful tax reform measure. The American people will not tolerate any pulling of punches in this area.

Mr. Chairman, I had hoped that the surtax would be tied directly to the tax reform in the same package. Regrettably this is not the case and this fact undoubtedly weakens the chances of the surtax.

However, I have received assurances from the distinguished majority whip, Mr. HALE BOGGS of Louisiana, the ranking member of the Ways and Means Committee and who is acting chairman of the committee in charge of the bill on the floor at this time. He has pledged that a tax reform measure will be brought to this floor without delay. Mr. BOGGS has always kept his word and I know that will be the case on this tax reform measure.

Therefore, Mr. Chairman, with these assurances, I will support the surtax extension.

GENERAL LEAVE TO EXTEND

Mr. BOGGS. Mr. Chairman, I ask unanimous consent that all Members may be permitted to extend their remarks at this point in the RECORD.

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

There was no objection.

Mr. WRIGHT. Mr. Chairman, there is much about this bill that I do not like, but I shall vote for it because it seems the responsible thing to do.

This bill is far from a satisfactory one to me. There are many reasons upon which I could predicate a negative vote.

For one thing, I think the investment tax credit has been good, not bad, for America. It has stimulated necessary expansion in the private sector and helped to create many hundreds of thousands of jobs. I do not want to see it repealed.

For another thing, I am convinced that simple fairness directs that we should increase the $600 individual exemption. This bill avoids that issue as it avoids the other valid issues of tax reform.

Furthermore, I am not persuaded that the 10-percent surtax is the most effective curb to inflation. But it appears to be the only one that we have available to us at the moment.

I, for one, am deeply concerned that the unprecedented rise in interest rates may stifle and choke off business investments and private purchases and thus create a very real recessionary danger.

If I had my choice, this would be a considerably different bill. No tax is popular, but, unfortunately, they are necessary.

There is only one real reason impelling a vote for this bill, and that is the basic question of responsibility.

In the interest of fiscal responsibility, the revenues raised in this bill are needed to prevent a substantial deficit.

In the interest of governmental responsibility, we need to demonstrate here today that the Democratic Congress and the Republican administration are capable of working together.

This is the first really significant test of that. As much as I might like to vote against this bill, I cannot vote to tie the President's hands, as rejection of this bill today could do.

Therefore, I shall vote for the bill today, but I certainly make no promise to extend the surtax beyond this authorized extension. It is my present inclination not to do so.

Mr. CRAMER. Mr. Chairman, after lengthy consideration, I have decided to vote for the surtax phaseout and low income tax relief bill even though I would have preferred the complete expiration of the surtax. I vote for the bill for the following reasons:

First. Inflation, the cruelest tax of all, must be curbed. Increased costs of living tax the poorest as well as all Americans. Unlike the previous administration whose performance indicated that the surtax would be used for additional Government spending, this administration is pledged to apply the surtax to reducing the national deficit. The Nixon administration has already proposed a $4 billion cut in 1970 and is making headway in reducing the level of presently authorized spending.

Second. The bill provides tax repeal for 5.2 million low-income taxpayers—one person with income up to $1,700; two persons with income of $2,300; six persons with income of $4,700 will be totally exempt.

The bill reduces taxes substantially for an additional 7 million taxpayers—up to $3,300 income for a single person: $3,700 income for a couple; and $5,300 income for a six-member family.

In this respect, the bill will be extremely beneficial to thousands of senior citizens living on low, fixed retirement incomes and other low-income people.

Third. The bill provides air and water pollution incentives to clean up our air and streams, an approach that I have supported for many years.

Fourth. I have been an outspoken advocate of tax reform and closing the many loopholes in the tax laws. I believe taxes should be fair and equitable to all Americans and I will continue pressing for tax reform. At the present time, however, I believe supporting this bill is the only responsible course of action as it will make a major contribution to a strong, free and economically sound America. Tough decisions must be faced up to if our system is to be preserved.

Mr. HORTON. Mr. Chairman, traditionally, when the leadership of the Nation and the Congress determine to win passage of tax increase legislation, the call goes out for statesmanship among the Representatives of the people. The rationale is that since the people are presumed to be against more increases in taxes, a "Yea" vote will be unpopular back home. Thus, in the eyes of those who see higher and higher taxes as necessary for the good of the Nation, the Congressman who goes along, against what is presumed to be the opposition of his constituents, is a statesman.

This is a very simplistic and presumptive rationale. First, because equating statesmanship with one's willingness to vote against the will of the people is somehow undemocratic. Second, because this way of thinking presumes that the people—the constituents back home who will have to pay the piper—are somehow selfish in their view, and are unmindful of the national interest. Third, and most seriously, the equation of statesmanship with voting for unpopular "national necessities" labels any Member who does not somehow see the real necessity of the bill as one who has thrust independent judgment and statesmanship aside, in response to political pressure from back home.

I cannot imagine that the leaders of this democratic republic would want its elected representatives to cast their votes on such a vital question on the basis of a formula of "equalized or contrived political pressure from back home. I think my record and those of the vast majority of our colleagues demonstrated that sound and independent judgment, based on knowledge of the facts and on knowledge of one's constituency is the best approach to legislative decisions in this, the highest lawmaking body in our Nation.

It is this process of judgment on the facts—those presented by the leadership, by the Executive, by constituents, and those which are self-evident, that I have employed in reaching a decision on H.R. 12290.

I have decided to oppose a 1-year extension of the income tax surcharge and the unqualified repeal of the investment credit.

Just 1 year and 10 days ago today, this body was called upon to adopt a conference report containing a 10 percent surcharge on individual and corporate income taxes. Let me take a minute to review the atmosphere in which Congress, with my reluctant support adopted the surtax on June 20, 1968.

First. The pace of inflation was quickening, against a backdrop of serious threats to our balance of trade, and already successful foreign attacks on our international balance of payments and the soundness of the dollar.

Second. The Federal executive was doing literally nothing to correct the situation. It pursued an add-on policy of Federal spending where programs to meet current and urgent domestic crises were added on to prior programs, whose necessity in many cases was open to serious question. The President at the time had resisted the call for prudent priorities and budget cuts and was in fact, faced with a staggering Federal budget deficit of over $20 billion as a result of these misguided policies. The executive's meager efforts to restrain wage and price increases were negated by its own fiscal policies, and were doomed to failure from the start because the magnitude of the inflation problem created by a $35 billion a year war without spending controls was too great for voluntary guidelines and restraint to cope with.

Third. The Congress had wisely shelved the President's request for a surtax for many months, saying that it would consider a tax increase only if corresponding cuts in spending were made. Without accompanying spending cuts, the tax would have done no more than shift $10 billion of "demand pull" on inflation from the private to the public sector. Finally, Congress had to impose the spending cuts in the tax bill itself, after the administration had protested that $6 billion was too much to cut. The surtax bill—the Revenue and Expenditure Control Act of 1968—was considered in what was really the last possible minute. The spending cuts, in order to be spread evenly over all of fiscal 1969, had to be enacted before this fiscal year began. Also, the surtax would create withholding problems if enacted any later since it was being imposed retroactively—to April 1, 1968, for individuals; to January 1, 1968 for businesses.

Fourth. In this now-or-never atmosphere, responsible economists testified that we were either at or beyond the brink of economic chaos and crisis, and the surtax—which represented one arm of a balanced fiscal and monetary attack on inflation was essential if there was to be any hope of slowing inflation. So effective was this 10 percent surcharge to be in slowing inflation that many Members openly expressed during debate the fear that it would underheat the economy and lead to recession and widespread unemployment. In short, inflation psychology in the Nation was so pronounced, and faith in the dollar abroad was so weak, that it was time for somebody to do something. Some move had to be made to demonstrate to Americans that the Federal Government was sincere about wanting to stall inflation, and to demonstrate to foreign trading partners that Americans were willing to make sacrifices if it would mean shoring up the strength of the dollar. In an atmosphere where the Executive had done effectively nothing to meet these goals, and where the surtax was touted as a psychological necessity for the financial community and an economic cure for inflation, the Congress had little choice in its enactment.

Fifth. When the surtax was enacted on June 20, 1968, many Members were aware that it was a patchwork approach, a last-minute substitute for intelligent fiscal guidance by the White House. As an economic bandaid applied to a diseased fiscal policy and a diseased tax structure, it was destined to intensify and prolong the glaring inequities in our income tax laws. In short, it was destined to hit hardest the workingman and his family who bear an unfair share of the tax burden. Regrettably, on June 20, 1968, there was not even the faintest prospect of tax reform legislation in the 90th Congress. The distinguished chairman of the Committee on Ways and Means said during debate that there would be no tax reform legislation considered in 1968, but that he would make it his first order of business in the first session of this Congress, and he has honored this commitment.

This, then, was the backdrop behind the consideration of the surtax a year ago. I think it is most appropriate at this juncture to review the situation today—particularly the changes that have taken place since June 20, 1968—and to see if any of these changes dampen the compelling necessity for voting for a 1-year extension of the surtax today.

First. First, and most fortunately, we are no longer faced with a President who is doing nothing about inflation. President Nixon has, since taking office, made a return to fiscal and economic sanity his foremost task of Government. Nor are we faced with a fiscal 1970 budget deficit of any size. No $20 or $25 billion deficit hangs in the balance over our vote this afternoon. The President, within certain limitations imposed by the situation he inherited, has made substantial cuts in the 1970 budget, and has fully cooperated with the Congress in seeking a balanced budget as one effective tool against wartime inflation.

Second. Although the Vietnam war continues at a costly pace in terms of both lives and dollars, we have more hope now than we ever did that the war will not be interminable, so far as massive American troop and budget commitments are concerned. President Nixon has moved to deescalate our participation in this conflict, holding forth the prospect of substantial reductions in

troops and cost within 12 to 18 months, or earlier.

Third. The financial community, although it is watching eagerly for the result of today's vote, does not place upon it the importance that was placed on the surtax vote a year ago. It is not this year the sole test of Federal willingness to impede inflation.

There are several good reasons why the psychological effect of this vote need not be as momentous as on June 20, 1968.

No one is any longer convinced, after 12 months' experience, that the surtax is making any dents in the inflationary spiral. Although it definitely will contribute revenue needed to balance our budget for the next fiscal year, the surtax has not siphoned out of the economy any of the demand-pull on prices, wages, and especially interest rates. One year ago Members of Congress were bemoaning the fact that interest rates were at 7 percent—the highest rate in 100 years—and that the tax was needed to stem the tide of a threatened "black market" in loanable funds, where only those who could afford exhorbitant interest rates could get loans. I was hopeful at the time that the surtax would help stabilize interest rates.

But the sad fact is that the "black" money market is here, despite the surtax. A prime rate of 8½ percent is fast cooling the crucial housing sector of our economy—it is pinching the little guy, but seems to have had little affect on the overheated rate of corporate capital investment. Rather than rationing loans at reasonable rates, the banks have taken advantage of a short supply situation to "charge what the traffic will bear." Thus today's interest rates are high above where they were a year ago, with little hope that they will get better before they get even worse.

The most important reason this vote is not as significant as that on June 20, 1968, is that we need not decide today, whether or not to increase the surtax for another full year. We face no impending paperwork crisis in withholding rates, since only 3 days ago, we voted to extend present withholding rates, including a 10-percent surcharge, until July 31. With the tax already on the books, and with a month's extension already assured, there is no reason why we must today commit America to 1 more year of a patchwork approach to increasing Federal revenues. Two factors dictate to me that this is the wrong approach to take.

First. We know that the surtax has been a mediocre success. Except for its predictable arithmetic effect on tax revenues, it has left the inflationary spiral—superheated by a wartime economy—untouched. Signs of softening in the economy are not consistent. What is consistent with continuing inflation is the mushrooming of prices, wages and interest rates in the past year. If we are to view the surtax only as a means of raising $10 billion in additional revenue in the next year—and I will be the first to agree that this revenue is needed—I think it is our duty, after a year of hindsight, to consider how this revenue, and all income tax revenue is raised.

Second. One year ago, there was not the faintest hope that meaningful or in fact any tax reforms would be enacted in the last Congress. We were faced with a now-or-never situation, where the only revenue-raising tool at hand was an inequitable and unfair income tax law. We merely superimposed the surtax on this structure, intensifying its inequities and multiplying its benefits for those who pay less than their fair share of taxes.

Today, thanks to almost 7 months of hearings and hard work on the part of the members of the Committee on Ways and Means, an opportunity to debate and pass meaningful tax reforms may be less than a month away. We could in fact, begin debate on this reform package before the withholding rate extension runs out on July 31.

The drafters of the legislation before us today were certainly aware of the great need for tax reforms. Otherwise no hurried attempt would have been been made to draft in two reforms which have no direct relation to the surtax extension. Both the repeal of the investment credit, and the low-income allowance, fall short of the mark as reforms. Standing alone, they are inadequate to accomplish their purposes, and together, they cannot be termed a comprehensive reform package.

The low-income allowance is fine as far as it goes, it eliminates or reduces taxes for those with very low incomes. But it stops short of relieving by even one iota, the overburden placed on the workingman and the middle-income family. It contains no overall increase in the personal exemption, no equitable tax benefits to help the middle-income family finance higher education, or to meet moving expenses. It contains no provisions to tighten giant-size benefits and loopholes for the wealthy.

The outright repeal of the investment tax credit is also out of place in this bill. The way this provision is written, it will serve only to widen the growing gulf between the ability of big business and small business to stay afloat. Without a small, but reasonable exemption for small firms for small businessmen and small farmers who cannot compete for expansion capital at present interest rates even with the 7 percent credit, this provision will, for many small businessmen and farmers, be the straw that breaks the camel's back. Also, outright repeal tends to deny the original and worthy purpose of the investment tax credit—to encourage expansion and modernization of American industry. I feel this principal is still sound, and that the best solution would be to temporarily reduce the investment credit, leaving some breathing room for the little guy.

This bill is not a tax reform bill; it should not be considered as one. But the fact that it includes tax reforms demonstrates that the inequity of the surtax has plagued the consciences of its originators.

Why should the Congress pass this bill today, and prolong the inequity of the surtax and the entire taxing structure for another full year when 1 or 2 months from now, we can view the revenue situation from the standpoint of a reformed taxing structure and hopefully, a more equitable one?

"Loopholes for the rich; a sop to the poor, and soak it to the little guy." This harsh statement just about sums up the effect of our income tax laws through July 1, 1970, should this bill pass today. I have made a thorough study of our income tax system and have noted with interest and with regret how unfair it is to the family which earns between $7,000 and $20,000 per year. Without going into too much detail in this limited time, I think Congress should be aware that the percentage of gross income actually paid as tax for those in the $7,000 to $20,000 income bracket rises far faster than for any other, $13,000 bracket above $20,000. Up to $20,000, most income is in the form of wages or salary—and is taxed at full rates. Above $20,000, the percentage of individual income which is either nontaxable or is taxed at lower rates through special provisions increases dramatically. Ours is a graduated tax system, but the arithmetic curve showing tax paid as a percent of gross income, does not even resemble the curve which depicts statutory tax rates on taxable income at higher levels. There are few or no special tax provisions which the workingman and the middle-income family can take advantage of. There is a profusion of such loopholes and provisions at the upper levels.

Congress, in its wisdom, has recognized these inequities. We are in the throes of a taxpayer revolt that is nationwide—led by middle-income Americans—between $10,000 and $20,000 per year—who, though they make up only 19 percent of the taxpayers, pay over 32 percent of individual income taxes.

These are the same people who elected President Nixon—in the hope that their cry, unanswered for nearly a decade—would at long last be heard.

We have heard the cry. At long last we are on the verge of enacting some meaningful tax reforms which I hope will equalize the burden, so that an extra $5,000 in income at the $100,000 level will have the same proportional effect on taxes paid as it does at the $10,000 level.

Are we now to answer this cry by needlessly perpetuating an inequitable system for another 12 months? I say no.

I say that the responsible thing for us to do today is to reject this 1-year extension—despite its welcome reduction of the surtax to 5 percent in January. I say that we should wait until the tax reform bill has been enacted—even if it means voting for one or two more temporary extensions in the withholding rate—which I would support.

Once we have the perspective of a revamped tax system, we should then, and only then, make the judgment as to how best we can raise the needed $10 billion in additional revenue.

I will not vote to impose a 10-percent surcharge on an already inequitable tax system which takes an unfair bite out of the pocket of the middle-income American. If the need for additional revenue still exists when revenue estimates of a reformed tax structure are

made, I would support a surtax on the new tax structure.

Since it is Congress that imposed the tax in the first place, it is up to Congress to repair it, before we further intensify its weaknesses. I ask my colleagues to join in supporting only temporary extension of current withholding rates until this high-priority task is accomplished.

We have already been told by our colleagues on the Senate side that they will not permit this bill to pass without amendments containing meaningful reforms. I feel that the House, which has closely studied tax reforms all year, should make the first move in this area, by passing a tax-reform bill before this bill is permitted to go to the Senate.

In the final analysis—we must weigh the effects of this bill from two standpoints. From the standpoint of the economy as a whole, with all of its psychological aspects, additional Federal revenue is needed to keep the budget balanced and to keep control over "demand-pull" on prices, wages, and interest rates.

On the other hand, the surtax in its present form is inflationary for the man on the street. It represents an increased tax bill, less net income to spend for goods and services, and it will create more demands for higher wages to compensate for increases in the price of Government, as well as in other prices.

We must move to make sure that the burden on the little guy's wallet will be a fair one, before again asking him to make a sacrifice that is greater than his share for the sake of the economy as a whole.

Mr. SNYDER. Mr. Chairman, we are asked today to continue a burdensome levy upon our constituents, the ostensible reason being to help curb inflation. That was the reasoning when we last argued this question. And has it curbed inflation? No. I said it then, and it seems that I must say it again—there is absolutely nothing the President or Congress could do which would be more inflationary than to raise taxes.

When taxes are increased, labor's take-home check is decreased—labor then demands and gets—wage increases which at least offset the tax increase, which will result in price increases.

The tax falls heavily not upon the large corporation—but on the average American taxpayer. Corporations do not really pay taxes at all—people pay taxes. Every single penny's worth of so-called corporation tax comes out of the pocketbooks of men and women in the streets and they are beginning to understand this. The money that is paid by corporations in the name of so-called corporation taxes is passed along to every American in the price of every item or service that he buys.

I have tried to be objective about this matter—to consider all of the facts and alternatives, as well as the wishes of my constituents. Thus far, I remain unconvinced that our precarious fiscal position has resulted from a failure to impose sufficient taxes on the people. I am further persuaded that our inflationary spiral is largely the result of increased production costs, which will only be compounded by a continued tax. The extravagant expenditures can and should be cut by a sufficient amount to offset the need for perpetuated overtaxation. A substantial dollar reduction can be made without too much trouble. This is what should be done—to obviate the need for the surtax.

Congress has been given an ultimatum by advocates of the extension: Either vote for it or face a legion of diverse and uniformly dire consequences. I have yet to hear a concrete proposal for reduction in the bloated expenditures of the Federal Government. Do we not owe our constituents at least a sign—a small hope—that the mammoth Federal Establishment intends to trim off some fat? I think that we do. I believe that it is unjust and consummately unfair to require the American taxpayer to subsidize the furtherance of irresponsible spending, gigantic waste, and indiscriminate social experimentation with more of his tax moneys without any commensurate indication of intention to reduce by the Federal Government.

At a time when we are spending the average American's money on everything from a paper-shredding $2,400 wastebasket for Lyndon Johnson to a proposed increase by $12.5 million of funds for the John F. Kennedy Cultural Center—which was supposed to be a completely private project in the first place—I am unprepared to turn to my constituent, strapped and saddled with the enormous burden of taxation and inflation and tell him that I have voted another tax and, indeed, another inflationary tax, onto his shoulders.

The surtax, as I predicted, only fanned the flames of inflation. If we are unprepared to tighten our belts—do not tell me to tell my constituent to tighten his. I cannot look a voter in the face with that kind of reasoning, Mr. Chairman, and I urge that we reject it.

Mr. BLATNIK. Mr. Chairman, it is my opinion that the administration's surtax proposal, in addition to being ineffective, will seriously diminsh pressures for tax reform that would provide meaningful relief for the taxpayers who are bearing the overwhelming burden of taxation.

When the surtax legislation was enacted last year, it was promised that inflation would be halted and interest rates would be held down. Both have soared relentlessly, and there is every reason to believe that they will continue to do so, for these current economic difficulties are not consumer created, they are due to our involvement in Vietnam and to fiscal mismanagement.

What this Nation needs now is not an extension of the surtax, but complete tax reform. We need to hit at the tax loopholes that are causing the inflation, high interest rates and imbalance of payments. We need to amend our tax laws which protect the wealthy and burden the poor. We need to rescind the depletion allowances which enable the oil industry and others to reap huge, untaxed profits.

We have an obligation to our people to legislate measurable tax relief and curb the unconscionable interest rates. We need to take definite steps to curb the growing problem of inflation, and the best place to start is with complete tax reform.

Rather than submit to the "lazy economics" of the surtax, I urge the administration to vigorously support reforms such as I proposed earlier this year. Only in this way can we put the financial structure of this Nation back on even keel, and at the same time provide the tax relief we have been promising the citizenry for a good many years.

Mr. HAWKINS. Mr. Chairman, the bill before us is a sterling example of why people in the slum-ghettos of our inner cities have become angry and hostile to the point of eruption.

Under the guise of fighting inflation and producing a "balanced" budget, the administration seeks to protect the prosperity of some best able to protect themselves at the expense of the neediest. Even assuming this is in the best interest of the greatest number, fairness would require that those who are further disadvantaged by tight monetary and fiscal policies be assisted materially and at the same time.

The approach in this bill, however, is a revelation of what the poor of this Nation can expect. Instead of tax reform, jobs, better housing, and increased educational opportunities, the poor and the unemployed, whose numbers will increase as a result of this bill, are ironically offered "tax relief." A tax problem is the least of their worries.

It is not tax relief the poor seek but income, an income adequate to live in decency. Tax concessions is a poor trade-off for those who will be left in poverty, or added to the rolls, by the passage of this bill and subsequent "balancing of the budget."

All of this is being done at a time when we have the resources to make a substantial start on decreasing the deficit of our critical social needs whether the war in Vietnam is resolved or not and while meeting the problem of inflation at the same time.

The answer lies in balancing at a higher level both our expenditures and our revenues in such a way that maximum production and employment will be achieved without abnormally increasing savings and profits.

The fallacy of the proponents of the current "balanced budget" program is their belief that the Federal budget which they propose is somehow the magic figures and therefore reduced spending is required to balance outgo against income. Having assumed that such income, or taxes, is the magical ideal they are not willing to either increase taxes adequately or to question the need for tax reform. They are not economists but magicians of reaction.

It seems to make little difference to them that we are facing an urban crisis and the problems of rural poverty including hunger; and that the Nation is headed on a disorder course by its current policies of, first, a tight monetary market; second, reduction of spending on critical social needs; and third, a repres-

sive police-state approach to social unrest and political dissent.

Well, may we ask whose budget is being balanced? Certainly not the 25 million Americans who will remain in poverty after the bill is passed; or the youth who roam the streets out-of-school and out-of-jobs. The budget will not be balanced for 10 million Americans who live in hunger; or families without enough income to pay for simple medical health. The budget will not be balanced for our cities facing mounting urban problems and threatening unrest or for our scattered areas of rural poverty; for our schools already unable to provide equal educational opportunities; for overcrowded hospitals and mental health centers that must reject ill patients.

The budget will not be balanced for counties which now maintain welfare systems that exclude more destitute persons than they assist; and which provide starvation budgets below the minimum which is admitted to be necessary for subsistence.

Not even the Federal budget will be balanced, for even the Congress which has set such national goals as "a decent home and suitable environment for every American family" and a Congress which enacted the Civil Rights Act, the Elementary and Secondary Education Act, and the Economic Opportunity Act refuses to appropriate adequate funds to implement its own commitments.

A major and admitted objective of this legislation as the majority whip, the Honorable HALE BOGGS stated is to "take the steam" out of the economy. Clearly this meant decreasing economic activity such as spending, consumption, and production. This, among other results, means some unemployment or at least less employment added. How can we honestly on the one hand tell the poor and disadvantaged we intend to help them while, on the other hand, we enact legislation to reduce employment.

Again, the minority leader, the Honorable GERALD FORD, says we must have the revenue from this bill to spend more on such domestic needs as housing, manpower, and education. Why, then, since this revenue is now available from the existing surtax these domestic programs are being cut back? Why does he imply that if this bill is passed the money will be used for these domestic programs when he knows full well that further Federal spending will be curtailed as part of the anti-inflation drive?

Such tactics create frustration and hopelessness in the low-income and ghetto areas of our country where the rising tides of unrest threaten to erupt into major violence.

The poetic irony of the situation is this Congress seems to be bent on finding ways to crush dissent and social change which it has helped to encourage. Expedient appeals based on law and order and supported by strong police-state force may temporarily achieve civic quiteness but the problems which give rise to unrest and disorders will remain. People will not willingly accept unemployment, starvation, and exploitation.

Alternatives to violence and suppression must be provided and above all we must address ourselves to the causes which lead people to believe confrontation, dissent, and violence are necessary. This Congress certainly has the capability, and we can only hope it has the willingness to do this. The first move in that direction would be rejection of the pending bill. Until such time as increased taxes, if we are to have them, can be tied to tax reform and to a domestic program that will establish priorities in meeting our critical needs rather than creating either a phony budget surplus on more money for "defense" spending.

Mr. ROBISON. Mr. Chairman, I rise in support of the pending measure—H.R. 12290—an act temporarily extending the income tax surcharge, repealing the 7 percent investment credit and giving some much needed income tax relief to more than 2 million low-income American families.

I take no more pleasure in voting for this measure than I did in voting, a year ago, for the imposition of the surcharge in the first place—but I consider my vote for this bill as necessary as my vote for last year's bill, and I base my view of that necessity on the overriding national interest. As the Washington Post states, editorially, this morning:

> With the war in Vietnam still going on, it would be highly irresponsible for Congress to balk at paying for it. The mounting desire of the country to de-escalate and then terminate the war as promptly as feasible does not mean that the costs can be sharply decreased tomorrow.

Nor, I suggest, even if peace in Vietnam should come sooner than now appears possible, will we experience a cornucopia full of Federal dollars we can devote to other and more-productive endeavors for, at the very least, we have an obligation to do what we can to help whoever is in charge of the next government in South Vietnam to begin to rebuild that tragically war-torn country—and I say that for I am optimistic enough to believe that government will still be a "free" government and, thus, entitled to our continuing assistance.

At the same time, while one would hope—and I should expect—to see overall military expenditures come down as a result of peace in Vietnam, it is also unfortunately true that we have been cutting, generally, into certain military inventories to sustain our effort in Vietnam. Such inventories, in the normal course of events, will demand replenishment, plus which Vietnam has contributed rather alarmingly to the obsolescence and wear-down of numerous capital military items that again, in the normal course of events—by which I mean the absence of true progress toward arms controls—will have to be replaced.

So, Mr. Chairman, while one can now look with some degree of optimism toward the day when our defense needs will be somewhat smaller than they presently are, realism requires us to keep that optimism within bounds.

At the same time, the domestic needs of this Nation must be met, and many of those needs are urgent in nature, seemingly requiring an ever-larger share of our annual budgets just to keep up with them, let alone trying to solve the underlying problems from which those needs derive.

It would apparently be the view of many of the opponents of the pending measure that, if Congress would but put its mind to it, it should be possible to reduce Federal spending enough on the domestic level so as to make the surcharge unnecessary.

There is some validity to that point of view—especially when it is expressed by those who have been consistently voting against the more or less automatic spending increases we have seen in many domestic programs—but, again, realism would require even the most conservative Member of this body to recognize the fact that the revised Nixon budget, as it is called, has lowered our domestic spending sights about as far as they now ought to go in most areas and that, at still lower levels, not only would solutions be postponed but many worthwhile programs would simply have to be jettisoned.

And this prospect, Mr. Chairman, is one hazard that I do not believe the more liberal Members of this body—those who have favored and in the past supported the great body of our Federal or federally aided domestic programs and now, indeed, wish to spend more on them—have fully considered in their announced opposition to this bill.

For, if the surcharge and the $9.2 billion this package bill before us is supposed to add to fiscal 1970 revenues is scuttled, the automatic reaction of the Appropriations Committee—and on a bipartisan basis—will be to attempt to make offsetting cuts in the Nixon budget, and I would have to say that would be the only responsible thing we could do, unfortunate though the consequences might be.

Those consequences would be exceedingly severe on the large, urban States such as New York, whose people and State and local governments have come to depend as much as they have on the on-going nature of Federal assistance running the gamut from antipoverty through education and pollution abatement and on to urban renewal, with all the other way-stops for Federal help one can think of in between. I suppose some opponents of the surcharge who have contemplated this reaction—though few seem to have thought of it at all—feel confident that they can muster the votes needed in such a case to override an Appropriations Committee bent on necessary austerity. But I would remind them that our experience, just last week, when some of us joined in an unsuccessful effort to restore what we thought was too deep a cut in urban renewal funds in the independent office appropriation bill, indicates that this will not at all be easy.

So I would venture to say to those Members, Mr. Chairman, who can find any number of hooks to hang their hats-of-opposition to the surcharge on—as who can not?—but who would not like to see domestic spending further cur-

tailed, that they are playing a very dangerous game.

Especially so, in my view, when they seek to justify it on the grounds that only the defeat of this bill—or at least its return to committee—can save the day for tax-reform.

I can find little or no validity in that argument, even though I do not wish to question the sincerity of most of those who present it to us. For this administration has committed itself firmly to the idea of tax reform—the first administration in recent memory, I might add, to do anything more about tax reform than talk about it. The leadership on both sides of this aisle is committed to tax reform, and I am as certain as I can be of anything that there will be a substantial tax reform bill before us to consider, here on this floor, during the current session.

That bill, when it has taken form, may—and probably will—not please all of us; it will undoubtedly go too far in some areas of reform for some of us, and not far enough in other areas for the rest of us, but I have no doubt of its eventual passage if for no other reason than that Congress is as well aware, finally, of the public demand for true tax reform as anyone could be.

And I must also say that I sometimes marvel at the lengths to which some sources will go—most irresponsibly in this case—to build up opposition to the pending bill on these grounds. For instance, one finds the New York Times saying, editorially last Saturday:

As a consequence of the Administration's unwise decision to abandon tax reform the surtax itself is in serious danger which means that business uncertainty and the likelihood of disturbances in the financial markets will be greatly increased.

I would like to have the editor of the Times point out to me the Nixon administration's "abandonment" of tax-reform—and there is another paragraph in that same editorial that is just as baseless. That paragraph reads:

The Nixon Administration and the Democratic House leadership made a serious miscalculation when they thought that the proponents of genuine tax reform could be appeased by an ineffectual provision to lighten the tax burden on the working poor. They failed to reckon with a new fact of political life.

I know of no one in the administration—and I have heard no one from the Democratic leadership in this House—who has suggested that such reform as there is in this bill was intended to end such impetus as now exists for far-reaching tax reform.

By contrast to the Times, this morning's Post states:

We are wholly in sympathy with the demands of many House members for tax reforms as well as extension of the surcharge. But it is well to remember that two vital reforms have been included in the bill before the House. By means of a low-income allowance it would eliminate more than two million poor families from the tax rolls and lower the taxes paid by many others. It would substantially increase taxes for many wealthy businessmen by repealing the 7 percent credit allowed for investments in plant and equipment.

Then the Post goes on to note:

The first imperative is for the House to pass the compromise bill today. The Senate will then have an opportunity to add any amendments which it may have forked out in suitable form, and a final measure could be devised in conference. That would leave for (a) second bill the more complex reforms which are still in gestation. Both bills are highly important. But our national economy should not be left teetering on a fresh wave of inflation while the details of highly complex tax-reforms are worked out.

I have quoted from the Post editorial at such length, Mr. Chairman, because it well states for me the manner in which I see the relationship between this bill and a full-fledged tax-reform bill to come before us later.

And, inasmuch as I have had a fair share of mail from farmers and small businessmen about the especial effect on them of the outright repeal of the investment tax credit—and since I am also aware of the fact that such repeal will have an especially harsh effect on certain businesses in the larger categories—this would be an appropriate time for me to state that, in that broader tax reform measure, one would hope that attention is given to depreciation reform, as has been indicated, whereby such special problems could possibly be handled and, I should think, on a fairer and more permanent basis than that provided by the investment credit approach which I have never favored.

But, regardless of the date and nature of our future action on tax reform, it is my judgment that passage of the bill before us represents the minimum action required of us if inflation is ever to be dampened. That is the judgment of most of the economists of this Nation; it is the judgment of the present and immediate-past Secretaries of the Treasury—and I hope it will prove, this afternoon, to also be the judgment of this House.

For defeat of this measure could, I believe, have very serious consequences, and not just at home but abroad, as well. We are dealing with an inflationary psychology that is every bit as hard to kill as the proverbial snake. The inflation on which that psychology feeds is largely the result of the Federal Government spending far beyond its means for far too long—going back to the early decisions as made by the last administration as to the war in Vietnam, its anticipated costs, and how to finance, or not to finance those costs. And once the cycle of deficit-spending had begun rolling here in Washington, inevitably certain private forces in the economy broke loose in that familiar process we call the "wage-price spiral," and in the tendency for people to overbuy because they believe prices will be higher later, just as businessmen borrow and build new facilities now because both interest and construction costs will be higher tomorrow.

If this bill is defeated, those forces will receive a substantial upward push once again, even though the surcharge might possibly be resurrected again at a later date. And if this occurs, perhaps the only alternative the administration might have is the consideration of wage and price controls that, though some are already advocating them, in my opinion only crystallize existing problems, postpone solutions, halt competition and disrupt the interplay of the free-market system.

Mr. Chairman, this bill must pass.

Mr. ASHLEY. Mr. Chairman, I agree emphatically with the need for tax reform that will spread the burden of taxation more evenly and equitably. I also believe that unless we can achieve price stability, economic freedom and social progress will be set back seriously at a time the Nation can least afford it.

Let us look at the situation that confronts us this afternoon.

I think it is clear that the inflation we face today is the direct result of greater and greater demand upon the limited available supply of money and credit, manpower, materials and other resources. In short, it is largely the result of trying to have both "guns and butter" at the same time. In a market economy, as we know, prices go up when demand exceeds supply and, if the demand pressures are pervasive enough, these higher prices permeate the entire economy.

That is exactly what has happened. During the last 6 months, consumer prices have gone up at an annual rate of 5 percent—a rate of increase, if unchecked, that will double the cost of living in 15 years. This threat of accelerating inflation to the working man goes far beyond the impact on his pay and savings—his job may also be at stake.

The reason I say this is that recessions—and the loss of jobs—are the almost certain price of failure to curb demand pressures when such action is needed. You will remember that there were three recessions during the Eisenhower administration, and the unemployment rate during the last one reached 7 percent, more than twice the current level of joblessness.

There are only three principal ways of dampening inflationary pressures. One is by cutting Government expenditures, another is by raising taxes to prevent deficit financing and to discourage private spending, and the third—through the Federal Reserve system—is to restrict the amount of credit available for borrowing.

In all truth, the use of these three anti-inflationary tools has not been effective because until recently they have not been well coordinated. In the main, this is because neither the past or present administration, the Federal Reserve or the Congress fully realized the strength of the inflationary forces at work. Even after the massive U.S. involvement in Vietnam in 1965, requiring added defense expenditures to a $30 billion a year level, Congress delayed more than 2 years before enacting the current surtax. This delay resulted in tremendous Federal deficits and inflationary Federal borrowing.

When the surtax, accompanied by mandatory Federal expenditure cuts, was finally enacted last year, the Federal Reserve—fearful that the economy might be slowed down too fast—overreacted by loosening credit. The result, as we know, has been a continuation of inflationary pressures.

This is the disheartening but factual account of what has happened and why

we are in the situation we are in today. It is quite true that there are signs that inflation is running its course. It is also a fact, unfortunately, that failure to extend the surtax 1 year will result in a Federal deficit and additional Federal borrowing of nearly $15 billion in the next fiscal year.

In my view, this would be little short of disaster, especially for the less affluent in our society, because the result will only be to drive interest rates and other costs even higher and to delay the rollback process.

It is for these reasons that I believe prompt passage of the surtax is absolutely essential.

A plausible argument is made to combine the tax surcharge with tax reform as a sure means of achieving the latter. I would support this strategy were it not for two very important considerations. First, opponents of tax reform—especially in the Senate where the filibuster is permitted—would be in a perfect position to insist on watered-down reform as the price of getting the surtax extended. The surtax, in other words, would almost certainly become the weapon for shooting down tax reform rather than the vehicle for assuring its passage.

Secondly, if extension of the surtax is delayed, there is reason to expect that public confidence in the ability of Congress to act will be seriously undermined and that this will trigger a continuation of loss of confidence in the dollar.

In brief, I am convinced that the surtax extension and tax reform are matters of highest priority for this Congress and that prospects for effective action in each area are best if the two are considered separately rather than together.

From a personal and political standpoint, it would be much more convenient for me to take a different view of the matter. In light of all of the facts, however, I cannot in conscience do so and I believe that my decision will prove to be in the best interests of our Nation.

Mr. LEGGETT. Mr. Chairman, the Members of the House of Representatives are today asked to vote on H.R. 12290, ostensibly a simple bill to extend the surtax for 1 year and repeal the 7-percent investment credit.

As I remember from the debate on this 10-percent surtax last year, we passed this measure as an interim device to control inflation in conjunction with the promise of a $6 billion Federal budget cut. As usual however, this surtax has gone the way of all bureaucratic devices. It shows every sign of becoming permanent. In fact we are here today to decided whether or not we are going to force a permanent extra levy on the already overburdened taxpayers.

We must make no mistake about it. This is a war tax. This is not a surcharge to control inflation for inflation has been rampant before and since the passage of this tax last year. This is purely and simply an extra tax to fund the Vietnam war; a war that forced one President to resign and a war that stimulated the election of another President who promised to unveil his secret formula for ending the conflict. The war is still with us with no concrete progress toward peace. Maybe it is only logical that we extend the surtax and admit its genuine purpose is to fund the hopeless Vietnam war.

Assuming however that honorable intentions prevail, let us discuss the benefits that have arisen during the tenure of this surcharge. First, it was supposed to hold down the rising interest rate. Instead, the inflationary spiral has been soaring ever since. On December 2, 1968, the prime interest rate rose from 6 percent to 6½ percent. By June 10, 1969, the prime rate had risen to 8½ percent, the highest since the Civil War. Just last weekend I was in my home district in California and learned that the prime interest rate for construction in California is now 9¼ percent. Yet, those who argue that we should extend this surtax cite the benefits it will have on the cost of borrowing money. I can see no benefit in a 4-percent rise in the prime rate from the time of passage of the original legislation. May we ask who is paying for this rate increase? The answer is simple, it is the same people who are burdened with the surtax—the wage earner and consumer. The rate increase is passed on to the user of public utilities, utilities who garnered rate increases themselves last year, citing the extra tax burden as their rational. It hits the homebuyer who has to pay 9 to 10 percent interest on his mortgage. It hits the apartment dweller who must shell out extra rent as a result of the cost of construction money. In the building section of the Sunday papers this week I noted the statement of an official of one of the larger developers who stated that if the interest rate stays at this level, or rises, apartments will be constructed only for middle and upper income dwellers who will be able to afford the high rents necessitated by the increase. On one hand we talk of more low-income housing. On the other hand we make it impossible for low-income housing to be constructed.

The proponents of the surtax also talk of the benefits this tax will have on cooling off our overheated economy by checking rampant consumer spending. This is nonsense. The reason for the heat is far more attributable to the incredible mismanagement of our Government procurement programs then it is to consumer outlays. The billions of dollars poured into the coffers of military contractors to compensate for overruns caused by lack of fiscal controls are far more important to the causes of inflation than are the purchase of x amount of color television sets by the consumer. When we in Congress have the temerity to question this stupidity on the part of the military we are assailed on all sides for our isolationism or our failure to realize that the military-industrial complex is actually man's best friend. If the proponents of this tax will stand before the House and proclaim that it is our patriotic duty to pass the surtax in order to fill the coffers of the military contractors, I will vote "Yea" on H.R. 12290 as a salute to their honesty. Otherwise my vote stays "Nay."

A major reason for my opposition to extension is the question of tax reform. Last year we were promised effective action on proposals for an equitable distribution of the tax burden. My constituents are pleading for some action. These are middle-income wage earners I speak of. Citizens who are earning over $10,000 per year and find their standard of living decreasing rather then increasing. I understand that most of my colleagues share this experience when they review their mail. The only measure that has come out of Ways and Means, however, is H.R. 12290. The excuse is that there was not sufficient time to pass on the merits of tax reform.

I therefore propose that we give this august committee all the time it needs to discuss the merits of tax reform. As an added incentive I propose that we turn down the surtax extension so as to give the committee a clean slate with which to work.

We must act on tax reform this year. Passing the surtax without other reform measure will be a slap in the face to the American wage earner. The surtax is an extra tax on top of taxable income. What about the 21 millionaires whose income is not taxable. They are not hit by the surtax. What about the special industries blessed by highly favorable deduction allowances. They are not hurt by the surtax. What about the tax loss hobby farmers. They are not hurt by the surtax.

I for one am not going home to my constituents and tell them that while we did not quite get around to acting on tax reform, we did find time to add an extra bite to their present taxes.

The tax reform measures already proposed would raise revenues an estimated $9.1 billion. This would be more than enough to compensate for loss of surtax revenues by spreading the burden to those who can afford it. We must seriously consider changes in the depletion allowance, capital gains structure, unlimited charitable contributions valued at market price at the time of the contribution, tax loss writeoffs for nonbusiness purposes, and accelerated depreciation on real estate—the favorite of the slumlords.

I repeat, I will not support the surtax while reform languishes in committee and the military sugar daddy goes unchecked.

Mr. FRASER. Mr. Chairman, if H.R. 12290 is returned to committee, and I feel that it should be returned, this action does not foreclose future action by the House to extend the surtax. We have already extended the withholding rates for 30 days which means that the surtax withholding will be continued temporarily whether or not H.R. 12290 is adopted today.

If a vote for H.R. 12290 was only a vote for the surtax extension I might be inclined to vote "yes" but I am afraid that a vote for H.R. 12290, for all practical purposes, is a vote against tax reform. For years we have been talking about the need for tax reform. In principle we have all agreed that reform was necessary but somehow the time was never right to do anything about it. Al-

ways there was more important business to take care of first.

Today we are hearing this same argument again. "The surtax is too important to become entangled in tax reform," some say. "Let's pass the surtax first and then maybe there will be time to consider reform." But I am not sure there will be time. Tax reform is difficult business. Without the pressure for the surtax extension, I am not sure that tax reform will ever happen.

On my list of priorities, tax reform comes first, and the surtax comes second. By extending the surtax without significant tax reform, we are only perpetuating an inequitable situation. If we are to ask the American people to continue paying a 10-percent surtax for the next 6 months, and a 5-percent surtax for the 6 months after that, I want to see the tax burden spread fairly among all taxpayers. But this will only happen if we deal with the oil depletion allowance, stock options, capital gains, and other tax loopholes at the same time that we are extending the surtax. This position was supported in the Senate last week when the Democratic policy committee, under the leadership of Senator MANSFIELD, voted unanimously to demand that the surtax extension be accompanied by meaningful tax reform.

Just yesterday on NBC's "Meet the Press," Dr. Walter Heller, former Chairman of the Council of Economic Advisers, said that the surtax should be extended but that final action was not necessary at this time.

> If necessary, extend withholding rates as they did for 30 days, and do it again—
>
> Heller said—
>
> and meanwhile hammer out some commitments that mean meaningful tax reform so that you don't have a lot of people forced to pay the surtax while there are a lot of others who are allowed to escape scott free.

I would like to see us follow Dr. Heller's prescription.

Mr. BRASCO. Mr. Chairman, I am deeply concerned about the condition of our economy, as are my colleagues, and indeed the taxpayers. Certainly I am eager for the Congress to take whatever action is necessary to curb inflation and to set our fiscal house in order.

After careful study and deliberation, however, I must take issue with the means we are now considering to effect a more stable economy.

The surtax was imposed last year as a brake against inflation—yet it has proved a catalyst instead, as evidenced by the continued soaring of prices and interest rates. How can we fail to recognize that the solution lies in tax reform, not in "more of the same" surtax.

We in the Congress have been promised, and in turn have promised the American people, meaningful tax reform; we are again assured of tax reform in exchange for extending the surtax, yet we sit here emptyhanded.

Granted, the tax bill before us does include repeal of the 7-percent investment credit, and it does abolish taxes for a certain percentage of our impoverished Americans. I applaud these provisions, but while they are desirable, they are only token appeals, and do in no way constitute sufficient tax reform.

They do nothing to alleviate the burden long borne by the middle class, that forgotten segment of our society. We cannot expect them to continue supporting the economy—not unless we are prepared for disturbing consequences. Middle-class discontent stems not from the level or amount of taxes they must pay, but rather from the tax loopholes which unfairly lighten the burdens of those who can afford to pay more.

Passage of this extension would signify our readiness and willingness to perpetuate these inequities of our tax structure.

I cannot, in good conscience, ask the bulk of our wage and salary earners to bear yet a greater burden for the benefit of the wealthy. This is not only unjust—it is intolerable, and we shall soon be confronted with a taxpayers' revolt if we do not rectify these inequities.

Mrs. CHISHOLM. Mr. Chairman, today I shall cast my vote against H.R. 12290—against the extension of the surtax, against the nearly meaningless poverty provision of the bill, and against the loopholes involved in the repeal of the 7-percent investment credit.

For more than a year now, interest groups and individual overburdened taxpayers have been exerting substantial pressure on Congress to completely revamp the existing tax structure of this Nation. The bill in question today is a farce to the concerns of these citizens, and, indeed, it may seriously hamper efforts to overhaul our tax system.

As my colleagues—Mrs. GRIFFITHS, Mr. FULTON, Mr. VANIK, Mr. GILBERT, and Mr. GIBBONS—said of this bill in separate views to the Ways and Means Committee report:

> The enactment of this legislation will relinquish leverage and relax pressures for tax reforms which are critically needed to increase Government revenues and eliminate the rampant injustice which threatens the integrity of the Nation's tax system.

The inequities in the present tax system are multiplied by the surtax. The surtax makes no effort to see that the theory behind the income tax—that each person pay according to his means—is put into effect. The loopholes are still there; the poor and middle class still pay a disproportionate share of their incomes in taxes. And the surtax itself is not graduated, so that the poor and middle class must suffer more.

Even granting that the Government needs the estimated surtax revenues of $9.26 billion, a much more equitable and reasonable way to raise it would be to revamp the tax system and close the existing loopholes, so that all Americans will pay their proportionate share in taxes.

So the surtax is unfair. And as if it were an ironic hoax, the surtax has not even done what it was supposed to do. It has not checked the spiraling inflation gripping this Nation, and it has not kept interest rates down. Once again, only the prosperous—the businesses—are relatively unscathed by the surtax. The average taxpayer is hurt greatly. Business merely passes its additional costs along to the consumer, who must pay more for goods and services, and thus must demand more in wages. The surtax, then, is not deflationary. It is, in reality, inflationary.

Thus, I cannot vote today for the extension of the surtax. Moreover, there are other measures in H.R. 12290 which I cannot support.

A major stumbling block for me is the poverty provision of this bill. While I could support this measure as a first step toward eliminating injustice in the tax and welfare systems in the United States, when it is connected with the surtax extension, it becomes a cruel joke to the poor. As I have pointed out previously, the present bill cancels hope for an overhaul of the tax structure, and reform of the welfare system appears just as unlikely.

In addition to this measure, I could not disagree more strongly with the manner in which the 7-percent investment credit is repealed by this bill. While I surely favor repeal of this costly, unnecessary, and unfair tax break for business, the way it is done in this bill, like the surtax extension, favors the prosperous. The exemptions provided for steamship and pipeline companies cannot be justified except by the fact that they have disproportionate political clout. Are we once again going to let the prosperous special interests dominate over the will of the people? I say it is about time we stand up and say "No!"

It is now time for this Congress to engage in meaningful reform of the major injustices in this society. It is too late to do anything less.

Mrs. REID of Illinois. Mr. Chairman, the question before the House today is a most difficult one, indeed, and I feel it could well be one of the most crucial of this 91st Congress. When the surcharge issue first came before us last year I voted for it reluctantly—and with the sincere hope and full expectation that it would not be necessary to extend the surcharge beyond its scheduled expiration date today.

But the legislative process requires that we face realities—that we be responsive to urgent national needs. Like most people, I personally would much rather see taxes reduced. However, the continuation of the present 10-percent surcharge until next January—and then phasing it out at 5 percent between January and June 30, 1970—is in my judgment a step that must be taken. Temporary extension of the surcharge, no matter how distasteful it may be, is necessary if the Congress it to supply responsible fiscal restraint to aid in reversing present inflationary pressures.

It seems to me that we have a serious choice to make. Sadly enough, the taxpayer is caught in the middle. He must pay either way whether it be through inflation or higher taxes. I personally fear that if this legislation is not adopted the ensuing inflation would prove to be far more costly than continuing the surtax temporarily.

We know that inflation is a vicious form of hidden taxes which no one can escape. It erodes the purchasing power

of wages, savings, insurance, pensions, retirement checks, veterans' benefits, and welfare payments. Furthermore, it is the cruelest form of all taxes because it hits hardest the poor and the elderly living on meager or fixed incomes. They find their limited dollars buying fewer of the necessities of life. Recognizing this, H.R. 12290 makes a start on tax reform by adopting a low-income allowance which will remove from the tax rolls many persons whose personal or family income is near or below poverty levels.

As a member of the Committee on Appropriations, I feel that it is the responsibility of the Congress to exercise control over Federal spending. However, the House has already acted to impose expenditure limits for fiscal year 1970 by including an overall ceiling of $192.9 billion in the second supplemental appropriation bill for 1969 which gives us some assurance of a spending limit even though there is no such provision included in this bill.

While I am reluctant to vote for continuance of the surcharge at a time when everyone is carrying such a heavy tax burden at the Federal, State, and local levels, I do feel that the serious financial situation which confronts our Nation today leaves no choice. Therefore, I shall vote for H.R. 12290. In doing so, however, I want to emphasize again that I shall continue to work for elimination of unnecessary and ineffective spending programs while at the same time continuing to seek meaningful and overall tax reform.

Mr. SCOTT. Mr. Chairman, I rise in opposition to the proposal to extend the surtax. I opposed the original surtax on the grounds that if Government spending were cut we would not have needed to add to the tax burden of our citizens. Experience shows that Government tends to spend all that it takes in, and often more, and I am afraid a day of an accounting occurs in Government spending just as it does in the lives of individuals.

I believe most of the people of the country are against the extension of the tax, and I think this is a thoughtful and correct conclusion on their part. They are in effect saying you passed a surcharge and predicted it would curb inflation last year and now you come back to us and say we must continue the surtax when the facts lead us to believe that the surtax has not curbed inflation and is not a suitable substitute to reduction of expenditures. We know that there are many places in which these reductions can be made. The measure before us does aid people who are welfare recipients, but what of the vast majority of American taxpayers, who are the real backbone of our Nation and its economy, the vast middle class? There is no relief for them in this measure and no assurance in this bill of any immediate relief. No issue is more important to the American people today than that of an equitable tax structure and the elimination of unessential Government spending.

Of course, I should like to support the administration in this measure, but in good faith I cannot do so. If this bill is defeated the administration and the Congress have to all go back and review again the budget and if we review carefully we will find there is fat to be trimmed, there are priorities, and there are ways of making do with what we have and with what we can afford. The American people, in my opinion, want the budget trimmed rather than to continue big spending and high taxes. They are not willing to watch inflation spiral upward and at the same time have to assume the continuation of the surtax. My vote will be against the continuation of the surtax.

Mr. CONTE. Mr. Chairman, I am voting today in favor of extending the income tax surcharge—but with serious reservations.

I have said many times in the past, and I repeat now—the time for comprehensive tax reform is long overdue. I regret very much that it is not part of the bill before us.

I have followed both the earlier survey tax reform proposals, and the more recent Cohen proposals, quite closely.

In February, I testified before the House Ways and Means Committee on the subject of tax-exempt foundations. Among other things, I advocated stricter surveillance of exempt organizations. I am pleased that the committee has made a tentative decision in this direction.

I am disappointed, however, that neither foundations, nor just about all of the other areas needing reform, are dealt with today.

In April, I commended President Nixon and Secretary of the Treasury Kennedy for their tax reform proposals. I had hoped that some of those proposals would be before us now.

For example, the proposed limits on farm losses would eliminate a tax gimmick employed by the wealthy.

A minimum income tax would assure that the rich pay a fair share of the tax burden.

The proposal on allocating deductions would certainly plug a good many loopholes.

And what about the biggest abuse, the oil depletion allowance? I have introduced a bill that would reduce it to 15 percent in the case of domestic oil and eliminate it in the case of foreign oil. The Treasury Department estimates that the reduction alone would increase Federal revenues by about $600 million annually. I think this loophole must be closed, and now.

Mr. Chairman, I could go on to list other areas that cry out for tax reform. But we all know about them.

In spite of all that I have said, the present state of our economy compels me to vote for the surcharge. Inflationary pressures have reached critical proportions. If we are to avoid even more serious, and tragic, problems, the economy must be cooled down—and fast.

I think that controlling inflation is paramount at this time. But I also think that tax reform measures are crucial, and that they must be enacted soon. Nothing less than the integrity of our tax system, and the collection of nearly all Federal revenues, depends on this.

Therefore, Mr. Chairman, I vote with great reluctance for the extension of the surcharge.

Mr. BURKE of Florida. Mr. Chairman, I rise in opposition to H.R. 12290. There is no question in my mind that the present surtax is about as obnoxious a tax as a tax can be. In fact, I feel that the administration should be asking its repeal instead of its extension. If we are to fight inflation then we must cut deficit Government spending rather than continue to increase such spending. We must face reality and start establishing spending priorities instead of continuing the practice of promising something for everybody. Certainly the argument that tax reform is needed is a meritorious one, but also, in my opinion, it is being used by some who have continually voted for continual spending to clear themselves of yesterday's sins of commission and big spending which has put us into the economic bind we are in today.

It is my opinion that the majority of the American people accept their responsibility to pay taxes because they recognize the fact that taxes are necessary. Most of them do not complain too strongly as long as they are convinced that they are being fairly treated by those in Government who are asked to give them a fair shake.

In the case of the surtax, however, it is difficult to convince the American taxpayer today that he is being treated fairly.

All the things that the taxpayers were told last year concerning the tax has proven to be false. The taxpayers were told then that the surtax was an emergency tax and was only a temporary one needed to halt the inflationary spiral that was wiping out the savings and salaries of the average American retiree and wage earner. We were further told that the tax would be followed by massive Federal cuts in spending. Today Federal spending goes higher and higher and we are now reaping the whirlwinds of such recklessness. Yet, I find far too few who are inclined to recognize the need now to establish priorities and to cut future spending for giveaway programs both at home and abroad.

With the feeling and realization now, that the tax is real and talks about Federal cuts are phony, is there then any wonder that the American taxpayer is fed up and opposed to the continuation of the surtax now.

It's about time that the Congress make some attempt to restore public confidence in our ability to manage the problems of inflation, high interest rates, and our stumbling economy. The continuation of the surtax is not the answer.

Mr. SCHADEBERG. Mr. Chairman, it is dishonest, to say the least, that we have only two alternatives: either rampaging inflation—accelerating inflation—or the passage of the extension of the surtax. There are other alternatives. Were this House to be responsive to the will of the people, we would have taken the most effective alternative, not mentioned in the debate and which I happen to believe is the only alternative which will work, and that is to cut spending by the Central Government. Congress made a commitment when it passed the 10-percent surtax suggested by President Johnson

in 1968 that this would be a temporary tax. I believe Congress should honor that commitment and take realistic measures to concentrate on how we can cut spending rather than how we can increase taxation.

How can we cut spending?

First, by decreasing the debt ceiling in an orderly fashion. What is the history of Congress in increasing taxes? When I came to Congress in 1961, which was the last year of the Eisenhower administration, the national debt stood at $289,200 million. The debt limitation increases were as follows:

November 26, 1963: raised the limit to $315 billion;

June 27, 1964: raised the limit to $324 billion;

June 24, 1965: raised the limit to $328 billion;

June 24, 1966: raised the limit to $330 billion;

March 2, 1967: raised the limit to $336 billion;

June 30, 1967: raised the permanent ceiling from $285 to $358 billion, with a flexible ceiling of $365 billion in any given fiscal year;

March 19, 1969: raised permanent debt limit from $358 to $365 billion, with 1-year temporary ceiling of $377 billion.

I voted against every one of these increases in the debt limit on the very practical assumption, which certainly has proven to be correct, that the more money we authorize to be made available to the Government, the more is spent. The national budget has increased from $79.8 billion in 1961 to $186 billion. The increase alone in spending is more than the total national budget in the last year of the Eisenhower administration. I would like to affirm in all of these suggestions that the burden of responsibility rests with Congress and not always with the administration.

Second, Congress, if it were interested in combating inflation, should have postponed the increase in congressional pay. In fact, it would have been well to set the stage by cutting congressional salaries as a token beginning. This would have saved $6,687,500 each year, to say nothing of the savings in those agencies where salaries are based on congressional schedules. I am sure that there are enough dedicated people in this country willing to make some sacrifice to serve the Nation who would not put salary ahead of service.

Third, realistic measures should have been taken in terms of tax reform: to assure legitimate foundations fair tax consideration but to impose the full measure of the tax law on those who use the foundation as a coverup for political activities and private business; to tax charitable institutions on that portion of their income derived from real estate not used for purposes for which the charity is set up and to expect taxes on those activities which are profitmaking; readjustment of depletion allowances; and revision of tax-free investments in keeping with a realistic assurance of municipal needs.

Fourth, a significant cut in foreign aid, in fact a moratorium on foreign aid until resources in the pipeline are completely used up.

Fifth, delayed spending in the space program, assuring our continuing interest in space but preventing accelerated activity, the result of which is purely a questionable matter of national prestige.

Sixth, to set up some means by which meaningful cuts can be made in military spending to prevent waste. This must be in keeping with the necessity for military superiority.

Seventh, prevent the formation of new programs and activities which are not vital to our immediate needs.

Eighth, postpone increases in the congressional staffs. If the Government were not constantly increasing its activities, this staff increase would not have been necessary, but necessary or not, it should have been delayed as a means of economizing. In pay alone, the House staff increases amount to an annual outlay of $3,262,580. To provide each new staff member with office equipment, phone, and so forth, estimated conservatively at $800 per employee, there will be an additional immediate capital outlay of $345,000. To carry this matter to its logical conclusion, the ultimate result will be the demand for more office space and the need to build a new House Office Building, with its additonal costs for maintenance, equipment, service, and so forth. The answer is not in additional staff but in improved business management practices.

Ninth, Congress should return many responsibilities now assumed by the Federal Government but belonging to the States, the communities, and individuals.

Tenth, Congress should delay some public works.

Along with these things which Congress should have done, there are several things Congress should not do:

First, it should not permit imports to create havoc with domestic industry. What has this to do with inflation?

Automatically, it would put money in the Federal tax treasury. For every business that goes under the wire because of unfair import policies, there is a resultant loss of income to the U.S. Government. Should domestic produce cost a bit more, it would be a far better use of the consumer dollar than the giving of that dollar to the Federal Government in the form of increased taxes because, at least, it would provide increased employment and, understandably, a lessened welfare load.

Second, it should not transfer spending from the individual to the Government. I think there is unanimous agreement that inflation is caused by excessive spending. To take the right to spend the dollar a taxpayer earns away from the taxpayer and give it to the Government does not reduce spending and, therefore, cannot in itself stop the inflation spiral.

The most frequently used argument for the extension of the surtax has been that, coupled with the cut in spending, it can accomplish the job of cooling the economy. My position is that if Government would cut its spending significantly, the job could be done without increasing taxes and be done far more effectively. This is not a matter of support or lack of support for the Nixon administration. The fact is that the same Representatives of Congress, by and large, who have voted for increases in Government spending and the size of the Federal Government are the very ones who have been telling us that the only way we can cool the economy is to extend the surtax. All the President can do is to administer the programs created by Congress and funded by Congress. It is high time Washington listened to the people. The people have served notice that taxation is getting excessive. They want Congress to cut Government spending and not to increase taxes.

I am sure my own questionnaire, to which I received some 14,000 replies, reflects the attitude of the majority of the people throughout the Nation. My questionnaire indicated that 85 percent of those who answered the questionnaire were opposed to continuing the surtax. I hasten to add that I would have voted for the surtax if I had been convinced, which I am not, that there was no other alternatives to maintaining the integrity of the Nation or of the dollar. Since I believe there are other alternatives which Congress refuses to consider, I will vote against the continuation of the surtax. It is my firm conviction that the only way Congress will cut spending is by not making increased tax income available.

Mr. COUGHLIN. Mr. Chairman, as a supporter of comprehensive tax reform, particularly with respect to equity for the middle income and elderly taxpayer, I would prefer that we had a more meaningful measure before us today.

I recognize the fact that Federal income tax rates, probably alone among all taxes, are actually substantially lower now, even with the surcharge, than they were in 1950.

For too long, however, the crazy-quilt pattern of Federal tax laws has been permitted to develop and persist to the detriment of men and women whose economic existence depends on their ability to earn wages and salaries. Over the years, tax reform has been shunted aside with expedient excuses that perpetuate injustice. The American people demand tax justice. And the time is now—this session of Congress.

The 1-year phaseout of the tax surcharge is undoubtedly necessary to protect the hard-earned dollars of the American working man from disastrously devaluating inflation. Not a single economist of any persuasion, to my knowledge, has stated otherwise.

My vote is predicated on the assurance by the leadership of both parties and by the chairman and ranking member of the Committee on Ways and Means that a comprehensive tax reform bill will be presented to the Congress this year.

It is also predicated on the fact that this is a phaseout of the tax surcharge, and I reserve the right to vote against any further extension of the surcharge.

Mr. THOMSON of Wisconsin. Mr. Chairman, H.R. 12290 is more than a tax bill designed to help control inflation by withdrawing from the already swollen stream of purchasing power some $9.2 billion.

This legislation is a humanitarian bill, designed to eliminate from our Federal tax rolls a vast number of America's poor. Under this sensible plan, 5 million

taxpayers with incomes below the official poverty income level will not have to pay any more Federal income tax. Previously, they were liable for $100 or more each year in taxes.

In addition to the benefits extended to these 5 million taxpayers, some 8 million other Americans will have their Federal income taxes appreciably reduced. These millions are those whose incomes are presently slightly above the poverty income line.

The loss of Federal revenue as a result of these humanitarian acts amounts to $625 million for a full year. The Government can well afford such a loss when it means that some more than 12 million poor Americans will be able to spend more of their earnings on themselves and their families for essential goods and services. Thus $625 million represents purchasing power of the poor. It deserves to be left in the stream of spending for the poor.

President Nixon in his tax reform program strongly recommended tax benefits for our country's poor. The tax measure before us reflects the President's wishes. It is most appropriate that this aspect of much needed tax reform be incorporated in this bill. To delay such tax benefit to some future date, or defer such benefit to the time when a complete overall tax package is readied, would perpetuate an injustice to the poor that should have been remedied much earlier than now.

I urge the passage of this tax bill—including its humanitarian low-income allowance—as expeditiously as possible.

Mr. STEIGER of Wisconsin. Mr. Chairman, the choice before us today is between pouring oil or water on a raging fire. It is that simple.

We are in a period of serious inflation. Part of the problem is of our own making, for when inflation threatened to burst the bounds erected by the previous administration and we were asked to enact the surcharge, about 2 years ago, Congress failed to act. We waited until the problem became ever more serious. One result was that the remedy we finally applied—the 10-percent surtax—took longer than some expected to be effective.

The surtax is about to expire, but inflation is not. The Federal Government has achieved a certain position in relation to inflation. To maintain that position, we may not necessarily have to increase the pressure against inflation—but we must not let up the pressure.

One of the essential elements of that pressure is the surcharge. Unfortunately, we must keep it in force as a curb on spending and, much more important, to guarantee that through the coming fiscal year the Government's finances remain in surplus. The reason for the latter point is obvious—the Federal Government must avoid going to the money market for additional deficit financing.

Our passage of this bill will have the effect of dampening flames until they are under more control. It is a positive step to maintain the slight advantage we now hold over inflation.

If we fail to act, we will be adding fuel to inflation's fires. Government revenues will fall short of the programed amounts. The surplus will disappear. The budget will slide into a deficit position, despite our efforts to hold the line. At the same time, if we force the Government to raise money by adding to the national debt, we will be tightening the noose that already is strangling credit and driving interest rates up. All the inflationary problems that have plagued us for the past several years will be intensified.

Levying a new tax is never popular. Holding tax rates up when they have been scheduled to go down is also unpopular. What we have before us is a phased reduction of the surtax. At the end of 1969, the surtax rate will be reduced to 5 percent and we will be able to eliminate it a year from now. This can be done because this bill also repeals the 7-percent investment credit.

On the other hand, inflation can be popular. Because inflation boosts earned income it is like a pleasant drug; it is exhilarating to take and we do not foresee the harmful effects.

But we are here to carry out a responsible job, even if it is sometimes not popular. The brief popularity we might win by voting against extension of the surtax would be a small reward indeed when it was placed on the scale with the inflationary damage we would do to our economy and hence to our citizens if we fail to pass this bill.

We cannot afford, in my opinion, to have still greater force added to the inflationary pressures that are already threatening the economy.

This legislation which I support today is comprehensive. The "low income allowance" feature is a significant reform feature which cannot be overlooked. In addition, the provision to accelerate the depreciation allowance for pollution control facilities is important in encouraging greater private industry utilization of pollution abatement facilities. These two features alone are steps toward tax reform. More must be done and will be done by the House in August.

In short, we cannot afford not to act—and we cannot afford to delay. To keep the restraints intact which we have placed with difficulty on inflation, we must extend the surcharge, but this bill cuts the rate to 5 percent on January 1 and that is helpful. There is no time to spare. We must act responsibly now—or the people to whom we are responsible will suffer the terrible consequences.

Mr. BIAGGI. Mr. Chairman, I fear we are reaching the point in this Nation where one must be rich to survive adequately. If a persons station in life is somewhere between riches and poverty, it seems he is invariably struggling to exist.

Middle-income families are gouged unmercifully by both our present tax system and runaway inflation. They are being taxed to the point of impoverishment while the rich enjoy so many tax loopholes and the poor receive aid of one kind or another.

I do not like what is happening in America. Our middle-income families are fast becoming the poor families of our Nation in spite of the fact that they are working hard to make ends meet.

We have not done anything about the oil depletion allowance and other glaring loopholes in our tax laws that benefit rich individuals and corporations. But instead we are asked to strike another blow at the economic heart of middle-income families through the extension of the surtax.

I am vigorously and unalterably opposed to this kind of business. It is unconscionable to even consider adding to the burden of middle-income families while so much tax revenue is going down the drain because the rich are flipping through loopholes that we have not closed.

The struggling middle-income wage earner with a wife and two children and $12,000 of taxable income, paid almost 20 percent of it directly to the Federal Government this year.

Piled on top of the Federal income tax bill of the middle-income family was the surtax and Federal excise taxes such as social security payments and real estate, personal property, sales, and gasoline taxes.

These are heavy burdens which have been borne out of a deep sense of responsibility and loyalty to our Nation.

I have been receiving an increasing number of letters from middle-income taxpayers complaining that some of the rich are getting richer at their expense.

If indignation continues to grow, it could lead to a breakdown in the present tax system. It is a largely self-enforcing system and its foundation is the basic honesty of the American taxpayer and its ungrudging acceptance of the fact that he has to pay a relatively large amount of taxes.

But if this willingness turns to widespread cynicism as loopholes which benefit the wealthy remain intact, the system cannot survive.

I believe any extension of the surtax, under the circumstances, should be related to corporations and not to individuals. Our present course is unfair and unjust because once again we are soaking Americans who can least afford to pay while doing nothing to acquire a fair share of taxes from those who can best afford to pay.

Mr. FLOWERS. Mr. Chairman, I am unalterably opposed to the extension of the surtax. This tax was originally conceived and sold to the 90th Congress as a necessary step in curbing the inflationary pressures of our Nation's economy. But, Mr. Chairman, since the imposition of this tax on April 1 of 1968, the cost-of-living indicators have continued to climb month after month.

As a matter of fact, the cost-of-living index has risen about 7 percent since the surtax was imposed upon the people of this Nation. Those who originally advocated the enactment of this tax—and those who now urge its extension—theorize that this will reduce the spending in the private sector of the economy, and by so doing, inflationary pressures will be substantially relieved. There is an unbelievable quality surrounding the reasoning that if money is taken out of circulation in the private sector while not curbing spending in the public or governmental sector, we can halt the inflationary spiral. Do we mean that it is inflationary for the man who earned the dollar to spend it on his family, yet it

is not inflationary for the Government to take that dollar and give it away to someone else to spend?

Our experience with this tax tells us emphatically that it does not check inflation. A better way must be found and I am confident that it is to be found through tax reform and reduced Government spending. The surtax, by the very nature of its operation as a "tax on a tax," merely compounds the existing inequities in our present tax laws.

Mr. Chairman, we may be deluded ourselves by certain "economic prophets," but we do not fool the people if we continue to say to them that this tax will curb inflation. It has not worked, and frankly, I do not believe it will work. The forgotten man—the middle-income, hard-working, law-abiding, tax-paying majority in our Nation has had about all he can stand, and perhaps more. I urge the Members to vote "no" on the question of the passage of H.R. 12290.

Mr. ADDABBO. Mr. Chairman, one of our most important tasks this year is to pass a meaningful tax reform, taxpayers savings bill. The subject of tax reform has gained national attention, both as a means of making the law more equitable and as a means of raising additional revenue. The need to update certain deductions and bring relief to middle- and low-income taxpayers, who now carry the major load of the burden, cannot be too strongly emphasized. The people are incensed over unjust and unequal taxation.

I cannot conscientiously vote to extend surtax legislation at this time that does not include meaningful tax reforms and tax relief. Passage of today's bill, H.R. 12290 will, I believe, lessen pressures on the administration for critically needed tax reforms. For this reason I oppose passage of H.R. 12290.

Mr. TAYLOR. Mr. Chairman, I rise in opposition to this legislation. The surtax was adopted a year ago as a brake on inflation and high interest rates. It has failed to accomplish these objectives. My main opposition to the legislation, however, is based on the belief that Congress should close tax loopholes before calling upon taxpayers to pay surtax for another year.

I regret that this procedure has not been followed, because the American people are demanding meaningful tax reform legislation.

The well-informed taxpayer knows that many American citizens who are earning more than he are getting by with a lighter tax load, and he is smarting under an obvious injustice. Nothing so infuriates a dutiful taxpayer as a wealthy tax dodger.

If needed tax reform legislation is adopted, continuation of the surtax may not be necessary. We should start by reducing the oil depletion allowance in line with a bill that I have introduced.

I believe that most people are willing to pay taxes if they are convinced, first, that they are paying only their share, and second, that the money will be used wisely. Now they have doubts on both scores. Many low-income people in western North Carolina have written me and said, "Everybody knows that wealthy people don't pay taxes." I tell them that that is not true, that only a limited number of wealthy people are dodging taxes through tax loopholes and send them a copy of the graduated tax rates; but there is just enough truth to it for people to have that impression and that is dangerous for the country.

The backbone of our tax system is the basic honesty of people and their willingness to bear a fair share of the tax load. A tax system that is not fair and just cannot and should not survive.

Mr. MACDONALD of Massachusetts. Mr. Chairman, I rise today in opposition to H.R. 12290 as it is now written.

Last year, when this body first voted on the surtax, I voted against it, feeling at that time that we in the Congress owed the American people tax reform and not a further tax increase. Since that time, the tax burden on the middle-income taxpayer has steadily increased, while we still tolerate those select few who, despite their tremendous wealth, pay little or no income tax.

When we approved the surtax last year, we were told by the most eminent authorities that the surtax would halt the inflationary spiral. It has failed to do so. The best indications I have seen show that even if the surtax is extended, we will face another round of price increases. We were told that the surtax would curb the rising prime interest rate. It has failed to do so, and this rate has increased by over 2 percent since December of last year. There is one thing which the surtax has not failed to do, and that is to create new and greater pressures on those in the middle-income brackets.

We have, in my opinion, a crucial choice to make here today. There are three options open to us. We can approve the 1-year extension of the surtax as contained in H.R. 12290 and avoid once again acting on the need for tax reform. We can defeat this legislation and end the surtax as of today. Or we can extend the surtax temporarily, perhaps for 30 days, and hammer out some meaningful tax reforms in the meantime.

Our colleagues in the other body have made it clear that they will amend this legislation with tax reform provisions. We should not abandon our initiative in this matter to them. Rather we should come up with a tax reform package of our own which is responsive to the needs of the American people.

Many will argue that we should extend the surtax for 1 year and then consider tax reform. To these Members I would say that significant tax reforms may produce enough additional revenue to offset the need for the surtax or, at least, enough to necessitate an extension at less that the current 10 percent. One hundred and twenty-nine Members have introduced tax reform legislation which would produce new revenues. The distinguished chairman of the Ways and Means Committee has indicated his support for a tax reform package.

I would urge my colleagues to think twice before voting to approve an extension of the surtax such as is included in H.R. 12290. I ask that you join me in making this long overdue commitment to tax reform by opposing any extension of the surtax.

Mr. ERLENBORN. Mr. Chairman, it distresses me to vote for a continuation of the surtax; but I am persuaded to vote for the committee proposal, nevertheless—persuaded by several considerations.

First, I believe that failure to act will cause a renewal of the inflationary spiral; and the people would pay more for inflation than they would pay in taxes.

It has been argued that the surtax has not stopped inflation in the year it has been in effect. I believe a factor in this ineffectiveness has been the former administration's lack of zeal in reducing Government spending. That has now been corrected; and we now have an administration in office which has shown a willingness—indeed, a desire—to pare Government costs down as far as feasible.

As we move away from budget deficits and toward budget surpluses, I believe the surtax will make its presence felt in the continuing effort to curb inflation. Failure to continue the surtax would make a budget deficit almost certain a year hence and, at the same time, would increase the inflationary spiral.

To those who want tax reform, let me say that I want reform, too. President Nixon already has sent a partial tax reform proposal to Congress—the first President in a quarter century to do so—and he has promised to recommend more.

The Ways and Means Committee of the House has gone on record in favor of tax reform, and has been devoting long hours to hearings and to study of the question. The committee and the administration are agreed on the bill before us now for a 6-month extension of the 10-percent surtax, to be followed by a phasing out of the surtax.

Coupled with this is a repeal of the 7-percent investment tax credit and a removal of low income families from the tax rolls.

This is a first taste of tax reform, I believe. The rest of the tax reform package will require more study, for it is a most complex subject.

Another point is persuasive to me. The Treasury reports that the average taxpayer is paying less today, even with the surtax, than he paid in 1963, when we had our last tax reduction. The Federal Government is the only level of government which can make this boast; in spite of the fact that we have been fighting an expensive war in the Far East.

Two men whose judgment I respect make another point. They are David Kennedy, the Secretary of the Treasury, and Arthur Burns, the Counselor to the President. Failure to continue the surtax, they believe, would put great pressure on the dollar in foreign exchange.

We must do what we can to show that we are going to be responsible in our dealings with other countries.

I believe that the best way to get a stable dollar and to get good tax reform is to stay with the Ways and Means Committee in its announced intention to produce a better system of taxes.

Mr. HOLIFIELD. Mr. Chairman, I have decided to vote against the extension of the surcharge tax.

President Johnson asked for the surcharge for two purposes.

First. To stop inflation.

Second. To balance the budget. Along with a majority of the Members I voted for the 1968 surcharge.

As all of us know, neither purpose was achieved.

Inflation was not stopped.

The budget was not balanced.

Today we are asked to vote to extend the surcharge once again.

We are again told that it will help to stop inflation.

The present administration tells us that if we pass the surcharge we will have a $5.6 billion budget surplus.

There is a great credibility gap in my mind on both counts.

I am convinced that a surcharge of 10 percent will not stop inflation.

I doubt seriously if we will have a budget surplus unless we use the trust funds as an offset.

If we do that it will be a phony surplus in the real sense.

But, it can be claimed as a real budget surplus by the present administration in next fall's election.

President Nixon and Secretary Kennedy did not raise their voice in condemnation of the Federal Reserve Boards action in raising the prime rate on interest to 8½ percent. The first time in our history that a total 1-percent raise was made at one time.

In my opinion this raise was based on opportunism pure and simple.

It was based on greed and charging all the traffic would bear.

It was inflationary.

Like many other Members I have been waiting for tax reforms for too long a time.

I want to go home and tell my overburdened taxpayers that we closed some, at least, of the loopholes now used by the wealthy to escape their share of taxes.

I cannot in good conscience go home and tell the average middle- or medium-bracket taxpayer that I added once again a 10-percent surcharge to their tax bill and at the same time failed to close glaring and inequitable loopholes.

When inflation continues through failure of the money managers to restrict excessive lending for an industrial expansion which is not needed.

When high interest rates are allowed to continue to gouge the average homeowner and small businessman.

When consumer installment buying charges continue to rise on items needed by the consumers.

I cannot add to the burden of inflationary interest rates, the 10-percent surcharge on taxes.

Mr. DANIELS of New Jersey. Mr. Chairman, I rise in opposition to H.R. 12290, the bill pending before this House to continue the income tax surcharge.

Two years ago I was one of the first House Members to propose a comprehensive tax reform package. On the opening day of this Congress I reintroduced it as H.R. 1039. Yet, the House Ways and Means Committee has yet to report out a bill providing equity for middle-income taxpayers. Mr. Chairman, the time for tax reform has come. I know I speak for all middle-income America when I stand in this House to say that I will not accept the promise that tax reform is coming at some vague time in the future. Millions of Americans want equity and they want it now, and they deserve it now.

Mr. Chairman, last year I was urged to vote for the surcharge on the premise that it was needed to halt inflation and on the premise that tax reform was in the offing.

Despite all the assurances and all the pledges, inflation is worse than ever and real tax reform has not yet been enacted.

Mr. Chairman, I will not be led down that trail again. Before I will vote a single penny more of taxes for America's workingmen and women I will have to be given an opportunity to vote on a real tax reform bill.

Today's bill has one attractive feature. It does take much of the tax burden off the desperately poor. This is good as far as it goes, but it simply does not go far enough. It does nothing for the millions groaning under heavy State, local and Federal taxes and it also does nothing to correct the inequities which enable the very rich in too many cases to pay little or nothing.

Mr. Chairman, I will not take the time of this House further except to say that I will vote "no" today on this bill and I shall vote "no" on all such legislation until we have meaningful tax reforms. And I want it clear that as far as I am concerned meaningful tax reform is reform that can be seen and felt by the majority of middle-income Americans.

Mr. MIZELL. Mr. Chairman, H.R. 12290, extension of the surtax for 1 year, is clearly needed if we are to curb inflation and protect the soundness of the American dollar.

We are in an hour of financial crisis for our Nation. Now is the time for this Congress to act as a reasonable, responsive body.

Almost daily we see evidence of prices and wages going up. Interest rates are at historical highs.

Continuance of the surtax, as distasteful as this may be since none of us like taxes, can help us to contain or check inflation. But it will take time and that is what this administration is asking.

Working hand in hand with the surtax extension in an effort to slow down our economy will be the proposed repeal of the 7 percent investment credit that businesses can deduct from their taxes when they purchase new equipment or facilities. It also proposes that excise taxes on automobiles and telephones be continued for another year—to serve as an additional brake.

While I am sure all of us would like relief from the surtax, this is impossible today at a time when we must protect the soundness of the dollar. However, this surcharge extension legislation will remove the people covered by 5 million tax returns from the tax rolls and reduce the taxes of a group covered by another 8 million returns, effective in January 1970. Under this plan, most all people with incomes below the official poverty level will be removed from the tax rolls. Previously, they had been liable for $100 or more per year in Federal income taxes—a gross injustice.

I urge passage of this bill.

The resolution before us contains a sound and sensible package of fiscal steps necessary to restrain existing inflationary pressures and dampen future inflationary activity. It complements existing monetary policy, which is designed to accomplish the same desirable and necessary objectives.

Monetary actions of the Federal Reserve Board will appreciably contain the rate of monetary growth by limiting the volume of reserves available to banks and by raising the discount rate. As effective as these monetary policies of restraint are, they cannot, by themselves, control the inflationary pressures in our economy. On the other hand, neither can the fiscal steps incorporated in H.R. 12290 alone contain these pressures.

But together they can. Together they will. This is why it is essential to consider quickly and pass promptly the tax measure now before us. Only in this manner—by combining the force of fiscal policy with the strength of monetary policy—can we achieve the objective all people want: control of the inflationary forces so disruptive of our national efforts and destructive of our national goals.

Mr. ANNUNZIO. Mr. Chairman, I would like at this time to make my position clear on the issue of the income tax surcharge now before us. I believe that it is imperative that we take immediate action in extending this tax for another year.

