Taylor, William R., 3180030.
Tedrow, Floyd K., 3181194.
Teilborg, Edwin R., 3180219.
Tencza, Joseph J., Jr., 3189796.
Teske, John A, 3181535.
Thibodo, Micheal T., 3191515.
Thomas, Bredette C., Jr., 3162559.
Thompson, Elmer L, 3178959.
Thompson, Harvey L., 3198957.
Thompson, Kenneth A., 3190634.
Thompson, Robert W., 3181734.
Thornton, Philip E., 3182039.
Tidwell, Herbert A., 3180695.
Tilley, Marshall D., 3189917.
Tillotson, Dennis A., 3192735.
Tompkins, James S., 3180666.
Toscano, James P., 3191292.
Toth, Paul J., 3198959.
Toucey, Richard M., Jr., 3192628.
Townsend, James N, 3182728.
Tradelius, Paul C., 3175519.
Trease, Kenneth R., 3182650.
Treger, Herbert L., 3181430.
Tucker, William L., 3181926.
Turner, Thomas M., 3192736.
Turner, William G., 3193289.
Ulery, Robert R., 3180308.
Unckrich, William F., 3182569.
Updyke, Junius E., 3180606.
Vance, William A., 3178100.
Vance, William G., 3191803.
Vanetten, Peter, 3180679.
Vanhorn, William P., 3180485.
Vanmierlo, Ronald L., 3173805.
Vanovermeiren, Gary F., 3180740.
Vanuk, Daniel A., 3191451.
Vanzandt, James R., 3180364.
Vanzee, Lloyd E., 3181239.
Varela, Charles D., 3177899.
Varner, Stuart M., 3170698.
Vaught, Johnnie L., 3189422.
Veltrie, Gerry L., 3178110.
Venezia Robert A., 3171844.
Venturi, Richard R., 3191020.
Vestal, Howard L., Jr., 3180694.
Villand, Salvatore, Jr., 3180956.
Villarreal, Lorenzo, II, 3180324.
Vincent, Robert K., 3154510.
Voigtmann, Fredrick N., 3181180.
Wachsmuth, Armin A., 3172435.
Waddell, Castner R., 3180634.
Waddell, Earl R., III, 3180663.
Wahineokai, Wayne W., 3189102.
Wait, Dwight R., 3172437.
Waldman, Albert C., III, 3180014.
Walentas, Peter, 3199077.
Wales, Edwin A., 3181422.
Walker, Eddie, 3177849.
Walker, John M., 3180664.
Walker, Thomas W., 3181277.
Walker, Tommy L., 3181244.
Wallace, Richard C., 3181520.
Walsh, Brian M., 3180152.
Ware, Russell L., 3198964.
Warner, John C., 3182311.
Warner, Paul H., 3180155.
Warren, Lee M., 3178488.
Waters, George H., 3199079.
Weatherford, Smiley W., Jr., 3188971.
Webb, James H., 3181141.
Weber, Robert J., 3181602.
Webster, Russell C., 3180967.
Weekes, Wallace C., 3190713.
Wege, Ralph, 3177900.
Wegner, Lavern J., 3190714.
Weiglein, Arthur J., 3181276.
Weirtz, Dean E., 3191982.
Weisert, Donald H., 3180212.
Weissmuller, John M., 3190854.
Wellington, John R., 3182471.
Wells, Frank H., 3198966.
Wendlandt, Richard T., 3192317.
Wentworth, Douglas L., 3192171.
West, Lloyd A., 3181981.
Whisnant, Cleatus G., 3191359.
White, James E., 3174876.
White, Phillip W., 3177226.
Whitehead, Darell R., 3180836.
Whiting, Frank T., Jr., 3198970.
Whiting, John H., 3193229.
Whittaker, Jonathan W., 3191882.
Whitten, Frederick C., 3181644.
Wiater, Paul H., 3190962.
Wick, Chad P., 3181455.
Wier, Harvey D., Jr., 3193678.
Wilburn, Sammy F., 3192958.
Williams, Farl W., 3199006.
Williams, Fred R., 3180600.
Williams, George M., Jr., 3180528.
Williams, Hamilton, Jr., 3180238.
Williams, Ralph R., 3178317.
Williams, Wynne P., 3190427.
Williamson, Robert J., 3178004.
Wilson, Francis M., 3181637.
Wilson, James R., 3192740.
Wilson, Lawrence F., 3180017.
Windingstad, Ronald M., 3181784.
Windsor, Walter L., Jr., 3172533.
Wingfield, Kieth A., 3162356.
Winston, John M., 3181563.
Wisniewski, John W., 3178404.
Witty, Jack L., 3180723.
Wojcik, Michael R., 3193716.
Wolcott, David T., 3178405.
Wood, James D., 3177348.
Woodcock, Donald L., 3199008.
Woodham, John H., 3170767.
Woods, Robert S., 3193562.
Wooster, Larry M., 3193511.
Wootten, Ronald L., 3181676.
Worcester, Robert H., 3180960.
Worrell, Kenneth E., 3191362.
Worthington, Douglas K., 3180720.
Worthington, John A., 3182434.
Wray, David W., 3180959.
Wray, James C., 3180900.
Wright, Donald J., 3190381.
Wright, Karen S., 3181453.
Wright, Ralph E., 3182383.
Wright, Stephen A., 3180687.
Wyttenbach, Barry D., 3190636.
Yamamoto, James T., 3172024.
Yeager, John G., 3181948.
Yock, Edward J., 3173557.
Young, James A., 3198972.
Zajicek, Thomas P., 3179920.
Zaretsky, Harris, 3180684.
Zeigler, Jacob H., III, 3192636.
Zick, Marvin N., 3182454.
Ziegler, Randall K., 3180699.
Zielie, Paul A., 3198973.
Zimmerman, Myron P., 3182507.
Zimney, Raymond A., 3181246.
Zucker, Irwin, L., 3180320.
Zukowski, Robert J., 3190334.
Zwerg, John W., 3180111.

Subject to medical qualification and subject to designation as distinguished graduates, the following students of the Air Force Reserve Officer Training Corps for appointment in the Regular Air Force, in the grade of second lieutenant, under the provisions of Chapter 103, title 10, United States Code, with dates of rank to be determined by the Secretary of the Air Force:

Baker, Larry M.	Marshall, Marvin D.
Berry, Michael J.	Morales, Epifanio, Jr.
Brock, James R.	Nelson, Lyle T.
Campbell, John H.	O'Neal, Michael R.
Cavin, Houston L.	Oshiro, Lawrence H.
Conley, John C.	Player, Vinroe S.
Doehling, Robert E.	Rutledge, John W.
Dove, Edgar L.	Sargent, James F.
Eslick, William L.	Sawyer, Miles L.
Hannah, Darryl E.	Seymour, Raymond P.
Harvey, Jack R.	Shankel, Robert D.
Hatcher, Thomas D.	Siekfer, John B.
Henderson, Charles R.	Simmons, Thomas R.
Hooker, Walter C.	Smith, William B.
Huddleston, James R.	Tanaka, Patrick Y.
Johnson, Jackie L.	Torrado, Miguel A.
Johnston, Lawrence D.	Valenzi, Richard R.
Long, Edward D., Jr.	

CONFIRMATION

Executive nominations confirmed by the Senate August 6 (legislative day of August 5), 1969:

U.S. MARSHAL

Albert A. Gammal, Jr., of Massachusetts, to be U.S. marshal for the district of Massachusetts for the term of 4 years.

HOUSE OF REPRESENTATIVES—*Wednesday, August 6, 1969*

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

The Lord is good; His mercy is everlasting; and His truth endureth to all generations.—Psalm 100: 5.

O God, who art the Lord of heaven and earth, whose love lives forever and whose truth endureth through all generations, hear us as we pray lifting our hearts unto Thee.

Thou hast called us to live together as brothers and hast taught us that we belong to each other. Do Thou bless all endeavors leading toward peace in our world, justice in our Nation, and good will in all our hearts.

Let Thy spirit so live in men and so move among them that the leaders of our Nation and of every nation may seek peaceful means to settle disputes, to maintain order, and to establish justice.

Help us all to learn that peace depends upon understanding love; that law and order must be built upon righteousness and truth; and that justice can live only in the hearts of men of good will.

In the spirit of Christ we pray. Amen.

THE JOURNAL

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

SUNDRY MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Geisler, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate agrees to the amendment of the House to a bill of the Senate of the following title:

S. 714. An act to designate the Ventana Wilderness, Los Padres National Forest, in the State of California.

The message also announced that Mr. DOLE be appointed a conferee on the bill (S. 1072) entitled "An act to authorize funds to carry out the purposes of the Appalachian Regional Development Act of 1965, as amended, and titles I, III, IV, and V of the Public Works and Economic Development Act of 1965, as amended," in lieu of Mr. PACKWOOD, excused.

The message also announced that the Senate insists upon its amendments to

the bill (H.R. 6508) entitled "An act to provide assistance to the State of California for the reconstruction of areas damaged by recent storms, floods, and high waters," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BAYH, Mr. YOUNG of Ohio, Mr. EAGLETON, Mr. GRAVEL, Mr. BAKER, Mr. DOLE, and Mr. GURNEY to be the conferees on the part of the Senate.

PERMISSION FOR SUBCOMMITTEE ON INDIAN AFFAIRS, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, TO SIT DURING GENERAL DEBATE TODAY

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent that the Subcommittee on Indian Affairs of the House Committee on Interior and Insular Affairs be permitted to sit during general debate this afternoon.

This request is made because we have witnesses from Alaska scheduled to appear. Otherwise they would be held here longer than they possibly can afford to be here.

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

Mr. HALL. Mr. Speaker, reserving the right to object, I do appreciate the gentleman from Colorado coming to the microphone and stating forthrightly the problem of his committee hearing during business of the House. It seems to me this is the correct way to do legislative business, as compared with yesterday's almost covert—to me—permission for the Committee on Rules to have until midnight last to file an as then unacted upon House resolution and report. But it seems to me also that this is an awfully important day.

Insofar as I have been able to determine what the calendar is, we have pay of the House employees to consider, we have an important education bill to consider, perhaps, and, of course, we have the tax reform bill to consider.

Mr. Speaker, I shall not object under the circumstances, but I would serve notice that in the future, except under extreme circumstances similar to this where long travel distances are involved, when there is heavy business such as we have scheduled, or when the requests are made in an offstage voice, affecting the legislative business, I would be constrained to object.

Mr. Speaker, I withdraw my reservation of objection and yield to the gentleman's request.

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

There was no objection.

RETAIN ROBERT MORGENTHAU

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

Mr. KOCH. Mr. Speaker, on August 4, the very distinguished chairman of the Banking and Currency Committee, WRIGHT PATMAN, made a statement in this House in support of the retention by the administration of the U.S. attorney for the southern district of New York, Robert Morgenthau. I want to add my voice in support of that statement. Coming from New York and having practiced law in the State and Federal courts, I am very familiar with Mr. Morgenthau's reputation and it is superb.

There are many people in the State of New York who will judge the Nixon administration's real position on law enforcement by what the President does on this appointment. It is rumored that Robert Morgenthau's present position will be subverted and that he ultimately will be replaced. If that were to occur it would give great heart to organized crime and the Mafia in particular which is constantly under attack in the southern district because of the zeal of Robert Morgenthau. There are major party bosses in both parties in New York City who because they have feared the investigations being conducted by Robert Morgenthau's office into their activities would like very much to see him removed.

Robert Morgenthau has conducted his office without fear or favor and in a totally nonpartisan manner, letting the chips fall where they may. There are too few in the investigatory agencies of this country on the local, State, and Federal level who have the strength, conviction, and integrity to take such a position.

I urge the President and the Attorney General to set the precedent which Chairman WRIGHT PATMAN suggested and that is that—

U.S. attorneys will be selected in accordance with a single standard—their ability to perform. They can do this through the magnificently simple act of announcing their intent to retain and support Robert Morgenthau in office.

THE PLACE TO VISIT IS COLORADO

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

Mr. ROGERS of Colorado. Mr. Speaker, we will shortly be going on our recess, and I should like to direct attention to a good place to go; that is, the State of Colorado.

I particularly wish to emphasize that Members should get a copy of the National Geographic for the month of August 1969. There they will find an excellent article, and photographs of our great State. The article is written by Edward J. Linehan, associate editor, and sets forth many of the beauties of our great State.

We ask everyone to read this article and then to come out and visit with us during the recess.

REQUEST TO CONSIDER H.R. 13194, AMENDING THE HIGHER EDUCATION ACT OF 1965, UNDER SUSPENSION OF THE RULES PROCEDURE

Mr. PERKINS. Mr. Speaker, I ask unanimous consent that it may be in order on Monday next to bring up under suspension of the rules H.R. 13194, amending the Higher Education Act of 1965.

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

Mr. HARSHA. Mr. Speaker, reserving the right to object, this is excellent legislation and I support it, but I object to the methods by which it is being brought up on the floor. The parliamentary procedure suggested by the chairman of the committee will prevent the House from working its will and deny members the opportunity of offering any amendments of any kind.

We have been trying for months, Mr. Speaker, to get legislation from the Committee on Education and Labor dealing with student unrest, but we have been blocked by them because they failed to report out any legislation. Consequently, we have been forced to deal with this matter piecemeal on the floor and offer amendments to the various bills as they appeared before this body on the floor. Now, this is no way to legislate. I want the House to be fully aware, if this procedure is to be permitted, we are precluded from dealing with this problem of student unrest.

Continuing under my reservation to object, Mr. Speaker, the chairman of the committee has ample time now to go to the Committee on Rules and get a rule and bring up this measure under the rule on the floor so that proper amendments can be offered.

Mr. PERKINS. May I respond to the gentleman? Will the gentleman yield?

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

Mr. PERKINS. First let me say to the gentleman that a high degree of diligence has been exercised in attempting to bring this bill to the floor because of the urgency for immediate enactment. In the course of trying to report a bill from committee I agreed that I would consult with the leadership on the minority side and with the Speaker and that I would do my very best to bring this bill to the floor under suspension of the rules.

We all know that there is controversy within the committee on the point that the gentleman just made. Related to this and because of the absolute necessity for passage in the House and the Senate before we go home for recess—I am not now in a position, to go before the Committee on Rules. Several members of the committee who voted to report the bill did so only because of the understanding that the bill would be considered under suspension of the rules.

Mr. HARSHA. That may be all well and good, but the fact remains that you are preventing the House from working its will on this all-important issue to the American public. They are fed up with having their tax dollars used to sustain students in schools who are in violation of the law and who are disrupting and destroying college campuses.

Now, the House has amply demonstrated that it desires to meet the public demand and deal with this problem. However, to bring this measure up under a suspension of the rules denies the House the right to work its will. It denies the taxpayer his "day in court."

I think that the gentleman from Kentucky should go to the Rules Committee and get a rule and we can still under the rule pass this bill before the recess in time to aid the students for this coming school year.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield to me?

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

Mr. GERALD R. FORD. Mr. Speaker, I want to substantiate what the chairman of the Committee on Education and Labor has said; namely, that he consulted with the Speaker and with me about the urgency of this legislation. On the basis of that urgent need, I did not raise any objection to the consideration of the bill under suspension of the rules.

On the other hand, there is substance to the argument which has been made by the gentleman from Ohio (Mr. HARSHA). The Committee on Rules could be responsive to such a request for a rule. I am only saying that the gentleman from Kentucky has told the story as it transpired. I do not want anyone in the House to doubt that he did follow the course of action that he described.

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

Mr. HARSHA. I yield further to the gentleman from Kentucky.

Mr. PERKINS. Let me say to my good neighbor that I, personally, feel it would be disastrous if we involve this legislation in the student unrest controversy at this late hour, inasmuch as we did have trouble in getting the bill reported from committee. I am of the opinion that it is the only way we can get the bill enacted into law at this time.

I am hopeful that the gentleman from Ohio (Mr. HARSHA) will withhold his objection and press his point, not on this particular piece of legislation, but at a later date.

Mr. HARSHA. I would ask the gentleman from Kentucky to withdraw his request because we will, under either method, not consider the bill until Monday. The gentleman has ample time during which to get a rule and bring the matter up under a rule and get it enacted by Monday of next week.

Mr. PERKINS. Mr. Speaker, if the gentleman will yield further, the gentleman from Michigan, the distinguished minority leader (Mr. GERALD R. FORD) and the gentleman from Illinois (Mr. ERLENBORN) both will substantiate my earlier statement that I am not now in a position to go before the Rules Committee because of the agreements necessitated in our efforts to obtain favorable action at this time by the committee.

Mr. HARSHA. If the members of the Committee on Elections and Labor want to assume that burden of refusing to bring this legislation up for consideration, unless it is under suspension of the rules, and thereby deny the students the right to these loans, that is their responsibility; that is a burden they will have to assume. But this matter can be taken up under a rule and passed without denying the House the right to work its will. It can be amended to deal with the student unrest issue and passed in ample time to be of help to students this fall.

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

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

Mr. ERLENBORN. Mr. Speaker, I thank the gentleman for yielding. I understand the gentlemans' concern, and I share the gentleman's concern. As the gentleman knows, I was the author of the bill that tied up the Committee on Education and Labor for over a month dealing with the subject of student unrest. The gentleman is right that perhaps we can get a rule, but the gentleman is wrong if the gentleman thinks this could be the vehicle for passage of a student unrest amendment. If we did get a rule and we placed this bill on the floor for consideration and such an amendment was put on the bill, I am sure that would guarantee the fact that this very important legislation to make funds available for students to attend colleges and universities would not be passed. Certainly, it could not be passed in time for it to be effective for the coming semester. If we use this as such a vehicle, then we are playing games with a very important program, one that will determine whether or not funds will be available under the guaranteed student loan program for the semester starting in September of this year.

Mr. HARSHA. The gentleman is absolutely 100 percent wrong, I disagree entirely with his statement that it will not pass, student destruction amendments have been placed onto every bill they have been applicable to since the start of the year, and where we get the idea that the legislation will not pass is beyond my comprehension, it most assuredly will pass, as other amendments of a similar nature have passed.

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

Mr. HARSHA. I yield further to the gentleman from Illinois.

Mr. ERLENBORN. The gentleman is absolutely correct that it would pass the House and it would then go to the other body where I am certain the amendment would not be adopted. The bill might not even get out of the other body, but if it did, it would assuredly go to conference and could not be passed in time for the coming semester. I will further say to the gentleman that if he would insist on his objection and we have this come out under a rule, in the first place it probably would not be brought up. In the second place if it were brought up, the procedure it would have to follow would guarantee that it could not be passed in time to help the students for this coming semester.

Mr. HARSHA. Mr. Speaker, I would say to the gentleman from Illinois that I think the gentleman is wrong on that point. If the other body does what the gentleman indicates and would assume the burden of not passing this legislation then that is their prerogative but I think the House should be entitled to work its will. The other body could pass this legislation as quickly as this House could. There is no reason to delay it or have it flounder in a conference committee. If the other body wants to delay it so as to preclude the availability of these funds this year they could do that even with the method of procedure being employed that the gentleman from Kentucky requests. But that is their responsibility, not ours. This House should be granted the right to work its will and a handful of Members should not be permitted to deny the majority the right to express the taxpayers' desires on this matter of student violence and destruction of facilities constructed with taxpayers' hard-earned dollars.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky (Mr. PERKINS)?

Mr. GROSS. Mr. Speaker, further reserving the right to object.

The SPEAKER. The gentleman from Iowa (Mr. GROSS) further reserves the right to object.

Mr. GROSS. Mr. Speaker, this bill is not without merit but when I hear talk about playing games with legislation, let me say that the Committee on Education and Labor has been playing games with this legislation long before the request was made here this morning to take this bill up under a suspension of the rules. That committee has known for weeks that the prime interest rate has been advanced progressively to 8½ percent and therefore legislation of this nature would be needed insofar as students are concerned. Why has there been no previous committee action? And the gentleman from Kentucky (Mr. PERKINS) and the gentleman from Illinois (Mr. ERLENBORN) can give the House no assurance that if we take this bill up under the unusual and brutal procedure of suspension of the rules, whereby amendments are prohibited, and pass this bill, that it will receive immediate consideration by the other body.

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

Mr. GROSS. I will yield to the gentleman if he can give us firm assurance that the other body will take up and pass this bill.

Mr. PERKINS. I would say to the gentleman from Iowa that yes, I think we can give you some assurances that the other body will give immediate consideration to this legislation. I had a conference with the Senate chairman, Mr. PELL, of the Senate subcommittee this morning that will deal with this legislation. I chatted with him for some 30 minutes. I am of the opinion that hearings will be conducted over there tomorrow. I am of the opinion that there is a good chance that this bill will be taken up by the Senate and sent to the President of the United States this week if we are permitted to go through with this procedure here today.

Mr. GROSS. I will say to the gentleman that at least one other member of his committee has no assurance that there will be that kind of expeditious action on the part of the other body after passage of this bill by the House tomorrow, or whenever it is to be brought up.

Mr. PERKINS. That is Monday.

Mr. GROSS. Yes; to be brought up under the suspension of the rules on Monday—that is the gentleman's request; is it not?

Mr. PERKINS. Yes; that is my request.

Mr. GROSS. And then we are expected to believe the other body is going to take it up and pass it before Wednesday of next week?

Suppose the other body adds an amendment to the bill penalizing students who obtain loans and, who then engage in demonstrations and riots on college campuses. Then it would have to go to conference.

Mr. PERKINS. They know the parliamentary situation. I am of the opinion the bill will not be amended and that it will become law in the form in which it is passed by the House.

Mr. GROSS. I cannot find a single other assurance that the other body will even take the bill up before the recess next Wednesday.

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

Mr. GROSS. I yield to the gentleman.

Mr. SCHERLE. Mr. Speaker, I hold in my hand an editorial from this morning's Washington Post. I very seldom read it because it is never in touch with the people and is often out of tune with the rest of the country.

However, this editorial states, and this is most significant—Representative SCHERLE stated the amendment adopted in the appropriation bill "is designed to put a little starch into the backbones of our weak-kneed administrators, to make them face up to their responsibility." That is exactly what this amendment was designed to do—with over 250 campus disruptions, with 3,000 arrests and millions in property damage. College presidents and administrators sit timidly by and allow this dedicated minority to take over the universities and cause untold hardship on the bona fide student whose only desire is to get an education. The Post calls this amendment innocuous.

However, 200,000 questionnaires have been returned to 14 Members of this body insisting that Federal aid be cut off from student demonstrators.

At the present time five students at George Washington University who participated in the takeover of Maury Hall and members of the SDS are receiving $1,000 in NDEA student loans.

Can anyone in this body tell me why the taxpayers of this country should be asked to finance students who organize these riots? I do not know. I can find no reason why the Members of this House should not be consistent and amend every vehicle that comes to this floor and support amendments cutting off student aid for those who are not there for constructive purposes.

The amendment which was adopted last week puts teeth in the law and will serve the intent of the drafters and the House and will only fail for one reason, that is if Secretary of Health, Education, and Welfare Finch does not enforce legislative intent and uphold the law as passed by this Congress.

It is not my desire to hold up funds needed for student loans. It is not my intention to restrict legislation designed to assist all students. My record is clear. I take this position because "I care." I care about the students, the institution, and the taxpayer through whose generosity all this is possible. He should not be asked to finance militant and radical students. College enrollment this fall is being curtailed because there is not enough room, yet administrators will not enforce the law and punish the guilty. Is this asking too much?

Mr. GROSS. Mr. Speaker, the committee has had weeks in which to bring up this legislation, well knowing that it would be necessary, and there is no reason why the committee could not have performed its duty. I am not opposed to student loans. I am opposed to this procedure which would prevent the House from working its will on this bill.

Mr. Speaker, under the circumstances, therefore, I must object.

The SPEAKER. Objection is heard.

TAX REFORM ACT OF 1969

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

Mr. MONTGOMERY. Mr. Speaker, I am opposed to this body considering the Tax Reform Act of 1969 at this time in such a rushed-up manner. By admission of the Ways and Means Committee itself, this is the first such bill of its kind in 56 years. The committee has had nearly a month to consider the bill's provisions and has had the assistance of a most competent committee staff to explain to them the minute ramifications of each provision. Yet we as Members of the House have been given only 2 days in which to study a bill 368 pages in length and reach a supposedly intelligent decision. It is beyond me as to why after waiting this long for significant tax reform, we must all of a sudden rush this bill through. I firmly believe we should wait until after the recess to consider the Tax Reform Act and allow the Members of the House ample opportunity to conduct a diligent study of this piece of legislation and also discuss the bill with their constituents.

PERMISSION FOR COMMITTEE ON THE JUDICIARY TO SIT DURING GENERAL DEBATE TOMORROW

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary may sit tomorrow during general debate on the subject of immunity legislation for witnesses.

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

Mr. GROSS. Mr. Speaker, reserving the right to object, will not the tax bill be on the floor of the House tomorrow?

Mr. ALBERT. The gentleman is correct.

Mr. GROSS. Are these out-of-the-city witnesses who are appearing before the committee?

Mr. ALBERT. All I can say to my friend is I have been sent a note from the gentleman from New York (Mr. CELLER), chairman of the committee, indicating that the gentleman from Ohio (Mr. MCCULLOCH) and the gentleman from Virginia (Mr. POFF) accede to his request. Beyond that I do not know.

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

There was no objection.

PER ANNUM GROSS RATES OF PAY OF CERTAIN POSITIONS UNDER HOUSE OF REPRESENTATIVES

Mr. HAYS. Mr. Speaker, I call up House Resolution 502 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 502

Resolved, That (a) effective August 1, 1969, the per annum gross rates of pay of those positions under the House of Representatives listed below shall be as follows:

(1) Postmaster, $31,500;

(2) Floor Assistant to Minority, $27,732.60;

(3) Pair Clerk to the Majority, $26,000; and

(4) Pair Clerk to the Minority, $25,000.

(b) The position of Pair Clerk to the Majority is hereby exempted from the provisions of the House Employees Position Classification Act (2 U.S.C. 291 and following).

(c) Until otherwise provided by law, there shall be paid out of the contingent fund of the House such sums as may be necessary to carry out this authorization.

AMENDMENTS OFFERED BY MR. HAYS

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I offer two amendments and ask unanimous consent that they be considered en bloc.

The Clerk read as follows:

Amendments offered by Mr. HAYS:

On line 6, strike out "$26,000;" and insert in lieu thereof "$27,000;".

On line 7, strike out "$25,000." and insert in lieu thereof "$26,000."

The SPEAKER. The Chair will state it is not necessary to ask unanimous consent to consider the amendments en bloc. All the amendments relate to one section of the bill.

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

Mr. HAYS. Mr. Speaker, if the gentleman from Missouri asks a question, I yield to him.

Mr. HALL. Mr. Speaker, I appreciate the gentleman yielding.

Mr. Speaker, I would appreciate a little more explanation about this, realizing it is a privileged resolution and realizing it was brought up yesterday and I thought very properly withdrawn by the gentleman after some colloquy.

I think I understand the equity involved in the resolution, and I commend the committee for their action, but could the Members of the House be assured, before we make other errors in overpaying those who would help us, in order to correct existing errors, that this is the means to an end, and that perhaps the entire pay scale would be readjusted in view of the fact that this continuation of errors was brought on by hasty legislation and as a result of Commission action and other erroneous situations into which the House has gotten itself by past action?

Mr. HAYS. Mr. Speaker, I will state that is a very lengthy question, and I will try to make the answer briefer than the question. I say to the gentleman from Missouri I can promise that the subcommittee of which I am the chairman has the whole matter under study, and this is the beginning.

As the gentleman will note, in one case we are rolling back a salary, and in another case we are leaving one alone, in order to make the thing compatible and comparable throughout the salary scale. I am sure when we get through it will not be perfect, but we will do the best we can.

Mr. HALL. Mr. Speaker, if the gentleman will yield further, I appreciate that explanation. It was the point of reduction to which I addressed myself with approval. I certainly hope that if this is passed today, the subcommittee which the gentleman chairs will look further into this proposition, especially in view of the tax reform legislation which we will consider, and in view of the spending habits we have drifted into, and in view of the need to balance the budget, and many other considerations.

Mr. Speaker, I thank the gentleman for yielding.

The amendments were agreed to.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PROVIDING FUNDS FOR THE SELECT COMMITTEE ON THE HOUSE RESTAURANT

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged report (Rept. No. 91–428) on the resolution (H. Res. 508) providing funds for the Select Committee on the House Restaurant, and ask for immediate consideration of the resolution.

The Clerk read the resolution, as follows:

H. RES. 508

Resolved, That effective July 10, 1969, in carrying out its duties, the select committee created by House Resolution 472 is authorized to incure such expenses, not to exceed $40,000, as it deems advisable. Such expenses shall be paid out of the contingent fund of the House on vouchers authorized and approved by such committee, signed by the chairman thereof, and approved by the Committee on House Administration.

SEC. 2. Funds authorized by this resolution shall be expended pursuant to regulations established by the Committee on House Administration under existing law.

The resolution was agreed to.

A motion to reconsider was laid on the table.

CALL OF THE HOUSE

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

The SPEAKER. Evidently a quorum is not present.

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

A call of the House was ordered.

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

[Roll No. 144]

Addabbo	Farbstein	McKneally
Baring	Fascell	Mailliard
Barrett	Flowers	Miller, Calif.
Brasco	Ford,	Minshall
Brown, Calif.	William D.	Mizell
Byrne, Pa.	Gallagher	Morton
Cabell	Gilbert	Ottinger
Cahill	Gubser	Philbin
Carey	Halpern	Powell
Celler	Hébert	Rooney, N.Y.
Clark	Hull	Rosenthal
Conyers	Jacobs	Rostenkowski
Culver	Kirwan	Saylor
Daddario	Kuykendall	Scheuer
Daniels, N.J.	Lipscomb	Shipley
Davis, Ga.	Lukens	Stratton
Edwards, Calif.	McDade	Taft

The SPEAKER. On this rollcall 382 Members have answered to their names, a quorum.

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

TEMPORARY EXTENSION OF AUTHORITY CONFERRED BY EXPORT CONTROL ACT OF 1949

Mr. PATMAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H. J. Res. 864) to provide for a temporary extension to October 31, 1969, of the authority conferred by the Export Control Act of 1949.

The Export Control Act furnishes the authority for restricting the outflow of scarce materials and for regulating exports, particularly to Communist-bloc countries, in furtherance of our national security and foreign policy. A temporary 2-month extension to August 30, 1969, Senate Joint Resolution 122, was previously passed under unanimous consent on June 27.

The committee has not yet completed its deliberations and the Senate has not yet acted. The extension to October 31, 1969, will enable the committee to complete its deliberations and has been agreed to unanimously by the subcommittee and by the gentleman from New Jersey (Mr. WIDNALL), the ranking minority member of the full committee.

The Clerk read the title of the joint resolution.

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

Mr. GROSS. Reserving the right to object, Mr. Speaker, why is this necessary?

Mr. PATMAN. Mr. Speaker, it is necessary because it was impossible for either the House or the Senate committees to prepare legislation before the expiration date. It is just a request for a 60-day extension.

Mr. GROSS. It is for what?

Mr. PATMAN. This is not the extension of the Export Control Act.

Mr. GROSS. That would require legislation, would it not?

Mr. PATMAN. It would, yes, but this just extends the time, so we can be permitted to pass on legislation.

Mr. GROSS. Was the expiration not fixed by law?

Mr. PATMAN. Yes, sir, it was fixed by law.

Mr. GROSS. Then why has not the firm date been met for the expiration of the act?

Mr. PATMAN. It is infrequent that this is asked for, but this is necessitated because of the failure of the House and the Senate to get behind this before the expiration date. This sometimes happens, and over the years in the Congress only one or two cases have occurred.

Mr. GROSS. Will the gentleman agree it is happening with increasing frequency to the detriment of the orderly legislative process in the House of Representatives? I am not concerned about the other body. The gentleman speaks of the other body not taking action, but how about the House meeting these dates for expiration of laws?

Mr. PATMAN. I submit to the gentleman that as long as it is not over 30 or 60 days there cannot be much harm done, and there is not a hiatus in the law.

Mr. GROSS. Mr. Speaker, I suggest to the gentleman that if the Banking and Currency Committee would spend more time on meeting expiration dates such as this, rather than beefing up with millions of dollars the foreign giveaway programs and soft loans through the World Bank, it would contribute much more to the legislative process and the general welfare.

Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 864

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 12 of the Export Control Act of 1949, as amended (50 U.S.C. App. 2032), is amended by striking out "June 30, 1969" and inserting in lieu thereof "October 31, 1969".

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

FIFTH ANNUAL REPORT OF THE ATLANTIC-PACIFIC INTEROCEANIC CANAL STUDY COMMISSION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 91–143)

The SPEAKER laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, referred to the Committee on Merchant Marine and Fisheries and ordered to be printed, with illustrations:

To the Congress of the United States:

I am transmitting the fifth annual report of the Atlantic-Pacific Interoceanic Canal Study Commission. The report covers the period July 1, 1968 to June 30, 1969.

The Commission has now completed its data collection activities on all of the five sea-level canal routes under investigation. Field operations have been terminated, and all facilities and equipment

not removed from the routes have been turned over to host-country governments under the terms of the survey agreements.

Within the United States the office and laboratory evaluations of route data are well-advanced, as are the Commission's studies of the diplomatic, economic, and military considerations that bear on the feasibility of a new, sea-level canal constructed by conventional or nuclear excavation. The Commission will render its final report not later than December 1, 1970, pursuant to its authorizing legislation.

During the year the Atomic Energy Commission conducted the third of its planned series of nuclear excavation experiments in support of the canal investigation. Although all the now planned nuclear cratering experiments will not be completed soon enough for full evaluation by the Commission, it is expected that the Commission will be able to reach general conclusions as to the feasibility of employment of nuclear explosives for canal excavation.