All of us, I am sure, would like to see this tax end. And much pressure has been exerted to allow this tax to expire today. I for one dislike to see it continued for any longer period than is absolutely necessary.

But, Mr. Chairman, there are important issues involved. Extension of the surtax is essential to help restrain inflationary pressures which threaten to get out of hand.

During the past 4 years we have all witnessed prices rising at an unacceptable rate. Last year consumer prices rose by 4.2 percent. Latest figures for May 1969 reveal that they are 5.4 percent higher than they were 1 year ago. During the past 3 months they have risen at a 7.2 percent annual rate.

Now I realize that some are arguing that the surtax has failed to check inflation; but prices would have risen even more rapidly had we not instituted this tax last year.

Something must be done to halt this upward trend in prices which falls with particular severity upon middle- and lower-income individuals and the elderly living on fixed incomes who are robbed of their savings and who find less and less of their income available to provide them with the necessities of life. Inflation, in effect, is a pickpocket—it picks the pocket of those who are in greatest need—the poor people and the elderly living on fixed incomes.

I believe that this tax which amounts to only about 1 penny for every dollar

of income earned is far preferable to the tax of inflation. Indeed, the surcharge is far more equitable because it is more progressively based upon the principle of taxation according to ability to pay, while the tax of inflation is regressive, bearing most heavily upon those who are least able to afford it.

Failure to extend the tax surcharge will only serve to intensify inflationary pressures and would further weaken the dollar at home and abroad and cause a deterioration in our balance-of-payments situation.

All of us realize that basically this tax is a war tax—that it was instituted and needs to be extended to help finance our military operations in South Vietnam. At the present time the war in Vietnam is costing our Government in the neighborhood of $30 billion a year—or, roughly, one-sixth of total Federal budget outlays. Extension of the tax surcharge represents a temporary expedient which will enable us to meet the extra financial costs associated with our participation in this conflict. All of us earnestly hope that our involvement there will be of short duration, and that a peaceful solution will soon be in sight which will insure freedom and stability in this troubled area.

Surely at a time when our fighting men in Vietnam are giving of their service and even of their very lives in order to halt the spread of Communist aggression, we here at home must be willing to make this small sacrifice in the interest of world peace.

Enactment of the tax bill now before us will produce an estimated $9.1 billion in Federal revenues during the fiscal year 1970. Of this total, $7.6 billion will be derived from extension of the surtax at 10 percent for the first 6 months, dropping to 5 percent on January 1, 1970. If we are successful in passing this tax bill, it is estimated that we may be able to realize a budgetary surplus of $6.3 billion. Its passage will enable us to achieve the goal of fiscal responsibility which everyone is seeking, that is to keep Federal spending within the bounds of income and avoid any further addition to our huge national debt. Failure to extend the surtax will produce a budgetary deficit of about $1.3 billion during fiscal year 1970 unless severe cutbacks in Federal spending programs are made.

While all of us are seeking ways and means of bringing about more efficiency and eliminating or postponing those programs which are not absolutely essential, I certainly do not want to see vital domestic programs at home sacrificed—those which will provide essential education, housing, health and welfare facilities and services. With racial unrest and riots still taking place in our cities, we cannot afford to sacrifice those programs which will help to provide a better way of life for our less fortunate citizens who have been denied their basic rights for far too long.

Should we fail to enact the surtax extension and should a budgetary deficit result, Federal borrowing to finance this deficit would only serve to drive interest rates even higher. Small businessmen and homeowners would find credit increasingly expensive and difficult to obtain. I am afraid that ultimately tight credit will precipitate a real financial crisis which will plunge us into a severe recession.

Now I realize that some are opposing extension of the surcharge on the grounds that tax reform measures could bring in the revenues we need. And I will be the first to admit that tax reform is needed—that we must not delay in closing glaring loopholes which now exist in our tax structure. Such loopholes enable the very wealthiest individuals and corporations to escape paying little or no Federal income taxes. Naturally there has been a growing resentment against the unfairness of our tax system which permits such inequities to exist.

We most assuredly will have tax reform legislation. Many sweeping proposals have already been advanced in this area. President Nixon has pledged his support of such legislation. The Ways and Means Committee is committed to securing a comprehensive revision of our tax code, and more than 600 persons have already testified this year at hearings conducted on this subject. As early as 1967 I took the floor of the House to urge the plugging of tax loopholes. I pledged then, as I reiterate now, my full support and best efforts toward securing the enactment of such legislation. Such comprehensive changes in our tax structure, however, take time. We must not act hastily, but we must give careful study and consideration to these complex proposals and then take appropriate action which will correct longstanding abuses rather than create new ones.

The tax bill now before us recognizes the plight of our citizens living at the poverty levels and contains provisions which will give immediate relief to these individuals. The low income allowance features of this bill will reduce or eliminate entirely the tax liability of some 13 million taxpayers, saving them approximately $625 million in taxes annually. So it is apparent that Congress recognizes and is seeking to alleviate the plight of our citizens living in impoverished circumstances.

In conclusion, we must not procrastinate but we must be willing to face up to our responsibilities and extend the income tax surcharge for 1 more year. Such action will help us to meet our Government's financial commitments in a responsible manner and will enable us to bring our budget into balance. It will thereby provide the restraint which is so necessary to halt runaway inflation. Thus it will give greater stability to the dollar at home and abroad while at the same time enabling our economy to move forward, utilizing our manpower and productive capacity fully for the benefit of all our citizens.

I was gratified to learn that Hon. HALE BOGGS, the majority whip of the House, and Hon. WILBUR MILLS, the chairman of the House Ways and Means Committee, are planning tax reform legislation for the Congress to consider in early August. I shall vote today for the surtax legislation knowing that the Congress will meet its responsibilities to the American people and that the Ways and Means Committee will report tax reform legislation to the House floor in August which I will wholeheartedly support.

Mr. OBEY. Mr. Chairman, trying to curb inflation solely by relying on high interest rates and an extension of the 10-percent surtax is like trying to pull a freight train with a gnat.

We have had five hikes in the prime interest rate in the past 7 months. Yet, high interest rates have not stopped borrowing by large borrowers; they have only increased the burden on the small ones.

We have had the surtax a year. Yet, we have had a 5.4-percent increase in the Consumer Price Index from April of 1968 to April of 1969. Certainly, other measures are in order.

Putting aside the economic arguments, one could still accept the surtax if it would provide the revenue to meet the real needs of the Nation. But, a review of the Nixon budget for fiscal year 1970 reveals that no serious attempt will be made to meet these needs.

That budget shows that:

First, while $1 billion has been promised to aid local units of government for pollution abatement, the administration has budgeted only $214 million.

Second, while $295 million was promised for hospital construction and modernization, the administration budgeted only $153 million.

Third, while $3.6 billion has been promised for ESEA programs, the administration has budgeted only $1.4 billion.

That budget shows that the Federal Government will not begin to close the cavernous gap between its promises and performance, its obligations and its actions.

This means, purely and simply, that we are spending our money in the wrong places. It means that our spending priorities are not in order. When we can spend money for another nine trips to the moon over the next 3 years—while shortchanging our real needs—we are misallocating our tax moneys.

That is why, given the lack of determination on the part of this administration and this Congress to put first things first, I will not, under present circumstances, vote for extension of the surtax.

Mr. HOWARD. Mr. Chairman, today, each of us has the opportunity to stand up and be counted for or against the average American wage earner—for or against an unfair and discriminatory income tax surcharge.

President Nixon's proposal to continue the income tax surcharge would not close a single loophole in our present tax structure. It would continue to permit the oil barons and the oil and gas companies to pay little or no Federal taxes. It would continue to permit the rich to get richer and the poor to get poorer. And it would force the average American wage earner, already overburdened by heavy taxes, to pay a greater share of taxes to make up for the money saved through the use of tax loopholes by others.

Mr. Chairman, I urge my colleagues to vote "no" on the tax proposal. We should not continue the income tax surcharge without meaningful tax reform. A vote

against the tax proposal is a vote in favor of tax reform. A vote against the tax proposal is a vote in favor of middle class America. A vote against the tax proposal is a signal that the avoidance of paying taxes through the use of tax loopholes will no longer be tolerated.

President Nixon does not hesitate to ask the average American to pay more taxes but he stanchly defends the 27½ percent oil depletion allowance, the most unforgiveable and disgraceful tax giveaway in America today. No one will argue that the source of oil slowly but surely depletes itself. But how about the wage earners of America? Does the laborer not deplete his body as he works each day? Are the eyes of our business executives not depleted somewhat as they pore over company reports? Are not the arms and backs of America's housewives and mothers depleted bit by bit as they raise their children and take care of their homes? If the oil companies should be permitted an oil depletion allowance then why should not our taxpayers be given a human resources depletion allowance?

President Nixon wants to continue the income tax surcharge but he refuses to be realistic and ask that the $600 a year personal income tax deduction be raised. I have introduced legislation in the last two Congresses to raise the yearly personal income tax deduction from $600 to $1,200 a year. I think this is much more realistic and fair. But the President, while defending the oil depletion allowance and other tax loopholes, ignores such pleas for a higher personal income tax deduction.

President Nixon also claims he needs the income tax surcharge to curb inflation. He will not accept such a tax for 3 months, or 6 months, even though this would help. He wants it for a year so that he can end up with a large surplus. He also feels that during that time, the taxpayers' revolt in favor of a tax reform will lessen. I hope it will not.

Will such a surcharge curb inflation? For the year from April 1968 to April 1969, during which the surcharge has been in effect, the consumer price index has gone up nearly 5½ percent. In March of this year, it went up 0.8 percent, or at an annual rate of almost 10 percent. In April, the rise was almost as much, 0.64 percent, or at an annual rate of more than 7½ percent. These figures show rather clearly that the surcharge did not halt inflation.

I am seeking bipartisan support in defeat of the tax bill today because there are those on both sides of the aisle who support the oil depletion allowance, who support various other loopholes, and who know if the tax bill is defeated today, then the Congress will almost immediately be forced to close the tax loopholes. And that is precisely why I am urging my colleagues, regardless of their political party, to vote to defeat the tax proposal today.

Mr. Chairman, I firmly believe that if we approve President Nixon's tax proposal today, we will write off our last chance of seeing the oil depletion allowance eliminated or even substantially reduced. I firmly believe that if we pass the tax increase today the most we can hope for is an insignificant tax reform bill.

When President Johnson first proposed the surcharge, many of us fought him on the issue. Many persons from the administration urged me to support the President, told me to be loyal to my political party, and even said that if we passed the income tax surcharge, we would immediately get tax reform. I refused to budge because I am a representative of the people of the Third Congressional District of New Jersey first, and a member of a political party second. Many of my colleagues were won over and voted in favor of the surcharge with the hope that they would then get tax reform. It never came, and unless we join together today and defeat this tax bill, it never will.

No longer should we accept nebulous promises of reform; today we should demand performance through meaningful tax reform.

In conclusion, I think it is important to point out that as a ploy, the administration has tacked onto this bill a proviso which would permit some of the Nation's poverty stricken to pay no taxes. What a sham. Who of us here today would ever oppose such a measure? Certainly no one with a conscience. But the real way to protect the poor—along with the rest of middle class America—is to vote down the President's tax proposal and force meaningful tax reform.

Mr. HELSTOSKI. Mr. Chairman, I do not intend to vote for this bill to extend the 10-percent surcharge tax unless I can see some meaningful tax reform legislation. I think that the old saying "Taxation without representation is tyranny" should be changed to "No taxation without reform legislation."

The White House and the Treasury Department are telling us of the dire consequences if we do not pass the surcharge tax extension for 1 year. Well, I am not going to be panicked into voting for something that has not done what it was originally intended to do—stop inflation. The surcharge—in effect at present—has not stopped inflation and it does not appear that any extension of the present law will do it in the future.

We have, only last Friday, extended the present law to July 31, and I see no reason that we should be shotgunned into immediate and hurried action. We have a month to rationally review the need for the legislation we are considering today. If this does not appear to be enough time, we can extend the withholding level for another month.

The tax loopholes force the low- and middle-income wage groups to bear a larger burden of taxation than is necessary. There is no question that Federal, State, and local taxes impose an undue hardship on the majority of the people while a minority, enjoying tax loopholes, take advantage of the fruits of someone else's labors.

To equalize the tax burden, we must proceed to reform our entire tax structure and in addition, to help the ordinary taxpayer, we must increase his personal exemption. These people need this exemption and need it now. They have been waiting for it since 1948, when the exemption was increased from $500 to $600.

I am of the firm belief that if we take adequate steps to eliminate the inequities of our tax laws there will be no need to extend the surcharge tax legislation.

I say to you that those people who avoid all tax payments have no fear of facing a surtax because 10 percent of nothing is still nothing, and no tax liability exists on paper even if morally justified.

I believe that before we pass the present bill we must have before us a comprehensive tax reform bill so that we can fully assess the financial needs of the Government.

One way to stop the pressure tactics used on this legislation is to turn it down until we obtain some firm and concrete action on tax reform.

I hope that when the smoke of today's battle clears away we will have taken a positive step forward to obtain a long overdue tax reform. Defeating the present bill or sending it back to committee will provide us with the lever we need.

Mr. WOLFF. Mr. Chairman, on June 20, 1968, I rose on this very spot to explain why I was voting against the 10-percent income tax surcharge. At that time I said:

> I am opposed to this legislation because the so-called economic answers included in this bill are not truly answers to our problems. Rather they are superficial palliatives that screen our overriding national interests.

This year I find these words as valid and appropriate as they were last year. I am going to vote against extension of the unnecessary, unjustified and unreasonable tax surcharge because this administration, like the last, has failed to come to grips with the nature and gravity of our economic ills.

Again this year the prime rational being offered for the surcharge is to control inflation. I dislike inflation as much as anyone for steadily rising costs are truly a cancer that will eventually destroy the host. Inflation is a dangerous evil and if the surcharge were even a partial solution to the problem of inflation I would reevaluate my position.

But the clear, inescapable, ironic truth is that the tax surcharge has not slowed inflation. It has, coupled with higher interest rates, endangered a prosperity unequalled in this Nation's history. The consumer price index has steadily risen at an annual rate of almost 6 percent since the 10-percent surcharge went into effect. The "not so creeping" inflation continues unabated and the consumer is forced to pay inflated prices out of a deflated paycheck.

If the administration is serious in its stated desire to control inflation then let it offer meaningful proposals and let the Congress act to eliminate nonessential Federal spending—the real culprit. I have made this call time and again during the past 5 years and appreciate the support of many of my colleagues. Five billion dollars in a farm subsidy welfare program that pays for plowing food under while people in the world starve; $4 billion for "pork barrel" public works, many of which can be postponed or eliminated; proven waste and cost overruns in defense procurement; a multibillion ABM program filched from our pockets that will not enhance our national security; and a war in a far off land that is not even supported by the

people we are attempting to protect—these, Mr. Speaker, are the causes of inflation. How tragic it is that we seek to tax even further our overburdened taxpayers instead of moving to control Federal spending which is the real cause to inflation.

There are other equally valid reasons for opposing the legislation being considered today.

Very significantly we are being asked to pass a tax package with only token efforts at long overdue, greatly needed tax reform. As I said in testimony to the Committee on Ways and Means during hearings on tax reform, "The entire situation is in need of drastic overhaul to eliminate regressive qualities and to restore the proper progressive nature of Federal taxation. This does not mean soaking the rich. Rather it means asking all Americans to pay their just share of taxes based on ability to pay. It also means that all persons in approximately the same circumstances with similar incomes pay approximately equal taxes. This must be done with courage and forthrightness and without further delay. Otherwise, an understandable, much discussed taxpayers' revolt could possibly become full blown."

Consider the irony of asking individual American taxpayers to pay a 10-percent tax surcharge while outrageous oil and gas depletion allowances go unchecked. Mr. Chairman, the 20 largest American oil companies pay an average of 8.5 percent in Federal taxation and the administration has the audacity to ask individuals already taxed three to six times as much for an additional 10 percent of personal taxes.

Consider the irony of leaving unplugged a myriad of tax loopholes that enable hundreds of Americans with annual incomes greater than $200,000 to pay no Federal taxes and then turning around and asking the average taxpayer to pay 10 percent additional of a substantial tax bite.

Consider the irony of asking for an extension of the surcharge while private foundations established to exploit the tax advantage provided legitimate foundations go unregulated and untaxed.

Yes, Mr. Chairman, the administration is inviting a taxpayers' revolt and the Congress will be an accomplice if we vote approval of the surcharge extension.

In a related although somewhat different area, I am opposed to the surcharge extension because of the gravity of the problem of spiralling interest rates. The Nation's prime lending rate has risen to an unprecedented, unreasonable, illogical 8½ percent. The real cost of money to the consumer has become prohibitive and is symptomatic of the poor economic fiscal and monetary planning that prompts the administration to seek an extension of the tax surcharge. We must repudiate the simplistic, superficial and unjustified logic that causes interest rates to rise to absurd proportions, fueling further inflation. This comes by destroying the mortgage money market which in turn will deny the lower economic levels home ownership and gut the foundations of our economy. Voting against the surcharge is one means of rejecting such poor fiscal and monetary policies.

There is still another, most significant, reason for opposing extension of the surcharge. As I said during debate on the original surcharge legislation, "What problems? The painful answer is Vietnam. Actually the surcharge is a war tax requested because our dollars are being buried with our dead in a war that is threatening to fulfill the Communist promise to bury us economically.

"What good will come of military victory in Vietnam if our economic base at home is destroyed? There is a basic economic reason, to be added to the overwhelming moral and political reasons, for bringing prompt peace in Vietnam."

The currency of these words is valid if disappointing. The truth is often painful but if we fail to recognize the truth then we will be victims of our own shortsightedness.

In conclusion, Mr. Chairman, let me express the fervent hope that a majority of my colleagues will have the courage and vision to reject extension of the surcharge. For when that is done we can begin to put our economic house in order and to right the wrongs of the past.

Mr. BROWN of California. Mr. Chairman, the tax surcharge decision comes before Congress today at a time when the Nation moves through a period of perplexing economic uncertainty.

For nearly 2 years now, we have had a virtual full-employment economy. According to economists, it is possible to claim "full employment" whenever the total unemployment rates falls below 4 percent. Since the beginning of 1967, that rate has topped 4 percent in only 2 months and has hovered around 3.5 percent or below over the past 12 months. Gross national product has pushed ahead at a recordbreaking pace, and shows no signs of a major slowdown.

Nevertheless, what we should be seeking is balanced economic growth and we have not achieved that objective yet. Inflationary pressures plague income earners, and the chances are good that another year of 4- to 5-percent price level increases is in store again. One indication of the price squeeze is shown in the high price of money, reflected by the recent hiking of interest rates to alltime highs.

To counter the high interest rates, some persons lately have begun to suggest that Congress should take action to "roll back" the rates to a point as low as they were a month ago or to some intermediate figure. I believe such a tactic is not only foolish, but it is dangerous as well.

Pushing back interest rates because they are too high makes as much sense as immersing a thermometer in cold water whenever it shows a fever. Interest rates are a reflection of economic activity, and a sharp upward trend in the rates must be interpreted as a sign of further economic imbalances.

In many ways, higher interest rates work the same way as does an increase in tax rates; both tools should begin to lower consumer and other spending because of the higher costs and lower amounts of disposable earnings. If Congress interfered with the money markets by artificially decreasing interest rates, the prospect would be for severe inflationary pressures—and the chance of an inflation spiral that would be hard to halt.

Both the Johnson and Nixon administrations tout the surtax as a means of cooling down the economy without sending it into a tailspin. And, in theory, even most surtax opponents agree. The stumbling block—the major factor which keeps me from endorsing the surcharge mechanism—is that the surtax ends up being the most inequitable way of stabilizing the economy.

Personally, I would support the surcharge if it were combined with far-reaching tax reforms. Administration and congressional proponents of the surtax extension refuse to go along with this; they hint of some vague future reforms aimed at principal loopholes, but sidestep on major tax reforms at this time.

I deem this approach highly unacceptable. Tax reform is not an issue which has just cropped up in the last few weeks. Both administrations have proposed tax reform packages since January and the Ways and Means Committee even has gone so far as to publish tentative decisions on such reforms.

The longer Congress and the administration procrastinates, chances dim for any tax reform. No one talks of getting into the reform question here in the House before the August recess; after the summer break, the pressures of normal congressional business will limit time available for tax reform debate. As for holding tax reform over until next session, 1970 is an election year, and nobody is going to vote to take anything away from the large companies and lobbies.

The time is ripe for meaningful tax reform to be initiated in this body. In its present form, the surtax extension is clearly unacceptable to me—as it should be to other progressively minded Members. I urge my colleagues to vote against extension so that the Ways and Means Committee can go back and report back a bill that does include significant reforms—not just the weaker compromises we now are offered.

Otherwise, any tax reform which does come about seemingly will originate in the Senate, since it appears obvious that body will attach stronger tax reform to the legislation.

The choice before us today is not one which might lead to utter fiscal chaos. Already we have voted a 1-month extension of the surcharge, and it should not take too long to put the guts of real tax reform into this bill. But, without significant tax reforms, a vote for extension means that middle-income earners again will assume the brunt of the extra tax burden, while large corporations and many affluent persons escape virtually unscathed.

I accept the thesis that the economy is not functioning perfectly, but I do not think that extending the surtax alone

will solve the problem. Last year, at this time when Congress fought bitterly to approve the original surcharge, the Johnson administration claimed a whole series of disasters—undermining of the dollar's international reputation, a runaway economy, spiraling inflation—would happen if the surtax were not passed. Yet, after a year of the surcharge, the economy is in even worse shape.

Lost among all the tumult over economic justifications for the surtax is one basic point—the fact that the prime reason a surcharge is needed is so that the American taxpayer can finance our growing Military Establishment.

End the war in Vietnam, and there would be less excuse for the surtax—on any grounds. Lately, each week here in Congress we hear some additional aspect of costly and/or impractical defense programs. The Military Establishment has long since entered into new realms of Parkinsonian laws, and waste now expands to meet the growing defense budget. I have no doubt that a major cutback in military spending would tend to increase our overall national security.

I voted against the surtax in 1968. I shall do so again today. Instead, I would rather see the economy, and the country, put back into tune through sensible reductions in defense spending and by a major program of meaningful and equitable tax reform.

Mr. Chairman, over the past 3 days I have come across two extremely powerful editorials which touch on the issues before us today. I include in the RECORD at this point an editorial from last Friday's Wall Street Journal entitled "Power in Perspective," which deals with the question of defense spending and national security, and an editorial from yesterday's Los Angeles Times entitled "Tax Reforms Cannot Wait."

[From the Wall Street Journal, June 27, 1969]

POWER IN PERSPECTIVE

Wednesday's "sense of the Senate" resolution calling upon the President to seek Congressional approval before committing financial resources or troops to foreign countries seemingly provides more evidence for a little challenged assumption that major shifts in political and social patterns at home and abroad have drastically reduced the power of the United States.

Though optimism is risky these days, we believe there is ample reason for a more hopeful conclusion: That the current undeniable vulnerability of the U.S. may result in changes leaving the country better suited for a powerful world role than ever before.

Much of the pessimism is surely due to nervousness over the obvious failures of the U.S. military, whose competence long was taken for granted. U.S. embarrassment at the hands of the North Koreans was hardly eased by later disclosures that the seizure of the spy ship Pueblo, if not the attack on a U.S. reconnaissance plane, might have been avoided by better leadership and planning on the part of the officers in charge.

Disclosures of gross inefficiencies in military contracting have further shaken public confidence in the military and their civilian overseers. And of course the war in Vietnam, where failure to win decisively already has meant a large measure of defeat to a country of high military reputation, has proved most disturbing of all.

"If a few hundred thousand pajama clad peasants can absorb all the power of the United States in Vietnam, how powerful is it?" Hans Morgenthau, the political scientist, asked recently.

Perhaps more significant, however, such nervousness is complemented by the widespread appearance of totally unforseen and deep-seated anti-military feelings.

Striking examples abound: Yale University breaks tradition by permitting a graduating senior to deliver a commencement address condemning the Vietnam war, while his classmates pledge to support a legal defense fund for graduates who refuse induction into military service. The stock market, to the consternation of old-fashioned liberals, climbs on hopes of peace and plunges with prospects of continued war. Army privates publish underground newspapers which question military policies in outrageous terms.

And this new pacifism can hardly be taken lightly, for it seems the product of major changes in postwar America. The affluence which has brought unimagined comforts to millions has rendered unpalatable a war which disrupts families for unclear purposes. Increasingly well educated young people feel they can decide for themselves whether war is justified or not. Modern communications bring the brutal realities of war into everyone's home and also dramatize pressing problems apparently unattended at home while the war continues.

Less obviously, the generation whose attitudes about war and peace were shaped by World War II now sees its own not yet mature offspring at military age. Perhaps for this reason it sometimes shows a new perspective on that long unquestioned struggle against fascism. Popular fiction and entertainment in recent years have begun to portray humanity and bestiality on both sides of the World War II battlefields in Europe and the Pacific. In the words of one current best-selling novel, it was not so much a glorious effort of mature men as a cruel "children's crusade."

There can be no question that these developments have limited the U.S. Government's capacity to pursue military ventures. At least as the Vietnam war continues, the prospect of public outcry at home greatly lessens America's ability to carry off another military intervention, even if its material costs could be borne. And the anti-military mood inhibits rational consideration of other needs cited by the military, from ROTC on college campuses to an anti-ballistic missile system.

Yet the skepticism which comes with a society's maturing is not the same as weakness—rather it should be counted among the assets of power. For in the modern world arena, power depends on social, political and economic soundness as well as military strength.

Thus the effort of some Congressmen to reduce the size of the military budget could ultimately increase the overall power of the U.S. if it contributes to strengthening the economy. In a very large sense, the military woes of the U.S. in Vietnam result not from the incompetence of the military but from failure of civilian leadership to see the proper role of the military in this new form of conflict.

In an era of general turmoil it is too easy to forget that whatever stresses the affluence, education, technology and other developments have forced on society, they still hold tremendous potential for good. And from a wholly detached point of view, there is reason to believe that though the problems they present are critically serious, they have also had the beneficial effect of awakening a naive America to some of the realities of life as a powerful modern nation.

This new awareness may mean that previous inflated notions of U.S. world influence must be scaled down to a realistic level while new forms of social and economic strength are worked out. But such a basically healthy perspective is hardly a sign of impotence; rather, it could lead to a wiser, and so more effective, foreign policy.

[From the Los Angeles Times, June 29, 1969]

TAX REFORMS CANNOT WAIT

Issue: Should Congress go along with the pressure to extend the 10% tax surcharge now and deal with tax reforms later?

In its anxiety to win extension of the income tax surcharge, the Nixon Administration has badly underestimated the sentiment—both in Congress and among the American people—for simultaneous reforms to make the tax laws more fair and equitable.

The U.S. House of Representatives, as a consequence, should withhold approval of the Administration-backed tax bill when it comes before the chamber, and send the measure back to committee for incorporation of meaningful tax reforms.

President Nixon has recognized the need to overhaul the tax laws.

It has become obvious, however, that the President assigns an overriding priority to extension of the income tax surcharge—which otherwise expires Monday—on grounds it is vital to the fight against inflation.

His Administration has exerted tremendous pressure to have a surcharge extension bill enacted first, leaving tax reform to be dealt with later.

Specifically, Mr. Nixon proposed that the existing 10% surcharge on income taxes be extended through next Dec. 31, after which the rate would fall to 5% for another six months. The surcharge would expire entirely June 30, 1970.

To make the proposition more attractive, the Administration agreed to an additional provision which will free some 2 million low-income families from paying any federal income tax at all. To offset the revenue loss, the bill provides for repeal of the 7% investment credit for businessmen.

The House Ways and Means Committee, against its own apparent better judgment, voted out a bill with these provisions, and it is this measure which is pending before the chamber. Chairman Wilbur Mills (D-Ark.) promises, meanwhile, that the committee will complete work on a separate tax reform bill before the mid-August recess.

However, there is widespread concern in Congress that, once the income tax surcharge is passed, the Administration will lose its zest for basic tax reform and opposition lobbyists will succeed in choking off the reform movement.

This apprehension, plus a marked degree of public hostility to continuation of the surcharge itself, makes it doubtful that the Administration tax bill will pass this week.

Even if it does, the Democratic Policy Committee has served notice that the Senate will not rubber-stamp the measure—but will instead insist that it be wrapped into one package with tax reform.

The Times believes that enactment of tax reform this year is extremely important.

Assuming that extension of the surcharge is as crucial as the Administration claims—and this is a matter of dispute—there is still no good reason why tax reforms cannot be considered in the same bill. The Senate attitude suggests, in fact, that this may be the only way Mr. Nixon will get his surcharge reenacted.

To avoid injury to the anti-inflation fight, the House and Senate had only to pass a resolution directing employers to continue withholding the tax surcharge pending final action by Congress. Both approved measures of this sort last week.

The House can best serve the public interest now by sending the tax measure back to the Ways and Means Committee, where Congress' best tax-writing experts reside.

The Times, for its part, proposes that the reform package include provisions which would:

Give relief to middle income taxpayers. This could be accomplished by increasing the standard deduction from $1,000 to $1,800. If doing this in one step would put too big a dent in the revenue side of the budget, it could be phased over two or three years.

Make it impossible for wealthy individuals to avoid payment of any federal taxes, as some now do through multiple exemptions allowed by the law. The law could provide, for example, that no taxpayer be permitted to claim exemptions in excess of half his total income—leaving the other half fully taxable.

At the same time it would be only fair to provide that no individual be required to pay more than half his income to the federal tax collector.

Change the law to discourage use of debentures to finance conglomerate mergers.

As President Nixon has said, taxation can never be painless. But it is essential that the taxpayers feel that the pain is distributed fairly.

Mr. EDMONDSON. Mr. Chairman, I voted against the surtax when it was before the House last and I will be voting against it today.

This tax approach is not fair and has not been effective as a check on inflation.

In my judgment, the bill's action on investment credit repeal is also questionable and of doubtful wisdom at this time. It is an added reason for opposing the bill.

My vote is "No," as it was in 1968.

Mr. SCHWENGEL. Mr. Chairman, the issue before us is one which most of us would like to see disappear somewhere. The reluctance of elected officials to raise taxes or refuse to lower them is traditional. That is why a vote for a continuation of the surcharge is so unpalatable. No one likes high taxes, including myself.

But as I view the issue today it seems to me that the Congress must do what is necessary to stabilize the economy and bring inflation under control. It is apparent to me that the continuation of the surtax is absolutely necessary if we are going to stabilize the economy and halt the spiraling increases in the cost of living.

In doing this, however, it means that we have a clean and irrevocable commitment to equalize our tax code. Tax reform is a necessary compliment to a continuation of the surtax. Without assurances from the administration and members of the Ways and Means Committee that meaningful tax reform legislation will come to the floor of this House before this session ends, I could not in all good conscience support this bill. Those assurances have been given.

As necessary as it might be, there is no way I could vote for a continuation of a tax surcharge unless it was absolutely clear tax reform is imminent. It just would not be fair to ask our taxpayers to continue to be taxed under a blatantly unfair and inequitable tax code.

Mr. Chairman, there is another point which I would like to make. I am apprehensive about the inclusion of the repeal of the 7-percent investment tax credit in this bill. It is my own feeling that this should have been handled separately. The effect on small business in particular, seems to me to have indicated that something short of complete repeal might have been better.

In addition, I am pleased that this bill does relieve the tax burden for low-income families. In effect, this is a start, halting to be sure, toward tax reform. It seems to me the action taken by the committee in effect endorses my contention that the $600 personal exemption should be raised. It is my hope that in its continuing deliberations on tax reform that an increase in the personal exemption will be thoroughly explored and finally recommended to the House.

Finally, Mr. Chairman, there is an important point which should be made. The need for the surtax last year was the complete and utter collapse of the fiscal policy of the previous administration.

We have to look back no further than the 89th Congress to find the root of the problem. That Congress boosted spending well over $60 billion above any previous Congress without doing anything to increase revenue. It lacked the courage to increase taxes then and we are still paying for it today. We all know what happened. We have had inflation as we have seldom experienced in the last 20 years. To eliminate the surtax now would mean even more severe inflation.

My vote today then is for the protection of the dollar, for the protection of those on fixed incomes and for the protection of our life savings. And it is predicted on the assurance that tax reform, meaningful tax reform is about to be realized.

Mr. OTTINGER. Mr. Chairman, just 1 year plus 2 weeks ago, the House of Representatives was about to take up legislation imposing a 10-percent income tax surcharge. We were told it was necessary to alleviate the inflation which had been gnawing away at our economy for at least 3 years. I opposed imposition of the surcharge on the grounds that it would not effectively fight inflation and would exaggerate further the intolerable inequities in our already inequitable tax structure. I called instead for substantial cuts in nonessential Government spending—spending which was and continues to be the driving force behind our inflationary woes—and for comprehensive tax reform both to increase revenues by closing loopholes and to ease the unfair tax burden on the average American family.

Nothing has happened in the past year to lessen my opposition to the surcharge or to weaken my resolve to press for tax reform and selective spending cuts. If anything, my determination to speak out for the forgotten American—the middle-income taxpayer—has been strengthened by the new administration's continuation of the topsy-turvy priorities of its predecessor.

What are these misplaced priorities?

They are the Pentagon's blank check—to the tune of $82.5 billion, 60 percent of our free funds—although the record of defense spending shows continued waste and inefficiency: $19 billion since World War II on missile systems that were either never finished or were of out service when completed because they had become obsolete; a $2 billion B–70 bomber which was retired to an Air Force museum before it became operational; a $2 billion-plus Skybolt missile which was canceled because it just did not work; and more recently, such billion-dollar boondoggles as the C–5A transport plane, the Cheyenne helicopter, and the Sheridan tank. And soon we will be asked to appropriate funds for the Safeguard anti-ballistic-missile system, another multibillion venture which will provide security only for the military-industrial complex.

Misplaced priorities include the $4.5 billion in subsidies to farmers—90 percent of them large, wealthy farm corporations—to induce them not to grow crops in a country where 12 million people suffer from malnutrition.

They include the $5 billion being spent on highways, while only 3 percent of that is invested in mass transit systems to relieve the strangulation of our cities and enable people to get to jobs.

They include the $4 billion for the space program this year, but less than a quarter of that to end the blight of rat-infested unsafe housing which afflicts our cities.

They include the $10 billion spent on pork-barrel public works projects which the Bureau of the Budget withholds $59 million authorized by Congress for loans to small businessmen.

I am convinced that the $9 billion represented by the surtax can easily be made up through cuts in the defense budget without in any way compromising our national security. In fact, an analysis last year by the highly respected Congressional Quarterly indicated that as much as $10 billion could be saved in defense costs. To achieve the budget surplus we need to alleviate inflation, an additional $10 billion can and should be cut in the areas of highway construction, public works. farm subsidies, and space.

Substantial additional revenue can be gained by closing the myriad loopholes in our tax laws. All told, I am informed that more than $40 billion in revenue is lost to the Treasury through these loopholes. In the 90th Congress and again this year, I have introduced legislation to close these loopholes. In fact, 129 Representatives and 46 Senators have authored or cosponsored loophole-closing bills and these clearly present a desirable alternative to a tax increase.

But we do not yet have a comprehensive tax reform bill before either the House or the Senate, and the administration, like its predecessor, has both failed to initiate its own tax reform plan and ignored proposals which have been made by Members of Congress. Where does this leave the average American?

At the present time, Americans earning between $5,000 and $15,000 a year represent one-third of the population, but they pay two-thirds of all Federal taxes. Those earning between $10,000 and $15,000 represent 10 percent of the population and pay 20 percent of the taxes.

At the same time, we have a situation in which two dozen individuals who made more than $1 million in a single year paid no taxes at all; more than

1,000 who earned over $50,000 and more than 10,000 who earned more than $15,000 paid no taxes through the use of loopholes in our laws.

To use another illustration: by reason of the depletion allowance, the 10 largest oil companies in the United States, with $7 billion in net income, paid only an 8½-percent average tax rate. By contrast, the poorest taxpayer with an adjusted net income of $500—after exemptions and standard deduction—paid 14 percent.

The tax surcharge creates a burden of 1.4 percent additional tax on the $500-per-year man but an increase of only .085 percent on the multibillion-dollar oil industry. The surcharge thus adds proportionately to our tax inequities. Is there any wonder that a taxpayers' revolt is likely in view of this kind of treatment?

Why is it that everytime we face an economic crisis, the little guy—the wage-earner, the homeowner, the man with no high-priced lobby in Washington—is asked to shoulder the burden, while large, affluent special interests go untouched? The very bill before us contains a loophole exempting Lockheed Aircraft Corp. from repeal of the 7-percent investment credit, although Lockheed has already bled the taxpayers of this Nation through cost overruns on the C–5A cargo plane.

The average family is not even participating in the economic boom of recent years, for as the gross national product has soared, the standard of living for the average worker has actually declined. Latest Labor Department figures show that the typical worker has a weekly pay of $112.13 but purchasing power of only $77.62. This is $2.24 below last September's figure and below the yearly averages for each of the last 4 years.

Today, middle-income families are being driven into poverty and dependence on Federal programs through the operations of our unfair tax system. The 10-percent surcharge will just accentuate the existing inequities and make it more difficult for the average hard-working family to make ends meet through its own efforts. If we permit this to happen, there is certain to be a taxpayers' revolt and I, for one, will do everything I can to make it victorious.

There is no question in my mind that we will achieve significant tax reform only if we defeat the surcharge extension today. The administration can then come back in a few months with a short-term extension pending the working out of reform provisions. If we take the pressure off by passing this 1-year extension, we will never see more than a token effort at reform. In this situation, I see no responsible alternative to opposing the legislation before us.

Mr. WILLIAM D. FORD. Mr. Chairman, I am unalterably opposed to extension of the surtax. The reasons put forth by the administration for extension do not stand up to a careful scrutiny. It is not disputed that we are suffering inflation. However, it is clearly disputable whether a surtax will be anti-inflationary. The present inflation is not created by consumers. It is not a case of limited consumer goods driving up prices. Clearly there is no shortage of supplies. The implication that consumer overindulgence is creating inflation and that the surtax, by putting restraints on the average American's spending, will stem the tide of inflation is untenable in light of the experience of this past year. With the surtax in effect we have had prices continually spiraling upward and we have the highest interest rates ever.

Last year when the surtax was before us I was repeatedly warned that if I did not vote for a surtax we would have a very severe inflationary crisis. I voted against the surtax at that time and, just as the fiscal prophets predicted, we now have a serious inflationary problem. The surtax passed without my vote.

I think this experience should make us seriously question whether the surtax itself is not inflationary. The surtax is a temporary tax. As a temporary tax it is passed directly along to the consumer through higher prices without an effort at absorbing the brunt of the tax being made by the producers of goods and suppliers of services. The adjustments which a permanent tax would require are never made because the thought is always that the tax will be with us for too short a period of time to necessitate basic readjustments.

The surtax proposal now before us is even more temporary than last year's. It would put a 10-percent surtax in effect for 6 months and then reduce it to 5 percent for the next 6 months. This kind of juggling of the tax structure without basic reform of the tax system or recognition of the effect of temporary taxes on prices may well increase inflation. A quick look at the Consumer Price Index and interest rates during fiscal year 1969 indicates that this is indeed the case.

There is another basic reason for opposing extension of the surtax at this time; and that is the clear need for tax reform. The indications I have had from members of the Ways and Means Committee and my own personal observations tell me that we are closer now to some substantial and meaningful tax reform than we have ever been before. The voice of the average American taxpayer is being heard in Congress and the message that voice carries is beginning to come through loud and clear—even to ears that were previously somewhat hard of hearing on such issues. Former Secretary of the Treasury Barr's disclosure that 115 Americans with incomes over $200,000 including 21 whose incomes exceeded $1,000,000, paid no income tax at all in 1967 aroused a very righteous indignation among American taxpayers. Their response has been aptly labeled "a taxpayer's revolt." I cannot understand how the pressure that they have brought to bear and the clear message that they have sent to this Congress will be ignored. To ignore this cry and pass the surtax without tax reform is rather like Marie Antoinette offering cake to those who want bread. I would direct the attention of my colleagues to a study of tax legislation inserted in the CONGRESSIONAL RECORD for June 27, 1969, at pages 17644 to 17646 by the gentleman from Ohio (Mr. VANIK). This study clearly indicates that the percentage of members on the Democratic side of the aisle who have cosponsored tax reform legislation is measurably higher than on the Republican side of the aisle.

To agree to extension of the surtax now and hope for tax reform in the future would be neither realistic nor responsive to the demands of the American voter.

There are other serious problems with this proposed legislation. The proposition that repeal of the 7-percent investment tax is a tax reform measure which will serve as a "sweetener" to extension of the surtax is specious. Repeal of the 7-percent investment tax credit should not be classified as basic tax reform. The tax credit was enacted solely as a device to heat up the economy during a period of recession. The measure was defended by the Johnson administration's economic advisors as a temporary method of fiscal control. At that time I disagreed with both the value and the theory behind this tax credit. I voted against the measure then. Surely now it should not be allowed to continue when it is clearly heating up the economy. However, to claim that removing this tax credit is true tax reform is to forget why it was enacted in the first place. It is a temporary measure which was meant to be, and has been, put into effect and taken out of effect as the fiscal situation mandates. It is not a permanent built-in tax loophole.

The effect of the proposed surtax extension upon present tax inequities will worsen an already intolerable situation. The size of present tax loopholes for the rich and for large corporations will be magnified and the relative disproportion of the tax burden that the American wage earner bears will be increased.

Those who now are using tax loopholes to avoid paying their fair share of the tax burden of this Nation will find cause for jubilation in the 6 months at 10 percent, 6 months at 5-percent provision in this bill. A wealthy individual with extensive assets can merely delay capital gains transaction for 6 months or a year until the tax is lower, while the wage earner who gets paid regularly cannot possibly use this gimmick to lower his tax.

By using a temporary tax which is in effect for only a specified amount of time, we allow those who use tax loopholes to speculate on whether the surtax will be extended beyond the specified time and to arrange and coordinate their business dealings to take advantage of possible lower taxes in the future. This is not sound management of the national economy. It limits the effectiveness of what is being championed as a method of fiscal control because it allows escape from its provisions for the most monied part of the population. The rich can escape paying the tax through money manipulation while those living on modest incomes bear the burden. This is not equitable and it is not fiscally sound. If the level of—

Treasury revenues were controlled through permanent rather than temporary taxes such inequities would not be possible.

Tax reform could provide such permanent increase in revenues.

I have been working hard for tax reform. I have cosponsored bills to:

Eliminate the unlimited charitable deduction.

Eliminate the stock option tax preference.

Eliminate the $100 stock dividend exemption.

Eliminate the multiple corporation gimmick.

Remove tax exemption on municipal industrial development bonds.

Establish a municipal bond guarantee corporation.

Reduce the oil depletion allowances from 27 to 15 percent.

Establish similar rates for gift and estate taxes.

Eliminate payment of estate taxes by redemption of Government bonds at face value.

Eliminate use of hobby farm losses to offset other income.

Eliminate accelerated depreciation on speculative real estate.

Repeal of 7-percent investment credit.

Raise the personal tax exemption from $600 to $1,200.

These and many other tax reform measures are where our efforts and our votes should be going. My vote will go for tax reform and for relief of the taxpaying individuals who work for wages or operate small businesses and pay the majority of our taxes. It will not go for extension of an unnecessary surtax.

Mr. CLANCY. Mr. Chairman, a year ago this body enacted the 10-percent surtax for the same stated purposes; to halt inflation and to prevent an economic crisis. At that time, Mr. Chairman, the tax, when enacted, was to be a temporary measure but we are here today to reconsider this legislation and to extend the surtax for another period of time. The arguments today are identical with those that were advanced last year and the reasons given for the adoption of this measure have been heard before.

I am very much opposed to this tax increase because without a meaningful and substantial cut in the budget, it will only serve as an encouragement for further spending programs.

Many of the programs which I directly voted against have created this grave situation and have caused this request for increased taxes. The ultimate result of such excessive spending is the creation of a tax burden which has become intolerable, increasing higher costs of living and continued increases in all forms of taxation. It is my honest conviction that there are solutions to our current financial problems other than by means of the surtax. We must correctly place the responsibility for our present problems at its source and reduce Federal spending to a point where the surtax measure would not be necessary. This is a difficult but not an impossible solution. It is one which does not break faith with the millions of people whose income is being dissipated by tax increases and inflation. It places a restriction on the Federal Government of operating within its means which is no more than is expected of any individual or enterprise.

Those whom we represent must feel that we are aware of and responsive to their interests. It is a denial of those interests to demand an additional share of their income without providing additional services benefiting them. The public is already overburdened with excessive taxes. Yet we cannot pass the mounting debt on to future generations with little or no concern. We are already reaching a point where merely paying the interest on the national debt is a substantial figure in the annual budget, and where proposals to retire the national debt are no longer considered as serious suggestions.

Mr. Chairman, I find myself as other Members do in a most difficult position. We voted against the tax last year because it was unnecessary and would not do what the majority said it would do. We also stated in our remarks during the debates last year that the tax would be with us next year even though it would be temporary. President Nixon has found himself in the position of being saddled with the mistakes of prior administrations and the big spenders in Congress. Although he is not responsible for the problems that we face today, I do not feel that a change in leadership justifies a reversal by a Member of this body.

Making substantial reductions in our Federal budget and declaring a national moratorium on new, unnecessary spending programs would be a far better method of showing fiscal competency and our desire for self-discipline. The citizens of America would benefit far greater from this course than by imposing an additional tax burden already much too great for some to bear.

Mr. CULVER. Mr. Chairman, the mounting concern among the American people for meaningful, comprehensive tax reform has reached a critical stage as the House first, and then the Senate, decides whether the 10-percent surtax should be extended for another year as President Nixon has recommended. I strongly oppose continuation of the surtax without significant tax reform in the present circumstances. There is real danger that we shall lose the opportunity for major reform by now diverting our energies to the narrower surtax question, and that the deeper inequities of our tax laws will endure while the argument rages over this alleged weapon against inflation.

Extension of the surtax hits hardest those individuals who have already suffered the most from inflation, rising State and local taxes, as well as high interest rates. Moreover, if the Congress will urgently turn its attention to tax reform in areas such as the oil and mineral depletion allowance, "hobby farmer" tax benefits, a minimum tax for high-bracket taxpayers, conglomerate mergers, multiple corporations, and self-dealing by foundations, enough revenue could be raised so that the surtax may prove to be unnecessary.

My views on this matter are shaped by the following considerations.

First and most important, the costs of the war and the fight against inflation must be shared equitably by all. No responsible public official can deny that one of the most urgent domestic problems before our Nation is to control the rising level of inflation which, since January of this year, has threatened to drive the current year's cost of living up between 6 percent and 8 percent. But if the surtax is extended without tax reform, those who pay unreasonably low taxes generally will also pay an unreasonably low surtax, and the basic inequity of our present tax system will be compounded.

I supported the 30-day extension of the surtax withholding rates enacted by the House last week. In my judgment, this enables us to continue fiscal policies which help control inflation while the Congress considers the provisions to be included in comprehensive reform legislation.

Action now on comprehensive tax reform is entirely feasible. One year ago when the Congress first enacted the surtax, it mandated the administration to submit tax reform recommendations. Proposals have been made by the Johnson Treasury Department and by the Nixon Treasury Department, and extended hearings held by the House Ways and Means Committee have afforded all interested spokesmen a forum for presenting their views. There has, then, already been much discussion and debate on what appropriate provisions should be included in meaningful reform legislation. The fact is that this Congress has the power, the knowledge, and the means to close loopholes, stamp out unjustified special privileges, eliminate outdated tax subsidies, and simplify the tax code itself. And the Congress should do so, not sometime in the future, but now.

Mr. TAFT. Mr. Chairman, I wish to state my strong support for the passage of H.R. 12290, to continue temporarily the tax surcharge, to provide for its phaseout, to extend automobile excise and communications services taxes, to repeal the investment credit, to provide for rapid amortization of pollution control facilities and to provide a low-income allowance. I urge such support because I feel that to follow any other course at this time is to invite additional inflationary pressures that would cost taxpayers far more than the continued tax burden and would subject the Nation to risk of major economic disruption and possibly depression.

I take this position at this time against the background of having voted against the tax reduction act of 1963 and against the conference report on that legislation in 1964, as well as having voted against the original enactment of the surcharge in February of 1968 and the conference report in June 1968. I believe that I am being perfectly consistent in my economic thinking in doing so. At the time of the passage of the 1963 tax bill, I stated as follows:

> In a time of almost unparalled prosperity and when we are already operating 10 billion dollars in the red, they are taking a step to stimulate incipient inflation into full blown inflation. The cost of living is daily showing signs of increasing its upward trend and thus recapturing quietly and cruelly from those who can least afford it any benefit of the tax cut. And let me remind that inflation does not mean prosperity.

With regard to the 1968 surtax bill, I stated at that time as follows:

I opposed the measure because I felt the proposed surtax and expenditure limitation of $6 billion were too little and too late. The President (Lyndon Johnson) refused to cooperate with the Congress in spelling out how and when the $6 billion cut is to be effected, so that there is doubt that this tax increase will result in any reduction in the final deficit and its inflationary impact. The Administration refused to come up with any real cutback plan. At the same time, the Congress dominated by the President's Party, continues to appropriate at excessive levels on programs, space, public works, farm subsidies and additional personnel that could be cut or deferred until such time that the nation is not financing a war and our fiscal affairs are in better order.

I submit that the record, since these statements, has tended, in large part, to substantiate them. The inflationary trend, while abating somewhat, has continued at a still dangerous rate. To fail to pass the surcharge would, in effect, be to enact a tax cut at this time with what might be a major inflationary impact. It would also have the effect of shifting a projected budget surplus of $5.2 billion to a deficit of $4 billion on the unified budget basis and of increasing a projected deficit of $5.4 billion on the administrative budget to a deficit of $14.6 billion.

Moreover, it should be noted that the action proposed to be taken with regard to the surcharge, is not an indefinite extension but rather a carefully planned phaseout which would be designed to help the economy at a time when expenditures have been brought under control and, hopefully, the burden of supporting the war in Vietnam considerably decreased, if not substantially terminated.

Other positive reasons for supporting the legislation are the low-income allowance which would have the effect of eliminating tax liability for about 5 million returns and for reducing the tax in the case of another 7 million returns, and this benefit would be provided for those who have been hit hardest by the increase in cost of living that has resulted from our deficit spending policies of the past. While it is no substitute for an increase in the $600 level of personal exemption, it is at least a step in the right direction and probably as much as we can reasonably afford at the current time.

Also wise seems the 5-year writeoff provision for pollution control equipment which is adopted as a concomitant to the elimination of the 7-percent investment credit. As the committee report on the bill points out, to repeal the credit without such a provision might well have an undesirable effect on the efforts being made by private industry to combat the pollution problem.

The provision of the bill with which I have the most difficulty is the repeal of the investment credit. I share the questions already expressed by others as to the effect of this repeal upon our balance-of-payments situation and upon the desired expansion of our exports. If we are to follow this course, it does seem to me that early attention should be given to adjustments in our depreciation schedules to make them more realistic and to put us on a more competitive basis with some of our foreign competitors in upgrading and modernizing plant and equipment.

Some solace may be found in the practical fact that the investment credit, standing out as it does like a handle on the tax code, seems bound to become subject to being grabbed at every time economic or political circumstances suggest it. Hopefully, such revision of depreciation schedules could be considered at the same time that other necessary tax reforms are brought before this House, which should be and is promised to be, later this year. I disagree with none in the desirability and the necessity for closing tax loopholes that have gone unclosed far too long and have led to alarm and resentment on the part of so many Americans. At the same time, I think it is realistic to recognize that there is no agreed-upon tax reform package among the proponents of such reform and that to try to enact it at this time would be dangerous to the need for a prompt extension of the surtax.

Mr. HASTINGS. Mr. Chairman, in supporting the surtax bill, I do so reluctantly but in the firm hope that this action will mean the end of this burdensome levy a year from now.

It has not been an easy decision to make. The people today have never before been faced with such oppressive taxloads at all levels of government. And on top of this, they are being hit by inflation, the cruelest tax of all because it strikes at those who are least able to pay it.

Inflation hurts everyone. The elderly, the sick, the retiree, the middle-income and upper-income family, the single person and the young marrieds trying to get a start in life—no one escapes the depressing lowering of one's standard of living brought on by rising costs. Each month the insidious tax of inflation shrinks the already deflated dollar. Respected economists from all over the Nation and indeed the world say continuance of the surtax for the time being is necessary to bring inflation under control.

Other fiscal experts, representing all spectrums of society and political groupings, who have made unbiased appraisals, say continuance is necessary now. And I am sure that the vast majority of our people—while liking this tax no more than I do—see the need for extension now.

It is a bitter pill for us to swallow, but I believe the people realize that if we do not take this preventive measure now, more drastic economic surgery may be required later. I might say, too, that my decision to support the surtax has been significantly influenced by promises I have received that there will be major reforms in our tax laws this year to make the system more equitable. This I feel is an absolute must. Efforts must be made to reduce tax burdens on low-income, elderly and middle-income groups, and loopholes used by the very rich and giant corporations to escape their fair share of taxes must be closed.

Inflation has presented the Nation with its gravest economic crisis in a generation. Failure of Congress to continue the surtax now as a weapon to control inflation would be a gross irresponsibility. And, I believe it would actually result in the imposition of the crueler tax of inflation with its resultant impairment of our standards of living.

I support the surtax now but with the very clear reservation that I will oppose any further efforts to extend it beyond its expiration date on June 30, 1970.

Mr. LLOYD. Mr. Chairman, I have listened to the debate this afternoon with a real effort to be objective, despite the fact that I had made the decision to support extension of the surcharge because of my overriding concern that we must protect the value of the savings of our people. The 1-year extension of the surcharge under this legislation—that is 10 percent for the last 6 months of this year, and 5 percent for the first 6 months of next year—this part of the legislation by itself will yield $7.64 billion in the next 12 months. We either accept the responsibility of making this $7.64 billion payment, or we borrow the money. To borrow that money would further extend the debt of this country and establish new credit which would not only leave us carrying a heavier burden of debt but by this expansion of credit, further feed the fires of inflation which today threatens our economy.

Two principal points have been made by the opposition, which interestingly, includes some of the most liberal of the Democrats and some of the most conservative of Republicans.

Most of the spokesmen from the Democratic side who oppose the bill do so on the grounds that there is not enough "tax reform" in this package. Yet during the debate, the leaders of both parties on both sides of the aisle, and all members on the Ways and Means Committee, from both parties, have given assurances that we will have a tax reform bill before us before the date of our August recess. President Nixon's personal letter to this House today restates his own commitment to tax reform. Even more evident to me, however, is the fact that this surcharge legislation ends at midnight tonight, being kept alive only by a temporary continuing resolution, which does not state a national purpose and tax reform is not so simple that the Ways and Means Committee can conduct hearings and come up with a suggested bill within the reasonable time we should have either to continue or kill the surtax. We cannot play games with this surtax. We must give evidence of our plans as a nation to pay our debts. The economic stability of this Nation and all those with whom we do business demands that we make our decision. Tax reform is a gigantic task all by itself, and every individual suggestion for reform will draw its own attack. I thought the example cited by the gentleman from Louisiana (Mr. BOGGS) was pertinent. He displayed two editorials from the New York Times. The first stated in effect that tax reform was imperative. The second defended the tax exemption status of foundations against what it charged were "attacks" by the House Ways and Means Commit-

tee. In my opinion, those who claim that tax reform must precede action on this bill are using tax reform as a tool, to force their own personal choices of tax reform measures as the price of extension of a fiscal action vitally essential to the maintenance of economic soundness.

The other opponents, those of the conservative Republican side, state that our action last year in imposing the surcharge did not stop inflation. The distinguished Republican leader (Mr. FORD) has given a most effective reply. He reminds us that devaluation of currencies was facing this country and its allies last year when this legislation was enacted, and that our action in enacting the surcharge, coupled with other acts of responsibility, dissolved that crisis. He has also charted the recent decline of the index in the cost of living. In March the cost of living rose by .08 percent, which is at the rate of 9.6 percent per year, nearly a 10-cent annual decline in the value of the dollar. In April the increase was reduced to .06 percent, and in May the increase dropped to .04 percent.

The great chairman of the committee (Mr. MILLS) has pointed out that the Federal deficit has dropped from $25 billion to a balanced budget this year since enactment of the surtax with spending limitations—a modern economic miracle. But significantly he has also pointed out that with enactment of the surtax last year, the Federal Reserve Board relaxed monetary policy and expanded the supply of money and credit so that much of the economic brake applied by the surtax was released by monetary policies which were too liberal. With that experience behind us, I am confident that with passage of this legislation we will have the benefit of a fiscal policy and a monetary policy which will be working together to produce the economic stability which will constructively reduce the cruel ravages of inflation.

This administration is adopting responsible fiscal measures. We continue to spend more than many of us would prefer to spend, but any practical man in this House knows that there is a limit below which this House will not go in spending. Some would spend more on domestic needs. Some would spend more on defense needs. While we can argue indefinitely on the pros and cons, we can realistically assume that there is a limit to our ability to press spending downward. This fact was effectively communicated today by the distinguished chairman of the Appropriations Committee (Mr. MAHON). Every one of us represents districts which are pleading for more Federal funds.

I share the convictions of those others who have stated on the floor here today that we not only have inflation under some control according to most recent economic indexes, but that the rate of increase in inflation would have been vastly more if we had not taken responsible action last year. There is no question in my mind that the rate of increase in the cost of living will be infinitely greater in the year ahead if we fail to take the difficult, but responsible, action today and extend the surcharge.

It was reported in one of my hometown papers in Salt Lake City yesterday—Sunday—that I had made a decision to support the surcharge. I received several communications at my home including a telephone call from a registered nurse who vigorously criticized my action and said she would have to make every effort to defeat me at the polls. She was very sincere and very honest. It was not her intent, I feel sure, to be malicious. She was merely crying out against an extension of burdensome taxation. This is the general tone of many of my letters, and the chief spokesman for our State's manufacturers, the Utah Manufacturers Association, also opposes the legislation because it includes a termination of the 7-percent investment credit allowance. But we operate today under a closed rule, which is really the only way we can operate practically, or we could spend most of the rest of the year in debate on amendments. This legislative package, which also includes elimination of the uneconomic collection of income taxes from the lowest income people, is in my judgment the best that can be presented to 435 Members of this House with any real chance of passage. And the necessity for passage is clear and overriding.

The economists of this country, both conservative and liberal, are virtually unanimous today in declaring that passage of this bill is absolutely essential to protecting the value of the dollar. The past six Secretaries of the Treasury unite in this same declaration.

And I am convinced that the vast majority of individuals of my district would support me in my honest evaluation of this great issue, that our first responsibility is to protect the people against the ravages of uncontrolled inflation.

Mr. MORTON. Mr. Chairman, there are times when those of us in political life must candidly face up to the unpopular. Nobody likes taxes; but they are a must. Governments serve, and service costs money.

The real issue before us today is the matter of discipline in Government. We must discipline our expenditures, and we must discipline the levy of our revenues. If we fail to act today, we simply add to the ultimate cost and defer what has to be done to some point of time in the future when it will be even more difficult to extend or continue the surtax than it is now.

Mr. Chairman, I think the good faith of the President has been demonstrated clearly in the budget reductions already proposed. The expenditure control which originally was coupled with the establishment of the surtax is actually in being, as part of the fiscal policy of the Nixon administration.

I urge my colleagues to accept their full responsibility as Members of this great legislative branch of Government, to pass this bill for an orderly phase-out of the surtax, for repeal of the investment credit, and for the establishment of greater equity in our tax system, which will give relief to thousands of people whose income today is barely sufficient to support them in these costly times.

Mr. KEITH. Mr. Chairman, taxes are never popular, and a vote in favor of continuation of the surtax is not likely to appeal to many voters. There are times, however, when the good of the country must come before the easy and popular course of action, and this is one of those times. There is not one of us here today who does not wish that this surtax were unnecessary, and who would not vote against it if it were not so desperately needed.

Unfortunately, it is needed. Although the surtax is bitter medicine, the alternative is far worse. For without it, inflation—already a menace—can get completely out of control. The elderly, the poor, those on fixed incomes—those least able to afford it are the very ones who are hit the hardest by inflation.

Inflation has other effects, equally undesirable. Our balance-of-payment situation is precarious enough now—if we did not pass this surtax legislation now, the resultant inflationary trend could and probably would precipitate an international monetary crisis of unseen dimensions, and the very value of the dollar would be called into question. Interest rates, already at their highest point in decades, could rise to historic heights—making it even more difficult for the average American to buy a home or finance a car.

The surtax legislation we are considering today can do much to forestall such an increase in inflation. It can lower consumption, thus cooling off the dangerously overheated economy; it can lessen pressure on money markets by lessening the Government's need to borrow, thus helping to lower interest rates; and the deletion of the 7-percent tax credit may somewhat slow the rate of industrial expansion, thus further easing pressure on the money rates.

Another effect of the surtax which its critics curiously ignore is its revenue-producing potential. If we are to effectively tackle the problems of the cities, and of education; if we are to raise wages for Government employees and benefits for social security recipients; if we are to meet all the demands that a burgeoning Nation places on its Government, and still support our Military Establishment, then we must have the revenue that the surtax will bring us. It may not be the most equitable means of raising money—and I hope that the coming tax reforms will bring in a more just means of taxation—but the money that the surtax will bring is necessary, if we are to carry out the programs our Nation demands.

So, to those who argue against the surtax, I can only say "consider the alternative." That alternative is a galloping inflation that would do us incalculable harm both at home and abroad, and inadequate funding for vitally necessary programs. I fail to see these as preferable.

Some of the opposition to this measure centers around its lack of accompanying reform legislation. They say we should take up reform at the same time and pass them as a unit with the surtax.

My opposition to this stand is based on cold reality. I am all for reforming our tax system. There are certainly many inequities, and many excellent reforms that the Ways and Means Committee is considering which I intend to support. But the fact is that this legislation will not be reported out of com-

mittee until fall. If we were to hold off on extending the surtax until then, much of its function would be lost. The world would see us wavering in our determination to control inflation, and act accordingly; domestic inflation would soar with all the new money suddenly released into the overheated economy. And whatever tax reform was contemplated would have to deal with an even more uncontrolled monetary situation than we have at present, with less likelihood of satisfactory reform.

So this surtax bill before us, unsatisfactory though it is, unpopular though it is, and temporary though it is, is still the most effective means at hand for controlling inflation and funding our necessary programs. As such, I intend to vote for it, and urge my colleagues to do likewise.

Mr. STOKES. Mr. Chairman, there has been much said here today about responsibility. We who oppose the legislation pending before this body have been told time and again that if we succeed in blocking passage of the bill, we will be responsible for everything from rising prices to the Great Depression of 1969. The first answer to those contentions is obvious—they are identical to the ones made by many of the same people last year—and there is little, if any, evidence which would indicate that the surcharge has produced the stabilizing economic results promised.

But that is not the important point at issue here this afternoon. The essential matter to which the House must address itself is, in fact, responsibility. How, Mr. Chairman, can it be termed responsible for the backers of this bill to urge its enactment in the face of the overwhelming demand of the American people for meaningful tax reform which would eliminate the glaring inequities of our present tax structure? And why is it irresponsible for the Members of this body who are sincerely interested in such reform to unilaterally relinquish the only political bargaining asset they have which could be used to insure the implementation of such legislation?

We are told that another bill will be forthcoming. Excellent; but nothing in this bill and nothing I have heard thus far this afternoon indicates that those interested in reform should rest easy about the matter. The present bill is completely devoid of any meaningful reform. Corporate interests are once again being allowed to continue using their enormous tax dodges such as the oil depletion allowances, capital gains rates, and realty tax shelters, while wage earners and the economically deprived groups in our country are again asked to bear the tax burden. The so-called sweetener put in this bill to relieve 2.2 million poor people from some tax burdens is a fraud on the American public, and was contrived only to divert attention from existing loopholes.

And what about the future bill? Well, Mr. Chairman, I can only say that I have heard no specifics. Should the Ways and Means Committee report out a diluted bill with little meaningful substance, would this suffice to complete their part of the bargain? We do not know. Should the administration's recommendations leave many of the inequities in the structure, does this mean they have acted in good faith? We do not know. Why can we not have some details? I am not saying that I do not trust the word of my distinguished colleagues who promise reform. I am merely saying that their idea of what constitutes reform may vary greatly from my own. And, indeed, if this bill indicates their thinking, I know their ideas differ greatly from my own.

The essence of the matter, Mr. Chairman, is that I am asked today to vote for a bill of dubious economic benefit, which is totally lacking any substantial reforms, inequitable on its face, and contrary to the expressed opinions of a great majority of my constituents. For this I receive vague assurances of a reform bill of unknown content being brought to the floor at an unknown date. That, Mr. Chairman, is not my idea of a fair bargain, and I therefore urge defeat of this measure.

Mr. DON H. CLAUSEN. Mr. Chairman, while I am not an expert on fiscal matters, everybody understands inflation because, very simply, inflation means "higher prices."

Therefore, in considering extension of the 10-percent surtax today, I believe we must view inflation as another form of taxation—a phony tax, if you will, that serves no useful purpose, weakens the dollar, distorts our economy, and hits hardest at those who can least afford it.

Actually, what we are faced with here today, then, is a choice between two taxes—a phony tax or a real tax. Under current criteria and rules, when real taxes must go up or must stay up, the poor and those on fixed regular monthly incomes from retirement and social security, are generally unaffected.

Even if everyone in this country had an ample or abundant income, the hidden "phony tax of inflation" is more "painful" than real taxes we pay our Government in the final analysis.

It is generally recognized by responsible people that the "inflationary psychology" which has prevailed throughout our country and in the business community—is the major contributor to the problem of "runaway inflation."

In recent years, businessmen of large corporations committed themselves to borrowing large blocks of money on the basis that the price of money would go up, thus depriving established lending institutions from having access to sufficient funds for other diversified loans, thereby contributing to the so-called "credit crunch."

In addition, it is generally recognized that the Federal Reserve Board erred in their timing relating to "tight money" policies without waiting to permit the 10-percent surcharge to take effect and effectively carry out its intended purpose of checking inflation.

Further, there is no doubt that the $25 billion deficit of the previous administration contributed immeasurably to the "overheated", runaway inflationary pattern because there just is no doubt that massive deficits lead to inflation.

Therefore, a majority of our leading economists have said that, if the surtax is not extended, the anticipated $5 billion surplus that could be realized through responsible fiscal management, would revert to forcing a $14 billion deficit, thus only compounding the inflationary problems we now face.

Mr. Chairman, I did not vote for passage of the 10-percent surtax last year because I felt that the primary obligation was on those who continually voted for more and bigger Federal appropriations, without equal concern or consideration for the fiscal consequences.

Instead, I urged new priorities for Federal spending and an end to unnecessary and wasteful spending. As we all know, however, those of us who shared this approach to averting "runaway" inflation last year, just did not have the votes. That, of course, is history.

With the surtax in the budget of former President Johnson, President Nixon inherited this problem of whether or not to extend it, along with Vietnam, the crime problem, and many others. Now, with an 8½-percent prime interest rate increase and an inflationary trend that has continued to spiral in spite of the surtax, the situation is significantly different than last year when this measure was initially considered.

While somewhat unclear and ill defined last year, it is encouraging to note, in my judgment, that President Nixon has a definite two-stage "phase-out" for the surtax written into this legislative proposal now before us.

According to the President's proposal, this surtax will drop to 5 percent in 6 months, and be repealed entirely next June and this is, indeed, encouraging and, thus, worthy of congressional support.

The present tight money situation, worse than last year, is now creating havoc in the housing and homebuilding industry, in the forest product industry, and with craftsmen in the building trades unions.

Also, there is a critical housing shortage now and it is increasing daily. The administration goal of 2.6 million new housing starts each year for the next 10 years is being threatened.

And, there are many other factors associated with this question which, I am sure, will be ably presented by the experts and by the committees having primary jurisdiction and concern.

Therefore, I believe this "first tax reform package" should and must be passed to stabilize the dollar and the economy and to further check inflation. The President's economic advisers and many of the leading economists in the Nation have indicated the seriousness of the present economic situation and the need to pass this legislation.

This question may well be one of the most crucial, if not the most crucial issue, to come before the 91st Congress. In voting on this critical matter to our Nation's economy, I feel we must consider those who are suffering most from the fiscal mismanagement of the past—the working people, the social security recipients, those on fixed retirement incomes, and those who are really paying the price of that $25 billion deficit of the previous administration.

Mr. REID of New York. Mr. Chairman, I wish merely to explain why I vote for an extension of the surtax.

Without the surtax, prices would skyrocket—even higher than they are now.

Without the surtax, respect for the fiscal soundness of the United States would be placed in jeopardy overseas.

Without the surtax, the purchasing power of the dollar would be further eroded, hurting the consumer.

However, I feel most strongly that before final enactment of this legislation, there must be major tax reform, fair to all and to relieve the hard-pressed middle-income family, and I will oppose final enactment of the surtax unless tax reform is also passed.

Mr. BINGHAM. Mr. Chairman, the legislation currently before the House must be regarded as much more than simply a bill to extend the surtax, or even to try to turn back the trend of inflation. It is a piece of legislation upon which hinges, to a great extent, the confidence of the American public in the fairness of the American tax system.

As I indicated in testimony I presented last April before the House Ways and Means Committee:

> This nation is currently experiencing a crisis of confidence not only with regard to some of its policies, but with regard to its basic political structure. We cannot afford to underestimate the importance of taxation and tax equity as a factor in the despair and disenchantment which increasing numbers of citizens are feeling and expressing toward our system of government. The income tax system of this Nation touches more citizens, more directly, more consistently then perhaps any other single aspect of government. . . As a result it plays a major role in determining attitudes about the American political system. The extent to which the Federal tax system appears to the average taxpayer to "live up" to the ideals of this society, particularly our national dedication to fairness and equality—must be regarded as a crucial factor in determining the confidence, the satisfaction, and the commitment with which the average citizen regards the Federal Government.

The legislation before us today fails the test, although it contains some good provisions, such as the repeal of the 7 percent investment tax credit. This has been one of the most serious tax loopholes contributing to the fact that many large corporations pay far less than their fair share of taxes. By encouraging companies to invest in new machinery and equipment, it also contributes to inflation. Similarly, I support the provision in this legislation that would remove some 2.2 million low-income families from the Federal income tax rolls and reduce taxes for many others with low incomes. It is inequitable that many individuals and families with incomes at or near the poverty level should have to pay taxes on the inadequate incomes they have.

But what of the many other loopholes in the tax system that contribute significantly to its general inequity? There is no provision in this legislation for a minimum income tax for the wealthy—a measure that has received the support of many Members of Congress and the Nixon administration as well. There is no provision here for the proper taxation of capital gains. This legislation does not propose to lower or eliminate the notorious depletion allowance for oil and other minerals. Nor does it modify existing laws that permit wealthy individuals to reduce their tax bills by writing off "losses" incurred in the operation of farms which they own and run as hobbies.

In many cases, wealthy individuals and corporations use a combination of these loopholes to gain unjust tax advantages. Equity in the tax system, therefore, cannot be fully restored until the full range of these inequitable loopholes is closed. Furthermore, a complete list of tax reforms, by bringing in significant added tax revenues, would serve anti-inflationary purposes.

During the past year—1968—net corporate earnings, after taxes, increased by about 10 percent, and taxes on corporate profits dropped by about $5 billion. But the tax burden on individuals and families increased by 13 percent.

In the public mind, both inflation and tax inequities are part of a broader problem—the growing insensitivity of the Federal Government to the economic problems of individuals, families, and the Nation as a whole. To enact this legislation, which does so little in the way of instituting reforms to bring equity to the tax system, and which imposes a further tax burden on many families with little promise of rolling back inflation, would only contribute to this lack of responsiveness. Only a full program of tax reform can begin to reverse public disillusionment. Since such a program is not provided in this legislation, I intend to vote against it.

During the debate we have been assured over and over again that a tax reform measure will be brought before us in a matter of weeks, and that we must act on the surtax now or lose the fight against inflation. I am unconvinced. On the one hand, we have heard the promises of tax reform before, and they have not materialized; now is the time to insist on a tax equity as a part of a total tax package. The notion that all will be lost if the bill before us today is defeated is patent nonsense. A new bill, providing for the closing of some of the major loopholes and thus restoring the faith of the American taxpayer in the fairness of the American tax system, could be brought before us in a matter of days. Nothing would be lost because we have already extended the withholding provisions for a 30-day period.

Last year I voted for the surcharge, reluctantly. This year I cannot vote for the extension in its present form, in fairness to the middle-income people who today are carrying an unfair proportion of the Nation's total tax burden.

Mr. DONOHUE. Mr. Charman, this U.S. House of Representatives, as is indicated by its very name, was created to legislatively reflect the majority will and wishes of the American people.

From all the evidence available it is my most earnestly considered and conscientious conviction that the current will and wishes of an enormous majority of the American taxpayers today are that this House and this Congress should concern itself forthwith and forthrightly with the enactment of imperatively needed and too long delayed equitable tax reform before or simultaneously with this further extension of the existing 10-percent surcharge on income taxes. It is worthy of note and emphasis that at the time this surtax was enacted there was a clear commitment that it would be ended on this very day.

Therefore, in order to reflect the great majority will and wishes of my people and in order to do everything within my personal power to encourage prompt enactment of a more equitable tax system, freed from every discriminatory and unjustifiable preference and loophole, I intend to vote against this measure now before us to further extend the existing surtax. I would point out that under the parliamentary circumstances governing our consideration of this bill no balancing or improving amendments can be offered; this is a take it or leave it, yes or no situation.

Mr. Chairman, it is only too clear, from the most authoritative testimony, that our tax laws, over the past several years, have gradually but increasingly become afflicted with tax concessions, loopholes, credits, preferences, and depletion exemptions that, whatever good reasons may have been originally offered for their inclusion, are, in this most difficult era of economic uncertainty and imbalance, extremely difficult if not impossible, to further justify.

In some selective areas, especially in the areas of charitable educational contributions, there are still legitimate causes for such exemptions but there can be no question that every current exemption should be thoroughly studied in order to insure the elimination of each and every instance of preferential escape from a fair share of the common, tremendous burden of taxes.

Mr. Chairman, it is, indeed, deeply disturbing to all of us when we learn, for instance, from the testimony of a former U.S. Treasury Secretary that 21 individuals in this country with incomes of over $1 million paid no taxes at all in 1967. We learn further that another 155 persons with incomes over $250,000 also and entirely escaped paying any taxes.

Another alarming instance of "favored treatment" is the situation whereby our largest oil companies with incomes in the billions of dollars are required to pay only an average tax of 8 percent by the same tax system that requires many individuals earning $5,000 annually to contribute over 15 percent of their earnings in taxes to the Government.

I know it is not necessary for me to repeat the many other "maladjustments" that have already been recited and emphasized by my colleagues in the areas of capital gains accumulated in estates, mineral depletion allowances, "gentlemen farmers" loss deductions, depreciation allowances on speculative real estate transactions, and so forth.

All of this is taking place, mind you, when people at the poverty level are being required to pay taxes, when people on fixed incomes are being subjected to

increasingly heavier economic hardships, when worthy students cannot obtain scholarships and other financial assistance and when rising wages cannot keep pace with ever increasing prices.

All of these "preferences" exist, let us remember, when the ordinary taxpayer is being asked to meet the abnormally heavy tax demands of a limited war, when he is being plagued by constantly inflating prices for everything under the sun and when he is being economically suffocated by the highest interest rates in our history.

Mr. Chairman, when those who can most afford it can escape their fair share of taxes then, of course, someone else has to pay higher taxes to make up the difference.

Authoritative statistics reveal the fact that the middle-income taxpayers in this country have long been required to pay nearly two-thirds of all personal Federal income tax, and this surcharge constitutes a terribly frustrating addition upon their already staggering burden.

On this score, I think it pertinent to mention that I and many other Members here have introduced in this Congress, and past Congresses, many different measures designed to grant some little relief from their over-burdening taxes, such as bills to increase personal income tax deductions to at least $1,200; to provide a basic $5,000 exemption from income tax for amounts received as annuities, pensions, or other retirement benefits; to permit tax deductions for children's college tuition; to grant unmarried persons a tax status as head of household; to permit, under the social security laws, higher payment of benefits to a married couple on their combined earnings record; to grant at least a 15-percent across-the-board social security benefit increase, with future cost-of-living increases; to substantially increase or eliminate the social security limitation on outside earnings; to cancel the oil depletion tax allowance; to limit or remove the wealthy "gentleman farmer" business loss deduction; and a host of other and varied bills to help our harassed citizens and promote a fairer distribution of taxes. I am, indeed, sorry to say that these wholesome legislative proposals, submitted by myself and so many other Members here, are still "pending" in committee, although lately there have been indications that some action on them may be initiated in the next several months.

Mr. Chairman, it is authoritatively estimated if just a modest number of the existing tax loopholes, special privileges and preferential exemptions were eliminated or even selectively reduced, there is serious question as to whether there might be absolute need for any extension of this tax surcharge, and even if some further need is demonstrated, then, certainly, through sound tax reform, it will not be needed at the suppressive rates of this currently proposed 10 percent for the next 6 months and 5 percent for the 6 months thereafter.

Mr. Chairman, simple commonsense and justice would seem to require us to at least determine what amounts would be derived by the enactment of a more equitable tax structure before, or at the same time we take action to further extend upon the low- and middle-income taxpayers of this country this additional surtax burden that we promised to eliminate this day, whose efficacy in helping to control inflation is authoritatively doubted and that may not, in reality, be fully necessary at all. Also, let us remind those who are sincerely concerned about any delayed House action on the extension proposal before us that authorities in the other Chamber are already on record with their intention to add innumerable reform amendments, no matter how long it takes, if and when this bill reaches them. Let us realize, further, that the relief, for those at the poverty level, contained in this bill, actually will not take effect until next year.

Mr. Chairman, to apply President Nixon's recent expression to this situation, may I say that the American people are "fed up to here" with being told about the legislative accomplishment of tax adjustment and relief "sometime in the future." May I submit that the appropriate time for this promised action is right now.

Mr. Chairman, there is already in existence sufficient authoritative evidence, completed studies and research statistics to permit a very early presentation to this House of a fair and equitable tax system that will more evenly distribute its burdens upon a patient citizenry and serve to provide an imperatively urgent restoration of national confidence in the Federal Government at one of the most critical periods of our entire history.

When such a measure is presented, it will be one of the most salutary legislative recommendations in the annals of Congress and I believe it is quite clear that an enormous majority, if not all, of the membership here will approve it as a joyful duty.

However, until that moment comes, which I hope will be very, very soon, I can only apply, in judgment of this proposal before us, the high standard advocated by our late and beloved President, Dwight D. Eisenhower; namely, "Is this proposal good for all Americans?"

Since I cannot, in good conscience, answer "Yes," I must vote "No"; while I most earnestly hope for the earliest opportunity to vote "Yes" to a sound and wholesome tax reform bill that will, indeed, be equally "good for all Americans."

Mr. MONAGAN. Mr. Chairman, I support H.R. 12290.

The control of inflation is vitally important to every segment of our Nation. No one can be ignorant of the spiral of increased costs that has swept through our economy in the last year. Chairman William McChesney Martin of the Federal Reserve Board has ranked the control of inflation in equal importance with the settlement of the war in Vietnam. At any rate, it is essential that we in the Congress support measures which are calculated to bring this inflation under control.

The continuation of the 10-percent tax surcharge will prevent the income which otherwise would be thrown into the economy from adding its force to existing inflationary factors. In addition, the repeal of the 7-percent capital investment credit will cut down projected and announced increases in capital spending and put under control this additional factor which had recently threatened to get completely out of hand. This credit was put into effect in order to stimulate the economy when it was sluggish and it is perfectly logical that it should be withdrawn when the danger which faces us is one of overstimulation.

To me the most important part of the bill is its provision which finally brings a degree of justice to the country's taxpayers who are below the subsistence level. Under this bill 5 million people in this category will be taken off the tax rolls and 8 million more will have their taxes reduced. I have long urged such action and I specifically recommended it to the Committee on Ways and Means when hearings on this subject were being held earlier in the year and I am gratified that my recommendation has been approved.

This is not to say that other tax inequities do not remain. I have pointed out some of these and the Ways and Means Committee is presently at work on many of them. In fact, an interim report of tentative recommendations was filed by the chairman some time ago.

In view therefore, of the overall economic necessity and in consideration of the major step in equalizing the tax burden on individuals I support this bill. It is sufficient to say that if inflation is not brought under control, the soundness of our economy will be threatened and the numerous benefits which have been extended to our citizens in wages, social security benefits, pensions, and investments will be rendered utterly worthless, while the position of our country in the world and our capacity to work for peace and security will be seriously damaged.

Mr. BOLAND. Mr. Chairman, I oppose this legislation to extend the 10-percent surtax. I oppose it because, first, most available economic data indicate the tax is fueling inflation instead of fighting it, driving up prices at a pace virtually unparalleled in recent American history; and second, because the average middle-income taxpayer, already overburdened, should not be the source for the budget surplus President Nixon is seeking. The surtax, like most other taxes, has its greatest financial impact on the average citizen. The Nation's giant corporations and individual business entrepreneurs, sheltered against taxation by an Internal Revenue Code so arcane and so errantly unjust that only the privileged can take advantage of it, will continue to evade taxes if this legislation is enacted. Tax reform—wholesale tax reform—would yield enough new revenue to provide the administration the money it wants to operate its programs. Yet President Nixon, to date, has shown only the most tepid interest in meainingful tax reform.