This anniversary sees the canal investigation entering its final phase, and I take great pleasure in forwarding the Commission's fifth annual report to the Congress.

RICHARD NIXON.

THE WHITE HOUSE, August 6, 1969.

OCCUPATIONAL SAFETY AND HEALTH—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 91-144)

The SPEAKER laid before the House the following message from the President of the United States, which was read and referred to the Committee on Education and Labor and ordered to be printed:

To the Congress of the United States:

Technological progress can be a mixed blessing. The same new method or new product which improves our lives can also be the source of unpleasantness and pain. For man's lively capacity to innovate is not always matched by his ability to understand his innovations fully, to use them properly, or to protect himself against the unforeseen consequences of the changes he creates.

The side effects of progress present special dangers in the workplaces of our country. For the working man and woman, the byproducts of change constitute an especially serious threat. Some efforts to protect the safety and health of the American worker have been made in the past both by private industry and by all levels of government. But new technologies have moved even faster to create newer dangers. Today we are asking our workers to perform far different tasks from those they performed five or fifteen or fifty years ago. It is only right that the protection we give them is also up-to-date.

There has been much discussion in recent months about the quality of the environment in which Americans live. It is important to note in this regard that during their working years most American workers spend nearly a quarter of their time at their jobs. For them, the quality of the workplace is one of the most important of environmental questions. The protection of that quality is a critical matter for government attention.

Few people realize the extent of needless illness, needless injury, and needless death which results from unsafe or unhealthy working conditions. Every now and then a major disaster—in a factory or an office building or a mine—will dramatize certain occupational hazards. But most such dangers are realized under less dramatic circumstances. Often, for example, a threat to good health will build up slowly over a period of many years. To such situations, the public gives very little attention. Yet the cumulative extent of such losses is great.

Consider these facts. Every year in this country, some fourteen thousand deaths can be attributed to work-related injuries or illnesses. Because of accidents or diseases sustained on the job, some 250 million man-days of labor are lost annually. The most important consequence of these losses is the human tragedy which results when an employee—often the head of a family—is struck down. In addition, the economy loses millions of dollars in unrealized production and millions more must be used to pay workmen's compensation benefits and medical expenses. It is interesting to note that in the last five years, the number of man-days lost because of work-related injuries has been ten times the number lost because of strikes.

What have we done about this problem? The record is haphazard and spotty. For many decades, governmental responsibility for safe workplaces has rested with the States. But the scope and effectiveness of State laws and State administration varies widely and discrepancies in the performances of State programs appear to be increasing. Moreover, some States are fearful that stricter standards will place them at a disadvantage with other States.

Many industries and businesses have made commendable progress in protecting worker health and safety on their own. Some, in fact, have managed to reduce the frequency of accidents by as much as 80 or 90 percent, demonstrating what can be accomplished with the proper effort. But such voluntary successes are not yet sufficiently widespread.

There are some other positive signs. Collective bargaining agreements often include safety and health provisions; many professional organizations have suggested voluntary standards; groups like the National Safety Council have worked to promote better working conditions. But the overall record is still uneven and unsettling.

The Federal role in occupational safety and health has thus far been limited. A few specific industries have been made subject to special Federal laws and limited regulations have been applied to workers in companies who hold certain Government contracts. In my message to Congress last March on Coal Mine Safety, I outlined an important area in which further specific Federal action is imperative. But something broader is also needed, I believe. I am therefore recommending a new mechanism through which safety and health standards for industry in general can be improved.

The comprehensive Occupational Safety and Health Act which the Secretary of Labor will soon transmit to the Congress will correct some of the important deficiencies of earlier approaches. It will go beyond the limited "accident" orientation of the past, giving greater attention to health considerations, which are often difficult to perceive and which have often been overlooked. It will separate the function of setting safety and health standards from the function of enforcing them. Appropriate procedures to guarantee due process of law and the right to appeal will be incorporated. The proposal will also provide a flexible mechanism which can react quickly to the new technologies of tomorrow.

Under the suggested legislation, maximum use will be made of standards established through a voluntary consensus of industry, labor, and other experts. No standard will be set until the views of all interested parties have been heard. This proposal would also encourage stronger efforts at the State level, sharing enforcement responsibility with States which have adequate programs. Greater emphasis will also be given to research and education, for the effects of modern technologies on the physical well-being of workers are complex and poorly understood. The Public Health Service has done some important groundwork in the field of occupational health, but we still need much more information and understanding.

Our specific recommendations are as follows:

1. Safety and health standards will be set by a new National Occupational Safety and Health Board. The five members of the Board will be appointed by the President with the advice and consent of the Senate to five-year terms; one member of the Board will change each year. At least three members of the Board must have technical competence in the field of occupational safety and health.

The Board will have the power to promulgate standards which have been established by nationally recognized public or private standard-setting organizations. Thousands of these standards have been carefully worked out over the years; the Board will adopt such a "national consensus standard" when the standard-setting organization possesses high technical competence and considers the views of all interested parties in making its decisions.

If the Secretary of Labor (in matters of safety) or the Secretary of Health, Education and Welfare (in matters of health) objects to any such "national consensus standard," they may bring that objection before the Board. The Board can then set a new standard after giving the matter a full public hearing. When national consensus standards do not exist, the Board will have the power to break new ground after full hearings. If the Secretary of Labor or the Secretary of Health, Education, and Welfare object to the Board's action, they can delay its implementation until at least three of

the Board members reconfirm their original decision.

2. The Secretary of Labor will have the initial role in enforcing the standards which the Board establishes. The Secretary will ask employees whom he believes to be in violation of the standards to comply with them voluntarily; if they fail to do so, he can bring a complaint before the Occupational Safety and Health Board which will hold a full hearon the matter. If the Board determines that a violation exists, it shall issue appropriate orders which the Secretary of Labor can then enforce through the Court system. In emergency situations, the Secretary can go directly to the courts and petition for temporary relief.

3. The State governments will be encouraged to submit plans for expanding and improving their own occupational safety and health programs. Federal grants will be available to pay up to 90 percent of the cost of developing such plans. When a State presents a plan which provides at least as much protection to the worker as the Federal plan, then the federal standard administration will give way to the State administration, with the Federal government assuming up to 50 percent of that State's costs.

4. The Secretary of Health, Education, and Welfare will be given the specific assignment of developing and carrying out a broad program of study, experiment, demonstration, education, information, and technical assistance—as further means of promoting better safety and health practices in the workplace. The Secretary will be required to submit a comprehensive report to the President and the Congress, including an evaluation of the program and further recommendations for its improvement.

5. A National Advisory Committee on Occupational Safety and Health will be established to advise the Secretary of Labor and the Secretary of Health, Education, and Welfare in the administration of the Act.

Three years ago, following its study of traffic and highway safety, the Congress noted that modern technology had brought with it new driving hazards, and accordingly, it enacted the National Traffic and Motor Vehicle Act and the Highway Safety Act. With the advent of a new workplace technology, we must now give similar attention to workplace safety and health.

The legislation which this Administration is proposing can do much to improve the environment of the American worker. But it will take much more than new government efforts if we are to achieve our objectives. Employers and employees alike must be committed to the prevention of accident and disease and alert to every opportunity for promoting that end. Together the private and public sectors can do much that we cannot do separately.

RICHARD NIXON.

THE WHITE HOUSE, *August 6, 1969.*

OCCUPATIONAL SAFETY AND HEALTH

(Mr. GERALD R. FORD asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. GERALD R. FORD. Mr. Speaker, the average working adult American spends nearly a third of his waking hours at work, more than he spends in any other activity. It is vitally important, therefore, that the environment in which he works to be a healthy and a safe one. How unfortunate it is that so many of our American workplaces are unnecessarily dangerous.

It is striking to realize that millions of man-hours of work are lost every week because of accidents or diseases which are sustained on the job. The President's recent message to Congress on this subject estimates that over 250 million mandays of labor are lost for this reason every year. Behind this statistic lies a great deal of human suffering, both for the worker who is struck down and for his family. And the loss is shared by all of us, for there is a considerable drain on the economy as well.

What makes this situation particularly sad is that so much of this loss is unnecessary. Some enlightened industries have found that by making the right kind of effort they have been able to cut accidents by 80 to 90 percent or more. Yet in too many places such efforts are not now being made. And too many of the State programs which are designed to deal with this problem have proven sadly inadequate.

President Nixon is to be applauded for moving into the vacuum in such a decisive yet understanding way. He does not preempt the role of the States; he instead has developed a plan to help them play their role better. He does not give up on voluntary standard setting; in fact, he makes maximum use of standards which are set by a voluntary consensus. But he also provides a way in which abuses can be checked. He offers a proposal through which the health and safety—and indeed the life itself—of the American worker can be vigilantly protected.

I urge the Congress to give careful attention to the President's message and careful consideration to his proposals. They are sound proposals and most necessary ones. For it is in the interest of everyone—employees, employers, and the public alike—to make all job situations as safe and as healthy as possible.

Mr. ARENDS. Mr. Speaker, during these days when our space successes are so much on our minds, we are more aware than we usually are of the rapid rate of technological change. We know how quickly old habits and old expectations become obsolete. For this reason, I believe the Congress will greet with special enthusiasm the message from the President concerning occupational safety and health. For it is built on the premise that new technologies have introduced new dangers to the workplaces of this country and that the laws which protect American workers must be kept up to date.

This emphasis comes through at several places in the President's message. He stresses, for example, that the new law will go beyond the old fashioned and narrow accident orientation and will be much more concerned with health than has been the case with past approaches. He points out that many occupational hazards are poorly understood, particularly health hazards which may not have their full effect for many months or many years. For this reason, says the President, we must place a continuing emphasis on greater research and study, and he suggests that this responsibility be assigned specifically to the Secretary of Health, Education, and Welfare.

President Nixon also proposes an ongoing National Occupational Safety and Health Board; not one which will simply set standards once and for all and then forget about them, but one which will be available to break new ground as new technologies are implemented and as new findings are made.

Keeping up to date with the technology is one of the great challenges for all of us in this exciting and difficult time. It is a challenge for the Government as well. In his excellent message on occupational safety and health, the President demonstrates his determination to meet that challenge. I hope the Members of Congress will now match his determination with their own.

Mr. QUIE. Mr. Speaker, in a campaign speech last October, candidate Richard Nixon declared:

> I believe better occupational safety laws are needed on both Federal and State levels.

In the message which he has just sent to the Congress, President Richard Nixon has followed up on that statement of last fall. And not only has he proposed a better Federal law but he has also suggested a workable method for encouraging better State laws and for making full use of good State laws when they are developed.

The President has taken the leadership. Now occupational safety and health has become a prime area for congressional action. For the problem is great, and the problem is growing. New technologies present ever new hazards to American workers, hazards which are often poorly understood. Even now, some 14,000 lives are lost every year because of work-related diseases or accidents. And many more additional thousands are thrown out of work either permanently or temporarily because of injuries or illnesses which they sustain on the job. These losses are tragic, for the individuals and families involved and for our whole society. They are also unnecessary. The President's proposal can do a great deal to eliminate them, and the Congress has a responsibility to act quickly.

The President's proposed legislation would set up a new National Occupational Safety and Health Board to promulgate occupational safety and health standards. In most instances, the Board would borrow standards which have been established by nationally recognized public or private standard-setting agencies, organizations which bring a great deal of expertise and the habit of wide consultation to their work. The Secretary of Labor would carry out the investigative function and would bring complaints against those who violate the standards. If the Board found that a violation existed, then the Secretary could seek to enforce its orders through the courts.

It is important to note that this procedure carefully guarantees that the due processes of law will be observed. It provides for full hearings and the right of appeal. It is eminently fair to all interested parties. It will create an atmosphere in which industries want to obey the standards, rather than looking for ways of avoiding them. Most importantly, it will provide greater protection for the workers of America. I encourage Members of the Congress to join me in supporting this important Presidential initiative.

Mr. ANDERSON of Illinois. Mr. Speaker, one of the healthiest trends we have witnessed in this country over the past few years has been man's increasing awareness and concern over the quality of his environment. This concern has been translated into several important pieces of legislation aimed at improving the quality of our environment—legislation dealing with air and water pollution, waste disposal, and beautification. And much remains to be done if we are to salvage our polluted planet as a place fit for future human habitation.

Today, President Nixon has sent to us a most important message relating to another environmental problem—the problem of our very working environment and the health and safety of millions of working Americans. We are told that each year some fourteen thousand deaths in this country result from work-related injuries or illnesses; that work-related accidents and diseases account for some 250 million man-days of labor lost each year as well as huge financial losses to our economy. But more seriously, these accidents and illnesses are responsible for a human tragedy and suffering that we cannot begin to measure in terms of man-hours lost or economic consequences.

While some States and industries have made very substantial contributions in the area of occupational health and safety, the fact remains that the overall national situation is still very bleak and discouraging. We in the Congress have also made limited contributions in certain areas; in this session we have dealt with coal mine safety and Federal construction safety. But the real need is obviously for a comprehensive approach to the problem of occupational health and safety.

I am therefore quite encouraged by the message which we have before us today, not only because the administration has taken a positive position on such a Federal approach to the problem, but because it has also made some substantial improvements over proposals offered in the past.

Let me briefly outline those changes which I think made this approach far preferable to previous legislative proposals:

First, the administration bill will provide for the creation of a new National Occupational Safety and Health Board that will be charged with the responsibility of establishing standards and enforcing them in close cooperation with the Secretary of Labor.

Second, the administration bill will provide for increased health components which were not part of previous bills. The Secretary of Health, Education, and Welfare will be primarily responsible for seeing to it that the President and the Congress are regularly apprised of studies and experiments relating to the health of workers.

Third, the administration bill will give greater attention to due process at every stage of the proceedings so that proper hearings and appeals will insure fairness and justice for all concerned.

Fourth, the administration bill gives proper recognition to the role of the States in these matters by assisting them in the development and administration of their plans, and by giving the States a sufficient amount of time to get their plans in shape.

And, finally, the administration bill will embody an overall concept of balance; in cases of extreme urgency, the Secretary of Labor will be empowered to move quickly and obtain a court injunction if necessary.

Mr. Speaker, earlier in this session, I introduced a construction safety bill which embodied many of these same concepts. I am quite pleased to see that they are now being incorporated into a badly needed, comprehensive Occupational Safety and Health Act. I have been informed that this improved piece of legislation is the result of an extensive review conducted by the National Safety Advisory Committee which is broadly representative of industry, labor, and the general public. I have no doubt that it will therefore be acceptable to all sectors of our working community, and I commend this administration on both the way it has approached this subject and on the final product. I offer my full support for this measure and encourage my colleagues to do likewise in the interests of health and safety for the American worker.

Mr. ERLENBORN. Mr. Speaker, one of the most interesting and attractive features of the President's message on occupational safety and health is the procedure by which new standards would be promulgated. Rather than giving the proposed new five-man national Board the overwhelming and hopeless task of developing totally new standards for hundreds of different industries, the President's proposal takes advantage of reasonable standards which are already in place. Standard-setting organizations of high repute have been bringing a great deal of expertise to this problem for many years; all they have lacked was the enforcement power which is associated with the Government. Recognizing this, the President gives the Board power to make these so-called national consensus standards its own standards, so long as it believes the standard-setting organization is technically competent and that it has sought out the views of all interested parties in the process of doing its work.

The President does not leave the matter there, however. He also provides a means by which the Secretary of Labor or the Secretary of Health, Education, and Welfare can object to a consensus standard and throw the whole question into an open hearing before the Board. In these cases—and in cases where no consensus standard exists—a wide range of expertise can be focused on the problem anew, and the Board can create new standards as it sees fit. If the appropriate departmental secretaries are not satisfied, they can object again and delay implementation until the Board reconsiders the matter and three of the five members reconfirm their action.

This is a procedure which is fair, economical, and sensible. It avoids foolish duplication and makes wise use of existing resources without allowing itself to be limited by them. Perhaps most importantly, it can be seen as a model for the kind of cooperation between government and industry without which this country cannot thrive. I hope the Congress will support this proposal, for the spirit in which it is written is not of antagonism but of cooperation. The relationship it fosters between those who set standards and those who follow them is not that of adversaries but that of partners.

Mr. BEALL of Maryland. Mr. Speaker. The President's message on occupational safety and health is one of the most important proposals to be laid before this session of Congress.

I am pleased to see that greater emphasis will be given to research and education. Although the various standards-setting organizations, both public and private, have done commendable work in establishing limits for exposures to harmful agents in the workplace, their efforts have failed to keep pace with the torrent of new and potentially harmful substances being introduced into industry each day. Without the type of research program proposed by the President, we may find ourselves in the position of having to run faster just to stand still.

The Public Health Service's efforts in the field of occupational health have been limited to highly selective programs and projects. Restricted in both resources and manpower, the PHS activities have, nevertheless, made a substantial contribution to worker health during the last 50 years. The type of expanded research program which would be the result of the enactment of the proposed legislation would allow an across-the-board attack on all of the health problems which result from job-related exposures.