The average- and low-income taxpayer, I feel, should not be asked to continue bearing far more than his just share of the tax burden. These taxpayers, still smarting from the painful memories of last April 15, are asking the Congress to reject the legislation now before us. They point out that taxes—Federal, State, local—are moving upward at an alarming

rate. They maintain that this trend is jeopardizing the financial stability of just about every American household. They point to the scores of loopholes that riddle the Federal income tax system—loopholes that rob the Treasury of billions each year. Once these loopholes are plugged, a surtax would be wholly unnecessary.

I would support legislation to extend the surtax for just 6 months, giving the administration at least a modicum of the budget surplus it wants. But I cannot lend my support to this bill for a full year extension—6 months at 10 percent, the succeeding 6 months at 5 percent. The only justification for a year's extension would be a firm administration commitment to major reform of the income tax system.

Yet this legislation proposes only a slow and halting start toward this kind of reform. The bill calls for two reforms—two relatively trivial ones when compared with the sweeping reforms taxpayers demand. The first provision proposes abolition of the 7 percent investment tax credit. This credit, an incentive authorized in the early sixties to stir economic growth, is unnecessary now that the economy is booming. The second reform in this legislation would take off the tax rolls about 2 million people whose incomes fall below the poverty line. These reforms—no matter how admirable they may be in themselves—do not go far enough. They fall far short of the goals sought by the overwhelming majority of the taxpaying public. Indeed, the reform provisions of this bill leave untouched most of the gross inequities in the Internal Revenue Code.

One of the most startling inequities is the 27½ percent depletion allowance granted to the oil industry. This allowance—an enormous tax subsidy given to no other domestic industry—denies the Government literally hundreds of millions of dollars in tax revenue each year. Another inequity is the meager size of the personal exemption—a mere $600. Still another is the almost total lack of deductions for families sending children to college. Everyone has his own list of pet tax reforms, of course, and I could run on here in an ad infinitum discussion of them. The point to emphasize, however, is that the administration has not yet demonstrated enthusiastic interest in anyone's list of reforms.

Treasury Secretary Kennedy doggedly insists that a surtax is necessary to provide new Federal revenue and to keep inflation from getting out of hand.

I disagree—and disagree emphatically.

Many economic theorists—among them some of the surtax's early advocates—now agree, at least privately, that the tax is exacerbating inflation rather than curing it. Even the economists most stridently vocal in support of the surtax concede that whatever anti-inflationary effects it may have are next to trivial.

The surtax, of course, would, indeed, provide new revenue, as its partisans claim. But it would do so at the sole expense of the low and middle income taxpayer—a taxpayer who, for far too long, has been waiting in vain for major reform of the income tax system.

Without this kind of tax reform, I cannot support a surtax extension.

I will vote against this bill.

Mr. MURPHY of New York. Mr. Chairman, I am informed by the Brooklyn Union Gas Co., which distributes natural gas in New York City, that they "face the prospect of being required to reduce and restrict gas service to our present customers." This is a very serious and personal matter with me since they supply natural gas to a total population of 4 million people in the Boroughs of Brooklyn and Richmond, Staten Island, and approximately two-thirds of the Borough of Queens, and I certainly would not want to see my constituents deprived of their natural gas supplies, which they now use, in many cases, to heat their homes, cook their food, and so forth.

The company has stated:

We seriously feel that a reduction in the depletion allowance would severely weaken an important inducement for producers to develop new sources of supply which the depletion allowance and the tax law now provides.

I would like to inquire of you whether you have heard of these natural gas shortages and, if so, whether any contemplated tax changes would cause even more serious natural gas shortages. I certainly do not want my constituents to be deprived of the use of natural gas.

I include a communication I have received from the Brooklyn Union Gas Co. and a copy of their correspondence to the chairman of the committee. I also include for clarification of these letters a statement exploring the position of the Domestic Natural Gas Industry on this subject. I appreciate the chairman's remarks that a tax reform bill advising itself to these questions will come before the House this year.

THE BROOKLYN UNION GAS CO.,
Brooklyn, N.Y., June 19, 1969.

Hon. JOHN M. MURPHY,
House of Representatives,
House Office Building,
Washington, D.C.

DEAR JACK: A short while ago I discussed with you our very serious concern about the problem of a proposed reduction in depletion allowance which is being analyzed in Congressional Committee.

I am enclosing a copy of a letter our President, Gordon Griswold, has sent to Congressman Wilbur Mills. Another copy of this letter was sent to your home, and I'm sending this one to your Washington office to insure you receive it immediately. It reiterates the feeling, not only of Brooklyn Union but of the entire natural gas industry, that we are facing a national issue. Reducing the depletion allowance removes an inducement for the search of gas reserves at the very time the gas distributors are trying to convince the producers to increase their search for gas reserves. This also is at the same time that the projected demand by consumers is at an all time high.

I will deeply appreciate any consideration or action which you may take relevant to this problem. As Mr. Griswold said in his letter, we ask "that no action be taken with regard to the depletion allowance at least until such time as the natural gas supply situation is favorably resolved".

With best regards, I remain

Sincerely,

R. A. PLATA,
Coordinator.

THE BROOKLYN UNION GAS CO.,
Brooklyn, N.Y., June 13, 1969.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Longworth
House Office Building, Washington, D.C.

SIR: I am writing on behalf of The Brooklyn Union Gas Company to state the views of this Company concerning the reduction in the oil and gas depletion allowance which is under consideration by the Committee on Ways and Means.

The Brooklyn Union Gas Company distributes natural gas in New York City, supplying the Boroughs of Brooklyn and Richmond (Staten Island), and approximately two-thirds of the Borough of Queens. Our Company serves 1,145,000 customers, representing a total population of 4,000,000.

We are deeply concerned that a reduction in the depletion allowance at this time will adversely affect the development of new supplies of natural gas. We, along with all other gas distribution companies in the Northeast, are even now finding it difficult to obtain demands of our customers. The problem of developing the necessary added supplies is a complex one which is presently being given serious consideration by all segments of the gas industry and the appropriate regulatory agencies. We seriously feel that a reduction in the depletion allowance would severely weaken an important inducement for producers to develop new sources of supply which the depletion allowance in the tax law now provides. We cannot see how the reduction in the depletion allowance can do anything but worsen an already serious supply situation.

Obviously, if the necessary added supplies of natural gas are not available, we will face the prospect of being required to reduce and restrict gas service to our present customers. In addition, we have the opportunity to make a substantial contribution to the reduction of air pollution in New York City. To do so will require gas supplies over and above the regular needs of our customers.

We, therefore, respectfully urge that no action be taken with regard to the depletion allowance at least until such time as the natural gas supply situation is favorably resolved.

Yours truly,

GORDON C. GRISWOLD.

PERCENTAGE DEPLETION AND THE DOMESTIC NATURAL GAS INDUSTRY

Gas distribution and transmission companies serve over 40,000,000 meters, estimated to include some 140,000,000 of our population, located in all 50 states.

The great majority receive no direct tax benefit from depletion. They are concerned with adequacy of supply and service to customers, a point emphatically expressed by the American Gas Association in a letter to the Federal Power Commission on December 16, 1968, before the current depletion issue arose.

While gas utilities have an enviable record of maintaining price stability, their principal concern is *not* with the price increase that would be attributed to increased taxes on the producer if depletion were reduced. This would be a very small part of the residential consumer's gas bill. However, should an actual shortage occur—and it is feared that a reduction in depletion at this critical time would contribute to such a shortage—then existing distribution and transmission facilities with a capital investment of $35 billion could not be used at their current near-optimum efficiency. A reduction in gas throughout any year-round pipeline load factors would raise the amortization costs borne by the remaining consumers. This price increase could be greatly disproportionate to the taxpayers' relief afforded by a reduction in depletion. This fact, together with an

avowed responsibility to serve new consumer demands where possible, makes the issue of adequate supply and producer exploration and development incentive far more important than price changes directly associated with tax changes.

Since 1956, gas consumption has *more than doubled* while exploration and drilling by producers has sharply declined. Wildcat drilling, geophysical activity, and total wells drilled have dropped 40%, 56% and 43% respectively. The results of these trends are that the cushion of excess gas reserves is gone and certain pipelines and distributors *cannot now* contract for their needs. Others will soon experience this. In 1968, for the first time, gas consumption exceeded new reserve addition—and by 40%. Yet in 1968, demand hit a peak annual increase of 8%.

Why this sharply increased demand? In this time of environmental concern, inflation and massive energy failures, the premium qualities of natural gas stand out more and more—cleanliness, economy, reliability and efficiency of its energy systems. The nation's consumers should not be needlessly deprived or their price needlessly increased by a natural gas shortage which is avoidable. And a "needless" shortage it would be because independent studies and conclusions of the U.S. Department of Interior and others indicate that the physical *resource potential* for natural gas in the United States *is entirely adequate.*

To translate this potential into usable gas reserves, the economic incentives must be adequate. While tax provisions are not the only tool in this incentive mechanism, percentage depletion is an acknowledged vital factor. *Any reduction could not come at a worse time* for the nation's gas consumers.

Mr. FARBSTEIN. Mr. Chairman, I am unalterably opposed to the extension of the 10-percent surcharge. It has failed to accomplish its stated objective. It has not prevented cuts in vital social programs. It has not curbed inflation. It has not eased interest rates. What it has done is reinforce the inequities in the present tax structure because it does not tax untaxed income.

Instead of considering the extension of the surcharge, we should today be considering enactment of an excess war profits tax. Such a tax was one of the major sources of financing for the First World War, the Second World War, and the Korean conflict. See exhibits 1, 2, and 3 for discussions of the tax during these wars.

Yet I understand that the Committee on Ways and Means has not even considered the enactment of an excess war profits tax at a time when we have 500,000 men in Vietnam as an alternative to the surcharge. This dumbfounds me. I cannot see how financial conditions are so different now that industry should not be required to sacrifice capital as men are required to sacrifice their lives. Should our young men be required to bear the entire sacrifice for our most current war?

To my mind an excess war profits tax along the line of legislation introduced by myself and 23 others—see exhibit 4—is immensely more desirable than the surcharge. It could produce at least as much revenue as the surcharge—between $9.6 and $10 billion, compared to $9.1 billion for the surcharge and related taxes.

And at the same time it would do what the surcharge failed to do—cool down the inflationary spiral.

Congressman AL ULLMAN, himself a member of the Ways and Means Committee, introduced an excess profits bill in 1966. His justification—it would trim the fat from those areas of the economy which are gorging themselves on inflation. See exhibit 5.

According to Harold Wolozin, professor of economics at the University of Massachusetts, it would not only cool the boom off without directly depressing consumer demand, but could stabilize and perhaps even reverse rising interest rates. This is because it would discourage speculative and marginal investment.

But as important as these other factors, the excess war profits tax is also a more equitable way of financing the U.S. outlay in Vietnam than the surcharge on individual income taxes.

It seems to me to be grossly unfair that while the Congress has authorized $9 billion for reduction, the administration is requesting only $3.2 billion for the over 60 million schoolchildren in America while the 25 top contractors last year got over $17.7 billion—over 45 percent of prime military contracts. The top two of these get over $4 billion. See exhibit 6. Where are we placing our values—with the 60 million schoolchildren, or on the profits of the war profiteers?

Since the escalation of the war in Vietnam in 1965, corporate profits after taxes have risen sharply—from $46.5 billion to $53.3 billion during the first quarter of 1969—at a seasonally adjusted annual rate. Much of this increase is attributable to stepped-up defense outlays which have almost doubled since the 1965 Vietnam war escalation. In 1965, the amount of money spent for defense contracts was $26.6 billion. For 1969, it is estimated that it will reach $42.3 billion. In contrast, spending for defense contracts between 1960 and 1965 went from $22.5 billion to $26.6 billion. See exhibit 7.

It is only fair that those who make the greatest financial profits off of the war should bear a greater share of the financial burden of fighting it.

I voted against imposition of the surcharge last year. I shall vote against its continuation today in the hope that it will lead the Ways and Means Commitee to take a good hard look at the excess war profits tax as one component of comrehensive tax reform.

The exhibits referred to follow:

EXHIBIT 1

EXCESS PROFITS TAXES IN WORLD WAR I

The history of World War I excess profits taxes was outlined before the War Policies Commission in 1931 by Arthur Ballantine, Solicitor of Internal Revenue in 1918, and Assistant Secretary of the Treasury in 1931:

"As to trades and businesses and corporations the revenue act of 1917 imposed the war excess-profits tax. This tax was designed to apply to all business whether carried on by individuals, partnerships, or corporations. The tax was to be computed on the entire net business income in excess of a specifically defined return on invested capital plus a specific credit. The rate of return on capital allowed as a deduction before computing the tax, was the average rate of return of the trade or business upon capital in the pre-war period, 1911–1913, inclusive, but was not to exceed 0 per cent or be less than 7 per cent. The rates or tax were graduated according to the amount by which the net income in excess of the designated normal return on invested capital exceeded certain perentages of the taxpayer's invested capital, and ran ran from a minimum rate of 20 per cent to a maximum rate of 60 per cent. In the case of trades or businesses having no invested capital, or not more than a nominal capital, the war excess-profits tax was levied at a flat rate of 8 per cent. The net income of the trade or business less the war excess-profits tax was subjected to income taxes which, in the case of a corporation, consisted of a normal tax of 2 per cent and a war income tax of 4 per cent.

"By the revenue act of 1918 there was added the war-profits tax to be paid to the extent that it exceeded the excess-profits tax, which method of taxation was retained by that act in somewhat revised form. The war-profits tax for 1918 was 80 per cent of the excess of the net income over the war-profits credit. This credit was $3,000 plus an amount equal to the average net income oi the corporation for the pre-war period plus or minus 10 per cent of the difference between the average invested capital for the pre-war period and invested capital for the taxable year, but was not to be less than $3,000 plus 10 per cent on invested capital for the taxable year. The credit against income for computing the excess-profits tax under the 1918 act was $3,000 plus 8 per cent of the invested capital for the taxable year and the maximum rate was 65 per cent for 1918 and 40 per cent for 1919 and 1920. Under the 1918 act the net income remaining after the deduction of the war-profits and excess-profits taxes was subjected to a normal corporation tax of 12 per cent for 1918 and 10 per cent for 1919 and 1920. The war and excess-profits tax imposed by the revenue act of 1918 applied to corporations only.

"After the revenue act of 1917 was enacted great doubt was expressed by business executives and accountants as to whether the excess profits tax could be administered, and whether amounts of tax at such high rates could be collected without disrupting business and financial institutions. The act was administered, notwithstanding gaps and uncertainties in its provisions. The tax imposed by the 1918 act at higher rates but under somewhat improved provisions, was also shown to be capable of administration. The high rates, uncertainty as to the application and meaning of the act in many connections, and defects in the records and accounting systems of taxpayers resulted in great delay in many instances in final determinations, in a great number of additional assessments, and in numerous abatements and refunds. Broadly speaking, however, these acts were administered so as to furnish the Treasury with the needed and expected funds. They brought into the Treasury through 1921 about $6,900,000,000. A comparison of the tabulated net income of all corporations reporting net income for the three years before the war (the calendar years 1914 to 1916, inclusive) with the net incomes of such corporations for the war years (1917 to 1919, inclusive) shows that the average net income of corporations reporting net incomes was for the prewar years about $6,000,000,000 before taxes and about $5,900,000,000 after taxes and that the average income of such corporations for the war years was $9,500,000,000 before taxes and about $7,000,000,000 after taxes. Thus, the average net income of corporations reporting net income increased $3,500,000,000 for the war years, while the average net income of such corporations after taxes increased about $1,100,000,000. According to this calculation, based on reported incomes and taxes, the taxes during the war, principally of course war and excess profits taxes, absorbed about 70 per cent of the increase of the average profits of the war

years over the average profits for the years immediately before the war." [1]

The view that excess profits taxes would capture profits due to price rises was contested by Bernard M. Baruch in his testimony before the War Policies Commission:

"Excess-profits taxes—standing alone—have no effect whatever to check inflation. Their only effect is to increase it. Thus 20 per cent of $500,000 profit is $100,000 and 20 per cent of $1,000,000 profit is $200,000. One way to increase $500,000 profit to $1,000,000 profit without increased risk or effort is to double price. For this reason there is more incentive to increase prices—and therefore profits—under an 80 per cent excess-profits tax than there is without it. Indeed, the main result of such a system is to induce rapid price increase to absorb the tax. Precisely because it accelerates and in nowise checks inflation the excess-profits tax—without more—offers no cure at all for war evils. On the contrary, it aggravates them."

"In the colloquy quoted above it seems to be assumed that the sole purpose of the excess-profits tax is to equalize between low and high cost producers. That is one purpose but it is far from being the only purpose.

"Consider, for example, the simple case of a company capitalized for $1,000,000, selling $1,000,000 worth of goods annually, making 20 per cent gross profit, or $200,000, on its turnover, and having $100,000 of expenses of administration and selling, leaving a net profit of $100,000, or 10 per cent, on both its normal turnover and its capital. Suppose also that 10 per cent of its costs of manufacture, or $80,000, are fixed overhead charges—depreciation, maintenance, supervision, taxes, etc. Then its costs for material and direct labor are $720,000 for every million dollars' worth of goods it sells. Now, suppose that war comes and we need the full capacity of that plant. We give it orders for $4,000,000 worth of goods, to be delivered in a single year. It has no increased selling and general administrative expense, because the demand is so great that no such effort is required. Neither do the fixed overhead elements of its manufacturing costs increase greatly—say, only to $90,000. What happens to the profits of that plant? Its material and direct labor costs on its $4,000,000 sales are $2,880,000. To this it must add $90,000 for fixed overhead charges in its factory and $100,000 for general and administrative expense, making a total cost for goods sold of $3,070,000. Its net profit is, therefore, $930,000, or 930 per cent, of its normal profits in peace. It is making nearly 100 per cent on its investment, and its net profit on turnover has increased from 10 to 23 per cent. Even if we assess a tax of 80 per cent on the $830,000 of excess over peace profit, that plant will still be making $260,000, or 260 per cent of its normal profits.

"I want you particularly to note that this example considers no increase in price whatever. . . ."

"Finally, I concur fully in Mr. Baker's answer to that suggestion . . .: 'I do not think prices were ever fixed high as a means of increasing production. I think it was not necessary to stimulate anybody to produce in America.'

"There are reasons supporting Mr. Baker's view which stand entirely apart from the stimulation of patriotism, which in itself is sufficient: Our modern production plant is highly mechanized. Mechanical mass production brings low costs, but only when the machines are operating close to capacity. The system has grievous faults, from which we are suffering severely today. These machines represent enormous aggregations of capital, on which fixed charges are very great. When they are idle, there is nothing to absorb these charges. Losses mount rapidly, and there is nothing that can be done to lessen them. Conversely—as in the example given above—when they are speeded the results in reduced cost per unit of production are sometimes almost fabulous. It is this economic circumstance which insures us against any faltering of production, and the expedient of increasing prices (with the excess-profits tax to offset profiteering) is wholly unnecessary to increase production. The circumstance of modern industrial organization just recited will take care of that.

"While the excess-profits tax is an indispensable concomitant to proper industrial mobilization, the points I have tried to demonstrate and now to emphasize by repetition are:

(a) Even with a fixed price structure and a high excess-profits tax there will be huge war profits.

(b) It is both futile and unnecessary to try to stimulate production by high prices—relying on an excess profits-tax to recapture these profits.

(c) The excess-profits tax—standing alone—as a means for equalizing the burdens of war and eliminating the profits of war is fatally defective because it aggravates inflation and therefore fails to protect us against the most destructive phenomenon of modern war." [2]

Hearings before the Nye Committee in 1935 brought out a similar point of view on the part of that Committee. It was shown that the War Industries Board fixed a price of $22 a ton on sulphur to be bought by the Navy from the Union Sulphur Company, which at that time controlled almost all sulphur production. In 1917, the net taxable income of the company was $7,000,000, of which it paid 36% in taxes. In 1918 its net taxable income was $10,918,000 of which $5,794,000 was paid in taxes. This demonstrated, according to the Committee's investigators, that excess profits taxes did not recapture the profits created by the high price. The actual cost of a ton of sulphur was reported by the Federal Trade Commission to be $5.73, and was figured by the Union Sulphur Co. at $6.82 in 1917 and $7.93 in 1918, including depletion allowance.[3]

The question of wartime excess profits taxes was the subject of a special report of the Nye Committee in 1935. The Committee presented the following evaluation of World War I experience:

"Except in individual instances, the effectiveness of the wartime taxes in recapturing profits can be estimated only roughly. Mr. Ballantine testified before the War Policies Commission that corporations reported average annual net incomes, after deduction of their estimated taxes, of $5,900,000,000 for the years 1914 to 1916 inclusive, and average annual net incomes, after the estimated wartime taxes, of $7,000,000,000 for 1917 to 1919, inclusive. On this basis the war—despite the wartime taxes—added $1,100,000,000 a year to the final tax-free profits of corporations which had already profited largely by the huge sales to the Allies made by this country before April 6, 1917. As contrasted with the years 1911 to 1913, inclusive, which the wartime tax statutes fixed as the pre-war years for measuring war profits, corporation profits after taxes increased 69 percent during the war, or from an average of approximately $4,123,000,000 to $7,000,000,000, and only 44 percent of the increase in annual profit from $4,123,000,000 to $9,500,000,000 was taken in income and excess-profits taxes.

". . . a group of the largest manufacturing and mining companies in the country paid in taxes (including both the normal income and the excess and war-profits taxes) only 25 percent of their net taxable income for 1917 and only 34.9 percent of their 1918 income, according to the final figures of the Bureau of Internal Revenue. If the revenue agents' determinations of net taxable income are used 22.8 percent of 1917 income was paid as taxes and 32.8 percent of 1918 income. It must be remembered that these computations do not include income received by these corporations, but excluded from taxable income because (1) invested in tax-free securities or (2) allowed as deductions for amortization, depreciation, or depletion, i.e., set up as reserves against ordinary business risks, to mention a few of the allowable deductions from income. The 1917 net income of these companies after deducting payment of their final tax liability was 26 percent of their invested capital and their 1918 income on the same basis was 10.5 percent of capital, the Bureau of Internal Revenue's final figures show. Before taxes, the 1917 income was 34.8 percent, and the 1918 income 15.6 percent, of capital. If the revenue agents' determinations are used, the results are 39 percent profit in 1917 and 11.8 percent in 1918 after taxes and 50.5 percent in 1917 and 17 percent in 1918 before taxes. Obviously, the 80-percent tax was not a tax of 80 percent of all profits. . . .

"It should be further remembered that estimates of taxes as contrasted with income, or of income as contrasted with investment, are based upon (1) the taxpayers' own estimates of those two highly variable items, income and investment, or (2) estimates which the taxpayers consented to or which withstood the rigors of legal proof, or (3) estimates by Government agents whose time and expense accounts were limited, whose estimates were primarily based upon the taxpayers' figures and whose estimates were made not only with an eye to the necessity of substantiation under vigorous attack, but also within the limitations of technical statutory standards which permitted the elimination from income of many items which would be considered as income for ordinary purposes. As Senator Vandenberg pointed out in his examination of Homer L. Ferguson, president of the Newport News Shipbuilding and Dry Dock Co., the taxes paid were less severe and the profits retained greater than such figures indicate by (1) the amount which the estimates of income excluded debatable or hidden items and by (2) the amount by which the estimates of investment included debatable or fictitious items . . ." [4]

Two methods of computing excess profits taxes,—average prewar profits or invested capital were discussed by the Nye report:

"At all events, it seems likely that any wartime taxation measure that can hope to receive serious consideration must choose for a tax on corporations—if not on all business units—a basis or standard that will recognize in some manner general differences in profitability of business enterprise. The two bases most frequently referred to in theoretical discussion are (1) average peacetime profits and (2) the amount of investment. These two bases were both used during the World War in this country and in Europe. . . .

"The War Policies Commission recommended a tax of 95 percent on all earnings above the average income during the 3 years immediately preceding the next war. Mr. Baruch in a statement filed with the committee repeated this recommendation but advocated increasing the tax to 100 percent of the excess.

"This base has been urged largely because of the fantastic complications of the invested capital approach. The invested capital base involves not only much physical difficulty and consequent delay due to the size and complexity of modern business but also many decisions in the realm of discretionary judgment where no ruling, unless distinctly favorable to the taxpayer or acquiesced in by him, can be safely regarded as final without prolonged litigation." [5]

"The investment of a corporation was determined as of the time it was formed. Consequently reorganization of a corporation just before or during the war resulted in an increase in the valuation of the assets acquired by the new company because of the

Footnotes at end of article.

rising price level. Consequently avoidance of taxes by corporate reorganizations was common. A flagrant example of this is to be found in the 1917 transactions of the Old Dominion companies. The revenue agent's report indicates that by means of a fictitious transfer the invested capital was increased $10,000,000 for tax purposes. On February 12, 1917, when the Old Dominion Co. of Maine held virtual ownership of the Old Dominion Co. of New Jersey through possession of 96 percent of its stock, a sale was made of the New Jersey Company to the Maine corporation for the sum of $10,000,000. The fact that neither company had cash in hand anywhere near this sum was not an obstacle. The New Jersey Company, which had a bank balance of $350,000, paid a dividend of $9,969,875 to the parent corporation. At the same time the parent corporation drew a check for $10,000,000 in favor of the subsidiary in payment for the property. . . .

"The history of the Newport News Shipbuilding and Dry Dock Co.'s controversies with the Government over its 1917 taxes illustrates the difficulties in fixing invested capital. It took until 1931—or 14 years—to settle these taxes because of the difficulties of determining invested capital and then the settlement was only made by the Bureau of Internal Revenue giving up the task and deciding that it could not determine the invested capital of the company but must make a special assessment. Under such an assessment, the exemption was the same percentage of the company's net income as the average exemption of representative concerns in the same or a similar business, was of the average net income of such concerns." [6]

"Ordinary business costs include many items which are purely matters of opinion, largely opinion as to the value of things consumed in whole or in part in the operation of the business. One of the major cost items of this type is depreciation. The factory building and its machines are used up, in whole or in part, by the process of production. Their cost is part of the cost of production. How much they are used up in each profit-taking period by various operations is a matter of judgment. As most businesses are run on a going basis, the cost of used facilities is not a matter of the cash laid out for them, but an estimate of their value in terms of repair or replacement. Consequently, the uncertainties of valuation referred to at pages 19 to 24 of this report are an inevitable part of the taxing process even though they are to be eliminated from the establishment of the base for exemption.

"An example of the opportunity for increasing the item of depreciation, and thus decreasing the amount of income subject to the tax, is furnished by the sale of the New York Shipbuilding Co. to the American International Corporation in 1916 for a price of $2,929,573 above the New York Shipbuilding Co.'s previous estimate of the value of its property. The American International Corporation was building ships for the Navy and the Emergency Fleet Corporation under cost plus a percentage of cost contracts. The higher the costs the greater the cost payments and the percentage fee, and the smaller the taxes on the total amount received." [7]

"The impossibility of estimating with dispatch and with finality the items of depreciation, depletion, and amortization has led this committee to recommend that (1) an arbitrary maximum of 2 percent of gross income, or of an adjusted cost of the property, be set for depreciation deductions, (2) an arbitrary percentage of gross income be used to fix depletion deductions of 9 percent in the case of gas and oil wells, of 2½ percent in the case of coal mines, of 5 percent in the case of metal mines, and of 7½ percent in the case of sulphur mines, with an overall limitation that in no event shall the amount so computed exceed 50 percent of net income, and (3) no amortization allowances be permitted, but instead governmental loans be authorized for such construction as it is found is required for the prosecution of the war and cannot otherwise be financed. It is recognized that, in the case of depreciation, the maximum percentage allowance is likely to become the fixed allowance and that, in the case of such allowances as well as of the fixed depletion allowances, tax avoidance will result to the extent that in individual cases the fixed allowances are in excess of the amounts which would be arrived at on the basis of a reasonable valuation. It is further recognized that if allowances for amortization are eliminated there will be considerable insistence that new construction must be paid for by outright governmental subsidy. Most expansion is financed by borrowed capital and the mere fact that the leader is the United States will not remove the demand for assurance against loss of the amount invested in assets which may prove valueless upon the conclusion of the war. Consequently, it must be realized that the reasons causing the normal demand for alleviation of governmental burdens on industry upon a return to peace will make it inevitable that strong pressure will be exerted for the reduction, by compromise or otherwise, of any Government war-time construction loans outstanding when the war ends. For similar reasons it is likely that substantial amounts of any such loans as are not reduced or compromised will be defaulted. Finally, it is to be noted that under either a subsidy or a loan plan the Federal Government will, following the termination of the war, own extensive plants and equipment, the usefulness and value of which as a whole will be conjectural. To the extent that these plants and equipment are made up of integral part of various private corporations, their value will be less than the general level of war-time construction. As to the plant and equipment which the Government has acquired, the choice will be between Government operation and sale for little, if any, better than salvage prices.

"Furthermore, since large-scale modern business is not run on a cash-and-carry basis, the time when income is earned is not a matter of black and white. Taxes are collected annually but profits upon any one transaction may be due to more than a year of operation and the apportionment to the periods when they were 'earned' is in part purely a matter of opinion. The fact that war-time tax rates are higher than peace-time rates makes the determination of when profits accrue an important element in war-time taxation." [8]

The committee further pointed out that great administrative difficulties were encountered in excess profits taxation:

"The complexities of any excess-profits tax naturally suggest the possibility of increasing the flexibility of the administration of taxes to avoid delays and injustices alike.

"The Joint Committee on Internal Revenue Taxation reported in 1927 that—

" 'The recommendation that tax cases should be settled by administrative action, rather than through litigation, and the abandonment of the policy that all cases must be decided upon the basis of absolute accuracy, have been discussed. It is believed that the adoption of these recommendations is vital.'

"It should, however, be noted that the high tax rates of wartime encourage the use of administrative discretion for leniency to taxpayers. The British experience in this connection is described by Professor Haig as follows:

" 'In the case of the excess-profits duty particularly, with its high rates and its many opportunities for disagreement, it has been considered wise to conduct the administration along broad lines. The assessors have not failed to utilize their administrative discretion. As one of them remarked: "We wipe off £20,000 one way or another as though it were a halfpenny." The Board of Inland Revenue has specifically said to the local surveyors that "owing to the present high rates of taxation" they desired "that in doubtful cases the allowances granted in calculating excess-profits duty should err on the side of generosity rather than otherwise.' . . .

"There is the further consideration that, by and large, controversy as to taxes arises in post-war years. Even though it be assumed that the traditional American hostility to taxes is substantially lessened during wartime for patriotic reasons, this can affect only the taxes paid during war on the basis of the taxpayer's own return. He does not know until after the war, in many cases, that the Government believes additional taxes are due." [9]

Tax evasion and avoidance also occupied the committee, which considered such devices as special assessments, deduction of capital losses, tax exempt securities, and technicalities of various sorts:

"The methods of avoidance depend upon the rules specified by the tax statutes. However, it should be noted that provisions ostensibly intended for one purpose are often logically applicable for other purposes. Provisions apparently designed to prevent burdens generally conceded to be undue as applied to certain taxpayers, are often also equally available for the avoidance of large amounts of taxes the burden of which appears less obviously unfair. . . ." [10]

"The customary provision in American income-tax statutes permitting deduction of capital losses from taxable income has frequently been used to avoid taxes which the generality of public opinion may well believe could have been paid without undue hardship.

"In the course of this committee's investigation, it has been found that the late Alfred I. du Pont paid no income tax during the 7 years 1920 to 1926. His gross income in that period was over $29,000,000." [11]

"In the year 1916 when the du Pont Co. was making large profits from the sale of war products to the Allies, it objected to the imposition of the income tax on that part of its income derived from exports, on the ground that such income was made immune from taxation by section 9, article I of the Constitution, which provides that 'no tax or duty shall be laid on articles exported from any State.' " [12]

FOOTNOTES

[1] U.S. War Policies Commission. Report. H. Doc. 163, 72d Cong., 1st sess., p. 689–9.

[2] U.S. War Policies Commission. Report. H. Doc. 163, 72d Cong., 1st sess., p. 798–800.

[3] U.S. Congress. Senate Special Committee Investigating the Munitions Industry. Munition Industry. Hearings, part 22, p. 6407–8. 1935.

[4] S. Rept. 944, Part 2, 74th Cong., 1st sess., p. 13–15.

[5] *Ibid*, page 16–17.

[6] *Ibid.*, p. 21.

[7] *Ibid.*, p. 27.

[8] *Ibid.*, p. 34–35.

[9] *Ibid.*, p. 37.

[10] *Ibid.*, p. 44–45.

[11] *Ibid.*, p. 47.

[12] *Ibid.*, p. 49.

EXHIBIT 2

ARGUMENTS IN SUPPORT OF AN EXCESS PROFITS TAX IN DECEMBER 1947*

Corporations in 1947 will have profits after taxes which are 170 percent of their wartime peak. 1947 profits will be nearly double those for 1945, 3½ times the figure for 1939, and 7 times that for 1938.

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* Unlike most Legislative Reference Service reports which present both sides of public issues, this is submitted in response to a request for arguments in justification of an excess profits tax at this time.

Corporate profits after taxes, 1929, 1934, 1939–1947:

1929	$8,420,000,000
1934	977,000,000
1939	5,005,000,000
1940	6,447,000,000
1941	9,389,000,000
1942	9,433,000,000
1943	10,363,000,000
1944	9,928,000,000
1945	8,939,000,000
1946	12,539,000,000
1947 (est.)	17,000,000,000

The table in Appendix A shows how big business and monopoly interests have increased their earnings.

Current profits do not arise from increased production. Federal Reserve indexes show that the volume of physical production is 20 percent below the wartime level. Profits are based on unfair and inequitable prices. They are inflated prices that will destroy the savings of the people.

Controls imposed during the war generally prevented corporations from exacting the prices that a short supply and heavy demand would encourage. An excess profits tax helped to mop up surplus profits. But with the end of the war, and in the face of the greatest consumer demand in history—and incidentally the greatest profit period—controls were abolished and the excess profits tax repealed.

All corporation income taxes, including the excess profits tax, which produced $14.8 billion in fiscal 1944, $16.0 billion in 1945, fell to $12.6 billion in 1946 and $9.6 billion in 1947. An excess profits tax now would raise an additional $6 billion which could be used to finance the Marshall Plan of aid to Europe, to pay off the debt, or to provide the basis for reducing the tax on low income groups which are suffering most from inflation.

In spite of reduced corporation taxes, prices generally have advanced 24 percent since V-J Day. Food has gone up 40 percent. At the same time average weekly earnings of factory workers which in early 1945 exceeded $47 are now only about $50, a rise of 6 percent.

Reinstitution of general OPA price controls is very unlikely at this time. Yet the mulcting of the general public must be prevented.

One way to absorb for the benefit of all the people the super profits resulting from unreasonable price advances is to reimpose an excess profits tax. The knowledge that excessive profits will be taxed might well result in a lowering of prices and a restoration of profits to a just normal.

Without such a preventive, inflation—the least intelligent way to distribute goods in short supply—will continue. It will destroy the accumulated savings that hard working labor built up during the war.

In destroying the savings of the people, business is laying the groundwork for the next depression. The savings taken today by the unscrupulous in extravagant prices are the savings which in tomorrow's depression would have helped legitimate business pull through.

APPENDIX A—1947 CORPORATION PROFITS

This is a selected list of manufacturing and mining companies earning profits in 1947 at rate in excess of $5,000,000 per year in 1947. The list, for the most part, is confined to corporations whose profits so far as reported in 1947 exceed those for the corresponding period in 1946. Data for the full year 1939 are also given. An asterisk beside the name of a company indicates it is one of the 50 largest (in assets) manufacturing companies in the United States. Data on these 50 companies are reported even though 1947 profits are still unreported or, if reported, are less than the figures for 1946.

OIL COMPANIES

Corporation	1947 Number of months	1947 Profits	1946 Number of months	1946 Profits	1939 [1] Number of months	1939 [1] Profits
Amerada Petroleum Corp., and subsidiaries	9	$10,371,503	9	$5,997,069	12	$1,230,764
Atlantic Refining Co., and subsidiaries	[2] 9	10,836,518	9	4,922,052	12	5,028,212
Barnsdall Oil Co	9	6,281,252	9	3,535,553	12	1,720,292
Continental Oil Co., and subsidiaries	9	24,889,113	9	12,061,245	12	6,304,504
Gulf Oil Corp.*	6	42,510,375	6	26,746,013	12	15,315,781
Mid-Continent Petroleum Corp., and subsidiaries	9	12,763,617	9	7,662,872	12	2,650,502
Ohio Oil Co	6	13,246,116	6	8,263,962	12	1,492,068
Phillips Petroleum Co.*	9	25,706,157	9	14,763,153	12	9,833,314
Pure Oil Co.*	6	8,161,908	6	6,985,280	12	8,290,419
Richfield Oil Corp	9	7,940,170	9	4,473,441	12	2,601,926
Shell Union Oil Corp *	9	38,676,876	9	23,981,773	12	11,805,713
Sinclair Oil Corp., and subsidiaries *	6	20,476,207	6	12,051,203	12	7,540,881
Skelly Oil Co	9	13,448,167	9	6,484,106	12	2,360,783
Socony-Vacuum Oil Co., Inc.*	9	66,000,000	9	36,000,000	12	34,452,710
Standard Oil Co. of California *	9	66,544,580	9	48,990,458	12	17,882,505
Standard Oil Co. of Indiana *	6	40,936,430	6	33,668,845	12	34,142,643
Standard Oil Co. of New Jersey *	6	[3] 140,000,000	6	[3] 88,000,000	12	53,577,293
Standard Oil Co. of Ohio	6	7,191,037	6	5,154,885	12	5,602,499
Sun Oil Co., and subsidiaries	6	11,360,170	6	4,360,212	12	6,959,677
Texas Co.*	9	78,396,388	9	50,360,115	12	32,886,807
Tide Water Association Oil Co., and subsidiaries*	6	11,235,945	6	8,188,182	12	9,975,887
Union Oil Co. of California *	6	8,543,594	6	3,806,117	12	4,606,789

STEEL AND OTHER METALS COMPANIES

Allegheny Ludlum Steel Corp	9	4,553,972	9	4,599,139	12	2,093,518
Aluminum Co. of America *		(4)	12	11,581,237	12	14,801,970
American Rolling Mill Co., and subsidiaries *	9	18,165,398	9	12,488,684	12	4,011,909
American Smelting & Refining Co., and subsidiaries	6	20,896,033	6	1,867,778	12	13,057,145
Anaconda Copper Mining Co.*	9	34,473,066	9	13,159,083	12	20,236,552
Bethlehem Steel Corp.*	9	38,711,728	9	29,794,650	12	24,638,384
Inland Steel Co., and subsidiaries	6	10,171,288	6	4,973,300	12	10,931,016
Jones & Laughlin Steel Corp., and subsidiaries	9	16,682,738	9	6,109,260	12	3,188,944
Kennecott Copper Corp.*	6	46,086,826	6	4,508,933	12	33,947,443
Keystone Steel & Wire	12	6,087,002	12	2,777,605	12	927,542
National Lead Co	6	6,479,049	6	5,069,455	12	5,780,500
National Steel Corp., and subsidiaries *	9	19,903,655	9	13,941,320	12	12,581,636
Republic Steel Corp., and subsidiaries *	9	23,111,631	9	9,494,414	12	10,671,343
Revere Copper & Brass, Inc	9	6,676,295	9	3,198,104	12	1,615,069
St. Joseph Lead Co., and domestic subsidiaries	6	6,706,815	6	2,793,061	12	5,292,908
Sharon Steel Corp., and subsidiaries	9	4,756,350	9	2,042,349	12	255,497
U.S. Steel Corp., and subsidiaries *	9	43,578,696	9	12,443,381	12	41,119,934
Wheeling Steel Corp	9	8,430,261	9	3,188,041	12	5,560,753
Youngstown Sheet & Tube Co.*	9	19,446,836	9	9,176,395	12	5,004,484

AUTOMOBILE MANUFACTURERS

Chrysler Corp.*	9	47,873,089	9	10,292,645	12	36,879,829
Ford Motor Co.*		(4)		(4)	12	16,402,746
General Motors Corp.*	9	213,217,476	9	14,012,370	12	183,403,399
Hudson Motor Car Co	9	5,158,854	9	560,192	12	[5] 1,356,750
Mack Trucks, Inc	9	5,265,883	9	[5] 316,626	12	682,987
Studebaker Corp	9	5,152,043	9	[5] 251,770	12	2,923,251
White Motor Co., and subsidiaries	9	3,926,586		(4)	12	[5] 2,412,618

OTHER MANUFACTURERS, ETC.

Allied Chemical & Dye Corp.*		(4)	12	26,706,691	12	21,042,211
American Can Co.*		(4)	12	8,828,983	12	18,284,964
American Cyanamid Co	9	6,294,571	9	6,191,005	12	5,524,941
American Tobacco Co	9	24,178,000	12	29,886,557	12	26,427,934
American Viscose Corp. and subsidiaries	9	14,549,382	9	8,149,612	12	4,057,164
Anderson, Clayton & Co. and subsidiaries	12	19,787,829	12	14,006,998		(4)
Armour & Co.*		(4)	12	20,791,128	12	3,265,167
Bendix Home Appliances, Inc	9	7,127,044	12	3,178,180	12	[5] 311,935
Borden Co	6	[3] 9,975,000	6	[3] 8,875,000	12	7,979,838
Borg-Warner Corp. and subsidiaries	9	15,707,583	9	4,152,014	12	5,683,801
Caterpillar Tractor Co	10	6,458,128	10	4,975,559	12	3,235,709
Celanese Corp. of America	9	16,626,579	9	11,573,513	12	6,374,101
Colgate-Palmolive-Peet Co	6	9,783,002	6	6,311,156	12	6,632,655
Commercial Solvents Corp., and subsidiaries	9	6,217,560	9	3,008,669	12	1,600,390
Continental Can Co., Inc., and subsidiaries	12	9,240,040	12	3,576,763	12	8,635,787
Corn Products Refining Co	9	13,092,583	9	5,592,283	12	10,120,398
Crane Co., and domestic subsidiaries	12	10,758,787	12	7,017,586	12	4,612,555
Cuban American Sugar Co	12	6,206,103	12	2,222,044	12	716,953
Curtiss-Wright Corp.*	9	[5] 465,315	9	5,151,643	12	5,218,259
Distillers Corp. Seagrams, Ltd., and subsidiaries	12	43,112,502	12	24,530,122	12	6,566,313
Dow Chemical Co	12	12,729,991	12	6,707,215	12	4,178,485
E. I. du Pont de Nemours & Co.*	9	88,220,901	9	82,179,876	12	93,218,664
Eastman Kodak Co.*	6	20,299,661	6	15,992,956	12	21,537,577
Eaton Manufacturing Co., and subsidiaries	9	5,548,192	9	1,793,730	12	2,707,340
Firestone Tire & Rubber Co.*	6	14,168,206	6	12,845,926	12	6,722,046
General Cable Corp	9	4,627,400	9	1,333,719	12	733,166
General Electric Co.*	9	56,459,434	9	404,109	12	40,860,754
Gillette Safety Razor Co	9	7,617,903	9	7,513,639	12	2,941,890
Goodrich (B. F.) Co.*	6	11,264,245	6	12,470,390	12	6,653,278

Footnotes at end of table.

OTHER MANUFACTURERS, ETC.—Continued

Corporation	1947 Number of months	1947 Profits	1946 Number of months	1946 Profits	1939 [1] Number of months	1939 [1] Profits
Goodyear Tire & Rubber Co.[2]	6	$11,601,416	6	$15,088,189	12	$9,838,797
(M. A.) Hanna Co.	9	5,214,971	9	3,919,002	12	1,904,317
Hershey Chocolate Corp., and subsidiaries	9	6,017,778	9	4,847,224	12	6,233,304
International Business Machines Corp., and subsidiaries	9	17,610,802	9	13,115,986	12	9,092,692
International Harvester Co.[2]		(4)	12	22,326,257	12	7,952,810
International Paper Co., and subsidiaries [2]	9	43,124,402	9	21,252,904	12	4,893,591
Kimberly-Clark Corp., and subsidiaries	12	6,601,962	12	3,228,174	12	2,651,365
Libby-Owens-Ford Glass Co.	9	8,727,826	9	2,616,681	12	8,062,753
Liggett & Myers Tobacco Co.[2]	9	16,520,000	12	18,368,928	12	20,705,549
Lone Star Cement Corp., and subsidiaries	9	4,536,519	9	3,582,102	12	3,561,093
Long-Bell Lumber Co.	9	8,960,201	9	3,518,804	12	[5] 91,969
Maytag Co.	9	4,459,476	9	2,067,609	12	1,398,981
McKesson Robbins, Inc.	12	9,694,558	12	8,586,157	12	3,364,790
Minneapolis-Honeywell Regulator Co., and subsidiaries	9	4,602,868	9	2,912,195	12	2,158,582
Monsanto Chemical Co.	9	12,395,367	9	6,987,663	12	5,428,914
National Cash Register Co., and subsidiaries	9	7,545,688	9	1,315,739	12	1,807,096
National Dairy Products Corp.[2]	6	9,649,223	6	11,802,554	12	13,034,157
National Supply Co., and subsidiaries	9	6,560,935	9	2,129,571	12	1,190,787
Owens-Illinois Glass Co., and subsidiaries	12	16,402,124	12	11,211,455	12	8,434,915
Pacific Mills	9	[3] 5,645,000	9	[3] 4,648,000	12	790,831
Pittsburgh Consolidation Coal Co., and subsidiaries	9	9,009,170	9	4,168,712	12	863,915
Pittsburgh Plate Glass Co., and subsidiaries	9	21,071,104	9	13,168,435	12	10,766,412
Quaker Oats Co.	12	7,958,588	12	6,471,051	12	5,422,852
Remington Rand, Inc., and subsidiaries	6	6,525,727	6	5,770,505	12	1,750,391
Reynolds (R.J.) Tobacco Co.[2]		(4)	12	27,972,599	12	25,645,455
St. Regis Paper Co.	9	11,055,144	9	3,775,622	12	547,820
Schenley Distillers Corp.[2]	12	26,844,733	12	49,129,975	12	4,129,080
Singer Manufacturing Co.[2]		(4)	12	15,227,817	12	3,065,105
Squibb & Sons, and subsidiaries	12	5,525,386	12	5,151,408	12	2,060,978
Stokely-Van Camp, Inc.	12	7,111,911	12	5,204,912	12	[5] 712,905
Swift & Co.[2]		(4)	12	16,394,739	12	10,321,523
Texas Gulf Sulphur Co.[2]	9	16,051,653	9	10,772,189	12	7,847,483
Timken Roller Bearing Co.	9	9,144,682	9	1,194,357	12	7,287,911
Union Bag & Paper Corp.	9	8,787,425	9	3,643,599	12	965,532
Union Carbide & Carbon Corp., and subsidiaries	9	54,865,182	9	40,331,671	12	35,847,400
United Merchants & Mfg., Inc.	12	21,132,984	12	8,733,786	11	1,466,197
United States Gypsum Co.	9	11,685,500	9	8,719,659	12	7,365,849
U.S. Rubber Co.[2]	6	11,020,729	6	9,906,886	12	10,218,849
Warner Bros. Pictures, Inc., and subsidiaries	9	19,134,639	9	14,749,202	12	1,740,908
Western Electric Co., Inc.[2]		(4)	12	12,336,076	12	16,476,086
Westinghouse Air Brake Co., and subsidiaries	9	9,780,117	9	6,748,715	12	2,765,629
Westinghouse Electric Corp.[2]	12	30,900,893	12	17,356,278	12	13,854,365
West Virginia Pulp & Paper Co., and subsidiaries	9	7,878,734	9	3,695,219	12	1,095,389
Worthington Pump & Machinery Corp.	9	4,742,426	9	2,289,616	12	816,706
Wm. Wrigley, Jr., Co.	9	6,058,404	9	4,813,106	12	8,650,976

[1] Calendar or fiscal year ending in 1939.
[2] 1 of 50 largest manufacturing companies in volume of assets.
[3] Estimated.
[4] No statement.
[5] Definite.

EXHIBIT 3 (PART 1)

EXCESS PROFITS TAX—SUMMARY STATEMENT OF ARGUMENTS

Excess profits taxes were proposed as a means of raising more Federal revenues, both prior and subsequent to the start of the Korea conflict. In the proposals after the end of June, it was argued also that the tax was needed to impose sacrifice on capital as well as men. Consideration of the tax for inclusion in a revenue bill was postponed by the Congress.

The proposals have assumed that production, prices, income and profits will continue to increase under the pressure of an expanded armaments program. Continued high profits are expected to be realized from production of both civilian and military goods. The justification for the excess profits tax is that it would stop profiteering, help balance the Federal budget and avoid further inflation, and would help divert production to military purposes. Further discussion of the second and third points is contained in the following paragraphs.

An excess profits tax would add several billion dollars to Federal revenues. The result would be either a budget balanced during rearmament, or at least a reduction of the deficit. When the amounts paid to employees, bondholders and contractors do not exceed the amounts taken in taxes, the Government does not add to the income which presses prices upward, and avoids increasing the competition between procurement agencies and private purchases. Costs of rearmament are held down. Taxpayers would gain from smaller immediate costs and from saving of interest through avoidance of debt increase. After the emergency, business and consumers would be in better financial position with lower taxes and lower price levels.

Diversion of production from civilian to military purposes would be hastened. Selling to the Government would offer an assured profit, the attractiveness of which would be greater if extraordinary profits from civilian production were taken by an excess profits tax. Since the tax would take only excess profits, it would not unduly reduce the capacity devoted to production of civilian goods.

Opposition to the excess profits tax argues that it would neither control profiteering nor provide enough revenue to stop inflation; and that it would hinder production.

An excess profits tax would not control profiteering because the tax cannot be so written as to distinguish excessive from necessary profits. The usual measure of wartime excess profits is increased profits, or profits above those of some period of years considered to be normal. What base years should be used to measure "normal" profits? In World War II, the base used was the four-year prewar period 1936–39. In those years, the number of corporations reporting net income was hardly half as large as in 1947, and net income was less than a third as much as in that year. Obviously, a more recent base period would seem desirable for a tax levied now. The postwar years, however, have been characterized by the unusual circumstances of reconversion of industry, making up for wartime shortages, and adjusting a previously controlled economy to free markets. These circumstances have yielded profits which may differ from those to be expected under other conditions. If the armaments boom continues for a number of years, the change in circumstances and the changes in business population would make the experience of postwar years applicable to a constantly diminishing number of corporations. And profits which had seemed extraordinary would become normal or expected, just as profits of the postwar period are normal for that period although they are very unusual if compared with prewar profits of the same corporations.

The postwar years have been marked by high employment, production and profit totals. Increases during armament above those levels would not be as great as during World War II, unless there were extraordinary price inflation. The excess profits tax would not yield as much as during that War, unless it were applied to more than the increase above postwar levels. In order to increase its yield, proposals have specified that it apply to profits when they are in excess of 65 or 75 percent of the dollar amount of the base period. (Provision is made for corporations which have expanded their investment substantially in size since the base period.) Such proposals are regarded as objectionable, however, since profits in the postwar years were not excessive. While the total volume of profits is larger than before, the totals of all other kinds of incomes also are larger. When compared with sales, profits after taxes have not been higher than before the war, and have been smaller in relation to sales than during the war. If the tax were to apply to profits in excess of some previous earnings, it would have to make provision for corporations which did not have good earnings experience during the base years, or small rates of return on investment would be considered excessive. The usual provision for such corporations is to allow them the alternative of measuring their excess profits as those which exceed a certain percentage return on invested capital, if that gives them a smaller tax base than the computation based on previous earnings.

It may be noted, aside from the arguments of opponents of the tax, that excess profits taxes in the past regarded as excessive profits those (1) in excess of base period earnings and (2) in excess of a percentage of invested capital. They have also considered that large profits are more "excessive" than smaller: that is, a return of 8 percent would be allowed amounting to $400,000 of earnings, on the first $5 million of capital, a 6 percent return on $300,000 would be allowed on the next $5,000,000 of capital, and so on. In other words, the tax is made progressive. Application of the same principle, of a progressive tax, could be made a third base for taxing excess profits. In the past, it has been used only when some other criterion indicates profits to be excessive. If a progressive tax were levied, whether applied as part of the ordinary net income tax of corporations or through some special device, it would apply one of the principles of an excess profits tax. It probably would be effective in reaching profits of railroads and similar corporations which escape excess profits taxes by using an invested capital base.

A further argument against the excess profits tax as a means of getting at excess profits—in addition to the arguments that the bases which have been used are inequitable and arbitrary—is that excessive profits from dealing with the Government could be

reached better through careful negotiation and re-negotiation of contracts.

The additional revenues could be obtained in other ways, one of which is the corporation net income tax. During World War II, the excess profits tax yielded large revenues. However, these revenues do not measure the net gain above those of the ordinary net income tax: the income subject to excess profits tax was deducted from the base of the corporation income tax. An increase of the net income tax to about 48 percent flat rate throughout the war period would have yielded as much revenue as the income tax and excess profits taxes combined. The revenue could have been obtained without the complicated relief provisions and other administrative difficulties and hardships of an excess profits tax.

The argument is that, because applicable to all corporations and all income, a moderate flat rate increase in the corporation net income tax would provide as much revenue as an excess profits tax which is applicable only to a small number of corporations. However, the corporation income tax rate increase in the Revenue Act of 1950 amounts to above five points, yet it will yield only about $1.5 billion per year. The additional revenue need by the Government is several times that amount. A flat rate which is low enough to be tolerable to corporations with small or decreasing profits would not be high enough to raise the maximum possible revenue from corporations with extraordinary profits.

The excess profits tax, it is argued, will not bring in revenues in anti-inflationary amounts which could not be obtained from flat rate taxes. On this count, it is not a strong weapon with which to fight inflation. On a further count, it is less effective than other methods of taxation in curbing inflation: it increases business spending and leads to increases in costs of production. By minimizing the portion of additional income which corporations retain, it encourages corporations to spend their receipts for pensions and higher wages, and to bargain less sharply over costs. The greatest part of any additional expenditure will be borne by the Government because they are deducted from taxable income. Cost components rise, and prices to the Government are increased. The Government is compelled to resort to the bank for the money it needs to meet rising prices. The Government's debt is increased, prices rise, and the value of savings is reduced. Wage inflation is encouraged, as the Government rather than the taxpayer will bear the major burden.

The foregoing argument is disputed with the statement that business management would not intentionally reduce net profits because it could keep only a portion of them. Apparent carelessness about costs is not the result of carelessness about total profits, but comes from knowledge that the costs can be passed on to procurement agencies in higher prices as well as to the tax collector in higher deductions from income. It comes also from the general increase in unit labor costs which characterizes any period of expansion and shifting of production, whether it be postwar boom or rearmament boom.

In addition to the aims of preventing profiteering and aiding to stabilize prices, the excess profits tax is intended to help divert capacity to the production of armaments. It is intended to discriminate among firms and industries. But this makes it unsuitable to present conditions. It prevents the functioning of profits as guide to the mobilization of productive forces by business. Consequently, it is argued, the excess profits tax will obstruct the provision of adequate capacity for the production of armaments and of civilian goods. It will take away the incentive to hold costs down and to develop new products and processes. By reducing incentive to invest and reducing the funds available for reinvestment the excess profits tax sets limits to economic growth. In a long period of rearmament the shortage of capacity would be intensified. Instead of conserving materials and labor and providing goods at the lowest cost, in order to make profits, businesses which are restricted as to profit making would become careless in their use of productive resources and would not apply them to expansion of capacity.

The foregoing argument may be disputed on several points. The first is that its emphasis on expansion is wrong when production is near capacity levels. Diversion of resources, that is, conversion of industry, is necessary. The dangerous slowness of rearmament early in World War II was accounted for partly by an excess profits tax that was not heavy enough to cause any diversion. In addition, diversion by means of taxation would avoid direct measures which would be costlier and involve greater interference with production. Where expansion is necessary, it need not be prevented by an excess profits tax. The financial resources of business are so great that they could pay for the expansion.

EXHIBIT 3 (PART 2)

ARGUMENTS PRO AND CON THE CONTINUATION OF THE EXCESS PROFITS TAX

A. ARGUMENT IN SUPPORT OF CONTINUATION OF THE TAX

1. The reasons which lead to the adoption of an excess profits tax nearly three years ago, are just as applicable today as they were then.

2. To hear the protests of corporations, one would suspect that they were hard up or in poor financial condition or that poverty is staring them in the face. Nothing could be further from the truth. The truth is that profits for the first quarter of 1953 were running at the rate of $42.8 billion per year, with profits after taxes exceeding $19 billion. That is almost tops for a record. New construction and investment producers' durable equipment were at new highs in the first half of 1953. Everything shapes up to a peak prosperity, profits both before and after taxes, dividends, investments all exceed by a considerable margin the profitable postwar years. A stated objective of the excess profits tax when enacted in 1950 was to reach corporation profits swollen by defense expenditures. Those profits are still swollen and will continue excessively high. If we were right in taxing them back in 1951 and 1952, we are still right in taxing them now.

3. An excess profits tax will restrain inflation in two ways (1) by reducing the size of the budget deficit, and (2) by taking away some of the incentive from raising prices and thus increasing profits still higher. Knowledge that an excess profits tax will take a large slice of additional profits will deter business from raising prices and profits above their already high level. Higher profits cannot but give further justification to labor to press forward for ever higher and higher wages, and thus give them new impetus to the vicious circle of inflation as it moves on in its devastating destruction.

4. Excess profits tax is one important step in financing our huge military program arising out of hostilities in Korea. Whether those hostilities continue or not, we shall continue to incur very large defense expenditures to build up our military might to a point where we shall be secure against attack from without. Not only must we continue to protect ourselves but we must continue to arm the free world against Communism.

5. We have just concluded the fiscal year 1953 with a deficit of $9.4 billion. Another huge deficit is in prospect for the current fiscal year. We must continue to work for economic security as well as military security. A budget more nearly in balance than currently appears in prospect is essential to a sound economy, a sound monetary system, and protection against inflation. The present tax is yielding around $2 billion per year. We simply cannot afford to give up this source of revenue.

6. If the excess profits tax should be repealed now, it would give additional justification for the reduction or repeal of other taxes already scheduled to be reduced or expire. The financial condition of the Treasury is such that we just cannot stand a loss of revenue not only from the excess profits tax but from these others as well.

7. It is not without significance that many of those most vocal in their demands for repeal of the excess profits tax are also the staunchest supporters of a national sales tax. It seems abundantly clear that in their opposition to a continuance of the excess profits tax, business is attempting to maneuver us into the position of being forced to adopt a sales tax to protect ourselves from national bankruptcy. Those of us who have the interests of the family, the laboring man, and the pensioner at heart cannot but deplore the selfish action of business seeking to shift their own just burden to the shoulders of those less capable of carrying it.

B. ARGUMENT IN OPPOSITION TO CONTINUATION OF THE TAX

1. The best general statement of the argument against continuation of the excess profits was made by President Eisenhower when he recommended its extension. He said:

"Though the name suggests that only excessive profits are taxed, the tax actually penalizes thrift and efficiency and hampers business expansion. Its impact is especially hard on successful small businesses which must depend on retained earnings for growth."

2. The excess profits tax has its foundation in an irrational argument. It is assumed that because profits of a certain amount were made 1946–1949, any profits currently being made in excess of that amount are war profits or emergency profits. Thus a corporation which had poor profits 1946 to 1949 and now enjoys higher profits, must bear the tax irrespective of whether current profits have relation or not to our defense build-up. On the other hand, a corporation really making high profits 1946 to 1949 can continue to make those high profits without any tax liability whatsoever.

3. The general inequity of the excess profits tax is made clear by the numerous extremely complicated relief provisions that have had to be inserted in the law in order to make it workable. The difficulty and complexity of the excess profits tax are far out of proportion to the revenue we get from it, namely about 3 percent of total collections. Frankly, the tax is penalizing in its principal effect. It is a concession to semantics and a yield to slogans of take the profit out of war.

4. The farther we get away from the 1946 to 1949 base period, the farther away we get from reality. There seems to be something inherently unfair in making the rate of taxes on income earned in December 1953 depend on the amount of profits the corporation earned in January of 1946, nearly 8 years previously. Invalid though any assumption may be that the earnings of any period represent a normal against which to judge the level of profits of another period, whatever normal character the earlier period had becomes lost as time passes. As the tax continues, more and more relief provisions will have to be installed in order for the tax to have any degree of rationality whatsoever. In brief, the whole concept of what is excessive profits is elusive.

5. The excess profits tax exercises a strangling effect on the economy. The tax instead of providing some stimulus to pro-

duction—the most important part of any defense built-up—captures profits made so that new investments in needed productive facilities are lost. Further, any investment funds that might be available will long ponder the justification of their investment. As the Senate Finance Committee said in recommending repeal of the tax after World War II:

"This tax is a major obstacle in the way of reconversion and expansion of business which are essential for the attainment of a high level of employment and income. The tax takes such a large portion of corporate profits that most businesses are not willing to take the risk of expanding their business while this tax is in operation."

6. The tax encourages waste both in purchasing and in manufacturing. Waste is encouraged in government purchasing, because purchasing agents will reason that there is little point in sharp bargaining, hoping that high taxes will siphon off the profit. Manufacturers on the other hand can reason that there is little point in their being efficient and cutting waste, because whatever they do save will almost entirely be taken up by the government in income and excess profits taxes.

7. Small businesses are among the most hurt by the excess profits tax. As the Senate Select Committee on Small Business recently said:

"Your committee submits that there is no other tax so injurious to small business and so dangerous to our entire free-enterprise capitalism. The tax is an extremely unfair tax, since it is impossible to measure what is excess in the profit picture and to devise an equitable normal base period. To a business which is unable to obtain funds and must grow from within, the tax has the effect of being a damper on such growth at the moment when the concern begins to hit its stride in an operating and income sense . . . thousands of small concerns pay excess-profits taxes, and all corporations, large or small, find that the tax tends to check growth, destroy initiative, and discourage sound and efficient management."

EXHIBIT 4

CONGRESSMEN WHO HAVE INTRODUCED THE EXCESS PROFITS TAX IN 91ST CONGRESS

H.R. 11754: Mr. Hechler, May 28.

H.R. 11907: Mr. Farbstein.

H.R. 11974: Mr. Biaggi.

H.R. 11991: Messrs. Lujan, Lowenstein, Addabbo, Bingham, Brasco, Brown of California, Diggs, Edwards of California, Mrs. Hansen of Washington, Messrs. Hathaway, Kyros, Mikva, Mrs. Mink, Messrs. Olson, Ottinger, Pike, Podell, Rosenthal, Scheuer, Tiernan.

H.R. 12256: Mr. Bennett.

EXHIBIT 5

[From the Washington Post, July 29, 1966]

ULLMAN SEEKS EXCESS PROFITS TAX

(By Michael Drosnin)

Charging that the Johnson Administration has failed to correct the "artificial imbalance" in the economy, Rep. Al Ullman (D-Ore.) yesterday introduced legislation designed to bring down interest rates and impose an excess profits tax on corporate incomes.

Ullman warned that the country faces "a segmented recession of major proportions." He called his tax package an effort "to trim the fat from those areas of the economy which are gorging themselves on inflation, and at the same time restore growth" to depressed industries.

The Oregon congressman, a member of the Ways and Means Committee, singled out the slumping home-building industry as one being "destroyed" by present economic policies. Lumber is Oregon's second biggest industry.

ULLMAN BILLS

The two bills introduced by Ullman would:

Suspend the 7 per cent investment tax credit for one year.

Impose a 4 per cent emergency tax on corporate income.

Place an additional 5 per cent surtax on corporate profits exceeding the 1962–65 average.

Give the President authority to impose "broad installment credit restrictions."

Urging immediate action, Ullman declared at a news conference yesterday that "we have a real national emergency in Vietnam, and we're trying to conduct business as usual at home."

"No one," he maintained, "should wax fat off the profits generated by the Vietnam War."

Ullman was sharply critical of the Federal Reserve Board and its chairman, William McChesney Martin. "Under the artificial impetus of the war effort," he said in introducing his bills, "the hackneyed monetary remedy of the Federal Reserve Board has aggravated rather than discouraged the inflationary overexpansion in plants and equipment."

The Fed has relied primarily on raising the discount rate to cool off an "overheating" economy. Ullman charged that this policy takes into account only one-half of the picture, ignoring the fact that some segments of the economy "are already on the verge of recession."

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY PRIME CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales [1]
	U.S. total [2]	38,826,625	100.00	100.00	
	Total, 100 companies plus their subsidiaries [3]	26,171,192	67.41	67.41	
1.	General Dynamics Corp	2,231,488			
	Dynatronics, Inc	27			
	Stromberg Carlson Corp	7,782			
	United Electric Coal Co	42			
	Total	2,239,339	5.77	5.77	67
2.	Lockheed Aircraft Corp	1,858,363			
	Lockheed Shipbuilding Construction	11,834			
	Total	1,870,197	4.82	10.59	88
3.	General Electric Co	1,485,096			
	General Electric Supply Co	3,611			
	Total	1,488,707	3.83	14.42	19
4.	United Aircraft Corp	1,320,991	3.40	17.82	57
5.	McDonnell Douglas Corp	1,087,660			
	Conductron Corp	5,372			
	Hycon Manufacturing Co	7,805			
	Total	1,100,837	2.84	20.66	75
6.	American Telephone & Telegraph Co	161,405			9
	Chesapeake & Potomac Telephone Co	13,018			
	Illinois Bell Telephone Co	38			
	Mountain States Telephone & Telegraph Co	1,872			
	New England Telephone & Telegraph Co	549			
	New Jersey Bell Telephone Co	529			
	New York Telephone Co	152			
	Northwestern Bell Telephone Co	235			
	Ohio Bell Telephone Co	601			
	Pacific Northwest Bell Telephone	160			
	Pacific Telephone & Telegraph Co	225			
	Southern Bell Telephone & Telegraph	2,178			
	Southwestern Bell Telephone	1,197			
	Teletype Corp	22,591			
	Western Electric Co., Inc	571,177			
	Total	775,927	2.00	22.66	
7.	Boeing Co	762,141	1.96	24.62	54
8.	Ling-Temco-Vought Inc	50,011			
	Altec Service Co	58			
	Braniff Airways Inc	46,304			
	Continental Electronics Manufacturing Co	4,238			
	Jefferson Wire & Cable Corp	151			
	Jones & Laughlin Steel Corp	695			
	Kentron Hawaii, Ltd	8,549			
	LTV Electro Systems	123,592			
	LTV Aerospace Corp	487,762			
	LTV Ling Altec, Inc	886			
	Memcor, Inc	25,883			
	National Car Rental System	11			
	Okonite Co., The	1,656			
	Wilson & Co., Inc	8,299			
	Wilson Pharmaceutical & Chemical Corp	16			
	Wilson Sporting Goods Co	150			
	Total	758,261	1.95	26.57	70
9.	North American Rockwell Corp	668,482			
	Remmert-Werner, Inc	159			
	Total	668,641	1.72	28.29	57
10.	General Motors Corp	629,515			
	Frigidaire Sales Corp	95			
	Total	629,610	1.62	29.91	2
11.	Grumman Aircraft Engineering Corp	629,197	1.62	31.53	67
12.	AVCO Corp	583,648	1.50	33.03	75

Footnotes at end of table.

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY PRIME CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales [1]
13.	Textron, Inc.	18,438			
	Accessory products Co.	133			
	Bell Aerospace Corp.	478,691			
	Bell Aero-Systems Co.	100			
	Bostitch, Inc.	14			
	Camcar Screw and Manufacturing Co.	80			
	Fafnir Bearing Co.	1,501			
	Fanner Manufacturing Co.	66			
	Talon, Inc.	332			
	Textron Electronics, Inc.	993			
	Townsend Co.	297			
	Waterbury Farrel	102			
	Total	500,747	1.29	34.32	36
14.	Litton Industries, Inc.	28,752			
	Aero Service Corp.	822			
	Allis (Louis) Co.	1,318			
	Alvey Ferguson Co.	130			
	Clifton Precision Products Co.	27			
	Eureka X-Ray Tube Corp.	33			
	Ingalls Shipbuilding Corp.	277,289			
	Kimball Systems, Inc.	22			
	Litton Precision Products, Inc.	6,829			
	Litton Systems, Inc.	150,386			
	Monroe International, Inc.	43			
	Profexray, Inc.	27			
	Royal Typewriter Co., Inc.	13			
	Total	465,691	1.20	35.52	25
15.	Raytheon Co.	431,241			
	Amana Refrigeration, Inc.	18			
	Machlett Laboratories, Inc.	19,350			
	Microstate Electronics Corp.	125			
	Raytheon Education Co.	926			
	Seismograph Service Corp.	94			
	Total	451,754	1.16	36.68	55
16.	Sperry Rand Corp.	447,197	1.15	37.83	35
17.	Martin Marietta Corp.	357,642			
	Amphenol-Borg Electronics, GMBH	286			
	Bunker Ramo Corp.	35,526			
	Total	393,454	1.01	38.84	62
18.	Kaiser Industries Corp.	97			
	Kaiser Aerospace & Electronics Co.	5,615			
	Kaiser Jeep Corp.	295,803			
	Kaiser Steel Corp.	52,836			
	National Steel & Shipbuilding Co.	31,983			
	Total	386,334	1.00	39.84	45
19.	Ford Motor Co.	76,771			
	General Micro-Electronics, Inc.	170			
	Philco Ford Corp.	304,403			
	Total	381,344	0.98	40.82	3
20.	Honeywell, Inc.	351,625			
	Computer Control Co., Inc.	57			
	Total	351,682	.91	41.73	24
21.	Olin Mathieson Chemical Corp.	329,415	.85	42.58	

Footnotes at end of table.

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY PRIME CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales [1]
22.	Northrop Corp.	182,150			
	Hallicrafters Co.	33,467			
	Northrop Carolina, Inc.	26,183			
	Page Communications Engineers, Inc.	67,934			
	Secoa, Inc.	493			
	Warnecke Electron Tubes, Inc.	29			
	Total	310,256	0.80	43.38	61
23.	Ryan Aeronautical Co.	133,751			
	Continental Aviation and Engr. Corp.	39,142			
	Continental Motors Corp.	111,891			
	Wisconsin Motor Corp.	8,374			
	Total	293,158	.76	44.14	
24.	Hughes Aircraft Co.	285,858			
	Meva Corp.	251			
	Total	286,109	.74	44.88	
25.	Standard Oil of New Jersey	148			
	American Cryogenics, Inc.	251			
	Enjay Chemical Co.	93			
25.	Standard Oil of New Jersey:				
	Esso A. G.	1,310			
	Esso International Corp.	144,905			
	Esso Petrol Co. Ltd.	92			
	Esso Research and Engineering Co.	1,164			
	Esso Standard Eastern, Inc.	340			
	Esso Standard Italiana	2,035			
	Esso Standard Oil Co., S. A.	2,584			
	Esso Standard SAF	119			
	Esso Standard Thailand, Ltd.	124			
	Humble Oil & Refining Co.	121,212			
	Total	274,377	.71	45.59	
26.	Radio Corp. of America	254,961			2
	RCA Defense Electronics Corp.	39			
	RCA Institutes, Inc.	12			
	Total	255,012	.66	46.25	16
27.	Westinghouse Electric Corp.	247,664			
	Thermo King Corp.	1,466			
	Thermo King Sales & Service	66			
	Westinghouse Electric Supply Co.	1,319			
	Westinghouse Learning Corp.	524			
	Total	251,039	.65	46.90	13
28.	General Tire & Rubber Co.	11,636			
	Aerojet Delft Corp.	979			
	Aerojet General Corp.	210,232			
	Batesville Mfg. Co.	24,182			
	Fleetwood Corp.	10			
	Frontier Airlines, Inc.	21			
	General Tire International Co.	996			
	Total	248,056	.64	47.54	37
29.	International Telephone & Tel. Corp.	135,713			
	Amplex Corp.	67			
	Barton Instrument Corp.	37			
	Consolidated Electric Lamp Co.	11			
	Continental Baking Co.	2,194			
	Federal Electric Corp.	65,499			

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY PRIME CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales [1]
29.	International Telephone & Tel. Corp.—Continued				
	ITT Electro Physics Laboratories	2,715			
	ITT Gifillan, Inc	34,809			
	ITT Technical Services, Inc	521			
	Total	241,566	0.62	48.16	19
30.	International Business Machines Co	223,023			
	Science Research Associates, Inc	199			
	Service Bureau Corp	439			
	Total	223,661	.58	48.74	7
31.	Bendix Corp	214,398			
	Bendix Field Engineering Corp	7,426			
	Bendix Westinghouse Automotive	175			
	Dage Electric Co., Inc	13			
	Fram Corp	1,017			
	Mosaic Fabrications, Inc	195			
	P & D Mfg. Co, Inc	331			
	Total	223,555	.58	49.32	42
32.	Pan American World Airways, Inc	205,652	.53	49.85	44
33.	FMC Corp	175,860			
	Gunderson Bros. Engineering Corp	9,406			
	Total	185,266	.48	50.33	21
34.	Newport News Shipbld. & Dry Dock Co	181,248			
	Nuclear Service & Constr. Co., Inc	61			
	Total	181,309	.47	50.80	90+
35.	Raymond Morrison Knudsen (JV)	176,000	.45	51.25	
36.	Signal Companies, Inc. (The):				
	Dunham Bush, Inc	465			
	Garrett Corp	114,620			
	Mack Trucks, Inc	48,407			
	Signal Oil & Gas Co	5,792			
	Southland Oil Corp	2,287			
	Total	171,571	.44	51.69	
37.	Hercules, Inc	170,242			
	Haveg Industries, Inc	1,119			
	Total	171,361	.44	52.13	31
38.	DuPont E. I. de Nemours & Co	30,662			
	Remington Arms Co	139,907			
	Total	170,569	.44	52.57	
39.	Texas Instruments, Inc	169,271	.44	53.01	
40.	Day & Zimmerman, Inc	166,240	.43	53.44	
41.	General Telephone & Electronic Corp	93			
	Automatic Electric Co	9,682			
	Automatic Electric Sales Corp	1,829			
	General Telephone & Electronic Laboratory	273			
	General Telephone Co. of Southeast	151			
	Hawaiian Telephone Co	4,626			
	Lenkurt Electric Co., Inc	8,650			
	Sylvania Electric Products, Inc	133,706			
	Total	159,010	.41	53.85	25
42.	Uniroyal, Inc	154,163			
	Uniroyal International Corp	136			
	Total	154,299	.40	54.25	

Footnotes at end of table.

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY PRIME CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales [1]
43.	Chrysler Corp	146,586			
	Factory Motor Parts Co	14			
	Total	146,600	0.38	54.63	4
44.	Standard Oil Co. of Calif	71,462			
	Caltex Asia, Ltd. [4]	1,853			
	Caltex Oil Products Co. [4]	61,766			
	Caltex Oil Thailand, Ltd. [4]	1,995			
	Caltex Overseas, Ltd. [4]	379			
	Caltex Philippines, Inc. [4]	436			
	Chevron Asphalt Co	50			
	Chevron Chemical Co	797			
	Chevron Oil Co	2,153			
	Chevron Oil Co. of Venezuela	1,610			
	Chevron Shipping Co	1,297			
	Standard Oil Co. Kentucky	2,297			
	Standard Oil Co. Texas	122			
	Total	146,217	.38	55.01	
45.	Norris Industries	139,064			
	Fyr Fyter Co	202			
	Total	139,266	.36	55.37	
46.	Texaco, Inc	45,404			
	Caltex Asia Ltd. [4]	1,853			
	Caltex Oil Products Co. [4]	61,766			
	Caltex Oil Thailand Ltd. [4]	1,995			
	Caltex Overseas Ltd. [4]	379			
	Caltex Philippines, Inc. [4]	436			
	Jefferson Chemical Co., Inc	105			
	Texaco Antilles, Ltd	88			
	Texaco Export, Inc	22,561			
	Texaco Puerto Rico, Inc	2,451			
	White Fuel Co., Inc	984			
	Total	138,022	.36	55.73	
47.	Collins Radio Co	134,754	.35	56.08	
48.	Goodyear Tire & Rubber Co	55,358			
	Goodyear Aerospace Corp	76,201			
	Motor Wheel Corp	2,046			
	Total	133,605	.34	56.42	
49.	Asiatic Petroleum Corp	132,796	.34	56.76	
50.	Sanders Associates, Inc	130,830			
	Mithras, Inc	481			
	Total	131,311	.34	57.10	
51.	Mobil Oil Corp	128,065	.33	57.43	
52.	TRW, Inc	126,363			
	Globe Industries, Inc	348			
	International Controls Corp	672			
	Ramsey Corp	14			
	United-Carr, Inc	70			
	Total	127,467	.33	57.76	
53.	Mason and Hanger Silas Mason Co	127,064	.33	58.09	
54.	Massachusetts Institute of Technology (N)	124,143	.32	58.41	
55.	Magnavox Co	123,100	.32	58.73	
56.	Fairchild Hiller Corp	121,165			
	Burns Aero Seat Co., Inc	94			
	Total	121,259	.31	59.04	
57.	Pacific Architects and Engineers, Inc	120,895	.31	59.35	
	Thiokol Chemical Corp	119,363	.31	59.66	

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales[1]
59.	Eastman Kodak Co	117,566			
	Eastman Chemical Products Corp	51			
	Eastman Kodak Stores, Inc	706			
	Total	118,323	0.30	59.96	
60.	United States Steel Corp	108,322			
	Reactive Metals, Inc	161			
	U.S. Steel International, Inc	7,679			
	Total	116,162	.30	60.26	
61.	American Machine and Foundry Co	108,871			
	Cuno Engineering Corp	1,052			
	Total	109,923	.28	60.54	
62.	Chamberlain Corp	104,441	.27	60.81	
63.	General Precision Equipment Corp.:				
	American Meter Controls, Inc	29			
	Controls Co. of America	377			
	General Precision Decca Systems	90			
	General Precision Systems, Inc	86,361			
	Graflex, Inc	1,571			
	Industrial Timer Corp	15			
	National Theatre Supply	16			
	Strong Electric Corp	3,605			
	Tele-Signal Corp	9,686			
	Vapor Corp	2,194			
	Total	103,944	.27	61.08	
64.	Lear Sigler, Inc	74,000			
	American Avitron	43			
	LSI Service Corp	27,526			
	Transport Dynamics, Inc	685			
	Verd A Ray Corp	18			
	Total	102,272	.26	61.34	
65.	Harvey Aluminum, Inc	25,048			
	Harvey Aluminum Sales	74,045			
	Total	99,093	.26	61.60	
66.	National Presto Industries, Inc	96,886	.25	61.85	
67.	Teledyne, Inc	77,173			
	Adcom Inc	309			
	Amelco, Inc	4,146			
	Continental Device Corp	27			
	Crystalonics, Inc	13			
	Electro Development Co	50			
	Geotechnical Corp	25			
	Getz William Corp	128			
	Gill Electric Manufacturing Corp	517			
	Hydra Power Corp	1,017			
	Irby Steel Co	59			
	Isotopes, Inc	802			
	Landis Machine Co	22			
	Micronetics, Inc	346			
	Microwave Electronics Corp	30			
	Milliken D. B. Co., Inc	1,024			
	National Geophysical Co., Inc	92			
	Ordnance Specialties, Inc	24			
	Packard Bell Electronics Corp	6,504			
	Penn Union Electric Corp	11			
	Pines Engineering Co., Inc	158			
	Rodney Metals, Inc	11			
	Wah Chang Corp	26			
	Total	92,514	.24	62.09	

Footnotes at end of table.