I stress the need for expanded research capacities in the Public Health Service since this work will be the basis upon which the National Occupational Safety and Health Board will promulgate their standards. It should be kept in mind that the standards-setting organizations do not have any research capacities of their own and have to rely on work done by industry and the various governmental agencies. Under such a system it has been difficult, and impossible in some instances, to fill in some gaps in knowledge and move to head off future problems. With an increased occupational health research capacity in the Public Health Service, it will be possible to integrate the important work done by industry and

State occupational health programs into more meaningful criteria to serve as the basis for practical and workable standards.

Mr. STEIGER of Wisconsin. Mr. Speaker, the President has recommended an excellent program for the improvement of occupational health and safety in our Nation's workplaces. It is balanced in approach and encompasses, I believe, the proper scope of Federal activities.

I think it was evident from testimony presented to the Education and Labor Committee last year that some industries and some companies have done excellent work in the area of industrial safety, as have a number of our States, including, I am proud to say, Wisconsin. The President's proposal recognizes this fact. Conversely, it is true that the quality of effort and results have been quite uneven, and our safety and health record could be greatly improved. The President's proposal also recognizes this fact. There will be national standards and enforcement where necessary, but State governments will be encouraged to submit plans for expanding and improving their own occupational safety and health programs, and when a State presents a plan which provides at least as much protection to the worker as the Federal plan, then Federal administration of standards will give way to State administration.

This balanced approach is also carried over into the area of research, training, education, and identifying and reporting with respect to industrial safety and health.

The Secretary of Health, Education, and Welfare is authorized to undertake research geared to the prevention of occupational diseases and accidents, and funds are provided to implement demonstration, education, information, and technical assistance programs. Training of needed personnel and the establishment of a program to educate employees and employers in matters affecting on-the-job safety and health are also provided. Grants are authorized to assist States in identifying their needs and responsibilities in this area and in developing plans for establishing systems for collecting information and increasing the expertise and enforcement capabilities of their personnel, and in administering and enforcing their approved plans. Provisions are also made for technical assistance to labor and management for the promotion of sound safety and health programs and practices.

An essential part of the President's proposal, however, is the creation of a National Occupational Safety and Health Board to set national standards. The President realizes that the problems to be dealt with are not political, nor economic, nor concerned with deep differences in policy. To the contrary, they are technical. They vary from industry to industry and in some instances from region to region. The appointment of an independent board, which will call on "national consensus standards" established by nationally recognized public and private standard-setting organizations, will, I believe inspire the utmost confidence in every segment of the American public and insure a continuity of effort and direction, regardless of the administration in power.

The President has also provided for the recovery of damages if a stopwork order for violation of the act is set aside by an appropriate court.

There is one significant feature which is not included. That is an exemption for those enterprises which are effectively meeting health and safety performance requirements and have outstanding records in this respect. I had personally hoped that such a provision would be a part of the administration's recommendations because I believe this would serve as an inducement to both labor and management to provide an excellent safety record. It would be an inducement based on performance which so many have said is an essential part of improving health and safety in the workplace. I hope that during the hearings this question can be explored in depth further before the House acts on this legislation.

I believe the President has captured the cooperative spirit which is necessary to improve the environment of the American worker. President Nixon has recognized that—

> It will take much more than new government efforts if we are to achieve our objectives.

But he emphasizes:

> Together the private and public sectors can do much that we cannot do separately.

No one can be against better health and more safety. The key, however, is how we achieve that goal. A cooperative program involving all levels of government and the private sector is, in my judgment, the way we will enhance the quality we seek.

Mr. O'HARA. Mr. Speaker, I have read the President's message on occupational safety and health legislation with some concern and with some interest. This is an area of legislation in which I have had a deep interest for a great many years, and it is one in which the 91st Congress has already seen considerable activity. It is good, finally, to have the administration taking a position.

Let me assure you, Mr. Speaker, I find the fact the administration is taking a position much more praiseworthy than the position it actually takes. Much of the content of the administration proposal for an occupational safety and health bill is nothing more nor less than a rehashing, even a weakening, of proposals which the House Education and Labor Committee considered in the 90th Congress and found ineffective or even counterproductive. In fact, if I were of a mind to make a bad joke, I would point out that this bill submitted to us today is very similar to what I described in a somewhat partisan speech 2 months ago as my idea of a Republican safety bill. Even in a bad joke, Mr. Speaker, I will not, however, accept responsibility for the parentage of this legislation.

The administration's bill, Mr. Speaker, fortunately, is only one of several bills on this subject now before the House. The Select Subcommittee on Labor, under the able chairmanship of the gentleman from New Jersey (Mr. DANIELS), has been working most vigorously on safety legislation for the past 6 months in the absence of administration recommendations. I trust that subcommittee will continue on the path its dedicated chairman has already marked out, and work on the question of occupational safety and health legislation in terms of all the proposals before the House—even including this administration's collection of rejected ideas from the 90th Congress.

Just yesterday—as luck, or something, would have it—the Wall Street Journal ran a lead story on the many occupational hazards that plague the lives of American working men and women. As is usual in that the newspaper, the news-story itself was an excellent one, pointing out the seriousness of the problem, and highlighting the unfortunate fact that men are disabled and men die simply because their employers have not taken precautions they could have taken. The Wall Street Journal headlines on this well-balanced story are something else again, suggesting as they do that accidents are all caused by "tired young workers." That argument we heard last year from the opponents of occupational safety legislation, and we will no doubt hear it again this year.

But if we look past the headlines, if we look beyond the administration's already rejected proposals, if we look to the cold hard facts, we see workers by the millions being disabled, workers by the thousands being killed, dollars by the billions being wasted in occupational accidents and diseases. I hope we can get some action this year, but I hope, for the sake of those most affected—the working people themselves—that we can get effective action, in the form of some of the bills that have been waiting for this distant cousin to come up from downtown all these long months now.

The story referred to follows:

WATCH IT, THERE: TIRED, YOUNG WORKERS SPUR A STEADY INCREASE IN INDUSTRIAL ACCIDENTS—NADER CALLS PROBLEM WORSE THAN CRIME IN THE STREET, SAYS NOT ALL IS REPORTED—WHAT CAUSED A MINE MISHAP?

(By Richard D. James)

HAMMOND, IND.—The 20-year-old worker, on the job just two days, began oiling a giant forging hammer at Amsted Industries' busy Hammond Works without notifying the machine's operator. The operator, who didn't notice the youth, activated the 2,500-pound device. Down it slammed, crushing the tip of the new man's right index finger.

The accident was painful but not especially serious—the injured man was back on the job the next day. But it was part of a nationwide trend, and an unhappy one. Here in Hammond for example, several workers at this noisy, dimly lit factory have in recent months been sidelined for up to eight weeks with broken bones, severed fingers, cuts, bruises and sprains suffered on the job. In 1968, the plant's accident rate soared 45% from the 1967 level.

By the way of explanation, Amsted officials point out that the plant hired some 400 new workers last year. "A lot of them were young people who didn't realize the dangers of factory work no matter how often we warned them," says one executive.

Amsted's situation at Hammond isn't at

all unique. As manufacturers hire more workers and ask them to work longer hours, industrial accidents have become more frequent. U.S. Department of Labor statistics show that "disabling" mishaps—those that result in permanent injury or at least one day's loss of work—occurred at the rate of 14 for each one million man-hours worked in 1967, the latest year for which their figures are available. That's up from 13.6 per million in 1966 and 11.4 in 1958. The National Safety Council, a private group that keeps similar figures, says the 1968 injury rate also climbed.

WORSE THAN CRIME IN THE STREETS

The Safety Council also reports that 14,300 persons died in U.S. industrial accidents last year, up from 13,500 in 1961. Last year's toll was the second highest since 1950—and only 292 fewer than the number of American servicemen killed in the war in Vietnam in 1968.

According to some observers, these statistics don't tell the full story. "Companies vastly under-report their number of job accidents," contends safety crusader Ralph Nader. He claims that the National Safety Council's figures are particularly suspect because "by giving awards to the companies with the best safety records, the council provides an incentive for incomplete reporting."

Adds Mr. Nader: "The industrial safety problem is far more serious than crime in the streets. In some blue-collar neighborhoods you find many people without arms, fingers or legs. It's like Dusseldorf after the war."

A spokesman at the Safety Council's Chicago headquarters says he has "heard rumors" that companies cheat on their reports, but he adds that the council has no "direct evidence" to that effect.

FATIGUE AND INEXPERIENCE

The plant safety director for one large Midwestern firm says Mr. Nader is correct. "This is something that goes on," he admits. "Management sometimes puts pressure on safety men to make the company look good, so the safety men conveniently forget a few accidents."

Whatever the actual death and injury figures, it's widely agreed that many accidents involve inexperienced workers who are unfamiliar with the equipment they are manning. "In a typical month, one of every three on-the-job injuries we have involves people who have been on the job less than six months," says James F. Van Namee, safety director of Westinghouse Electric Corp. in Pittsburgh. "About 50% of our accidents involve employees in their first year."

The close relationship between accidents and fatigue-causing overtime work is apparent in Government statistics showing that the two rise together. Investigations carried out by individual firms reveal the same trend.

For instance, officials at Western Electric Co's Hawthorne Works in Chicago recently were puzzled by hand injuries suffered by several operators of punch presses that were equipped with devices designed to automatically brush aside the operator's hand each time the press came down. Both the press and safety device were activated by the same pedal.

BLAMING THE OTHER GUY

A company inquiry showed that the injuries occurred late on busy days; the weary operators had pushed the pedals down only part way, activating the presses but not the guards. Western Electric now says it will alter the machines so that both press and guard are set in motion simultaneously.

There's little agreement about the causes of many accidents. Some company officials are quick to blame employes who disregard safety rules; if everyone followed the rules no one would get hurt, this argument goes. Union officials counter that companies pay too little attention to safety and too much to productivity when shopping for new machinery; all the safety rules in the world won't stop unsafe machines from harming workers, they assert.

Such a dispute recently arose around an on-the-job accident at Inspiration Consolidated Copper Co.'s open-pit mine near Phoenix. Three workers were taking a break in the shade of a huge Caterpillar tractor-scraper when the earth-moving machine began rolling down the dirt ramp on which it was parked. One worker, an experienced man, jumped aboard the tractor in an attempt to stop it. After a few seconds of futile effort he leaped off the machine, which was picking up speed. The fall broke his left hip. Two days later, he died of complications from the injury.

Miles Jacob, president of Inspiration Copper, says the worker acted rashly. 'He shouldn't have jumped on the equipment. We have a flat company rule against getting on moving equipment. We don't want anyone trying to save equipment if it's rolling out of control," he says.

Alan Burch, safety director of the International Union of Operating Engineers, of which the worker was a member, gives a different version. "The machine was unsafe because it had no parking brake," he declares. "Why the devil not? It was a $100,000 piece of equipment, but the company wouldn't spend $200 for an optional parking brake. It could have saved this man's life."

Not so, says Duncan MacDonald, Inspiration Copper's industrial relations director. "We used that type of equipment for 20 years without ever having such a accident," he says. "If the blade of the machine had been set in the ground as it should have been, the scraper couldn't have moved." He adds that the company has no plans to add handbrakes to its scrapers as a result of the mishap. "It would give the operators a false illusion of safety," he says.

The same sort of dispute centers around the use of safety apparel such as goggles, hard hats and metal-tipped boots in potentially dangerous jobs. Companies say workers often refuse to wear such gear and get hurt as a result. Unions reply that too many companies don't feel strongly enough about the value of safety apparel to pay the bill for it.

At least a few company men admit there's some justice to the union side of that argument. "When you come right down to it, a lot of our safety decisions are really cost decisions," says one executive, "we give our workers safety glasses because they cost just $3.50. Safety shoes, which they also need, cost $14, so they aren't compulsory and the men have to buy them themselves."

Several actions are in the works that could result in tougher safety standards for industry. Last year the Johnson Administration proposed legislation to greatly extend the Secretary of Labor's power to establish and enforce safety and health rules for companies engaged in interstate commerce. No action was taken on the measure, but a similar bill is pending before the current Congress.

Unions have taken the initiative in pressing other measures. The United Mine Workers Union is seeking a Federal law that will reduce the maximum amount of dust permissible in coal mines and, it is hoped, help ward off the "black lung" disease that infects many miners. Earlier, this year, at the urging of coal miners in West Virginia that state's legislature extended workmen's compensation to "black lung" sufferers.

The Oil, Chemical and Atomic Workers Union, prompted by growing worry over environmental health hazards, recently announced plans to use its own equipment to measure noise, dust and chemical levels in plants where members work. The union says actions to reduce such hazards have been hampered by lack of information. "We're going to collect our own data so we don't have to rely on company doctors telling us there's nothing wrong," says an official.

An official of a big chemical company takes issue with the union's implication that company doctors misrepresent health conditions. "If a hazardous situation arises, we do our best to correct it immediately," he adds.

Mr. WIGGINS. Mr. Speaker, the President today announced proposed legislation to attack the problem of work-related injuries and deaths. In proposing action by Congress on occupational safety and health, the administration has taken another important step directed toward improvement of the whole environment. The President's proposal follows closely the establishment of the Environmental Quality Council and reflects this Nation's growing interest in and concern for man in relation to his total environment.

The health problems of industry and of the community are so varied and involve so wide a range of man-environment relationships—physical, chemical, biological, and social—that occupational health problems must be considered in the context of overall environmental ills. The worker is, and reacts, as a whole man, not as an isolated system responding to a single stimulus. Not only is he threatened by general environmental insults caused by pollution of the air he breathes and the water he drinks, but he is confronted, as well, by hazards that attend his very occupation.

The people of this country want and need a prosperous industrial economy, but they also need safe jobs, safe food, drugs and clothing. The American people rightfully believe that a science which can decipher the genetic code and a technology capable of placing men on the moon's surface can also halt pollution of the environment and improve the workplace without destroying our way of life.

Today's occupational hazards which undermine the health and shorten the lives of thousands of workers are an important part of the environmental crisis that causes such uneasiness throughout this Nation and the world today.

The President's proposal clearly indicates recognition of the fact that the rapidly changing nature of today's technology makes protection of the work force a matter of first priority in dealing with environmental problems. It is undoubtedly one of the most important and needed health proposals offered in this decade.

Mr. ESCH. Mr. Speaker, the President's message on occupational safety and health proves that this administration is going to practice what it preaches about cooperation between the private and public sectors and between Federal and State Governments. The president here outlines a proposal which does not see the Government in Washington as an enemy of private enterprise or an enemy of the States, but rather as a cooperative and helpful partner in the common task of bringing safer and more

healthful conditions to American workplaces.

Note, for example, the way in which the health and safety standards are adopted. A new national Board will be established to set these standards, but the presumption will be that this Board will turn first to nongovernmental standard-setting organizations which are nationally known, which have a reputation for high technical competence, and which consider the views of all interested parties in making their determinations. Only in cases where the Secretary of Labor or the Secretary of Health, Education, and Welfare object to these so-called national consensus standards, or in cases where no such standards exist, will the new Board break new ground. And, in such a case, it will act only after a full public hearing.

Consider, too, the relationship with the States. Under the proposed legislation, a State government will be encouraged to develop its own plans for enforcing high standards; in fact, Federal money will be available to help with this task. And if the forthcoming plans are sound enough, then the Federal apparatus will yield its role to the States—though Federal money will still be available to help with the administrative burdens.

Both of these provisions will do much to remove the inflexibility, the arbitrariness, the remoteness which afflicts programs that rely too heavily on Federal mechanisms alone. By bringing private industry and State governments into full partnership in its efforts, the Nixon administration will encourage that cooperative atmosphere in which effective enforcement efforts can truly thrive. I commend the President for his message, and I ask my colleagues to give it their serious consideration.

GENERAL LEAVE

Mr. GERALD R. FORD. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to extend their remarks relating to the President's message on Occupational Safety and Health, and to include extraneous matter.

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

There was no objection.

PROVIDING FOR CONSIDERATION OF H.R. 13270, TAX REFORM ACT OF 1969

Mr. O'NEILL of Massachusetts. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 513 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 513

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. 13270) to reform the income tax laws, 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 six 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 Massachusetts (Mr. O'NEILL) is recognized for 1 hour.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield myself such time as I may require, and at the conclusion of my remarks I yield 30 minutes to the gentleman from California (Mr. SMITH).

Mr. Speaker, House Resolution 513 provides a closed rule, waiving points of order, with 6 hours of general debate for consideration of H.R. 13270, the Tax Reform Act of 1969.

Points of order were waived because of the fact that the Ramseyer rule was not complied with.

The purpose of H.R. 13270 is to reform substantively and comprehensively the present income tax laws which were enacted over 50 years ago.

Under the bill, it is anticipated that virtually no individual with significant amounts of income will be able to escape payment of taxes. Specific tax benefits are reduced. Remaining tax preference items are grouped and a minimum tax or a limit on tax preferences is imposed. This, in general, requires individuals with significant amounts of tax-free income to pay tax on at least one-half of their economic income. Also, individuals with substantial tax preferences will no longer be able to wipe out their tax liability on their income subject to tax by charging all their personal deductions to the taxable portion. Instead, they will be required to allocate their personal deductions between their taxable and tax-free income.

Care has been taken not to absorb most of the fiscal restraint provided by the surcharge and other measures included in this bill for 1970.

After that year, however, general reductions are provided which approximate the revenue gains. The reductions include provision for a low-income allowance designed not only to remove any tax burden at, or below, the poverty level, but also to provide substantial relief for those in the income levels only slightly more capable of bearing tax burdens. It is expected that the bill will remove 5.8 million taxpayers from the tax rolls.

Also included in the bill are the postponement for 1 year of the scheduled excise tax reductions, the continuation of the surcharge for the first 6 months of next year at a 5-percent rate, the repeal of the investment credit, provision for 5-year amortization for air and water pollution control facilities, and provision for a low-income allowance. As you know, these matters have already passed the House this year, but have not been acted upon by the Senate.

There are some 27 groups of tax reform provisions in the bill including, among others, private foundations, tax-exempt organizations generally, charitable contributions, farm losses, interest deductions, deferred executive compensation, corporate mergers, and natural resources, to mention a few.

Tax reform is necessary for a number of reasons. Present law permits a small minority of high-income individuals to escape tax on a large proportion of their income; general tax reductions should be made possible; those with substantially the same incomes should pay substantially the same tax; present defects in the tax structure impede the proper functioning of the economic system.

Mr. Speaker, this is a very technical subject which, I am sure, will be explained thoroughly by the experts during general debate, for which ample time for explanation has been provided. I therefore, urge the adoption of House Resolution 513 in order that H.R. 13270 may be considered.

Mr. Speaker, now is the time for 7 hours of anger and frustration. This bill should get an open rule—it will not of course and it cannot, but it should for two reasons.

The first is that the Ways and Means Committee must know and realize that it cannot continue to give the House ultimatums. Everything is up or down, yes or no. The House ends up, almost always, voting for a bill that is three-fourths decent, one-fourth lousy, without amendments. It is unfair. The Ways and Means Committee is a powerful committee, but it should not rule the House on such important matters as taxation and social security.

The second reason that this bill should have an open rule is that this is supposed to be a major reform bill and it is not. Unfortunately, it is probably the reform bill. The committee hails this bill as the most comprehensive reform measure in the last 56 years. It is probably also the most comprehensive reform measure we will see for the next 20 years. And it should not be. This bill only touches on major abuses. There is not real reform here. There are some changes and there is some relief, but this is not the landmark it should be.

The bill will not and cannot get an open rule because all the interests in the House would join together to eliminate even these minor improvements and we would end up with nothing. Perhaps. But perhaps it would be worth the chance to have rollcall votes on every loophole and every abuse and perhaps we might get meaningful reforms. But let us be practical; give this bill an open rule, and after months, there would be no bill.

There are some very good portions in the bill. The committee's pet peeve—tax-exempt foundations—is handled well. So are charitable deductions. But the changes in oil depletion are a joke and nothing is done with regard to the drilling allowance.

"The power to tax is the power to destroy" said John Marshall in McCulloch against Maryland, but conversely, the power to exempt from taxation is the power to create, or nurture, or protect. That is what has happened with the oil industry. The depletion and intangible drilling allowances are nothing less than subsidies to the oil industry. We, the American public and taxpayers are subsidizing the oil industry as clearly as if we handed them funds. As the committee so brilliantly stated in its report—to exempt from taxation—when they were speaking of certain tax-exempt foundations—is the same as providing a subsidy. The same holds true for an industry. If the oil industry—with its vast profits and dividends—needs a direct subsidy, let them come to the Congress with that. But to indirectly, and under the guise of justifiable cost, obtain a subsidy in the form of freedom from taxation is nefarious, unfair, and slightly disgusting.

The committee admits that it is not doing anything in this bill about estate and gift taxes. They say they will do something, hopefully, in this Congress. Well, fine. But it seems to me that they are also saying that they are finished with the oil loophole, the regulated utilities, excess war profits, and such things as personal and standard deductions and exemptions. If this is the last word on such items, I am deeply disappointed.

Is a tax reform bill a bill to slap major abusers on the wrist, give a few benefits to the really poor and close to poor, and protect the oil industry?

The committee, for instance, tries to tax everyone at least a little. There is a nice limit on tax preferences that would not allow all deductions to be used. However, not included in this LTP are the depletion and drilling allowances. Why not?

Now we get to tax relief. There is a commendable effort to aid the really poor and the "might as well be poor" through a low-income allowance and increases in the standard and minimum deductions. Fine. Then there is a lovely cut in the tax rate for those people with taxable income—that is after all deductions and exemptions—of $8,000 for a couple or $4,000 if single. That means most of the tax relief goes to persons with adjusted gross incomes of more than $15,000 a year. Very nice. There is a 5-percent reduction for those people with adjusted gross of more than $200,000 a year. Fine. What about the poor, average, working guy with a family and a home—mortgaged? Nothing. Not a thing.

These people, with adjusted gross incomes from about $7,500 to about $13,000 get nothing. They miss the low income because they earn too much. They itemize so they do not benefit from the larger standard deduction. They get nothing. And this is the bulk of the public. These are the working people and the small businessmen who are sick and tired of getting nothing and constantly giving. How can a guy who gets no relief support more spending when both the poor and the rich get a break. He is sick of it and it is not fair.

The Bolling amendment is good and necessary. Why skip from the poor to the rich and forget about the average American? His amendment would cut down the reductions in the higher categories and give them to the people in the middle.

That is the major hoped-for change. It is not enough. The Ways and Means Committee, I think, has failed the Congress—and the Democrats.

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

Mr. O'NEILL of Massachusetts. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Speaker, I appreciate the gentleman yielding. I would like to go back to the question of the waiver of all points of order. The gentleman addressed himself to that I believe when he made his opening statement and said that there was no motion in the Committee on Rules that this bill have an open rule. I appreciate the statement made by the gentleman in line with the new policy of the Committee on Rules to explain the waiver of points of order, which does usurp the prerogatives of the individual Member.

I further appreciate that perhaps points of order might be in order to save a printing bill under the Ramseyer rule. I appreciate that individual points of order might need to be waived even by section or title on considering a tax bill. But, I take it from the opening statement made by the gentleman from Massachusetts, which the gentleman presented so well, that the gentleman also is against waiving points of order.

In that event could the gentleman tell us in a little bit more detail why in a general tax reform bill toward which we have been looking, and toward which we have been promised so often, that this comes up under a closed rule? In other words why is it not an open rule in the opinion of the Committee on Rules?

Mr. O'NEILL of Massachusetts. I would say to the gentleman from Missouri that it comes up under a closed rule primarily because no motion was made by any member of the Committee on Rules to make it an open rule.

Mr. HALL. If the gentleman will yield right there, it would seem to me that the reverse would be true in that all bills would be under an open rule unless a motion came up to waive points of order. By whom was the motion made?

Mr. O'NEILL of Massachusetts. When the motion was made it was to agree to House Resolution 513. That was the motion that was made to the Committee on Rules and that was the motion that was ultimately adopted.

Mr. HALL. So that the reverse is true in fact, that the motion itself which I have in my hand, and which I have read, was the motion to eliminate the rights of individually elected Representatives by waiving all points of order.

Mr. O'NEILL of Massachusetts. The gentleman is correct.

Mr. HALL. Is it not true in the opinion of the gentleman from Massachusetts that we have been told for years that eventually we would get a general tax reform bill and that it would be considered under an open rule? If so, if this is it, with the limitations which the gentleman from Massachusetts has so amply described, then why not an open rule?

Mr. O'NEILL of Massachusetts. I would say that statement has never been made in the House as long as I have been in Congress, 18 years. We have always had a closed rule with tax and social security bills and I am sure that the chairman, the gentleman from Arkansas (Mr. MILLS), or the gentleman from Wisconsin (Mr. BYRNES), the ranking minority member of the committee, always come and ask for closed rules on the basis that it is practically impossible for 435 people to write tax legislation on the floor of Congress. And while I would like to have an open rule myself, I have to agree with them. They have all the consultants both from the committee and from the Bureau of Internal Revenue downtown to sit at their elbows and provide them with information and advice regarding the actions that they will take. They write their briefs and the committee then goes over them. In other words they have the expert advice that we could not get while we would be trying to amend a bill of this type on the floor.

Mr. HALL. Mr. Speaker, if the gentleman will yield for just one more observation it may be practically impossible to unite the thinking of 435 Members on the floor, but this resolution, per se, precludes the right of any one of those individual Members when we have such a rule; and I for one fear it is not just a question of the Ramseyer rule and it is not just a question of points of order but a question of fear of what might happen to the interest rates or the economy in general that brings these closed and fixed rules forward like this so often.

Mr. Speaker, I thank the gentleman for yielding.

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

Mr. O'NEILL of Massachusetts. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, is the gentleman saying that bugs will not be found in this bill after it is passed and sent over to the other body; that there will not be plenty of bugs found in it?

Mr. O'NEILL of Massachusetts. No; I do not believe that at all. I think that we fortunately have the House to protect our programs and correct the mistakes that the other body makes.

Mr. GROSS. I am not so sure that there would be so many mistakes if we had an open rule or that there would be any more mistakes than we probably will discover in this bill.

I cannot agree with the gentleman that the House could not work its will upon this bill. At the very least, it seems to me that there ought to have been a modified open rule, so that amendments, germane to specific sections of the bill, could have

been considered by the House. That would have been helpful—that kind of a modified open rule. That would have precluded the House going hog wild in the field of taxation with any and every kind of amendment that anyone could devise.

I was in hope that the gentleman would conclude his remarks by saying that he was opposed, as he said he was, to a closed rule, and then saying that he would vote for this closed rule.

I am a little disappointed. I wanted to commend the gentleman, but I can only do so reservedly now.

Mr. O'NEILL of Massachusetts. In answer to the gentleman, may I say this. I will move the previous question. If the previous question is voted down, of course, we would have an open rule on the bill. If you want to really scuttle the bill—if you want to defeat the bill—that is the simple way to do it, by voting against the ordering of the previous question. The gentleman has been around this House long enough to know that if we ever have an open rule on this bill, you will be here not only until Christmas but the year after Christmas, and probably beyond. This bill would never be enacted.

Furthermore, we would be deluged with vans bringing in all the lobbyists from all over the United States who were working on this legislation.

If you are interested in tax reform, as I know you are, you will not allow this bill to be killed slowly through an open rule allowing every amendment to weaken it. Although I am not satisfied with the bill, I am satisfied that there is some good in the bill and I think the best we can do is to go along with the closed rule.

Mr. GROSS. The gentleman from Iowa is reconciled to the fact that we are going to be here until Christmas with or without an open rule on this bill.

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

Mr. O'NEILL of Massachusetts. I yield to the gentleman.

Mr. PUCINSKI. The gentleman from Massachusetts said there would be great difficulty among the Members of the House in trying to work their will on this legislation with an open rule.

What is the gentleman's reaction to the situation where, on sending this legislation to the other body, they have no closed rule and no rule of germaneness. They can run all over the place with this legislation.

What makes any Member of this Chamber feel that we are any less competent or any less capable in dealing with this matter than the other body? I am opposed to the closed rule and shall vote against it.

Mr. O'NEILL of Massachusetts. I thank the gentleman.

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

Mr. O'NEILL of Massachusetts. I yield to the gentleman.

Mr. HAYS. Mr. Speaker, I would just like to point out that if the rule is defeated, it in my opinion does not necessarily mean that the gentleman from Arkansas will not bring the bill up. He can go to the Committee on Rules later on and get a different rule that makes perhaps one or two amendments in order.

I would like to see an amendment in order striking out this surtax provision that the Senate is not going to buy and the House does not want extended past the 31st of December.

You know we had a piece of legislation in the House Committee on Administration to print some reports on this reform bill, the tax reform bill, and I said I would vote for it if they struck out the word "reform" because I do not think it really belongs in it—and to just call it a new tax bill.

The SPEAKER. The Chair recognizes the gentleman from California (Mr. SMITH).

Mr. SMITH of California. Mr. Speaker, I yield to the gentleman from New Mexico (Mr. FOREMAN).

Mr. FOREMAN. Mr. Speaker, I thank the distinguished gentleman from California (Mr. SMITH) for yielding. Even though I do have a high respect for my friend, the gentleman from Massachusetts (Mr. O'NEILL) I am impelled to set the record straight now, clearly, at the beginning of this debate on some of the colorful misinformation and/or misunderstandings that will be presented in the attack upon the extractive industries, more particularly the mining and petroleum industries.

Further, Mr. Speaker, I am constrained to point up some of the other important shortcomings of this proposed tax reform bill, H.R. 13270. Let us not deceive ourselves about this tax legislation. Certainly, it does provide a small tax reduction to a good many individuals, however, this legislation whacks away unnecessarily at the mainspring of our free enterprise, capitalist system by leveling even heavier tax burdens on the investors and the businesses and industries that are the wheels of a progressive nation. I am for tax reform, just like everyone else is, meaningful, realistic tax reform that will actually relieve the overbearing tax load on our people today, but not at the expense of jobs and economic progress.

As that great American, Abraham Lincoln, once said, and if he did not say it, he should have:

1. You cannot lift the wage-earner by pulling down the wage-payer.
2. You cannot help the poor by destroying the rich.
3. You cannot help small men by tearing down big men.
4. You cannot strengthen the weak by weakening the strong.
5. You cannot build character and courage by taking away a man's initiative.
6. You cannot really help men by having the government tax them to do for them what they can and should do for themselves.

We need to restudy these principles most carefully as we consider the legislation before us today.

Now as for the matter under consideration directly, I very much disagree with the proposition to consider the tax bill under a closed rule which allows no corrective amendments or changes, just a "yes" or "no," "up" or "down" vote as it is. This will not really permit the House to work its will and correct some of the inequities that exist in the proposed legislation.

As for the matter of the misinformation and shortcomings of this tax legislation:

First, critics attack percentage depletion as one of several tax provisions alleged to be "loopholes." It is not a *loop*hole at all—it is simply a depreciation allowance on a depleting capital asset.

Minerals, such as petroleum, by nature have a dual character. In the earth they are part of their owner's capital assets. When produced and sold, part of the value received represents capital, and part income, making it difficult to establish an equitable taxation basis. In keeping with the basic principle that income, but not capital, should be taxed, Congress adopted the principle of percentage depletion which today applies to over 100 minerals, including oil and gas, as a means of fairly taxing the income derived by extractive industries.

A compelling reason for adoption of percentage depletion was to supply an incentive for owners of capital to accept the great risks involved in the search for, and development of, mineral resources which are so essential to our economy and security. History shows the incentive has worked well in achieving its purpose. It would be risky to discard or weaken a system which has worked well over a long period of years in supplying petroleum and other essential minerals.

Critics maintain that the oil industry does not pay its fair share of taxes. This simply is not true. In addition to income taxes, the petroleum industry pays a number of other direct taxes. One of these, the severance tax, is paid only by industries which extract natural resources. The fact is that in 1966—the latest year for which figures are available—the oil industry paid $2.5 billion in direct taxes, which amounted to 5.1 cents for every dollar of gross revenue. The direct tax burden for all U.S. business corporations was only about 4.5 cents per dollar of gross revenue, or about 10 percent less than petroleum's.

Percentage depletion has benefited the consumer by helping keep petroleum prices low. In fact, the price per gallon of gasoline today, before the taxes levied at the service station pumps, are the same as the price in 1948. This is even more impressive, when you consider the many improvements made to increase the delivery performance of a gallon of today's gasoline as compared to the gasoline of 1948.

That the consumer is the beneficiary is clearly shown by the oil industry's profit record. According to figures compiled by the First National City Bank of New York, from 1925—the first year's taxes to come under percentage depletion—through 1966, petroleum company earnings after taxes averaged 9.9 percent of invested capital. By comparison, the figure for all manufacturing companies was 10.7 percent. In 1966, this comparison was petroleum companies 12.6 percent, and all manufacturing companies 14.1 percent. Of the 25 leading U.S. industrial corporations on the basis of sales, seven are petroleum companies.

But not one of these petroleum companies is in the first 75 on the basis of return on invested capital.

Critics charge that because of the percentage depletion provision, petroleum producers recover their costs many times over. The fact is that although the oil industry realizes about $1 billion a year through the operation of this provision, it invests about $5 billion a year in the United States in searching for and developing new petroleum reserves.

Petroleum—oil and gas—supplies 75 percent of our Nation's energy needs. The U.S. Government predicts that demand for petroleum will rise by 50 percent of current levels by 1980 and will more than double between now and the end of the century. Yet, despite the coming requirements, proved domestic reserves of crude oil declined during 1968 for the second year in a row and now stand at the lowest level in 10 years.