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales[1]
68.	City Investing Co.:				
	American Electric Co	35,966			
	Hayes Holding Co	49,002			
	Rheem Mfg. Co	1,857			
	Wilson Shipyard, Inc	164			
	Total	86,989	0.22	62.31	
69.	Colt Industries, Inc	2,258			
	Chandler Evans, Inc	10,087			
	Colts, Inc	68,989			
	Elox Corp	194			
	Fairbanks Morse, Inc	4,582			
	Pratt & Whitney, Inc	436			
	Total	86,546	0.22	62.53	
70.	Western Union Telegraph Co	79,299	.20	62.73	
71.	American Mfg. Co. of Texas	76,552	.20	62.93	
72.	Curtiss Wright Corp	74,799			
	Comet Tool & Die Co	350			
	Zarkin Machine Co	275			
	Total	75,424	.19	63.12	
73.	White Motor Co	15,976			
	Hercules Engines, Inc	58,610			
	Minneapolis Moline, Inc	394			
	Total	74,980	.19	63.31	
74.	Aerospace Corp. (N)	73,541	.19	63.50	
75.	Cessna Aircraft Co	71,834			
	Aircraft Radio Corp	1,076			
	Total	72,910	0.19	63.69	
76.	Emerson Electric Co	63,776			
	Pace, Inc	68			
	Rantec Corp	31			
	Ridge Tool Co	26			
	Supreme Products Corp	8,807			
	Wiegand (Edwin L.) Co	134			
	Total	72,842	0.19	63.88	
77.	Seatrain Lines, Inc	42,039			
	Commodity Chartering Corp	1,667			
	Hudson Waterways Corp	22,547			
	Transeastern Shipping Corp	4,348			
	Total	70,601	0.18	64.06	
78.	Gulf Oil Corp	66,934			
	Goodrich Gulf Chemicals, Inc	81			
	Gulf Oil Trading Co	259			
	Pittsburgh Midway Coal Mining Co	104			
	Total	67,378	.17	64.23	
79.	Condec Corp	65,162			
	Consolidated Controls Corp	1,587			
	NEJ Corp	155			
	Total	66,904	.17	64.40	
80.	Motorola, Inc	65,175			
	Motorola Overseas Corp	218			
	Total	65,933	.17	64.57	
81.	Continental Air Lines, Inc	64,523	.17	64.74	
82.	Federal Cartridge Corp	64,519	.17	64.91	

EXHIBIT 6.—100 COMPANIES AND THEIR SUBSIDIARIES LISTED ACCORDING TO NET VALUE OF MILITARY CONTRACT AWARDS, FISCAL YEAR 1968 (JULY 1, 1967, TO JUNE 30, 1968)—Continued

Rank	Companies	Thousands of dollars	Percent of U.S. total	Cumulative percent of U.S. total	Defense contracts as percent of total sales[1]
83.	Hughes Tool Co	62,353	.16	65.07	
84.	Vitro Corp of America	59,674			
	Vitro Minerals Corp	1,471			
	Total	61,145	.16	65.23	
85.	John Hopkins University (N)	57,674	.15	65.38	
86.	Control Data Corp	50,225			
	Associated Aero Science Labs, Inc	1,891			
	CEIR, Inc	852			
	Control Corp	142			
	Electronic Accounting Card Corp	723			
	Pacific Technical Analysts, Inc	1,705			
	TRG, Inc	1,264			
	Total	56,802	.15	65.53	
87.	Lykes Corp	55,247			
	Gulf and South American Steamship Co	683			
	Total	55,930	.14	65.67	
88.	McLean Industries, Inc.:				
	Equipment, Inc	5,902			
	Gulf Puerto Rico Lines, Inc	259			
	Sea-Land Service, Inc	49,751			
	Total	55,912	.14	65.81	
89.	Aerodex, Inc	55,345	.14	65.95	
90.	Susquehanna Corp	2,415			
	Atlantic Research Corp	51,452			
	Xebec Corp	886			
	Total	54,753	.14	66.09	
91.	Sverdrup and Parcel and Associates, Inc	1,396			
	Ard, Inc	53,165			
	Total	54,561	.14	66.23	
92.	States Marine Lines, Inc	54,015	.14	66.37	
93.	Hazeltine Corp	53,781	.14	66.51	
94.	Atlas Chemical Industries, Inc	53,574	.14	66.65	
95.	Vinnell Corp	51,609	.13	66.78	
96.	Harris-Intertype Corp	913			
	Gates Radio Co	796			
	PRD Electronics, Inc	20,613			
	Radiation, Inc	29,156			
	Total	51,478	.13	66.01	
97.	World Airways, Inc	51,358	.13	67.04	
98.	International Harvester Co	51,271	.13	67.17	
99.	Automatic Sprinkler Corp. America	50,395			
	Badger Fire Extinguisher Co	38			
	Total	50,433	.13	67.30	
100.	Smith Investment Co				
	Smith A. O. Corp	40,323			
	Smith A. O. of Texas	9,998			
	Total	50,321	.13	[3] 67.43	

[1] Available only for U.S. companies with more than $1,000,000,000, for the period 1961–67 (taken from Lapp, Ralph E., "The Weapons Culture," app. II).

[2] Net value of new procurement actions minus cancellations, terminations and other credit transactions. The data include debit and credit procurement actions of $10,000 or more, under military supply, service and construction contracts for work in the United States plus awards to listed companies and other U.S. companies for work overseas.

Procurement actions include definitive contracts, the obligated portions of letter contracts, purchase orders, job orders, task orders, delivery orders, and any other orders against existing contracts. The data do not include that part of indefinite quantity contracts that have not been translated into specific orders on business firms, nor do they include purchase commitments or pending cancellations that have not yet become mutually binding agreements between the government and the company.

[3] The assignment of subsidiaries to parent companies is based on stock ownership of 50 percent or more by the parent company as indicated by data published in standard industrial reference sources. The company totals do not include contracts made by other U.S. Government agencies and financed with Department of Defense funds, or contracts awarded in foreign nations through their respective governments. The company names and corporate structures are those in effect as of June 30, 1968, and for purposes of this report company names have been retained unless specific knowledge was available that a company had been merged into the parent or absorbed as a division with loss of company identity. Only those subsidiaries are shown for which procurement actions have been reported.

[4] Stock ownership is equally divided between Standard Oil Co. of California and Texaco, Inc; half of the total of military awards is shown under each of the parent companies.

[5] Does not agree with percentage shown on p. 7, due to rounding.

EXHIBIT 7

Trends in defense contracts, 1960–69

	Billion
1960	$22.5
1961	24.3
1962	27.8
1963	28.1
1964	27.5
1965	26.6
1966	35.7
1967	41.8
1968	41.2
1969 (est.)	42.3

"Armed forces' contracts for goods and services in the U.S. have nearly doubled in nine years . . . ."

Source: U.S. News & World Report, April 21, 1969, p. 61.

Mr. RANDALL. Mr. Chairman, I rise in opposition to H.R. 12290. There is a long list of reasons why the surtax should not be extended.

First and foremost is because it has not served the purpose for which it was enacted; that is, to curb inflation. It is easy for those of us who opposed the imposition of the surtax in the first place to be able now, with complete consistency to oppose its extension.

If a surtax is not going to stop inflation, it is quite proper to inquire what will stop inflation? The answer is to reduce spending by the Government and to find some way to end the increasing supply of money, because even as late as April, total bank credit was increasing at a rate of 3.4 percent.

There is a sentence in the report which accompanies H.R. 12290 which states the enactment of this bill "will continue the anti-inflationary fiscal program of the act of 1968." With inflation going at the pace it is today and prices climbing higher and higher and with interest rates historically high, who can argue the surcharge has served as a brake on inflation? The truth of the matter is that even though the 1968 proponents may have been good intentioned, the tax has just not done what it was supposed to do. The question we should ask ourselves today is, Can we afford another year of this kind of inflation control? Can we afford another year or even another 6 months of the kind of inflation control that served only to raise interest rates to a dizzy level and witness steadily rising cost of living.

A second reason to oppose the extension is to make good our words of 1968. When the surtax was proposed last year, it was promised to be a "temporary" tax. Well, of course, there were many at that time who recalled the most permanent tax of all is that which is labeled "temporary." The fact that we are being urged to extend this tax today should prove the point that once a tax is enacted, it is almost impossible to get rid of it. Today we have our chance to prove the surtax was really temporary and not permanent.

Oh, it is true that our friends on the Ways and Means Committee have tried to provide a few sweeteners. They have included in the proposed law an income allowance exempting the poor from Federal income tax in this surcharge bill. This may be one small step in the right direction but the number of individuals benefited in any congressional district will be minuscule in number compared to the large numbers who will have to bear the continued inequities under the present tax structure. The committee has completely neglected the middle-income taxpayer while leaving intact all the tax favors for the very rich.

A third and most important reason for opposition to the surtax is that the extension of the tax at this time without the long needed and meaningful Federal income tax reforms will substantially foreclose any possibility of tax reform during this Congress. A crying need exists to close tax loopholes and make our Federal income tax system equitable. A comprehensive reform of our entire tax structure is long overdue. It is inconceivable that an untold number of millionaires go free without paying one cent of Federal tax. Certainly there should be a minimum tax that would be paid by all persons above a certain level of income regardless of existing provisions for unlimited charitable contributions and other unlimited chargeoffs.

Patience to wait for tax reform has just about run out. Even though Mr. Nixon promises reform, who among us can forget that we heard that same argument from President Johnson, that tax reform was a complex, time-consuming matter and even though it was desirable,

our former President went on to say, such a pressing measure as last year's enactment of the surcharge should not have to wait on tax reform.

Mr. Nixon's arguments of today are exactly like Mr. Johnson's of last year. He promises tax reform but does not want extension of the surtax to have to wait on tax reform. Unless there is a meaningful tax reform under the stimulus of the present so-called taxpayers' revolt, it may be many years before Congress will be faced with a strong enough incentive to enact extensive and beneficial tax reform.

Some of us remember the credibility gap of the Johnson administration. Will there be a new credibility gap develop under the present administration?

To vote against the extension of the surtax is a vote in opposition to a tax structure which permits some citizens to escape their fare share while overburdening others beyond their ability to pay. If we ratify the failure by our Ways and Means Committee to propose any meaningful reforms, we are really reimposing the surtax upon the present foundation of an inequitable and shoddy tax structure.

A "fair share" tax system is long overdue. When Secretary of the Treasury Barr left office in January, he revealed in detail the shocking fact that many millionaires pay no tax at all. To permit a Federal tax structure to continue which lets the rich go free and penalizes the wage and salary earners in these days of heavy local and State taxes is not only inequitable, it is intolerable.

The question frequently asked is what will happen if this surtax extension is defeated? In my opinion, the refusal to extend would be an instruction to our Ways and Means Committee to get busy with immediate action to report out a bill that would provide substantial and equitable reform to include long-overdue tax relief for the low- and middle-income families.

Extensive hearings have already been held. There is no reason why the committee could not move quickly. Withholding has been extended. We on the House side could be ready with reform before the Senate finished its action on the surtax.

Another strong reason why H.R. 12290 should be defeated is that it removes the 7-percent investment credit. If the Ways and Means Committee were genuinely concerned about the small independent businessman or the family farmer, they would have allowed this credit to be retained by these farmers and small businessmen at least up to some limit such as $15,000 or $20,000. The removal of this investment credit will also upset the programs of some of our large industries. It is bad enough to eliminate the credit but it is worse to make it retroactive to April 21, or the day it is alleged that Mr. Nixon made his first announcement urging the repeal of the investment credit. Why was it we could not leave a reasonable ceiling to encourage the family farmer and retail businessman to strengthen their competitive position. As it is, by the repeal of this investment credit we have taken away one of the few means of assistance that remain for our farmers who are already laboring under an almost impossible burden due to inflation and low prices. Our farmers have long suffered from what is called a "cost-price" squeeze. Surely our farmers deserve better treatment than to see their position worsened. The 7-percent investment credit was about all they had left to encourage them to purchase new machinery and equipment as a means of increasing their efficiency. Our farmers and small businessmen had the right to expect this credit with a reasonable ceiling would become a permanent feature of our tax system. H.R. 12290 deprives them of one of the few tax advantages that has ever benefited our farmers.

This year I introduced a bill designed to revitalize our rural communities providing for an added investment credit to encourage industry to locate in our small towns in the rural areas. The object was to try to reverse the population imbalance between the urban and rural areas. If the investment credit is repealed a roadblock will thus be erected against this worthwhile effort.

It is always a good thing to take a look at who is for or against any proposed legislation. In the case of the surtax extension, there is an almost unbelievable unanimity of opposition. In the industrial arena, this surtax is opposed by both the AFL–CIO and the National Association of Manufacturers. It is rarity and a most unusual situation when these two groups nearly always on opposite sides of an issue, can agree. In the agricultural sector of our economy, the American Farm Bureau and the National Farmers Organization are almost invariably arrayed against each other. I never thought that I would live to see the day when the AFB and the NFO were on the same side of an issue. For a very good reason both are against the extension of this surtax because they both have the interest of our farmers at heart. When the AFL–CIO agrees with the NAM and the Farm Bureau agrees with the National Farmers Organization, all in opposition to a particular measure, then it would seem to me to behoove a Member to study and consider very carefully the objections raised when all four of these great organizations concur with each other in their viewpoints.

One further reason to oppose the extension of the surtax is to help a man keep his word. Back in Missouri we attach a great deal of importance to keeping our word. Our forefathers who settled this country could not have survived had it not been the practice of all of these people to do what they said they would do. Today we believe in that kind of integrity and today we like to help others to keep their word. On September 4, 1968, in a speech in Illinois, the present occupant of the White House said:

> I think this tax should be allowed to expire as scheduled, next June 30th.

Then on October 11, 1968, in a speech in Dallas, in a campaign statement, President Nixon said that he did not agree that the 10-percent surtax on income should be retained. His exact statement at that time was:

> I say this tax should be repealed as soon as possible.

Today I want to help our President keep his word and I urge all of you who believe that a man's word should be good, help the President. Make good his word by a vote to defeat this proposal to continue the surtax.

Mr. COHELAN. Mr. Chairman, issues of tax reform and inflation control are presented for our consideration today.

There can be no question that the country is today in the midst of increasingly serious problems of inflation.

In the last 10 months, the cost of living has increased 5.5 percent. Wholesale prices have risen 4.1 percent.

Interest rates have skyrocketed. The prime rate has gone up to a staggering 8.5 percent. FNMA mortgage securities have risen to over 8 percent. And even securities of the United States are producing interest yields of better than 6.5 percent.

Our balance of trade is only very nearly even. And were it not for foreign aid and military assistance sales, our net trade position would be in deficit and not in surplus.

There seems little doubt that prices, interest rates, and the stability of the dollar in the international market, are all in even worse shape today than they were a year ago when the House first enacted the 10-percent income tax surcharge.

Some might argue that this fact indicates that the surtax does not work. I do not subscribe to this view. If we had not passed the surtax and controlled Federal spending last year, inflation would be even worse this year.

Last year I voted for the surtax.

I told the House:

> Prices, and that means the cost of living, have been going up rapidly over the past several months. Money in savings accounts and bonds is becoming worthless even while it earns interest. People living off fixed incomes—pensioners, annuitants, social security recipients—are experiencing real reductions in their standards of living as they get caught in the squeeze of rising prices and unchanging incomes. They simply cannot buy as much as they used to. Similarly low income families—those just barely eking out a living and those receiving public assistance—are finding that they too have even less to go around as prices rise and incomes do not. In short, rising prices constitute a hardship, a literal debasing of our coinage, a tax, if you will, on all of us, and especially on those who can least afford it or do anything about it. Thus even if we were not to consider a tax bill, we would still be placing a de facto tax on ourselves.

All these things which I said a year ago are doubly true today.

We urgently need to control inflation.

We must implement a sound and restrained Federal fiscal policy to curb inflation.

Thus the question before us today resolves itself into one of chosing amongst the alternatives available for controlling inflation.

These alternatives are to: maintain current fiscal policy and attempt to control inflation through tighter money and higher interest, implement wage and price controls, adopt the extension of the surtax, adopt comprehensive revenue raising tax reforms, cut back Federal spending, particularly for Vietnam and for wasteful military procurements.

I have given much thought to each of

these alternatives. In my view at least two of these alternatives are at this time preferable to the extension of the surtax.

I would like to take a moment to explain the reasons which underlie this judgment.

First. Maintain current fiscal policy and attempt to control inflation through tighter money and higher interest.

At the present time the prime interest rate, the rate at which the most creditworthy corporate borrowers secure their money, is 8½ percent. This is the highest prime rate in the last generation. And this high interest rate is reflected in the still higher rates paid by less creditworthy borrowers.

The interest rate is at this high level because central bankers and commercial bankers have attempted to control inflation in their own way by restricting the availability of investment capital.

The trouble with this method of control of inflation is that it does not work very well. Interest rates are high, but borrowers seem only to assume that they will go higher.

Worst of all, one sector of the economy—the construction industry—suffers mightily when interest rates rise. While the annual rate of new housing starts has not yet begun to decline from around 1.5 million, there can be no doubt that if current rates continue, it certainly will decline. And even at 1.5 million new starts, we are still well behind the statutory goal of 2.6 million annually.

And so as housing starts decline, those who need housing suffer. And so too do those in the construction trades. These people bear the brunt of attempts at controlling inflation through control of the interest rate.

Thus because monetary policies alone will not work, and do cause a hardship on the construction industry and the supply of new housing, I do not find this an acceptable alternative to controlling inflation.

Second. Implement wage and price controls.

Those of us who have experienced the days of the OPA do not need to be reminded of the vagaries of that system of controlled prices.

Wage and price controls seems to me to be a very last resort useful only when other more moderate means of inflation control have been tried and found wanting.

Substitution of administered prices for market-determined prices is fraught with as many inequities as the inflation it attempts to control.

Accordingly I do not find price controls to be an acceptable alternative.

Third. Adopt the extension of the surtax.

The House is today considering H.R. 12290. This bill would extend the income tax surcharge at the rate of 10 percent for the remainder of calendar year 1969, and at 5 percent for the first 6 months of 1970. The bill would also repeal the 7-percent investment tax credit as of April 18, 1969, and would extend the current excise taxes on automobiles and communication services. To promote greater investment in pollution control facilities the bill would allow accelerated depreciation for expenditures in this area. And to ease the burden on low-income taxpayers—those near or below the poverty level—a low-income allowance would be provided to remove 5.2 million taxpayers from Federal income tax liability.

The anti-inflationary impact of this tax bill comes from the $8.9 billion raised by the surtax extension and the $3.95 billion raised by the repeal of the investment tax credit.

Coupled with the current budget figures for expenditures, these additional revenues would create a substantial budgetary surplus and ease the demand for new capital and consumer goods, and thus ease the pressure on prices.

This approach to controlling inflation seems to me to be quite sound. I object to it only on two grounds. First, I think there are better and less onerous alternatives. Second, the surtax only serves to magnify the existing inequities in our income tax structure. Those millionaires who pay no taxes, will not pay more because of the surtax. Those who already bear an unfairly large share of the tax burden will bear an even larger burden with the extension of the surtax. Reform of the underlying tax structure is needed to deal with this problem of inequity.

Fourth. Adopt comprehensive revenue-raising tax reform.

Let me turn now for a moment to the first of the two alternatives which I find more acceptable.

In many ways the issue before us today is whether the American taxpayer will get comprehensive, meaningful tax reform this year.

The Ways and Means Committee has been holding hearings for months on tax reform. But the indications are that after all that laboring, the committee is prepared only to deliver itself of a mouse.

The public wants an end to the glaring injustices in our tax law. There are numerous proposals for reform available. All that seems to be lacking is the will in the Congress and the administration to give the people what they want—meaningful tax reform.

Many of us believe that we will not get worthwhile tax reform unless the administration can be brought to support it. One way to get the support of the administration for tax reform is to couple tax reform to the extension of the surtax. Thus, if the surtax is defeated today, the administration will have to get behind tax reform to raise the revenues necessary to implement its sound policy of fiscal restraint. This at least is the hope of those of us who are opposing this bill today.

I have made known to the House Ways and Means Committee my belief that substantial reforms may be necessary in the treatment of capital gains, the taxation of mineral depreciation and production, the taxation of transfers by gift and through decedents' estates, the treatment of hobby farming, the taxation of tax-exempt bonds, and in several other areas.

These reforms could raise billions of dollars in new revenues. If these revenues could be raised, they could certainly offset at least a portion of the proposed surtax revenues. And thus they could have the same anti-inflationary impact.

Moreover, with tax reform, we could improve the equity of our system. Rather than magnifying the inequity as with the extension of the surtax.

Presidents Kennedy, Johnson, and Nixon have all promised to support tax reform. Yet we have not had any major tax reform. Last year in fact the Congress explicitly requested the President to present a tax reform package. President Johnson refused to submit these reform proposals to the Congress.

It thus appears that we will have to extract administration support for reform. And so we face the question today. Will we get meaningful tax reform if we pass this surtax today? I doubt it.

Fifth. Cut Federal spending.

There is still another viable alternative to tax reform and the extension of the surtax as a means of meeting inflation. This is to cut back Federal expenditures.

Two principal areas of the budget suggest themselves.

First, the major cause of our inflation throughout the past 24 months has been the Vietnam war. If this war could be brought to an end, or at least scaled down, it should be possible to reduce Federal spending substantially.

The budget for the coming fiscal year is based on assumptions of continued full scale American combat troop involvement. Yet the President has ordered the withdrawal of 25,000 combat troops and has expressed the hope that all American fighting men could be withdrawn 6 months after the close of the coming fiscal year.

Surely it should be possible to reflect some of the savings associated with the termination of our involvement in that tragic war in this year's budget. Why should we tax ourselves to pay for a war most of us want to end, especially when there are indications that the projected expenditures can be reduced.

Second, there have been reports of widespread waste and mismanagement in military procurements. Some of these reports indicate the needless expenditure of billions of dollars. Surely some of this waste can be recaptured.

I am participating on several study groups concerned with defense priorities. From these studies I am convinced that billions, perhaps as much as $10–$15 billion, can be pared from the defense budget without diminishing our security.

Certainly these areas of expenditure reduction should be explored before we raise taxes.

ABM and MIRV deployments in this year's budget total more than $3 billion in potential savings alone.

CONCLUSION

Mr. Chairman, I recognize the need to act responsibly and urgently to control inflation.

I recognize too the need for meaningful, comprehensive tax reform.

I would therefore support a short term extension of the surtax to facilitate the drafting of such tax reform legislation.

However, the option of voting for a short term extension is not before us today.

Accordingly, so long as I am convinced that there is a reasonable chance to get comprehensive revenue-raising tax reform this year, or to substantially cut

Federal expenditures for wasteful military procurements, I will not support the surtax extension.

I will vote today for tax reform.

I will vote against the 1-year extension of the surtax.

Mr. EILBERG. Mr. Chairman, every day when I read my mail I find that about 50 percent of it contains entreaties from my constituents that I exert every fiber of my being to obtain tax justice and close the glaring loopholes which now exist in our tax structure. Today, I am called upon to vote on a bill which does not take a significant step toward tax justice but instead continues the repressive tax surcharge which we were all told last year was only temporary and absolutely necessary to insure the solvency of our national economy. I cannot support such a bill and face myself or my constituents in the morning.

Last year when we enacted this temporary tax surcharge, after receiving a promise that meaningful tax reform would be forthcoming before it expired, we did so because we felt that the legislation was needed as an economic weapon against rising prices, tight money, and excessively high interest rates. The results over the last 12 months attest to the failure of the surcharge to meet any of the objectives set for it last year. I ask my colleagues how can we knuckle under to the prophets of doom and gloom and believe that the surtax, if extended will solve our economic problems when it has not curbed the tremendous increases in prices which preceded its enactment; it has not loosened the money market; and, it has not brought down interest rates.

The administration is now telling us that we must extend the tax surcharge at 10 percent for the remainder of the year and then at 5 percent until next June 30 because the Federal Government needs the revenues which the tax generates. Whether or not the surcharge needs to be extended cannot be determined until we in the Congress have acted on meaningful tax reform legislation and have eliminated nonessential spending from the President's budget, especially in the area of military and defense related expenditures. I submit that we cannot know whether the surtax revenue is needed until we have acted in these areas.

I oppose the legislation now under consideration because it has the same limitation as the income tax in that it fails to tax millionaires and special interests who use loopholes to avoid taxes on most all of their income. Those who escape paying their fair share of the tax burden because of loopholes automatically escape paying their fair share of the surtax.

Under our present tax structure, a married worker whose sole income is $8,000 a year in wages and has a standard tax deduction will pay $1,000 in Federal income tax. But, a married investor whose sole income in a year is an $8,000 profit from selling a stock or property at more than he paid for it will have to pay only $354 in Federal income tax. This certainly is not tax justice.

Mr. Chairman, I believe very strongly that, if we extend the surtax as the administration has requested, we will have lost the leverage which it is obvious we must have to force meaningful tax reform. I and countless other Members have sponsored tax reform legislation. I believe we have done this not because it is the popular thing to do but because we all firmly believe that the glaring inequities in the tax system must be corrected. We believe that the middle-income taxpayer is paying too much to his Government while the very wealthy, who can best afford to pay more, are actually paying far less than their fair share.

Some of the tax matters which I believe deserve particularly close attention by the Congress before we even consider the tax surcharge seriously are as follows: first, the elimination of the loopholes of special tax privilege for wealthy families and corporations; second, a minimum income tax on all income over a total which would provide protection for legitimate small investors but which would require at least some tax payment from those whose huge incomes are now preferentially taxed or totally tax exempt; third, reduction of the relative tax burden on middle-income taxpayers; fourth, rejection of proposals for new tax loopholes which would create more inequities in the Federal tax structure; fifth, dismissal of all proposals for a Federal retail sales tax whether it is called a value-added tax or offered clearly as a tax on consumers; and sixth, elimination of at least a substantial reduction in the oil depletion allowance.

Mr. Chairman, tax justice demands that we not extend the surcharge. The administration proposal actually represents a tax increase this year because it would apply the 10-percent surtax rate to all 1969 income rather than to income for only 9 months. I believe that we cannot pass this legislation without meaningful tax reform being considered first. The additional revenues which a meaningful tax reform package could bring in have been estimated as high as $16 billion, far more than the income which the Government would receive from a continuation of the regressive surcharge. Therefore, I urge all my colleagues to join me in voting against H.R. 12290.

Mr. PICKLE. Mr. Chairman, the gentleman from Texas (Mr. PATMAN) makes a most important point when he says the high interest rates perhaps cause as much difficulty for our economy as this question of the surcharge continuation. In my opinion, the high interest rates are causing us great problems, and we must come to grips with this question. Whatever we do on this surcharge today, ought not to lessen our efforts to fight this high interest rate with all the force at our command.

I intend to vote for the surcharge today, because I think it is needed as a means to fight inflation and as a means of providing funds to carry on the programs—domestic and international—that have been committed by this Government.

With the President of the United States, all of the former Treasurers of the United States, and all the Presidential economic advisers together with the Speaker, the majority leader, the Democratic whip, as well as the Republican majority leader and the Republican whip, I must say this is compelling reason to understand that this continuation is no partisan matter. I supported the surcharge last year because I thought our economy needed it, and although the surcharge has not solved all the inflationary problems we face, I am convinced that it has been helpful.

We need to ask ourselves what would happen to the economy if we had not passed the surcharge tax. However, I think it should not be misunderstood by the House and particularly by the President or the administration leaders that this surcharge is being passed in lieu of tax reform. We should have tax reform this session and we should make it positive that big business or big capitalists or foundations or any other business enterprise which is not paying its fair share should be made to pay in proportion to their means.

Tax loopholes should be closed and this Congress must grapple with that issue in the weeks ahead. However, today is not the time to settle that issue. We need the surcharge now for approximately 1 year and then be prepared to see it go off the books.

Within a year's time I am confident that this can and will take place.

Meanwhile, I call on the administration to give us leadership to help roll back the high interest rates.

Mr. McDADE. Mr. Chairman, I will vote for the extension of the surtax this afternoon, and will do so after the most searching examination of every aspect of this situation.

We are faced today with a continuing period of unprecedented inflation which is rapidly becoming the most serious problem in our domestic economy. We have seen over the past 10 years an increase in the cost of living index of more than 25 percent. One-fifth of that increase has come about in the last year. In March of this year, inflation pushed the price of living up at an average annual rate of 9.6 percent. The result of that inflation has been utterly disastrous.

I have in my congressional district 64,898 people receiving social security benefits. There are retired citizens receiving railroad retirement benefits. There are 2,240 veterans receiving veterans pensions and 4,500 veterans receiving veterans compensation. For many of these people, this money represents all they have to live on. For those people, this cycle of inflation has represented tragedy and we must bring it to a halt.

We hear a constant talk of a war on poverty; but all of the relief programs sponsored by our Federal Government have not taken out of the poverty class as many people in the past 10 years as inflation has driven into the poverty class.

There is another disastrous result of inflation. We have seen the prime interest rate in this country climb to 8½ percent. For those who are not considered prime credit risks, the interest in many cases has climbed to 10 and 11 percent. This has brought the home construction industry to a virtual standstill. The young couple seeking to purchase a home is faced today with a rate of interest which is twice what any reasonable person would hope to pay on a home loan.

It is intolerable that this be permitted to continue.

There is a third effect of this inflation. It is a proud and just boast of America that our workers enjoy the highest standard of living in the world. But I see the workers in my district losing more to inflation than they are gaining in increased wage contracts.

In my own congressional district, here is what has happened to the price of the most basic foods the housewife will purchase. In only 2 years, since 1967, here is what inflation has done to prices. I will give you the percentage increase in prices in these basic food staples, as of June of this year:

[Percent increase, 1967–69]

Item:	
Round steak	26
Hamburger	62
Beef rib roast	16
Veal cutlets	21
Pork chops	39
Frankfurters	25
Frying chicken	34
Haddock, frozen	31
Fresh milk	12
Ice Cream	10
Butter	08
Eggs, grade A, large	34
Sugar	21
Coffee	05
Baby food	40
Bread, white	55
Corn flakes	20
Apples	50
Oranges	16
Potatoes	32
Lettuce	32
Tomatoes	75
Average price increase	30

No wages can possibly keep up with a 15-percent yearly average in the inflation of food products. This is also intolerable.

The passage of this bill is vital to stop that inflation. This is not my testimony. It is the testimony of virtually every responsible economist in America. It is the testimony of the leadership of both parties in this Congress. It is the testimony of the former President of the United States, and the testimony of the present President of the United States. I could not in conscience vote against this legislation.

There are other aspects to this bill which must be considered.

In this difficult year, we are proposing to fund only the most vital programs which America needs right now. If this surtax is not continued, then we will have to bring to a halt programs which are essential. That would be a foolish economy.

There are, finally, international repercussions to the vote we cast today. If we do not renew the surtax, the other nations of the world who hold vast reserves of American dollars may readily conclude that America has no interest in stopping its runaway inflation. We could be faced with a run on the American dollar which would create utter chaos here at home and in all the money markets of the world.

But in voting for the continuation of this surtax, I am doing so in the light of an absolute pledge of honor that this Congress will have presented to it a comprehensive bill on tax reform. We are taking two steps in that tax reform today.

The Joint Economic Committee on April 1, 1969, stated that the first priority in tax reform "should be given to repeal of the 7-percent investment tax credit." We are taking that step with the passage of this bill.

As a second step in tax reform, we must remove from the tax rolls low-income families whose income is below the so-called poverty level. We are doing that today also in removing more than 5 million taxpayers from the tax rolls.

We have also, as I have noted, a pledge by both parties in this Congress to pursue tax reform in a comprehensive bill which will come before us for a vote.

I am tired of reading of millionaires who pay no taxes. I am tired of reading of giant corporations who pay no taxes. I am overwhelmingly tired of seeing an inequitable distribution of the tax burden. And I expect the tax reform bill, which will come before this Congress, to provide us not only with taxation, but with completely fair and just taxation.

For all of these reasons, Mr. Chairman, I will vote for the continuation of the surtax. I believe the welfare of every American and the health of our American economy demand that I vote for this bill.

Mr. BOGGS. Mr. Chairman, I yield 1 minute to the gentleman from Wisconsin (Mr. REUSS).

Mr. REUSS. Mr. Chairman, I thank the gentleman, and I use this 1 minute simply to point out that I have been intensely interested in the subject of tax loopholes; that I have applied for time to present my views; and that at the end of the afternoon I am granted 1 minute.

Thanks for very little. I do not like it. I believe the debate has been not conducted so as to give those who oppose the President's tax package a fair opportunity to be heard.

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

Mr. REUSS. I yield to the gentleman from New York.

Mr. RYAN. Mr. Chairman, I appreciate the gentleman from Wisconsin yielding to me. I join the gentleman in the sentiments that he has expressed on the need for comprehensive tax reform. I also point out that the House is faced with the perpetuation of a war tax.

The fundamental cause of the serious fiscal situation facing the Nation is the war in Vietnam and the imbalance in our priorities—$80 billion for the military budget—$30 billion for the war in Vietnam.

When I opposed the 10-percent surcharge last year I said:

> The tax is a war tax; it is necessitated by the Vietnam war.

It still is.

We are all concerned about the effect of inflation and the strength of the dollar at home and abroad. That being said, however, we must recognize that there is more than one way of coping with our economic problems.

H.R. 12290 proposes to extend the 10-percent income tax surcharge which has already been imposed with negligible effect upon inflation, and it ignores the underlying cause of our economic difficulties; namely, the heavy cost of the war in Vietnam and the military budget.

Both the congressional proponents of this bill and the administration have argued that the revenue produced by an extension of the surtax and the repeal of the investment tax credit—about $9 billion—is necessary to combat inflation. But other legislation now before the Ways and Means Committee would raise an equivalent amount of revenue in a much more equitable manner. H.R. 5250, which has been introduced by our colleague from Wisconsin (Mr. REUSS) would, by plugging 13 of the more notorious loopholes in the Federal tax system and repealing the investment tax credit, yield approximately $9 billion annually, or about the same amount as that expected to be generated by the surtax.

H.R. 5250, along with other proposals for comprehensive tax reform, have been before the Committee on Ways and Means for over 5 months now. Why are these proposals not being considered as alternative revenue sources?

The committee has had ample time to evaluate and pass on proposals for broad and substantial tax reform as a means of increasing Federal revenues which, unlike the surtax, would more equitably distribute the tax burden. Instead of doing so, however, the committee now argues—on the eve of the expiration date of the surtax—that Congress must approve the surtax for another year or face still more serious economic dislocations.

This argument ignores the alternatives which exist for increasing Federal revenues and, at the same time, equalizing the tax burden. Beyond that, it would perpetuate the privileged status of individuals and categories not now paying their fair share of the national taxes by removing one of the principal motivating forces for tax reform, namely the need for increased Federal revenues to offset inflation.

For if the surtax is approved, the momentum for tax reform which has been building throughout this session of Congress will be lessened. Since extending the surtax now will make passage of tax reform legislation less likely in this session, this measure should be rejected.

During the debate on the enactment of the surtax last year, I pointed out that this measure was very obviously a war tax, imposed to compensate for the costs of the Vietnam war.

It is interesting to note that in September 1968, presidential candidate Richard M. Nixon, himself a critic of the Johnson administration's economic policies, called the surtax a "war tax." Today, as we consider the recommendation of the Ways and Means Committee to extend the surtax, the war continues to claim hundreds of American lives each week and billions of dollars a month. The promises which have been made to long-suffering sectors of our domestic society are still unfulfilled, and the progress which is so urgently needed in our urban areas remains thwarted.

In view of this situation—a situation in which the Federal Government is spending $30 billion a year on military operations in Southeast Asia, while the programs which could alleviate the prob-

lems of our cities remain starved for funds—there is no justification for maintaining a burdensome and onerous war tax.

This week the conference report on supplementary appropriations for fiscal year 1969 is to come before the House. Unless that report makes substantial reductions in the supplemental passed by the House in May, Congress will be asked to appropriate some $1.2 billion in additional funds for the prosecution of the war in Vietnam. This is above and beyond the nearly $27 billion which has already been appropriated for military operations in Southeast Asia during fiscal year 1969.

If Congress seriously wants to reduce the sources of inflation, it should refuse to approve any additional funds for the war in Vietnam. For as numerous economic experts have pointed out, the costs of the war and our bloated military budget are the single greatest causes of that inflation. If Congress would move promptly to terminate the war, then the surtax would not be considered necessary.

Let me now turn to a more detailed examination of the legislation before us today.

H.R. 12290 would do four main things: First, it would extend the existing 10-percent income tax surcharge, which is scheduled to expire on June 30, until January 1, 1970, when it would be reduced to 5 percent through June 30, 1970; second, it would repeal the 7-percent investment tax credit with certain significant exceptions; third, it would postpone for another year reductions in the telephone and automobile excise taxes scheduled to take effect on January 1; and fourth, it provides an allowance to reduce Federal income taxes to low-income taxpayers officially defined as having incomes at the poverty level.

Let me consider each of these facets of the bill in reverse order.

According to the committee report on this bill, the adoption of a low-income allowance would remove from the tax rolls "about 5.2 million returns near or below the recognized poverty level." This allowance coupled with the present minimum standard deduction would provide a minimum nontaxable income of $1,100 plus personal exemptions for families of eight or less beginning in fiscal year 1970.

The low-income allowance provides needed tax relief; but it was included in this bill for the obvious purpose of buying support for the surtax. Such legislation belongs in a tax reform bill, not a package which is basically designed to increase the revenue of the Federal Government. The inequitable burden now placed on low-income people should be relieved by enacting broad tax reforms. Its inclusion in this particular bill represents an attempt to coerce liberal members into voting for a surtax, which they otherwise would oppose. Tax relief can be provided for low-income citizens as part of the larger tax reform legislation which the chairman of the Ways and Means Committee, the Senator from Arkansas (Mr. MILLS) has said he intends to bring to the floor this year.

H.R. 12290 would also continue excise taxes on communications services and automobiles. Under present law the excise tax on passenger automobiles—which is imposed on the manufacturer's sales price—is 7 percent through December 31, 1969. The law provides a reduction of the rate after that time to 5 percent during 1970, 3 percent during 1971, and 1 percent during 1972. The tax is to be completely repealed as of January 1973.

The excise tax on local and toll telephone services and teletypewriter exchange services is 10 percent prior to January 1, 1970. On that date present law provides a gradual reduction of the tax rate to 5 percent during 1970, to 3 percent during 1971, and to 1 percent during 1972. The tax is to be repealed on January 1, 1973.

The recommendation of the committee is that the scheduled reductions on both these taxes be postponed for 1 year. This postponement, the committee argues, is appropriate in view of the budgetary and economic situation facing the Federal Government.

While the committee's logic is justifiable from the point of view of increasing Government revenue, its recommendation that the scheduled reductions in the excise tax on automobiles and communications services, like the other recommendations in this bill, fails to get at the roots of the budgetary and economic conditions which the committee describes. For the inflation and spiraling interest rates which characterize that condition will not be alleviated until the basic causes of that inflation—the war in Vietnam and huge military spending—are dealt with by Congress. This portion of the bill, then, asks Congress to extend taxes which particularly affect already overtaxed lower and middle income people.

The third element of H.R. 12290 is the repeal of the 7-percent tax credit on investments as of April 18, 1969. The committee argues that the repeal of the investment tax credit will reduce pressures on the economy which have been aggravated by heavy investment by business and industry.

As the committee notes on page 11 of its report on H.R. 12290:

> Businessmen, in response to credit and other factors, have spent almost $400 billion on plant and equipment since 1962. Moreover, in the period since the enactment of the credit, the economy has been brought to full employment, the level of business investment has been raised, productive capacity has been expanded, and efficiency of production has reached very high levels. Continuously expanding markets and high profit levels should provide sufficient investment incentive in the future even without the investment credit.

The committee report on H.R. 12290 continues on page 11:

> In short, the credit has fulfilled its purpose of increasing investment during a period of slack demand and has "outlived its usefulness" as a long run stimulant to investment.

While I would support the repeal, it is unlikely that the elimination of the investment tax credit will in itself substantially reduce business investment. For the expectation of rising costs in capital and plant equipment will provide a continuing motive for investment by business. As a consequence, repeal of the investment tax credit may have only a minimal effect on business investment and, it follows, on the inflation that is spurred by excess business investment.

It should be noted that the effectiveness of the repeal of the investment tax credit will be undermined by certain of the "exceptions" which have been recommended by the committee.

Indeed, one exemption is nothing more than a means of providing special tax relief to Lockheed Aircraft Corp., the contractor for the C–5A transport plane, the cost of which, according to recent estimates by the Joint Economic Committee, may run as high as $2 billion over the original contract price. The exemption for Lockheed is embodied on page 18 of the bill in section 4(a) of the bill and section 49(b)(10) of the Code.

Although worded in a general way, its provisions leave little doubt that it is intended to apply to Lockheed. Indeed, the committee itself in explaining this exemption, used "a project by an airplane manufacturer" to illustrate which kinds of "new design products" would be eligible for the 7-percent tax credit under this provision of the bill. This exemption constitutes nothing less than a blatant attempt to provide special treatment for a project which has already cost the American taxpayer in excess of $2 billion over its contract price. As Senator WILLIAM PROXMIRE, whose Joint Economic Committee has investigated the cost overruns associated with the C–5A, was quoted in the June 27 New York Post:

> Lockheed uses a government owned plant, government owned machinery and most of its working capital has been provided by government progress payments. Now they want to keep the investment tax credit while others lose it.

There is no justification for the special status proposed for Lockheed in this bill. Accordingly, Congress should reject this attempt to include unwarranted "tax relief" for a company which by any fair standard does not need it.

Finally, H.R. 12290 would extend the 10-percent surtax until January 1, 1970, and impose a 5-percent surtax thereafter until July 1, 1970.

The arguments which the committee has buttressed in defense of extending the surtax are essentially the same as were used last year to justify its enactment: inflation and spiraling interest rates, a constricted labor market, and an unfavorable balance of payments. The committee admits that the effect of the surtax on these economic problems has been disappointing, or, in their words, "slow." But it argues that the surtax will have a cumulative effect which will be felt over the next fiscal year.

However, the basic fact remains, that this tax is a war tax, imposed to compensate for the costs of the war in Vietnam and now, if the committee's recommendation is accepted, to be extended beyond its original termination date of June 30, 1969, in order to offset spending caused by the continuation of the war.

As I pointed out last June 20, during the debate on the original enactment of the surtax:

The fallacy of these arguments is the assumption that the measure before us is the sole way to deal with inflation and dollar outflow. There are other and better ways.

One way is, of course, to move to terminate the war in Vietnam. I have pointed out on numerous occasions to the House the political consideration dictating such a course. The economic reasons are also compelling. As an article by John O' Riley from the April 14 Wall Street Journal—which I inserted in the April 16 RECORD—pointed out:

The Far Eastern conflict fuels the inflationary fire in two ways. It demands massive military spending. It also, in a time when manpower is already short, adds to the pinch by diverting men to military effort both in the factory and in the field—thus stimulating labor cost increases that are outrunning productivity.

The termination of the war, and corresponding reductions in military spending, would have a far greater effect on inflation than the extension of the surtax for another year.

It is also important to note that the surtax is a regressive measure. It would raise revenue to cover the costs of the war not through tax reforms and an excess profits tax, but by wringing still more tax dollars out of those sectors of the economy which are in the weakest political position to protest—the wage-earning citizen, whose tax burden will be increased, and the poor of America, who will find programs designed for their benefit reduced below present minimum levels as the costs of the war continue to drain national resources away from the domestic sector.

Our economy, like the rest of our society, has been gravely damaged by the war in Southeast Asia. The damage will not be repaired by a measure which has failed to check inflation in the past, and which would increase the tax burden on those least able to endure it. Substantive tax reform is essential to provide relief for both middle- and low-income citizens and to reallocate the tax burden to those who are not now paying their fair share. By ending the war in Vietnam and reducing military expenditures, Congress must attack the roots of the economic crisis that is engulfing our Nation.

Mr. BOGGS. Mr. Chairman, may I inquire how much time I have remaining?

The CHAIRMAN. The Chair will state to the gentleman from Louisiana that he has 6 minutes remaining.

Mr. BOGGS. May I inquire how much time the gentleman from Wisconsin (Mr. BYRNES) has remaining?

The CHAIRMAN. The Chair will state that the gentleman from Wisconsin has 44 minutes remaining.

Mr. BOGGS. Mr. Chairman, I understand the gentleman from Wisconsin has allocated his time; is that correct?

Mr. BYRNES of Wisconsin. It is my intention to yield to the chairman of the committee some time, realizing the problem that the gentleman from Louisiana has had, and I am reserving some time to myself. I hope that between the two of us we can close debate.

Mr. BOGGS. Mr. Chairman, I thank the gentleman.

Mr. Chairman, I yield 1 minute to the distinguished gentleman from South Carolina (Mr. RIVERS).

Mr. RIVERS. Mr. Chairman, I do not think in 1 minute I can change anybody's mind, but from where I sit we are sitting on a very large budget. We have spent more money than we are taking in. Nobody is going to advocate that we walk off and leave the military wanting in these days of trial and tribulation, and of danger to our country.

The experts in America tell us the only way we can save this economy is to do one of the things we are doing here today.

Mr. Chairman, I voted for this surtax last year, and I will vote for it this year because I honestly believe that we have no alternative, in the interest of preserving the value of our currency, which we must have in these days of national security, national preparedness, and to fulfill the responsibilities that we have throughout the world.

To appreciate the magnitude and dimensions of the problems we are facing in our economy, one needs only look at the consumer price index for the first half of this year. Since January, it has increased at an annual rate of 7.4 percent. Perhaps more disturbing is the upward trend in wholesale prices, which have increased at the rate of 6 percent since February. This increase is most significant because wholesale prices, of course, form a basis for increases in retail prices later on.

While we may not like every provision in this bill, it is absolutely necessary that it be passed because the consequences of not passing it are exceedingly serious. We would be encouraging an excessive level of economic activity and even greater pressures on wholesale and retail prices. We would be adding to the inflationary psychology that is already enveloping this Nation and becoming more evident every day. We would shift a projected unified Federal budget surplus into a deficit, thus inviting further monetary restraint and still higher interest rates. We would be creating additional international pressures on the dollar resulting from a higher level of imports and increased doubt in the minds of foreign dollar holders as to the fiscal responsibility of the Congress.

So I ask my colleagues to consider this matter very carefully. Think about what would have been the consequences today had we not enacted the Revenue and Expenditure Control Act of last year. Instead of a 7-percent-plus increase in prices, we may very well have been witnessing a period of ruinous and rampant inflation right now had we not taken that responsible action. As it is, we are presently making some discernible progress in our efforts to control inflation, that we simply cannot abdicate the responsibility to continue that fight. This bill, I am convinced, is a vitally important weapon that must be utilized in this battle, and I urge its approval by the House.

The CHAIRMAN. The time of the gentleman from South Carolina has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I now yield 10 minutes to the chairman of the Committee on Ways and Means, the gentleman from Arkansas (Mr. MILLS).

Mr. MILLS. Mr. Chairman, I thank my friend from Wisconsin for yielding me this 10 minutes in order that my own colleagues on this side of the aisle could have more time allowed them by the gentleman from Louisiana (Mr. BOGGS).

Mr. Chairman, I feel very strongly about this bill and the situation we face today.

The facts are—we are just beginning. We are just beginning to get hold of this inflation which has occurred. We are just beginning to get hold of the inflationary psychology that exists here at home.

Probably the most significant indication that the surcharge is beginning to be effective is suggested by the decline in rate of increase in the real gross national product—that is, the gross national product expressed without the change in prices. In the second quarter of 1968, real GNP increased at an annual rate of 6.2 percent over the level in the prior quarter. In the third quarter of 1968, when the surcharge came into effect, this had slowed to 5 percent. By the fourth quarter this rate of increase dropped to 3.4 percent and in the first quarter of 1969 this rate of increase declined still further to 2.8 percent. This is a substantial decline and should not be overlooked.

It is true that during much of this period consumer and wholesale prices continued to increase; in fact, the largest percentage increase in the consumer price index occurred in March when the increase in the annual rate was 9.6 percent. The largest increase in the wholesale price index occurred in May when the increase in the annual rate was also 9.6 percent. This, of course, is to be expected since prices are not a leading indicator. The effect of fiscal policy changes on prices tends to be slower than on other indicators.

It is interesting to note, however, that since March the price increases in the consumer goods index has declined, first to a level of 7.6 percent in April and still more recently, to 3.7 percent in May.

The wholesale price index which is now available for June also shows a declining rate of increase from the high of April and May.

I say that it looks like we are just beginning to get hold of the inflation.

But I am afraid what we will do if we defeat this legislation today is that we will lose all we have gained through the American taxpayer having had to pay an increase of 10 percent in his tax for this period of the surcharge prior to June 30 of this year.

I say we can lose the effect of that and we can have taken away that additional amount of money involved in the 10-percent surcharge—all for nothing.

I see my good friend, the chairman of the Joint Economic Committee and the Committee on Banking and Currency, on the floor. He has said he will support this legislation. I have been of the opinion that there are two things that have caused us most of our trouble with respect to inflation since the enactment of this proposal.

One of them has been the continuation of the inflation psychology—that we are not going to do enough. So the American businessman buys today what he thinks he may need tomorrow, but that

he will have to pay more for it. That is true of the individual in many respects in supplying all of his own individual needs. That is inflationary psychology. I think that has been part of our trouble during the last year—the last half of 1968 and through the first part of 1969.

But my friend, the gentleman from Texas, has also been pinpointing another cause—and I have been very critical of the policy that was followed by the Federal Reserve in the determination of the supply of money and credit in the last half of the year 1968.

I think the policies followed by the Federal Reserve have a lot to do with minimizing the effectiveness of the 10-percent surcharge and the reversal of the fiscal situation, that we brought about here in the Congress as a result of the enactment of the surcharge. We went from a $25 billion deficit in the fiscal year 1968 to a small surplus in the budget in 1969; we performed one of the fiscal miracles of this age—a $25 billion deficit turned into a surplus in one fiscal year. That alone, you would have thought, would have been enough to have controlled inflation—but it did not, because there was this continuation of a very easy monetary policy, in spite of the fact that interest rates kept rising during the last 6 months of 1968.

Now I am assured by the President's chief economic adviser, whom I have known for many years, Dr. Paul McCracken, and I am assured also by the Secretary of the Treasury and assured by the Director of the Bureau of the Budget that this administration has a working understanding with the Federal Reserve that if this surcharge is continued, as requested, the Federal Reserve is not going to nullify it by adopting policies that will offset it.

Yes, a lot of it is psychological, but if we do not pass this bill today—say what you want about continuing withholding for 31 days—you will have added oil to the flames of this inflationary psychology. Unfortunately this is a serious part of the total ingredients of our present situation. How serious it is none of us is certain, but certainly it is a most important part.

Are you going to tell the people at home that we are going to convert an overall surplus of $52 billion into a deficit of $4 billion? A general fund—or administrative budget—deficit of $5.1 billion into a deficit of $14.3 billion? Are you going to force the Treasury to go into the money market and try to borrow the necessary money there to fund a deficit of this size?

The House of Representatives, I have said repeatedly, time after time, has always risen to the occasion demanded of it. This is not the time to try to seek an excuse from the discharge of a tough, mean vote—that is, a vote for the continuation of the 10-percent surcharge.

What this country needs is not the alternative of tax reform or surcharge. What this country needs is both, the surcharge and tax reform, and if there are any of you who still believe that there is not going to be tax reform, you can wait and see what your Committee on Ways and Means develops.

I think some of you are going to feel that we have developed a bullet that may be just a little bit too hot to bite into. But we are going to develop that bullet and we are going to bring it to the floor of the House. I repeat again: When we bring the tax reform bill here, I hope and pray that the membership of the House will be as strong for tax reform as it is today. You are going to have that opportunity—do not make any mistage about it—because the Ways and Means Committee is working. We will continue to work. We go back into session at 10 o'clock on the morning of July 8, as soon as the recess is over. That is the first order of business, unless, of course, this bill is defeated and we have to take up further consideration of the surcharge. That can do only one thing which is to postpone further the timing of a vote on tax reform.

Yes, I want tax reform as muceh as any of you do. I have said repeatedly that we conducted hearings on every area of the tax law that provided a shelter of any degree or to any extent, and it is my intention—and it is the intention of the Democratic members of the committee and the Republican members of the committee—to cut across the board and bring you a reform bill that does something in every area that we have had hearings on—without exception. That applies to the mineral and extractive industries; that applies to the real estate businesses; that applies to every subject before us.

Now, give us a chance to go back and work out a tax reform bill, by passing this bill. If you do not pass it, I repeat, all you are going to do is delay the day when we bring tax reform to you.

The country needs this bill. The country needs tax reform. And, as far as I am concerned, the country is going to have both.

I yield to the gentleman from Texas.

Mr. MAHON. Mr. Chairman, I thank the gentleman from Arkansas for not yielding at an earlier moment, because I had no desire to interrupt his statement. I rise to express my support of the extension of the surtax. The extension is mandated by the situation which confronts the Nation. Many will oppose the extension but I am not about to do so.

Many Members have expressed to me their keen interest in the funding of various projects and programs which they regard as important to their districts or vital to the Nation. I enumerate some of them—financing of farm programs, aid to home buyers, programs for urban housing, programs for the advancement of education and health, and so on.

I know there are certain basic requirements that will be met by way of appropriations. If they are to be met, the Treasury needs the funds with which to pay for them. I am impressed by the statements that have been made by the chairman and others in regard to inflation. I am even more impressed by the necessity for a majority to vote the necessary revenues to pay for the programs which a majority approve.

So I say it could be disastrous, it would be disturbing to the whole economy, it would hurt the dollar at home and abroad if we should vote this measure down and say, oh, yes, in 30 days we might do something else.

This bill is the work of the day. The work of the day is to support the Committee on Ways and Means and approve the surtax extension. We need to take the actions necessary to meet our obligations.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, one could not listen to the pertinent and forceful remarks of the gentleman from Arkansas without realizing the significance of the action we are about to take. In the proposal now before the Members, we are dealing with the very guts of Government—the conduct of the fiscal affairs of this Nation.

It is not my purpose to try to scare anybody, but I would think we can all agree that the No. 1 domestic problem facing this Nation is inflation. It is the rising cost of living, the rising cost of money we borrow, and the rising cost of the goods and services we consume. I would think we can all agree that we must do whatever is necessary to solve this problem.

Yet some Members are grasping at almost any straw as an excuse to avoid making the hard choices and difficult decisions that must be made in this battle.

This is not just a tax bill we are considering. It is action that is essential if we are to be serious about the threat of inflation threatening our people and their economy.

This bill is essential if we believe those who should know—both liberal and conservative economists at home and abroad. Both those of the new economic school and those of the old economic school agree that continuation of the surtax is absolutely essential if we are to control inflation and maintain confidence in our dollar. How can Members of this Congress dismiss this great body of expert opinion so lightly?

At this point in the RECORD, Mr. Chairman, I want to include in my remarks the following statement on the surtax extension signed by a group of very prominent economists:

STATEMENT BY ECONOMISTS ON EXTENSION OF THE SURTAX

We, the undersigned economists, urge the Congress to act promptly to extend the surtax and avoid a reduction in the withholding rates on July 1.

Everybody knows that the national economy is experiencing serious inflationary pressures. It is clear that this inflation cannot be stopped unless the federal government uses its fiscal and monetary policies firmly to restrain private demand. The surtax is a key element in the anti-inflation strategy. If it is not extended, the federal budget will again be stimulating the economy with a deficit which is totally inappropriate to present conditions. Responsible fiscal policy requires that, in the current situation of high employment and of rapidly rising prices, the federal government should plan for a budgetary surplus. Monetary policy—our other major defense against inflation—should not be required to take up the slack; indeed, to rely even more heavily on monetary policy would place unfair and onerous burdens on important groups in the economy.

We recognize that other issues are involved in the current debate over the surtax, in particular the issue of federal tax reform. Most of us believe that the federal tax system is in urgent need of reform, but the

need for reform need not, and should not, be a basis for allowing the surtax to expire.

We cannot emphasize too strongly our concern over the consequences of a substantial delay in the extension of the surtax or of a decision to allow the surtax to lapse. The shift in the budget position would itself be inflationary. Moreover, it would strengthen the belief, already too common, that the government does not have the fortitude to persist in anti-inflationary policy.

George L. Bach, James S. Duesenberry, Otto Eckstein, Walter D. Fackler, William J. Fellner, Arnold C. Harberger, Walter W. Heller, Neil H. Jacoby, Arthur M. Okun, Joseph A. Pechman, Merton J. Peck, Paul A. Samuelson, Charles L. Schultze, Raymond J. Saulnier, Warren L. Smith, James Tobin.

June 10, 1969.

These experts have warned us against the dangers of allowing the tax to lapse or delaying its extension. They point out that the shift in the budgetary position would in itself be inflationary, and that it would strengthen the already too common belief that Government does not have the fortitude to persist in an anti-inflation policy.

In addition, let us remember that what we propose today in the extension of the surtax to fight inflation was urged by former President Johnson as well as by President Nixon. It is urged by six former Secretaries of the Treasury, including Secretary Snyder in the Truman administration, Secretary Humphrey in the Eisenhower administration, Secretary Anderson in the Eisenhower administration, Secretary Dillon in the Kennedy administration, Secretary Fowler in the Johnson administration, and Secretary Barr in the Johnson administration. These men unanimously agree that this legislation is needed.

We have the Democratic leadership emphasizing today the urgency and the importance of this proposal, and they are joined in the sense of urgency by the leadership on the minority side. How can there be a question as to what we should do today? Why should we be grasping at straws to try to find some excuse for avoiding responsibility rather than simply acting to do what we believe is right for the American people.

A defeat of this bill, Mr. Chairman, will be a surrender to inflation.

First look at the practical effects. Look at the present budget outlook with and without this legislation. Under this bill we will have a projected surplus in the unified budget for 1970 of $5.2 billion; using the administrative budget, we will have a $5 billion deficit with this bill. If the bill is defeated, however, it means going from a projected surplus in the unified budget for 1970 of $5.2 billion to a deficit of $4 billion, and moving from a 5.1 administrative budget deficit to a deficit of $14.3 billion.

But the psychological consequences of failing to act are as important as the budgetary impact. If this bill is defeated it will be a signal to the country and the world that the Government of the United States does not have the fortitude to fight inflation, and is surrendering.

It will be an indication that we do not want to fight inflation, and that we are willing to surrender by abandoning one of the weapons essential to success in that battle.

Let me say a word about reform, which some Members have used as a strawman on which to fuse their opposition to the bill. You have heard blanket statements—and I am amazed at some of them coming from members of the committee itself—on this subject which are unsubstantiated. They claim that unless this bill is held hostage we are not going to have any tax reform. Do they give a scintilla of evidence to support this assertion. Absolutely not. There are members of the committee on the Democrat side who have made those charges who are sitting in front of me today. I ask you this question: Has there been any action from this gentleman, the ranking minority member of the committee, resisting a movement to enact meaningful tax reform? If there is, I would like the lady or the gentleman to stand up. I think I have been insisting on reform as much as they have, and I have been there every day.

Mr. VANIK. Will the gentleman yield?

Mr. BYRNES of Wisconsin. Yes. I yield.

Mr. VANIK. I happened to make a study of the bills filed——

Mr. BYRNES of Wisconsin. I am not talking about bills filed.

Mr. VANIK. And not one single one came from your side.

Mr. BYRNES of Wisconsin. It is easy to simply file a bill. The thing to do is to work on legislation where it counts—in the committee. I asked the gentleman a question. If he is able to give us a scintilla of evidence that this bill must be defeated in order to insure tax reform.

I asked the gentleman whether there was anything that the gentleman from Wisconsin has done to thwart the movement that the committee is making to report out meaningful reform. Can the gentleman answer that? I do not need another speech.

Mr. VANIK. We have not gotten to the real reform. We have not gotten to it.

Mr. BYRNES of Wisconsin. He cannot answer. I will yield to the gentleman from California who I think is a reasonable man.

Mr. CORMAN. I thank the gentleman for yielding.

I will say that I oppose this bill or the passage of this bill on two grounds. We know that we may not get another bill out this year. First of all, we have a cut of 5 percent starting in January. We do not know that this will be a responsible figure.

Mr. BYRNES of Wisconsin. Is there any evidence in the committee of an effort to avoid facing up to the issue? That is the question.

Mr. CORMAN. That is one ground that I mention. The second thing is that we are giving tax relief to some 13 million or 14 million people starting in 1970. Those two things, which are prospective in their nature, I think indicate a feeling on the part of some of us that we will not get a bill through.

Mr. Chairman, there is substantial evidence to believe that passage of this bill diminishes the probability of a second tax bill during this Congress.

I have no quarrel with the repeal of the investment credit tax and delaying the reduction in the Federal excise tax. Nor do I quarrel with the continuation of the surcharge tax at its present level to the end of this calendar year. These are the portions of the bill which must be acted on promptly. But, the bill does much more. It cuts the general tax rate starting January 1, 1970, and it removes a substantial number of people from the tax rolls commencing on that date. These are matters which should and would be properly determined at the time of passage of an omnibus tax reform bill. At that time we will be able to determine who must pay taxes and what the rates must be.

Tax reform means different things to different people. Unless it means significant new revenues from sources of wealth in this country which are not now being taxed, then obviously we will not be in a position to give tax relief to moderate- and middle-income people. But, if we do—and I believe that we must make Federal income taxes reflect the ability to pay—then we can see some reduction in rates for the bulk of our taxpayers, and total relief for those whose income keeps them within the poverty level.

But, the measure which we are considering today, which in two significant respects is prospective in nature, if adopted, will almost certainly kill the chances for true tax reform.

Should this bill fail of final passage, I would expect to see the Ways and Means Committee promptly resubmit the matter to the House, continuing the surcharge tax for the balance of this calendar year and giving both the House and the Senate ample time to draft an adequate and equitable tax bill to become effective January 1970.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 additional minutes.

If this is the evidence on which they base their conclusion that we will not have tax reforms unless this bill is held hostage, it is a very weak case. Every member of the Committee—on both sides of the aisle—has been trying to reach agreements. This has not been a partisan issue. When someone has an idea we have considered it. I am amazed at the gentlewoman from Michigan suggesting that there is something wrong because we have not brought any proposals to a rollcall vote. As far as I am concerned, the chairman and I have tried to work out an area of consensus and agreement, and if the gentlewoman suggested a proposal, I am sure the committee considered and that it will consider many other proposals she makes.

Mrs. GRIFFITHS. Oh, sir——

Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas. I do not yield to the gentlewoman until she asks me to.

Mr. VANIK. Impolite.

Mr. BYRNES of Wisconsin. I yield to the gentlewoman.

Mrs. GRIFFITHS. I have offered any number. I offered to cut the oil depletion allowance 7½ percent. And how did you vote?

Mr. VANIK. He voted no.

Mrs. GRIFFITHS. You voted no, and you know you voted no.

Mr. VANIK. That is a record vote—no.

Mrs. GRIFFITHS. Let me give you

another instance. I offered to knock out the oil-gas pipeline. How did you vote? You voted no. I know they are two pretty big reforms. I offered to vote for the gentleman's minimum tax. The gentleman did offer a minimum tax, and I agreed to vote for it, and you got in a big row with the chairman.

Mr. BYRNES of Wisconsin. Mr. Chairman, let me respond to these statements by saying I believe it is most unfortunate that they have been made, because I believe I have tried to give an accurate picture of the situation. The gentlewoman from Michigan (Mrs. GRIFFITHS) knows the amendments she offered were amendments to this surtax bill and were not offered as a part of the reform package. The gentlewoman will also recall that I suggested to her and to other Members who were interested in adding some amendments that they should be careful to avoid putting all of the items that might be popular reform items into this bill, leaving the reform bill in the position of being enacted into law with great difficulty. The gentlewoman will remember, will she not, that the language of the amendments she offered was not changes to the tax reform bill we were working on, but were amendments offered to the surtax bill?

Mrs. GRIFFITHS. They were offered to that bill.

Mr. BYRNES of Wisconsin. Not the bill we were working on, which was the tax reform legislation.

Mrs. GRIFFITHS. We were working on the tax code, and they were germane to this bill. I offered the amendment to cut off the oil and gas pipelines; this was germane, and this would have saved some money. We are creating a tax loophole.

Mr. BYRNES of Wisconsin. Mr. Chairman, I have listened, and I have learned not to get into an argument or a discussion with a lady, because it is quite apparent that you cannot win.

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

Mr. BYRNES of Wisconsin. I yield to my chairman, the gentleman from Arkansas (Mr. MILLS).

Mr. MILLS. Mr. Chairman, I just wanted to thank my friend for all of the very valuable assistance that he has given in the committee on the matter of tax reform, and to assure the Membership that the gentleman from Wisconsin is just as sincere and just as desirous of developing tax reform legislation as anyone would have him be. The gentleman has been a source of great help and assistance. The gentleman has been, like I have been, desirous to make the changes across the board in affecting every one of these areas that we talk about. At the proper time everyone in the committee will have the opportunity of pouring out their heart's desires on all of these tax loopholes.

Mr. BYRNES of Wisconsin. Mr. Chairman, I thank the gentleman from Arkansas.

Let me suggest this, Mr. Chairman. I have found no resistance to the objectives of the committee and of the chairman to have meaningful reform legislation before this Congress as soon as possible.

Mr. Chairman, I would like at this time to yield to the gentleman from Michigan, the minority leader (Mr. GERALD R. FORD) for a reiteration of a restatement of the position of the administration on this matter. Before yielding to the gentleman, let me suggest that it seems strange that we have been through a period of Democratic administrations with Secretaries of the Treasury, and——

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

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 additional minutes.

The matter of tax reform and its urgency only becomes important when there is a Republican in the White House.

Let me ask the gentleman from Michigan to read a letter from President Nixon.

Mr. GERALD R. FORD. The letter reads as follows:

THE WHITE HOUSE,
Washington, D.C., June 30, 1969.

Hon. GERALD FORD,
House of Representatives,
Washington, D.C.

DEAR MR. FORD: As the House nears a decision on the surtax, I want to remove any vestige of doubt as to the commitment of this Administration to prompt and meaningful tax reform.

I first made this commitment publicly on February 6. I reaffirm it today.

Clearly the record supports that commitment. On April 21, after less than three months in office, this Administration submitted 16 substantive tax reforms to the Congress. They included a minimum income tax to help ensure that people with high incomes will not fail to share the tax burden. We suggested a Low Income Allowance to remove poverty-level people from the tax rolls and reduce the taxes of some eight million others. We also recommended repeal of the seven percent investment credit.

It is due in part to those initiatives that the measure before the House today includes significant tax reform. Your colleagues will recall that repeal of the investment credit, ultimately releasing over $3 billion in revenue, was singled out only three months ago by the majority of the Senate-House Joint Economic Committee as the "first priority in tax reform."

The Low Income Allowance is also a high-priority reform. We should delay no longer the elimination of the social paradox of poverty-stricken people paying a federal tax on their meager incomes.

Important as these two reforms are, much more is needed and will be done. On May 27, the House Ways and Means Committee published a list of tax reform measures which it had tentatively approved. On my direction Treasury officials and staff have been working closely with the Committee. They will continue to do so.

There is no reason why a far-reaching tax reform bill cannot be put before the House of Representatives this summer. This is the announced goal of the Ways and Means Committee; it is also the goal of this Administration.

While these complex measures are being prepared, there must be no question as to this Government's determination first to slow and then to stop inflation. This requires Congressional action *now*. It requires extension of the phased surtax, and it requires enactment now of the other tax measures proposed by the Administration and approved by the tax committee of the House.

The goals of fiscal responsibility and tax reform are not mutually exclusive. We can have both; we *must* have both. I trust and believe that the House will move responsibly toward both by voting today to extend the surtax.

Sincerely,

RICHARD NIXON.

Mr. BYRNES of Wisconsin. Mr. Chairman, may I briefly address those who would rationalize their opposition by contending that the surtax bill, should be held hostage for tax reform.

You have heard the chairman of the committee say that there are two essential measures that should be enacted by this Congress. One is the bill before us today, which is essential as a tool in the fight against inflation. The other is comprehensive reforms in the Internal Revenue Code. They are of equal importance and both jobs should be tackled. We should put our shoulders to the wheel and enact both of them.

You have heard the President of the United States say that they were both of great importance. Let us today face up to the issue now before us; namely, that of continuing a fiscally responsible position so that we do not abdicate and surrender in the fight against inflation.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I have no further requests for time.

Mr. BOGGS. Mr. Chairman, I yield 2 minutes to the distinguished majority leader, the gentleman from Oklahoma (Mr. ALBERT).

Mr. ALBERT. Mr. Chairman, for the reasons that have been stated, I am going to support this bill.

I think I should first direct a remark, however, to the distinguished minority leader and the distinguished ranking member of the Committee on Ways and Means who seem to be chiding Democrats for not being willing to deliver the 114 votes which they delivered last year.

I think there are two important differences between the situation now and the situation last year. The first is that President Johnson did not go across the country telling everybody that he was against the surtax. The second is that we had to give them a $6 billion spending limitation as a quid pro quo last year. We were given no quid pro quo this year, but I am for the bill and I think it is very important.

We on the Democratic side are just as much in favor of stopping inflation as those on the Republican side, and I think we are more in favor of continuing the programs of housing, of education, and the war against poverty than most of our Republican colleagues.

I do not want the administration to be able to say "They did not furnish the money necessary to do the job."

We hear talk about reforms. But we do not have reforms before us today. We do have a bill before us. The eyes of the Nation and the world are upon us. It would be one of the most serious mistakes we ever made if the word were to go around the world that Congress is willing to equivocate on its fiscal responsibilities to the Nation.

Fiscal responsibility and sound government, my colleagues, dictate that we support this bill.

Mr. BOGGS. Mr. Chairman, to close the debate I yield the remaining time to the distinguished Speaker of the House of Representatives.

Mr. McCORMACK. Mr. Chairman, I realize that many Members have closed their minds, but there are some whose minds in connection with this bill are still open. At least I hope so.

We have listened to the thrilling, dramatic, and convincing speech of the gentleman from Arkansas (Mr. MILLS). I cannot help but be influenced by the soundness and the logic of his thoughts and his utterance. Furthermore, they come from a gentleman who should not be on the floor today, one who is here against his doctor's instructions, but one who is here because he recognizes the importance of this bill in connection with the fight against inflation and in connection with assuring a sound dollar, so important on the international monetary level, and also assuring against a serious adverse effect in our fiscal situation.

Let us remember that President Johnson recommended the extension of the 10-percent surtax in his last message on the state of the Union. We Democrats are supporting a recommendation made by a President who was elected as a Democrat, and this proposal is substantially the same as that recommended by President Johnson.

I understand tax reform, and I am strongly in favor of it. But let us not forget that the gentleman from Arkansas (Mr. MILLS) has given a definite promise to the Members of the House that he will call his committee into executive session on the Tuesday after the July 4 recess for the purpose of considering and reporting to this House an overall tax reform bill. He has given you a warning. I served on the Ways and Means Committee for 10 years, between 1930 and 1940, and I know that when the bill comes before the House, many of those who today are urging it will be fighting parts of the bill reported out.

So be on your guard. Be alerted. WILBUR MILLS has promised that his committee will meet. WILBUR MILLS' word can be accepted. I accept his word.

I have mentioned that WILBUR MILLS is on the floor of the House today, though he was advised by his doctor not to be here. We should all admire him for his dedicated service in connection with the important legislation that is pending before the House.

While not placing this personally upon the chairman of the Ways and Means Committee, but as an anti-inflation measure, as a sound dollar measure, as a fiscal responsibility measure, as a measure that will prevent the drastic cuts in the domestic projects we are all interested in, so many of us who are progressives and liberals, I urge passage of the bill.

I am glad to note the respect that has been given Mr. WILBUR MILLS by his being here, and while not placing it upon his shoulders, the passage of this bill will be a great tribute to his leadership.

In closing, I want to also commend the outstanding leadership of the gentleman from Louisiana (Mr. BOGGS). I extend to him my hearty congratulations on the manner in which he has handled this difficult measure both in the committee and on the floor. Passage of this important bill will be due in great degree to the leadership of the distinguished gentleman from Louisiana (Mr. BOGGS).

The CHAIRMAN. All time has expired. Under the rule, the bill is considered as having been read for amendment.

The bill is as follows:

H.R. 12290

A bill to continue the income tax surcharge and the excise taxes on automobiles and communication services for temporary periods, to terminate the investment credit, to provide a low income allowance for individuals, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. AMENDMENT OF EXISTING LAW.

Except as otherwise expressly provided, whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. EXTENSION OF TAX SURCHARGE.

(a) SURCHARGE EXTENSION.—Section 51(a) (relating to imposition of tax surcharge) is amended—

(1) by striking out so much of paragraph (1)(A) as follows the table heading "CALENDAR YEAR 1969" and inserting in lieu thereof the following:

"TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN

If the adjusted tax is:		The tax is—
At least	But less than	
0	$148	0
$148	153	$1
153	158	2
158	163	3
163	168	4
168	173	5
173	178	6
178	183	7
183	188	8
188	193	9
193	198	10
198	203	11
203	208	12
208	213	13
213	218	14
218	223	15
223	228	16
228	233	17
233	238	18
238	243	19
243	248	20
248	253	21
253	258	22
258	263	23
263	268	24
268	273	25
273	278	26
278	283	27
283	288	28
288	295	29
295	305	30
305	315	31
315	325	32
325	335	33
335	345	34
345	355	35
355	365	36
365	375	37
375	385	38
385	395	39
395	405	40
405	415	41
415	425	42
425	435	43
435	445	44
445	455	45
455	465	46

"TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN—Continued

If the adjusted tax is:		The tax is—
At least	But less than	
$465	$475	$47
475	485	48
485	495	49
495	505	50
505	515	51
515	525	52
525	535	53
535	545	54
545	555	55
555	565	56
565	575	57
575	585	58
585	595	59
595	605	60
605	615	61
615	625	62
625	635	63
635	645	64
645	655	65
655	665	66
665	675	67
675	685	68
685	695	69
695	705	70
705	715	71
715	725	72
725	735	73
735 and over, 10% of the adjusted tax		

TABLE 2.—HEAD OF HOUSEHOLD

If the adjusted tax is:		The tax is—
At least	But less than	
0	$223	0
$223	228	$1
228	233	2
233	238	3
238	243	4
243	248	5
248	253	6
253	258	7
258	263	8
263	268	9
268	273	10
273	278	11
278	283	12
283	288	13
288	293	14
293	298	15
298	303	16
303	308	17
308	313	18
313	318	19
318	323	20
323	328	21
328	333	22
333	338	23
338	343	24
343	348	25
348	353	26
353	358	27
358	363	28
363	368	29
368	373	30
373	378	31
378	383	32
383	388	33
388	393	34
393	398	35
398	403	36
403	408	37
408	413	38
413	418	39
418	423	40
423	428	41
428	433	42
433	438	43
438	445	44
445	455	45
455	465	46
465	475	47
475	485	48
485	495	49
495	505	50
505	515	51
515	525	52
525	535	53
535	545	54
545	555	55
555	565	56
565	575	57
575	585	58
585	595	59
595	605	60
605	615	61
615	625	62

TABLE 2.—HEAD OF HOUSEHOLD—Continued

If the adjusted tax is: At least	But less than	The tax is—
$625	$635	$63
635	645	64
645	655	65
655	665	66
665	675	67
675	685	68
685	695	69
695	705	70
705	715	71
715	725	72
725	735	73
735 and over, 10% of the adjusted tax		

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN

If the adjusted tax is: At least	But less than	The tax is—
0	$293	0
$293	298	$1
298	303	2
303	308	3
308	313	4
313	318	5
318	323	6
323	328	7
328	333	8
333	338	9
338	343	10
343	348	11
348	353	12
353	358	13
358	363	14
363	368	15
368	373	16
373	378	17
378	383	18
383	388	19
388	393	20
393	398	21
398	403	22
403	408	23
408	413	24
413	418	25
418	423	26
423	428	27
428	433	28
433	438	29
438	443	30
443	448	31
448	453	32
453	458	33
458	463	34
463	468	35
468	473	36
473	478	37
478	483	38
483	488	39
488	493	40
493	498	41
498	503	42
503	508	43
508	513	44
513	518	45
518	523	46
523	528	47
528	533	48
533	538	49
538	543	50
543	548	51
548	553	52
553	558	53
558	563	54
563	568	55
568	573	56
573	578	57
578	585	58
585	595	59
595	605	60
605	615	61
615	625	62
625	635	63
635	645	64
645	655	65
655	665	66
665	675	67
675	685	68
685	695	69
695	705	70
705	715	71
715	725	72
725	735	73
735 and over, 10% of the adjusted tax		

CALENDAR YEAR 1970

TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN

If the adjusted tax is: At least	But less than	The tax is
0	$155	0
$155	175	$1
175	195	2
195	215	3
215	235	4
235	255	5
255	275	6
275	300	7
300	340	8
340	380	9
380	420	10
420	460	11
460	500	12
500	540	13
540	580	14
580	620	15
620	660	16
660	700	17
700	740	18
740	780	19
780	820	20
820	860	21
860	900	22
900	940	23
940	980	24
980 and over, 2.5% of the adjusted tax		

TABLE 2.—HEAD OF HOUSEHOLD

If the adjusted tax is: At least	But less than	The tax is—
0	$230	0
$230	250	$1
250	270	2
270	290	3
290	310	4
310	330	5
330	350	6
350	370	7
370	390	8
390	410	9
410	430	10
430	460	11
460	500	12
500	540	13
540	580	14
580	620	15
620	660	16
660	700	17
700	740	18
740	780	19
780	820	20
820	860	21
860	900	22
900	940	23
940	980	24
980 and over, 2.5% of the adjusted tax.		

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN

If the adjusted tax is: At least	But less than	The tax is—
0	$300	0
$300	320	$1
320	340	2
340	360	3
360	380	4
380	400	5
400	420	6
420	440	7
440	460	8
460	480	9
480	500	10
500	520	11
520	540	12
540	560	13
560	580	14
580	620	15
620	660	16
660	700	17
700	740	18
740	780	19
780	820	20
820	860	21
860	900	22

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN—Continued

If the adjusted tax is: At least	But less than	The tax is—
$900	$940	$23
940	980	24
980 and over, 2.5% of the adjusted tax".		

(2) by striking out the table in paragraph (1)(B) and inserting in lieu thereof the following table:

"Calendar year	Percent: Estates and trusts	Percent: Corporations
1968	7.5	10.0
1969	10.0	10.0
1970	2.5	2.5".

(3) by striking out "July 1, 1969" the first time it appears in paragraph (2)(A) and inserting in lieu thereof "July 1, 1970", and

(4) by striking out paragraph (2)(A)(ii) and inserting in lieu thereof the following:

"(ii) a fraction, the numerator of which is the sum of the number of days in the taxable year occurring on after the effective date of the surcharge and before January 1, 1970, plus one-half times the number of days in the taxable year occurring after December 31, 1969, and before July 1, 1970, and the denominator of which is the number of days in the entire taxable year."

(b) RECEIPT OF MINIMUM DISTRIBUTIONS. The last sentence of section 963(b) (relating to receipt of minimum distributions of domestic corporations) is amended by striking out "June 30, 1969" and inserting in lieu thereof "June 30, 1970".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to taxable years ending after June 30, 1969, and beginning before July 1, 1970.

(2) DECLARATIONS OF ESTIMATED TAX.—If any taxpayer is required to make a declaration or amended declaration of estimated tax, or to pay any amount or additional amount of estimated tax, by reason of the amendments made by this section, such amount or additional amount shall be paid ratably on or before each of the remaining installment dates for the taxable year beginning with the first installment date on or after the 30th day after the date of enactment of this Act. With respect to any declaration or payment of estimated tax before such first installment date, sections, 6015, 6154, 6654, and 6655 of the Internal Revenue Code of 1954 shall be applied without regard to the amendments made by this section. For purposes of this paragraph, the term "installment date" means any date on which, under section 6153 or 6154 of such Code (whichever is applicable), an installment payment of estimated tax is required to be made by the taxpayer.

SEC. 3. CONTINUATION OF EXCISE TAXES ON COMMUNICATION SERVICES AND ON AUTOMOBILES

(a) PASSENGER AUTOMOBILES.—

(1) IN GENERAL.—Section 4061(a)(2)(A) (relating to tax on passenger automobiles, etc.) is amended to read as follows:

"(A) Articles enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

"If the article is sold—	The tax rate is—
Before January 1, 1971	7 percent.
During 1971	5 percent.
During 1972	3 percent.
During 1973	1 percent.

The tax imposed by this subsection shall not apply with respect to articles enumerated in subparagraph (B) which are sold by the manufacturer, producer, or importer after December 31, 1973."

(2) CONFORMING AMENDMENT.—Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "January 1, 1970, January 1, 1971, January 1, 1972, or January 1, 1973", and inserting in lieu thereof "January 1, 1971, January 1, 1972, January 1, 1973, or January 1, 1974".

(b) COMMUNICATIONS SERVICES.—

(1) CONTINUATION OF TAX.—Section 4251(a)(2) (relating to tax on certain communications services) is amended by striking out the table and inserting in lieu thereof the following table:

"Amounts paid pursuant to bills first rendered— Percent—

Before January 1, 1971	10
During 1971	5
During 1972	3
During 1973	1".

(2) CONFORMING AMENDMENT.—Section 4251(b) (relating to termination of tax) is amended by striking out "January 1, 1973", and inserting in lieu thereof "January 1, 1974".

(3) REPEAL OF SUBCHAPTER B OF CHAPTER 33.—Section 105(b)(3) of the Revenue and Expenditure Control Act of 1968 (82 Stat. 266) is amended to read as follows:

"(3) REPEAL OF SUBCHAPTER B OF CHAPTER 33.—Effective with respect to amounts paid pursuant to bills first rendered on or after January 1, 1974, subchapter B of chapter 33 (relating to the tax on communications) is repealed. For purposes of the preceding sentence, in the case of communications services rendered before November 1, 1973, for which a bill has not been rendered before January 1, 1974, a bill shall be treated as having been first rendered on December 31, 1973. Effective January 1, 1974, the table of subchapters for chapter 33 is amended by striking out the item relating to such subchapter B."

SEC. 4. TERMINATION OF INVESTMENT CREDIT.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to rules for computing credit for investment in certain depreciable property) is amended by adding at the end thereof the following new section:

"SEC. 49. TERMINATION OF CREDIT.

"(a) GENERAL RULE.—For purposes of this subpart, the term 'section 38 property' does not include property—

"(1) the physical construction, reconstruction, or erection of which is begun after April 18, 1969, or

"(2) which is acquired by the taxpayer after April 18, 1969,

other than pre-termination property.

"(b) PRE-TERMINATION PROPERTY.—For purposes of this section—

"(1) BINDING CONTRACTS.—Any property shall be treated as pre-termination property to the extent that such property is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on April 18, 1969, and at all times thereafter, binding on the taxpayer.

"(2) EQUIPPED BUILDING RULE.—If—

"(A) pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the equipped building in service), the taxpayer has constructed, reconstructed, erected, or acquired a building and the machinery and equipment necessary to the planned use of the building by the taxpayer, and

"(B) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such building as so equipped is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

then all property comprising such building as so equipped (and any incidental property adjacent to such building which is necessary to the planned use of the building) shall be pre-termination property. For purposes of subparagraph (B) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied. For purposes of this paragraph, a special purpose structure shall be treated as a building.

"(3) PLANT FACILITY RULE.—

"(A) GENERAL RULE.—If—

"(i) pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the plant facility in service), the taxpayer has constructed, reconstructed, or erected a plant facility, and either

"(ii) the construction, reconstruction, or erection of such plant facility was commenced by the taxpayer before April 19, 1969, or

"(iii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facility is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

then all property comprising such plant facility shall be pre-termination property. For purposes of clause (iii) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied.

"(B) PLANT FACILITY DEFINED.—For purposes of this paragraph, the term 'plant facility' means a facility which does not include any building (or of which buildings constitute an insignificant portion) and which is—

"(i) a self-contained, single operating unit or processing operation,

"(ii) located on a single site, and

"(iii) identified, on April 18, 1969, in the purchasing and internal financial plans of the taxpayer as a single unitary project.

"(C) SPECIAL RULE.—For purposes of this subsection, if—

"(i) a certificate of convenience and necessity has been issued before April 19, 1969, by a Federal regulatory agency with respect to two or more plant facilities which are included under a single plan of the taxpayer to construct, reconstruct, or erect such plant facilities, and

"(ii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facilities is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

such plant facilities shall be treated as a single plant facility.

"(D) COMMENCEMENT OF CONSTRUCTION.—For purposes of subparagraph (A)(ii), the construction, reconstruction, or erection of a plant facility shall not be considered to have commenced until construction, reconstruction, or erection has commenced at the site of such plant facility. The preceding sentence shall not apply if the site of such plant facility is not located on land.

"(4) MACHINERY OR EQUIPMENT RULE.—Any piece of machinery or equipment—

"(A) more than 50 percent of the parts and components of which (determined on the basis of cost) were held by the taxpayer on April 18, 1969, or are acquired by the taxpayer pursuant to a binding contract which was in effect on such date, for inclusion or use in such piece of machinery or equipment, and

"(B) the cost of the parts and components of which is not an insignificant portion of the total cost,

shall be treated as property which is pre-termination property.

"(5) CERTAIN LEASE-BACK TRANSACTIONS, ETC.—Where a person who is a party to a binding contract described in paragraph (1) transfers rights in such contract (or in the property to which such contract relates) to another person but a party to such contract retains a right to use the property under a lease with such other person, then to the extent of the transferred rights such other person shall, for purposes of paragraph (1), succeed to the position of the transferor with respect to such binding contract and such property. In any case in which the lessor does not make an election under section 48(d)—

"(A) the preceding sentence shall apply only if a party to the contract retains the right to use the property under a lease for a term of at least 1 year; and

"(B) if such use is retained, the lessor shall be deemed for the purposes of section 47 as having made a disposition of the property at such time as the lessee loses the right to use the property.

For purposes of subparagraph (B), if the lessee transfers the lease in a transfer described in paragraph (7), the lessee shall be considered as having the right to use of the property so long as the transferee has such use.

"(6) CERTAIN LEASE AND CONTRACT OBLIGATIONS.—

"(A) Where, pursuant to a binding lease or contract to lease in effect on April 18, 1969, a lessor or lessee is obligated to construct, reconstruct, erect, or acquire property specified in such lease or contract, any property so constructed, reconstructed, erected, or acquired by the lessor or lessee shall be pre-termination property. In the case of any project which includes property other than the property to be leased to such lessee, the preceding sentence shall be applied, in the case of the lessor, to such other property only if the binding leases and contracts with all lessees in effect on April 18, 1969, cover real property constituting 25 percent or more of the project (determined on the basis of rental value. For purposes of the preceding sentences of this paragraph, in the case of any project where one or more vendor-vendee relationships exist, such vendors and vendees shall be treated as lessors and lessees.

"(B) Where, in order to perform a binding contract or contracts in effect on April 18, 1969, (i) the taxpayer is required to construct, reconstruct, erect, or acquire property specified in any order of a Federal regulatory agency for which application was filed before April 19, 1969, (ii) the property is to be used to transport one or more products under such contract or contracts, and (iii) one or more parties to the contract or contracts are required to take or to provide more than 50 percent of the products to be transported over a substantial portion of the expected useful life of the property, then such property shall be pre-termination property.

"(7) CERTAIN TRANSFERS TO BE DISREGARDED.—

"(A) If property or rights under a contract are transferred in—

"(i) a transfer by reason of death, or

"(ii) a transaction as a result of which the basis of the property in the hands of the transferee is determined by reference to its basis in the hands of the transferor by reason of the application of section 332, 351, 361, 371(a, 374(a), 721, or 731,

and such property (or the property acquired

under such contract) would be treated as pre-termination property in the hands of the decedent or the transferor, such property shall be treated as pre-termination property in the hands of the transferee.

"(i) property or rights under a contract are acquired in a transaction to which section 334(b)(2) applies,

"(ii) the stock of the distributing corporation was acquired before April 19, 1969, or pursuant to a binding contract in effect April 18, 1969, and

"(iii) such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the distributing corporation, such property shall be treated as pre-termination property in the hands of the distributee.

"(8) PROPERTY ACQUIRED FROM AFFILIATED CORPORATION.—For purposes of this subsection, in the case of property acquired by a corporation which is a member of an affiliated group from another member of the same group—

"(A) such corporation shall be treated as having acquired such property on the date on which it was acquired by such other member.

"(B) such corporation shall be treated as having entered into a binding contract for the construction, reconstruction, erection, or acquisition of such property on the date on which such other member entered into a contract for the construction, reconstruction, erection, or acquisition of such property, and

"(C) such corporation shall be treated as having commenced the construction, reconstruction, or erection of such property on the date on which such other member commenced such construction, reconstruction, or erection.

For purposes of this subsection and subsection (c), a contract between two members of an affiliated group shall not be treated as a binding contract as between such members. For purposes of the preceding sentences, the term 'affiliated group' has the meaning assigned to it by section 1504(a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1504(b)).

"(9) BARGES FOR OCEAN-GOING VESSELS.—In the case of any ocean-going vessel which is—

"(A) pre-termination property,

"(B) constructed under a binding contract which was in effect on April 18, 1969, to partment of Commerce, is a party, and

"(C) designed to carry barges,

then the barges specified in such contract (not in excess of the number specified in such contract) constructed, reconstructed, erected, or acquired for use with such vessel, together with the machinery and equipment to be installed on such barges and necessary for their planned use, shall be treated as pre-termination property.

"(10) CERTAIN NEW-DESIGN PRODUCTS.—Where—

"(A) on April 18, 1969, the taxpayer had undertaken a project to produce a product of a new design pursuant to binding contracts in effect on such date which—

"(i) were fixed-price contracts (except for provisions for escalation in case of changes in rates of pay), and

"(ii) covered more than 60 percent of the entire production of such design to be delivered by the taxpayer before January 1, 1973, and

"(B) on or before April 18, 1969, more than 50 percent of the aggregate adjusted basis of all property of a character subject to the allowance for depreciation required to carry out such binding contracts was property the construction, reconstruction, or erection of which had been begun by the taxpayer, or had been acquired by the taxpayer (or was under a binding contract for such construction, reconstruction, erection, or acquisition),

then all tangible personal property placed in service by the taxpayer before January 1, 1972, which is required to carry out such binding contracts shall be deemed to be pre-termination property. For purposes of subparagraph (B) of the preceding sentence, jigs, dies, templates, and similar items which can be used only for the manufacture or assembly of the production under the project and which were described in written engineering and internal financial plans of the taxpayer in existence on April 18, 1969, shall be treated as property which on such date was under a binding contract for construction.

"(c) LEASING PROPERTY.—In the case of property which is leased after April 18, 1969 (other than pursuant to a binding contract to lease entered into before April 19, 1969), which is section 38 property with respect to the lessor but is property which would not be section 38 property because of the application of subsection (a) if acquired by the lessee, and which is property of the same kind which the lessor ordinarily sold to customers before April 19, 1969, or ordinarily leased before such date and made an election under section 48(d), such property shall not be section 38 property with respect to either the lessor or the lessee.

"(d) RATE OF CREDIT WHERE PROPERTY IS PLACED IN SERVICE AFTER 1970.—In the case of property placed in service after December 31, 1970, section 38 and this subpart shall be applied by reducing the 7 percent figure of section 46(a)(1) by one-tenth of 1 percent for each full calendar month between November 30, 1970, and the date on which the property is placed in service, except that in the case of property placed in service after December 31, 1974, 0 percent shall be substituted for 7 percent."

(b) LIMITATIONS ON USE OF CARRYOVERS AND CARRYBACKS.—Section 46(b) (relating to carryback and carryover of unused credits) is amended by adding at the end thereof the following new paragraph:

"(5) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1968, AND ENDING AFTER APRIL 18, 1969.—The amount that may be added under this subsection for any taxable year beginning after December 31, 1968, and ending after April 18, 1969, shall not exceed 20 percent of the higher of—

"(A) the aggregate of the investment credit carrybacks and investment credit carryovers to the taxable year, or

"(B) the highest amount computed under subparagraph (A) for any preceding taxable year which began after December 31, 1968, and ended after April 18, 1969."

(c) RULES RELATING TO CERTAIN CASUALTIES AND THEFTS.—Section 47(a)(4) (relating to rules with respect to section 38 property destroyed by casualty, etc.) is amended by adding at the end thereof the following:

"Subparagraphs (B) and (C) shall not apply with respect to any casualty or theft occurring after April 18, 1969. In the case of any casualty or theft occurring on or before April 18, 1969, to the extent of any replacement after such date (with property which would be section 38 property but for section 49) this part shall be applied without regard to section 49."

(d) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 (relating to rules for computing credit for investment in certain depreciable property) is amended by adding at the end thereof the following new item:

"Sec. 49. Termination of credit."

SEC. 5. AMORTIZATION OF POLLUTION CONTROL FACILITIES.

(a) ALLOWANCE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by striking out sections 168 and 169 and by inserting after section 167 the following new section:

"SEC. 168. AMORTIZATION OF POLLUTION CONTROL FACILITIES.

"(a) ALLOWANCE OF DEDUCTION.—Every person, at his election, shall be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of any certified pollution control facility (as defined in subsection (d)), based on a period of 60 months. Such amortization deduction shall be an amount, with respect to each month of such period within the taxable year, equal to the adjusted basis of the pollution control facility at the end of such month divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction provided by this section with respect to any month shall be in lieu of the depreciation deduction with respect to such pollution control facility for such month provided by section 167. The 60-month period shall begin, as to any pollution control facility, at the election of the taxpayer, with the month following the month in which such facility was completed or acquired, or with the succeeding taxable year.

"(b) ELECTION OF AMORTIZATION.—The election of the taxpayer to take the amortization deduction and to begin the 60-month period with the month following the month in which the facility is completed or acquired, or with the taxable year succeeding the taxable year in which such facility is completed or acquired, shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time, as the Secretary or his delegate may by reguatlions prescribe, a statement of such election.

"(c) TERMINATION OF AMORTIZATION DEDUCTION.—A taxpayer which has elected under subsection (b) to take the amortization deduction provided in subsection (a) may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary or his delegate before the beginning of such month. The depreciation deduction provided under section 167 shall be allowed, beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction under this section with respect to such pollution control facility.

"(d) DEFINITIONS.—For purposes of this section—

"(1) CERTIFIED POLLUTION CONTROL FACILITY.—The term 'certified pollution control facility' means so much of any new property of a character subject to the allowance for depreciation provided in section 167 which is used to abate or control water or atmospheric pollution or contamination, respectively, by removing, altering, disposing, or storing of pollutants, contaminants, wastes, or heat, as—

"(A) the State certifying authority has certified to the Federal certifying authority as having been constructed, reconstructed, erected, or acquired in conformity with the State program or requirements for abatement or control of water or atmospheric pollution or contamination; and

"(B) the Federal certifying authority has certified to the Secretary or his delegate (i) as meeting the minimum performance standards described in subsection (e), (ii) as being in compliance with the applicable regu-

lations of Federal agencies, and (iii) as being in furtherance of the general policy of the United States for cooperation with the States in the prevention and abatement of water pollution under the Federal Water Pollution Control Act, as amended (33 U.S.C. 466 et seq.), or in the prevention and abatement of atmospheric pollution and contamination under the Clean Air Act, as amended (42 U.S.C. 1857 et seq.).

"(2) STATE CERTIFYING AUTHORITY.—The term 'State certifying authority' means, in the case of water pollution, the State water pollution control agency as defined in section 13(a) of the Federal Water Pollution Control Act and, in the case of air pollution, the air pollution control agency as defined in section 302(b) of the Clean Air Act.

"(3) FEDERAL CERTIFYING AUTHORITY.—The term 'Federal certifying authority' means, in the case of water pollution, the Secretary of the Interior and, in the case of air pollution, the Secretary of Health, Education, and Welfare.

"(4) NEW PROPERTY.—For purposes of paragraph (1), the term 'new property' means property—

"(A) the construction, reconstruction, or erection of which is completed by the taxpayer after December 31, 1968, or

"(B) acquired after December 31, 1968, if the original use of the property commences with the taxpayer and commences after such date.

In applying subsection (f) in the case of property described in subparagraph (A), there shall be taken into account only that portion of the basis which is properly attributable to construction, reconstruction, or erection after December 31, 1968.

"(e) AUTHORIZATION OF SECRETARIES OF INTERIOR AND OF HEALTH, EDUCATION, AND WELFARE TO SET STANDARDS, ETC.—

"(1) PERFORMANCE STANDARDS.—The Federal certifying authority shall from time to time promulgate minimum performance standards for purposes of subsection (d)(1)(B), taking into account advances in technology and specifying the tolerance of such pollutants and contaminants as shall be appropriate.

"(2) PROFITMAKING ABATEMENT WORKS, ETC.—The Federal certifying authority shall not certify any property under paragraph (2) or (3) to the extent it appears that (A) by reason of profits derived through the recovery of wastes or otherwise in the operation of such property, its costs will be recovered over its actual useful life, or (B) such property would be constructed, reconstructed, erected, or acquired without regard to the need to abate or control water or atmospheric pollution or contamination.

"(f) ALLOCATION OF BASIS.—In the case of property with respect to which an election has been made under subsection (a) but only a portion thereof is certified under subsection (d), the adjusted basis of such property shall, under regulations prescribed by the Secretary or his delegate, be properly allocated between the portion which is so certified and the portion which is not so certified.

"(g) LIFE TENANT AND REMAINDERMAN.—In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant

"(h) CROSS REFERENCE.—

"For special rule with respect to certain gain derived from the disposition of property the adjusted basis of which is determined with regard to this section, see section 1245."

(b) INVESTMENT CREDIT NOT TO BE ALLOWED.—Section 48(a)(1) (relating to definition of "section 38 property") is amended by adding at the end thereof the following new sentence: "Such term does not include any property in respect of which an election under section 168 (relating to amortization of pollution control facilities) has been made."

(c) CONFORMING, ETC., AMENDMENTS.—

(1) The table of sections for part VI of subchapter B of chapter 1 is amended by striking out the items relating to sections 168 and 169 and inserting in lieu thereof the following new item:

"Sec. 168. Amortization of pollution control facilities."

(2) The heading and the first sentence of section 642(f) (relating to special rules for credits and deductions of estates and trusts) are amended to read as follows:

"(f) AMORTIZATION OF POLLUTION CONTROL FACILITIES.—The benefit of the deductions for amortization of pollution control facilities provided by section 168 shall be allowed to estates and trust in the same manner as in the case of an individual."

(3) Section 1082(a)(2)(B) (relating to basis for determining gain or loss) is amended by striking out "or 169".

(4) Section 1238 (relating to amortization in excess of depreciation) is amended by striking out "emergency facilities" and inserting in lieu thereof "certified pollution control facilities".

(5) Section 1245(a) of such Code (relating to gain from disposition of certain depreciable property) is amended—

(A) by striking out "or" at the end of paragraph (2)(A);

(B) by inserting "or" at the end of paragraph (2)(B) and by inserting after such paragraph the following new subparagraph:

"(C) with respect to any property referred to in paragraph (3)(D), its adjusted basis recomputed by adding thereto all adjustments, attributable to periods beginning with the first month for which a deduction for amortization is allowed under section 168,";

(C) by striking out "or" at the end of paragraphs (3)(A) and (B);

(D) by striking out the period at the end of paragraph (3)(C) and inserting in lieu thereof ", or"; and

(E) by adding at the end of paragraph (3) the following new subparagraph:

"(D) so much of any real property (other than any property described in subparagraph (B)) as is a certified pollution control facility which has an adjusted basis in which there are reflected adjustments for amortization under section 168."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after December 31, 1968.

SEC. 6. LOW INCOME ALLOWANCE.

(a) ALLOWANCE OF DEDUCTION.—

(1) IN GENERAL.—Section 141(c) (relating to minimum standard deduction) is amended to read as follows:

"(c) LOW INCOME ALLOWANCE.—

"(1) IN GENERAL.—The low income allowance is an amount equal to the sum of—

"(A) the basic allowance, and

"(B) the additional allowance.

"(2) BASIC ALLOWANCE.—For purposes of this subsection, the basic allowance is an amount equal to the sum of—

"(A) $200, plus

"(B) $100, multiplied by the number of exemptions.

The basic allowance shall not exceed $1,000.

"(3) ADDITIONAL ALLOWANCE.—

"(A) IN GENERAL.—For purposes of this subsection, the additional allowance is an amount equal to the excess (if any) of $900 over the sum of—

"(i) $100, multiplied by the number of exemptions, plus

"(ii) the income phase-out.

"(B) INCOME PHASE-OUT.—For purposes of subparagraph (A)(ii), the income phase-out is an amount equal to one-half of the amount by which the adjusted gross income for the taxable year exceeds the sum of—

"(i) $1,100, plus

"(ii) $600, multiplied by the number of exemptions.

"(4) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—In the case of a married taxpayer filing a separate return—

"(A) the low income allowance is an amount equal to the basic allowance, and

"(B) the basic allowance is an amount (not in excess of $500) equal to the sum of—

"(i) $100, plus

"(ii) $100, multiplied by the number of exemptions.

"(5) NUMBER OF EXEMPTIONS.—For purposes of this subsection, the number of exemptions is the number of exemptions allowed as a deduction for the taxable year under section 151."

(2) AMENDMENT OF SUBSECTIONS (a) AND (b) OF SECTION 141.—Subsections (a) and (b) of section 141 (relating to standard deduction) are amended to read as follows:

"(a) STANDARD DEDUCTION.—Except as otherwise provided in this section, the standard deduction referred to in this title is the larger of the 10-percent standard deduction or the low income allowance.

"(b) 10-PERCENT STANDARD DEDUCTION.—The 10-percent standard deduction is an amount equal to 10 percent of the adjusted gross income. The 10-percent standard deduction shall not exceed $1,000, except that in the case of a separate return by a married individual such deduction shall not exceed $500."

(3) AMENDMENT OF SUBSECTION (d) OF SECTION 141.—Section 141 (d) is amended by striking out "minimum standard deduction" each place it appears and inserting in lieu thereof "low income allowance".

(4) DETERMINATION OF MARITAL STATUS.—Section 143 (relating to determination of marital status) is amended—

(A) by striking out "For purposes of this part—" and inserting in lieu thereof "(a) GENERAL RULE.—For purposes of this part—"; and

(B) by adding at the end thereof the following new subsection:

"(b) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, if—

"(1) an individual who is married (within the meaning of subsection (a)) and who files a separate return maintains as his home a household which constitutes for more than one-half of the taxable year the principal place of abode of a dependent (A) who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the individual, and (B) with respect to whom such individual is entitled to a deduction for the taxable year under section 151,

"(2) such individual furnishes over half of the cost of maintaining such household during the taxable year, and

"(3) during the entire taxable year such individual's spouse is not a member of such household, such individual shall not be considered as married."

(5) CONFORMING AMENDMENT.—Section 1304 (c)(5) (relating to special rules for income averaging) is amended by striking out "section 143" and inserting in lieu thereof "section 143(a)".

(b) OPTIONAL TAX.—

(1) IN GENERAL.—Section 3 (relating to optional tax if adjusted gross income is less than $5,000) is amended to read as follows:

"SEC. 3. OPTIONAL TAX IF ADJUSTED GROSS INCOME IN LESS THAN $6,100.

"In lieu of the tax imposed by section 1, there is hereby imposed for each taxable year beginning after December 31, 1969, on the taxable income of every individual whose adjusted gross income for such year is less than $6,100 and who has elected for such year to pay the tax imposed by this section, a tax as follows:

"TABLE I—SINGLE PERSON—NOT HEAD OF HOUSEHOLD

If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4	5	6	7	8	9 or more
		The tax is—								
$0	$1,700	$0	$0	$0	$0	$0	$0	$0	$0	$0
1,700	1,725	3	0	0	0	0	0	0	0	0
1,725	1,750	8	0	0	0	0	0	0	0	0
1,750	1,775	13	0	0	0	0	0	0	0	0
1,775	1,800	18	0	0	0	0	0	0	0	0
1,800	1,825	24	0	0	0	0	0	0	0	0
1,825	1,850	29	0	0	0	0	0	0	0	0
1,850	1,875	34	0	0	0	0	0	0	0	0
1,875	1,900	39	0	0	0	0	0	0	0	0
1,900	1,925	45	0	0	0	0	0	0	0	0
1,925	1,950	50	0	0	0	0	0	0	0	0
1,950	1,975	55	0	0	0	0	0	0	0	0
1,975	2,000	60	0	0	0	0	0	0	0	0
2,000	2,025	66	0	0	0	0	0	0	0	0
2,025	2,050	71	0	0	0	0	0	0	0	0
2,050	2,075	77	0	0	0	0	0	0	0	0
2,075	2,100	82	0	0	0	0	0	0	0	0
2,100	2,125	88	0	0	0	0	0	0	0	0
2,125	2,150	93	0	0	0	0	0	0	0	0
2,150	2,175	99	0	0	0	0	0	0	0	0
2,175	2,200	105	0	0	0	0	0	0	0	0
2,200	2,225	110	0	0	0	0	0	0	0	0
2,225	2,250	116	0	0	0	0	0	0	0	0
2,250	2,275	122	0	0	0	0	0	0	0	0
2,275	2,300	127	0	0	0	0	0	0	0	0
2,300	2,325	133	3	0	0	0	0	0	0	0
2,325	2,350	138	8	0	0	0	0	0	0	0
2,350	2,375	144	13	0	0	0	0	0	0	0
2,375	2,400	150	18	0	0	0	0	0	0	0
2,400	2,425	156	24	0	0	0	0	0	0	0
2,425	2,450	162	29	0	0	0	0	0	0	0
2,450	2,475	168	34	0	0	0	0	0	0	0
2,475	2,500	174	39	0	0	0	0	0	0	0
2,500	2,525	180	45	0	0	0	0	0	0	0
2,525	2,550	186	50	0	0	0	0	0	0	0
2,550	2,575	192	55	0	0	0	0	0	0	0
2,575	2,600	198	60	0	0	0	0	0	0	0
2,600	2,625	204	66	0	0	0	0	0	0	0
2,625	2,650	210	71	0	0	0	0	0	0	0
2,650	2,675	216	77	0	0	0	0	0	0	0
2,675	2,700	222	82	0	0	0	0	0	0	0
2,700	2,725	228	88	0	0	0	0	0	0	0
2,725	2,750	235	93	0	0	0	0	0	0	0
2,750	2,775	241	99	0	0	0	0	0	0	0
2,775	2,800	247	105	0	0	0	0	0	0	0
2,800	2,825	254	110	0	0	0	0	0	0	0
2,825	2,850	260	116	0	0	0	0	0	0	0
2,850	2,875	266	122	0	0	0	0	0	0	0
2,875	2,900	273	127	0	0	0	0	0	0	0
2,900	2,925	279	133	3	0	0	0	0	0	0
2,925	2,950	286	138	8	0	0	0	0	0	0
2,950	2,975	292	144	13	0	0	0	0	0	0
2,975	3,000	298	150	18	0	0	0	0	0	0
3,000	3,050	308	159	26	0	0	0	0	0	0
3,050	3,100	322	171	37	0	0	0	0	0	0
3,100	3,150	336	183	47	0	0	0	0	0	0
3,150	3,200	350	195	58	0	0	0	0	0	0
3,200	3,250	365	207	68	0	0	0	0	0	0
3,250	3,300	376	219	79	0	0	0	0	0	0
3,300	3,350	385	231	91	0	0	0	0	0	0
3,350	3,400	393	244	102	0	0	0	0	0	0
3,400	3,450	402	257	113	0	0	0	0	0	0
3,450	3,500	410	270	124	0	0	0	0	0	0
3,500	3,550	419	282	136	5	0	0	0	0	0
3,550	3,600	427	295	147	16	0	0	0	0	0
3,600	3,650	436	308	159	26	0	0	0	0	0
3,650	3,700	444	322	171	37	0	0	0	0	0
3,700	3,750	453	334	183	47	0	0	0	0	0
3,750	3,800	462	343	195	58	0	0	0	0	0
3,800	3,850	470	353	207	68	0	0	0	0	0
3,850	3,900	479	362	219	79	0	0	0	0	0
3,900	3,950	487	372	231	91	0	0	0	0	0
3,950	4,000	496	381	244	102	0	0	0	0	0

"TABLE I—SINGLE PERSON—NOT HEAD OF HOUSEHOLD—Continued

If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4	5	6	7	8	9 or more
		The tax is—								
$4,000	$4,050	$504	$390	$257	$113	$0	$0	$0	$0	$0
4,050	4,100	513	399	270	124	0	0	0	0	0
4,100	4,150	521	407	280	136	5	0	0	0	0
4,150	4,200	530	416	289	147	16	0	0	0	0
4,200	4,250	538	424	297	159	26	0	0	0	0
4,250	4,300	547	433	306	171	37	0	0	0	0
4,300	4,350	556	442	315	183	47	0	0	0	0
4,350	4,400	564	450	324	195	58	0	0	0	0
4,400	4,450	573	459	334	207	68	0	0	0	0
4,450	4,500	581	467	343	219	79	0	0	0	0
4,500	4,550	590	476	353	229	91	0	0	0	0
4,550	4,600	598	484	362	238	102	0	0	0	0
4,600	4,650	607	493	372	246	113	0	0	0	0
4,650	4,700	615	501	381	255	124	0	0	0	0
4,700	4,750	624	510	391	263	136	5	0	0	0
4,750	4,800	633	519	400	272	147	16	0	0	0
4,800	4,850	641	527	410	280	159	159	26	0	0
4,850	4,900	650	536	419	289	171	37	0	0	0
4,900	4,950	658	544	429	297	181	47	0	0	0
4,950	5,000	667	553	438	306	189	58	0	0	0
5,000	5,050	765	561	447	315	197	68	0	0	0
5,050	5,100	684	570	456	324	205	79	0	0	0
5,100	5,150	693	578	464	334	213	91	0	0	0
5,150	5,200	703	587	473	343	221	102	0	0	0
5,200	5,250	713	595	481	353	229	113	0	0	0
5,250	5,300	722	604	490	362	238	124	0	0	0
5,300	5,350	732	613	499	372	246	134	5	0	0
5,350	5,400	742	621	407	381	255	141	16	0	0
5,400	5,450	752	630	516	391	263	149	26	0	0
5,450	5,500	762	638	524	400	272	157	37	0	0
5,500	5,550	772	647	533	410	280	165	47	0	0
5,550	5,600	782	655	541	419	289	173	58	0	0
5,600	5,650	792	664	550	429	297	181	68	0	0
5,650	5,700	802	672	558	438	306	189	79	0	0
5,700	5,750	812	681	567	448	315	197	89	0	0
5,750	5,800	821	690	576	457	324	205	96	0	0
5,800	5,850	831	699	584	467	334	213	104	0	0
5,850	5,900	841	709	593	476	343	221	111	0	0
5,900	5,950	851	719	601	486	353	229	119	5	0
5,950	6,000	861	729	610	495	362	238	126	16	0
6,000	6,050	871	739	618	504	372	246	134	26	0
6,050	6,100	881	749	627	513	831	255	141	37	0

"TABLE II—HEAD OF HOUSEHOLD

If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4	5	6	7	8	9 or more
		The tax is—								
$0	$1,700	$0	$0	$0	$0	$0	$0	$0	$0	$0
1,700	1,725	3	0	0	0	0	0	0	0	0
1,725	1,750	8	0	0	0	0	0	0	0	0
1,750	1,775	13	0	0	0	0	0	0	0	0
1,775	1,800	18	0	0	0	0	0	0	0	0
1,800	1,825	24	0	0	0	0	0	0	0	0
1,825	1,850	29	0	0	0	0	0	0	0	0
1,850	1,875	34	0	0	0	0	0	0	0	0
1,875	1,900	39	0	0	0	0	0	0	0	0
1,900	1,925	45	0	0	0	0	0	0	0	0
1,925	1,950	50	0	0	0	0	0	0	0	0
1,950	1,975	55	0	0	0	0	0	0	0	0
1,975	2,000	60	0	0	0	0	0	0	0	0
2,000	2,025	66	0	0	0	0	0	0	0	0
2,025	2,050	71	0	0	0	0	0	0	0	0
2,050	2,075	76	0	0	0	0	0	0	0	0

"TABLE II—HEAD OF HOUSEHOLD—Continued

If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4	5	6	7	8	9 or more
		The tax is—								
$2,075	$2,100	$81	$0	$0	$0	$0	$0	$0	$0	$0
2,100	2,125	87	0	0	0	0	0	0	0	0
2,125	2,150	92	0	0	0	0	9	0	0	0
2,150	2,175	97	0	0	0	0	0	0	0	0
2,175	2,200	102	0	0	0	0	0	0	0	0
2,200	2,225	108	0	0	0	0	0	0	0	0
2,225	2,250	113	0	0	0	0	0	0	0	0
2,250	2,275	118	0	0	0	0	0	0	0	0
2,275	2,300	123	0	0	0	0	0	0	0	0
2,300	2,325	129	3	0	0	0	0	0	0	0
2,325	2,350	134	8	0	0	0	0	0	0	0
2,350	2,375	139	13	0	0	0	0	0	0	0
2,375	2,400	145	18	0	0	0	0	0	0	0
2,400	2,425	151	24	0	0	0	0	0	0	0
2,425	2,450	157	29	0	0	0	0	0	0	0
2,450	2,475	163	34	0	0	0	0	0	0	0
2,475	2,500	169	39	0	0	0	0	0	0	0
2,500	2,525	175	45	0	0	0	0	0	0	0
2,525	2,550	181	50	0	0	0	0	0	0	0
2,550	2,575	187	55	0	0	0	0	0	0	0
2,575	2,600	193	60	0	0	0	0	0	0	0
2,600	2,625	199	66	0	0	0	0	0	0	0
2,625	2,650	205	71	0	0	0	0	0	0	0
2,650	2,675	211	76	0	0	0	0	0	0	0
2,675	2,700	217	81	0	0	0	0	0	0	0
2,700	2,725	223	87	0	0	0	0	0	0	0
2,725	2,750	229	92	0	0	0	0	0	0	0
2,750	2,775	235	97	0	0	0	0	0	0	0
2,775	2,800	241	102	0	0	0	0	0	0	0
2,800	2,825	247	108	0	0	0	0	0	0	0
2,825	2,850	253	113	0	0	0	0	0	0	0
2,850	2,875	259	118	0	0	0	0	0	0	0
2,875	2,900	265	123	0	0	0	0	0	0	0
2,900	2,925	271	129	3	0	0	0	0	0	0
2,925	2,950	277	134	8	0	0	0	0	0	0
2,950	2,975	283	139	13	0	0	0	0	0	0
2,975	3,000	289	145	18	0	0	0	0	0	0
3,000	3,050	298	154	26	0	0	0	0	0	0
3,050	3,100	311	166	37	0	0	0	0	0	0
3,100	3,150	325	178	47	0	0	0	0	0	0
3,150	3,200	338	190	58	0	0	0	0	0	0
3,200	3,250	352	202	68	0	0	0	0	0	0
3,250	3,300	363	214	79	0	0	0	0	0	0
3,300	3,350	371	226	89	0	0	0	0	0	0
3,350	3,400	379	238	100	0	0	0	0	0	0
3,400	3,450	387	250	110	0	0	0	0	0	0
3,450	3,500	395	262	121	0	0	0	0	0	0
3,500	3,550	403	274	131	5	0	0	0	0	0
3,550	3,600	411	286	142	16	0	0	0	0	0
3,600	3,650	419	298	154	26	0	0	0	0	0
3,650	3,700	427	311	166	37	0	0	0	0	0
3,700	3,750	435	323	178	47	0	0	0	0	0
3,750	3,800	444	332	190	58	0	0	0	0	0
3,800	3,850	452	341	202	68	0	0	0	0	0
3,850	3,900	460	350	214	79	0	0	0	0	0
3,900	3,950	468	359	226	89	0	0	0	0	0
3,950	4,000	476	368	238	100	0	0	0	0	0
4,000	4,050	484	376	250	110	0	0	0	0	0
4,050	4,100	492	384	262	121	0	0	0	0	0
4,100	4,150	500	392	272	131	5	0	0	0	0
4,150	4,200	508	400	280	142	16	0	0	0	0
4,200	4,250	516	408	288	154	26	0	0	0	0
4,250	4,300	525	417	296	166	37	0	0	0	0
4,300	4,350	533	425	305	178	47	0	0	0	0
4,350	4,400	541	433	314	190	58	0	0	0	0
4,400	4,450	549	441	323	202	68	0	0	0	0
4,450	4,500	557	449	332	214	79	0	0	0	0
4,500	4,550	565	457	341	224	89	0	0	0	0
4,550	4,600	573	465	350	232	100	0	0	0	0
4,600	4,650	581	473	359	240	110	0	0	0	0
4,650	4,700	589	481	368	248	121	0	0	0	0
4,700	4,750	597	489	377	256	131	5	0	0	0
4,750	4,800	606	498	386	264	142	16	0	0	0

"TABLE II—HEAD OF HOUSEHOLD—Continued

If adjusted gross income is—		And the number of exemptions is—								
At least	But less than	1	2	3	4	5	6	7	8	9 or more
		The tax is—								
$4,800	$4,850	$614	$506	$395	$272	$154	$26	$0	$0	$0
4,850	4,900	622	514	404	280	166	37	0	0	0
4,900	4,950	630	522	413	288	176	47	0	0	0
4,950	5,000	638	530	422	296	184	58	0	0	0
5,000	5,050	646	538	430	305	192	68	0	0	0
5,050	5,100	654	546	438	314	200	79	0	0	0
5,100	5,150	663	554	446	323	208	89	0	0	0
5,150	5,200	672	562	454	332	216	100	0	0	0
5,200	5,250	681	570	462	341	224	110	0	0	0
5,250	5,300	690	579	471	350	232	121	0	0	0
5,300	5,350	699	587	479	359	240	130	5	0	0
5,350	5,400	708	595	487	368	248	137	16	0	0
5,400	5,450	717	603	495	377	256	144	26	0	0
5,450	5,500	726	611	503	386	264	152	37	0	0
5,500	5,550	735	619	511	395	272	160	47	0	0
5,550	5,600	744	627	519	404	280	168	58	0	0
5,600	5,650	753	635	527	413	288	176	68	0	0
5,650	5,700	762	643	535	422	296	184	79	0	0
5,700	5,750	771	651	543	431	305	192	88	0	0
5,750	5,800	780	660	552	440	314	200	95	0	0
5,800	5,850	789	669	560	449	323	208	102	0	0
5,850	5,900	798	678	568	458	332	216	109	0	0
5,900	5,950	807	687	576	467	341	224	116	5	0
5,950	6,000	816	696	584	476	350	232	123	16	0
6,000	6,050	825	705	592	484	359	240	130	26	0
6,050	6,100	834	714	600	492	368	248	137	37	0

"TABLE III—MARRIED PERSONS FILING JOINT RETURNS

If adjusted gross income is—		And the number of exemptions is—							
At least	But less than	2	3	4	5	6	7	8	9 or more
		The tax is—							
$0	$2,300	$0	$0	$0	$0	$0	$0	$0	$0
2,300	2,325	3	0	0	0	0	0	0	0
2,325	2,350	8	0	0	0	0	0	0	0
2,350	2,375	13	0	0	0	0	0	0	0
2,375	2,400	18	0	0	0	0	0	0	0
2,400	2,425	24	0	0	0	0	0	0	0
2,425	2,450	29	0	0	0	0	0	0	0
2,450	2,475	34	0	0	0	0	0	0	0
2,475	2,500	39	0	0	0	0	0	0	0
2,500	2,525	45	0	0	0	0	0	0	0
2,525	2,550	50	0	0	0	0	0	0	0
2,550	2,575	55	0	0	0	0	0	0	0
2,575	2,600	60	0	0	0	0	0	0	0
2,600	2,625	66	0	0	0	0	0	0	0
2,625	2,650	71	0	0	0	0	0	0	0
2,650	2,675	76	0	0	0	0	0	0	0
2,675	2,700	81	0	0	0	0	0	0	0
2,700	2,725	87	0	0	0	0	0	0	0
2,725	2,750	92	0	0	0	0	0	0	0
2,750	2,775	97	0	0	0	0	0	0	0
2,775	2,800	102	0	0	0	0	0	0	0
2,800	2,825	108	0	0	0	0	0	0	0
2,825	2,850	113	0	0	0	0	0	0	0
2,850	2,875	118	0	0	0	0	0	0	0
2,875	2,900	123	0	0	0	0	0	0	0
2,900	2,925	129	3	0	0	0	0	0	0
2,925	2,950	134	8	0	0	0	0	0	0
2,950	2,975	139	13	0	0	0	0	0	0
2,975	3,000	145	18	0	0	0	0	0	0
3,000	3,050	153	26	0	0	0	0	0	0
3,050	3,100	164	37	0	0	0	0	0	0
3,100	3,150	176	47	0	0	0	0	0	0
3,150	3,200	187	58	0	0	0	0	0	0

"TABLE III—MARRIED PERSONS FILING JOINT RETURNS—Continued

If adjusted gross income is—		And the number of exemptions is—							
At least	But less than	2	3	4	5	6	7	8	9 or more
		The tax is—							
$3,200	$3,250	$198	$68	$0	$0	$0	$0	$0	$0
3,250	3,300	209	79	0	0	0	0	0	0
3,300	3,350	221	89	0	0	0	0	0	0
3,350	3,400	232	100	0	0	0	0	0	0
3,400	3,450	243	110	0	0	0	0	0	0
3,450	3,500	254	121	0	0	0	0	0	0
3,500	3,550	266	131	5	0	0	0	0	0
3,550	3,600	277	142	16	0	0	0	0	0
3,600	3,650	288	153	26	0	0	0	0	0
3,650	3,700	300	164	37	0	0	0	0	0
3,700	3,750	310	176	47	0	0	0	0	0
3,750	3,800	318	187	58	0	0	0	0	0
3,800	3,850	326	198	68	0	0	0	0	0
3,850	3,900	334	209	79	0	0	0	0	0
3,900	3,950	342	221	89	0	0	0	0	0
3,950	4,000	350	232	100	0	0	0	0	0
4,000	4,050	358	243	110	0	0	0	0	0
4,050	4,100	365	254	121	0	0	0	0	0
4,100	4,150	372	264	131	5	0	0	0	0
4,150	4,200	379	271	142	16	0	0	0	0
4,200	4,250	386	279	153	26	0	0	0	0
4,250	4,300	394	286	164	37	0	0	0	0
4,300	4,350	401	294	176	47	0	0	0	0
4,350	4,400	408	302	187	58	0	0	0	0
4,400	4,450	415	310	198	68	0	0	0	0
4,450	4,500	422	318	209	79	0	0	0	0
4,500	4,550	430	326	219	89	0	0	0	0
4,550	4,600	437	334	226	100	0	0	0	0
4,600	4,650	444	342	234	110	0	0	0	0
4,650	4,700	451	350	241	121	0	0	0	0
4,700	4,750	459	358	249	131	5	0	0	0
4,750	4,800	467	366	256	142	16	0	0	0
4,800	4,850	474	374	264	153	26	0	0	0
4,850	4,900	482	382	271	164	37	0	0	0
4,900	4,950	490	390	279	174	47	0	0	0
4,950	5,000	497	398	286	181	58	0	0	0
5,000	5,050	505	406	294	189	68	0	0	0
5,050	5,100	512	413	302	196	79	0	0	0
5,100	5,150	520	420	310	204	89	0	0	0
5,150	5,200	528	427	318	211	100	0	0	0
5,200	5,250	535	434	326	219	110	0	0	0
5,250	5,300	543	442	334	226	121	0	0	0
5,300	5,350	551	449	342	234	130	5	0	0
5,350	5,400	558	456	350	241	137	16	0	0
5,400	5,450	566	464	358	249	144	26	0	0
5,450	5,500	574	472	366	256	151	37	0	0
5,500	5,550	581	479	374	264	159	47	0	0
5,550	5,600	589	487	382	271	166	58	0	0
5,600	5,650	597	495	390	279	174	68	0	0
5,650	5,700	604	502	398	286	181	79	0	0
5,700	5,750	612	510	406	294	189	88	0	0
5,750	5,800	620	518	414	302	196	95	0	0
5,800	5,850	628	525	422	310	204	102	0	0
5,850	5,900	637	533	430	318	211	109	0	0
5,900	5,950	645	541	438	326	219	116	5	0
5,950	6,000	654	548	446	334	226	123	16	0
6,000	6,050	662	556	454	342	234	130	26	0
6,050	6,100	671	563	461	350	241	137	37	0

"TABLE IV—MARRRIED PERSONS FILING SEPARATE RETURNS
"10 PERCENT STANDARD DEDUCTION

If adjusted gross income is—		And the number of exemptions is—									
At least	But less than	1	2	3	4	5	6	7	8	9	10 or more
		The tax is—									
$0	$675	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
675	700	3	0	0	0	0	0	0	0	0	0
700	725	6	0	0	0	0	0	0	0	0	0
725	750	9	0	0	0	0	0	0	0	0	0
750	775	12	0	0	0	0	0	0	0	0	0
775	800	15	0	0	0	0	0	0	0	0	0
800	825	18	0	0	0	0	0	0	0	0	0
825	850	22	0	0	0	0	0	0	0	0	0
850	875	25	0	0	0	0	0	0	0	0	0
875	900	28	0	0	0	0	0	0	0	0	0
900	925	31	0	0	0	0	0	0	0	0	0
925	950	34	0	0	0	0	0	0	0	0	0
950	975	37	0	0	0	0	0	0	0	0	0
975	1,000	40	0	0	0	0	0	0	0	0	0
1,000	1,025	44	0	0	0	0	0	0	0	0	0
1,025	1,050	47	0	0	0	0	0	0	0	0	0
1,050	1,075	50	0	0	0	0	0	0	0	0	0
1,075	1,100	53	0	0	0	0	0	0	0	0	0
1,100	1,125	56	0	0	0	0	0	0	0	0	0
1,125	1,150	59	0	0	0	0	0	0	0	0	0
1,150	1,175	62	0	0	0	0	0	0	0	0	0
1,175	1,200	66	0	0	0	0	0	0	0	0	0
1,200	1,225	69	0	0	0	0	0	0	0	0	0
1,225	1,250	72	0	0	0	0	0	0	0	0	0
1,250	1,275	75	0	0	0	0	0	0	0	0	0
1,275	1,300	79	0	0	0	0	0	0	0	0	0
1,300	1,325	82	0	0	0	0	0	0	0	0	0
1,325	1,350	86	0	0	0	0	0	0	0	0	0
1,350	1,375	89	4	0	0	0	0	0	0	0	0
1,375	1,400	92	7	0	0	0	0	0	0	0	0
1,400	1,425	96	10	0	0	0	0	0	0	0	0
1,425	1,450	99	13	0	0	0	0	0	0	0	0
1,450	1,475	102	16	0	0	0	0	0	0	0	0
1,475	1,500	106	19	0	0	0	0	0	0	0	0
1,500	1,525	109	23	0	0	0	0	0	0	0	0
1,525	1,550	113	26	0	0	0	0	0	0	0	0
1,550	1,575	116	29	0	0	0	0	0	0	0	0
1,575	1,600	119	32	0	0	0	0	0	0	0	0
1,600	1,625	123	35	0	0	0	0	0	0	0	0
1,625	1,650	126	38	0	0	0	0	0	0	0	0
1,650	1,675	129	41	0	0	0	0	0	0	0	0
1,675	1,700	133	45	0	0	0	0	0	0	0	0
1,700	1,725	136	48	0	0	0	0	0	0	0	0
1,725	1,750	140	51	0	0	0	0	0	0	0	0
1,750	1,775	143	54	0	0	0	0	0	0	0	0
1,775	1,800	146	57	0	0	0	0	0	0	0	0
1,800	1,825	150	60	0	0	0	0	0	0	0	0
1,825	1,850	154	64	0	0	0	0	0	0	0	0
1,850	1,875	157	67	0	0	0	0	0	0	0	0
1,875	1,900	161	70	0	0	0	0	0	0	0	0
1,900	1,925	164	73	0	0	0	0	0	0	0	0
1,925	1,950	168	77	0	0	0	0	0	0	0	0
1,950	1,975	172	80	0	0	0	0	0	0	0	0
1,975	2,000	175	83	0	0	0	0	0	0	0	0
2,000	2,025	179	87	2	0	0	0	0	0	0	0
2,025	2,050	182	90	5	0	0	0	0	0	0	0
2,050	2,075	186	93	8	0	0	0	0	0	0	0
2,075	2,100	190	97	11	0	0	0	0	0	0	0
2,100	2,125	193	100	14	0	0	0	0	0	0	0
2,125	2,150	197	104	17	0	0	0	0	0	0	0
2,150	2,175	200	107	20	20	0	0	0	0	0	0
2,175	2,200	204	110	24	0	0	0	0	0	0	0
2,200	2,225	208	114	27	0	0	0	0	0	0	0
2,225	2,250	211	117	30	0	0	0	0	0	0	0
2,250	2,275	215	120	33	0	0	0	0	0	0	0
2,275	2,300	218	124	36	0	0	0	0	0	0	0
2,300	2,325	222	127	39	0	0	0	0	0	0	0
2,325	2,350	226	131	43	0	0	0	0	0	0	0

"TABLE IV—MARRIED PERSONS FILING SEPARATE RETURNS—Continued
"10 PERCENT STANDARD DEDUCTION—Continued

If adjusted gross income is—		And the number of exemptions is—									
At least	But less than	1	2	3	4	5	6	7	8	9	10 or more
		The tax is—									
$2,350	$2,375	$229	$134	$46	$0	$0	$0	$0	$0	$0	$0
2,375	2,400	233	137	49	0	0	0	0	0	0	0
2,400	2,425	237	141	52	0	0	0	0	0	0	0
2,425	2,450	241	144	55	0	0	0	0	0	0	0
2,450	2,475	245	148	58	0	0	0	0	0	0	0
2,475	2,500	249	151	61	0	0	0	0	0	0	0
2,500	2,525	252	155	65	0	0	0	0	0	0	0
2,525	2,550	256	158	68	0	0	0	0	0	0	0
2,550	2,575	260	162	71	0	0	0	0	0	0	0
2,575	2,600	264	166	74	0	0	0	0	0	0	0
2,600	2,625	268	169	78	0	0	0	0	0	0	0
2,625	2,650	272	173	81	0	0	0	0	0	0	0
2,650	2,675	275	176	84	0	0	0	0	0	0	0
2,675	2,700	279	180	88	3	0	0	0	0	0	0
2,700	2,725	283	184	91	6	0	0	0	0	0	0
2,725	2,750	287	187	95	9	0	0	0	0	0	0
2,750	2,775	291	191	98	12	0	0	0	0	0	0
2,775	2,800	294	194	101	15	0	0	0	0	0	0
2,800	2,825	298	198	105	18	0	0	0	0	0	0
2,825	2,850	302	202	108	22	0	0	0	0	0	0
2,850	2,875	306	205	111	25	0	0	0	0	0	0
2,875	2,900	310	209	115	28	0	0	0	0	0	0
2,900	2,925	314	212	118	31	0	0	0	0	0	0
2,925	2,950	318	216	122	34	0	0	0	0	0	0
2,950	2,975	323	220	125	37	0	0	0	0	0	0
2,975	3,000	327	223	128	40	0	0	0	0	0	0
3,000	3,050	333	229	133	45	0	0	0	0	0	0
3,050	3,100	342	236	140	51	0	0	0	0	0	0
3,100	3,150	350	244	147	58	0	0	0	0	0	0
3,150	3,200	359	252	154	64	0	0	0	0	0	0
3,200	3,250	367	259	161	70	0	0	0	0	0	0
3,250	3,300	376	267	169	77	0	0	0	0	0	0
3,300	3,350	385	275	176	84	0	0	0	0	0	0
3,350	3,400	393	282	183	91	5	0	0	0	0	0
3,400	3,450	402	290	190	97	12	0	0	0	0	0
3,450	3,500	410	298	197	104	18	0	0	0	0	0
3,500	3,550	419	305	205	111	24	0	0	0	0	0
3,550	3,600	427	313	212	118	30	0	0	0	0	0
3,600	3,650	436	322	219	124	37	0	0	0	0	0
3,650	3,700	444	330	226	131	43	0	0	0	0	0
3,700	3,750	453	339	234	138	49	0	0	0	0	0
3,750	3,800	462	348	242	145	56	0	0	0	0	0
3,800	3,850	470	356	249	152	62	0	0	0	0	0
3,850	3,900	479	365	257	159	68	0	0	0	0	0
3,900	3,950	487	373	265	166	75	0	0	0	0	0
3,950	4,000	496	382	272	173	82	0	0	0	0	0
4,000	4,050	504	390	280	181	88	3	0	0	0	0
4,050	4,100	513	399	287	188	95	9	0	0	0	0
4,100	4,150	521	407	295	195	102	16	0	0	0	0
4,150	4,200	530	416	303	202	109	22	0	0	0	0
4,200	4,250	538	424	310	209	115	28	0	0	0	0
4,250	4,300	547	433	319	217	122	35	0	0	0	0
4,300	4,350	556	442	328	224	129	41	0	0	0	0
4,350	4,400	564	450	336	231	136	47	0	0	0	0
4,400	4,450	573	459	345	239	142	54	0	0	0	0
4,450	4,500	581	467	353	247	149	60	0	0	0	0
4,500	4,550	590	476	362	254	157	66	0	0	0	0
4,550	4,600	598	484	370	262	164	73	0	0	0	0
4,600	4,650	607	493	379	270	171	79	0	0	0	0
4,650	4,700	615	501	387	277	178	86	0	0	0	0
4,700	4,750	624	510	396	285	185	93	7	0	0	0
4,750	4,800	633	519	405	293	193	100	14	0	0	0
4,800	4,850	641	527	413	300	200	106	20	0	0	0
4,850	4,900	650	536	422	308	207	113	26	0	0	0
4,900	4,950	658	544	430	316	214	120	33	0	0	0
4,950	5,000	667	553	439	325	221	127	39	0	0	0
5,000	5,050	676	562	448	334	229	134	46	0	0	0
5,050	5,100	685	571	456	343	238	141	53	0	0	0
5,100	5,150	696	581	467	353	246	149	60	0	0	0
5,150	5,200	707	590	476	362	255	157	67	0	0	0

"TABLE IV—MARRIED PERSONS FILING SEPARATE RETURNS—Continued
"10 PERCENT STANDARD DEDUCTION—Continued

If adjusted gross income is—		And the number of exemptions is—									
At least	But less than	1	2	3	4	5	6	7	8	9	10 or more
		The tax is—									
$5,200	$5,250	$718	$600	$486	$372	$263	$165	$74	$0	$0	$0
5,250	5,300	729	609	495	381	272	173	81	0	0	0
5,300	5,350	740	619	505	391	280	181	89	4	0	0
5,350	5,400	751	628	514	400	289	189	96	11	0	0
5,400	5,450	762	638	524	410	297	197	104	18	0	0
5,450	5,500	773	647	533	419	306	205	111	25	0	0
5,500	5,550	784	657	543	429	315	213	119	32	0	0
5,550	5,600	795	666	552	438	324	221	126	39	0	0
5,600	5,650	806	676	562	448	334	229	134	46	0	0
5,650	5,700	817	685	571	457	343	238	141	53	0	0
5,700	5,750	828	696	581	467	353	246	149	60	0	0
5,750	5,800	839	707	590	476	362	255	157	67	0	0
5,800	5,850	850	718	600	486	372	263	165	74	0	0
5,850	5,900	861	729	609	495	381	272	173	81	0	0
5,900	5,950	872	740	619	505	391	280	181	89	4	0
5,950	6,000	883	751	628	514	400	289	189	96	11	0
6,000	6,050	894	762	638	524	410	297	197	104	18	0
6,050	6,100	905	773	647	533	419	306	205	111	25	0

"TABLE V—MARRIED PERSONS FILING SEPARATE RETURNS
"LOW INCOME ALLOWANCE

If adjusted gross income is—		And the number of exemptions is—									
At least	But less than	1	2	3	4	5	6	7	8	9	10 or more
		The tax is—									
$0	$800	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
800	825	2	0	0	0	0	0	0	0	0	0
825	850	5	0	0	0	0	0	0	0	0	0
850	875	9	0	0	0	0	0	0	0	0	0
875	900	12	0	0	0	0	0	0	0	0	0
900	925	16	0	0	0	0	0	0	0	0	0
925	950	19	0	0	0	0	0	0	0	0	0
950	975	23	0	0	0	0	0	0	0	0	0
975	1,000	26	0	0	0	0	0	0	0	0	0
1,000	1,025	30	0	0	0	0	0	0	0	0	0
1,025	1,050	33	0	0	0	0	0	0	0	0	0
1,050	1,075	37	0	0	0	0	0	0	0	0	0
1,075	1,100	40	0	0	0	0	0	0	0	0	0
1,100	1,125	44	0	0	0	0	0	0	0	0	0
1,125	1,150	47	0	0	0	0	0	0	0	0	0
1,150	1,175	51	0	0	0	0	0	0	0	0	0
1,175	1,200	54	0	0	0	0	0	0	0	0	0
1,200	1,225	58	0	0	0	0	0	0	0	0	0
1,225	1,250	61	0	0	0	0	0	0	0	0	0
1,250	1,275	65	0	0	0	0	0	0	0	0	0
1,275	1,300	68	0	0	0	0	0	0	0	0	0
1,300	1,325	72	0	0	0	0	0	0	0	0	0
1,325	1,350	76	0	0	0	0	0	0	0	0	0
1,350	1,375	79	0	0	0	0	0	0	0	0	0
1,375	1,400	83	0	0	0	0	0	0	0	0	0
1,400	1,425	87	0	0	0	0	0	0	0	0	0
1,425	1,450	91	0	0	0	0	0	0	0	0	0
1,450	1,475	94	0	0	0	0	0	0	0	0	0
1,475	1,500	98	0	0	0	0	0	0	0	0	0
1,500	1,525	102	2	0	0	0	0	0	0	0	0
1,525	1,550	106	5	0	0	0	0	0	0	0	0
1,550	1,575	109	9	0	0	0	0	0	0	0	0
1,575	1,600	113	12	0	0	0	0	0	0	0	0

"TABLE 5—MARRIED PERSONS FILING SEPARATE RETURNS—Coninued

"LOW INCOME ALLOWANCE—Continued

If adjusted gross income is—		And the number of exemptions is—									
At least	But less than	1	2	3	4	5	6	7	8	9	10 or more
		The tax is—									
$1,600	$1,625	$117	$16	$0	$0	$0	$0	$0	$0	$0	$0
1,625	1,650	121	19	0	0	0	0	0	0	0	0
1,650	1,675	124	23	0	0	0	0	0	0	0	0
1,675	1,700	128	26	0	0	0	0	0	0	0	0
1,700	1,725	132	30	0	0	0	0	0	0	0	0
1,725	1,750	136	33	0	0	0	0	0	0	0	0
1,750	1,775	139	37	0	0	0	0	0	0	0	0
1,775	1,800	143	40	0	0	0	0	0	0	0	0
1,800	1,825	147	44	0	0	0	0	0	0	0	0
1,825	1,850	151	47	0	0	0	0	0	0	0	0
1,850	1,875	155	51	0	0	0	0	0	0	0	0
1,875	1,900	159	54	0	0	0	0	0	0	0	0
1,900	1,925	163	58	0	0	0	0	0	0	0	0
1,925	1,950	167	61	0	0	0	0	0	0	0	0
1,950	1,975	171	65	0	0	0	0	0	0	0	0
1,975	2,000	175	68	0	0	0	0	0	0	0	0
2,000	2,025	179	72	0	0	0	0	0	0	0	0
2,025	2,050	183	76	0	0	0	0	0	0	0	0
2,050	2,075	187	79	0	0	0	0	0	0	0	0
2,075	2,100	191	83	0	0	0	0	0	0	0	0
2,100	2,125	195	87	0	0	0	0	0	0	0	0
2,125	2,150	199	91	0	0	0	0	0	0	0	0
2,150	2,175	203	94	0	0	0	0	0	0	0	0
2,175	2,200	207	98	0	0	0	0	0	0	0	0
2,200	2,225	211	102	2	0	0	0	0	0	0	0
2,225	2,250	215	106	5	0	0	0	0	0	0	0
2,250	2,275	219	109	9	0	0	0	0	0	0	0
2,275	2,300	223	113	12	0	0	0	0	0	0	0
2,300	2,325	227	117	16	0	0	0	0	0	0	0
2,325	2,350	231	121	19	0	0	0	0	0	0	0
2,350	2,375	236	124	23	0	0	0	0	0	0	0
2,375	2,400	240	128	26	0	0	0	0	0	0	0
2,400	2,425	244	132	30	0	0	0	0	0	0	0
2,425	2,450	248	136	33	0	0	0	0	0	0	0
2,450	2,475	253	139	37	0	0	0	0	0	0	0
2,475	2,500	257	143	40	0	0	0	0	0	0	0
2,500	2,525	261	147	44	0	0	0	0	0	0	0
2,525	2,550	265	151	47	0	0	0	0	0	0	0
2,550	2,575	270	155	51	0	0	0	0	0	0	0
2,575	2,600	274	159	54	0	0	0	0	0	0	0
2,600	2,625	278	163	58	0	0	0	0	0	0	0
2,625	2,650	282	167	61	0	0	0	0	0	0	0
2,650	2,675	287	171	65	0	0	0	0	0	0	0
2,675	2,700	291	175	68	0	0	0	0	0	0	0
2,700	2,725	295	179	72	0	0	0	0	0	0	0
2,725	2,750	299	183	76	0	0	0	0	0	0	0
2,750	2,775	304	187	79	0	0	0	0	0	0	0
2,775	2,800	308	191	83	0	0	0	0	0	0	0
2,800	2,825	312	195	87	0	0	0	0	0	0	0
2,825	2,850	317	199	91	0	0	0	0	0	0	0
2,850	2,875	322	203	94	0	0	0	0	0	0	0
2,875	2,900	327	207	98	0	0	0	0	0	0	0
2,900	2,925	331	211	102	2	0	0	0	0	0	0
2,925	2,950	336	215	106	5	0	0	0	0	0	0
2,950	2,975	341	219	109	9	0	0	0	0	0	0
2,975	3,000	346	223	113	12	0	0	0	0	0	0
3,000	3,050	353	229	119	18	0	0	0	0	0	0

"TABLE 5—MARRIED PERSONS FILING SEPARATE RETURNS—Coninued

"LOW INCOME ALLOWANCE—Continued

At least	But less than	1	2	3	4	5	6	7	8	9	10 or more
		The tax is—									
$3,050	$3,100	$362	$238	$126	$25	$0	$0	$0	$0	$0	$0
3,100	3,150	372	246	134	32	0	0	0	0	0	0
3,150	3,200	381	255	141	39	0	0	0	0	0	0
3,200	3,250	391	263	149	46	0	0	0	0	0	0
3,250	3,300	400	272	157	53	0	0	0	0	0	0
3,300	3,350	410	280	165	60	0	0	0	0	0	0
3,350	3,400	419	289	173	67	0	0	0	0	0	0
3,400	3,450	429	297	181	74	0	0	0	0	0	0
3,450	3,500	438	306	189	81	0	0	0	0	0	0
3,500	3,550	448	315	197	89	4	0	0	0	0	0
3,550	3,600	457	324	205	96	11	0	0	0	0	0
3,600	3,650	467	334	213	104	18	0	0	0	0	0
3,650	3,700	476	343	221	111	25	0	0	0	0	0
3,700	3,750	486	353	229	119	32	0	0	0	0	0
3,750	3,800	495	362	238	126	39	0	0	0	0	0
3,800	3,850	505	372	246	134	46	0	0	0	0	0
3,850	3,900	514	381	255	141	53	0	0	0	0	0
3,900	3,950	524	391	263	149	60	0	0	0	0	0
3,950	4,000	533	400	272	157	67	0	0	0	0	0
4,000	4,050	543	410	280	165	74	0	0	0	0	0
4,050	4,100	552	419	289	173	81	0	0	0	0	0
4,100	4,150	562	429	297	181	89	4	0	0	0	0
4,150	4,200	571	438	306	189	96	11	0	0	0	0
4,200	4,250	581	448	315	197	104	18	0	0	0	0
4,250	4,300	590	457	324	205	111	25	0	0	0	0
4,300	4,350	600	467	334	213	119	32	0	0	0	0
4,350	4,400	609	476	343	221	126	39	0	0	0	0
4,400	4,450	619	486	353	229	134	46	0	0	0	0
4,450	4,500	628	495	362	238	141	53	0	0	0	0
4,500	4,550	638	505	372	246	149	60	0	0	0	0
4,550	4,600	647	514	381	255	157	67	0	0	0	0
4,600	4,650	657	524	391	263	165	74	0	0	0	0
4,650	4,700	666	533	400	272	173	81	0	0	0	0
4,700	4,750	676	543	410	280	181	89	4	0	0	0
4,750	4,800	685	552	419	289	189	96	11	0	0	0
4,800	4,850	696	562	429	297	197	104	18	0	0	0
4,850	4,900	707	571	438	306	205	111	25	0	0	0
4,900	4,950	718	581	448	315	213	119	32	0	0	0
4,950	5,000	729	590	457	324	221	126	39	0	0	0
5,000	5,050	740	600	467	334	229	134	46	0	0	0
5,050	5,100	751	609	476	343	238	141	53	0	0	0
5,100	5,150	762	619	486	353	246	149	60	0	0	0
5,150	5,200	773	628	495	362	255	157	67	0	0	0
5,200	5,250	784	638	505	372	263	165	74	0	0	0
5,250	5,300	795	647	514	381	272	173	81	0	0	0
5,300	5,350	806	657	524	391	280	181	89	4	0	0
5,350	5,400	817	666	533	400	289	189	96	11	0	0
5,400	5,450	828	676	543	410	297	197	104	18	0	0
5,450	5,500	839	685	552	419	306	205	111	25	0	0
5,500	5,550	850	696	562	429	315	213	119	32	0	0
5,550	5,600	861	707	571	438	324	221	126	39	0	0
5,600	5,650	872	718	581	448	334	229	134	46	0	0
5,650	5,700	883	729	590	457	343	238	141	53	0	0
5,700	5,750	894	740	600	467	353	246	149	60	0	0
5,750	5,800	905	751	609	476	362	255	157	67	0	0
5,800	5,850	916	762	619	486	372	263	165	74	0	0
5,850	5,900	927	773	628	495	381	272	173	81	0	0
5,900	5,950	938	784	638	505	391	280	181	89	4	0
5,950	6,000	949	795	647	514	400	289	189	96	11	0
6,000	6,050	960	806	657	524	410	297	197	104	18	0
6,050	6,100	971	817	666	533	419	306	205	111	25	0

(2) HUSBAND OR WIFE FILING SEPARATE RETURN.—Section 4(c) is amended to read as follows:

"(c) HUSBAND OR WIFE FILING SEPEARATE RETURN.—

"(1) A husband or wife may not elect to pay the optional tax imposed by section 3 if the tax of the other spouse is determined under section 1 on the basis of taxable income computed without regard to the standard deduction.

"(2) Except as otherwise provided in this subsection, in the case of a husband or wife filing a separate return the tax imposed by section 3 shall be the lesser of the tax shown in Table IV or Table V of section 3.

"(3) Table V of section 3 shall not apply in the case of a husband or wife filing a separate return if the tax of the other spouse is determined with regard to the 10-percent standard deduction; except that an individual described in section 141(d)(2) may elect (under regulations prescribed by the Secretary or his delegate) to pay the tax shown in Table V of section 3 in lieu of the tax shown in Table IV of section 3. For purposes of this title, an election under the preceding sentence shall be treated as an election made under section 141(d)(2).

"(4) For purposes of this subsection, determination of marital status shall be made under section 143."

(3) CONFORMING AMENDMENT.—Section 144 is amended by striking out "$5,000" each place it appears therein and inserting in lieu thereof "$6,100".

(4) CLERICAL AMENDMENT.—The table of sections for part I of subchapter A of chapter 1 is amended by striking out "$5,000" in the item relating to section 3 and inserting in lieu thereof "$6,100".

(c) TAX NOT COMPUTED BY TAXPAYER.—

(1) The first sentence of section 6014(a) (relating to election by taxpayer) is amended by striking out "less than $5,000" and inserting in lieu thereof "less than $6,100". The last sentence of section 6014(a) is repealed.

(2) Section 6014(b) (relating to regulations) is amended—

(A) by striking out "$5,000 or more but not more than $5,200" at the end of the first sentence and inserting in lieu thereof "$6,100 or more", and

(B) by inserting after the first sentence the following: "Such regulations may provide that the credit provided for by section 37 shall be allowed in determining the amount payable and that the Secretary or his delegate shall compute the tax with regard to a taxpayer's status as a head of household or as a surviving spouse in the case of a head of household (as defined in section 1(b)) or a surviving spouse (as defined in section 2(b)) electing the benefits of subsection (a)."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 7. COLLECTION OF INCOME TAX AT SOURCE ON WAGES.

(a) PERCENTAGE METHOD.—Section 3402(a) (relating to requirement of withholding) is amended—

(1) by striking out "exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b)(1)" and inserting in lieu thereof "exceed the sum of (i) the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b)(1)(A), and (ii), with respect to wages paid after December 31, 1969, the amount of the additional low income allowance determined in accordance with subsection (b)(1)(B)";

(2) by striking out "June 30, 1969" in paragraph (1) and inserting in lieu thereof "June 30, 1970";

(3) by striking out "July 1, 1969" in paragraph (2) and inserting in lieu thereof "January 1, 1970"; and

(4) by inserting after paragraph (2) the following new paragraph:

"(3) In the case of wages paid after December 31, 1969, and before July 1, 1970:

"Table 1—If the payroll period with respect to employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $4	$0.
Over $4 but not over $13	14% of excess over $4.
Over $13 but not over $23	$1.26, plus 15% of excess over $13.
Over $23 but not over $85	$2.76, plus 18% of excess over $23.
Over $85 but not over $169	$13.92, plus 21% of excess over $85.
Over $169 but not over $212	$31.56, plus 26% of excess over $169.
Over $212	$42.74, plus 31% of excess over $212.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $4	$0.
Over $4 but not over $23	14% of excess over $4.
Over $23 but not over $58	$266, plus 15% of excess over $23.
Over $58 but not over $169	$7.91, plus 18% of excess over $58.
Over $169 but not over $340	$27.89, plus 21% of excess over $169.
Over $340 but not over $423	$63.80, plus 26% of excess over $340.
Over $423	$85.38, plus 31% of excess over $423.

"Table 2—If the payroll period with respect to an employee is BIWEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $8	$0.
Over $8 but not over $27	14% of excess over $8.
Over $27 but not over $46	$2.66, plus 15% of excess over $27.
Over $46 but not over $169	$5.51, plus 18% of excess over $46.
Over $169 but not over $338	$27.65, plus 21% of excess over $169.
Over $338 but not over $423	$63.14, plus 26% of excess over $338.
Over $423	$85.24, plus 31% of excess over $423.

"(b) Married Person:

"If the amount of wage is:	The amount of income tax to be withheld shall be:
Not over $8	$0.
Over $8 but not over $46	14% of excess over $8.
Over $46 but not over $115	$5.32, plus 15% of excess over $46.
Over $115 but not over $338	$15.67, plus 18% of excess over $115.

"Table 2—Continued

"(b) Married Person (continued):

Over $338 but not over $681	$55.81, plus 21% of excess over $338.
Over $681 but not over $846	$127.84, plus 26% of excess over $681.
Over $846	$170.74, plus 31% of excess over $846.

"Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

"(a) Single Person Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $8	$0.
Over $8 but not over $29	14% of excess over $8.
Over $29 but not over $50	$2.94, plus 15% of excess over $29.
Over $50 but not over $183	$6.09, plus 18% of excess over $50.
Over $183 but not over $367	$30.03, plus 21% of excess over $183.
Over $367 but not over $458	$68.67, plus 26% of excess over $367.
Over $458	$92.33, plus 31% of excess over $458.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $8	$0.
Over $8 but not over $50	14% of excess over $8.
Over $50 but not over $125	$5.88, plus 15% of excess over $50.
Over $125 but not over $367	$17.13, plus 18% of excess over $125.
Over $367 but not over $738	$60.69, plus 21% of excess over $367.
Over $738 but not over $917	$138.60, plus 26% of excess over $738.
Over $917	$185.14, plus 31% of excess over $917.

"Table 4—If the payroll period with respect to an employee is MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $17	$0.
Over $17 but not over $58	14% of excess over $17.
Over $58 but not over $100	$5.74, plus 15% of excess over $58.
Over $100 but not over $367	$12.04, plus 18% of excess over $100.
Over $367 but not over $733	$60.10, plus 21% of excess over $367.
Over $733 but not over $917	$136.96, plus 26% of excess over $733.
Over $917	$184.80, plus 31% of excess over $917.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:

"Table 4—Continued

(b) Married Person (continued):

Not over $17	$0.
Over $17 but not over $100	14% of excess over $17.
Over $100 but not over $250	$11.62, plus 15% of excess over $100.
Over $250 but not over $733	$34.12, plus 18% of excess over $250.
Over $733 but not over $1,475	$121.06, plus 21% of excess over $733.
Over $1,475 but not over $1,833	$276.88, plus 26% of excess over $1,475.
Over $1,833	$369.96, plus 31% of excess over $1,833.

"Table 5—If the payroll period with respect to an employee is QUARTERLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $50	$0.
Over $50 but not over $175	14% of excess over $50.
Over $175 but not over $300	$17.50, plus 15% of excess over $175.
Over $300 but not over $1,100	$36.25, plus 18% of excess over $300.
Over $1,100 but not over $2,200	$180.25, plus 21% of excess over $1,100.
Over $2,200 but not over $2,750	$411.25, plus 26% of excess over $2,200.
Over $2,750	$554.25, plus 31% of excess over $2,750.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $50	$0.
Over $50 but not over $300	14% of excess over $50.
Over $300 but not over $750	$35, plus 15% of excess over $300.
Over $750 but not over $2,200	$102.50, plus 18% of excess over $750.
Over $2,200 but not over $4,425	$363.50, plus 21% of excess over $2,200.
Over $4,425 but not over $5,500	$830.75, plus 26% of excess over $4,425.
Over $5,500	$1,110.25, plus 31% of excess over $5,500.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $100	$0.
Over $100 but not over $350	14% of excess over $100.
Over $350 but not over $600	$35, plus 15% of excess over $350.
Over $600 but not over $2,200	$72.50, plus 18% of excess over $600.
Over $2,200 but not over $4,400	$360.50, plus 21% of excess over $2,200.

"Table 6—Continued

(a) Single Person (continued):

Over $4,400 but not over $5,500	$822.50, plus 26% of excess over $4,400.
Over $5,500	$1,108.50, plus 31% of excess over $5,500.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $100	$0.
Over $100 but not over $600	14% of excess over $100.
Over $600 but not over $1,500	$70, plus 15% of excess over $600.
Over $1,500 but not over $4,400	$205, plus 18% of excess over $1,500.
Over $4,400 but not over $8,850	$727, plus 21% of excess over $4,400.
Over $8,850 but not over $11,000	$1,661.50, plus 26% of excess over $8,850.
Over $11,000	$2,220.50, plus 31% of excess over $11,000.

"Table 7—If the payroll period with respect to an employee is ANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $200	$0.
Over $200 but not over $700	14% of excess over $200.
Over $700 but not over $1,200	$70, plus 15% of excess over $700.
Over $1,200 but not over $4,400	$145, plus 18% of excess over $1,200.
Over $4,400 but not over $8,800	$721, plus 21% of excess over $4,400.
Over $8,800 but not over $11,000	$1,645, plus 26% of excess over $8,800.
Over $11,000	$2,217, plus 31% of excess over $11,000.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $200	$0.
Over $200 but not over $1,200	14% of excess over $200.
Over $1,200 but not over $3,000	$140, plus 15% of excess over $1,200.
Over $3,000 but not over $8,800	$410, plus 18% of excess over $3,000.
Over $8,800 but not over $17,700	$1,454, plus 21% of excess over $8,800.
Over $17,700 but not over $22,000	$3,323, plus 26% of excess over $17,700.
Over $22,000	$4,441, plus 31% of excess over $22,000.

"Table 8—If the payroll period with respect to an employee is a DAILY payroll or a MISCELLANEOUS PERIOD

"(a) Single Person—Including Head of Household:

"If the amount of wages, divided by the number of days in the payroll period, is:	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such period:
Not over $0.50	$0.
Over $0.50 but not over $1.90	14% of excess over $0.50.
Over $1.90 but not over $3.30	$0.20, plus 15% of excess over $1.90.
Over $3.30 but not over $12.10	$0.41, plus 18% of excess over $3.30.
Over $12.10 but not over $24.10	$1.99, plus 21% of excess over $12.10
Over $24.10 but not over $30.10	$4.51, plus 26% of excess over $24.10.
Over $30.10	$6.07, plus 31% of excess over $30.10.

"(b) Married Person:

"If the amount of wages, divided by the number of days in the payroll period, is:	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such period:
Not over $0.50	$0.
Over $0.50 but not over $3.30	14% of excess over $0.50.
Over $3.30 but not over $8.20	$0.39, plus 15% of excess over $3.30.
Over $8.20 but not over $24.10	$1.13, plus 18% of excess over $8.20.
Over $24.10 but not over $48.50	$3.99, plus 21% of excess over $24.10.
Over $48.50 but not over $60.30	$9.11, plus 26% of excess over $48.50.
Over $60.30	$12.18, plus 31% of excess over 60.30."

(b) ADDITIONAL LOW INCOME ALLOWANCE.—Section 3402(b)(1) (relating to percentage method of withholding) is amended by inserting "(A)" after "(1)" and by adding at the end thereof the following new subparagraph:

"(B) The additional low income allowance referred to in subsection (a) is the amount shown in column 1 of the following table—

"(i) increased by an amount equal to the number of exemptions claimed multiplied by the amount shown in column 2 of the following table, and

"(ii) reduced (but not below zero) by one-half of the wages (as defined in section 3401(a)) for the payroll period.

"Payroll period	Additional low income allowance	
	Col. 1	Col. 2
Weekly	$27.90	$3.80
Biweekly	55.80	7.70
Semimonthly	60.40	8.30
Monthly	120.80	16.70
Quarterly	362.50	50.00
Semiannual	725.00	100.00
Annual	1,450.00	200.00
Daily or miscellaneous (per day of such period)	4.00	.55'

(c) WAGE BRACKET WITHHOLDING.—Section 3402(c) (relating to wage bracket withholding) is amended—

(1) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) WAGE BRACKET WITHHOLDING.—At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax (in lieu of the tax required to be deducted and withheld under subsection (a)) determined in accordance with tables prescribed by the Secretary or his delegate. The tables so prescribed shall be the same as the tables contained in this subsection as in effect before June 1, 1969, except the amounts set forth as amounts and rates of tax to be deducted and withheld shall be computed on the basis of table 7 contained in paragraph (1), (2), or (3) (whichever is applicable) of subsection (a) and of the additional low income allowance provided in subsection (b)(1)(B)."; and

(2) by striking out paragraph (6).

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (c) shall apply with respect to wages paid after June 30, 1969. The amendments made by subsection (b) shall apply with respect to wages paid after December 31, 1969.

The CHAIRMAN. No amendments are in order to the bill except amendments offered by direction of the Committee on Ways and Means. Are there any committee amendments?

Mr. BOGGS. Mr. Chairman, there are no committee amendments.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. MONAGAN, 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. 12290) to continue the income tax surcharge and the excise taxes on automobiles and communication services for temporary periods, to terminate the investment credit, to provide a low-income allowance for individuals, and for other purposes, pursuant to House Resolution 453, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

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

MOTION TO RECOMMIT OFFERED BY MR. CHAMBERLAIN

Mr. CHAMBERLAIN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CHAMBERLAIN. I am, Mr. Speaker, in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CHAMBERLAIN moves to recommit the bill (H.R. 12290) to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendments:

On page 6, strike out line 1 and all that follows through line 21, and insert:

"SEC. 3. CONTINUATION OF EXCISE TAXES ON COMMUNICATIONS SERVICES.

On page 6, line 22 and on page 7, lines 4 and 8, strike out "(1)", "(2)", and "(3)", and insert in lieu thereof "(a)", "(b)", and "(c)", respectively.

Mr. BOGGS. Mr. Speaker. I move the previous question on the motion to recommit.

The previous question was ordered.

PARLIAMENTARY INQUIRY

Mr. VANIK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. VANIK. Mr. Speaker, my question is, Does this language in the motion to recommit strike the excise taxes on automobiles?

Mr. GERALD R. FORD. Mr. Speaker, the answer is in the affirmative.

Mr. VANIK. Mr. Speaker, I thank the gentleman.

Mr. Speaker, I certainly urge defeat of the motion to recommit.

The SPEAKER. Does the gentleman wish an answer to the parliamentary inquiry?

Mr. VANIK. Mr. Speaker, I have the information I seek.

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.