Speaking from a more personal point of view, Mr. Speaker, practically every single State in the Union, and a very large percentage of the congressional districts, would be adversely affected economically if we alter these long-proven, time-honored tax principles on the some 100 extractive industries. In my own State of New Mexico, we have substantial production in only seven of these industries—copper, manganese ore, molybdenum, perlite, petroleum, potash, and uranium—but alteration of the percentage depletion allowances will cripple our tax base from which we derive the income for the construction of our roads, the financing of our schools and educational programs, and other important services.

New Mexico is the sixth largest petroleum-producing State with production almost equal to that of Brazil, Chile, and West Germany combined. More than 13,000 New Mexicans are employed in some phase of the petroleum industry. Their payrolls amount to almost $73 million annually, or $73 for every man, woman, and child in the State. The petroleum industry spends almost $274 million annually for production supplies and equipment in New Mexico. Last year, oil and gas operations paid $60,130,000 in direct revenues to the State—not counting local taxes or approximately one-fourth of all New Mexico State tax revenues.

A careful examination of our past experiences indicates that certainly we should at least maintain these proven incentives and tax principles, not reduce them, if our Nation is to have sufficient, reasonably priced, reliable supplies of petroleum essential to its future security and economic strength.

Second, by loading heavier tax burdens on savings and loans, and banking institutions, this tax reform legislation serves to raise already high interest rates even higher, and thereby add further burdens on prospective home buyers, homebuilders, the building trades, suppliers, and others.

Third, by changing the rules on tax exempt bonds, local governments will be forced to look to Washington to solve their problems. By the time the Federal Government "administers" the program, the cost of Government will go up just that much more.

Fourth, by limiting charitable contributions, this bill will force private charities and all educational institutions to turn more to the need and demand for Federal tax dollars.

Next, this tax bill erodes away the difference between capital and income by increasing the holding period from 6 to 12 months, and the maximum tax from 25 to about 33 percent, on capital gains. More and more people in our country are reaching a position where they can invest their savings—even after taxes—and can convert income into capital. It has been, and should be, a fundamental and vital recognition that capital is a very different thing from income, and therefore should be so considered in tax legislation. In many countries capital gains are not taxed at all.

This country needs more capitalists, not fewer. We need to encourage investment, not discourage it. We need to encourage people to create and build and profit; for as they do, the whole country moves ahead, and we have more jobs, and less poverty—more wealth and less Government dependence.

We need to reduce—not increase—the growing, confiscatory taxes on business and industry, so they can expand and grow and develop and create more and better jobs and new ideas and products. Then and only then, will we really be preserving and extending the free enterprise, capitalistic system—the system which has produced the greatest and highest standard of living ever known before in the history of mankind.

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

Mr. Speaker, I think the gentleman from Massachusetts has pointed out the bad parts of the bill and the good parts of the bill and the reasons why we ought to have an open rule.

Then he came to the conclusion that we should have a closed rule—which, in my opinion, that is the right conclusion.

I wanted to have some open rules for a long period of time. I have urged the adoption of open rules by the Committee on Rules on many occasions.

But I do think in all seriousness that with a bill the size of this bill, consisting of some 368 pages, which has to do with amending 27 different provisions of the Internal Revenue Code, to place this, and to fight it out for 6 hours or 10 hours of debate on an open rule would be an extremely difficult thing to do.

So far as an open rule is concerned, pertaining to certain sections, now there are 27 different parts and my personal opinion is that if we started to open up title VII which has to do with the continuation of the surtax, then why should not we open other titles?

Then if the request was made to open title VI, having to do with the State and local organizations—interest on certain governmental obligations, we would have simply one more special provision. If we are going to open it at all, we might as well open the 27 sections while we are at it, that is the entire bill.

When we end up consideration of the bill, the bill, when it is passed by the House of Representatives, is not going to be the final language which we eventually will be accepting and voting upon for the tax reform. It will go to the other body. As best I understand, the other body has already stated that they will have a bill to the floor of the Senate, or reported by October 31. So there is quite some period of time between today, August 6, and October 31. Eventually there will be a conference, and the final terms of our tax reform bill, which we will eventually be voting on, in my personal opinion—and I am giving you only my personal opinion—will be sometime when the conference report is returned to the House, hopefully in November.

This rule provides for 6 hours of debate. As was mentioned, it is a closed rule, waiving points of order. So far as the waiver of points of order is concerned, I cannot see how anyone can object to that. There are 27 different sections, and under the Ramseyer rule they would have to reprint almost the entire revenue code to take care of the 368 pages in the bill. That in and of itself would be a tremendous costly and difficult job.

So far as open and closed rules is concerned, everyone can have an opportunity——

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

Mr. SMITH of California. I yield briefly to the gentleman from California.

Mr. MOSS. I wish to take issue with the gentleman's statement on the open rule. I think the gentleman has just made a point which I find deeply disturbing to me in relation to the scope of the bill and the fact that we are being asked to vote upon it at a time when we have not had adequate opportunity to inform ourselves as to its content or as to its full reach or effect. Does not the gentleman have some sense of disquiet about that?

Mr. SMITH of California. I intend to make some comments along that line. But on the question of waiving points of order, that has to do with the Ramseyer rule. Whether it is open or closed, that is an entirely different subject. The majority of the Rules Committee that submitted this resolution felt that it should be considered under a closed rule. However, we are not the final say. The House of Representatives can vote on that question. If you do not think you should have a closed rule, or if you desire to open up one, two, or 27 sections, all you have to do is to vote down the previous question. After that time it will not necessarily go back to the Rules Committee.

The Member who would make the point on that probably would be recognized for 1 hour to offer an amendment, and we would have a vote on the amendment.

But in my opinion, the only way we can act properly is to have a closed rule and proceed with the consideration of the bill.

Personally—and again I say these are only my personal comments—I would have much preferred to have the bill lay

over until we come back after the recess and schedule it for consideration on September 2 or 3, because in all honesty I do not believe the Members have had an opportunity to thoroughly review this particular bill.

I usually like to review what I think is in the bill when I present the rule, but my personal review that I have had staff help in preparing is 11 pages, double-spaced, and I do not intend to take that time. But the Ways and Means Committee has had an opportunity to study the matter. The Rules Committee heard a very complete explanation yesterday. So we do have a little advantage of the other Members. I personally would have no fear of the time delay between now and September 3. I tried to do that, but it did not work out that way.

There seems to be some concern that pressure groups or some others might change some votes between now and when we come back from the recess. Personally, that does not bother me a bit. I would just as soon go home and talk with the charitable institutions, city officials, county officials, municipal officials, and all the other organizations, listen to them, and see what they have to say. But in the final vote the gentleman from California will make up his mind as to how he is going to vote, and he is going to vote on the bill that way regardless of what pressure groups try to do to influence him. No one has ever done it before, and they will never do so as long as I am a Member of this legislative body.

But that was not the desire. The desire of the leadership on both sides is to proceed with the matter. I think some certain promises or indications were made at the time of the surtax consideration, that we would have a tax reform bill which would be here before the August recess.

The Ways and Means Committee have made tremendous efforts in complying with their statements in that respect. The leadership has. So the bill is here today for consideration. As far as I am concerned, I think we should proceed with the rule and have the debate and the consideration, and then we should vote the matter up or down when we finish the debate at the end of some time tomorrow.

Mr. Speaker, I urge adoption of the rule as offered by the Rules Committee and reserve the balance of my time.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 4 minutes to the gentleman from Indiana (Mr. MADDEN).

Mr. MADDEN. Mr. Speaker, yesterday the Rules Committee met and heard testimony from Chairman MILLS, ranking member JOHN BYRNES, and other members of the Ways and Means Committee on the long-delayed and important tax reform legislation. Our meeting lasted from 10:30 a.m. until 8 p.m. This tax reform bill, H.R. 13270, consisted of 368 typewritten pages and the report of the committee accompanying the bill was made up of over 200 pages. The committee finally reported out a closed rule with 6 hours of debate.

Unfortunately, the Ways and Means Committee saw fit to encumber and cloud this outstanding tax reform legislation with an unrelated provision tacking on a 5-percent surtax measure covering the period from January 1, 1970, through June 30, 1970. I personally supported an amendment in the Rules Commtitee to report a modified closed rule giving members a separate provision of voting on the 5-percent surtax charge for 1970, but it was defeated. I opposed and voted against the original surtax when it was passed over 1 year ago. It has failed to stop inflation.

When we realize that this is the first major tax reform legislation in over a quarter of a century it gives the Congress the opportunity to relieve millions of wage earners and salaried folks, especially in the lower and middle income bracket and to reduce their Federal tax burden to the extent of approximately 5 to 6 percent of their former assessment.

This legislation will reduce a great number of the major loopholes enjoyed by big oil, big foundations, big real estate, capital gains, and so forth. The bill by reason of closing these loopholes will bring into the Federal Treasury billions of dollars which formerly were exempted from taxpaying on income and profits by reason of the pressure of powerful lobbyists during the past 30 to 40 years.

During the past 8 to 10 years I have, on numerous occasions, both on the floor of the House and when the Ways and Means Committee appeared before the Rules Committee on tax legislation, demanded that the Congress do something to repeal some of these fabulous depletions, exemptions, and credits which big business and industry have been enjoying over the years to the detriment and depletion of our Federal Treasury, from profits which should be in the taxpaying category.

It might at this time be well to remind some of the Members and the public of some facts concerning this unfortunate situation in our tax structure.

Standard Oil of New Jersey had an income of $1,271,903,000 in 1962, but paid only six-tenths of 1 percent of their fabulous profits. In the following 4 years their percentage tax on similar profits ranges as follows:

	Year	Net income before tax	Percent tax paid to Federal Government
Standard Oil (New Jersey)	1962	$1,271,903,000	0.6
	1963	1,584,469,000	4.3
	1964	1,628,555,000	1.7
	1965	1,679,675,000	4.9
	1966	1,830,914,000	6.3
Atlantic Oil	1962	61,110,000	0
	1963	56,747,000	0
	1964	61,081,000	0
	1965	105,299,000	0
	1966	127,384,000	

Some companies do not do as well as the oil companies, however. Perhaps they do not have as powerful a lobby in Washington as "big oil."

The following statistics on three coal companies illustrate the contrast:

	Year	Gross profit	Percent tax paid to Federal Government
Consolidation Coal Co.	1964	$44,863,073	26
	1963	39,568,737	28
	1962	32,918,065	26
Pittston Co.	1946	13,721,024	30
	1962	14,699,420	35
Island Creek Coal Co.	1964	7,713,060	18
	1963	5,149,930	24
	1962	3,459,563	(1)

[1] Lost by SEC.

From 1962 through 1966 the Atlantic-Richfield Oil Co. had profits of $411,621,000. But after deducting its 27½-percent oil depletion allowance, "intangible drilling costs" and other items it came up with a whole string of goose eggs. Its total income tax obligation for those 5 years was zero.

In 1962 the Marathon Oil Co. had a net profit of $36 million. After deducting its depletion allowance and other items, Marathon not only paid no income tax but received a tax credit of $2.2 million.

In 1965 the 20 largest oil companies in the United States had aggregate profits of nearly $6 billion. Taking advantage of special preferences in our tax laws, they paid income taxes representing only 6.3 percent of these profits. By comparison, the same rate paid by a married taxpayer with two children earning just $4,000—these companies enjoyed 41.7 percent less than the rate paid by most U.S. corporations.

Shocking examples like these reflect no dishonesty on the part of tax loophole companies; they reflect a failure of Congress to face up to the glaring inequities in our income tax system.

Let us consider the tax "bonanza" enjoyed by the 27½-percent exemptions under the oil depletion allowance. In this case you determine your income from a producing well and deduct 27½ percent of that amount before beginning to calculate your income tax. You do the same next year, and the year after that, and every year as long as that well produces. You don't stop when you have retrieved your investment; in fact, the average well is "depleted" 12 times over. If your drilling cost was $50,000, your total income tax deductions on its production might be $600,000. This bill reduces the depletion loophole 7½ percent and most Members feel that it should be repealed entirely.

What applies for oil works to a lesser extent for other minerals. Sulfur and uranium get a depletion allowance of 23 percent, for example, and copper gets 15 percent. But oil accounts for 60 percent of all depletion claimed.

We will now consider two examples of tax concessions to the average large real estate developer. His income in 1966 was $1,433,000. He wrote off $575,000 as the tax-free portion of his capital gains. And figuring accelerated depreciation on buildings he owned, he was able to show a "loss" of $864,000 totally wiping out his tax obligation.

Another real estate operator had an income in 1966 of $1,284,718. This included his $20,000 salary, plus dividends, interest, and $1,210,426 in capital gains.

The capital gains were realized on investments he made with borrowed money, the interest on which—$587,693—was also deductible. His tax for the year: $383.

This legislation also provides for covering loopholes enjoyed by wealthy individuals, personal estates, and unreasonable tax concessions given large foundations who circumvent the law by engaging in private business and profit-making ventures under the umbrella of being charitable and educational organizations for civic betterment and gifts to needy folks.

Former Treasury Secretary Joseph Barr testified in January that 21 persons with incomes of over $1 million paid no taxes at all in 1967, while 155 with incomes of over $200,000 also escaped taxes entirely.

When the wealthy escape taxes it is the average taxpayer who gets hit for higher taxes to make up the difference in our Federal budget. The best example of this is the 10 percent tax surcharge. I voted against this surcharge tax a year ago and I voted against it this year. To the wealthy exploiter of loopholes the surcharge is no problem at all. Ten percent of nothing is still nothing.

I do hope that the 5-percent surcharge that has been unfortunately added to this tax reform bill will be deleted when this bill is considered in the other body. I do hope that the American public will convey its opinion against this 5-percent surcharge for next year and contact their Senators urging them to delete the 1970 surcharge appendage from this outstanding and too-long-postponed tax reform legislation.

This pending tax reform legislation also clips the wings of the "hobby farm loophole" which allows wealthy part-time farmers to escape taxes by using fictional farm "losses" to offset income.

Although this tax legislation has its shortcomings and, in my opinion, has not gone far enough in outright repealing or recommending more deductions, credits, and exemptions, nevertheless it is a major start and will be a great forward step in equalizing the Federal tax burden for all citizens in whatever bracket they may be classified.

I also wish to commend the House Ways and Means Committee for their actions during our luncheon recess of the Rules Committee hearings yesterday. Chairman MILLS and ranking minority leader JOHN BYRNES called the Ways and Means Committee in meeting and moved swiftly to provide additional tax relief for millions of former taxpayers who were inadvertently left out of the tax reform bill originally reported by their committee. Objections were made concerning this omission involving mainly lower income and homeowning families in the $5,000 to $15,000 income bracket. The Ways and Means Committee gladly complied to correct the committee's mistake and include this taxpaying group within the major bill. This oversight was an unintentional "mistake" on the part of the Ways and Means Committee and should be commended for remedying the defect in the pending legislation.

Under our Constitution, the House of Representatives has been designated for the origin of all taxing power legislation. The Ways and Means Committee has been holding hearings on this legislation since January and I do hope that the other body will not arbitrarily and without any hearings or long deliberation diminish any major portions of this outstanding tax reform bill, the first major tax reform in 50 years. I do not include the hoped for exclusion of the unfortunate 5-percent surcharge tax for 1970.

We all realize that a complex and much involved 368-page tax bill concerning many segments of our economy cannot be perfect but the committee I think has turned out an outstanding bill. Chairman Mills also assured the Rules Committee that he would urge the Ways and Means Committee next year to reconsider any phases of our tax structure that might have been overlooked in this original tax reform legislation and that they would make every effort to place all taxpaying individuals in the lower, middle or upper income brackets on the same percentage of Federal taxpaying responsibility.

Mr. SMITH of California. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio (Mr. LATTA).

Mr. LATTA. Mr. Speaker, at the outset of my remarks let me say for the RECORD that I am going to vote for this bill, even though it does not give the amount of tax relief that I think it should. It is at least a step in the right direction, and I am hopeful the Senate will make the additional amendments which I think should be made. The closed rule which is usually granted for tax bills in the House, will preclude Members of the House from amending the bill. We will have one vote either for or against the bill as it has been reported to the House from the Ways and Means Committee. I have decided to vote for it because the bill has more good than bad features.

Let me first discuss some of the bill's shortcomings. This bill fails to increase the $600 exemption presently afforded each individual under the law. I offered a bill to increase this exemption to $1,000 per person as inflation has made the $600 figure completely unrealistic. The Ways and Means Committee chose to do nothing at all with this exemption. In my opinion, this is the bill's greatest shortcoming.

The bill makes a start toward the taxation of tax-exempt foundations. I say a start, as the tax rate is only 7½ percent. The bill also makes a start toward taking the profits made by churches in their purely business and commercial activities. However, churches can still invest in apartment buildings, office buildings, and so forth, and keep their rentals tax free.

Millionaires who have been escaping the payment of income taxes will start to pay under this bill. Also, the individuals who have been acquiring farms for tax writeoff purposes will find that the bill covers such operations.