Mr. VANIK. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 210, nays 205, answered "present" 2, not voting 15, as follows:

[Roll No. 97]

YEAS—210

Albert	Dennis	McDade
Alexander	Derwinski	McDonald, Mich.
Anderson, Ill.	Devine	McEwen
Annunzio	Dickinson	McKneally
Arends	Dorn	MacGregor
Ashley	Downing	Mahon
Aspinall	Duncan	Mailliard
Ayres	Dwyer	Mann
Beall, Md.	Edwards, Ala.	Marsh
Belcher	Erlenborn	Martin
Bell, Calif.	Esch	Mathias
Berry	Eshleman	May
Betts	Fallon	Mayne
Biester	Fascell	Miller, Ohio
Blackburn	Findley	Mills
Boggs	Fish	Minshall
Bolling	Fisher	Mize
Bow	Foley	Mizell
Bray	Ford, Gerald R.	Monagan
Brock	Frelinghuysen	Moorhead
Brooks	Frey	Morse
Broomfield	Friedel	Morton
Brotzman	Goldwater	Mosher
Brown, Mich.	Grover	Murphy, Ill.
Brown, Ohio	Gubser	Murphy, N.Y.
Broyhill, N.C.	Gude	Myers
Broyhill, Va.	Hall	Nelsen
Buchanan	Halpern	Patman
Burke, Mass.	Hamilton	Pelly
Burleson, Tex.	Hammer-schmidt	Pepper
Burton, Utah	Hansen, Idaho	Pettis
Bush	Harsha	Pickle
Byrnes, Wis.	Harvey	Pike
Cabell	Hastings	Poage
Camp	Heckler, Mass.	Poff
Carter	Hogan	Pollock
Casey	Hosmer	Preyer, N.C.
Cederberg	Hutchinson	Price, Tex.
Clausen, Don H.	Johnson, Pa.	Pryor, Ark.
Cleveland	Jonas	Purcell
Collier	Jones, Ala.	Quie
Collins	Keith	Quillen
Colmer	King	Railsback
Conable	Kleppe	Reid, Ill.
Conte	Kluczynski	Reid, N.Y.
Corbett	Kuykendall	Reifel
Coughlin	Landgrebe	Rhodes
Cramer	Langen	Rivers
Cunningham	Latta	Robison
Daddario	Lloyd	Rogers, Fla.
Davis, Wis.	Lukens	Ronan
Dawson	McClory	Rooney, Pa.
de la Garza	McCloskey	Rostenkowski
Dellenback	McClure	Roth
Denney	McCulloch	Ruppe
Ruth	Steiger, Ariz.	Watts
Sandman	Steiger, Wis.	Whalen
Satterfield	Stratton	Whalley
Schneebeli	Taft	Whitehurst
Schwengel	Talcott	Widnall
Sebelius	Teague, Calif.	Wiggins
Shriver	Teague, Tex.	Williams
Sikes	Thompson, Ga.	Wilson, Bob
Skubitz	Thomson, Wis.	Winn
Smith, Calif.	Udall	Wold
Smith, N.Y.	Utt	Wright
Springer	Vander Jagt	Wyatt
Stafford	Wampler	Wylie
Stanton	Watkins	Wyman
Steed	Watson	Young

NAYS—205

Abbitt	Fulton, Tenn.	Moss
Abernethy	Fuqua	Natcher
Adair	Galifianakis	Nedzi
Adams	Garmatz	Nichols
Addabbo	Gaydos	Nix
Anderson, Calif.	Gettys	Obey
	Giaimo	O'Hara
Anderson, Tenn.	Gibbons	Olsen
	Gilbert	O'Neal, Ga.
Andrews, Ala.	Gonzalez	Ottinger
Andrews, N Dak.	Gray	Passman
	Green, Oreg.	Patten
Ashbrook	Green, Pa.	Perkins
Baring	Griffin	Philbin
Barrett	Griffiths	Podell
Bennett	Gross	Price, Ill.
Bevill	Hagan	Pucinski
Biaggi	Haley	Randall
Bingham	Hanley	Rarick
Blanton	Hanna	Rees
Blatnik	Hansen, Wash.	Reuss
Boland	Hathaway	Riegle
Brademas	Hawkins	Roberts
Brasco	Hays	Rodino
Brinkley	Hechler, W. Va.	Rogers, Colo.
Brown, Calif.	Helstoski	Rooney, N.Y.
Burke, Fla.	Henderson	Rosenthal
Burlison, Mo.	Hicks	Roudebush
Burton, Calif.	Holifield	Roybal
Button	Horton	Ryan
Byrne, Pa.	Howard	St Germain
Caffery	Hull	St. Onge
Carey	Hungate	Saylor
Celler	Hunt	Schadeberg
Chappell	Ichord	Scherle
Chisholm	Jacobs	Scheuer
Clancy	Jarman	Scott
Clark	Joelson	Shipley
Clay	Johnson, Calif.	Sisk
Cohelan	Jones, N.C.	Slack
Conyers	Jones, Tenn.	Smith, Iowa
Corman	Karth	Snyder
Cowger	Kastenmeier	Staggers
Culver	Kazen	Stokes
Daniel, Va.	Kee	Stubblefield
Daniels, N.J.	Koch	Stuckey
Davis, Ga.	Kyl	Sullivan
Delaney	Kyros	Symington
Dent	Landrum	Taylor
Diggs	Leggett	Tiernan
Dingell	Long, La.	Tunney
Donohue	Long, Md.	Ullman
Dowdy	Lowenstein	Van Deerlin
Dulski	McCarthy	Vanik
Eckhardt	McFall	Vigorito
Edmondson	McMillan	Waggonner
Edwards, Calif.	Macdonald, Mass.	Waldie
Edwards, La.		Weicker
Eilberg	Madden	White
Evans, Colo.	Matsunaga	Whitten
Farbstein	Meeds	Wilson, Charles H.
Feighan	Melcher	
Flood	Meskill	Wolff
Flowers	Michel	Wydler
Flynt	Mikva	Yates
Ford, William D.	Miller, Calif.	Yatron
	Minish	Zablocki
Foreman	Mink	Zion
Fountain	Mollohan	Zwach
Fraser	Montgomery	
Fulton, Pa.	Morgan	

ANSWERED "PRESENT"—2

Chamberlain Clawson, Del

NOT VOTING—15

Cahill	Kirwan	O'Neill, Mass.
Evins, Tenn.	Lennon	Pirnie
Gallagher	Lipscomb	Powell
Goodling	Lujan	Stephens
Hébert	O'Konski	Thompson, N.J.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Hébert for, with Mr. Thompson of New Jersey against.

Mr. Evins of Tennessee for, with Mr Lennon against.
Mr. Lipscomb for, with Mr. Del Clawson against.
Mr. Pirnie for, with Mr. Chamberlain against.

Until further notice:

Mr. O'Neill of Massachusetts with Mr. Cahill.
Mr. Gallagher with Mr. Lujan.
Mr. Kirwan with Mr. Goodling.
Mr. Stephens with Mr. O'Konski.

Mr. DUNCAN and Mr. WATKINS changed their votes from "nay" to "yea."

Mr. CHAMBERLAIN. Mr. Speaker, I have a live pair with the gentleman from New York (Mr. PIRNIE). If he had been present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. DEL CLAWSON. Mr. Speaker, I have a live pair with the gentleman from California (Mr. LIPSCOMB). If he had been present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks on the bill just passed.

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

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 8644) entitled "An act to make permanent the existing temporary suspension of duty on crude chicory roots."

THE MILITARY-INDUSTRIAL COMPLEX

(Mr. BURKE of Massachusetts asked and was given permission to address the House for 1 minute, to revise and extend his remarks and to include extraneous matter.)

Mr. BURKE of Massachusetts. Mr. Speaker, our Nation has recently become aware of the enormous influence of the military-industrial complex. Several weekly magazines, such as Time and Newsweek, have chosen to feature this conflict on their front covers.

As one of those who firmly believes in the civilian review of our Armed Forces, I welcome the recent feature of Parade magazine as another sign of public responsiveness to this most vital issue.

It is more than fitting that the Congressman from New York, RICHARD D. MCCARTHY, should be featured on the cover of this magazine. Congressman MCCARTHY has courageously pursued this fight in spite of criticism from the military as well as from Members from this great body.

Congressman MCCARTHY was originally alone in his fight, but through his efforts many Americans are now aware of this problem.

The Congressman from New York has indeed performed a service for the entire Nation by pursuing these investigations of the military's chemical and biological warfare practices.

So that all of our colleagues can have this article available, I would like to enter it into the RECORD:

CHEMICAL-BIOLOGICAL WARFARE—CBW—WHAT YOU SHOULD KNOW ABOUT IT

(By Derek Norcross)

WASHINGTON, D.C.—One evening several months ago Congressman Richard McCarthy, 42, a Democrat from Buffalo, N.Y., was sitting with his attractive, honey-blonde wife Gail in the living room of their suburban Maryland home.

They had just succeeded in putting to bed the last of their five children and were intently watching an NBC television program on chemical and biological warfare.

Gail McCarthy was horrified to learn that the U.S. was manufacturing poison gas and breeding germs that could annihilate entire populations.

After the program, Gail fixed her husband with an accusative look and said, "You're a Congressman. What do *you* know about all this?"

"Nothing," admitted McCarthy, a five-year veteran of Capitol Hill. "But I'll see what I can find out."

Next morning Dick McCarthy phoned two colleagues from New York—Reps. Otis Pike and Samuel Stratton, both members of the House Armed Services Committee—but they, too, admitted somewhat sheepishly that they didn't know very much about CBW (the official terminology for Chemical and Biological Warfare). They suggested that he check with the Army.

"I pursued the matter," McCarthy says, "because I represent half a million Americans, and I believe they're entitled to know how the Army is spending their money, what the Army is developing in the way of new weapons, especially germs and gas."

Nowhere in the annual posture statement by the Secretary of Defense is CBW mentioned. Pentagon policy, in recent years, has been one largely of silence and secrecy.

Last summer, however, University of Colorado scientists complained that hundreds of tanks, filled with enough nerve gas to destroy the world, were stored dangerously above ground at the Rocky Mountain Arsenal near Denver. Supported by Denverites and their Congressman, they pressured the Army into moving the tanks. Most of the gas was shipped to Utah, whose Rep. Sherman Lloyd is "personally satisfied" that whatever dangers there may be are "remote dangers."

In October the CBS network telecast a two-parter on chemical and biological warfare. NBC then followed with a similar program. In April, *The New York Times*, reported that the U.S. was spending hundreds of millions of dollars annually on the chemical and biological weapons program and keeping it a closely guarded secret.

CHANGING PUBLIC'S MINDS

In response to the public's growing concern with CBW—the concern is particularly evident on university campuses—the Pentagon has embarked on carefully arranged disclosures designed to curb potential anti-CBW feeling.

"We're in the process of changing the public's mind," one Pentagon spokesman informed a reporter. "We're trying to acculturate the public to deal with reality. This is government's responsibility."

In line with this new policy the Army responded to McCarthy's inquiry by arranging for Brig Gen. James A. Hebbeler, chief of CBW operations, to speak with interested Congressmen. On March 4th, Gen. Hebbeler briefed 19 members of the House.

"Frankly," says McCarthy, who served with the Navy in World War II and with the Army in the Korean War. "I didn't find the briefing very helpful. It didn't answer the questions of public policy."

McCarthy thereupon sent a list of questions to Secretary of Defense Melvin Laird, Secretary of State William Rogers, Director of the Arms Control and Disarmament Agency Gerard Smith, Ambassador to the UN Charles Yost, and Dr. Henry Kissinger, Presidential Assistant for National Security Affairs.

He then made a speech about CBW on the floor of the House.

"I believe," he states, "that chemical and biological warfare activities are shrouded in unnecessary secrecy. I get the impression that the security curtain is parted only when it serves the advocates of the programs. I found the replies to my letters heartening in some respects but deeply disturbing in most others."

First, it is important to know that "the U.S. is not a party to any treaty now in force, that prohibits or restricts the use in warfare of toxic or non-toxic gases, or smoke or incendiary materials or of bacteriological warfare."

In 1925 at a Geneva Disarmament Conference we suggested that the nations of the world join us in signing the Geneva Protocol outlawing the use in war of poison gas and death-dealing bacteria.

Most Americans, however, don't realize that the U.S., because of Senate obstruction, never signed the treaty. Nevertheless, American Presidents have repeatedly declared that the U.S. would not be the first to use poison gas and bacteriological warheads.

There is controversy over the use of various non-lethal gases in Vietnam such as CS, a powerful tear gas; CN, a milder tear gas, and DM, an irritant known as Adamsite gas. Some contend these are no more dangerous than the tear gases used for mob control and to rout out criminals by American police.

Soviet Russia, China, France, Germany, Great Britain—all signed and ratified the Geneva Protocol of 1925. By signing the treaty, however, none of these nations abdicated its right to establish research and development programs.

PENTAGON EXPLAINS

Pentagon spokesmen point out that the military has the mission of protecting the U.S. against chemical and germ warfare. In order to develop antidotes to these lethal gases, the spokesmen said, they must keep up with Russians in researching CBW. They also claim there's nothing sinister in the secrecy, that CBW preparations are no more classified than nuclear and other military developments.

There is no doubt that Russia and China are both well equipped with CBW arsenals, although each country has declared it will never use such weapons offensively.

As for the U.S.—information is hard to come by. Reportedly the Pentagon has entered into CBW research arrangements with at least 40 universities in this country as well as with universities and laboratories in West Germany, Great Britain, Japan, and Belgium.

The London Times reported recently that the Pentagon had established 27 contracts with universities in Japan.

Le Tribune des Nations in France claimed that the Pentagon is working closely with German scientists in secret laboratories at Marburg, Oberpfaffenhofen and Hamburg.

The U.S. has a joint research agreement with Canada and Great Britain on the testing of poisonous gas and deadly bacteria,

supposedly in the vicinity of Suffield, Canada.

Our Army is known to be field-testing CBW agents in Panama, Hawaii, Greenland and Alaska. Chemical defoliation agents are field-tested in Thailand before use in South Vietnam.

Seymour Hersh, a former Pentagon reporter for the Associated Press, provides an up-to-date report on CBW installations in the U.S. in his book, *Chemical and Biological Warfare: America's Hidden Arsenal.*

The major CBW bases in the U.S. are:

Ft. Detrick, Md. Located 50 miles northwest of Washington, D.C., this base is headquarters for the nation's biological war research program. The fort was set up here during World War II, cultivated brucellosis bacteria which causes undulant fever in man, gradually expanded to the point where it now reportedly employs some 500 researchers who experiment with viruses and various bacteria on animals. A large share of the nation's military experimentation on anti-crop agents and defoliants is conducted in a corner of the base where, behind high-wire fences, groups of scientists work industriously in a cluster of greenhouses.

Pine Bluff, Ark. Opened in 1942, the base serves as packager and producer of smoke bombs, incendiary munitions, and riot-control agents. It is also the main center for the massive production and processing of biological agents. Germs are brewed, then loaded into bombs, shells, and other munitions, then stored in more than 250 earth-covered vaults called "igloos." A few of these germs which are developed through mutations could wipe out the population over a wide area if they ever got loose. Yet there have been more than 720 accidents at Pine Bluff, at least half of them involving infectious organisms.

Dugway Proving Ground, Utah. This base serves as a testing ground for nerve gas, other gases, many CBW agents. In March 1968, 6000 sheep perished on ranges near the Dugway test area. Until last month, the Army had never admitted that its nerve gas killed the animals, though it had paid hundreds of thousands of dollars in claims.

Edgewood Arsenal, Md. Oldest of the CBW bases, it dates back to World War I. Formerly used for the production of gas munitions, it changed over to a research and development center after World War II. Its scientists performed outstanding work on a German-developed nerve gas called Sarin, but are now hard at work on a variety of chemical weapons. These, according to *The Detroit News,* are "tested on mice, animals and eventually human volunteers." Edgewood is now the final inspection center for all chemicals and chemical weapons, including such psycho-chemical incapacitants as LSD and others of similar nature.

Rocky Mountain Arsenal. This 17,750-acre base ten miles from Denver served as the main production facility for Sarin until 1957, when production was halted. The arsenal stays busy, however, filing rockets and bombs with the deadly nerve gas.

Newport Chemical Plant, Ind. This installation in peaceful farm country on the western edge of Indiana near Danville, Ill., is the Army's main production plant for VX, an imported nerve gas more effective than Sarin.

How much do these installations cost the American taxpayer? The Pentagon says $350 million for fiscal year 1969; Congressional sources indicate the figure is closer to $700 million.

A few questions posed by Sen. Gaylord Nelson (D., Wis.):

1. What are the official policies for the use of CBW weapons in the event that they are used by a foreign aggressor against us?
2. Who makes the decision to deploy anthrax, the plague, or a lethal nerve gas?
3. What are the ground rules?
4. What have they been in the case of Vietnam?
5. What are the deterrent factors in a program of chemical and biological preparedness?
6. How do we militarily defend against a CBW attack?
7. If the purpose of our preparedness is to prevent surprise, what specific steps have been taken to detect a surprise?
8. What commitments have we taken toward a resolution of the chemical and biological arms race?

At the start of World War II, President Franklin D. Roosevelt delineated the American policy on chemical and biological warfare.

"Use of such weapons," he declared, "has been outlawed by the general opinion of civilized mankind. This country has not used them, and I hope we will never be compelled to use them. I state categorically that we shall under no circumstances resort to the use of such weapons unless they are first used by our enemies."

During World War II, in preparation for a possible threat by Nazi Germany, the U.S. began a research program on biological agents. In the atmosphere of the Cold War that followed, CBW research and stockpiling were accelerated.

In 1967 Cyrus Vance, then Assistant Secretary of Defense, told the Senate Foreign Relations Committee: "As long as other nations such as the Soviet Union maintain large chemical and biological warfare programs, we believe we must maintain our defensive and retaliatory capacities."

One of Senator Nelson's vital questions, unanswered by the government, is whether CBW agents are actual deterrents.

Aren't nuclear weapons a sufficient deterrent to prevent any nation from attacking the U.S. with chemical and biological weapons? Moreover, if the U.S. maintains CBW only in "defensive and retaliatory capacities," what is the explanation for the use of gas and chemicals in Vietnam?

"Although we state that we adhere to the principles of the Geneva Protocol," says Congressman McCarthy, "we are using tear gas to help in killing the enemy in Vietnam, and we are using chemicals as an anti-food weapon and in such a way that they may well have a long-term destructive effect on the Vietnamese countryside. This latter policy seems unlikely to win the battle for the minds of the uncommitted in Vietnam.

"I ask: who is responsible for this change in our chemical and biological warfare policy? Did the President of the United States decide to use tear gas and defoliants? Did the military decide? Has Congress agreed to this change of policy? Do the American people accept this new policy as one in keeping with the principles and moral precepts of our Republic?"

A QUART OF DEATH

The truth is that the American people know precious little about chemical and biological warfare. They do not know, for example, that the gas from a single bomb at the Rocky Mountain Arsenal, the size of a quart fruit jar, could kill as one chemical warfare colonel explains, "every living thing in a cubic mile."

They do not know that between 1954 and 1962 there were more than 3300 accidents, minor and major, at Ft. Detrick. About 400 men were infected as a result. In one instance a worker caught pneumonic plague, a highly infectious disease. He also happened to work as a lifeguard at a swimming pool.

The public is woefully ignorant, and the Congress has been alarmingly negligent about CBW. Thanks to Rep. Richard McCarthy, however, and Sen. Gaylord Nelson, the Congress seems to be coming alive on the subject.

Says Nelson: "We . . . need to review the entire scope of chemical and biological warfare. What is significant is the cloak of secrecy which has surrounded our actions in CBW work. This cloak of secrecy must be removed."

If such efforts to clarify American policy on chemical and biological warfare prove successful, the nation will owe a debt of gratitude to Gail McCarthy, who said to her husband one night, "You're a Congressman. What do you know about all this?"

GENERAL HERSHEY: THE SORE LOSER

(Mr. KOCH asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. KOCH. Mr. Speaker, time and time again the question must be asked, are we a government of laws or men. Now and then someone in high public and appointive office decides that he is not required to abide by fair play or our judicial process.

One such example relates to the recent action of Lt. Gen. Lewis B. Hershey. In October 1967, the General sent a letter throughout the Selective Service System over his signature as Director which stated:

> Demonstrations, when they become illegal, have produced and will continue to produce such evidence that relates to the basis for classification. . . . A local board, upon receipt of this information, may reopen the classification of the registrant, and classify him anew. . . ."

The letter concluded:

> All elements of the Selective Service System are urged to expedite responsive classification and the processing of delinquents to the greatest possible extent consistent with sound procedure.

The intent of that letter was clear. It was to intimidate by the threat of 1–A classification those who wish to speak out, protest and demonstrate against the war in Vietnam. Again, as so often has occurred in our history the Federal courts of this country rescued us from the uncontrolled power sought to be exercised by a public official.

In June 6 of this year, the U.S. Court of Appeals ruled that apart from specific draft violations, "a registrant's protest activities are not to be considered in determining his selective service classification." The court said, "we think the deferment policy works a pronounced chilling effect on legal or protected conduct."

One would think that the general who believes so strongly in carrying out the law would immediately advise the local selective service boards that his original letter to them was now in violation of the law and should be disregarded. Instead, contemptuously, he has said that he would take no action to notify them of the appellate judgment which termed his advice illegal and possibly unconstitutional.

This obstinate refusal of General Hershey to notify local boards makes him not only a sore loser but, more important, frustrates the court's expectation that compliance with its decision would be achieved by timely notice.

Since it appears hopeless to expect General Hershey to send the appropriate notice to the local selective service boards, I will immediately notify the 56 State directors of the Selective Service System asking them to advise their local boards of the court's decision and I will

personally advise the local boards in my district. I urge my colleagues to do likewise.

THE FIVE-SIDED RIDDLE OR, THE PENTAGON—WHO IS IN CHARGE THERE?

(Mr. FULTON of Tennessee asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. FULTON of Tennessee. Mr. Speaker, the disclosures made by the gentleman from Pennsylvania (Mr. MOORHEAD) that the Pentagon has moved ahead with plans to mass produce MIRV multiple warhead missiles despite the fact that there is strong congressional sentiment against such action at this time, has added another chapter to the growing documentation of the fact that the Defense Department needs a thorough overhaul and must be brought under responsible control.

For 2 years now, bit by bit and disclosure by disclosure, it has become frighteningly clear that the Department of Defense, despite public protest and congressional disapproval, chugs along like some untended and unminded machine, gobbling up tax dollars and turning out weapons systems of questionable need and doubtful efficacy at a scandalous cost. All of this carried on under a mysterious shroud of secrecy which veils even the remotest possibility of discovering who is really running the Defense Department, how much our military hardware really costs, what pricing methods are used in determining cost, what profits to contractors are, and how many billions of dollars of taxpayers' money has been frittered away without any accountability as to by whom, to whom, and why.

Ultimately, of course, the responsibility for this serious and even dangerous situation lies right here in the Congress. We approve the authorizations and fund the appropriations for our military. We have been, in the past, all too ready to hand the military a blank check without closely questioning just what this money will be used for, whether it will be used wisely and economically, or whether these allocations are altogether necessary and in the national interest.

Let me say here again, as I have said so many times in the past, I am not one of those who seeks to discredit the reputation of the military or to undermine the authority or credibility of our armed services.

The job of the military is to inform and advise their civilian superiors as to what they feel is required to maintain our defensive strength and offensive capabilities at maximum feasible readiness and efficiency.

However, the evidence indicates that for some time, the tail has been wagging the dog in the Department of Defense—that the military has been leading, rather than following the civilian authority and control. This is a situation which is alien to our philosophy of government and the spirit and letter of the Constitution.

Mr. Speaker, though I have no new disclosures of the nature of those made by the gentleman from Pennsylvania, I am, nevertheless, compelled to make known my grave concern over the serious erosion of civilian control of the military of this Nation.

The seriousness of this situation is fully revealed in a report published just last month by the Subcommittee on Economy in Government of the Joint Economic Committee entitled, "The Economics of Military Procurement."

Mr. Speaker, if only a fraction of the material in this report were valid, and I have no doubt that it is 100 percent so, then our taxpayers are being scandalously robbed, the Congress has been misled, misinformed, and just plain lied to, and, most serious of all, our Constitution has been thwarted and is in danger of being eroded.

Mr. Speaker, I ask unanimous consent to place in the RECORD at this point, the text of the report by the Subcommittee on Economy in Government, "The Economics of Military Procurement." Because of the length of this document, I will place only a portion of it in the RECORD each day.

This is probably the most concise and definitive description of the irresponsible and unconscionable practices which day by day are taking place in the Department of Defense, and I highly commend it to the attention and consideration of my colleagues.

Mr. Speaker, I have been informed by the Subcommittee on Economy in Government that this material has not heretofore appeared in the RECORD.

A portion of the report follows:

THE ECONOMICS OF MILITARY PROCUREMENT

INTRODUCTION

Last year, fiscal year 1968, $44 billion was spent on defense procurement, equivalent to about 25 percent of the Federal budget. Total defense spending reached $80 billion. In recent years numerous instances of inefficiency, excessive profits, and mismanagement in defense contracting have been revealed by this subcommittee, other committees of Congress, and the General Accounting Office. Increasing concern over the enormous amounts spent on military procurement prompted the Subcommittee on Economy in Government of the Joint Economic Committee to hold hearings on profits and cost control in defense procurement. Testimony was received on November 11, 12, 13, and 14, 1968, and January 16, 1969.[1][2][3]

The subject matter of the hearings, economic aspects of military procurement, may be perceived as a relatively narrow set of issues. In the subcommittee's view, however, the enormous commitment of national resources to military systems makes the details and facts of procurement practices a central public policy issue. The wasteful, inefficient practices uncovered in the course of the hearings raise basic questions concerning the Defense Department's management of its own affairs. It also makes us skeptical concerning the effectiveness and care with which the Defense budget is scrutinized by pertinent agencies outside of the Pentagon. If this government is to serve the public interest, close scrutiny of these billions of dollars of expenditures must be given high priority.

In the judgment of the subcommittee, there is a pressing need to reexamine our national priorities by taking a hard look at the allocation of Federal revenues between the military and civilian budgets. Indeed, the inefficiencies described in this report, in addition to being difficult to contend with, raise questions about the very nature and size of the Department of Defense, its place within the framework of the executive branch of Government, and its relationship and responsiveness to Congress. The real needs of the Nation, military and civilian, are too important to endanger through bureaucratic arrangements in an agency which in too many instances has been unable to control costs or program results.

I. MILITARY PROCUREMENT POLICY: A PROBLEM OF UNCONTROLLED COSTS

A. There exists in the Department of Defense a set of practices and circumstances which lead to

1. Economic Inefficiency and Waste

The extensive and pervasive economic inefficiency and waste that occurs in the military procurement program has been well documented by the investigations of this subcommittee, by other committees of the House and Senate, and by the General Accounting Office. The absence of effective inventory controls and effective management practices over Government-owned property is well known. In the past, literally billions of dollars have been wasted on weapons systems that have had to be canceled because they did not work. Other systems have performed far below contract specifications. For example, one study[4] referred to in the hearings shows that of a sample of 13 major Air Force and Navy aircraft and missile programs in-

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[1] Due to the pressure of other responsibilities, Senator Symington was unable to fully participate in the hearings and other committee deliberations pertaining to this report and makes no judgment on the specific recommendations made therein.

[2] Congressman Donald Rumsfeld, Senator Len B. Jordan, and Senator Charles H. Percy, while in general agreement with this report, call attention to the fact that all the information and testimony cited in this report relate to procurement contracts in effect prior to the end of 1968. It is their belief that the irregularities and deficiencies in the procurement process reported here will encourage the new administration, which took office January 20, 1969, after the conclusion of this subcommittee's hearings, to press forward with the reforms necessary to save the American taxpayers millions of dollars while providing the defense capability necessary for peace and security.

They are encouraged that on April 30, 1969, Defense Secretary Melvin R. Laird expressed his concern over the costly C-5A transport plane and ordered the Air Force to make a thorough review of the multibillion-dollar contract. Secretary Laird said:

"I am determined to insure that full and accurate information on C-5A procurement, and all other procurement matters, is given to the Congress and to the public promptly. I also am determined to insure that past mistakes in the procurement of this transport aircraft will not be repeated."

They believe that the healthy, constructive pressures of a free enterprise system must be allowed to operate to provide a rebirth of competition in many of the sectors of the economy which provide the material needed for our national security. The leadership and stimulation needed in these areas must come from the new civilian leadership in the Department of Defense and the White House. It is their hope and belief that the new Administration will provide this leadership.

[3] Representative Barber B. Conable, Jr., states: "The hearings on this matter were held last year prior to my appointment to the Joint Economic Committee. Since I did not have an opportunity to hear the testimony, I neither endorse nor dissent from the conclusions herein."

[4] "Improving the Acquisition Process For High Risk Military Electronics Systems," Richard A. Stubbing, CONGRESSIONAL RECORD, Feb. 7, 1969, p. 3171.

itiated since 1955 at a total cost of $40 billion, less than 40 percent produced systems with acceptable electronic performance. Two of the programs were canceled after total program costs of $2 billion were paid. Two programs costing $10 billion were phased out after 3 years for low reliability. Five programs costing $13 billion give poor performance; that is, their electronics reliability is less than 75 percent of initial specifications.

Actual costs of expensive programs frequently overrun estimated costs by several hundred percent. Assistant Secretary of the Air Force Robert H. Charles testified that "The procurement of our major weapons systems has in the past been characterized by enormous cost overruns—several hundred percent—and by technical performance that did not come up to promise." The greatest amount of cost overruns occur in negotiated, as opposed to competitive, contracts. Even where overruns do not occur, there is evidence that prices are being negotiated at too high a level from the beginning. Most procurement dollars are spent in the environment of negotiations. It is precisely in this area that the DOD has the heaviest responsibility for obtaining the best military equipment and supplies at the least possible price. In the judgment of the subcommittee, the DOD has not adequately fulfilled this responsibility.

2. A Subsidy to Contractors

The major portion of procurements costs are in the costs of research and development, material, labor, and overhead for which contractors are reimbursed. In theory, competition requires contractors to be efficient in order to minimize costs and maximize profits, and inefficient contractors should not be able to underbid their more efficient competitors. Competition is a method of cost control. However, as we have said, most defense contracts are awarded through negotiation, not competition. A number of mechanisms, such as the cost and other price data submissions required by the Truth-in-Negotiations Act, and incentive contracting, have been designed to act as cost controls for negotiated contracts, in lieu of competition. In the judgment of the subcommittee, these mechanisms have not constituted an effective system of controls over the costs of procurement.

The result of the absence of effective cost controls, coupled with a number of policies and practices discussed in this report, has resulted in a vast subsidy for the defense industry, particularly the larger contractors. These practices include loose handling of Government-owned property, interest-free financing of contractors, absence of comprehensive profits reports and studies, lack of uniform accounting standards, reverse incentives, and a special patent policy lucrative to the contractor. All of these things tend to benefit the contractor at the public's expense.

3. An Inflated Defense Budget

The total effect of unnecessary cost overruns, of hidden profits in "fat" contracts, of inefficiency and waste, and of the absence of cost controls is to create a bloated defense budget. Admiral Rickover testified that $2 billion of excessive costs results from the absence of uniform accounting standards alone. There is evidence that literally billions of dollars are being wasted in defense spending each year.

It is the judgment of the subcommittee that the defense budget has been bloated and inflated far beyond what an economy minded and efficient Department of Defense could and should attain.

B. These practices include

1. Low Competition and High Concentration

Defense buying practices are reducing competition for Government contracts and increasing economic concentration within the defense industry. Formerly advertised competitive military contract dollar awards dropped from 13.4 percent in fiscal year 1967 to 11.5 percent in fiscal year 1968. Single source procurement increased to 57.9 percent. These figures constitute a record low for competition and a record high for single source procurement over the past 5 years. Negotiated procurement in which more than one source was solicited comprised 30.6 percent of total contract awards, also a record low over the past 5 years.

The DOD maintains that there is a substantial degree of competition in negotiated procurement where more than one source of supply was solicited. However, too often in these cases technical performance rather than price has been the basis for contract awards. Competition must involve dollar cost as well as nonprice elements such as technical performance and date of delivery. Activity involving only one nonprice element usually cannot be considered competition, nor does it contribute beneficially to the public interest in defense procurement.

It is widely acknowledged that *true* competition significantly reduces the costs of procurement. Some experts believe that in the absence of effective competition, procurement costs are 25 percent to 50 percent higher than what they would be under competitive conditions. However, instead of competition, it is becoming increasingly clear that the "buy-in, get well later" method is commonly employed by contract rivals. Under this approach, a contractor may bid a lower price, higher performance, and earlier delivery than his rivals, knowing Pentagon officials will accept increased costs, less than promised performance, and late delivery. Inadequate management controls at the highest levels of Government have contributed to the development of these practices. The prevalence of these practices goes far in explaining why the estimated costs of individual contracts almost always increased and the performance of the weapon procured was often less than promised. Weapons procured in this manner, in the absence of true competition, have been characterized by high costs, poor performance, and late delivery of the end product.

DOD procurement is highly concentrated. A relatively small number of contractors receive most of the dollar value of defense contract awards. In fiscal year 1968, the 100 largest defense contractors were awarded 67.4 percent of total defense contracts, the highest percentage since 1965. To get on the list of the top 100 in fiscal year 1968 required $50 million in awards, up from $46 million in fiscal year 1967. These large contractors generally have assets of $250 million or more. Small firms (as defined by the Small Business Administration) received only 18.4 percent of defense prime contracts in fiscal year 1968, down from 20.3 percent in fiscal year 1967 and 21.4 percent in fiscal year 1966.

The larger, dominant defense firms tend to hold entrenched positions. Eighty-four of the top 100 firms appeared on both the fiscal year 1968 and fiscal year 1967 lists. Eighteen of the top 25 in 1967 were in the top 25 in 1968. The same five companies received prime contract awards of more than $1 billion each in fiscal year 1968 as in fiscal year 1967. There is other evidence of entrenchment and concentration in the defense industry, such as the tendency of divisions of certain large contractors to obtain major contracts from one service, for example, the Air Force, while divisions of the same or other large contractors consistently obtain major awards from the other services. In some specific areas of military procurement the Government does business not only with sole-source suppliers, but with absolute monopolies. The nature of the purchases and the limited quantities may not be adequate to justify more than one producer. For this reason, the Federal Government must improve its capability to control procurement costs in the absence of competition.

2. Government-Owned Property

In addition to the lack of competition for defense contracts, the Defense Department's policy of providing Government-owned property and working capital to defense contractors constitutes a Government subsidy and contributes to concentration within this industry. The cost of Government-owned equipment supplied to contractors sometimes exceeds the value of property owned by the company. While the total value of Government-owned property in the hands of contractors declined from $14.6 billion in fiscal year 1967 to $13.3 billion in fiscal year 1968, reflecting primarily a drop in the amount of materials, in the important category of industrial plant equipment costing over $1,000, there was an increase from $2.6 to $2.7 billion. A disproportionate amount of this equipment was held by the larger contractors. Defense Department assurances that it is aware of the problems surrounding the use and control of the enormous amount of Government-owned property have so far yielded little tangible results in the form of improved performance in this area.

Last year this subcommittee found loose and flagrantly negligent management practices in defense procurement largely on the basis of facts surrounding Government-owned property furnished to contractors.[5] The subcommittee has no reason to alter this judgment.

3. Progress Payment

The Pentagon makes so-called progress payments to reimburse contractors for up to 90 percent of incurred cost, on a pay-as-you-go basis. These payments are not necessarily related to progress in the sense of work completed. Costs are often incurred greatly in excess of original estimates. It is possible, for example, for a contractor to incur costs equal to 75 percent of the original contract price while completing only 50 percent, or less, of the job. A more accurate term would be "incurred-cost reimbursement payments."

The important point is that the payments are made interest-free, prior to completion or delivery of the end-product. The contractor could operate largely without his own working capital, on capital supplied by the Federal Government, particularly in expensive, long leadtime procurement. For example, in the C–5A case, Lockheed received "progress" payments of $1.207 billion on reported incurred costs of $1.278 billion, as of December 27, 1968. In addition, the contract is being performed in a Government-owned plant. The plant and the Government-owned facilities employed at the plant have an original acquisition cost of $113.8 million.

In effect, considering the extensive use of Government-owned property and Government-supplied working capital—"progress payments"—the Defense Department provides negative incentives for the use of private capital, and tends to develop a financial stake in its contractors, especially those larger contractors which it favors with great amounts of Government-owned property and interest-free working capital. Contractors so favored have a sizable competitive advantage over others in the defense and civilian industries, and are actually highly subsidized.

Money advanced to contractors in the form of progress payments are really no-interest Government loans which inflate contractors' profits. Armed with free working capital a contractor may be able to bid low for more Government work, "finance" commercial work, or otherwise compete unfairly in the commercial market.

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[5] Economy in Government Procurement and Property Management, Report of the Subcommittee on Economy in Government, Joint Economic Committee, April 1968.

THE DEATH OF FORMER CONGO PREMIER MOISE TSHOMBE

(Mr. McDONALD of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McDONALD of Michigan. Mr. Speaker, the Algerian Government has announced the death of Moise Tshombe, former Premier of the Congo. According to a Reuters dispatch in today's Washington Post:

> Mr. Tshombe died of what was believed to be a heart attack—almost two years to the day he was kidnapped at gunpoint and flown to Algeria in a hijacked charter plane.

The official Algerian news agency published a statement signed by 10 doctors indicating Mr. Tshombe died in his sleep.

Mr. Speaker, the death in prison of the former Congo Premier "of what was believed to be a heart attack" raises some disturbing questions.

Mr. Tshombe was a strong friend of the West and a firm believer in cooperation between the black man and the white man. He was often at odds with those radical leaders of emerging African states who practiced a reverse racism. Like the very able Hastings Banda of Malawi, Mr. Tshombe believed his people could best prosper by working with Europeans.

He was kidnaped 2 years ago during a flight from Madrid where he had been living in exile. There were indications at the time that the kidnaping was intended to remove him from Congo politics permanently. There was never a suggestion that the Congo Government was directly involved, but that the deed may have been planned by other elements in Africa and elsewhere which feared Mr. Tshombe because of his pro-Western orientation.

During his 2-year confinement in various Algerian prisons, there were reports that Mr. Tshombe was being systematically poisoned and tortured. No one from the International Red Cross had been allowed to see him during that time.

Mr. Tshombe may have died of a heart attack at the age of 49. Or he may have died of other causes. Or his death may have been induced by drugs—which we know exist—that make death appear due to heart attack.

Mr. Speaker there are many people here in the United States and throughout the world who are not going to be satisfied by the self-serving report of Algerian doctors who may be covering up for their government.

If Mr. Tshombe's death was as reported and was not the result of his treatment by the Algerian Government, that is one thing. But we must bear in mind that his death will benefit those who seek turmoil in Africa, not peace and prosperity.

Because of the circumstances of his death, I believe Secretary General U Thant of the United Nations should appoint an extraordinary international team of pathologists to perform an impartial autopsy in addition to that planned by the Algerians.

I do not think an official Algerian autopsy will bring in a finding at odds with that already announced.

I am not suggesting that one sponsored by the U.N. necessarily would. However, it might, and in any case, it would lay to rest any rumors that would otherwise only feed on an official Algerian report that could not be considered totally objective.

ANOTHER INDIAN BITES THE DUST

(Mr. MONAGAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. MONAGAN. Mr. Speaker, on Friday June 27 I sent a letter to the editor of the Washington Post expressing my concern over the Chilean Government's proposed takeover of the Anaconda Co.'s copper mining assets, and setting forth my views on this "sale" as Chilean President Frei labeled the transaction.

I do have questions in my mind as to the details of this transaction, including the breach by Chile of the agreement entered in 1964 and the adequacy of compensation which is based on the book value of the corporation and is paid not immediately but over a period of some 12 years. Nevertheless, it is to the overall problems of Latin American relations that I direct my attention and because of the rapid approach of a crisis in these relations and the urgent need for us to ponder this crisis and to seek acceptable solutions I bring this matter before my colleagues in the House.

Here is my letter:

HOUSE OF REPRESENTATIVES,
Washington, D.C., June 27, 1969.

The EDITOR,
The Washington Post,
Washington, D.C.

DEAR SIR: The recently-announced modified expropriation by Chile of the Anaconda Mining Company properties should interest students of U.S.-Latin American relations not only because of the terms of the takeover itself but because of the long-range implications for future relations in the Hemisphere.

Although no one questions the right of a sovereign nation to expropriate any property within its borders for a public use, in the instant case, the employment of the book value as a base for acquisition and the payment on this basis in bonds over a period of years obviously fails to give current value to Anaconda stockholders whose stock significantly enough has skidded disastrously in value in the United States Market.

Leaving the question of takeover and compensation aside, however, the broad question of Latin American policy toward the investment of outside private capital has been further complicated by this move. As an observer at the recent Inter-American Economic and Social Council Meetings in Trinidad it was clear to me that the current strategy of many of the Latin countries was to press the United States for trade concessions as a means of stimulating their economies. Foreign Aid was completely ignored as was the role of private investment in providing the capital needed to create an infrastructure.

Anaconda's role in the capital-forming, job-creating and taxpaying functions in Chile ca be understood from the fact that this Company has invested some $500 million in the Chilean economy over the course of the last 20 years and has produced $3.5 billion in wages, purchases and taxes. This assumption of control by Chile plus the current takeovers in Peru clearly indicate a lack of interest in the creation of a climate which will be hospitable to the investment of outside capital.

By limiting foreign aid and external investment as means of creating a capital structure, these Latin countries are placing all their eggs in the basket of broadly-expanded U.S. trade as a principal factor in lifting their economies. In so limiting themselves one wonders whether they are aware of the Congressional trend toward protectionism in the last few years.

All these considerations lead to the conclusion that the area of maneuver in the field of Latin American relations is being dangerously and unwisely narrowed and the instruments for improvement are being unnecessarily restricted. We must hope that the October meetings under the Trinidad declaration may be the occasion for a broader and more realistic approach. Certainly the current trend in all these regards calls for the dedicated and continuous interest of the Administration and of the American people.

Sincerely,

JOHN S. MONAGAN,
Member of Congress.

THE FLAG LIVES

(Mr. EDWARDS of Alabama asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. EDWARDS of Alabama. Mr. Speaker, in this week of our annual Fourth of July celebration, I want to report something that gives me a great deal of satisfaction.

It is simply this: after several years of apparent decline in patriotism in this country we are now witnessing a new and lively interest in the traditions and the great values of this Nation of ours.

The biggest single indication of this is the renewed wide display of the American flag these days. In recent weeks the flag seems to be everywhere.

The flagmakers can barely keep up with the demand as people all over the country are buying flags to display proudly.

Filling stations are handing out millions of flag decals to eager motorists and these flags are showing up on car windows everywhere.

People are putting up flagpoles in their front yards and flying the Stars and Stripes now as never before in recent years. Suddenly it is the thing to do.

And all this is a real change. It was fashionable for some people not long ago to scorn the flag and all other signs of appreciation for the United States.

While this did not happen in my State as much as some other places, we all have read in the papers about the flag burnings. It got to be such a problem that we in Congress had to pass a law against it, and it was an unfortunate thing to have to do.

Of course there still are some young people with warped views of the world and of their country. But I hope the worst of it is behind us now.

The flag burners evidently thought they were showing support for individual freedom against unfair government. But what is the American flag but the greatest symbol for that very same thing?

If those folks read their history books they would understand a little better that our Independence Day is an expression of the right of people to decide

their own form of government, to choose their government leaders, and to live in individual freedom.

That is what the Fourth of July is all about.

Some say: "But some things are wrong and ought to be fixed." I say: "You bet there are some things wrong, and plenty of them." And we ought to correct these problems as fast and as well as possible.

But I also say that if anybody knows of a utopia anywhere please let the rest of us in on the secret. I do not know of any place without problems.

The main point of all this is that the American system provides better and easier methods for orderly change, and fair change, than any other system ever dreamed of by man.

I mean change in government, change in business, and change in every aspect of life.

In fact, I believe it is possible that historians of the future may look back at us and decide that one of our problems of today is that change is too easily accomplished.

If I had my way there would be a lot of improvements made in this country quickly. I am sure you feel the same way. And it is not as easy as any of us would like.

But let us not forget that our system gives you and me far more opportunity to make ourselves heard than any other system. The result is that government does act in response to people.

I am proud of the American flag in this week of our national independence celebration. And I am not ashamed to be proud.

All over our country this week Americans are gathering themselves together and taking a good look at our system. And with all its imperfections, I think they like what they see.

I know I do.

PROTECTING THOSE ON SOCIAL SECURITY

(Mr. WYMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WYMAN. Mr. Speaker, the crush of inflation continues to hurt the people on social security in this country. It does so because the dollars received will not buy as much as they used to. Each month inflation continues, their dollars buy less and less and most citizens on fixed retirement income have a hard time getting by.

To meet this need there should be a meaningful increase in social security benefits this year. Despite the contrary views of certain prestigious Members of this body, I believe there is a sufficient number in the House of Representatives to enact a social security increase now, and, if need be, to bring this issue to the floor. But the important thing is not this single step increase, but to assure to such citizens protection against further inflation in the future.

How can this be done? I believe the answer lies in providing legislation to establish an escalation clause built into the program so that if the cost of living, as determined by the Department of Labor statistics, increases more than 3 percent then, and in that event, the social security benefit payments will increase proportionately. I am today introducing a bill designed to provide this needed reform.

More importantly, however, the integrity of the social security trust fund must be assured. We ought never to permit a situation in which general fund appropriations are necessary to provide the money to pay social security benefits. Social security is a trust fund operation. It is an insurance program and its revenues must equal its expenditures or the fund will go broke.

To accomplish this, my bill also provides that whenever there shall be added payments pursuant to the escalation formula, there will also be an increase in the social security tax sufficient to provide the required additional revenue. In this way, I believe the integrity of the social security fund will be maintained and preserved and I urge the enactment of this legislation at the earliest possible moment.

ADDITIONAL MINORITY REPRESENTATION URGED FOR COMMUNITY PARTICIPATION ON DRAFT BOARDS

(Mr. BROWN of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BROWN of California. Mr. Speaker, one of the basic concepts of a democratic type of government is that all qualified citizens—regardless of race, religion, and philosophy—be allowed to participate equally in the decisionmaking process.

Today, I am introducing in the House legislation which will assure that all segments of a community be represented on a Government body that affects virtually every American family—the local selective service board.

Given the wide autonomous powers granted individual draft boards, composition of the boards may result in varying responses to similar situations and there could be deferment of drafting of some men in some communities who would have been given a different status in a different community.

Whether or not the racial and economic makeup of boards has contributed to the range of policies taken by different boards is hard to either say or prove, but I believe it certainly could have such implications and is a matter that should be corrected.

For example, statistics given by the Selective Service System reveal that less than 6 percent of total board members are black, while the black population of the country has risen to more than 12 percent.

Three years ago, I discovered that in the parts of Los Angeles County where there was a heavy concentration of Mexican American citizens, the three draft boards serving those areas only had one Mexican American member. Furthermore, he was the only person of Mexican-American descent in all Los Angeles County—and there are over 600,000 Mexican Americans in the county—to be on a draft board.

Since then, there has been improvement—now there are nine Mexican Americans on board throughout Los Angeles County—but I am far from satisfied, because, if the proportion of Mexican Americans on Los Angeles County boards were to be "truly representative of the community they serve" as President Johnson urged in his 1967 draft reform address, instead of nine, there would be 20 Mexican Americans serving today.

Since President Johnson's speech, nationwide minority membership on boards has risen. According to a chart in the May issue of "Selective Service," the monthly publication of the System, between March 1967 and March 1969, the number of minority group members serving on local boards increased from 801 to 1,688.

But, to say that rate of increase is inadequate would be the kindest way of expressing it. It is obvious that voluntary efforts by the system have fallen short, and it is now necessary to put the policy of increased minority representation into law.

If we ask a community to send its young men into the Armed Forces by force through the draft, the least we can do—is to allow that community to have something to say about the way the draft is administered locally.

I am introducing the bill to further increase minority representation on local selective service boards along with cosponsorship of 23 other Members of the House. Joining with me in this legislation are: GLENN M. ANDERSON, Democrat, of California; JONATHAN B. BINGHAM, Democrat, of New York; DANIEL E. BUTTON, Republican, of New York; SHIRLEY CHISHOLM, Democrat, of New York; WILLIAM CLAY, Democrat, of Missouri; JOHN CONYERS, JR., Democrat, of Michigan; JAMES C. CORMAN, Democrat, of California; CHARLES C. DIGGS, JR., Democrat, of Michigan; DON EDWARDS, Democrat, of California; SAMUEL N. FRIEDEL, Democrat, of Maryland; AUGUSTUS F. HAWKINS, Democrat, of California; EDWARD I. KOCH, Democrat, of New York; ROBERT L. LEGGETT, Democrat, of California; ALLARD K. LOWENSTEIN, Democrat, of New York; ABNER J. MIKVA, Democrat, of Illinois; CLAUDE PEPPER, Democrat, of Florida; JERRY L. PETTIS, Republican, of California; BERTRAM L. PODELL, Democrat, of New York; ADAM C. POWELL, Democrat, of New York; THOMAS M. REES, Democrat, of California; EDWARD R. ROYBAL, Democrat, of California; WILLIAM F. RYAN, Democrat, of New York; and CHARLES H. WILSON, Democrat, of California.

Passage of this bill would help, in part, to assure fair and equitable treatment—for all selective service registrants, and will also provide better community participation and acceptance with board actions.

A BILL TO PROVIDE EMERGENCY SALARY ADJUSTMENTS FOR POSTAL WORKERS TO OFFSET THE INCREASE IN THE COST-OF-LIVING INDEX

(Mr. OLSEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. OLSEN. Mr. Speaker, Thursday,

June 26, in the Subcommittee on Compensation we had testimony from the president of the National Association of Letter Carriers, James Rademacher. He made it very clear the morale of his members is extremely bad, and getting worse. They actually feel neglected by the fact the administration is giving letter carriers only a 4.1-percent token pay increase in July.

I believe it is incumbent upon the Congress to act now. Only by legislation can we prevent a further deterioration of morale by giving postal field people a pay increase that will at least catch them up with the cost of living. Official Bureau of Labor Statistics figures show the cost of living through the year ending May 1969, which is the latest available, increased by 5.4 percent.

As you know, the Congress passed what we thought would be a pay comparability bill for Government workers in 1967. But the Civil Service Commission has thwarted the will of Congress by wrongfully inserting a "downward-bias" in its calculations for the increase in the pay of the postal field service, and especially carriers and clerks. The administration statisticians arrive at a 4.1-percent increase in a carrier's pay by comparing him with workers in industry who are on an extremely low level of skills. Consequently, they receive lower wages than those with skills and responsibilities comparable to carriers, clerks, and postal supervisors.

Mr. Speaker, the average take-home pay of the letter carrier after 5 years of service is less than $100 a week.

Mr. Speaker, would you believe that the driver of a cement truck in New York just recently won a $57.60-a-week increase in pay. His hourly pay is published at $5.23, it will go to $6.67 by July 1, 1971. This compares with the truckdriver in the post office with 5 years of service who receives $3.33 an hour.

This bill of which I speak today is not a comparability bill. I must emphasize it is an emergency measure to prevent carriers and clerks from falling further behind in comparability due to the precipitous rise in the cost of living.

Today I am most pleased to be joined by my colleagues, Mr. CORBETT, of Pennsylvania; Mr. DANIELS, of New Jersey; Mr. NIX, of Pennsylvania; Mr. CHARLES H. WILSON, of California; Mr. BRASCO, of New York; Mr. TIERNAN, of Rhode Island; Mr. JOHNSON of Pennsylvania; Mr. BUTTON, of New York; and Mr. HOGAN, of Maryland, in introducing this emergency salary adjustment for employees in the first 10 levels of the postal field service that would provide a 5.4-percent pay increase beginning July 12.

I am firmly convinced this action is necessary and I am very hopeful the Post Office Committee will consider this emergency measure in the immediate future so that action can be taken to bring this bill here to the floor for your consideration.

Mr. Speaker, I have been very close to this problem. I feel it is extremely urgent we meet it head on. It is evident postal workers are just not receiving fair and just treatment in the meager pay raise offered by the administration.

I hope all my colleagues will read this bill and give cosponsorship early and serious consideration.

RIVER CATCHES FIRE; LAKE NEAR DEATH

(Mr. FEIGHAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. FEIGHAN. Mr. Speaker, the Cuyahoga River has a reputation as the only body of water ever classified as a fire hazard. This may sound a bit farfetched, but the fact is that this oil-slicked river is so polluted that it actually does catch fire. The Cleveland Plain Dealer on June 24, 1969, published an appropriate editorial entitled "Cleveland, Where the River Burns." It began as follows:

Tell someone you're from Cleveland and he'll say:

"Cleveland, eh? Isn't that the place where the river is so polluted it's a fire hazard? Yuk, yuk, yuk."

It's a funny line—if you don't live in Cleveland.

It's not so amusing to a Clevelander, because it's true. The Cuyahoga does catch fire from time to time. A burning oil slick Sunday caused $50,000 damage to two railroad bridges.

We are tired of Cleveland being the butt of a joke that isn't a joke.

To make matters worse, the Cuyahoga—oil, sewage, and all—then dumps into Lake Erie. But what is frightening is that this contaminated river actually contributes relatively little toward polluting the lake. It is only one of several rivers which provide millions of tons of oils, chemicals, and sewage every year. The overall effect is that Lake Erie contains just about every kind of waste imaginable, and it is dying.

A recent article by Lee H. Kramer in "Blue Wings," the official publication of the Athletic Club of Columbus, Ohio, predicts a grim future for Lake Erie—a prediction which will become reality in the absence of serious efforts to restore to the lake the clean water which at one time could be found there. I have been most concerned for the deteriorating quality of Lake Erie and recently cosponsored an amendment to the Water Quality Improvement Act of 1969 to provide $20 million for a Great Lakes water control demonstration project to develop techniques to remove polluted matter and abate new pollution. Lake Erie would be the pilot project. This bill has passed the House and is currently before the Senate.

Mr. Speaker, I commend Mr. Kramer's sobering message to the attention of my colleagues as an example of the seriousness of the water pollution crisis which faces not only Lake Erie, but our waterways all across the Nation, and include it herewith:

[From Blue Wings, May 1969]

LAKE ERIE—A DEAD SEA?

(By Lee H. Kramer)

The North American Continent is unique in that near its geographical center the great inland seas of fresh water, known as the Great Lakes, are found. The largest treasury of fresh water to be found anywhere in the World! These lakes gouged out by glaciers some 12 to 15,000 years ago provide the millions of people who live in their basin a natural resource of incalculable and irreplaceable value.

Of course, the title to this article may suggest a grossly exaggerated conclusion. However, that man in his ruthlessness is despoiling, degrading and destroying this great lake is an inescapable conclusion.

In Blue Wings, November, 1962, in an article entitled "The Walleyes of Lake Erie—Going—Going—Gone?" we showed statistics of the commercial take of desirable fish such as Sturgeon, Whitefish, Walleyes and Pike and how year after year for the last half century the harvest became smaller and smaller until as to some species it reached zero for all practical purposes. This was contrasted with the yield of the Scavenger type fish which it was shown were the only types able to maintain a stable and rapidly increasing population in the lake.

In a recent report on Lake Erie by The United States Department of Interior—Federal Water Polution Control Administration, the critical conditions in and around the lake are analyzed, studied and remedies proposed. The situation is described as so serious that unless polluting and contaminating factors are speedily brought under control a "biological cataclysm" could well occur.

The lake is being aged, "a dying lake," by the steady stream of industrial wastes, sewage, sludge, human wastes, oil, chemicals and run off of surface waters carrying vast quantities of pesticides into the lake. For example, the Cuyahoga River, which half a century ago was teeming with bass and other game fish today is a sickly brown, oil-slicked stream the waters of which, saturated by fermenting gases on the bottom, has a bacteria count the equivalent of raw sewage. Mr. Kenneth G. Slocum of the Wall Street Journal says this river has earned the dubious title of the "only body of water ever classified as a fire hazard."

The lake bottom topography may be roughly divided into the western third with an average depth of 24 feet; the middle basin with a mean depth of 60 feet; and the eastern third with an average depth of 80 feet, a maximum depth of 216 feet. The eastern third receives 90% of its water supply from the central basin, which in turn receives more than 90% from the western third, which in turn receives more than 90% of its water from the Detroit and Maumee Rivers—both of which are highly polluted. The general flow of the water is from the western shallow part of the lake into the eastern and deepest part of the lake.

In 1960, nearly ten million people lived in the United States portion of the Lake Erie basin, 1.2 million in the Canadian portion. By 2026, the total is expected to increase to twenty-seven million.

The largest single source of the pollution of the lake according to the report is from the Detroit Metropolitan area via the Detroit River; the second, the Cleveland area; the third largest source, the Toledo area, and the Maumee River. These areas dump into the lake yearly millions of tons of phosphorous and nitrogen, in addition to silt, oils, chemicals, and sewage. Indeed, the report states:

"Since Lake Erie has been considered a good disposal site for anything, there are few kinds of waste which cannot be found in it. Trash and debris, for example, can be seen almost anywhere along the lakeshore."

The phosphate and nitrate dumped into the lake, inorganic materials, are not particularly harmful in and of themselves. It was formerly thought these were swept on through the lake and on to the sea. Not so. These chemicals are potent nutrients and spur on a tremendous overproduction of aquatic plants, in primary microscopic forms and algae growths in super abundance.

Kenneth G. Slocum describes the situation: "Algae, organisms invisible to the eye in a healthy lake, litter the Erie shoreline in long, rotting piles, clog city water intakes and add objectionable taste to many communities' drinking water. During summer, the algae collect in the western basin in an 800-square-mile mass two feet thick, turning the lake into a solution resembling pea soup."

As these organic growths are broken down by bacteria, the available dissolved oxygen in the water is exhausted—and many of the small and beneficial forms of animal life are destroyed including fish. The report notes that in nearly one-fourth of the lake during the summer months the bottom waters of the lake become nearly devoid of oxygen "and this situation is increasing in size and duration."

BALANCE OF AQUATIC LIFE IS SERIOUSLY UPSET

The balance of life in the waters of the lake has been so affected that nymphs of Mayflies and many other forms of small aquatic forms of animal life can no longer exist. Instead the only living animal life in many parts of the lake are sludge worms (up to 30,000 per square yard) and blood worms. And in some parts of the lake even these cannot survive. Thus, the natural food for bass and other game fish disappears and these fish no longer can exist.

Says the Report: "The aquatic plants (primarily algae) are a vital part of the food chain which extends up through the fishes to higher animals. When they are grown in superabundance, as they are now in Lake Erie, they break the life balance with a multitude of ramifications. Those ramifications are all to the detriment of all animals which use the water, including man, and to the lake itself. As long as nutrients keep increasing in an already overenriched environment, the situation will progressively worsen until in the last stages the lake will change to a swampy mass of largely organic detritus."

And again: "Desirable fish, the prime game and commercial species, such as cisco, blue pike, and walleye, have disappeared or declined drastically while the less desirable and scrub-type fish such as yellow perch, smelt, sheepshead, and carp, have increased sharply."

Most biologists agree the lake may be on the verge of a "biological explosion." The report states that unless action is fast and decisive by the Federal Government, the states involved, the municipalities and the public, the lake may for all time become a "repulsive holding basin . . . devoid of oxygen and almost sterile."

In a Foreword, Joe G. Moore, Jr., Commissioner of Federal Water Pollution Control Administration, sums it up:

"Man is destroying Lake Erie. Although the accelerating destruction process has been inadvertent, it is as positive as if he had put all his energies into devising and implementing the means. After two generations the process has gained a momentum which now requires a monumental effort to retard. The effort must not only be basin-wide and highly coordinated; it must be immediate. Every moment lost in allowing the destruction to continue will require a longer, more difficult, and more expensive corrective action.

"Fortunately, although Lake Erie is the most sensitive of the Great Lakes to waste inputs, it is also the most amenable to corrective measures because of its relatively small volume, rapid flushout time, and the high volume input of excellent quality Lake Huron water."

The possible loss of this great irreplaceable natural resource, so vital to the lives of millions of people and yet unborn generations, demands immediate, aggressive and decisive action at all levels of our society.

ADJOURNMENT FROM WEDNESDAY, JULY 2, 1969, UNTIL MONDAY, JULY 7, 1969

Mr. ALBERT. Mr. Speaker, I offer a privileged concurrent resolution (H. Con. Res. 296) and ask for its immediate consideration.

The Clerk read the concurrent resolution, as follows:

H. CON. RES. 296

Resolved by the House of Representatives (the Senate concurring), That when the two Houses adjourn on Wednesday, July 2, 1969, they stand adjourned until 12 o'clock meridian, Monday, July 7, 1969.

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

Mr. ALBERT. I yield to the gentleman.

Mr. GROSS. What is the resolution?

Mr. ALBERT. The concurrent resolution for the adjournment as of the close of business Wednesday.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AUTHORITY FOR THE CLERK TO RECEIVE MESSAGES AND FOR THE SPEAKER TO SIGN ENROLLED BILLS AND JOINT RESOLUTIONS NOTWITHSTANDING ADJOURNMENT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that notwithstanding any adjournment of the House until Monday, July 7, 1969, the Clerk be authorized to receive messages from the Senate and that the Speaker be authorized to sign any enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

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

There was no objection.

ADDITION TO LEGISLATIVE PROGRAM

Mr. ALBERT asked and was given permission to address the House for 1 minute.)

Mr. ALBERT. Mr. Speaker, I take this time to announce an addition to the program for tomorrow.

Mr. Speaker, the gentleman from Missouri (Mr. ICHORD) has advised that on tomorrow, July 1, 1969, he will call up a privileged resolution, the purpose of which is to obtain House approval to permit the inspection of certain papers and documents in the possession of the Committee on Internal Security which the District Court for the Northern District of Illinois has ordered to be proper items for discovery and inspection by defendants, Jeremiah Stamler, Yolanda F. Hall, and Milton M. Cohen, in the pending prosecution against them for contempt of Congress.

Mr. GERALD R. FORD. Will the gentleman from Oklahoma yield?

Mr. ALBERT. I am glad to yield to the distinguished minority leader.

Mr. GERALD R. FORD. Could the gentleman from Oklahoma answer as to whether or not we are going to bring up the conference report on the supplemental appropriation bill?

Mr. ALBERT. The distinguished chairman of the Committee on Appropriations, Mr. MAHON, is on the floor, and I yield to him.

Mr. MAHON. I am very hopeful that we may be able to meet tomorrow, reach agreement, and bring in a report on the second supplemental bill. But we cannot say for sure. We would like to get this matter behind us.

Mr. GERALD R. FORD. I hope the conference report does come up. I think it would be highly beneficial if it would, so I hope you are able to work it out in the conference.

Mr. ALBERT. May I inquire, if the conference report is brought up, it will be brought up tomorrow rather than Wednesday, or is it possible it will be brought up either day?

Mr. MAHON. We hope to meet tomorrow afternoon. If agreement should be reached, we could bring it up tomorrow if the leadership desires, or on the next day.

Mr. ALBERT. I think it would be an accommodation to the Members if we bring it up tomorrow.

Mr. MAHON. I would hope we could get in position to do that, but of course we cannot be sure.

Mr. ALBERT. Does the gentleman ask unanimous consent that it may be in order to bring it up for consideration tomorrow?

MAKING IN ORDER THE CONSIDERATION OF THE SECOND SUPPLEMENTAL CONFERENCE REPORT ON TOMORROW

Mr. MAHON. Mr. Speaker, I ask unanimous consent that it may be in order to bring before the House a conference report on the second supplemental appropriation bill for 1969 as soon as conference agreement has been reached.

The SPEAKER pro tempore (Mr. PEPPER). Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Speaker, reserving the right to object, is this not pretty precipitous action, without knowing what the conferees will agree on, to bring this matter up almost instantly after the conferees meet?

Mr. MAHON. If the gentleman will yield, the only remaining issue is the expenditure limitation. All of the other differences have been resolved by the conferees.

Mr. GROSS. What is the issue again?

Mr. MAHON. On the limitation on Government expenditures.

Mr. GROSS. On Government expenditures? Well, is that not important?

Mr. MAHON. Yes, it is important.

Mr. GROSS. In the light of what has just transpired, it seems to me that it is highly important.

Mr. MAHON. I would say to the gentleman that we had a budget deficit last year of about $25 billion but that did not seem to have much of an effect on many Members voting for spending. And I have some doubt that the expenditure

limitation or the deficit would have great bearing on many votes that might be cast on current spending levels.

Mr. GROSS. Is it proposed to bring in the conference report at some time after 2 o'clock tomorrow afternoon?

Mr. MAHON. I would hope there would be at least a 50–50 chance that this could be done. The only remaining issue is the expenditure limitation.

Mr. GROSS. If I agree to this kind of precipitous action, would this be considered a precedent to do this again sometime soon. I do not like to agree to this kind of a precedent, but I understand the circumstances of what we are going through this week. I hope this kind of action, if taken in this fashion, would not in any way create a precedent for the consideration of legislation.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I yield to the gentleman.

Mr. ALBERT. This is a unanimous-consent request. Of course, a similar request could be objected to by any Member at any time.

Mr. HALL. Mr. Speaker, will the gentleman yield for a parliamentary inquiry?

Mr. GROSS. I yield to the gentleman.

Mr. HALL. Mr. Speaker, whosoever has the floor, my parliamentary inquiry is, Could this same action not be taken tomorrow?

The SPEAKER pro tempore. The gentleman from Iowa reserved the right to object. Does he object?

Mr. GROSS. Mr. Speaker, further reserving the right to object, I did not know that I had relinquished the right to object.

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

Mr. GROSS. Yes, of course I yield to the gentleman from Missouri.

The SPEAKER pro tempore (Mr. PEPPER). The Chair will state that it was under the impression that the gentleman from Missouri (Mr. HALL) was beginning to speak on some other subject.

PARLIAMENTARY INQUIRY

Mr. HALL. Mr. Speaker, the gentleman from Iowa yielded to the gentleman from Missouri for the purpose of propounding a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. HALL. The parliamentary inquiry is this, Mr. Speaker:

Could not we consider the supplemental appropriation by unanimous consent tomorrow, as well as granting that tonight when we have not seen the provisions of the conference?

The SPEAKER pro tempore. The Chair will state that it is the opinion of the Chair that a unanimous consent request may be submitted any time, and it is up to the wishes of the House.

Mr. HALL. Then, Mr. Speaker, if the gentleman from Iowa will yield further, I strongly recommend that the unanimous consent request be withdrawn tonight, and propounded tomorrow after the Members of the House have had a chance to see the provisions of the conference report, and the add-ons in the other body. Otherwise, Mr. Speaker, I will be constrained to object at this time.

Mr. MAHON. Mr. Speaker, I will be glad to withdraw the unanimous consent request at this time. The request was made only in order to facilitate the program of the House in the event we should be able to conclude a successful conference tomorrow, but the unanimous consent request can of course be propounded tomorrow.

The SPEAKER. The unanimous-consent request is withdrawn.

MOVE OVER ON THE MOURNERS BENCH

The SPEAKER pro tempore. (Mr. PEPPER). Under a previous order of the House, the gentleman from Pennsylvania (Mr. DENT) is recognized for 60 minutes.

Mr. DENT. Mr. Speaker, the latest invasion of the United States appears to to be a peaceful one. It is the Japanese effort to pollute the U.S. marketplace with Toyotas, Datsuns, and other motor vehicles. Many believe this is free trade and therefore beneficial to all. I think it more likely, however, that the ultimate effect on these vehicles will be destructive to another great American industry. All one has to do is look down local streets and interstate highways to see growing evidence of the danger we will soon confront. It is not as though this is a new experience for us. One would think we had learned our lesson watching so many other U.S. industries bow to low-wage inspired foreign competition.

The story of Toyota, is one in point. The method used to gain a foothold and then to saturate the Nation is a typical one used in all foreign product penetrations of the U.S. market. I noted this system in a speech on the House floor several years ago. Briefly summarized, it follows: Step 1—a limited number of very low priced inferior products are distributed to merchants in a restricted area. They sell out completely almost as fast as they display the product. Step 2—the next distribution is of a better grade products accompanied by a small price increase. The territory is still restricted. Step 3—a much better product is moved into an extended area saturated for a measured period of time. Step 4—start with step 1 in a new area and run through the routine again.

This program obviously lulls the competing U.S. industry to sleep, since the growth of the foreign products is like a creeping paralysis. You know it exists, but you really do not become totally concerned until you are seriously crippled. This has been the case with textiles and steel in just the last decade. It will be true in the automobile industry this decade. Just watch Toyota and Datsun! The Japanese automobile industry is moving at a pace that will shake the entire world market. The ultimate result will be the greatest disruption of world trade in history; accompanied by sanctions, economic depressions, unemployment, and the shadow of war creating international ill will. The story of Toyota should be must reading for all Government officials. Note how the promotion story that follows can easily lull our automobile industry, its workers, and our Government to sleep. The whole theme of the story is that the importation of Japanese cars is healthful; that it cannot possibly be harmful since it only represents a mere 2 or 3 percent of our market. Of course, the gentle hint that Japan can call for gold reserves is the real kicker in the kind knife approach of the promoters. I daresay, with much regret, that the end of the story will find the U.S. automobile industry asking steel and textiles to move and make room on the mourners bench.

I might add, Mr. Speaker, that the recent Chrysler-Mitsubishi deal holds particular interest for the citizens in my district. Chrysler is presently constructing a new facility there for the production of 200,000 cars annually. I hope the building does not eventually become a warehouse for Mitsubishi.

The Toyota story follows:

RISING SUN

Japan's prosperity since the end of World War II has been dazzling. Between 1958 and 1968, for example, its industrial production rose some 300%, as against roughly 85% for the U.S. And during the past five years, the gross national product jumped over 110% to well over $140 billion. By way of contrast, the GNP in this country rose only about 45% during the same period, the unprecedented boom notwithstanding.

The outlook is for more of same during the period ahead. Japan's Economic Planning Agency is looking for a better than fivefold increase in GNP by 1985 to an annual level of $763 billion. Moreover, largely because of resourceful and responsible fiscal management and maintenance of favorable trade balances, the country is highly solvent and has yet to endure anything like a recession, much less a depression.

The upshot is that consumers, as well as the business community, are increasingly affluent with the result that demand for motor vehicles of all kinds has been spiraling upward in Japan. The government has played a key role in this boom, building an extensive network of superhighways that link major metropolitan centers throughout the archipelago. The availability of good roads, of course, stimulates further orders for passenger cars, trucks, and buses from the motoring public, as well as commercial, industrial, and institutional interests.

Japan has, since 1960, zoomed from sixth to second in the international auto derby, trailing only the U.S. And along the way, Toyota, with estimated 36% and 42% shares of the Japanese motor vehicle and passenger car markets, respectively, has become the island nation's top producer. During the fiscal year ended November 30, 1968, the company sold 1.07 million cars, trucks, and buses—a 33% gain over the year-earlier level and more than triple the 300,000 or so units turned out in fiscal 1963. Passenger cars, which registered a year-to-year sales gain of almost 40%, accounted for a 60% slice of Toyota's pie.

Foreign affairs.—The relatively greater importance of passenger cars in the corporate scheme of things is largely attributable to export sales—an important element in Toyota's recent success. Foreign deliveries now account for over 26% of the company's volume, and the curve is headed sharply higher. Last year, Toyota sold 279,000 units off-island, some 76% above a year earlier and nearly ten times the 28,000 total sold as recently as 1963.

Toyota now maintains sales offices in 90 countries around the globe, and prospects continue bright in most locations. In particular, the company's strategic position in

the Far East should pay off over the longer run as the economies of Japan's emergent neighbors develop, stimulating consumers' demand for sturdy, maneuverable, low-cost automobiles. Sales in Australia, Korea, Thailand, the Philippines, and other nearby nations are almost certain to climb rapidly.

For the moment, however, prospects are brightest in the U.S., a market very much in need of small-size cars such as those offered by Toyota. During 1968, Toyota was the number three foreign auto outfit in America, lagging only Germany's redoubtable Volkswagen and Opel, a captive General Motors operation. Unit volume in the U.S. during calendar 1968 was close to 95,000.

Toyota got off to a bang-up start this year; monthly sales are currently running 100% and more ahead of year-earlier levels. During May, for example, the company delivered 10,765 units, as against 4,573 in the comparable 1968 span. As a result of the fast pace it's been setting, the company has replaced Opel in the runner-up spot. However, Toyota has a good way to go before it overhauls VW, which has a unit volume approaching 600,000. By the same token, its potential remains enormous.

As it happens, the outlook for Toyota is excellent on three main counts: (1) A booming domestic economy is both absorbing and spurring Japan's automobile production. What's more, there's no evidence of a significant let-up in the pell-mell pace any time soon. (2) Export sales, particularly in the United States, are outpacing the enviable volume records achieved in Japan. (3) Government protection against competition from foreign car makers on the company's home grounds promises to extend at least through 1972—and probably longer.

Partly because of misapprehension over a recent Chrysler deal with Mitsubishi, which also builds cars in Japan, Toyota market quotations have dropped nearly 50% in the last several months. As a result, we think the stock now represents a sound High-Potential Speculation for the sophisticated investor.

THE FORGOTTEN MARKET

Recognizing that during 1968, about 11 of every 100 new cars sold in the U.S. were foreign makes. American auto makers have belatedly risen to the challenge, readying products designed to compete more or less directly with the most troublesome of the imports. First out of the box is Ford's Maverick with a basic sticker price of $1,995 that *in theory* at least puts the company's output within $200 of the beloved VW Beetle.

History lesson—A decade ago, when a hodge-podge of imports had built up a 10% share of the U.S. auto market. Detroit came up with compacts Ford's Falcon, Chevrolet's ill-starred Corvair, American Motors' Rambler, Dodge's Dart, et al. As a result, a number of offbeat overseas brands for example, Skoda, NSU, Morris, DKW, and the like disappeared from the scene almost overnight. Overall foreign sales in U.S. outlets went into a protracted skid, cutting outsiders' share of market to 5% or so.

The U.S. economy has gone through an unprecedentedly long period of expansion since 1961. But the domestic growth rate pales when compared with that of Japan. Moreover, the U.S. is about to suffer a recession, but Japan is expected to continue growing at an annual rate of over 10%.

But there's evidence that a very different ballgame's now in progress and little assurance that U.S. outfits can pull off an instant replay of their earlier success. For one thing, most imports of 1959 vintage were simply not designed to stand up to the pounding involved in cruising U.S. highways and byways. For another, with the notable exception of VW, dealerships were ill trained, poorly supervised, and woefully deficient in spare parts and maintenance- service backup. As a result, imports were vulnerable to the onslaught of U.S. compacts backed by Detroit's considerable manufacturing and merchandising muscle.

Complacency—American outfits had things pretty much their own way during the early 1960's. In the meantime, however, it became clear they could not resist the temptation to begin making what amounted to the biggest small cars in the world; many models were forced upward into the intermediate class. In addition, the auto makers naturally jazzed up their wares with expensive (and profitable) luxuries and optional equipment. Eventually, a $400 to $500 gap opened between the *lowest price* U.S. compact and run-of-the-mill imports.

ROOM FOR MANEUVER

This breathing spell was just what the doctor ordered for an aggressive and savvy outfit like Toyota. The company seized the opportunity to overhaul its overseas organizational policies and practices. First off, it dispatched engineers and other specialists to the U.S. to study local road systems, product preferences, and related matters. The result of their work, the Corona series, which was designed specifically for the American market was unveiled in 1965. Recently, Corolla models, priced $100 below the VW Beetle, have been successfully introduced in U.S. outlets.

Toyota further domesticated its U.S. interests by methodically building up its dealerships and distributorships. The company first developed a strong foothold in Hawaii and on the West Coast. More recently, it has begun moving East to the key Atlantic Seaboard states, fanning out to the North and South in the heartland.

Service and parts.—To backstop the growing volume of U.S. shipments and enhance dealers' service capabilities. Toyota has, or is building, well-stocked spare parts warehouses in California, Oregon, Texas, Minnesota, Florida, and New Jersey. Additional installations are on the drawing boards for construction as necessary.

Back home, Toyota has already launched one ocean-going superfreighter to carry its autos to world markets, including the U.S., in volume and at low unit costs. By the end of fiscal 1969, five more such vessels will have been put into service.

The upshot is that Toyota—unlike the many foreign entries that came and went a decade or so ago—is well established and getting stronger in the U.S.

There's still a lot of claptrap making the rounds these days about the mystique of small foreign cars. We're of the opinion that in the main people who buy them simply like their durability, maneuverable handling characteristics, functional looks (which are not subject to overnight obsolescence by virtue of annual styling changes), economical operating costs, and generally lower price tags. Time and again, responsible market research has revealed that import customers are typically several cuts above average, being educated, affluent, sophisticated, and young—clearly, a highly desirable group of customers.

Doctrinaire.—But the lords of Detroit stubbornly, it seems, fail to grasp the nature of this minority (but growing) market for small cars. And in fact, the current uneasy flirtation with subcompacts looks to us like an encore of the early 1960's scene when the U.S. industry belatedly tried to stem the import tide with cars that missed the point of the hot sellers from overseas on the counts of both size and price. The Maverick, for example, is a couple of inches shorter than the average U.S. compact. However, it's still *two feet* longer than the VW, shortest of the entries from abroad. And as noted, the price differential is upwards of $200.

As a result of its own efforts, as well as Detroit's sins of omission and commission, Toyota is right now the hottest car merchandiser operating in the U.S. Conservative estimates put 1969 deliveries at 150,000 units—a close to 60% gain over year-earlier levels. (Retail sales of U.S. cars in 1969 are scarcely showing any year-to-year increase.) If attained, the sales gain in the U.S. alone will push Toyota's worldwide deliveries some 5% above the 1968 total. And sales outside the U.S. are almost certain to continue to mount.

Trading down.—Even if a recession were to develop in the U.S., Toyota should still fare well. The price tags on its Corona series, for example, are comfortably below those posted on such "economy" models as the Maverick. And the Corolla line is $100 or so below the VW, which is in the $1,795 class. As a result, chances are that thrifty car buyers will swell the ranks of import converts in the event of a downward turn in the economy.

There continues to be a good bit of doubt as to whether the new "little" cars from Detroit are going to hurt their producers or overseas rivals. The best answer, we think, is given by the market place. During May, the first full sales month for the Maverick, which was introduced April 17, import volume reached a record high of 103,000 units, a year-to-year gain of 17%.

SHUTDOWN

Japan's automobile industry in general and Toyota in particular have benefited greatly from the fact that the country has erected a formidable series of tax and tariff barriers that effectively keep imports low. Moreover, the powerful Ministry of International Trade & Industry has thus far refused to permit American concerns to produce or assemble their wares in the island nation. As a result, Japan is the only sizable outlet for cars in the Free World from which Detroit is barred.

These obstacles date back to the early prewar days when Tokyo was interested primarily in protecting its own infant industry. Now, however, the country has a lusty giant on its hands; during 1968, Japan turned out over 4 million motor vehicles—30% more than in the year-earlier period. This made Japan a solid second to the United States which reported production of 10.8 million.

Approximately half of the country's output was in passenger cars, and 152,000 or so of these wound up in the American market. This one-way traffic doesn't exactly warm the cockles of auto executives' hearts in the U.S. In addition, the superheated growth rate of Japan's economy, together with the increasing affluence of the populace, have them beating down the doors for a piece of the action. So far, MITI officials and the government have been standing firm, letting it be known they might be willing to let U.S. companies buy a stake in Japan's auto industry around 1972.

Bombshell.—The situation remains unchanged despite the fact that late last month Chrysler Corp. and Mitsubishi Heavy Industries, Ltd. announced plans for a joint venture on the latter's home grounds. (Mitsubishi, a manufacturing colossus that makes everything from ships to aircraft, is a poor fourth in auto production in Japan; 1968 production totaled 350,000, about 122,000 of which were passenger cars.)

The deal, which has attracted considerable flak in Japan, turns out to be a limited sort of proposition in which Chrysler would be a very junior partner with only a 35% interest. At most, apparently, there would be some cooperation on research and development projects and, perhaps, some cross-importing of one another's cars for home markets.

Japan's auto makers are up in arms over even this defused prospect, claiming there's still a danger of U.S. interests eventually taking over a key national industry. While this is clearly nonsense—there are few grounds for nervousness about letting foreigners in at this point. MITI has suggested it will be most deliberate in considering the formal application, which has yet to be made.

Detroit cannot hope to exert much leverage through Washington. Slapping import quotas on Japanese cars entering the U.S. market would be a ridiculous solution in view of the numbers involved. Japanese cars account for less than 2% of all cars sold here. In addition, Tokyo holds so many dollars it could put a real squeeze on the U.S. Treasury by cashing in its chips as retaliation for any trade restrictions.

The best bet is that joint ventures will eventually be undertaken, with government blessing, by Japanese and American companies. But we believe this will only occur gradually over a period of years. Aside from the country's well-documented xenophobia, no one in authority is anxious to risk hobbling the golden goose. And as we've suggested, companies like Toyota have demonstrated their potential to compete with the American giants on an approximately equal basis—whatever happens.

Joint venture—Moreover, there's the possibility for the company of capital participation tie-ups with, say, General Motors. Chrysler's chosen Mitsubishi for its cornerman, and Ford is known to have romanced Nissan, the country's number two motor vehicle producer, and Toyo Kogyo, a smaller outfit. (GM tried to work a deal with Nippon Express, a freight forwarder, to assemble Chevrolets in Japan a few years ago, but the government turned thumbs down. The point, however, is that GM is interested, and Toyota would make a worthy partner.)

Finally, Toyota's booming export business is becoming an increasingly important element of the overall sales mix. We believe that it would afford a substantial offset in the unlikely event the company suffered even a modest setback in its own backyard. In any case, we expect the rate of gain overseas to continue to exceed that recorded in Japan by a wide margin.

One reason for Toyota's rapid growth is the enthusiastic reception its cars have received overseas. Between fiscal 1962 and 1968, exports increased more than tenfold.

For many years, the western Pennsylvania, Ohio, and West Virginia hand glass workers complained about the adverse impact of imports. Then, large window and plate glass followed when their end of the glass business started to feel the impact.

They were told to modernize; compete or get out of business. You know the answer. All but about a half dozen plants went down the drain. Today our economy is dependent upon imported glass of practically every size, color, and shape.

The imports had the effect of pushing our producers into automation long before it was needed to meet our normal demands. Imports also forced our producers to lower standards, reduce their labor content in each product and, in some cases, our producers moved to lower wage areas in the United States and, finally, through cartels, licensing, partnerships, sales agreements, and foreign participation contracts, started selling foreign cheap labor glass through their own warehouses and sales forces.

Over these many years, many more industries have gone through the same process of free trade destruction. The domestic industry not tied to foreign deals is almost as rare as the dodo bird—which has never been seen. Normally, American buyers really cannot tell whether they are buying American made, foreign made, or a mixture of both, from shirt buttons all the way to 18 million tons of steel a year. A few of us have asked for reform in our trade policies based upon today's automated world of production, high and low waged workers, direct and indirect taxes, subsidized and free enterprise competition. A larger group with powerful voices and with the almost unanimous support of leading politicians and news medias, have not only kept the old line of trade policies, but have opened our door wider for the flood of imports which are the major cause of our national unemployment and our international suicide pacts.

For many years big industry and big business with the big labor unions have succeeded in drowning the voices of the smaller unions and small enterprises. In the case of the small business, they are gone; swallowed up by big business or forced to close their doors. The few who saw the danger and voiced their opinions were held in almost open contempt, called isolationists, and told they were living in the past. The mere mention of protection was a signal for open season on anyone who dared to question the wisdom of setting minimum-wage and maximum-hour levels in this country from there to 10 times higher than our competitors overseas. At the same time we were lowering our trade barriers to sweatshop labor products. The foreign producers were being given every protection conceivable with nontariff barriers and were slowly but surely squeezing U.S. foreign policy into a position of paying our competitors' bills for military defense and subsidizing their food supplies. While the United States has provided about $4 billion worth of free and subsidized food yearly to our competitors, they have been draining their farms for labor to produce hardware and consumer goods for the U.S. marketplace.

Our agricultural shipments have been singled too, by the free traders as one of the main arguments in favor of free trade. Frankly, our U.S. agricultural community outside of the mass production subsidized areas is fast following the glass and other industries into either the grave or the open arms of the international trade crowd. Heavy industry remained aloof from all this. No one dreamed that cement, steel, shipbuilding, and electrical power equipment would ever be pushed to the wall by imports. It is not a dream, it is a nightmare! If Government spending for armaments, public works, housing, Appalachia, and urban-rural redevelopments, were set aside tomorrow, the Hoover depression would look like a Sunday school picnic. Moreover, the history of the piece by piece takeover of our consumer goods markets by low waged countries has been accomplished by taking on one area, one industry, and one product line at a time. All industries watched, but few challenged the free trade policy. So one by one they have moved over for the foreign invader and one by one have either died or are being conglomerated individually.

The larger industry can fend for itself, since most industries are owned by thousands of stockholders. It is not too tough a problem for U.S. industry heads to make profitable working arrangements with foreigners, since it helps the foreigner to keep his cheap labor, sell through his U.S. competitor, and make the most exhorbitant profits in the history of industrial trade. However, the fall guys are the local communities, the displaced worker, and the taxpayer. It is the latter who suddenly finds himself paying not only his share but the share of the foreign worker, where products get free shelf space in our marketplace while he pays nothing for the normal costs of using our police and fire departments, taxes to our local, State, or Federal governments, our sewage and street departments, our schools and our hospitals, and above all, our professional people and main street merchants; literally, the butcher, the baker, and the candlestick maker.

In a debate recently, my opponent took exception to this illustration. His answer was: "The foreign worker doesn't use our facilities, why should he pay?" This, of course, is one of the usual pro forma arguments of free traders who haven't had a new thought since Adam Smith gave them their trade Bible two and a half centuries ago. Of course, many American workers pay taxes for schools they no longer need for themselves or their families, they pay taxes in one community where they work and again where they live, they pay taxes to provide cheaper food and defense protection for the foreign worker. We even build schools and provide the teachers with books, and in many cases, we build their docks and shipyards so they can better load their exports. Of course, I have voted for foreign aid; and I supported the Tonkin Bay resolution, and so did all but one Member of the Congress. But that does not mean we cannot point out the problems, the weaknesses in our position as we see it.

I am not a free trader, I am not a fair trader, I am called a protectionist. My main objective is to protect American jobs. I believe all things we see, hear, or smell, created by man, come from labor in one of its many forms. However, I also want to protect profits and for a very selfish reason. Without profits in the free enterprise system, there are no investors and without investors there are no jobs. It is that simple. If it is American, it is worth protecting.

A Nation can be destroyed by military invasion, excessive import invasion, and an invasion of plague-carrying insects or animals.

A nation's first duty is to its people, just as a citizen owes his first duty to his country, just as parents owe their duty to their children, and children to their parents. If this is not so, my immigrant father misunderstood his much prided citizenship and his pride of family.

INDIAN LAND

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. TUNNEY) is recognized for 15 minutes.

Mr. TUNNEY. Mr. Speaker, the problem to which I address myself is one which confronts many communities in the 27 States that contain within their boundaries Indian land. The land is held in trust for the Indians by the Federal

Government and is not taxable by the several States. Because of this exemption some of these communities lose as much as $800,000 annually of their potential tax revenue.

The policy of allotting land to the Indians and holding the title to it in trust until such time as the Indians would be given full and free control was adopted by the National Government as a means for bringing the Indians to the position where they could assume the full responsibilities of citizenship. Otherwise, they would too often lose their land soon after gaining it.

As the Meriam report on the problems of Indian administration states:

The value of the Indian lands is relatively high compared with the Indians' income from the use of the land. The general property tax, although based on the value of the land, must be paid from income unless it is to result in the forfeiture of the land itself. Bad as is the general property tax from many points of view, it is peculiarly bad when applied to the Indians suddenly removed from the status of a tax exempt incompetent and subjected to the full weight of State and local taxation. So far as the Indians are concerned, the tax violates the accepted canon of taxation that a tax shall be related to the capacity to pay. The levying of these taxes has without doubt been an important factor in causing the loss of Indian lands by so large a proportion of those Indians who have been declared competent.

Furthermore, if all the Indians simultaneously were to be deprived of their tax exemption, much of the reservation land would have to be put up for sale, at once, glutting the real estate market, and reducing even further the value of the property.

While the justice of the tax exemption is recognized, this Federal law does cause a loss of tax revenue to local communities. Palm Springs, within my congressional district, is a case in point.

The city manager of Palm Springs has written that:

The proposed bill to provide in-lieu tax payments to local government for Indian lands would correct a long standing inequity in Palm Springs. The basic issue is "Who should pay the tax subsidy now going to Indian land owners?" Under present federal law the local tax payer must subsidize Indian land not only because of tax exemption, but also by direct improvements such as streets, sewers, and water systems. Preliminary studies indicate that local taxing agencies in the Palm Springs area lose over $800,000 annually because of the tax exemption on Indian lands. This is quite a burden for local tax payers to carry. The property tax is the major source of revenue for local government. The restriction of the tax base by exempting Indian lands only compounds an already serious problem in the financing of local government.

The bill which I am introducing today will preserve the national policy of tax exemption for Indian lands, without causing the attendant tax loss to any single community.

The bill follows:

H.R. ——

A bill to provide for payments in lieu of taxes to States in which Indian trust lands are located

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there are authorized to be appropriated to the Secretary of the Interior such sums as are necessary for him to pay annually, upon the application of any State or political subdivision thereof, an amount equal to the amount of any tax or other levy imposed upon the ownership, possession, or control of real property that such State or political subdivision would have received during the preceding calendar year if real property located in such State or political subdivision which is held by the United States in trust for the benefit of an Indian tribe or member thereof, or subject to a restriction against alienation imposed by the U.S., had been held in unrestricted ownership.

COMPULSORY CROSS BUSING SHOULD BE ABOLISHED

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. FISHER) is recognized for 15 minutes.

Mr. FISHER. Mr. Speaker, the long delay in revising HEW guidelines in order to comply with the act of Congress against compulsory busing designed to "overcome racial imbalance" in schools, is most distressing. Surely this needed relief will be forthcoming in the near future.

It will be recalled that in the 1964 Civil Rights Act the Congress did what many of us then warned was unwise and far too extreme—it delegated to HEW the unprecedented authority to withhold money provided by Congress for aid to education, if HEW braintrusters should decide a school is not desegregating in a manner that suits the whims of that agency.

But in the same law the Congress provided:

"Desegregation" shall not mean the assignment of students to public schools in order to overcome racial imbalance.

This expression by Congress was reiterated in 1968. Yet HEW has persisted, on technical grounds, in withholding funds appropriated to aid in the education of schoolchildren, on the flimsy excuse that in certain schools there is not enough mixture of races to suit the fancy of those who administer the law.

The strange thing is that this is done in the name of civil rights, even though the schools being penalized practice no racial discrimination whatever. These schools admit, without question, any child who lives in the neighborhood and seeks admission. This is really not a racial issue at all. It is opposed by parents of all races.

A Houston Post editorial points up the evils of cross busing in these words:

To bus children six to 13 miles away from home poses obvious difficulties for children and parents of all races and all financial levels.

If an elementary school child is 10 miles from home, he cannot go home if he gets sick during the day. He cannot stay after school to rehearse school plays, take part in athletic events, or have special tutoring on weak subjects because he would miss the bus. He and his parents find it hard to come back to school for evening events. His parents find it hard to attend PTA meetings or come to private conferences with teacher or counselor. It adds to their work toward Halloween carnivals or May fetes.

The entire experience of being in school would be diminished for the bused child, and he would have his school day tediously lengthened by the long bus ride.

The annual cost of busing thousands of children would be astronomical.

FREEDOM OF CHOICE FAVORED

There is no court decision which directs or justifies this extraordinary assumption of power by HEW. I call attention to the wording of a decision in 1955 by the circuit court of appeals which used this language:

It (the Supreme Court) has not decided that the States must mix persons of different races in the schools or must require them to attend schools or must deprive them of the right of choosing the schools they attend . . . If the schools . . . are open to children of all races, no violation of the Constitution is involved.

Nothing in the Constitution or in the decision of the Supreme Court takes away from the people freedom to choose the schools they attend.

That decision has not been overruled by the Supreme Court.

PRESIDENT NIXON AGREES

President Nixon, as a candidate, faced up to the issue. Last October during the presidential campaign he was quoted as saying:

No child, black or white, should be deprived of an education. I would enforce Title VI of the Civil Rights Act of 1964. I oppose any action by the Office of Education that goes beyond a mandate of Congress. A case in point is the busing of students to achieve racial balance in the schools. The law clearly states that "desegregation" shall not mean the assignment of students to public schools in order to overcome racial imbalance.

It was felt, therefore, that the new administration would promptly correct the evils of cross busing, initiated during the preceding administration. Indeed the new Health, Education, and Welfare Secretary, Robert H. Finch, commented on the issue. On last March 3 a UPI report contained this:

Welfare Secretary Robert H. Finch said yesterday he was opposed to busing pupils to achieve racial balance in public schools.

He said moving pupils about just to obtain a "salt and pepper effect" was detrimental to education and was opposed by both whites and blacks.

Many of us in Congress have urged the Secretary to act. Apparently Mr. Finch has hesitated because of reluctance to offend pro-busing advocates. Some well-intentioned people favor compulsory busing, probably because they are not aware of the implications. Others are influenced by politics. And there is a highly vocal crowd who are so race-minded they are prone to scream "bigot" and "white supremacy" to the high heavens every time they hear the word "race" mentioned in any context.

Mr. Speaker, this thing should be removed from the realm of politics. The schoolchildren and their welfare should come first. The voice of the parents should be heard.

Unless Mr. Finch changes the cross-busing policy soon, the Congress may move again, as it almost succeeded in doing last year, to attach a rider to HEW's annual appropriation bill, which would prohibit such withholding tactics, in terms that cannot be misinterpreted.

Local schools where no discrimination

is tolerated are quite capable of handling their own local affairs.

THE TELEVISION OVERLORDS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 15 minutes.

Mr. GONZALEZ. Mr. Speaker, the concentration of economic power in the hands of the radio and television networks is awesome; but what is even more staggering is the political power that is represented by the ability of a few network executives to determine what the public will see and what it will hear. It is a power so great that Atlantic magazine in its July issue is inspired to refer to television as a medium governed by barons and overlords. The result of this concentration of power is what you would expect in a classic monopoly; poor quality of product, high prices, and an exceedingly handsome profit for the lucky few owners.

As a matter of fact, there is a growing concentration of power not just in television but in other media. We are confronted with a declining number of owners of radio and television stations, and a declining number of newspapers. As the economic giants grow the channels of information and discussion are controlled by a constantly declining number who enjoy constantly growing economic and political power. Atlantic reports, for example, that at the end of 1967, there were no less than 73 communities in this country "where one person or family owned or controlled all of the newspaper and broadcast outlets." What this means is that in each one of those communities only one person or one family, can to a very great degree, control what people read, see, or hear. The implications are awesome.

This concentration of power does not exist only in small towns; it extends to very large cities. There are only a handful of newspapers to serve the millions of people in the largest cities of the country. And in each of the three largest cities in the United States—where 25 to 30 percent of all television sets are owned—the networks own all network affiliated stations. That is to say, in New York, Chicago, and Los Angeles the major television stations are completely controlled by the networks, so that in those huge cities the decisions on television broadcasting, right down to local news, is under control of remote corporate giants. And even where television stations are independently owned, most of what they broadcast is dictated by the program selections of the network they are affiliated with. No station owner can refuse to show much of what the network offers, because it will cost him money, and because he probably cannot afford to produce very much on his own resources. Even the very minor independence of network affiliates is eroding as the number of station owners decline. Conglomerates are finding television stations to be good investments, and so it is becoming more typical that a community has a local station that is owned by a conglomerate, or perhaps a family chain, and serviced by a network—neither of which has any local interest save returns on investment.

A television network does not simply control an electronic web. It also controls the selection and very often the production of the material broadcast on the network. Ownership of the carrier gives them control over the commerce that is carried. Like the railroad barons of old, the television barons can say with impunity what they will carry and how much the cost will be.

Fewer and fewer people are making decisions about what people see on television, and what they read in the newspapers, or what they hear on the radio. And as a matter of fact, the electronic media are not adverse to entering book publishing as well, thus even further strengthening their control over communications.

It is this concentration of power that makes it possible for the networks to procure or create bad programs and then award themselves plaudits for excellence. It is this power that enables networks to shun excellent programs as being too controversial, and producing banalities that are good only because they help sell commercial air time. It is this power that enables the networks to produce distorted and sensational news programs, and award themselves trophies for the product, and then in an exercise of doublethink, decree against news programing because it is controversial and bad for business. Thus the networks have the power to give themselves awards for daring, and at the same time decline to produce responsible news programs in any significant amount because it is dangerous for the business enterprise and bad for the corporate image.

It is a serious thing when access to communications falls into the control of a very few hands. The democratic system functions best when discussion is most free, and knowledge most widely distributed. The fewer the avenues to the media, the fewer who are heard, the weaker grows the certainty of full, free, fact-based discussion.

The media must do more than merely entertain. They have a public responsibility to inform and enlighten. The concentration of power in the media is to be feared, even resisted, for what is at stake is access to the very tools of the democratic process, and the health of the process requires that the media be available to more, not fewer, people.

OUR LEGISLATIVE BRANCH WITHERS STEADILY AWAY

(Mr. PODELL asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PODELL. Mr. Speaker, our National Government depends upon balance for stability, evenhandedness, and progress in the face of reaction. Only by preserving that ingenious balance of powers provided for in the Constitution by those Renaissance men we call the Founding Fathers, can we maintain democratic processes of government. Yet it seems we are losing that struggle daily.

By providing a system of balanced segments of government, these gentlemen sought to prevent one-sided rule by an all-powerful Chief Executive, a runaway National Legislature, or an arrogant Federal judiciary. Until very recently, this balance had proven again and again that our founders had wrought well, seeing far into our national future and most perceptively plumbing the innermost depths of the political nature of man.

Previously, throughout American history, there came eras when our legislative branch sought out and grasped power at the expense of a weakened executive branch. At other times, the pendulum of national political power swung the other way, giving overpowering initiative to the executive at expense of the legislative arm. Periodically, a dominant Chief Justice of the Supreme Court was able to lead a judicial thrust at expense of the other two branches.

Vigorous Presidents temporarily overpowered weak Congresses. Exceptional leaders on Capitol Hill overbore timid or unprepossessing Chief Executives. Rarely did a President or set of congressional leaders successfully challenge a John Marshall as he carved out our framework of political reference. But always the balance was restored. Rarely, if ever, was our Constitution made a deliberate dead letter by actions of a public servant, no matter how able, arrogant, or dictatorial. They all came and went—Thad Stevens, Lincoln, F. D. R., La Follette, Lodge, Wilson, Jackson, Calhoun, Webster, Clay, Reed, Cannon, Clark, Taft, Crawford, Benton, Warren, and so many others. All have left impressive, indelible marks. All were able in some manner to dominate our national scene temporarily. All respected the Constitution even as they swung the weight of Government in one direction or another.

Today we are in the midst of another such interregnum—this time as executive branch power rises to preeminence at expense of that possessed by our legislative branch. It is a cumulative movement which even now gathers ever greater momentum. Yet today's excesses seem to me to be far worse than those of aforementioned eras. Of late, such actions by powerful individuals in our executive branch grow more arrogant, their acts more dangerous and the consequences more foreboding. Constitutionally guaranteed liberties are gravely endangered along with the congressional power to declare war, contribute to foreign policy and maintain careful control over the military and its expenditures.

These cumulative acts are far worse than nonenforcement of a court decision, temporary suspension of habeas corpus in wartime or the Palmer Raids. Placed within today's context, they create an atmosphere of fear, oppression, apprehension and despair.

A series of executive orders commit us to an unpopular oversea conflict. Power to declare war is torn from the hands of the Congress, defying a constitutional decree. Telephones are increasingly tapped in the most arbitrary manner. Government officials speak ex cathedra on affairs either out of their purview or in a manner which totally compromises them

as civil servants. The Pentagon quietly commits a further $54.2 million for mass production of the Mark 12 reentry vehicle, key element of the MIRV system. This is done even as Congress debates the necessity and urgency of the MIRV system. Possibilities for meaningful disarmament talks go glimmering as this hydra-headed monster becomes an integral part of our arsenal. Military leaders in the field commit American troops to troop maneuvers with Spain's armed forces, giving America an apparent political commitment as a result. Military people conduct secret strategic base negotiations, with foreign policy commitments a byproduct of their talks and sub rosa agreements with the Government of Spain.

The legislative branch of Government stands by helplessly, waving the U.S. Constitution at these people as they merrily plunge headlong on their course. Our wishes have become meaningless. Unilateral action is taken without congressional agreement and concurrence, much less initiation. As of today, a critical imbalance exists between powers of the legislative branch of the U.S. Government and those of the executive. Our national system is a delicate one, dependent upon restoration of periodic imbalances. No temporary crisis may rationalize such acts or trends. No national mood must dictate abandonment of the basic precept upon which our Republic rests. If we persist in allowing this imbalance to worsen, the underpinnings of our society are jeopardized, and the essence of our society as we know it is placed in the balance.

DRAFT REFORM IS A CRYING NEED—SERVICE TO OUR NATION REQUIRES EQUITABLE DISTRIBUTION OF RESPONSIBILITY

(Mr. PODELL asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PODELL. Mr. Speaker, We live in an era of massive armies, varied international commitments, and wide-ranging projects requiring national service. The era of small, elite forces which decided small wars ended long ago. Even today's tiniest international imbroglio requires more than forces which once were enough to cope with colonial-era-style combats. Our Nation has joined the ranks of those national states maintaining large standing armed forces.

Yet it is a fact that our national system of military service has been revealed as woefully lacking insofar as fairness in selecting those who shall serve and those who shall not. Our Selective Service System is a shameful collection of abuses which desperately requires alteration and thorough reform.

Certain evils stand out more than others. General Hershey, who has served long and sincerely, has acted in an increasingly arbitrary manner. Critics of the war in Vietnam have had draft classifications changed almost overnight. It was not Congress' intention to see the draft used as an internal punitive weapon. Many draft boards throughout the Nation do not adequately represent the makeup of populations they exercise such power over. Minority group representation on many boards is too often absent or minimal. In light of the fact that such groups often provide significant numbers of draftees, this in itself demands reform. Our system penalizes some poorer elements among our population. It at times rewards with delayed induction an average, middle-class college student commanding financial resources to attend college for several years. His less fortunate peer, the dropout, is all too often taken swiftly and with no appeal, into our Armed Forces. Too often, the oldest of our young men continue to be drafted first, stultifying careers for year after year.

Deferments have been abused so repeatedly as to constitute a national force. A virtual caste system of induction exists in many places.

Yet the worst evil, perhaps, is geographical variation, permitting application of widely different rules and wildly diverse standards. Married men in some States are taken, while thousands of others in some places remain immune. Nineteen-year-olds are called up in one city—22-year-olds in another. Returning Peace Corps volunteers are placed first on conscription lists in some places—last in others. Many lily-white draft boards decide military fates of many blacks. Boards topheavy with aged members are forced to try and understand the strongly held ideals of modern youth. Conflict, bitterness and erosion of faith in Government are the cumulative bitter fruit of all this.

We have available several choices. First is a volunteer army, with enough enticement in the manner of pay, education and prestige to fill its ranks easily. Its cost would be high, and its potential elitism might pose a danger to a free society. Yet with more than 12 million American young men in the 18–26 category now, recruitment would not be an insurmountable obstacle.

Another alternative exists in the form of national mandatory service for all, including perhaps women, along lines so effectively pioneered by Israel. Everyone serves who is conscientiously able and willing to do so. For those who have personal or religious scruples against any military service, there is an alternative of serving the same period of time in peaceful pursuits, while still engaging in work benefiting our Nation.

Alternatives are varied, and it is imperative that we take advantage of one or a combination of several of them. The Selective Service System as it now stands must be first abolished and then reformed. National service procedures must be standardized nationally. Unwritten laws either should be legislated or ended. We must create a fair standard for all, rather than a variety governed by connections, influence or wealth.

I am, therefore, introducing a measure aimed at accomplishing such reforms. Random selection and younger persons first are major elements, as well as a 3-year transition period and an end to occupational deferments, except where ordered by the President. Postponement for students is provided for, without allowing it to become exemption. Fair treatment is provided for conscientious objectors, atheists and agnostics. National standards are provided for as well as their uniform application. The system could not be used as punishment for protest activities. Judicial review is an added feature. Cases of conscientious objectors may be reviewed by the Justice Department. Registrants would have a right to appear in proceedings against them, accompanied by counsel. Term of the Selective Service Director would be limited to 6 years. Discrimination would end in makeup of draft boards. Provision is made for studying a National Service Corps, to accommodate those doing nonmilitary national service. Study is called for of the concepts of an all-volunteer army and amnesty to those young men who have fled the country because of the draft as now constituted.

Our methods of national service are institutions as much as our divisions of government or tax system. Built-in inequities erode confidence of our people in such institutions, imperiling our society. No unjustly constituted armed force can fight a truly just war. No coerced armed force can truly believe in its leaders and ideals. Our Armed Forces must reflect national ideals, institutions and concepts of fairness. The draft today does not. A time for meaningful reform is at hand.

EDWIN WILSON CRAIG

(Mr. FULTON of Tennessee asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FULTON of Tennessee. Mr. Speaker, my community and State have lost one of its most outstanding citizens in the death of Mr. Edwin Wilson Craig, at the age of 76.

At the time of his death, Mr. Craig was serving as honorary chairman of the National Life and Accident Insurance Co., chairman of the board of WSM, Inc. Only recently he had been named a director of the NLT Corp. holding company for the National Life and Accident Insurance Co., Third National Bank, and WSM, Inc.

He had joined National Life and Accident Insurance Co. in 1913. His father had been one of the original founders of the firm. In 1943, he was named president of the company, and become chairman of the board in 1953. Under his leadership, National Life reached new heights in its service, and now ranks among the major firms of its kind in the Nation.

Mr. Craig's interest in broadcasting dates from the beginning of this industry. In 1925, he was instrumental in the founding of WSM Radio and in establishing radio's longest running scheduled program, the "Grand Ole Opry."

It was in the field of broadcasting that I best knew Mr. Craig. We shared a great concern in combating cerebral palsy, and it was through the personal efforts of Mr. Craig that the annual cerebral palsy telethon, carried by WSM television, became a reality. Many thousands of dollars raised through this telethon have

benefited those struck by this terrible ailment, and a major share of this success is credited to the untiring efforts of Mr. Craig.

As a broadcaster, he recognized the duties of public service programing.

As a successful businessman, he recognized his responsibilities as a citizen, always ready and willing to devote his time, his energies, and his abilities in service to his fellow man.

He will be missed.

The following editorial tributes were paid Mr. Craig by the Nashville Tennessean and the Nashville Banner, and I include them as part of my personal tribute to one of my community's and State's outstanding citizens, Mr. Edwin Wilson Craig:

[From the Nashville (Tenn.) Banner, June 27, 1969]

EDWIN WILSON CRAIG

For qualities of character earning the affectionate regard of colleagues in the business, civic, and cultural life of his city, Edwin Wilson Craig will be remembered. For the leadership he supplied in the insurance field; and more than incidentally in the broadcasting industry, numerous honors bestowed attest to national recognition earned.

Son of a beloved and respected founder of the National Life and Accident Insurance Co., his career centered there—on merit climbing rung by rung, from modest beginning to its top executive position. That he bore responsibility well is evidenced in the growth of his company marking that distinguished tenure.

With a broad interest in Americans, Mr. Craig helped pioneer the 20th Century's country music business—to make it what it has become in and out of what has been designated as Music City, U.S.A.

Of transcendent qualities, the outstanding one was that of Edwin W. Craig the exemplary family man; beloved as husband, father, grandfather and great-grandfather and deeply reciprocating those ties of affection that were so precious to him.

Busily engaged in official duties at the helm of a great insurance company, he yet found time to serve his community in every task to which duty called. Active in fraternal affairs, in civic work, church and charitable enterprise—through these he bestowed a benefaction, and measured to the title uniquely recognized by the Fred Harvey Memorial Award in 1961 as distinguished citizen of the community.

He was that—and as such will be remembered.

His passing shocks and saddens the city which knew him well through most of his 76 years, and is a beneficiary of his long and useful life.

[From the Nashville Tennessean, June 28, 1969]

MR. E. W. CRAIG LEAVES IMPRINT

Mr. Edwin Wilson Craig, honorary chairman of National Life & Accident Insurance Co., died Thursday of a heart ailment at the age of 76.

Mr. Craig, a native of Pulaski, had been closely connected with Nashville's financial and civil development for nearly 50 years.

He joined National Life in 1913 and rose to head the company during its years of rapid growth. National Life is now the largest insurance company in the South and one of the largest in the nation.

Mr. Craig was a pioneer in commercial radio and was instrumental in forming station WSM as a property of the insurance company. He also had a large part in developing WSM's most famous program, the Grand Ole Opry, which opened the way for the growth of the Nashville music industry as it stands today.

The insurance company official was also instrumental in organizing the Clear Channel Broadcasting Service and was active in the National Association of Broadcasters.

Mr. Craig's life and career—as insurance executive, financial adviser, entertainment promoter and civic leader—will continue to have lasting impact on the community and the nation. He will be greatly missed.

REPORT TO MEMBERS OF THE BAR BY CHIEF JUSTICE G. JOSEPH TAURO

Mr. McCORMACK. Mr. Speaker, Chief Justice G. Joseph Tauro, of the Massachusetts Superior Court, former president of the National Conference of Metropolitan Court Judges presently serving on its executive committee and also as chairman of its committee on trial advocacy, has given much of his time and effort in support of attempts to bring significant improvement to the trial bar of the Nation.

In an article on the subject published in the December 1968 issue of the Massachusetts Bar Association Law Quarterly, he proposes a national, in-depth study of the matter by the Association of American Law Schools in cooperation with the various national bar associations. Further, he places emphasis on the following points:

The serious lack of competent trial lawyers is one of the most urgent problems facing the courts today, and this condition seriously affects the quality of justice, contributes to congestion and lessens respect for the judicial process.

The inadequacies and deficiencies of our trial bar are so widespread and ingrained that they are apt to trigger one or two undesirable reactions. The first is one of resignation or defeat. The second is one of premature, uncoordinated efforts at self-help by individual law schools. The first is patently fatal while the second, judging from past experience, is only a little less dangerous because limited or unsuccessful individual efforts may provide fuel for those who assert that the fundamentals of trial advocacy cannot be taught at the law schools.

With their presently limited resources and lack of necessary expertise, most law schools are in fact generally incapable of undertaking meaningful teaching programs. With sufficient study and long-range planning, however, skilled and experienced personnel, sophisticated texts and materials can be developed so that the law schools can teach the fundamentals of advocacy and litigation.

No less an authority than Chief Justice of the United States, Warren E. Burger, estimates that according to the most favorable view 75 percent of lawyers trying cases are incompetent—Burger, "A Sick Profession," 27 Federal Bar Journal 228, 1967; vom Baur, "Revitalizing the Trial Bar," 55 American Bar Association Journal 138, February 1969.

Past methods of learning trial advocacy—that of trial and error in the courtroom—has produced many competent trial lawyers but also large numbers who do not acquire the necessary proficiency. Furthermore, the hard facts are that this system places an undue burden on the courts, and, of greater importance, it has failed to produce and maintain a trial bar of sufficient depth and competence to dispatch an ever-increasing volume of litigation and criminal business.

Chief Justice Tauro specifically recommends and proposes that the Association of American Law Schools together with the American Bar Association and other national bar associations undertake, on a national basis, an in-depth study to develop sophisticated teaching methodology on trial advocacy at the law school level, not with the idea of turning out finished trial lawyers but merely to provide the young lawyer with the necessary confidence and requisite tools in order that he can make a proper start in our courts.

At the May 1969 meeting of the Council of Judges of the National Council on Crime and Delinquency, a resolution was adopted, addressed to the Association of American Law Schools and the American Bar Association, urging these groups to undertake such a study. Similar resolutions have been adopted by the National Conference of Metropolitan Court Judges, the National Conference of State Trial Judges and the Massachusetts Judicial Conference. The resolution referred to follows:

RESOLUTION OF THE COUNCIL OF JUDGES OF THE NATIONAL COUNCIL ON CRIME AND DELINQUENCY

Whereas the efficiency of our courts and the effective administration of justice require a trial bar of sufficient depth and ability to properly dispatch its work, and

Whereas it has long been a matter of common knowledge and grave public concern that there exists a serious lack of capable and experienced trial lawyers throughout the country, it is hereby

Resolved that the Association of American Law Schools be and are hereby urged to undertake a study in depth in order to develop modern and sophisticated methods for training law students in the fundamentals and basic techniques of trial advocacy as a solid base of instruction upon which the young lawyer who aspires for a trial career can build with confidence, personal initiative and experience.

In my remarks, I also include a "Report to Members of the Bar—VI," entitled, "The Need for a Revision of Legal Education for Trial Attorneys" prepared by Hon. G. Joseph Tauro, chief justice of the Massachushetts Superior Court, and also copy of a resolution adopted on May 10, 1969, at the annual conference of the Council of Judges of the National Council on Crime and Delinquency. The views and recommendations of Chief Justice Tauro, with his profound experience as a lawyer and jurist are worthy of, and should receive, early and serious consideration by the various bar associations of the United States, and particularly by the American Bar Association and the Association of American Law Schools. The stature and prestige enjoyed by the legal profession, and the quality of legal services available to the American people is due in no small part to the efforts of our organized bar associations. The situation presented by Chief Justice Tauro and his associates in the accompanying report is a challenge to the various bar associations, as well as to the legal profession.

The report follows:

THE NEED FOR A REVISION OF LEGAL EDUCATION FOR TRIAL ATTORNEYS: ANNUAL REPORT TO THE MEMBERS OF THE BAR—VI

(By Hon. G. Joseph Tauro, Chief Justice, Massachusetts Superior Court)

(NOTE.—The issues discussed in Chief Justice Tauro's Sixth Annual Report touch upon every element of the legal profession. Because of the complexity of the problems presented, the editors request that you read the article in its entirity before coming to any conclusions on the points canvassed.)

I. INTRODUCTION

By general acknowledgment, the American bar has made substantial progress in the past generation and, in the process, its prestige has advanced significantly. In large measure, this phenonmenon has been due to the high scholastic standards achieved by the majority of our law schools and to the progessive activities of the American Bar Association and other national and state bar associations.

During this period of time, most law schools in the country have raised their standards for admission so that only those students with good academic records can aspire for admission. In general, they have improved greatly and to the point where many have achieved the standards of excellence formerly enjoyed only by the nation's outstanding law schools. As a result, the young lawyer today enters a well-regarded and learned profession which is on a par with the medical and other leading professions.

However, in spite of the general improvement of the entire bar, one of the major chronic obstacles to efficient judicial administration is the shortage of skilled trial lawyers. Quite simply put, the problem is this: There is an insufficient number of capable trial lawyers to process with efficiency and justice the civil and criminal caseloads of our courts of general jurisdiction.

This situation is especially acute in our large, metropolitan areas which are constantly beset wtih social unrest, soaring crime rate and ever-expanding civil backlogs.

There can be no denial that in Massachusetts and other jurisdictions throughout the country there are competent and even outstanding trial lawyers who have acquired and developed their skills through actual experience in the courts without the benefit of specialized academic training. However, it is an equally unequivocal fact that this method of trial and error and learning by "seeing and doing" has not produced nor maintained a sufficiency of trial lawyers with the requisite capabilities to dispatch the increasing caseloads of the courts. Furthermore, the prospect of undergoing such an arduous learning process, while pitted against more experienced adversaries, has dissuaded many young yawyers from pursuing careers in advocacy. In view of this state of affairs, we must re-examine the role of the law schools in educating trial advocates.

I do not claim to be the discover of this malady's existence. Others have warned of its persistent and insidious growth for decades. Frank, *Why Not a Clinical Lawyer-School?* 81 U. Pa. L. Rev. 907 (1933) and *A Plea for Lawyer-Schools,* 56 Yale L. J. 1303 (1947); L. Stryker, *The Art of Advocacy* (1954); Whittaker, *Advocacy-Advance or Adieu,* 13 Kan. L. Rev. 233 (1964).

What disturbs me most of all, however, is the failure of the legal profession to come to grips with this situation which, predictably, will assume enormous proportions in the foreseeable future. Yet, I must temper my pessimism with a note of hope; for I am able to perceive the stirrings of interest in this problem. This hope, in turn, is realistically tempered by caution and fear.

The purpose of this *Report* is to outline the nature and scope of the existing situation to convey to the bar in general the various activities now under way and to present for consideration and discussion some specific proposals to reverse the current trend.

II. PROGRESSIVE ACTION TO DATE

The 1967 national conference of metropolitan court judges

The vexatious nature of this problem motivated me during my term as president of the National Conference of Metropolitan Court Judges to include on the agenda of its 1967 meeting a panel discussion on trial advocacy. The panelists, Associate Dean Francis J. Larkin of Boston College Law School, Honorable Tim Murphy of the Court of General Sessions of the District of Columbia and John J. Curtin, Esquire of Boston, ably articulated all facets of the current problem. As a result of their presentation, the delegates to the Conference unanimously passed a resolution advocating the development and institution of law school programs designed to inculcate skills in advocacy and litigation.

Subsequent correspondence

Thereafter, I contacted every dean of a law school having membership in the Association of American Law Schools and conveyed to them my views and those expressed by the delegates and panelists at the Conference. The response was most gratifyng. The vast majority of respondents recognized the urgency of the situation and expressed a willingness to cooperate in corrective efforts.

The Conference's resolution subsequently received the endorsement of the Judicial Conference of Massachusetts and the National Conference of State Trial Judges. Numerous individual judges, lawyers and professors, including Justice Tom C. Clark and the presidents of the Boston and Massachusetts Bar Associations, the American College of Trial Lawyers and the American Trial Lawyers Assocation have also registered their support of the resolution.

The 1968 national conference of metropolitan court judges

The interest created at the Conference's 1967 meeting in Boston led to a further investigation of the problem at its 1968 meeting in New York. The 1968 panel, of which I was privileged to serve as chairman, consisted of three eminent trial lawyers and two legal educators: Robert W. Meserve, president of the American College of Trial Lawyers, Honorable David W. Peck, former presiding judge of the Supreme Court of New York, Jacob D. Fuchsberg, former president of the American Association of Trial Lawyers, Dean Jerome Prince of Brooklyn Law School and Professor A. Leo Levin of the University of Pennsylvania and co-author of a recently published text on trial practice, Cramer and Levin, *Problems and Materials on Trial Advocacy,* (1968).

This panel, eschewing any internecine search for blame, objectively probed various approaches to this problem. As a result, the Conference passed a unanimous resolution urging the Association of American Law Schools and the American Bar Association, as a joint venture, to undertake a study to devise the curriculum, methodology and materials necessary to provide basic training in advocacy and to permit the initial development of the law students' skills within the framework of law school programs. The Conference also pledged its active cooperation with any such undertaking. In addition, the Conference designated me as chairman of its newly formed Committee on Trial Advocacy, charged with the task of coordinating its activities with those of other progressive organizations.

Intervening developments

I have recently received several communications from Federal Judge William B. Jones, Chairman of the American Bar Association's Committee on Advocacy. Simultaneously, I accepted a nomination to this Committee. In essence, Judge Jones requested further meetings of the Committee to consider its future course of action and indicated the need for a more expansive, adequately staffed and funded study. He also expressed his conviction that a conference of interested persons could provide the opportunity for great progress. However, despite his continuing efforts, the necessary funds remain unavailable.

In addition, I have received a copy of a letter from Professor Levin to Professor Michael Cardozo, Executive Director of the Association of American Law Schools, requesting him to include on the agenda of the Association's annual meeting a round table discussion of the law school's role in the formation of trial lawyers. Since that time, I have been informed that the Association has met and officially approved the presentation of a full-scale study of this problem at its next annual meeting.

In the meantime, I have also received a letter from President Jacob Fuchsberg of the Roscoe Pound-American Trial Lawyers Foundation expressing that organization's desire to participate in such a study.

III. THE STATE OF THE TRIAL BAR

Inadequacy of the trial bar

The disheartening statistics reported by law enforcement agencies throughout the nation regarding crime rates foretell an inevitable increase in the demands made upon the courts and the trial bar. U.S. Dept. of Justice, *Uniform Crime Reports for the U.S.* (1967). As the number of criminal cases prosecuted in the courts steadily rises, the shortage of judges in jurisdictions such as Massachusetts forces a corresponding reduction in the number of available civil sessions. In turn, court delay, the accumulation and concentration of untried cases among trial lawyers mounts proportionately. Institute of Judicial Administration, *Calendar Status Study* (1968); 52 Judicature 124–125 (Oct. 1968). In such circumstances, inept and inexperienced lawyers on the one hand and the deficiency of well-trained trial counsel on the other contribute significantly to the administrative difficulties of our courts of general jurisdiction and the quality of justice rendered within them.

Effects on the administration of justice

The complex controversies and tensions arising out of our highly mobile, rapidly changing and frequently impersonal society place inordinate demands upon the services of capable trial lawyers with the result that others, without competence and the necessary skills, are called upon to try cases beyond their capabilities. Furthermore, the concentration of litigation, both civil and criminal, among a relatively small segment of the bar leads to conflicts in court calendars.

Attorneys lacking in basic training and experience, unprepared attorneys and capable but overworked attorneys compound the problems in our courts. The inexperienced are apt to make frivolous and unfounded motions; engage in dilatory tactics; fail to preserve exceptions or lay proper foundations for the introduction of evidence; ask needless questions in the direct and cross-examination of witnesses; repeatedly make unnecessary and ill-advised objections and, conversely, fail to object when appropriate; or omit essential elements of their cases. Some untrained lawyers cannot elicit testimony surely or argue consistently and succinctly. In trials involving lawyers of substantial disparate ability, trial judges face the added burden of ensuring some degree of balance to safeguard the basic rights of all parties.

This situation results not only in unduly prolonged trials but also in a greater chance

for error, reversal and retrial. Symptomatic of the bar's concern in this area is the tentatively recommended amendment to the Canons of Professional Ethics proposed by the Amercian Bar Association's Special Committee on Specialization which would, in effect, preclude a lawyer from accepting tasks "beyond his existing competence." 13 A.B. News 1 (Oct. 1968).

Other factors impeding judicial administration

I do not mean to imply that all or even the majority of defects in the administration of justice can be traced to the state of the trial bar. That would be totally unrealistic and unfair. Many other factors—a shortage of judges and a lack of qualified supporting personnel, inadequate facilities, archaic procedures, decentralized organization, obsolete managerial and administrative methods, patch-work attempts at reform—all combine to further complicate the situation.

For an example in point, the Massachusetts Superior Court suffers from the least favorable ratio of judges to population in the country, approximately one general trial court judge per 115,000 persons. Brown, *What Price Justice?* 12 Bost. B. A. J. (Jan. 1968). Even to reduce this ratio to 1 to 100,000—twice the figure demanded by the Constitution of Florida, Art. V, § 6 (2), and recommended by experts in judicial administration—would necessitate the immediate appointment of eight or nine additional justices, an increase in the bench of nearly 20 percent. To approach this optimum ratio of 1 to 50,000 would demand more than doubling the Superior Court bench, a measure which our courthouse facilities and supporting staffs could not now accommodate. The correction of this and other systematic defects must, in most instances, await a comprehensive legislative effort supported by the general public. However, the augmentation and the improvement of the trial bar lies peculiarly within the power of the legal profession, including judges and legal educators, and thus no blame can be attached to our legislatures for the shortage of trial lawyers.

Need for professional cooperation

A fruitless search for blame or recrimination would only serve a divisive function and hinder much-needed remedial efforts. The pressing task before us is not to apportion blame for the present state of affairs but rather to find a practical solution, a task which will require the sustained cooperation of the entire legal profession.

The fault for the existence of this situation cannot be laid to the many conscientious lawyers who, within the limits of their training, experience and research resources, attempt to represent their clients to the best of their ability. Lacking other means and from sheer necessity, the young lawyer must adopt a procedure of trial and error—a method which unfortunately contains the distinct likelihood of periodic or habitual error at the expense of his clients and a consequent diminution of their respect for the legal process, the judicial system and the law itself.

Similarly, we cannot single out an overburdened trial bar for censure any more than skilled surgeons are to be criticized for hospital waiting lists. Rather, their expertise must be recognized and they are to be applauded for their accomplishments. Without them we would be confronted with a much more serious problem.

Nor do I subscribe to the position that the concentration of litigation among a relatively small segment of the bar is the efficient cause of court congestion. Warren, *Address at the Dedication of the Roscoe Pound-American Trial Lawyers Foundation Law and Research Center,* September 28, 1968. Admittedly, this concentration does cause difficulties in judicial administration and calendar control, but it has also been demonstrated that its effects can be minimized by the utilization of modern management techniques. Aldisert, *A Metropolitan Court Conquers Its Backlog,* 51 Judicature 202, 247, 298 (Jan., Feb., Mar. 1968); Higginbotham, *Address at the Boston Bar Association's Conference on Computers in State Government,* May 17, 1968. This concentration of practice and court congestion should not be linked in a causal relationship. They are both manifestations of the same underlying cause—the shortage of competent trial lawyers and, of course, the lack of sufficient forums.

Incidentally, I would also like to point out that the problem of concentration and congestion is often misunderstood even by members of the bar. First of all, studies conducted in numerous jurisdictions, including Massachusetts, have consistently shown that the trial of motor vehicle tort cases consumes only a relatively minor portion of judges' time in courts of general jurisdiction—13% in Suffolk (Boston) County. *The Law's Explosion!,* 44 J. of Am. Ins. 18, 20, 21 (Nov.-Dec. 1968). Secondly, the heart of the problem lies in the shortage of trial lawyers in such other vital specialties as criminal law, medical malpractice, eminent domain, construction contract and administrative law—specialties which consume far more of the court's time than motor vehicle tort trials.

I must also reject abstract, statistical theories of calendar control which are predicated on untenable comparisons of cases on a court's docket to bags of peanuts. Zeisel, *Court Delay Caused by the Bar?,* 54 A. B. A. J. 886 (Sept. 1968). Neither do I accept the facile use of such devices as certificates of readiness as presenting any lasting solution. This last observation is based upon a study conducted by this office of every jurisdiction in the nation utilizing certificates of readiness; but, as an example, I would cite the experience of the Los Angeles Superior Court. There, after an initial advance following the introduction of certificates of readiness and electronic data processing, the civil backlog has steadily risen to 30.7 months. 52 Judicature 125 (Oct. 1968). Any effective attempt by the courts at clearing congested dockets must be predicated on sufficient facilities, judges and supporting personnel. Even the concurrent existence of these elements would be unavailing in the absence of an adequate trial bar.

Neither can the blame be placed entirely upon our law schools. As a matter of fact, the legal profession, as a whole, owes much of the prestige which it now enjoys to the insistence of the law schools upon high levels of scholarship for admission and matriculation.

IV. THE TEACHING OF ADVOCACY

Law schools as the appropriate vehicle

If I am correct in my analysis, our task is essentially an educational one and, therefore, the initiative rests primarily with our law schools supported, wherever possible, by the bar and the judiciary. The objective of the proposed study must be to develop a curriculum, materials and methodology which will attract capable law students to the field of advocacy and impart to them a sufficient foundation in litigation upon which they can build with experience and application.

It would, in my mind, be a mistake to present this issue in the traditional posture of academic purism versus pragmatism. To do so would only cloud the issue and stir up irrelevant ideological and emotional controversies. Similarly, ingrained conservatism cannot be allowed to frustrate proposals for change merely because they constitute modifications of accepted law school curricula.

The late Dean Pound, a true legal giant, recognized and substantiated the peculiar competence of the law schools to undertake research in areas vital to the improvement of judicial administration.

"Our best reliance, as I venture to think, must be upon our law schools. In these institutions we may find the permanence of tenure, the conditions of work—continuity, opportunity of dealing with problems as a whole, possibility of surveying a wide field, extending beyond the limitations of jurisdictions and localities and partes—the independence of politics, and the guaranties of training, ability and scientific attitude, which are essential to effective research and which will command public confidence."

Scope of the problem

The magnitude and dimensions of this task are so great, however, that we cannot expect any one law school to undertake it unassisted. It is a national problem, demanding nation-wide attention in order to attract the necessary financial and research support. Therefore, the Association of American Law Schools and American Bar Association would appear to be the most appropriate and logical agencies to initiate and coordinate the needed preliminary studies in cooperation with other interested organizations.

Past efforts by law schools

Many law schools, through imaginative programs of involvement and participation, have recognized and acknowledged their obligation to take remedial steps. Indeed, legal aid, bail projects, voluntary defender, prosecutor and educational programs as well as moot court competitions and trial practice courses offered by Massachusetts law schools have frequently served as models for similar innovations in other jurisdictions. Yet, these fragmentary courses and extra-curricular activities, oftentimes lacking official standing, discipline and continuity, cannot be relied upon to produce future trial lawyers in sufficient numbers, although they do provide some partial relief. Furthermore, especially in legal aid or "poverty" programs but also in those programs more immediately connected with litigation, the student or novice attorney is usually relegated to appearances in our lower courts where he serves as an informed counsellor or intermediary rather than as an advocate. This sort of service, while sorely needed and humanitarian, is not likely to develop skill in litigation except at the lowest level of our judicial system.

Despite ingenious attempts to inject realism into trial practice courses, they traditionally suffer from an aura of artificiality and mootness which is difficult to dispel. By and large, they presently do little more than provide an initial dry run through the judicial process. Yet, from the reports I have received from several deans and professors, I am impressed not only with their efforts to revamp specific courses but to restructure the total organization and sequence of related academic and extra-curricular offerings. Calhoun, *Law Schools and Practical Training,* 55 W. Va. L.R. 83 (1953); Casad, *Trial Courts and Law Schools,* 49 Judicature 52 (Aug. 1965); Cramer and Levin, *Problems and Materials on Trial Advocacy* (1968); Huard, *What Are the Law Schools Teaching?* 41 Calif. S.B.J. 917 (Nov.-Dec. 1966). *The Law School Curriculum and Advocacy Training,* Law Student Division, Am. Bar Assn. (1967); Keeton, *Trial Tactics and Methods,* (1954); O'Toole, *Realistic Legal Education,* 54 A.B.A.J. 744 (1968); Pye, *Legal Internships: Georgetown's Experiment in Legal Education,* 49 A.B.A.J. 554 (1963).

Paradoxically, however, this trend toward participation, involvement and realism in legal education seems in some law schools to coincide with a de-emphasis of such basic courses as civil procedure, remedies, damages, equity and evidence.

Attitude of law students

Some time ago, I distributed a short questionnaire concerning law school preparation for careers in advocacy to the 467 law school graduates who passed the Massachusetts bar

examination in June, 1968. The form was very brief, called for anonymous responses and was accompanied by a stamped, return envelope addressed to me. Nevertheless, one-third of those polled failed to return the questionnaire. This would, in the main, indicate to me a lack of interest on their part in careers in advocacy.

Of the two-thirds who did respond, 81 per cent felt that their law school should have offered a more comprehensive program in trial advocacy and litigation and only 16 per cent considered present course offerings as adequate. In addition, considerably less than half of the respondents, 39 per cent, expressed a sense of confidence in their ability to handle a trial of moderate complexity. More than half, 51 percent, felt incompetent to conduct such a trial and the remaining 10 per cent failed to answer this specific question.

Clerkships, internships, and apprenticeships

Reliance upon the trial bar to train its own successors and competitors is equally unrealistic. A respected judge recently remarked that in his state the consensus of Superior Court judges is that approximately ten percent of the lawyers appearing in court are highly competent and proficient, another ten percent are adequate and the remaining eighty percent are considered inadequate. While I will attempt no such definitive appraisal of the Massachusetts trial bar, I will acknowledge that these figures as given are very disturbing and indicative of the seriousness of the problem. Furthermore, as Judge Peck pointed out at the New York meeting of the National Conference of Metropolitan Court Judges, in return for the salaries sought by outstanding law school graduates law firms expect to obtain the services of men possessing at least the rudimentary skills of advocacy.

Admittedly, the trial and error method, in some instances ameliorated by association with a learned trial attorney, has, as a matter of fact, produced some good and even outstanding trial lawyers. However, this method has failed to provide a sufficient number of advocates. Consequently, worthwhile apprenticeships wherein the young lawyer comes into close and constant association with a capable, experienced trial lawyer are severely limited and hard to come by. As a simple matter of arithmetic, there just are not enough available opportunities of this type to fill the need.

Periods of enforced clerkships, now retained in only a small minority of states, are susceptible to well-known abuses. Too often they amount only to unsupervised formalities which subject law students or graduates to periods of subservience as under-paid messengers.

The preponderance of judicial clerkships channel exceptional law students into legal research at the appellate level immediately upon completion of their law school study of appellate decisions. Upon termination of their clerkships, many then tend to gravitate toward large firms where their involvement in litigation will likely be minimal. Thus, by virtue of the prevailing system, many of the most promising young lawyers are detoured from careers in advocacy. In the federal district courts and, to a lesser extent, in some of our state courts of general jurisdiction such as the Massachusetts Superior Court, judicial clerkships do exist at the trial level. These temporary positions afford beginning attorneys a balanced, intensive and supervised indoctrination into the judicial process and trial techniques, but, like worthwhile apprenticeships, they are too few in number to satisfy the need for trial advocates.

Various state and federal administrative regulatory agencies have customarily been regarded as advanced training grounds for young attorneys. While such positions often thrust inexperienced men quickly into assignments of import and responsibility, they are more likely to produce specialists in a narrow body of law rather than trial lawyers in any great numbers. Even in governmental offices dealing with a broad spectrum of legal problems, such as that of the Solicitor General, litigaton focuses on the appellate level.

Due to the crush of criminal litigation, the offices of state and federal prosecutors can barely fulfill their principal commitment, let alone train aspiring advocates. Many are so overworked that they will accept only experienced lawyers or, if they do accept inexperienced ones, can give them little guidance and direction, thus further aggravating the existing situation. As a result, from frustration and economic need, many young prosecutors leave for more lucrative fields. Similar observations are applicable to lawyers in public defenders' offices. Having completed their "missionary" duty, some of them withdraw to less hectic, more stable and remunerative areas of the law.

Continuing legal education

Programs of continuing legal education, either compulsory or optional, whether administered by law schools or bar associations, do sharpen the practical skills of trial lawyers, especially in procedural matters, and keep them abreast of recent developments. Thus, while these programs may affect qualitative improvements among the existing trial bar and increase their potential earnings, they do not bring about any substantial increase in the number of available trial lawyers.

V. FUTURE COURSE OF ACTION

Need for a new approach

Whether by default or usurpation, the education of attorneys has come to rest almost exclusively in our law schools. Naturally, then, innovations in the education process should emanate from them. As a matter of fact, no other body or institution is capable of such action under the present structure of the profession. Obviously, then, a new approach to legal education is needed to attract more law students to careers in advocacy.

Challenge to the law schools

Never before have our law schools faced a greater challenge or a greater opportunity for public service in resolving a problem which contributes so substantially to court congestion and to inefficiency in the administration of justice. Long experience clearly indicates that the position taken by some legal educators that trial advocacy is not a concern of the law schools is no longer tenable. While the training of trial lawyers is not the exclusive responsibility nor the sole function of the law schools, the law schools do have the responsibility of providing would-be advocates with the opportunity to acquire the basic knowledge and skills essential to the practice of that art. However, by the nature of the art, the practicing bar and the judiciary share in this responsibility, especially with regard to the sharpening and full development of these basic tools.

Parenthetically, I wish to emphasize that I agree and have specifically stated on prior occasions that we cannot expect law schools to produce finished trial lawyers. This would be to shunt an intolerable burden onto them. However, I do feel strongly that law schools can develop a curriculum and a corps of teachers which will provide those students disposed to a career in advocacy with a basic knowledge of the fundamentals of that art. In this way, they may start out on the proper footing, avoid the pitfalls of trial and error, and more rapidly perfect their skills through application and experience.

Advocacy as a specialized art

While it may be conceptually accurate to characterize the instant problem as but another aspect of the broader problem of specialization, I think that it would be a grave tactical error to treat the matter in this way. The training of advocates, admittedly a highly complex and technical specialty, is unique. Unlike the acquisition of expertise in other specialties, it cannot be achieved by completion of a prescribed course, passage of an examination or mastery of texts. The art of advocacy is a distinctively and purely legal art and not a mixture of law and a subject to which it is applied. Therefore, in approaching this problem, the methods and criteria applicable to the acquisition of other specialties are irrelevant.

In my opinion, of all legal specialties advocacy is the most important for the obvious reason that without proper means for the administration of justice, which in our adversary system necessarily requires the existence of an adequate and competent trial bar, the law will become empty and meaningless. This last fact re-emphasizes the great challenge our law schools face in developing a method for revitalizing the trial bar and for increasing its competence and effectiveness.

Dual aspect of the problem

The failure of our system of legal education is comprised of two components. It not only fails to produce trial attorneys possessing minimal acceptable skills in advocacy, but it also fails to encourage law students to seek careers in advocacy. Given the nature of advocacy as an art, this is not difficult to understand.

A law school professor with a successful and extensive, or even short but intensive, background in litigation at the trial level is uncommon. The demands of teaching and research, of writing and the acquisition of advanced degrees preclude most law professors or aspiring professors from an active practice in litigation. Successful trial lawyers, although most possess an innate teaching instinct, are, primarily for economic reasons, reluctant to abandon their practice for full-time teaching careers. The use of practitioners on a part-time basis, while helpful in some instances, suffers from inherent disadvantages and prejudices. Therefore, few law school professors are in a position to inspire law students to enter the trial bar. On the contrary, by their inclination, experience and connections, they are more apt to turn students away from the trial bar.

Graduate-level programs

A widespread expansion of graduate-level programs in litigation, currently offered to a small number of students by a relatively few law schools, might have the beneficial effect of producing more trial lawyers. In addition, such expansion might have as a desirable and possibly more important side effect the formation of a cadre of legal educators equipped with specialized study and experience in litigation. These clinically trained professors could then staff and administer programs in other law schools which might, in turn, encourage students endowed with the raw materials of talent and temperament to concentrate on their development and to enter the trial bar.

Revision of third-year curriculum

As a more workable alternative to graduate-level programs, the revision of the curriculum and purpose of the third year of law school ought to be considered.

It appears to me that, in the main, the basic procedural and substantive courses could be completed in the first two years of law school. The traditional third-year curriculum could be utilized by those who aspire to be trial lawyers for a cohesive program of academic study and practical application. For the most part, law schools do not as of yet offer a graduated and interrelated cluster of such courses followed, as recommended by Dean Prince, by a supervised internship in an appropriate agency or office. Not to discount the broadening experiences offered by

diverse courses, a revision of the third-year curriculum enabling students to select a course of studies aimed at the development of skills in advocacy may be a very practical means of attracting them to and preparing them for the trial bar.

Coordination of resources

Any extension of graduate programs or the modification of established curricula to provide meaningful training in advocacy will most assuredly tax the limited resources of law schools. In the larger metropolitan centers with several law schools, the acceptance of cross-registration of third-year students or the pooling of resources to establish mutually accredited institutes in litigation might be employed to reduce the burdens on individual law schools. The services of trial lawyers, judges and attorneys attached to the staffs of commercial enterprises and governmental agencies could also be sought out to aid in the administration of such programs and might also inject an element of professionalism similar to that imbued by the British Inns of Court.

Such an approach would not be without obstacles, not the least of which would be the partial surrender of each law school's autonomy. Yet, it is a proposal worthy of serious consideration.

VI. AUDIO-VISUAL TECHNIQUES

Audio-visual materials

Heretofore, I have stressed the existence of the problem and expressed criticism of past efforts to remedy it. In the light of inquiries from Professor Cardozo requesting specific proposals for consideration, I believe that I should now, with propriety, put forward my own plan of action regarding the course which the proposed study might follow.

I present it as my own, but with acknowledgment to those others who have formulated similar plans or contributed to the formation of my own views. I respectfully submit it as a proposal to generate further discussion and action and not as an intransigent position incapable of revision or modification. Hopefully, future discussions may develop many other and, perhaps, better courses of action.

The teaching approach that I envision is such that its accomplishment is beyond the reach of any one law school or even of a combination of a few schools. Therefore, it requires a national effort with the participation of many law schools, bar associations and the judiciary. My primary objective is the establishment of a curriculum which would consume a substantial part of the final year of law school for those who desire trial careers and combine months of intensive classroom instruction, concentrated practice in advocacy and litigation and supervised application of this knowledge and skill in real situations.

Judges, lawyers and legal educators could be enlisted in a study to ascertain, among other things, those aspects of advocacy and litigation which repeatedly cause difficulties in the trial of cases. Then the task of developing precise and intellectually stimulating instructional and background texts and materials and the accompanying, interrelated audio-visual tapes or films for effective and objective demonstration could be apportioned to various law schools. Each law school would presumably have access to the services of the qualified personnel and other resources necessary to the production of one or more units. In this way, conveniently situated and readily accessible libraries of audio-visual tapes or films, perhaps 100 or more, and other textual and explanatory materials covering recurrent problem areas in civil and criminal litigation would be available to all law schools. In my opinion, all this can be accomplished only through a massive and coodinated study with adequate financial resources and a full-time professional staff.

The acceptance and use in legal education of qualitatively superior audio-visual materials and techniques would not only fit in with some present attempts to teach skill in advocacy but could also be easily integrated into any new program resulting from the proposed study. For these reasons, I perceive their development and use as the keystone around which other revisions of curriculum and methodology may center.

Audio-visual methodology

With regard to methodology, I wish briefly to present one manner in which such films could be employed within the framework of traditional trial practice courses.

1. The instructor, most preferably a person with considerable trial experience, would by means of the prepared materials present a narrowly defined task to the students and give them any appropriate advice or guidance in advance of the class.

2. Then, in a courtroom setting, he could call upon a student or students to perform the assigned task.

3. In some cases before and in others after the student's performance, the instructor could then show the class a short film in which experienced and capable trial lawyers perform the same task based upon the same factual and legal situation.

4. Thereafter, the students and instructor could comment upon and critique the particular student's classroom performance.

5. Recordings or videotapes of the classroom performances could also be utilized in this process in order to replay and pinpoint particular subjects of discussion.

Of course, other variations and applications of these teaching techniques would be possible. In this regard, much might be borrowed or adopted from instructional techniques developed in other professions such as medicine and teaching. Boston Herald, *Trial (and Error) Law*, Dec. 22, 1968, sec. 4, p. 2. B. U. Currents, *A Front Row Seat For Every Student*, p. 3, Oct. 29, 1968. In this manner, the *initial* process of learning by "seeing and doing" could, at long last, be transferred from the courtroom to the law school. Mr. Meserve's coverage and support for this phase of the proposed teaching process received enthusiastic consideration by the delegates to the 1968 National Conference of Metropolitan Court Judges.

Extension of the case method

The prevailing pattern of legal education inculcates skill in syllogistic reasoning from a body of leading appellate cases or hypothetical variations of them. However, it pays scant attention to the method in which the facts essential to the determination of leading cases are discovered, marshalled and presented. Thus, from his law school experience the law student gains an unbalanced view of the practice of law in the trial courts of general jurisdiction. The introduction of the proposed audio-visual techniques would serve to reinject into legal education not only an awareness of the importance of procedure and the applicable law but also an ability to prove the facts upon which the resolution of any case ultimately depends.

In this regard, I am reminded of my own student days at Boston University Law School. Dean Homer Albers, an accomplished trial lawyer in his own right, would glower over his pince-nez glasses and rumble,

"What is more important, gentlemen, the law or the facts?"

"The law," the class would chant in innocent unison.

"The facts, gentlemen, the facts," he would bellow in response.

Taken in this perspective, the foregoing plan represents a logical extension and application of the case method now employed to teach legal principles to the equally important process of imparting the ability to prove facts systematically and persuasively. Each instructional unit would consist of a package of coordinated textual material containing the pertinent factual and legal issues involved in the assigned problem, an audio-visual presentation demonstrating a specific, clearly defined point based on the same materials and an instructor's guide. Therefore, individual units could be used not only to teach trial techniques as such but also be incorporated into procedural, evidentiary and substantive law courses. In this manner, the audio-visual approach could prove to be the cohesive element of an integrated law school curriculum.

VII. OTHER CONSIDERATIONS

Further steps

As I previously indicated, a logical first step toward the initiation of this or any other program would require all concerned organizations, by internal dialogue, to arrive at an assessment and refinement of their own interests, involvement and functions.

Thereafter, I would suggest a joint meeting at the national level of delegates representing the American Bar Association and the Association of American Law Schools with representatives of other interested and progressive organizations. Judge Jones has also urged such a conference in the report of his Committee. At this second-level conference, intense attention would have to be paid to the national scope of the problem, proposals for its correction, their implementation and implications, coordination and financing.

Expenses

The suggestion of the extension or modification of legal education immediately raises several pragmatic objections eventually requiring serious attention, not the least of which are financial. The need for adequate trial lawyers is not a purely private concern, but rather is vested with a distinct public interest. In addition to the possibility of funding by philanthropic foundations, the availability of financial assistance under *Title XI of the Higher Education Act, Title I of the Omnibus Crime Control and Safe Streets Act* or similar federal and state legislation would have to be explored. Perhaps in this respect we might emulate the approaches utilized in the *National Defense Education Act* for subsidizing the education of teachers in vital areas.

Improved caliber of the trial bar and the judiciary

The ultimate results of such alterations in the process of legal education will not be limited solely to the improvement and expansion of the trial bar. The upgrading of the trial bar will force those lawyers who, by virtue of their ineptitude and unpreparedness, frustrate the orderly administration of the courts to grow commensurately or to abandon the trial of cases. These men are often the ones who retain and perpetuate irrational methods of practice or procedure through habit or self-interest. A vigorous and identifiable trial bar will, on the other hand, have the interest and power to press for needed reforms in practice, procedure and judicial administration, the defects of which now serve as props to the incompetent.

The burdens imposed upon judges will be eased and they will be able to demand a greater degree of expertise and skill from lawyers appearing before them. The disposition of cases will be accelerated, alleviating a common cause of injustice in both civil and criminal proceedings.

Eventually, we could expect the evolution not only of more sophisticated methods of trying cases but also, equally important, the development of a strengthened and improved judiciary.

Appellate advocacy

My deliberate concentration on trial advocacy is not intended as a slight to the problems of appellate advocacy. By the nature of the trial and appellate processes, the

skills demanded of the attorney in each are quite different. A competent trial lawyer may falter before an appellate tribunal, whereas an articulate appelate lawyer may botch up a trial. Yet, a good trial lawyer, by preservation of exceptions, offers of proof and a systematic building of his case, can perfect an appeal and present it to an appellate court in a precise and orderly fashion or, in many cases, obviate the need for an appeal entirely. Conversely, a mismanaged trial will nearly always compound an appellate court's work upon review. Thus, even though I have directed my proposals exclusively to the problems of trial advocacy, the improvement of the trial bar will necessarily insure to the benefit of our appellate courts as well.

General familiarization of the entire bar

The demands for the services of lawyers in specialities other than litigation and in quasi-legal positions has led, in part, to the diminished interest of the law schools and bar examiners in the student's familiarity with trial practice and procedure. A rekindling of such interest, even among students who do not intend to practice in court, would furnish them with practical insights enabling them to conduct their affairs with a knowledge and appreciation of the requirements of litigation should a trial eventuate. With such an orientation, preliminary matters might be more adeptly handled so that trials will be either avoided or facilitated. For a non-trial lawyer to evade all contact in his legal education with the judicial process is tantamount to a physician deliberately remaining in ignorance of the rudiments of surgery. Any lawyer, regardless of his specialty, cannot help but be a better lawyer by exposure to the techniques of litigation. General familiarization of all law students with the fundamentals of advocacy would then lead to the betterment of the whole bar.

Divided bar

If the proposed law school programs succeed in enlarging the base of the trial bar, a formal or informal division of the bar might someday develop along the lines of the British barrister-solicitor dychotomy. However, at this time, the total adoption in this country of a divided bar on the British model would be completely anachronistic and alien to our sense of pragmatism. However, I do suggest that in seeking means to improve our trial bar we should examine the legal systems of other nations to discover innovations capable of adaptation in the United States.

VIII. CONCLUSION

I wish once again to acknowledge my appreciation for the concern and cooperativeness demonstrated by all segments of the legal profession. I am convinced that there exists in this country an abundance of talent willing to assist in a comprehensive study to develop curricula, materials and a methodology for the education of trial advocates.

At this stage, the primary task is to ensure that interest, once aroused, is maintained. To date, a sustained and concerted effort to compel constructive action has been absent. I cannot be satisfied with predicting an imminent disaster and then retiring to the sidelines to bemoan its occurrence while smugly gloating over the accuracy of its prediction.

We must capitalize upon and coordinate the enthusiasm generated by recent correspondence and discussion. To allow Justice Tom C. Clark's warning that advocacy is a "dying art" to go unheeded may serve to hasten the death of advocacy. Letter from Justice Clark to Professor Cardozo, July 2, 1968.

The failure to follow through on this proposed study will invite external interference and, possibly, the hasty substitution of administrative boards and proceedings or even judge-dominated tribunals in the European style for our carefully constructed adversary process.

Yet, the marshalling of the resources of the legal profession can prevent the occurrence of any of these eventualities and restore the trial bar to its cherished and deserved status.

Indicative of the growing interest of the law schools are two letters which I have recently received. Professor David F. Cavers, Chairman of the Division of Graduate Studies at Harvard Law School, advises me that "I believe we may now be about to take another step forward through the introduction of audio-visual equipment in the Trial Practice course . . . . [It] has not been put to the test of use. However, if our hopes for it are realized, the law schools of the land may have gained an instrumentality which can greatly enhance the effectiveness of teaching . . ." advocacy in all law schools. Professor Michael H. Cardozo has also notified me that copies of the proposal set forth in this *Report* will be distributed to the Executive Committee of the Association of American Law Schools for that group's use in determining its future course of action. In view of these developments, it is imperative that we press forward in our efforts to expand and revitalize the trial bar.

IMPROVED EMPLOYEE-MANAGEMENT RELATIONS IN THE POSTAL SERVICE

(Mr. BLACKBURN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BLACKBURN. Mr. Speaker, it is my pleasure today to introduce a bill to provide for improved employee-management relations in the postal service.

On February 17, 1962, President Kennedy issued Executive Order 10988 which provided for the formal and exclusive recognition of employees' unions to bargain with management concerning areas such as working conditions, work leave, and other policies which are not regulated by the Congress. When examining the history of labor-management relations within the Federal Government, we find that postal workers were highly unionized or organized even before the issuance of this Executive order. After the initiation of Executive Order 10988 their growth was phenomenal—presently 87 percent of all postal workers are members of one of six major postal unions.

Since the institution of Executive Order 10988, there has been a steady growth within the Federal service as a whole. We find, for example, that 28 percent of all white-collar workers belong to a Government employees' union and that 67 percent of all blue collar workers belong to some Government union. Of the total Federal work force 40 percent is now unionized. Therefore, I believe that Congress should come to the realization that unionization and the problems faced by unions must be faced by the Congress. Furthermore, the machinery to cope with these problems should be established.

Definitely, the precedent which we set within the postal service will have an effect upon the future regulations and the measures which are adopted by other Federal agencies. Therefore, today, I am proposing certain guidelines which I feel should be established.

First and foremost, I believe that all Federal employees should be guaranteed the right to join a union without fear of coercion as well as the right to refrain from joining such union. I believe that the service to the Government should be open to all citizens and that no undue impediments should be placed in their way. I am not against the concept of unions per se; I will endorse the right of unions to be formed within the Federal service and I will endorse the right of employees to bargain collectively with the agency head.

However, I believe that there are other guidelines which should be written down. In my bill, I establish a procedure whereby employees will have the right by secret ballot to choose exclusive bargaining agents and the right to vote "no union." We all must realize that sooner or later within the collective bargaining procedure an impasse will occur. I, therefore, have established machinery to cope with this problem. To be specific, if a dispute cannot be settled, my bill provides that the parties can go to the Federal Mediation and Conciliation Service for help. However, if mediation is unsuccessful, then, I propose that an arbitration board be established. On this arbitration board, the views of labor and management would be equally represented and the balance of power would be held by an impartial third party which is agreeable to all those concerned in the dispute. Management would appoint two arbitrators, the labor organization would appoint two arbitrators and these four would select three other arbitrators. Furthermore, I provide procedures in my bill whereby grievance disputes can be settled through a special grievance panel and all employees will have access to this panel.

Today, I had the pleasure of appearing before the House Post Office and Civil Service Committee with regard to this bill. A copy of my testimony is attached. I do seriously urge the Committee on the Post Office and Civil Service to consider reporting this measure to the House floor. The testimony follows:

TESTIMONY OF THE HONORABLE BEN BLACKBURN BEFORE THE HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE REGARDING H.R. 4, MONDAY, JUNE 30, 1969

Mr. Chairman: I appreciate the Committee affording me the time to appear before you to discuss the Labor Management Section, Title VII of H.R. 4. I am glad to see that the Committee has undertaken an investigation of the crucial need for the modernization of our postal service. It is apparent to all of us in the Congress that revisions must be made within the operation of the postal service if our postal system is to continue to operate in an efficient and orderly manner.

Today, I am going to direct my comments to the issue of labor management relations within the Federal establishment. During the past year, I had the pleasure of thoroughly studying the need for the Congress to enact laws establishing the procedures which should be followed in relations between federal agencies and government employees unions.

The pioneering act in this field is Executive Order 10988 which was issued on January 17, 1962 by the late President John F. Kennedy. The Executive Order was issued after a year of study by a special Presidential Commission consisting of the Postmaster

General, Secretary of Defense, Director of the Bureau of the Budget, Chairman of the Civil Service Commission and a Special Assistant to the President. All of us will agree that the Executive Order has worked well in the past few years. To illustrate this point, I will present a few figures showing the growth of exclusive bargaining contracts in the federal service. In 1963, there was a total of 670,000 employees represented under exclusive bargaining contracts. In 1965, this number rose to 835,000 and in November of 1968 the total number of federal employees represented under exclusive bargaining contracts was 1,416,000. Definitely, there has been a steady growth within the past five years and the orderly procedures established by the Executive Order 10988 have worked well.

I am, however, not in sympathy with the procedures as proposed by the present legislation. I feel very strongly that the mechanisms outlined in this act subvert the rights of the individual employees in favor of those of the union leaders. To be specific, in H.R. 4 there is no *clear* declaration of purpose that would allow federal employees to "refrain from joining a government employee's union." In the Kennedy Executive Order the following language was specifically inserted ("employees of the federal government shall have, and shall be protected in the exercise of, the right freely and without fear of penalty or reprisal, to form, join, and assist any employee organization or to refrain from any such activitiy.") Only this language will guarantee the employee his right to freely, without fear of coercion from management or union, to join or to refrain. The present bill would apparently allow an agency shop and maybe a union shop. Only a court decision would decide how far the union or the government could go with regard to these matters.

The freedom to choose to join or not to join a union in the federal service was originally stated by President Theodore Roosevelt in 1903 when he ordered the reinstatement of an employee who had been discharged by the Government Printing Office because of his refusal to join a printers' union. At the time of the order for reinstatement, President Roosevelt announced:

"It is adjudged and awarded that no person shall be refused employment or in any way discriminated against on account of membership or non-membership in any labor organization, and that there shall be no discrimination against or interference with any employee who is not a member of any labor organization by members of such organization."

The Lloyd-LaFollette Act of 1912 established the right of postal employees to join or to refrain from joining unions. I think that all of us are aware of the fact that government employee's unions are in a uique position of trust. Since all citizens should have free and unhampered access to employment in the federal service, the government cannot allow or condone compulsory unionism.

Secondly, one of the main objectives of the proposed legislation is that all government employees should be organized at the national level. In light of the fact that the postal service is organized into fifteen regional units for more efficient management, it would only seem logical that bargaining be done on the regional level. The problems of employees in Alexandria, Virginia might be far different from those in Birmingham, Alabama, or Fairbanks, Alaska, and to require that all representation and bargaining be done at a national level might end up having the interest of employees of one region being subverted to the influence of others of another region. A few figures will easily show the size and diversity of our federal work force. Presently there are approximately 2¾ million civilian employees in 60 departments and agencies with some 18,000 principle offices and installations located all over the world. This does not include the Post Office and duty stations in other departments and agencies. Presently, federal agencies have dealings with over 130 different employee organizations which include craft and industry unions which are active in the private sector as well as representing government employees. The experience under the present Executive Order has demonstrated that most of the significant agreements are negotiated at a local to regional level. Specifically, grievance procedures should be negotiated at the local level; to vest control and negotiating power in a national unit would be contrary to good labor-managament relations. Recently, Mr. W. V. Gill, Director of the Labor Management Relations of the U.S. Civil Service Commission appeared before the Subcommittee on Postal Operations with regard to regional representation. Mr. Gill stated:

"Union representation through exclusive recognition requires a specific delineation of the employees included in an exclusive unit. An appropriate unit may be established on any plant or installation, craft, functional or other basis which will insure a clear and identifiable community of interest among the employees concerned. The process of unit determination can involve serious disagreement since the nature of the unit deemed appropriate in a particular instance may, for the union, affect its ability or the relative ability of rival unions to win representation rights and, for the employer, affect the number of unions with which it will deal and the compatibility of the labor relations structure with other aspects of managing the workforce."

Under the present Executive Order over 23,000 exclusive bargaining unit contracts have been negotiated in non-postal installations and 24,600 such contracts have been negotiated in the postal service. It is logical that the postal unions and the workers should be represented on a local and regional level rather than having all issues decided at a national level.

In light of the fact that wages and retirement benefits are all decided by the Congress, postal employees unions and other interested parties have ample access to the Congress for presentation of their views.

The bill which the Committee now is considering would allow certification of a union as the exclusive bargaining unit when such union had received the signatures of 30% of the employees in the unit or a verified membership list. This procedure should not be allowed under any circumstances. A union should not have the right to represent any employees in any bargaining units of the postal system unless and until the employees have chosen that union by a secret ballot election. The free democratic process of a secret ballot election is and always has been the best method of selecting our representatives for any purpose. To allow 30% of the employees, induced to sign a petition by strong persuasion, to select a union would seriously erode the democratic principles of rule by the majority.

Secondly, the provision for run-off election are quite inadequate and contrary to the system now outlined by the National Labor Relations Board. The bill as now drawn requires that if two labor organizations are involved in a representation election and a plurality of the votes are cast for representation by some union that a run-off election will be between the two unions receiving the highest number of votes. At that point, however, the employee is not allowed to vote "no-union". For the Committee's information, let me present you with an example. For instance, suppose that Union A receives 35% of the votes of the employees in the unit. Another 30% of the employees vote for Union B and 35% of the employees vote "no-union." Under the present provisions, the run-off election would simply be between the two unions without a right to vote "no-union." I believe that the bill at this point should be amended to allow a vote between the two highest voting groups or the bill could be amended to allow that after an election has been held between the two unions, another election be held to determine if the employees in the bargaining unit desire to vote "no-union." In this way, the employees would still have the right to vote for the remaining labor organizations or to vote "no-union." I do not believe that the government can assume simply because employees cast 30% of their votes for Union B, that they will then vote for Union A instead of "no-union." Certainly, the experience of the National Labor Relations Board has not proven this to be true.

One more point I would like to make while I am on this subject is that the present bill states that the Department must recognize a union for a 24-month period after meeting the proper requirements. This is too long. Presently, the N.L.R.B. requires only one year. I believe that the bill should be amended to bring it into conformity with the N.L.R.B. system.

H.R. 4 contains a comprehensive section for the adjudication of differences between government employees unions and the agency or department administration. However, experience under the Executive Order has shown at times that an impasse can occur. Luckily, under the present system direct negotiations between the department and the union have been able to solve the dispute and if this does not work, the Federal Mediation and Conciliation Service has been instrumental in preventing any serious conflict. Since the Executive Order was signed, only one strike has occurred in the federal service and the employees involved in this disruption were promptly dismissed and there has been no further instances of such difficulties.

However, I believe we all must face the fact that sooner or later a major confrontation might occur, and if this does happen, machinery must be available to adjudicate the situation. Thus, an arbitration procedure must be established. The arbitration procedures as outlined in H.R. 4 provide for the President to appoint a three-man board of arbitration. A President in his appointments always tends to select persons who are loyal to him. Government employees would feel that they were being put in a disadvantageous position if the President appoints the arbitrators. The union could be placed at serious disadvantage. In any arbitration procedure the views and interest of both sides should be adequately represented with the final determination being made by persons who are mutually acceptable to all parties. Therefore, I would propose that an arbitration board of seven men should be established with the head of the agency involved in selecting two arbitrators, the government employees union selecting two arbitrators and these four selecting three arbitrators. Under this circumstance, both sides are adequately represented and the final determination is controlled by disinterested parties.

When Mr. Gill appeared before the Postal Operations Subcommittee on the idea of having outside third parties arbitrate disputes between the government employees union and the federal government, he stated, "I believe that it is not a healthy situation to have outside third parties arranging agreements to govern the conduct of employees within the federal establishment." Definitely, the employees union and the agency administrators are more familiar with the problems faced by the federal government than any outside third party. However, my proposal would allow representation of government employees and representation of the agency. I do hope that the Committee will give this idea serious consideration.

In conclusion, I would like to point out a few general amendments which I feel should be made to the present bill. Since H.R. 4 does not contain a "no strike clause", I would suggest that the following language be inserted in Title VII, Section 701(3701)f:

"The labor organization and its members are prohibited from calling, encouraging, condoning or ratifying any strike, work stoppage, slow down or other interference with agency operations at any time."

We are all aware of the fact that when a strike occurs, profits are not lost by a corporation but rather the public suffers. The responsibilities of meeting the needs of the public must override considerations of private disputes.

Quite properly, H.R. 4 outlines standards of conduct for labor organizations and the agencies. However, the section which discusses labor organizations or persons affiliated with the Communist party appears blatently unconstitutional. The Supreme Court has ruled in Brown v. United States that similar provisions in the Landrum-Griffin Act were declared unconstitutional. I would, therefore, suggest that the following language be inserted in Title VII, Section 701(3707)(A)(2):

"The exclusion from office in the labor organization of any persons advocating the overthrow of the constitutional form of government in the United States, convicted of a criminal act, or is a member of an organization controlled by a foreign government."

We have been led to believe that the Court would uphold this language.

Finally, one of the hallmarks of the Federal Service is that employees are selected without regard to race, color, creed or national origin. I notice that a prohibition against union discrimination is not included in the present bill. Therefore, I would urge that the following language should be adopted by the Committee for Title VII, Section 701 (3701)f:

"No labor organization will be afforded exclusive recognition if it advocates the overthrow of the constitutional form of government in the United States or which discriminates with regard to the terms or conditions of membership because of race, color, creed, or national origin."

Of course, the Committee has under consideration H.R. 11750, the Postal Corporation bill. This measure provides for the applicability of the Landrum-Griffin and Taft-Hartley Acts with regard to labor management relations within the postal corporation. A question arises as to whether the right-to-work laws of the states would be applicable to the employees under the new postal corporation. Because the federation would be federally chartered, there is a possibility that the state law would not be applicable.

There are two cases presently pending on this matter. There is pending before the N.L.R.B. a case concerning the Sunflower Federal Munitions Plant in Kansas. This plant is located on an Army base. A union shop agreement has been negotiated, but several workers have petitioned the N.L.R.B. contending that the Kansas state right-to-work law prohibits such an agreement.

There is a case pending in the District Court of Virginia concerning the Radford Munitions Plant in Virginia. I believe that these two cases, when finally decided, will probably clarify this issue but do believe the Committee should investigate the possible effect of establishing a national corporation and how it would affect the right-to-work law of various states.

I recognize that we all vary in our opinions as to how to meet the needs of the federal service while protecting the rights and privileges of federal employees as individuals and as citizens of our country. However, I have taken the liberty of proposing legislation which, in my opinion, would serve to meet both of these criteria.