The gas and oil depletion allowance has been reduced from 27½ to 20 percent. This may or may not be a good thing as it may encourage more foreign imports, especially on the east coast. This reduction may cause the oil companies to pass the added cost of production along to its customers in higher gasoline prices.

Mr. Speaker, the section dealing with State and municipal bonds may cause some concern. State and local government units are given an opportunity to issue taxable obligations under the bill and in turn receive from the Federal Government a payment equal to between 30 and 40 percent of the interest yield of the bond—on issues brought out in years after 1974, the payment will be between 25 and 40 percent.

Now, Mr. Speaker, let us look at some of the adjustments of the tax burden for individuals.

First. Standard deduction: Over a 3-year period the standard deduction is increased from 10 to 15 percent and the maximum standard deduction is increased from $1,000 to $2,000.

Second. Low-income allowance: The minimum standard deduction is increased to a level of $1,100 by adding to the present minimum what is called a low-income allowance.

Third. Top rate on earned income: A ceiling of 50 percent is placed on the tax rate for earned income.

Fourth. Single persons: Single persons over 35 years of age and widows and widowers are given the head-of-household exemption.

Fifth. Rate reductions: Tax rate reductions which will give everyone at least a 5-pecent reduction are included in the bill. These rate reductions are not sufficient and especially so in the middle-income group. I am certain, however, the Senate will adjust these rates.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 4 minutes to the gentleman from Ohio (Mr. VANIK).

Mr. VANIK. Mr. Speaker, at such time as the previous question is demanded on this bill I will urge that the previous question be voted down. If the previous question is voted down, the rule will be open for amendment. Then I hope to offer an amendment to permit the House to vote on extending the surtax, the 5-percent surtax, into 1970—between January 1, 1970, and until June 30, 1970.

My amendment will be to the resolution on line 11, after the period, where I hope to insert the following language: "Except for one amendment to strike section 701 from the bill and renumber all subsequent sections accordingly."

And then go on to the rest of the section.

Mr. Speaker, the Congress itself has clearly given its mandate to eliminate the surtax on December 31, 1969. The Senate took this action and it was concurred in by the administration. Last Monday this House concurred in the Senate action terminating the surtax on December 31, 1969. Accordingly, the surtax had to be added to the reform bill which is otherwise a commendable achievement.

I do not know—no one knows—what will be left of the tax reform provisions when the reform bill gets back here. It is very likely to remain as a conglomerate of watered-down titles designed to appease and dismiss those millions of taxpayers who have prayed and hoped for reform. My fear is that by the time this reform bill gets back here it will be stripped of reform and will be returned here with little more than an extension of the surtax into 1970. My fear is that if the surtax is extended into 1970, an effort will be made next year to extend it into 1971.

Mr. Speaker, the only certain way—the only certain way—we can insure relief to the taxpayers is by eliminating the surtax today for all time.

Mr. Speaker, 205 Members of this House voted against the surtax earlier this summer. Last Monday, 170 Members of this House voted against the surtax. In my judgment, and in light of our action last Monday, an overwhelming number of the Members of this House would strike out the extension of the surtax into next year. I do not believe that we should go by a rule which seeks to suppress the will of the majority.

Mr. Speaker, I urge my colleagues to vote down the previous question and support the amendment to strike from the bill section 701 which extends the surtax for the first 6 months of 1970.

PARLIAMENTARY INQUIRY

Mr. PICKLE. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore (Mr. RODINO). The gentleman will state his parliamentary inquiry.

Mr. PICKLE. I would like to ask the Speaker if the previous question is voted down and if the gentleman from Ohio offers an amendment to strike section 701, my inquiry is, Would it then be in order to offer an amendment to the amendment offered by the gentleman from Ohio?

The SPEAKER pro tempore. The Chair will state in response to the parliamentary inquiry, that under the proposition which the gentleman from Texas poses, the control of the time would be in the hands of the gentleman from Ohio, and unless he yields for the purpose of offering an amendment no amendment would be in order.

Mr. PICKLE. And no other amendment would be in order then at that point?

The SPEAKER pro tempore. The gentleman is correct.

Mr. SMITH of California. Mr. Speaker, I yield 4 minutes to the gentleman from Indiana (Mr. DENNIS).

Mr. DENNIS. Mr. Speaker, I rise in opposition to this rule, and I do so with reluctance. First because I have the highest respect for the very distinguished and able chairman of the Committee on Rules and the very distinguished and able chairman of the Committee on Ways and Means and the ranking members of both of those committees. Second because I realize that the House is probably unlikely to reject the rule, and I usually like to reserve advocacy for a cause that at least might be successful. And third because I would like to say that I do not share the views of the gentleman from Ohio (Mr. VANIK) on the surtax; so that we find ourselves for the moment on the same side for different reasons.

But once in awhile, Mr. Speaker, I think a man needs to protest. This bill here may not be—may not be—the most important bill that any of us will ever have to deal with in the Congress, but it is certainly, at the very least of it, as important a bill as we will have to deal with during the 91st Congress; and this is the only Congress I am a Member of and perhaps the only one I will ever be a Member of, for all I know.

Mr. Speaker, I will tell you that when I was elected a Member of this body—and I am not altogether naive; I had heard of such things as closed rules and so on—but I was a proud man when I was elected to come to the Congress and represent some 400,000 to 500,000 people in the Congress of the United States. I do not stand as tall today as I did then, because it has been brought home to me that, although I am an elected representative of the people, I am practically impotent to do anything here so far as this bill is concerned—and it is an important bill—and I do not think that should be true.

Mr. Speaker, there are 27 categories in this bill. I do not see why we could not have a rule that would permit the Members of the Congress to speak on the most important of those categories.

I have here a wire from a distinguished citizen of my State, although not of my district. He says:

> At a time when colleges and universities need more financial support, proposed tax measure would surely trigger cutbacks to fewer and smaller gifts, compounding the crisis.
>
> Approximately 50 percent of Notre Dame's gift income derived from appreciated securities. Am reasonably certain comparable situation exists at other colleges and universities.

My own father was a president of a small college for 17 years. I do not know, if we do catch a few millionaire taxpayers, whether I want to necessarily take away necessary gifts or support from higher education, and private higher education, in this country. And I think if President Hesburgh of Notre Dame, who sent me this wire, is correct, at least it ought to be possible to offer an amendment to bring his views before the House.

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

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

Mr. MILLS. Mr. Speaker, I would say to the gentleman that there is no change with respect to the giving of appreciated properties to colleges and universities. There is a change with respect to giving that type of property to private foundations.

Mr. DENNIS. Is it not true, though, that the effect of the provisions of the bill certainly will have a tendency to cut down the big gifts at one time?

Mr. MILLS. I would say to the gentleman from Indiana that I do not think so.

Mr. DENNIS. Well, President Hesburgh evidently does think so, and so do other people who have wired me.

The SPEAKER pro tempore (Mr. RODINO). The time of the gentleman has expired.

Mr. DENNIS. May I have 1 additional minute, Mr. Speaker?

Mr. SMITH of California. Mr. Speaker, I yield 1 additional minute to the gentleman from Indiana.

Mr. DENNIS. Mr. Speaker, I thank the gentleman for yielding me the additional time.

But more than that, Mr. Speaker, I would say this. There may be practical reasons why you cannot have an open or a partly open rule, but it is indefensible to bring in here 700 pages of a bill and report and expect the gentleman who is talking or anybody else to vote intelligently as a Representative of this body. That is the thing I really object to. This matter should go over so that we can study it and see what our people think and see what we think after that study.

I may wind up voting for the bill. My mind is open on its merits—whether it is 51 percent good or bad; but it is the procedure that I protest and therefore I am not going to support this rule.

The SPEAKER pro tempore (Mr. RODINO). The time of the gentleman has expired.

Mr. SMITH of California. Mr. Speaker, I yield 5 minutes to the distinguished member of the Committee on Rules, the gentleman from Illinois (Mr. ANDERSON).

Mr. ANDERSON of Illinois. Mr. Speaker, as the debate under the rule has progressed, the suggestion has been made that it would be the better part of wisdom here today for us to vote down the previous question and thereby subject the bill to amendment.

I certainly hope that the House will not take that course of action. I might say that this is one instance where I almost wish that the 6 hours of general debate that will follow the adoption of this rule could have preceded our discussion of the rule.

If I could not have that wish, I might instead wish that the Members of this House who have today expressed their reservations about a closed rule might have had the opportunity that we had in the Committee on Rules yesterday to hear the very cogent, clear, and concise explanation of this bill as we got it from both the chairman of the Committee on Ways and Means, the distinguished chairman, the gentleman from Arkansas (Mr. MILLS), and the ranking minority member of the committee, the distinguished gentleman from Wisconsin (Mr. BYRNES).

It is never easy to stand here in the well of the House and advocate the adoption of a closed rule. Invariably, as we have seen today, there are Members who thereby assume that somehow we ascribe some inferiority to the Members of this body and we somehow infer that

they are less capable than the Members of the other body to work their will in amending this bill.

Of course, that is not the reason. Long ago it was decided that in a parliamentary body of this size commonsense would dictate that the practical exigencies of the situation dictate that we must somehow limit debate.

We do not have the unlimited debate that takes place in the other body. That, of course, is the fundamental reason, I think, why we urge a closed rule here today.

Let me say that this was brought out in a most interesting fashion yesterday in the testimony before the Committee on Rules by those who speak so highly of an open rule and of the ability of the other body to offer amendments from the floor which are not even germane. It was pointed out that many of the inequities that have crept into our Tax Code, many of the things the people complain so bitterly about today, have taken place because of that very practice which obtains in the other body. We might be far better off today if we had tax laws that had been carefully drafted by the Finance Committee of that body and were not subject to the kind of Christmas tree decoration, the kind of ornamentation of legislation that has taken place on so many occasions in the other body.

Mr. Speaker, let me reply to one other point in the brief time that I have. Some have said that this is not a tax relief bill. This is supposed to be a reform bill.

The chairman of the Committee on Ways and Means told us in January that he would bring a bill to the floor of the House before the August recess that would concern itself with tax reform—and almost to the very day he has been able to fulfill that promise because of the magnificent work that has been performed not only by the distinguished chairman but by every member of the House Committee on Ways and Means.

I hope in a very real sense, when we adopt—and I hope we will—a closed rule on this bill today, we will have signified a great measure of confidence in the ability of that committee.

I think anyone who has taken the time to read the report and to study the legislation will be convinced that they have done their work and done it very well indeed.

I am a little bit nonplused by the argument of those who say that they have been taken unawares and that they have been taken by surprise. I think that on at least four separate occasions the Committee on Ways and Means has issued statements on its tentative decisions.

They have published committee prints of those tentative decisions and made them available to every Member of this House. I was told by a clerk of that committee that as many as 50,000 copies of those tentative decisions have been published and made available. I do not know about you, but I have heard from the banks. I have heard from the savings and loans. I have heard from the cooperatives. I have heard from virtually every one of the taxpayers who are affected by some of the more complicated provisions of this bill, and I cannot really believe that we come totally unprepared, that we have been caught, as it were, by surprise when we are asked to consider this bill here today.

I recall the message that this House received from the President of the United States on the 21st day of April of this year, 1969, and the concluding sentence in that message was this:

> We may never be able to make taxes wholly popular in this country, but we can at least try to make them fair.

If you will go back and reread that message, as I did only this morning, you will find that there are nine broad-gaged categories of proposed reforms that the President spoke about in that message, and every single one of those nine categories has been treated in the bill that is now being brought to you by the Committee on Ways and Means. I would suggest that it would be very poor advice, indeed, to follow to suggest that we vote down the previous question. Instead, I hope that we will adopt the closed rule and proceed with 6 hours of discussion, and then to vote on what I think is truly a landmark piece of legislation.

Mr. Speaker, I urge the adoption of the rule.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 1 minute to the Honorable Speaker of the House of Representatives.

Mr. McCORMACK. Mr. Speaker, I served for 10 years on the Committee on Ways and Means, from 1930 to 1940, before I was elected majority leader. I sat on that committee during consideration of five tax bills, and I realize the difficulty that committee has.

I want to compliment all members of the committee for the diligent manner in which they devoted themselves to bringing out this bill, a particularly comprehensive one which, from every practical angle, is a particularly difficult one to consider in the House under an open rule.

I realize the theoretical logic of the argument of an open rule, as we all do. But practical aspects are involved, and from a practical angle, it seems to me that the consideration of a tax bill under a closed rule is a justifiable exception to the general principle of considering bills under open rules. So when my friends who feel strongly on the point argue that way, I recognize the logic of their argument, but when made on the type of legislation we are considering, I also recognize the practical aspects of the bill as it comes before the House of Representatives.

In the 1930's I supported a closed rule before the Rules Committee on tax legislation, and I have supported such a rule since. Under the circumstances, from every practical angle, it is the wise course for the House to take.

I wish again to compliment the committee for the work they have done. I did not think they would be able to report the bill out as soon as they have. I did not think they could get it to the floor of the House before the recess. I spoke to the members of the committee and urged them to get the bill out. I know the chairman of the Committee on Ways and Means, the gentleman from Arkansas (Mr. MILLS), made a promise to do so, and the then acting chairman of the committee, the gentleman from Louisiana (Mr. BOGGS), also made a promise that they would get the bill out, that they would do everything within their power. Yet I had my doubts, based upon experience. They have done a remarkable job in getting the bill before the House before the recess, and they are entitled to our congratulations.

In connection with the closed rule, again I say that from a practical angle it should be supported, and I hope the Members will vote for the previous question and for the resolution providing for a closed rule.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 1 minute to the gentleman from Missouri (Mr. RANDALL).

Mr. RANDALL. Mr. Speaker, yesterday before the Rules Committee I was one of several Members that testified against a closed rule. There it was pointed out by some members of the Rules Committee to one of the witnesses that a rule was either accepted or rejected on the floor of the House and not by the Committee on Rules. Now is the time for the membership of the House to accept that challenge.

For many years I have voted for rules even though I may have felt strongly that I would oppose the bill on final passage. I follow this procedure because I think it is highly undemocratic to deprive any Member of the House to have his say. The one exception to the procedure in supporting all resolutions coming from the Rules Committee is to vote against a closed rule. I will vote against this closed rule for the same reason I vote for all the other open rules and that is to give the membership of the House a voice in the amendment process. A closed rule can accomplish only one thing and that is to push the democratic process into the background.

Any kind of a "take it or leave it" offer is distasteful whether it has to do with the sale of a commodity or a legislative proposal. The Rules Committee serving up a closed rule in effect says to the House that here is a document of over 360 pages which you are forced to take under conditions that silences every Member except those who happen to be on Ways and Means.

While other Members have referred to the restrictions imposed upon the Members of the House in comparison with the freedom of the other body of the Congress, I find the comparison more serious and more deplorable than most observers. A good example is what happened last year. On January 29, 1968, the House operating under a closed rule passed a rather noncontroversial bill which postponed the effective date of certain tax changes and speeded up some corporate tax payments. In 6 weeks time there was returned from the other body

a bill which a hundred Senators had been given the freedom to offer amendments. And this same bill which had been sent to the other body by the House had grown to include a 10-percent surtax, a ceiling on Federal spending, a ceiling on Federal employment, removal of a freeze on ADC payments, and other changes in the tax laws.

Mr. Speaker, we hear it argued so frequently a tax bill cannot be written on the floor of the House. But it seems to me the argument is not only undermined by refutation but is completely demolished by the procedures we follow in another sensitive area of legislation. Every appropriation bill is considered under an open rule that permits every Member to voice their opinions on amendments. A much publicized example of that freedom of choice happened last week when the Joelson amendment was approved on the floor of the House against the recommendation of the Appropriations Committee.

It would seem there would be a general disposition to be less careful, cautious, and conservative in the process of spending money than the process of raising money in a revenue bill. As to appropriation bills, the Members of the House who have always been said to be the most direct representatives of the people have a voice in determining how appropriation measures are disposed of but are not capable of being trusted where the highest degree of care and caution could be expected as in the changes of tax laws.

Here is a bill affecting 200 million people. If we adopt a closed rule we are saying to ourselves that not 100 percent of us are Representatives, but only 25 Members, or just 6 percent—because only the members of the Ways and Means Committee have enjoyed a voice as to the details of this bill.

If we vote down the previous question, we will be given the chance to strike out section 701, which extends the surtax from January 1 to June 30, 1970.

Until the very last some of us who were witnesses yesterday were hopeful there might be at least a limited rule adopted. For those who have been entertaining the fear that an open rule would permit an amendment of every section of the entire Internal Revenue Code, such persons would have been interested in, and I think would most likely agree with a limited rule which would allow amendment only as to those sections of the Code contained in the present bill and prohibiting amendments to any other section of the Revenue Code. But apparently the Ways and Means Committee gave no consideration to even such a limited rule.

Another proposal which is certainly democratic and would give the membership of the House at least some measure of voice in this legislation was the suggestion to grant a rule with a separate vote section by section of the bill. But alas, the Rules Committee again turned a deaf ear to this kind of reasonable proposal.