In preparing my legislation and reviewing the present proposal I sought the advice and counsel of a friend of mine of longstanding whose law practice is devoted to the field of labor-management matters. Mr. Fred Elarbee has served as legal counsel on the side of labor and he has also served as legal counsel on the side of management. This experience has given him valuable insight into the practical problems facing each disputant in labor-management matters. He prepared for me a letter formalizing his thoughts relative to the present legislation, H.R. 4.

For the benefit of the Committee, I am attaching a copy of his letter as it appeared in the CONGRESSIONAL RECORD.

Today I am introducing a bill which embodies these and other suggestions which I feel should be incorporated into future legislation in the area of labor-management relations in the federal service.

Mr. Chairman, again let me thank you for allowing me to appear before your Committee.

CONSTANGY & POWELL,
Atlanta, Ga.

In re H.R. 4, title VII.
Hon. BEN B. BLACKBURN,
House of Representatives,
Washington, D.C.

DEAR BEN: I have looked over the proposed chapter on employee-labor management relations contained in H.R. 4 and have the following comments:

First of all, there does not appear anywhere in the Bill a provision against strikes. It seems to me that an absolutely necessary part of a bill which recognizes labor unions with respect to governmental employees is a no-strike clause. This is particularly true where, as in this Bill, a provision is made for arbitration of disputes.

Frankly, I do not like the declaration of policy because it implies that rank-and-file employees should participate in decisions which are basically management in nature and which involve the management of the Post Office Department. Moreover, the declaration of policy amounts to an endorsement of and encouragement almost to the point of requiring membership in labor organizations. While I think it would be all right to recognize the principle of free collective bargaining, it should clearly be a matter of choice with employees either to participate in labor union activities or to refrain from joining, forming, or engaging in union activities. To this extent, a policy along the following lines, I think, would be much more desirable:

"(a) The principle of free collective bargaining through labor organizations chosen by postal employees is recognized. The right of postal employees to present grievances and engage in collective bargaining, or refrain from such activity, with respect to matters that affect their employment will tend to stabilize the Post Office Department and contribute to the effective conduct of its business. Therefore, postal employees shall have the right to form, join, or assist labor organizations of their own choosing, or to refrain from any and all such activities."

Frankly, I think that the word "encouraged" should be deleted from Paragraph (b) of Section 3701. Here again, I think employees should have a right to choose freely and independently without so-called encouragement which could very easily amount to pressure or coercion.

Section 3702 (Definitions) limits labor organizations that may be recognized to national unions and its affiliates. Prior to the passage of the Taft-Hartley Act, independent unions were not recognized by the National Labor Relations Board. Only nationally affiliated unions could be certified. This was changed in 1948, with the passage of Taft-Hartley, to recognize the validity of independent unions and not require that they be affiliated with some national or international union. The requirement that the labor organization be a national union, or one of its affiliates, puts national unions in the driver's seat, so to speak, and gives them, in effect, a monopoly on the right to represent postal employees. I think this is wrong.

The definition of "consultation" contained in Section 3702 literally gives rank-and-file employees the right to participate in practically every decision of the Post Office Department up to and including "going to the john." I do not believe any management should turn over to rank-and-file employees the right to formulate, change, or implement policies, which is specifically included in the definition of consultation.

Fair representation, a fair grievance procedure, and contract provisions regulating wages and conditions of employment, is one thing—but the management of the Department should be left with management and executive employees and not shared with the union rank-and-file.

Section 3702 defines the bargaining unit as a "craft of postal employees" and then lists postal clerks, letter carriers, mail handlers, etc. This would literally mean that you would have a nationwide bargaining unit of all postal clerks, letter carriers, and other classifications shown. I do not think that an all-encompassing unit is good from the standpoint of the Government. For instance, it is conceivable that literally thousands of employees would prefer not to belong to a labor organization and, yet be required because of substantial vote making up a majority coming from large northern cities.

This is given as an example, and certainly not indicative of what might actually happen. I know for a fact, however, that there would be some large Post Offices in the country where practically one hundred percent of the employees involved at a location would not want to belong to a labor union. To require employees in Alexandria, Virginia, or Macon, Georgia, to belong to a union or to be represented by a union (simply because employees in Memphis, Tennessee, or Columbus, Ohio, have voted for such a union) seems to me to be inequitable and unjust. What I am saying is, bargaining units should be on a much smaller basis or a location-by-location set-up.

Section 3703 provides for recognition simply on the basis of a certified membership list. I do not think this should be allowed under any circumstances. The union should not have the right to represent any employees in any bargaining unit of the Postal Department unless and until the employees have chosen the union by secret ballot election. The free, democratic process of secret ballot election is, and always has been, the best method of selecting our representatives for any purpose—no matter what they are.

The provisions for run-off elections are inadequate and contrary to the present system followed by the National Labor Relations Board. Section 3703 provides that if two labor organizations are involved in an election and a majority of the votes cast are for representation by some union, then the run-off election will be a choice between the two unions. At that point, the employee is not then allowed to vote "no union." This is an unfair method of handling a run-off election. For instance, if 35% of the employees vote for Union A; 30% for Union B; and 35% no union, under the present provisions the run-off election would simply be a matter of choice between the two unions, without a right to vote "no union." This should be amended so that the run-off would be between the two highest voting groups.

In the example above, it would be between "no union" and the union which received 35% of the vote. In this way, the other employees would still have the right to vote for the remaining labor organization or to vote "no union." I don't think the Govern-

ment can assume, simply because employees cast 30% votes for Union B, that they will then vote for Union A instead of voting "no union." This certainly has not proved to be the case with respect to run-off elections conducted by the National Labor Relations Board.

Paragraph (d) of Section 3703 provides that the Department must recognize a union for a 24 month period after giving it recognition status. This is too long. The National Labor Relations Board recognizes a one-year period.

Paragraph (f) of Section 3703 gives the union the right to "participate with management in the formulation, implementation, and modification of personnel policies and practices, and all other matters affecting the conditions of employment of employees in the unit . . ." Who is going to run the store? The union . . . or the Government? Under this provision, Post Office officials would literally have over-the-shoulder guidance with respect to all management decisions concerning the operation of the Post Office Department. There is very little with respect to such operations that do not affect personnel policies conditions of employment, and their formulation, implementation, and modification.

A no-strike clause should be included in Section 3707 Paragraph (b), along the following lines:

"The labor organization and its members are prohibited from engaging in, calling, encouraging, condoning, or ratifying any strike, work stoppage, slow down, or other interference with work at any time during any employee's employment with the Post Office Department."

Section 3708. Paragraph (a)(2), is a wide-open provision with respect to the matters to be subject to grievance and arbitration before the Labor-Management Relations Panel created in Section 3709. It makes subject to grievance and arbitration, terms yet to be negotiated in collective bargaining agreements. I think this is dangerous and practically unlimited in scope. It is like buying the proverbial "pig in a poke."

The Panel created by Section 3709 is given which should be made by Post Office officials who are appointed and designated to run the Post Office Department for the Government. These duties should not be delegated to any Labor-Management Relations Panel.

Section 3711 (Settlement of Grievances) puts the postal employees at the mercy of the labor union insofar as processing their individual grievances are concerned. Thus, employees are required to "receive the written consent of said labor organization in order to have the grievance submitted to arbitration." In my view, this is an arrogant conferring of control over employees' rights to the labor union and would be in violation of the National Labor Relations Act if such a provision were incorporated in a labor agreement in industry today.

Section 3711, Paragraph (e), provides, on an open-end basis, for employees to participate in unlimited grievance and arbitration procedures with pay. We have found, from hard experience, that where employees are paid for handling or processing grievances, far more valuable management time is consumed, far more loss of production time of employees occurs, with the inevitable loss of efficiency and production. While employees should be given a fair method for presenting their disputes, it seems to me that you should not encourage dispute handling during work time or at the expense of the Department on an unlimited basis.

The Bill is unfair to the American people, who are entitled to democratic freedom within their governmental agencies, bureaus, and departments and who are entitled to management efficiency, with fairness, in all governmental activities.

Ben, the above represents some of the objectionable features I find in the Bill. I hope it will at least help you in some manner.

Sincerely,

FRED W. ELARBEE, JR.,
Attorney at Law.

AMERICAN MILITARY EQUIPMENT AND "THE BRIDGE AT REMAGEN"

(Mr. HECHLER of West Virginia asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. HECHLER of West Virginia. Mr. Speaker, recent discussion of the use of American military equipment and personnel in certain motion pictures has prompted many inquiries concerning "The Bridge at Remagen." After careful checking, I can state categorically that the U.S. Department of Defense made available no equipment, no ammunition, no uniforms, no military or other personnel, and no technical assistance in connection with the filming of "The Bridge at Remagen." The vehicles and military equipment were rented from the Austrian Ministry of Defense, which had in turn purchased this equipment as surplus from the United States following the close of World War II.

The Austrian Ministry of Defense rented to Wolper Pictures, Ltd.—headed by the producer of "The Bridge at Remagen," David L. Wolper—the following: Eight American M–24 tanks of World War II vintage, three half-tracks, four armored command cars, eight jeeps, four truck troop carriers, six military trucks—tarped, two antiaircraft guns on tripod bases, blank ammunition for all above guns.

All vehicles and equipment obtained through the Austrian Ministry of Defense were serviced and painted with markings of subordinate units of the U.S. 9th Armored Division, which spearheaded the capture of the Remagen Bridge over the Rhine River on March 7, 1945. The unit markings included:

The 89th Cavalry Reconnaissance Squadron, 9th Armored Engineer Battalion, 27th Armored Infantry Battalion, 14th Tank Battalion, Headquarters, 9th Armored Division Headquarters CCB, 9th Armored Division.

In addition to the Austrian-leased equipment, "The Bridge at Remagen" employed a sizable weapons arsenal consisting of several hundred M–1 rifles; .50-caliber machineguns; .30-caliber machineguns; Thompson submachine guns; .45-caliber pistols; Browning Automatic Rifles—BARS; German Mausers, Smitzers, and various other weapons. These weapons were leased for the film through three movie gun rental firms: Ellis Mercantile Co. of Los Angeles, Calif.; Stembridge Gun Rentals, Paramount Studios, California; and Bapty & Co., London, England.

Hundreds of regular Czech Army soldiers, some dressed in American GI uniforms and others in German uniforms, participated as "extras" in the film. Neither their time nor their uniforms were paid for or supplied by any official American authorities, but they were outfitted and paid as part of the agreement signed between Wolper Pictures and the Czech Government.

Why was the film made in Czechoslovakia instead of "on location" at Remagen, Germany?

When Budd Schulberg purchased options on my book several years ago, prior to the production of the motion picture by David L. Wolper, he wanted to film it in Germany. He finally concluded that the expense of rebuilding the bridge or a model thereof was prohibitive—the original bridge collapsed into the Rhine River exactly 10 days after its capture, on March 17, 1945. Mr. Wolper then started a search throughout the United States and Western Europe to find a similar bridge at similar terrain. After a year and a half, he found a bridge at Davle, Czechoslovakia, which with the surrounding hilly terrain closely approximated the look and specifications of the original Ludendorff Bridge at Remagen.

There were two other reasons why the motion picture was not made at Remagen, Germany. First, the actual terrain background and particularly the buildings themselves had changed in Remagen since 1945 as the river town became more built up and industrialized. Second, and perhaps more important, it was impossible for the Germans to agree to stop the commercial and tourist traffic along the Rhine River for the purpose of shooting a motion picture. The Czechs agreed that they would stop all bridge and river traffic at the film site for 5 months—actually, the Russian and Warsaw Pact invasion took place a little less than 3 months after filming had begun. The Czechs also arranged for a nearby ferry to convey the traffic back and forth across the river and take care of the former bridge traffic.

On October 25, 1967, David Wolper signed a contract with Ladislav Kachtik, commercial manager of Czechoslovak Filmexport at the time Antonin Novotny was still in power as First Secretary of the Czechoslovak Communist Party, in the pre-Dubcek days. This was to be the first American film to be made in Czechoslovakia, and the Czechs put at the disposal of the production company the famous Barrandov Studios in Prague. The records will reveal that the U.S. Department of Defense then declined to take any part in this film because it was being made behind the Iron Curtain. In February 1968, the arrangements were made with the Austrian Ministry of Defense to rent the equipment.

Early in May 1968, the entire inventory of military vehicles leased by the Austrian Ministry of Defense was consigned to Prague from Vienna by train. Arrangements were made to transport the tanks and other armored vehicles across the Austrian-Czech border at a town named "Summaray," with the unarmored vehicles being taken across at Gmund, Austria.

It so happened that on May 8, 1968—the 23d anniversary of V–E Day—flatbed trailers were rolling through the streets of Prague with the first tanks and armored vehicles, bound for the Barrandov Studios. At this point, the East German newspaper Berliner Zeitung charged that the tanks and armored vehicles had been brought to Czechoslovakia to support the liberal Dubcek regime. Furthermore, the East German newspapers charged that "busloads of American

troops were arriving in Prague disguised as tourists, actors, and film technicians."

Several times during the course of filming additional charges were made by the East German news agency ADN, and by the newspapers Berliner Zeitung and Neues Deutschland. These sources charged that the American film crew of "The Bridge at Remagen" and the American tanks and weapons being used by the unit constituted a "grave and serious threat to the security of the Communist bloc." Just about the time I arrived in Czechoslovakia to work with the film unit in my role as technical adviser, early in August the Soviet newspaper Pravda claimed that an American arms cache had been discovered in Czechoslovakia. This was apparently a signal for the East German press to erupt in new and more fantastic charges against the Americans filming "The Bridge at Remagen." Although the arms cache was discovered near Karlovy Vary in Western Bohemia, the East German press claimed there was a clear and definite connection between that arms cache and the arsenal being used to make "The Bridge at Remagen." The East German press then went on to state that should these weapons fall into the wrong hands, they could easily be used to help support the liberal Dubcek regime in Czechoslovakia.

At the time of the Czech-Soviet meetings in Cierna and Bratislava in August, 1968, there was some heavy pressure put on the Czech Government and army to harass the film company. The Czech Army had allowed Wolper's company a free hand in the use and storage of explosives, ammunition, and special effects until the attacks in the Communist press reached their height in August. Nobody had bothered the arsenal stored at the Barrandov Studios in Prague for daily use in the re-creation of the 1945 battle for Remagen and its bridge. The weapons were carefully labeled and registered by serial number and kept under lock and key in the Barrandov Studios when not in use. But one weekend, without notifying the American filmmakers, the Czech police broke into the arsenal storage area, apparently to investigate what weapons were there and to be sure they were really intended only for a motion picture.

This action prompted David L. Wolper to write a somewhat angry letter dated August 5, 1968, to Mr. Alois Polednak, Director General, Czechoslovak film industry—a letter which in the light of subsequent events is grimly ironic. Wolper wrote:

> Making a film in a foreign country is tough enough in itself without the added pressure of a political squabble. "The Bridge at Remagen" company is here in good faith, without any ulterior motives except to work in a country and with film-makers that have produced some of the finest films in the world. It is a shame that American film-makers, working together creatively with Czechs, should be harrassed, intimidated and embarrassed by being called CIA agents and American spies by a neighboring Communist country. I must admit that the recent charges in the East German press compelled me to consider moving my production to another country.

Two weeks later, the Russian and Warsaw Pact nations forced them to move. Wolper's August 5 letter continued:

> It would be a greater shame if further intimidation created an atmosphere that stifled us to the point where we were forced to carry out the move. As you know, I am planning to make other films in Czechoslovakia, and I know many other American producers would also like to work here with the great Czech film-makers. But it must be understood that we have never meddled nor would we presume to meddle in Czechoslovakia's political affairs and it is insulting to me, as I imagine it must be to Mr. Dubcek, the Czechoslovak Government and its film industry, that East Germany continues to level these ridiculous accusations. I hope you can give me some assurances that this situation will not arise again in the future and, if it does, that you will issue an official rebuttal.

While I was in Czechoslovakia in August, there was a great deal of discussion concerning the August 5 letter in the evenings and on weekends when filming was not being done. We made many contacts with high Czech Government authorities. A clear and persistent effort was carried out to get an early response to Mr. Wolper's letter. An early reply was forthcoming on August 9, 1968—almost unprecedented speed for any government, but particularly on such a touchy question at a time when the Soviet pressure on Czechoslovakia was extremely heavy. Mr. Polednak in his reply took a very soft approach. He noted that he "was sorry that such an unpleasant thing could happen," but "unfortunately" he said he had "no influence over the press of the foreign country in question." He also said that he "had sent a denial of these false charges" and that he "was ready to do so again if it became necessary."

Exactly 10 days later, during the night of August 20–21, 1968, Soviet and Warsaw Pact troops moved into Czechoslovakia, trapping the cast and crew of "The Bridge at Remagen," and fading into the background of insignificance the Wolper-Polednak exchange—except in the interests of history and the perils of filmmaking. Some 80 non-Czech nationals, including George Segal, Ben Gazzara, Robert Vaughn, Bradford Dillman, and Director John Guillermin were safely evacuated from Prague by a fleet of taxicabs. They crossed the Czech border at Ceske Velenice to Gmund, Austria, at 7:30 p.m. that same day.

All of the military equipment leased from the Austrians, as well as rented weapons and valuable film equipment, were left behind in a temporary Czech military camp near Davle, the site of most of the filming. In the hectic days following the invasion, the Austrians at first denied ownership of the tanks and vehicles they had leased. Then, in order to dispel rumors, on August 27, the semi-official Weiner-Zeitung of Austria reported that the Austrian Federal Ministry had said that—

> The temporary loss of this equipment cannot in any way be connected with the events in Czechoslovakia and, furthermore, there is no basis in fact to the assumption that the Defense capability of our (Austrian) forces are thereby lessened or impaired.

Following the brutal invasion of Czechoslovakia, there were many anxious moments as there were strong rumors that the Russians had repainted the markings on the Austrian tanks to make it appear they were being used by American agents to help support Dubcek. Eventually, to make a long story short, the Czechs managed to protect not only the military vehicles and equipment, but also all the film properties, costumes, cameras, interior sets, sound equipment, lights, and so forth.

The cast reassembled in Vienna, Austria, and then made its way to Hamburg, Germany. There for several weeks they struggled to film some interior shots to depict the German high command headquarters following the capture of the Remagen Bridge. A makeshift interior set was hastily built to simulate the railroad tunnel where the Germans made their last stand in defense of the Remagen Bridge. While filming in Hamburg, one day a convoy of Czech trucks rolled into the city, piled high with all the valuable properties which had been left behind—minus the tanks and armored vehicles. The material in the trucks was neatly packaged and cataloged. Even laundry and drycleaning which had been out at the time of the invasion was carefully packed and labeled, along with all personal belongings which had been left behind during the hurried flight.

The film was completed in Castel Gandolfo, Italy, where a shaky replica of the Remagen Bridge was built near the Pope's summer home. The tanks and armor were not used in Italy, and the scenes shot there were primarily closeup shots. When the crisis eased slightly in Czechoslovakia, a film crew went back into Davle to complete some of the necessary long shots with the tanks and armor. The Russian invaders, of course, stood by so nobody would get the idea that the re-creation of the 1945 battle had anything to do with the August 1968 invasion. Filming in both Italy and Czechoslovakia was completed by the end of November 1968.

PRESIDENT NIXON'S FIRST 5 MONTHS

(Mr. MORSE asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MORSE. Mr. Speaker, in his address to the Nation on the Vietnam war early this May, President Nixon outlined his plans for seeking peace. At the same time he asked the American people to stand with him behind these efforts, which most observers characterized as a generous and realistic program that can lead to peace. At that time, columnist Joseph Kraft wrote:

> If there is no light at the end of the tunnel yet, there is at least a tunnel.

Following the Midway meeting between President Nixon and President Thieu earlier this month, the President announced that 25,000 primarily combat troops would be withdrawn from South Vietnam, and at his news conference on Thursday, June 19, he indicated his hopes that further U.S. troop withdrawal from Vietnam will be forthcoming on a regular basis, with the decision

on the next step of gradual disengagement to be made in August. A flicker of light has been seen by some "at the end of the tunnel."

There have been others, however, who, distracted by their impatience to end the conflict or by their deep concern with the serious economic and social problems on the homefront, have not seen that glimmer, or have been blinded by these pressures and anxieties. The frustration in the Senate that recalls the large majority by which the Gulf of Tonkin Resolution was passed, and the anguish of the American public which has lost sons in Vietnam and is increasingly alarmed by the rising costs and social unrest within this country are understandable. Indeed, what concerned individual has not experienced these feelings in the past several years?

In the current rethinking and review of our entire foreign policy, in our search for a clear definition of our national interest, in our quest for the answers to the critical problems within our own borders—efforts all long overdue and urgently needed—it has been too easy to lose perspective. It has been easy to forget that it took a longtime to become enmeshed in the Vietnam conflict, and that it will take time, patience, and self-restraint to get out. It has been easy to criticize, to call for actions without facing the awesome responsibility or the difficult process of implementing them, to fall upon statements of policy and become so involved in the words and phrases directly before us that we forget to judge the overall tendencies of that policy, or overlook the importance of assessing the general direction that has been taken.

Astute political observer and respected columnist James Reston, in speaking on this very issue, has said:

(President Nixon) is trapped in the dilemma of trying to achieve an objective that he cannot quite admit, but at least he seems to have decided on the objective of getting out (of Vietnam) in these first five months, and those of us who believe that this is the most important objective or public policy have to admire his sense of priorities and give him room to maneuver toward his objective.

It is a balanced and persuasive argument, and I urge my colleagues' close attention to his comments which I am presenting here for their consideration:

PRESIDENT NIXON'S FIRST 5 MONTHS

(By James Reston)

WASHINGTON, June 21—Richard Nixon has now been in the White House for five months. His statements and his style have been analyzed down to the last comma and gesture, but the main things are what he has done and not done, and by this test, he has made a cautious, moderate, and good beginning.

The capital is now buzzing with his silly attack on former Secretary of Defense Clark Clifford, who suggested withdrawing all U.S. ground troops from Vietnam by the end of 1970, but what is important is not that he attacked Clifford's record in the past, but that he agrees with Clifford's objective of getting out of Vietnam as soon as possible.

NIXON'S PRIORITIES

Mr. Nixon has concentrated in these five months on ending the war, controlling the inflation and moving toward a world arms accommodation with the Soviet Union. He has not said anything very useful about the racial and social conflicts within the nation, but unless he can end the war, control the inflation and negotiate a reasonably safe reduction in the defense budget, he obviously cannot find the money to deal effectively with the economic and social problems on the home front.

Meanwhile, he has not acted in the White House like the military hawk he was in the old days. His economic decisions have not conformed to the wishes of the Republican conservatives who helped finance his victorious Presidential campaign. His appointments have not been political or ideological. He has put together a Cabinet of decent, dull, but competent modern pragmatists, who may not be very imaginative, but who are more interested in the facts and the national interests than in the conservative theories or political interests of the Republican party.

This is not a bad record for a President who was elected by a minority of the voters, has a Democratic majority against him in the Congress and is under savage pressure by the rising conservative forces in the country to "win" the war and put the militant blacks and students "in their places."

NIXON'S PRUDENCE

Mr. Nixon has, of course, said a lot of things that please the hawks; the Republican conservatives and the authoritarians who want to be militant in Vietnam and on the campuses and in the cities, but he has *acted* prudently, and stuck to his priorities on ending the war, controlling the inflation and moving toward an accommodation with Moscow on the control of military arms and the reduction of military budgets.

Even his support of the antiballistic missile system, which looked so hawkish, was probably a move toward an arms control accommodation with the Soviet Union. He seems to be opposing Clifford, Kennedy, Fulbright, Mansfield, McGovern and Muskie on Vietnam—and his words and timing suggest that he is—but while his responsibilities are different, his actions are moving roughly toward their objectives, though for political reasons he must conceal the common goal.

NIXON AND CLIFFORD

The President cannot be as precise as Clifford in saying publicly that we should take 100,000 men out of Vietnam this year and all the rest of the ground troops out next year. It is easier to write a magazine article than negotiate a policy, but the tendencies of policy are more important than the statements of policy, and one has the impression that Nixon's acts and tendencies, whatever the ambiguities of language in a news conference, have brought us in these first five months of his Administration to the beginning of the end of the war.

This analysis, of course, may be wrong. There are still powerful forces in this Government who oppose the withdrawal of American forces from Vietnam. Indeed, there are many powerful men who believe that such a course would be a betrayal of all the sacrifices that have been made in that tragic country, and therefore that we should stick and fight to the end, whatever that may be. Also, nobody can be sure, not even Rogers, Kissinger, or Laird, what the President really intends to do.

All anybody has at this point are impressions. But one has the clear impression that Mr. Nixon's first priority is to get out of the war, with the agreement of the South Vietnamese if possible, without it if necessary, but that he cannot say this publicly without making the problem of withdrawing even more difficult than it is.

NIXON'S DILEMMA

It will take a lot of guile to withdraw without admitting defeat and being vulnerable to political attack. Accordingly, it would be unfair to attack both Mr. Nixon's objective of withdrawal and his guile in zigzagging toward that goal.

He is trapped in the dilemma of trying to achieve an objective he cannot quite admit, but at least he seems to have decided on the objective of getting out in these first five months, and those of us who believe this is the most important objective of public policy have to admire his sense of priorities and give him room to maneuver toward his objective.

JOSEPH McCAFFREY

(Mr. MORSE asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MORSE. Mr. Speaker, it was 25 years ago this month that Joseph McCaffrey began his career as a press, radio and television correspondent on Capitol Hill, and I stand today to join my many colleagues in expressing my deepest thanks for fulfilling so well the vital role and responsibility of bringing the news of the U.S. Congress to the American public.

For a quarter of a century he has reported the complexities and drama of the legislative process with a uniquely perceptive understanding of its intricacies, and an interpretation which combines clarity and a to-the-point style with unfailing truth and accuracy.

His objective and impartial coverage of the news has won him a large and appreciative audience, and the respect and friendship of many, many Members of Congress. It is a critical and invaluable service he has provided to the Nation, to a viable, enduring democratic process, and to the entire field of news reporting. We thank him for his dedication, his skill, and his understanding of the problems and the hopes of the Members of the Congress of the United States. We thank him and respect him for 25 years of this service.

He is truly a credit to the news media. He is a great man. He is a good friend. It is indeed a pleasure and a privilege to salute him today, and extend my highest regards and best wishes for continued success to Joe McCaffrey, the "Voice of Congress." It is the greatest pleasure and honor to pay fond tribute to Joe McCaffrey, my close friend.

SPEECH BEFORE NATIONAL SHERIFFS' ASSOCIATION CONVENTION

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PEPPER. Mr. Speaker, since this distinguished body created the House Select Committee on Crime on Law Day, May 1, we have obtained committee space, hired some of the staff, and begun to hold a series of executive briefing sessions so that the members of the committee can become as well versed as is possible to the dimension of the crime problem before we go about seeking solutions for curbing crime.

As this House stated emphatically in authorizing and appropriating funds for the Select Committee on Crime, we are not interested in just one more fact-finding body looking into crime and ending by issuing a wordy, lengthy report at some future date.

If there is one word that I hope will be attributed to the efforts of this committee, it is "action."

This is what the American people want; this is what my distinguished colleagues in the House want. And this is your committee.

We know that our streets are not safe to walk at night in many metropolitan areas. We are aware that acts of terror and disorder are ever-increasing and that the courts are hopelessly bogged down in delays, appeals and backlog.

What this committee hopes to do is go to the people through public hearings across the Nation and generate the awareness and support necessary behind measures to combat crime.

Because the Select Committee on Crime is directly accountable for its actions to this House, it will be the committee's policy to keep Members as fully advised as is possible of our activities.

Today, I am requesting that my speech before the National Sheriffs' Association convention, June 16, in Miami Beach, be printed in full.

Additionally, there will follow the notices of executive briefing sessions that have been held with a short biography on those witnesses who appeared.

The material follows:

ADDRESS BY CHAIRMAN CLAUDE PEPPER OF THE HOUSE SELECT COMMITTEE ON CRIME TO THE NATIONAL SHERIFFS' ASSOCIATION, JUNE 16, 1969, IN MIAMI BEACH, FLA.

Thank you very much, Mr. Everett.

President Spurrier, Your able executive director and representative, former Judge Lucas, other distinguished officials of this great organization, ladies and gentlemen.

I thank you very much, President Spurrier, for your generous and kind words of introduction. You know that those of us who have been in politics—and of course you all are in that category—realize that if somebody is just kind to you, you are grateful even if they are not complimentary, and when you are both kind and complimentary, I am very much indebted to you.

I heard a story the other day in Washington about an incident that happened in the administration of President Wilson when he was in the White House. One morning about 3 o'clock a secret serviceman came and knocked loudly on the President's door. The President sleepily awoke and said "Yes?" And the secret serviceman said, "Mr. President, there is a man insisting to talk to you on the telephone." They didn't have telephones in the President's room in those days as they do now. The President said, "Well, who is he and what does he want?" And the secret serviceman said, "He won't say, but he says he just has to talk to you." The President sleepily said, "Very well." So he drowsily put on his slippers and dressing gown and shuffled off down the corridor to the telephone, picked up the phone, and said, "This is the President." And the man on the other end said, "Mr. President, this is the Assistant Postmaster of New York City." And the President said, "Why are you calling me like this?" Well he said, "Mr. President, the Postmaster of New York City has died". The President said, "I'm very sorry to hear that but why are you calling me like this?" "Well", he said, "Mr. President, I just hope that it will be all right with you if I take the Postmaster's place." The President hesitated a minute and said, "Well, if it's all right with the undertaker, it's all right with me." (Laughter)

Well, I feel very much at home here this morning with you good friends, because I am the son of a sheriff and a chief of police, and I feel like I sort of belong to the law enforcement officer's family. I know from the years of experience in that home when he was out all night many, many times, lying out in cold and uncomfortable places—I know some of the headaches and heartaches that he and his family had; and I remember an occasion when he risked his own life to save a prisoner from an infuriated mob. That to me symbolizes the dedication to official duty which characterizes the law enforcement family and I put nobody ahead of the sheriffs in that spirit and in that dedication.

I recall many, many instances where the public has been shocked as to how little provision it makes to reward the peace officer or to safeguard his family against the dangers which he has to face. A policeman in Miami not long ago was killed on his motorcycle chasing a culprit, and this community was shocked to discover that the City of Miami afforded the dead man's family only $1000.00 worth of insurance. Since that time, it's been raised to $10,000.00. There should be publicly provided at least $25,000 insurance to every peace officer, sheriff, or police officer or anyone else engaged in the dangerous and hazardous work which he has to undergo and undertake.

Now, you are experienced in this field and I am a neophyte, but I am today by being Chairman of the Select Committee on Crime of the House of Representatives, I think, rather expressing the public concern there is in this country about the growing rate and character and volume of crime. You know that crime has increased 71% between 1960 and 1967, and that it is estimated that this year there will be 12,000 murders in America, and 4 million major crimes will be committed. You know also that it is estimated that this year one out of every 50 of the American people will be the victim of some sort of serious crime.

The gentleman who accompanied me here this morning—a friend of mine from this area—visited me in Washington. My wife was away or she never would have allowed him to walk out of the house after dark. He wanted to walk up the street—16th Street—one of the main streets of Washington, well lighted and heavily travelled. He hadn't gone more than two blocks from my apartment house before he was set upon by two thugs, beaten and robbed. To escape these two fellows when he was attacked, he lay down and rolled out in the street thinking that he would rather risk being run over by a passing car than to be beaten up dangerously by these two fellows. Awhile later, when my phone rang, I knew almost in my heart what the trouble was—he was calling me from the hospital. He came back, the police brought him back after awhile, with some stitches in his head and some blood on his clothes. The next night about two o'clock, the telephone rang again and the police officer said, "Is Mr. so and so there?" And I said, "Yes." And he said, "Well, we want him to come down to the police station right away because we've caught a man engaged in an assault with intent to rob a citizen here in the area, and he has your friend's credit cards and identification cards all in his pockets". Now, that was two nights in succession, that we knew about, that that one man had been engaged in a robbery on a public street.

And the women of this country, the people of the country, are concerned. You are doing your best. You don't have all the tools that you need, all the help that should be provided to you at all levels, and that is one of the things that my Committee is going to be concerned about. We are going to investigate the areas which we think are the main areas in which crime is committed. We are going to start off, probably—we're going to have, by the way, public hearings in representative places over the country—probably the area where we will begin our first inquiry—we are just assembling our staff now—is in the field of the juvenile criminal, or the juvenile delinquent.

All these things are old to you, and relatively new to me, but we are concerned about it. I've just come here from one of our EOPI offices where I saw a lot of young boys and girls who are being taken off the streets—some of them on probation and have been taken away from the probation authority—and they are trying to rehabilitate them, they are trying to re-motivate those boys and girls and are trying to give them the skills that will enable them to make an honest living rather than having to steal or rob somebody in order to survive. This is a very challenging field as you so well know; as a matter of fact, I am told that about ½ of the car thefts in the country are committed by youngsters who are 15 years of age or less, and if you go up to 18 years of age, then some 60 or 65% of all the offenses against property are committed by youngsters in that one age group. I understand from some of the data which has been assembled from some of the Presidential Commissions that the composite criminal in America is a white man about 24 years of age; that he is a school-drop-out; he comes from a broken home; he was unemployed at the time that he committed the offense for which he was arrested, and he had been previously arrested for some serious offense. You can see, therefore, something of the problem. There has just been a series of articles written on youth crime by the Christian Science Monitor, and the one writing those articles dared to say that, in the long run, it might have been better for society if they had never been arrested and sent to the reformatories and some of the detention institutions to which they were sent.

So you can—we all can—see the magnitude of the problem. I'm hoping that the Federal Government can inaugurate a program with the concurrence of the States and the counties and the municipalities that will encourage private enterprise, encourage the private citizenry, will provide better institutional care when that is necessary, provide personal care and concern and consideration for those boys and girls to try to save them from themselves and to save society from them. We're going to need a great deal of help; we're going to avail ourselves of the best knowledge that there is in the field.

Incidentally, we are not going to be a repetitive investigatory committee. As you know, in 1965 the Crime Commission was set up by President Johnson, and it did a splendid job for some two years; and in 1967 the second Presidential Commission was set up by the President, known as the Kerner Committee, a committee having primarily to do with disorder and riots; and now, a third Presidential Commission is just in progress of completing its work, some of its preliminary reports have already been made. The Commission on Violence, the Chairman of which is the distinguished brother of our late and great and lamented President Eisenhower, Dr. Milton Eisenhower. Those three commissions have compiled volumes and volumes and volumes of important data. What we are going to try to do is to assimilate those data, to try to take note of the recommendations that they made which have hardly been implemented at all. And then we're going to take those recommendations and our own inquiries to the country. We're going to ask you sheriffs to advise us what more the federal government can do than it is now doing under the Omnibus Crime and Safe Streets Bill, which provided $60,000 of help in a program of law enforcement last year—we hope to provide considerably more in the following fiscal year. So we're going to be an action committee, action to try to get some legislation adopted, not only at the federal, but at the state and local levels. We hope that what we recommend will have such persuasive weight that it will be adopted by many of the states and by many of the local communities throughout the country.

So, as I said, our first subject of inquiry will probably be in the whole youth field. Closely associated to that, of course, is the

narcotics field. I was in Canada the week before last on a congressional mission, and I discussed this with Canadian officials. As I suspected and as they disclosed a great volume of narcotics moves across the Canadian border into the United States. You sheriffs who are up in the northern part of our country have to reckon with that problem. While marijuana, they say, comes largely over the Mexican border, the hard drugs coming into our country, they think largely, come from over the Canadian border. Now that within itself is a challenging subject—we're going to go to the very roots of it to see what can be done about tightening up the restrictions upon the production of opium in Iran and Turkey and in the countries where these drugs originate, to see what additional pressure can be put upon them by our government, to see what reward—perhaps I'd be willing to go even that far—may be given them to stop this terrible thing at its source. I'm informed—and you have the tragic experience with it—that it takes 50 or 100 dollars a day to support a hard drug addict in getting the drugs that he wants to have, and the necessity for coming up with that much money is responsible for a lot of the burglaries and robberies that we have in the country with which you always have to contend.

So we're going as thoroughly as we can into that field, to see what more laws can be adopted, what more facilities can be provided, what additional personnel may be made available, what can be done to save from addiction those who already are addicted and to prevent that curse from coming to more of the young people of the country. Just in Washington the other day I found out that, from some of the better homes of the District of Columbia, a group of boys and girls had already become addicts; that their families were paying $39.00 a day to keep them in a psychiatric institution and to provide a sort of work program for them, to try to get them off their addiction to hard drugs.

Well, the third area that we are going to concern ourselves with—not in the manner or to the degree that the Kefauver Committee did—is organized crime. I think the American people are skeptical about whether everything that can be done is being done by the government of our country to break up this vicious government within our government, this kingdom of organized crime within our country. They conduct their own court procedure as it were, the Mafia Commission determines what judgments are to be meted out, they execute their own sentences, they live as a law unto themselves. And it's a curse upon a country that such a thing can be permitted to continue to exist.

Now the President has recommended that we put on some more U.S. district attorneys, and that we add to the funds of the Department of Justice for work in this field. He suggested that we tighten up the laws on gambling as one of the sources of evil money that makes it possible for the gangster to create the great fortune that he presides over today. My committee is also going to see what we can do to prevent this filthy money from being infiltrated into the legitimate financial institutions and into legitimate financial enterprises all over America. That tained money is already beginning adversely and dangerously to affect the stock market and to contaminate the financial and a large part of the economic structure of our country. I know a lot of that money goes out of the country—the gangsters attempt to "clean it up" by sending it to some of the foreign banks where they have numbered accounts. I know the problem is a colossal one but we are going to concern ourselves with it as best we can. We may consider legislation to require reporting of all money sent out of the country as a way of detecting this capital that is moved out, largely by couriers, I'm told, to these banks across the waters, where they can be under the shelter of numbered accounts.

And the other field that I think you will all agree deserves the utmost congressional consideration and that is the whole process of what we call law enforcement beginning with the prosecution of the apprehended person, the punishment meted out to him, the correctional procedures which are developed, the probation system—everything that has to do with the process of the administration of the criminal law. Now, we are also going, as a part of our inquiry to examine into the effect of some of the Supreme Court decisions upon you peace officers—how much and whether some of those decisions have ham-strung you or impeded your efforts in the detection and in the prosecution of crime.

We are also definitely going to take a look at the whole police procedure—the whole law enforcement program—to see whether or not there is something more that we can do at the national level to have an effective law enforcement force in this country that will be able to arrest more people and more carefully compile the evidence necessary for the conviction of those people. And I am convinced—I can't say that this will be the official recommendation of the committee—but I am convinced that the time has come when the federal government is going to have to subsidize and assist in law enforcement in this country, just as it has been subsidizing for over a hundred years college education through the land-grant colleges; as it is today subsidizing 90% of the interstate highways that are built in the country; as it is subsidizing to the extent of about a grant of 45% of the total cost the construction of hospitals all over America built by public and private authorities; and as it is today subsidizing and assisting in education throughout the length and breadth of this land. But with the same reservations which prevails in those programs that the federal government recognizes the primary responsibility, the primary obligation, and the primary initiative lies with you sheriffs, with the municipal police authorities and other state and local enforcement officials throughout the length and breadth of this land.

The ordinary detection and prosecution and punishment for crime is a local function and not a federal function; but you, ladies and gentlemen, are here from all over America—whether you come from Portland, Maine, or Portland, Oregon, you're in Miami Beach, Florida, in Dade County (and I am proud to say in my congressional district)—you are an American, and you are entitled to the same degree of safety and protection here in this part of America that you're entitled to in your home or in any other part of this great country. Under our federal Constitution, every one of us is a citizen of two sovereignties. The Constitution says, "All persons born or naturalized in the United States are citizens of the United States and of the several states in which they reside." So, the federal government has not only a right, but a duty to protect its citizens and to help those primarily responsible for their protection to do the best possible job. And so I hope that we'll be able to provide a vastly increased volume of federal assistance to you in the enforcement of the law, but always retaining in you the administration of the program, the selection of the personnel, and all of the local administrative authority and responsibility. Now when I say retaining that responsibility at the local level, I mean to include the state as well as the federal government. But I believe that it has been a mistake for the Congress pursuant to certain political pressures to which we were subjected—to put the administration of the Omnibus Crime and Safe Streets Bill in the state authorities and so that every community and county in order to participate in that program has to go through the state level. I think it would be a far better program, I think we'd get better results, it would be more effective, if the federal government in its program assistance had dealt directly with you sheriffs and with police officers rather than have to deal with and through the states. (Applause)

Now I realize also that it is discouraging to the law enforcement officer to go out and arrest a suspect and then find no court available for a year to try him. That's why the bail bond problem becomes more acute. If the accused is going to be out of jail a year on bond (if you're going to keep him in jail, the public has got to pay the expense of it and that is a considerable amount, provision has to be made for facilities where he may be detained)—then during the time that he's out in order to pay the bondsman or maybe to pay his lawyer as you so well know, he often has to go out and rob some other places of business or to burglarize some more in order to get the money; if he's an addict, why he has to have the money to supply his addiction needs. I know in a lot of places the police officer says, "Why keep on arresting them and piling them up when they can't try them; there are not enough district attorneys or assistant district attorneys' we don't have enough jails to keep them in; we don't have enough judges to try them; we don't have enough grand juries to get through the indictment and the like." And I can well understand the discouragement of you law enforcement officers when you try to do your job and bring the person arrested in to the prosecuting process and the rest of the machinery is too obsolete, in some way or other too inadequate to do the effective job that the public is entitled to have it do. So we are going to be working with the new Chief Justice and the old Chief Justice. The old Chief Justice, Chief Justice Warren is going to be part of a program that has been presided over by former Justice Clark in which they are trying to reform the judicial procedure of the country. The new Chief Justice, Chief Justice Burger, said the other day that in many respects the judicial administration belongs to the last century, that we lawyers and judges haven't caught up with modern demands, that we haven't developed modern techniques the way you've tried to develop them in the detection of crime through your several offices. So, we're going to work with the judges, the judicial conferences, with the American Bar Association's Criminal Law Committee, and with other public spirited people all over the country to try to insure an effective federal court system, and by example and by such assistance as we can provide to enable the state and the local courts to do a better job in the administration of justice and in the effective enforcement of the laws of this land.

Now, as I said, we're not claiming to know everything—we don't know very much—we're going to try to profit by the knowledge that has already been accumulated; we're going to come into many of your counties or where you are in the city—and by the way they tell me that rural crime is rising at perhaps even a little greater rate than urban—and we're going to come in and the sheriff is going to be one of the people that we're going to ask to come and tell us what are your problems and what more can we do than is being done? We want to know how this federal law enforcement assistance act that is now the law of the land is operating, what changes should be made in it or whether giving you more money well help you do a better job or what else can we do by way of coordination. I'm hoping that our Committee can be a mobilizing committee of all of the agencies and all of the people of this country, official and private, who want to do a better job in law enforcement, give a better safeguard and protection to the people of this country because the people as you know

are riled up about it—it was the main issue in the last Presidential campaign, it's apparently a principal issue in the mayoralty campaign in New York City now, it was the main issue in our recent senatorial campaign, and in any other campaign today people want to know what can be done to be safer in their homes and on their streets and on their highways and in their places of business and their offices.

Now, this is a difficult problem, and you can't do it as some would like to have you do it—by just having you people go out and shoot more people and beat more people over the head. You know that there are deeper problems than that. You've got to be protected in doing an effective job; the criminal has got to know that the officer is his master, and if he insists on resorting to violence that he'll come out on the worst end of the deal; but at the same time you have to wrestle with problems of ignorance and poverty and unemployment and all sorts of conditions that are not wholesome, and those too cannot escape the concern and the conscience of our study.

So, in a way, I'm very happy to be able to have the privilege of working with you. It sort of makes me feel good again to know that I'm working with sheriffs. I want any of you or any of those with whom you work to feel free, any time you want to, to contact our Committee or offer us any suggestions. Mr. Lucas was kind enough to come over and have a little talk with me in my office the other day in Washington, and he has assured us of your cooperation, Mr. President, and you—and by the way, I'm mighty proud that my good friend, Bob here, Bob Boyer, is going to be your successor, I believe; he's one of my old friends. I'm very proud of that—he's been my friend for a long time. Incidentally, this has been a most refreshing conference. Last night you were kind enough to have my friend and me to your reception in your hospitality room, and to see the very delightful show we saw last evening; but the best part of it all was getting to see a lot of old friends. Shag Thompson here has been a sheriff in Florida for 28 years. I knew him back in the days when he was riding a motorcycle in the highway patrol and we've been friends through all those intervening years. One good sheriff of Taylor County, Maurice Linton, walked up to me. He's considerably larger and stouter than he was then and we recalled that he was in my Sunday School class and in my Boy Scout troop when I was practicing law over at Perry, Florida, between 1925 and 1930. And all over this convention I've met dear old friends. The sheriffs of this state have been my friends, and I, to the best of my ability, have been their friend; I'm proud to be the friend of men as dedicated as you are. Mr. President, I appreciate the privilege of being here with you today. Thank you for your many kindnesses and courtesies. I look forward to continuing to work with you in the months and perhaps the years ahead. Thank you very much. (Applause)

A Pulitzer Prize winning reporter, a former New York City police sergeant knowledgeable about organized crime and the administrators of the Department of Justice's Law Enforcement Assistance Administration are among the witnesses scheduled June 24–26 by the House Select Committee on Crime in its second week of executive briefing sessions. The hearings will all begin at 3 p.m.

The schedule of appearances announced by Chairman Claude Pepper are:

Tuesday, June 24.—Howard James, Chief of the Christian Science Monitor's midwest News Bureau (Chicago) who won the 1968 Pulitzer Prize for national reporting for a series entitled "Crisis in the Courts." James recently completed a published series on the juvenile correctional system.

Robert Kutak, 36, Omaha, Nebraska, attorney and former Administrative Assistant to Sen. Roman L. Hruska and Vice-Chairman of the Nebraska Governor's Commission on Crime. Kutak, active in state and local efforts to establish prisoner rehabilitation programs, participated in the drafting of the Federal Amendment to the Criminal Justice Act of 1964 and the Appellate Review of Sentencing Act.

Wednesday, June 25.—John Ingersoll, Director of the Bureau of Narcotics and Dangerous Drugs, and former Chief of Police of Charlotte, N.C. While police chief, he was recognized as one of the brightest of the young law enforcement officers in the country.

Ralph Salerno, retired New York City Police Sergeant knowledgeable on the subject of organized crime.

Thursday, June 26.—Charles Rogovin, Administrator of the Law Enforcement Assistance Administration and Associate Administrator Richard W. Velde.

Rogovin, 38, was Assistant Director of the President's Commission on Law Enforcement and Administration of Justice and head of the Organized Crime Task Force report issued by the Commission. As Assistant Attorney General of Massachusetts, 1967 to March, 1969, he served as Chief of the Criminal Division and later head on the Organized Crime Division. He was an Assistant District Attorney and later Chief Assistant District Attorney for the City of Philadelphia for the years 1960–66.

Velde, 37, former Minority Counsel to the Senate Judiciary's Subcommittee on Criminal Law, was appointed Associate Administrator of LEAA in March of this year. He was a former Attorney Advisor in the General Counsel's office of the Housing and Home Finance Agency and from 1958–60 served as Legislative Assistant to Congressman Robert Michel.

The House Select Committee on Crime will hold the second in a continuing series of executive briefing sessions tomorrow, June 19, in Hearing Room 433, Cannon House Office Building.

Scheduled as witnesses are Patrick V. Murphy, 49, Director of the Urban Institute's Public Order and Safety Studies, and the former Director of Public Safety for the District of Columbia. Appearing with Murphy will be Gerald M. Caplan, 31, Senior Staff Member of the Urban Institute.

On Tuesday, June 17, the Committee held a wide-ranging discussion with Henry S. Ruth, former Deputy Director of the President's Commission on Law Enforcement and Administration of Justice, and currently Director of the National Institute of Law Enforcement & Criminal Justice of the Department of Justice's Law Enforcement Assistance Administration. Among the topics discussed were juvenile crime and court procedures, the criminal justice system, and the responsibilities of local, state and federal agencies in efforts to combat crime.

Committee Chairman Claude Pepper said executive briefing sessions with representatives of public and private agencies and institutions will continue prior to the scheduling of Committee hearings in selected cities of the United States.

THE CITIZENS CRUSADE FOR CLEAN WATER

(Mr. DINGELL was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DINGELL. Mr. Speaker, 2 weeks ago a bipartisan group of our colleagues wrote the distinguished chairman of the Appropriations Committee concerning the 1970 budget request for the Clean Water Restoration Act of 1966. Our letter was offered in the spirit that Congress must address itself to the fact that an inadequate appropriation would seriously jeopardize water pollution control efforts by States and communities across the country.

The nature of this problem surfaced again a short time ago when major organizations, including labor unions, consumer and conservation groups and industry, formed a "citizens crusade for clean water." The organizations in the crusade have all pledged their support for a $1 billion appropriation for municipal sewage treatment works as being essential to clean water restoration. The fact that this unique coalition of often divergent organizations came together under a common banner testifies to the sincerity and depth of public concern. Others join them daily and under unanimous consent, I include in the RECORD a current listing of these organizations:

LIST OF ORGANIZATIONS

American Association of University Women.
AFL–CIO.
American Fisheries Society.
American Institute of Architects.
American Paper Institute.
Association of Interpretive Naturalists.
Citizens Committee on Natural Resources.
Consumer Federation of America.
Izaak Walton League of America.
Monsanto Biodize Systems, Monsanto Chemical.
National Association of Counties.
National Audubon Society.
National Fisheries Institute.
National Rifle Association.
National Wildlife Federation.
Society of American Foresters.
South Jersey Shellfishermans Association.
Sport Fishing Institute.
The American Forestry Association.
The Conservation Foundation.
The League of Women Voters of the United States.
The National Association of Soil and Water Conservation Districts.
The Sierra Club Society.
The Wilderness.
The American Institute of Planners.
The Wildlife Society.
Trout Unlimited.
United Auto Workers.
United Steelworkers of America.
U.S. Conference of City Health Officers.
U.S. Conference of Mayors.
Wildlife Management Institute.

For the information of my colleagues, I include at this point in the RECORD the text of two articles, one from the Washington Evening Star of June 9, 1969, and one from the Christian Science Monitor of June 12, 1969; a tabulation of the results of recent State water pollution control bond issue elections; and a tabulation of State entitlements under a $214 million appropriation for the Clean Water Restoration Act, grant funds requested on pending applications for sewage treatment works, and national needs for sewage treatment facilities on a State-by-State basis:

[From the Washington Evening Star, June 9, 1969]

$1 BILLION TO CLEAN UP WATER ASKED BY CITIZENS CRUSADE

(By Roberta Hornig)

A coalition of conservation and labor groups and state and local government officials today opened a campaign to put pressure on the Nixon administration to come up with the money needed to clean up the nation's water.

The "Citizens Crusade for Clean Water" will seek immediately to get Congress to appropriate $1 billion to help states and

municipalities build sewage treatment plants. This represents the dollar gap between what Congress said it would spend to combat water pollution when it passed a clean water act in 1966 and what it has appropriated.

The group already has sent a telegram to President Nixon, pleading for more funds for cleaner water.

MANDEL TO TESTIFY

Delegates from the group, which represents more than 35 organizations having a membership estimated at about 10 million, were appearing at a special hearing before the Senate subcommittee on public works.

Among those scheduled to testify was Maryland Gov. Marvin Mandel.

The coalition is made up of groups that often disagree, but have joined forces on the clean-water issue to galvanize public support.

PUT ASIDE DIFFERENCES

The committee's coordinator, J. W. Penfold, head of the Izaak Walton League of America, told a press conference:

"Our differences of objectives, programs, purposes, policies and procedures have all been put aside for the moment so as to join our voices in a single demand upon which we all agree."

The organizations represented include the AFL–CIO, American Fisheries Society, American Forestry Association, American Institute of Architects, Association of Interpretive Naturalists, Association of State and Interstate Water Pollution Control Administrators, Citizens Committee on Natural Resources, and Conservation Foundation.

Also, the Consumer Federation of America, Izaak Walton League, League of Women Voters, National Association of Counties, National Audubon Society, National League of Cities, National Wildlife Federation, Sierra Club, Sport Fishing Institute, United Auto Workers, U.S. Conference of City Health Officers, U.S. Conference of Mayors, United Steelworkers of America, Wilderness Society, Wildlife Management Institute, and Wildlife Society.

SUPPLY STAFF AID

Penfold said the coalition has no budget, but that each organization is providing some staff aid.

The Federal Water Pollution Control Act authorizes $1 billion to be spent for treatment-plant construction in fiscal 1970 alone. It begins July 1.

But in budgets proposed by both the Johnson and Nixon administration, only $214 million in spending was recommended.

Interior Secretary Walter J. Hickel, who is in charge of cleaning up the waters, made a special plea for $600 million, but got nowhere.

At today's press conference, a spokesman for the coalition released a tabulation by states showing that local governments have grant applications totaling $2.8 billion on file with the Federal Water Pollution Control Administration.

[From the Christian Science Monitor, June 12, 1969]

COALITION PROMOTES CLEAN WATER

(By Robert Cahn)

A new nationwide coalition of citizen groups organized to fight water pollution is making its presence felt in places that count.

Representing 35 organizations—with more joining every day—the Citizens Crusade for Clean Water has made its first goal getting some of the money due cities to help finance waste-treatment plants.

On June 6, citizen groups which represent more than 6 million people sent a telegram to President Nixon.

They urged the President to increase his 1970 budget request for waste-treatment construction from $214 million to the full congressional authorization of $1 billion.

On June 9, leaders of the crusade took their cause to the Senate public works appropriations subcommittee.

VARIETY OF INTERESTS

Now they are working in their communities, explaining the problem to citizens and urging that the pressure of public opinion be brought to bear on the President and on Congress through thousands of telegrams and letters.

The coalition is a mixture of groups that often are not on the same side of issues. Among organizations in the crusade are the AFL–CIO, United Automobile Workers, United Steelworkers of America, National Association of Counties, National League of Cities, United States Conference of Mayors, League of Women Voters of America, Wilderness Society, National Audubon Society, National Rifle Association, National Wildlife Federation, Conservation Foundation, Consumer Federation of America, Izaak Walton League, and Citizens Committee on Natural Resources.

In addition, several industrial corporations including Monsanto Chemical Company and the American Paper Institute are lending their support to the coalition.

The problem, which is being severely felt in delays for construction of waste-treatment plants in many cities, exists because of a growing money gap between what Congress has authorized, and what the administration recommends and what Congress appropriates.

The federal government, under the Clean Water Restoration Act of 1966 and later amendments, agreed to put up from 35 to 85 percent of construction funds for city sewage-disposal plant construction. In many cases, the city puts up 25 percent, the state matches with 25 percent, and the federal government puts up the remainder.

HUGE BACKLOG OF REQUESTS

As of March 31 this year, a backlog of $2.2 billion existed in requests from states on pending applications to the Federal Water Pollution Control Administration (FWPCA) for assistance.

The Johnson administration had requested only $214 million, and despite the urging of Interior Secretary Walter J. Hickel for $600 million, the Nixon administration's 1970 budget kept to the $214 million figure.

Meanwhile, 14 states that have been advancing the federal share to cities in anticipation of federal funding, are being left in difficult positions. At the present time these states, including New York, Connecticut, Massachusetts, Maine, Pennsylvania and Michigan, are out $635 million in these advances.

Miss Olga M. Madar, United Automobile Workers representative on the citizens crusade, explained the plight of her own state, Michigan.

"Last November, the people of Michigan, with a 70 percent 'yes' vote, passed a $335 bond issue for treatment abatement, Miss Madar said. "Legislation has just been enacted by the state as to how the money shall be appropriated. But under the present federal request totaling $214 million, Michigan would be allowed only a little over $7 million.

MOBILIZATION URGED

"This is the time to mobilize citizen support. The people are willing to pay for the pollution problem that has accumulated through no fault of their own.

"The UAW intends to work in all of our communities through political-action lines. We will be getting out the information to our membership, and asking them to exert pressure on the federal government.

"In testimony before the Senate Appropriations Committee, Maryland Gov. Marvin Mandel said that even though the state had set up a sanitary-facilities fund, so much money had to be advanced to cities that the fund would go broke early in fiscal 1970 unless federal appropriations were increased.

"If the reason for deferring construction of these plants is to save money, this is shortsighted," Governor Mandel said. "Costs are increasing about 15 percent a year. If we delay five years, the cost will be double."

The new citizens crusade was organized following a meeting last April of the Natural Resources Council of America, a society of major national and regional conservation organizations. The meeting had been briefed by David Dominick, new director of the Federal Water Pollution Control Administration, who had explained the shortage of federal funds and the effects on states and cities.

IDEA SPREADS QUICKLY

After the meeting, the executive committee of the resources council decided to look into the possibilities of forming a citizen coalition. The idea caught on, and by early June, 26 organizations had joined in the effort. The citizens crusade is being coordinated by Joseph W. Penfold.

The shortage of funds for water-pollution control is somewhat embarrasing to President Nixon, who has been stressing the urgency of cleaning up pollution, both before and after his election.

Mr. Nixon's own postelection task force on resources and the environment had been highly critical of funding for water pollution control.

"The gap between need and appropriations in the air and water pollution programs is critical and growing," the task force advised Mr. Nixon in its report.

"We attach the highest importance to these programs, and believe that adequate funding will remain a major key to their effectiveness," the report continued. "The annual uncertainty of appropriations of adequate funds for the cost share disrupts orderly local planning and financial arrangements and breeds distrust of the federal government."

RESULTS OF STATE WATER POLLUTION CONTROL BOND ISSUE ELECTIONS, 1964–69

Election year and State	Program magnitude in millions	Vote		Pass/Fail	Percent "Yes" vote*
1964: Maine	$25	Yes	222,242	Passed	73.2
		No	81,469		
1965: New York	1,000	Yes	3,373,700	...do	82.4
		No	718,398		
1967:					
Pennsylvania [1]	100	Yes	1,163,779	...do	63.2
		No	677,808		
Rhode Island	12	Yes	16,461	...do	56.9
		No	12,439		
1968:					
Illinois [2]	400	Yes	1,656,000	Failed	57.6
		No	1,216,847		
Michigan [3]	335	Yes	1,906,385	Passed	70.5
		No	796,079		
Ohio [4]	100	Yes	1,732,512	...do	52.7
		No	1,550,759		

See footnotes at end of table.

RESULTS OF STATE WATER POLLUTION CONTROL BOND ISSUE ELECTIONS, 1694-69—Continued

Election year and State	Program magnitude in millions	Vote		Pass/Fail	"Yes" Percent vote*
Washington	25	Yes	845,372	Passed	75.4
		No	276,161		
Wisconsin [5]	144	Yes	808,393	do	58.9
		No	569,850		
Average					65.6

FORTHCOMING STATE WATER POLLUTION CONTROL BOND ISSUE ELECTIONS

1969: Maine [6]	$50.0
1969:	
New Jersey [7]	$190.6
New Jersey [8]	222.0
Oregon [9]	[10] 150.0

*The percentage "yes" vote is the percentage of "yes" to total "yes" and "no" votes. These figures do not include the "blank" vote.

[1] Pennsylvania's issue totaled $500,000,000 of which $100,000,000 was for water pollution, $150,000,000 for acid mine drainage, $200,000,000 for "elimination of land and water scars created by past coal mining practices," $25,000,000 for air pollution, and $25,000,000 for abandoned mines.

[2] Illinois' issue totaled $1,000,000,000, of which $400,000,000 was for water pollution control. Despite a majority of "yes" votes, the bond proposal failed due to an Illinois law which requires a "smiple majority of votes cast for all state legislature candidates" to pass.

[3] Michigan's bond proposal totaled $335,000,000 which was divided into 2 parts: $285,000,000 for sewage treatment, and $50,000,000 for new sewage collection systems.

[4] Ohio's bond proposal totaled $120,000,000 which was divided into 2 parts: $100,000,000 for sewage and water treatment, and $20,000,000 for water management.

[5] Wisconsin's proposal was for $200,000,000 and included $56,000,000 for recreation land acquisitions.

[6] On Mar. 5, 1969, the Maine Legislature placed on the November 1970 state ballot a referendum on a proposed $50,000,000 bond issue for construction of pollution abatement facilities.

[7] In January 1969 the New Jersey Legislature placed on the November 1969 State ballot a referendum on a proposed $190,000,000 bond issue for expandng public sewage facilities to eliminate pollution of surface waters.

[8] In April 1969 the New Jersey Legislature placed on the November 1969 State ballot a 2d referendum on a proposed $222,000,000 bond issue for controlling and eliminating pollution of tidal and surface waters.

[9] In April 1969 the Oregon Legislature placed on the November 1969 State ballot a referendum on a proposed $200,000,000 bond issue.

[10] Approximate.

Note. In 1967 the Connecticut Legislature approved a $150,000,000 bond issue for water pollution control. The legislature completed action on this proposal; there was no referendum by the voters. The Connecticut Senate voted unanimously in favor of the bill; there were 5 "No" votes in the House.

The New Hampshire General Court is now considering the State's House Bill No. 162 "to aid municipalities for water pollution control * * *." The total sum considered is $2,039,000: $1,029,000 for the fiscal year ending June 30, 1970, and $1,010,000 for the fiscal year ending June 30, 1971. There will be no referendum by the voters.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. HOSMER, for July 1 and 2, on account of illness in the family.

Mr. STANTON (at the request of Mr. GERALD R. FORD), for July 1, 1969, and the balance of the week, on account of death in his family.

Mr. CAHILL (at the request of Mr. GERALD R. FORD), for the week of June 30, on account of critical illness in family.

Mr. LIPSCOMB (at the request of Mr. GERALD R. FORD), for this week, on account of the death of his father.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special order heretofore entered, was granted to:

Mr. FISHER, for 15 minutes, today, to revise and extend his remarks and include extraneous matter.

(The following Members (at the request of Mr. KYL) to revise and extend their remarks and include extraneous matter:)

Mr. HALPERN, for 15 minutes, today.

Mr. HOGAN, for 1 hour, on July 1.

Mr. GONZALEZ (at the request of Mr. STOKES), for 15 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. SIKES in five instances and to include extraneous matter.

Mr. EDMONDSON in two instances and to include extraneous matter.

Mr. MILLER of California in five instances and to include extraneous matter.

Mr. MCCORMACK (at the request of Mr. ALBERT) in the body of the RECORD and to include extraneous matter.

Mr. MADDEN in two instances and to include extraneous matter.

Mr. MURPHY of New York to extend his remarks and to include extraneous matter in the Committee of the Whole, today.

Mr. COLMER to revise and extend his remarks made today.

Mr. PHILBIN in seven instances and to include extraneous material.

(The following Members (at the request of Mr. KYL) and to include extraneous matter:)

Mr. HASTINGS.
Mr. CONTE.
Mr. BOW in two instances.
Mr. PELLY.
Mr. BROYHILL of Virginia in three instances.
Mr. LLOYD in three instances.
Mr. COWGER in two instances.
Mr. MORSE in four instances.
Mr. WYMAN in three instances.
Mr. HOGAN in three instances.
Mr. ZWACH.
Mr. SHRIVER.
Mr. DELLENBACK.
Mr. POLLOCK.
Mr. GUBSER in two instances.
Mr. SCHADEBERG.
Mr. STEIGER of Wisconsin in three instances.
Mr. REID of New York.
Mr. MESKILL.
Mr. NELSEN.
Mr. SPRINGER.
Mr. HOSMER in three instances.
Mr. DERWINSKI in two instances.
Mr. LUKENS.
Mrs. DWYER in six instances.
Mr. BUSH in three instances.
Mr. BRAY in three instances.
Mr. KEITH in two instances.
Mr. DON H. CLAUSEN.
Mr. FULTON of Pennsylvania in two instances.

(The following Members (at the request of Mr. STOKES) and to include extraneous matter:)

Mr. EILBERG in three instances.
Mr. CORMAN.
Mr. BARING in two instances.
Mrs. GRIFFITHS.
Mr. DINGELL in two instances.
Mr. FISHER in three instances.
Mr. CHARLES H. WILSON.
Mr. FOLEY.
Mr. EDWARDS of Louisiana.
Mr. RARICK in four instances.
Mr. O'HARA.
Mr. WILLIAM D. FORD.
Mr. KYROS.
Mr. PREYER of North Carolina in two instances.
Mr. ROONEY of New York.
Mr. BURTON of California.
Mr. FRASER.
Mrs. SULLIVAN in three instances.
Mr. MURPHY of New York.
Mr. MACDONALD of Massachusetts in two instances.
Mr. BINGHAM in two instances.
Mr. HANNA.
Mr. OLSEN in two instances.
Mr. HATHAWAY in two instances.
Mr. BLATNIK in two instances.
Mr. MATSUNAGA.
Mr. MOORHEAD in three instances.
Mr. LONG of Maryland.
Mrs. CHISHOLM.
Mr. RODINO in two instances.
Mr. COHELAN in two instances.
Mr. ABBITT.
Mr. REES.
Mrs. HANSEN of Washington in two instances.
Mr. BRASCO.
Mr. DIGGS.
Mr. HAGAN in three instances.

ENROLLED BILLS SIGNED

Mr. FRIEDEL, from the Committee on House Administration, reported that that commitee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 4297. An act to amend the act of November 8, 1966; and

H.R. 8644. An act to make permanent the existing temporary suspension of duty on crude chicory roots.

SENATE ENROLLED JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to an enrolled joint resolution of the Senate of the following title:

S.J. Res. 122. Joint resolution to provide for a temporary extension of the authority conferred by the Export Control Act of 1949.

BILLS PRESENTED TO THE PRESIDENT

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H.R. 265. An act to amend section 502 of the Merchant Marine Act, 1936, relating to construction-differential subsidies;

H.R. 4229. An act to continue for a temporary period the existing suspension of duty on heptanoic acid, and to continue for 1 month the existing rates of withholding of income tax; and

H.R. 4297. An act to amend the act of November 8, 1966.

ADJOURNMENT

Mr. STOKES. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 57 minutes p.m.), the House adjourned until tomorrow, Tuesday, July 1, 1969, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

897. A letter from the Chairman, U.S. Advisory Commission on Information, transmitting the 24th annual report of the Commission, pursuant to the provisions of section 603 of Public Law 402 (80th Congress) (H. Doc. No. 133); to the Committee on Foreign Affairs and ordered to be printed.

898. A letter from the Assistant Secretary of the Interior, transmitting certification that an adequate soil survey and land classification has been made of the lands in the first phase, lower Teton division, Teton Basin project, and that the lands to be irrigated are susceptible to the production of agricultural crops by means of irrigation, pursuant to the provisions of the Interior Department Appropriation Act for the fiscal year ending June 30, 1954; to the Committee on Appropriations.

899. A letter from the Assistant Administrator for Program and Policy, Agency for International Development, Department of State, transmitting a report comparing the fiscal year 1968 economic assistance program as presented to Congress with the actual program implemented during the fiscal year, pursuant to the provisions of section 634(d) of the Foreign Assistance Act of 1961, as amended; to the Committee on Foreign Affairs.

900. A letter from the Comptroller General of the United States, transmitting a report on the opportunity for savings if the Government follows the practice of many private businesses and consolidates its small freight shipments, Department of Defense, General Services Administration; to the Committee on Government Operations.

901. A letter from the Attorney General, transmitting a draft of proposed legislation to amend the Voting Rights Act of 1965, and for other purposes; to the Committee on the Judiciary.

902. A letter from the Counsel to the Pacific Tropical Botanical Garden, transmitting a report of the audit of the Corporation for calendar year 1968, pursuant to the provisions of section 10(b) of Public Law 88-449; to the Committee on the Judiciary.

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. ASPINALL: Committee of conference. Conference report on S. 1011 (Rept. No. 91-333). Ordered to be printed.

Mr. HALEY: Committee on Interior and Insular Affairs. H.R. 671. A bill to compensate the Indians of California for the value of land erroneously used as an offset in a judgment against the United States obtained by said Indians (Rept. No. 91-334). Referred to the Committee of the Whole House on the State of the Union.

Mr. STAGGERS: Committee on Interstate and Foreign Commerce. H.R. 10987. A bill to amend the National Commission on Product Safety Act in order to extend the life of the Commission so that it may complete its assigned tasks (Rept. No. 91-335). Referred to the Committee of the Whole House on the State of the Union.

Mr. FALLON: Committee on Public Works. H.R. 4018. A bill to provide for the renewal and extenson of certain sections of the Appalachian Regional Development Act of 1965; with amendment (Rept. No. 91-336). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ANDREWS of North Dakota:

H.R. 12498. A bill to amend the Public Health Service Act so as to add to such act a new title dealing especially with kidney disease and kidney-related diseases; to the Committee on Interstate and Foreign Commerce.

By Mr. BLACKBURN:

H.R. 12499. A bill to provide for improved employee-management relations in the postal service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. BROWN of California (for himself, Mr. ANDERSON of California, Mr. BINGHAM, Mr. BUTTON, Mrs. CHISHOLM, Mr. CLAY, Mr. CONYERS, Mr. CORMAN, Mr. DIGGS, Mr. EDWARDS of California, Mr. FRIEDEL, Mr. HAWKINS, Mr. KOCH, Mr. LEGGETT, Mr. LOWENSTEIN, Mr. MIKVA, Mr. PEPPER, Mr. PETTIS, Mr. PODELL, Mr. POWELL, Mr. REES, Mr. ROYBAL, Mr. RYAN, and Mr. CHARLES H. WILSON):

H.R. 12500. A bill to provide that the membership of local selective service boards reflect the ethnic and economic nature of the areas served by such boards; to the Committee on Armed Services.

By Mr. COWGER:

H.R. 12501. A bill to amend the Communications Act of 1934 so as to prohibit the granting of authority to broadcast pay television programs; to the Committee on Interstate and Foreign Commerce.

By Mr. DAVIS of Georgia:

H.R. 12502. A bill to revise the laws relating to post offices and post roads, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. DIGGS:

H.R. 12503. A bill to amend the Fish and Wildlife Coordination Act to provide for the establishment of a Council on Environmental Quality, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. EILBERG (for himself, Mr. ANDREWS of Alabama, Mr. BARRETT, Mr. BUCHANAN, Mr. BYRNE of Pennsylvania, Mr. CASEY, Mr. CLARK, Mr. COUGHLIN, Mr. DICKINSON, Mr. EDWARDS of Alabama, Mr. ESHLEMAN, Mr. FLOWERS, Mr. FOUNTAIN, Mr. GREEN of Pennsylvania, Mr. NICHOLS, Mr. NIX, Mr. WHALLEY, Mr. WRIGHT, Mr. MORGAN, and Mr. MACDONALD of Massachusetts):

H.R. 12504. A bill to incorporate the Historic Naval Ships Association; to the Committee on the Judiciary.

By Mr. FLOWERS:

H.R. 12505. A bill to provide for orderly trade in textile articles; to the Committee on Ways and Means.

By Mr. FULTON of Tennessee:

H.R. 12506. A bill to amend the Fish and Wildlife Coordination Act to provide for the establishment of a Council on Environmental Quality, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. GRAY:

H.R. 12507. A bill to amend the Fish and Wildlife Coordination Act to provide for the establishment of a Council on Environmental Quality, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. GUBSER:

H.R. 12508. A bill to reclassify certain positions in the postal field service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. HORTON:

H.R. 12509. A bill to reclassify certain key positions in the postal field service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. JARMAN:

H.R. 12510. A bill to amend the Communications Act of 1934 to establish orderly procedures for the consideration of applications for renewal of broadcast licenses; to the Committee on Interstate and Foreign Commerce.

By Mr. KARTH:

H.R. 12511. A bill to amend the Fish and Wildlife Coordination Act to provide for the establishment of a Council on Environmental Quality, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. KASTENMEIER:

H.R. 12512. A bill to amend the Atomic Energy Act of 1954 to make it clear that, in its agreement with a State for the control of radiation hazards from nuclear byproduct materials or other nuclear materials, the Atomic Energy Commission shall permit such State to impose standards which are more restrictive than its own standards for the regulation of such materials; to the Joint Committee on Atomic Energy.

By Mr. LENNON (for himself, Mr. HENDERSON, Mr. FOUNTAIN, Mr. TAYLOR, Mr. PREYER of North Carolina, Mr. GALIFIANAKIS, Mr. BROYHILL of North Carolina, Mr. MIZELL and Mr. RUTH):

H.R. 12513. A bill to incorporate the Historic Naval Ships Association; to the Committee on the Judiciary.

By Mr. MICHEL:

H.R. 12514. A bill to amend the Internal Revenue Code of 1954 to encourage higher education, and particularly the private funding thereof, by authorizing a deduction from gross income of reasonable amounts contributed to a qualified higher education fund established by the taxpayer for the purpose of funding the higher education of his dependents; to the Committee on Ways and Means.

By Mr. O'NEILL of Massachusetts (for himself, Mr. BOLAND, Mr. BURKE of Massachusetts, Mr. CONTE, Mr. DONOHUE, Mrs. HECKLER of Massachusetts, Mr. KEITH, Mr. MACDONALD of Massachusetts, Mr. MORSE, and Mr. PHILBIN):

H.R. 12515. A bill to incorporate the Historic Naval Ships Association; to the Committee on the Judiciary.

By Mr. PODELL:

H.R. 12516. A bill to amend the Military Selective Service Act of 1967 to provide for a fair and random system of selecting persons for induction into military service, to provide for the uniform application of selective service policies, to raise the incidence of volunteers in military service, and for other purposes; to the Committee on Armed Services.

By Mr. PURCELL:

H.R. 12517. A bill to amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes; to the Committee on Agriculture.

By Mr. QUILLEN:

H.R. 12518. A bill to prohibit the dissemination through interstate commerce or the mails of materials harmful to persons under the age of 16 years, to restrict the exhibition of movies or other presentations harmful to such persons, and for other purposes; to the Committee on the Judiciary.

H.R. 12519. A bill to prohibit the use of interstate facilities, including the mails, for the transportation of certain materials to minors; to the Committee on the Judiciary.

H.R. 12520. A bill to prohibit the use of interstate facilities, including the mails, for the transportation of salacious advertising; to the Committee on the Judiciary.

By Mr. RANDALL:

H.R. 12521. A bill to provide for orderly trade in footwear; to the Committee on Ways and Means.

By Mr. RIEGLE:

H.R. 12522. A bill to amend title 39, United States Code, to provide an established workweek, a new system of overtime compensation for postal field service employees, and for other purposes; to the Committee on Post Office and Civil Service.

H.R. 12523. A bill to amend chapter 89 of title 5, United States Code, relating to enrollment charges for Federal employees' health benefits; to the Committee on Post Office and Civil Service.

By Mr. BLANTON:

H.R. 12524. A bill to end discrimination in the availability of Federal crop insurance; to the Committee on Agriculture.

By Mr. BLATNIK:

H.R. 12525. A bill to amend the Fish and Wildlife Coordination Act to provide for the establishment of a Council on Environmental Quality, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. BOGGS:

H.R. 12526. A bill to amend the Public Health Service Act so as to add to such act a new title dealing especially with kidney disease and kidney-related diseases; to the Committee on Interstate and Foreign Commerce.

By Mr. CONTE:

H.R. 12527. A bill to amend the Fish and Wildlife Coordination Act to provide for the establishment of a Council on Environmental Quality, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. EDWARDS of Louisiana:

H.R. 12528. A bill to reclassify certain positions in the postal field service, and for other purposes; to the Committee on Post Office and Civil Service.

H.R. 12529. A bill to modernize the U.S. Postal Establishment, to provide for efficient and economical postal service to the public, to improve postal employee-management relations, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. GREEN of Pennsylvania (for himself and Mr. CONABLE):

H.R. 12530. A bill to make specific provisions for mounted ball and roller bearings in the tariff schedules of the United States; to the Committee on Ways and Means.

By Mr. LLOYD:

H.R. 12531. A bill to limit the period of time during which appropriations are authorized to carry out the purposes of the U.S. Information and Educational Exchange Act of 1948; to the Committee on Foreign Affairs.

By Mr. MESKILL:

H.R. 12532. A bill to incorporate the Catholic War Veterans of the United States of America; to the Committee on the Judiciary.

By Mr. REID of New York:

H.R. 12533. A bill to provide improved judicial machinery for the selection of juries, to further promote equal employment opportunities of American workers, to authorize appropriations for the Civil Rights Commission, to extend the Voting Rights Act of 1965 with respect to the discriminatory use of tests and devices, and for other purposes; to the Committee on the Judiciary.

By Mr. RONAN:

H.R. 12534. A bill to amend section 1102 of the Federal Aviation Act of 1958 to safeguard American citizens from racial and religious discrimination, and for other purposes; to the Committee on Interstate ond Foreign Commerce.

By Mr. WHITE:

H.R. 12535. A bill to authorize the Secretary of the Army to release certain restrictions on a tract of land heretofore conveyed to the State of Texas in order that such land may be used for the city of El Paso North-South Freeway; to the Committee on Armed Services.

By Mr. WYMAN:

H.R. 12536. A bill to amend title II of the Social Security Act to provide a 10-percent, across-the-board increase in the benefits payable thereunder, with subsequent cost-of-living increases in such benefits, and to amend the Internal Revenue Code of 1954 to provide for cost-of-living adjustments in social security taxes in order to assure continuing financing for such increases in benefits; to the Committee on Ways and Means.

By Mr. HAGAN:

H.R. 12537. A bill to amend title 18, United States Code, to prohibit the dissemination through interstate commerce or the mails of obscene materials to persons under the age of 18 years, to restrict the exhibition of movies or other obscene matter to such persons, to prohibit the sale of mailing lists used to disseminate by mail obscene materials to such persons, and for other purposes; to the Committee on the Judiciary.

By Mr. OLSEN (for himself, Mr. CORBETT, Mr. DANIELS of New Jersey, Mr. NIX, Mr. CHARLES H. WILSON, Mr. BRASCO, Mr. TIERNAN, Mr. JOHNSON of Pennsylvania, Mr. BUTTON, and Mr. HOGAN):

H.R. 12538. A bill to provide emergency salary adjustments for certain employees in the postal field service to offset the increase in the cost-of-living index; to the Committee on Post Office and Civil Service.

By Mr. POLLOCK:

H.R. 12539. A bill to authorize the Secretary of Transportation to lease the dock facilities of the Alaska Railroad in Seward, Alaska, to the city of Seward; to the Committee on Interior and Insular Affairs.

By Mr. TEAGUE of California:

H.R. 12540. A bill to amend the Federal Water Pollution Control Act as amended; to the Committee on Merchant Marine and Fisheries.

H.R. 12541. A bill to terminate Naval Petroleum Reserve No. 1, to establish certain submerged lands under the Santa Barbara Channel as Naval Petroleum Reserve No. 5, and for other purposes; to the Committee on Armed Services.

By Mr. FULTON of Pennsylvania:

H.J. Res. 800. Joint resolution to authorize the President to award appropriate medals honoring those astronauts whose particular efforts and contributions to the welfare of the Nation and of mankind have been exceptionally meritorious; to the Committee on Science and Astronautics.

By Mr. PUCINSKI:

H.J. Res. 801. Joint resolution proposing an amendment to the Constitution of the United States relative to equal rights for men and women; to the Committee on the Judiciary.

By Mr. SCHWENGEL:

H. Con. Res. 297. Concurrent resolution providing for the Secretary of Transportation to make an investigation of potential rail transportation over existing lines and rights-of-way for passenger and mail transportation in the United States; to the Committee on Interstate and Foreign Commerce.

By Mr. FULTON of Pennsylvania:

H. Res. 458. Resolution urging the President to resubmit to the Senate for ratification the Geneva Protocol of 1925 banning the first use of gas and bacteriological warfare; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 4 of rule XXII memorials were presented and referred as follows:

231. By the SPEAKER: Memorial of the Legislature of the Commonwealth of Massachusetts, relative to assistance to the fishing industry; to the Committee on Merchant Marine and Fisheries.

232. Also, memorial of the Legislature of the State of Texas, relative to taxation of State and local government securities; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BELL of California:

H.R. 12542. A bill for the relief of Miss Nguyen Thi Bong; to the Committee on the Judiciary.

By Mr. DONOHUE:

H.R. 12543. A bill for the relief of Antonio Corapi; to the Committee on the Judiciary.

By Mr. FALLON:

H.R. 12544. A bill for the relief of Calogero (Lillo) Ciaccio; to the Committee on the Judiciary.

By Mr. HOGAN:

H.R. 12545. A bill for the relief of William E. Parrish; to the Committee on the Judiciary.

By Mr. NIX:

H.R. 12546. A bill for the relief of George J. Katsoros; to the Committee on the Judiciary.

By Mr. WOLD:

H.R. 12547. A bill for the relief of Robert L. Miller and Mildred M. Miller; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

159. By the SPEAKER: Petition of Henry Stoner, York, Pa., relative to a memorial to the late Jacob S. Coxey; to the Committee on Interior and Insular Affairs.

160. Also, petition of Roger S. Bandy, Decatur, Ill., relative to redress of grievances; to the Committee on the Judiciary.

161. Also, petition of the City Council, Danville, Va., relative to taxation of State and local government securities; to the Committee on Ways and Means.