No fellow Member has ever said or will say the 25 members of the Ways and Means Committee are not honorable men and just men but it is difficult to believe these are the only 25 men in Congress who are possessed with sufficient knowledge and judgment to accurately and fairly consider revenue legislation. As just and fair as these 25 are, a large portion of the membership have been accountants and lawyers who have had considerable experience in taxation matters. Not all of the ability and intelligence of the House is concentrated in these 25 honorable men.

If we continue year after year to adopt a closed rule on revenue measures we are in effect perpetuating the system where the details of revenue legislation are controlled by a minority of the Congress.

A while ago a member of the Rules Committee who today is handling the rule on the floor, the gentleman from Massachusetts (Mr. O'NEILL), remarked if an open rule was granted there would be hundreds of amendments which would keep us here until Christmas and require another building to house the lobbyists. My reaction which I am sure is the same as many other Members is that if this would happen then for once it might be salutary and truly beneficial to have a free and open debate like the body on the other side of the Capitol. I repeat—today we have a chance to accept the challenge of the Rules Committee and vote down the previous question.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from Mississippi (Mr. COLMER).

Mr. SMITH of California. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Mississippi, the chairman of the Rules Committee.

The SPEAKER pro tempore (Mr. RODINO). The gentleman from Mississippi is recognized for 5 minutes.

Mr. COLMER. Mr. Speaker, I am grateful to both of my colleagues in control of the time on this resolution for yielding me this time.

Mr. Speaker, I never find myself happy when I am in disagreement with my committee. I am in disagreement with my committee today and that is the reason why I am not controlling the time on this resolution. I do not handle the rules which I oppose. I am opposed to this one.

Mr. Speaker, I have the profoundest respect and greatest admiration and affection for the leadership of this House on both sides of the aisle.

I know how they operate and I try to cooperate insofar as I can. We sat in the committee all day yesterday, from 10:30 in the morning until 7:30 last night, in an effort to cooperate.

I am not going to take any of the brief time I have here discussing an open or a closed rule. If this House does not know my position on that now, there is no purpose in my attempting to repeat it, but I am glad to see we are getting more and more converts to the cause of open rules.

However, I would not support the amendment that is proposed by my good friend, the gentleman from Ohio (Mr. VANIK). I would not support it for the one reason only: that the gentleman would take just one provision of this tremendous, complex bill and wipe that out. Where would the rest of us be who are interested in other provisions of this gargantuan piece of legislation?

Mr. Speaker, there are more than 700 pages in the bill and in the report. The bill was reported out only this week—on Monday. I am not going to embarrass anybody—that is not my nature, I hope—but if I wanted to ask every gentleman and every gentlewoman who has read this legislation, the bill, and the report, to stand up, I wonder how many would stand up?

I believe we would find this House as solemn and silent as a tomb, because I believe there have not been any. My great friend and leader, the Speaker of the House, has just appealed to the Members to support this rule and speed the bill's passage. Again, I would not offend him because I have a real devotion for him, but I would not exempt even him from the statement I have just made.

Who is familiar with this? Who has read it? Who knows what he is called to vote upon.

I am for tax reform like everybody else, but I want to know what I am voting on.

The purpose in my taking this time is to reiterate what I tried to emphasize all day yesterday, and the appeal I have made to my leadership on both sides, and to my devoted friend the chairman of the Ways and Means Committee. Give us a little time. That is all we ask for. That is all we possibly could get under this situation.

I do not want to go home and face my people and have them ask me about a provision in this bill, that I have not had an opportunity to study.

I used my humble and best efforts all day yesterday, as well as several days prior thereto, to have this bill go over until we get back from recess. Time is not of the essence in this matter.

Why, the learned gentleman from Arkansas, who knows possibly as much as anybody about what goes on on this Capitol Hill, testified yesterday before the Rules Committee that the Senate would have this matter disposed of—I hope I do not misquote him—by October 31.

Mr. Speaker, I maintain that it is not proper to rush this far-reaching piece of legislation through this body before the ink is hardly dry. Yes; it is beneath the dignity of the House to proceed in this unwarranted and unjustified fashion.

The SPEAKER pro tempore (Mr. RODINO). The time of the gentleman from Mississippi has expired.

Mr. SMITH of California. Mr. Speaker, I yield 1 minute to the gentleman and request that he yield to me. Would the gentleman do that, please?

Mr. COLMER. Of course, I am happy always to cooperate with my friend.

Mr. SMITH of California. The gentleman knows I have great admiration for his ability and his friendship. I am a little confused. From what the gentleman says I get the impression that he is against considering the bill today, which would be against the rule. But the gentleman is not for voting down the previous question for the purpose of just changing one section, is he? That would not give us any more time.

I am a little confused. I should like to know just what the gentleman has in mind.

Mr. COLMER. I never try to confuse my friend or anyone else. I thought I made myself clear, that I was opposed to opening this up for one amendment alone.

Mr. SMITH of California. Very well.

Mr. COLMER. If I did not, I repeat it.

I am now pleading that we have time, and I am trying to emphasize again that this body is capable of legislating if given the opportunity.

I thank the gentleman.

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

The gentleman from California has 1 minute remaining.

Mr. SMITH of California. Mr. Speaker, I yield that minute to the distinguished minority leader, the gentleman from Michigan (Mr. GERALD R. FORD).

Mr. GERALD R. FORD. Mr. Speaker, because of the overall first-class job done by the Committee on Ways and Means and because I think it would be unwise to open this up to just one amendment, in my judgment, I think we ought to vote for the previous question. Furthermore, I think we should get to the business of considering this bill, its interpretation and its explanation, as quickly as possible. To vote for the previous question is the best way to achieve that result.

Mr. RYAN. Mr. Speaker, I intend to vote against the motion for the previous question. If the previous question is defeated, then an amendment to the rule will be offered by the gentleman from Ohio (Mr. VANIK) which would make in order an amendment to H.R. 13270 to delete the 6-month extension of the surtax from January 1, 1970, through June 30, 1970, at a 5-percent rate, which is contained in section 701, title VII, of H.R. 13270.

The Members of the House should have an opportunity to debate and vote on the extension of the surtax independent of the tax reform aspects of this legislation. Adoption of the closed rule reported out by the Committee on Rules will prevent a separate vote.

In view of the fact that 205 Members of the House opposed extending the surtax when it was considered on June 30, I believe it is only fair that those of us who opposed the 12-month extension of the surtax be permitted an opportunity to vote on the surtax independent of the tax reform bill. Otherwise, we will be confronted with the choice of either voting for the entire package consisting of the surtax and tax reform because of our support for tax reform, or voting against the entire package because of our opposition to the surtax. The two issues are, to my mind, separate. Hence, a separate vote should be permitted.

The arguments against extending the surtax to June 30, 1970, are the same as they were when we considered the extension on June 30. The surtax is a war tax—necessitated by the exorbitant costs of the war in Vietnam and the bloated military budget. President Nixon, who voiced strong criticism of the Johnson administration's economic policies as a presidential candidate, himself called the surtax a "war tax" last September. As the war policies of the Johnson administration have become his own, so, apparently, has the surtax of the Johnson administration been adopted by the President.

Today, as we consider further extending the surtax, we should ask ourselves whether the situation at home or abroad has really changed since the surtax was first imposed last year. The war in Vietnam continues to claim hundreds of American lives each week and billions of dollars a month. The promises which have been made to long denied sectors of our domestic society are still unfulfilled; and the massive Federal action which is so urgently needed in our urban areas remained stalled. And inflation in our economy increases in spite of over a year's application of the surtax.

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 help alleviate pressing problems of inadequate housing, inadequate educational opportunities, and a rapidly decaying urban environment suffocate from lack of financial support, there is simply no justification for maintaining a burdensome and onerous war tax.

If Congress seriously wants to reduce the sources of inflation, it should, as I have repeatedly urged, 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 the military budget are the major causes of that inflation. If Congress would take that action, if Congress would refuse to pour any more men and money into the disastrous Vietnam war, extension of the surtax would not be necessary.

A 6-month extension of the surtax beyond December 31, 1969, is also inappropriate now that both the House and Senate have voted for a 6-month extension to that date. There is no justification for even considering this issue further. Too much unfinished business remains before Congress—including the consideration of an income maintenance program, which I have proposed, the reform of the electoral system, and extension of the Voting Rights Act of 1965—for more time and debate to be taken up with the surtax.

The SPEAKER. All time has expired.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I move the previous question on the resolution.

The SPEAKER. The question is on ordering the previous question.

The question was taken, and the Speaker announced that the ayes appeared to have it.

Mr. VANIK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 264, nays 145, not voting 23, as follows:

[Roll No. 145]

YEAS—264

Abbitt	Fisher	O'Neal, Ga.
Abernethy	Flynt	O'Neill, Mass.
Adair	Foley	Patman
Albert	Ford, Gerald R.	Pelly
Alexander	Fraser	Pepper
Anderson, Ill.	Frelinghuysen	Perkins
Annunzio	Frey	Pettis
Arends	Friedel	Philbin
Ashley	Fulton, Tenn.	Pike
Aspinall	Fuqua	Pirnie
Ayres	Garmatz	Poage
Beall, Md.	Gibbons	Podell
Belcher	Gilbert	Poff
Bell, Calif.	Goldwater	Pollock
Bennett	Goodling	Preyer, N.C.
Berry	Gray	Price, Ill.
Betts	Green, Oreg.	Price, Tex.
Biaggi	Green, Pa.	Pryor, Ark.
Biester	Griffiths	Purcell
Blackburn	Grover	Quillen
Blanton	Haley	Railsback
Blatnik	Hamilton	Reid, Ill.
Boggs	Hammer-schmidt	Reifel
Boland	Hanley	Rhodes
Bolling	Hansen, Idaho	Rivers
Bow	Hansen, Wash.	Robison
Bray	Harvey	Ronan
Brock	Hastings	Rooney, N.Y.
Brooks	Hébert	Rooney, Pa.
Broomfield	Heckler, Mass.	Roudebush
Brotzman	Hogan	Ruppe
Brown, Mich.	Holifield	Ruth
Brown, Ohio	Hosmer	St. Onge
Broyhill, N.C.	Howard	Sandman
Broyhill, Va.	Johnson, Pa.	Satterfield
Buchanan	Jones, Ala.	Scherle
Burke, Fla.	Jones, Tenn.	Schneebeli
Burke, Mass.	Kee	Schwengel
Burleson, Tex.	Keith	Scott
Burlison, Mo.	King	Sebelius
Burton, Calif.	Kleppe	Shriver
Burton, Utah	Kluczynski	Sikes
Bush	Kyl	Sisk
Byrnes, Wis.	Landrum	Skubitz
Cabell	Langen	Smith, Calif.
Camp	Latta	Smith, N.Y.
Carter	Leggett	Springer
Casey	Lloyd	Stafford
Cederberg	Lujan	Staggers
Celler	Lukens	Stanton
Chamberlain	McClory	Steed
Chappell	McCloskey	Steiger, Ariz.
Clausen, Don H.	McClure	Steiger, Wis.
Clawson, Del	McCulloch	Stephens
Cleveland	McDade	Stratton
Cohelan	McDonald, Mich.	Stuckey
Collier	McEwen	Sullivan
Colmer	McFall	Symington
Conable	McKneally	Talcott
Conte	MacGregor	Teague, Calif.
Corbett	Madden	Teague, Tex.
Corman	Mahon	Thompson, Ga.
Cramer	Mann	Thomson, Wis.
Cunningham	Marsh	Tunney
Davis, Ga.	Martin	Udall
Davis, Wis.	Mathias	Ullman
Dawson	May	Utt
de la Garza	Mayne	Van Deerlin
Delaney	Meeds	Vander Jagt
Dellenback	Meskill	Wampler
Denney	Michel	Watson
Derwinski	Miller, Calif.	Watts
Devine	Miller, Ohio	Whalen
Dickinson	Mills	Whitehurst
Dingell	Minshall	Widnall
Donohue	Mize	Wiggins
Dorn	Mollohan	Williams
Downing	Monagan	Wilson, Bob
Duncan	Moorhead	Wilson, Charles H.
Dwyer	Morse	Winn
Edwards, Ala.	Mosher	Wold
Edwards, La.	Murphy, Ill.	Wyatt
Erlenborn	Murphy, N.Y.	Wylie
Esch	Myers	Wyman
Eshleman	Nedzi	Young
Evans, Colo.	Nelsen	Zion
Evins, Tenn.	O'Hara	Zwach
Fallon	O'Konski	
Fish		

NAYS—145

Adams	Gonzalez	Nix
Addabbo	Griffin	Obey
Anderson, Calif.	Gross	Olsen
	Gude	Ottinger
Anderson, Tenn.	Hagan	Passman
	Hall	Patten
Andrews, Ala.	Hanna	Pickle
Andrews, N. Dak.	Harsha	Pucinski
	Hathaway	Quie
Ashbrook	Hawkins	Randall
Bevill	Hays	Rarick
Bingham	Hechler, W. Va.	Rees
Brademas	Helstoski	Reid, N.Y.
Brinkley	Henderson	Reuss
Brown, Calif.	Hicks	Riegle
Button	Horton	Roberts
Byrne, Pa.	Hungate	Rodino
Caffery	Hunt	Rogers, Colo.
Carey	Hutchinson	Rogers, Fla.
Chisholm	Ichord	Rosenthal
Clancy	Jacobs	Roth
Clark	Jarman	Roybal
Clay	Joelson	Ryan
Collins	Johnson, Calif.	St Germain
Conyers	Jonas	Schadeberg
Coughlin	Jones, N.C.	Scheuer
Cowger	Karth	Shipley
Daniel, Va.	Kastenmeier	Slack
Daniels, N.J.	Kazen	Smith, Iowa
Dennis	Koch	Snyder
Dent	Kyros	Stokes
Diggs	Landgrebe	Stubblefield
Dowdy	Lennon	Taylor
Dulski	Long, La.	Thompson, N.J.
Eckhardt	Long, Md.	Tiernan
Edmondson	Lowenstein	Vanik
Eilberg	McCarthy	Vigorito
Feighan	McMillan	Waggonner
Findley	Macdonald, Mass.	Waldie
Flood		Watkins
Ford, William D.	Matsunaga	Weicker
	Melcher	Whalley
Foreman	Mikva	White
Fountain	Minish	Whitten
Fulton, Pa.	Mink	Wolff
Galifianakis	Montgomery	Wright
Gallagher	Morgan	Wydler
Gaydos	Moss	Yates
Gettys	Natcher	Yatron
Giaimo	Nichols	Zablocki

NOT VOTING—23

Baring	Fascell	Mailliard
Barrett	Flowers	Mizell
Brasco	Gubser	Morton
Cahill	Halpern	Powell
Culver	Hull	Rostenkowski
Daddario	Kirwan	Saylor
Edwards, Calif.	Kuykendall	Taft
Farbstein	Lipscomb	

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mr. Rostenkowski for, with Mr. Brasco against.

Mr. Kirwan for, with Mr. Edwards of California against.

Mr. Morton for, with Mr. Farbstein against.

Mr. Gubser for, with Mr. Barrett against.

Until further notice:

Mr. Daddario with Mr. Lipscomb.

Mr. Fascell with Mr. Mailliard.

Mr. Baring with Mr. Saylor.

Mr. Hull with Mr. Cahill.

Mr. Culver with Mr. Kuykendall.

Mr. Taft with Mr. Mizell.

Mr. Powell with Mr. Halpern.

Messrs. DENT, HARSHA, KOCH, and DANIELS of New Jersey changed their votes from "yea" to "nay."

Messrs. KEE and CONTE changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

ADJOURNMENT TO 11 O'CLOCK A.M. THURSDAY, AUGUST 7

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

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

There was no objection.

TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 13270) to reform the income tax laws.

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. 13270, with Mr. FLYNT 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 Arkansas (Mr. MILLS) will be recognized for 3 hours, and the gentleman from Wisconsin (Mr. BYRNES) will be recognized for 3 hours.

The Chair now recognizes the gentleman from Arkansas.

Mr. MILLS. Mr. Chairman, I yield myself 20 minutes.

Mr. Chairman, this is the day that I have looked forward to for a long, long time.

I suppose I have been as concerned as anyone about the need for changes in the Internal Revenue Code over the years that I have been in the House. Actually, this is not the first time that changes have been made. I would remind my colleagues who were here in 1958 of the pressures under which the Committee on Ways and Means and the House itself worked in the drafting and passage of legislation relating to the taxation of life insurance companies. Then again more of you will remember the work in 1961 that went into what became the Revenue Act of 1962. Again in 1963 there were many changes included in the Revenue Act of 1964. The reforms in those bills were extensive in nature. However, none of them—not even all of them combined—covered nearly as much, or were as broad in scope as the beneficial changes that are contained in the bill presently before the committee.

In the past I have not detected as much interest in change for improvement and for greater equity as I have detected in the last year or so. Why this great interest in tax reform developed within that time, I do not know. Perhaps the people who say that it was triggered by the enactment of the surcharge last year by this House are right, because then we did increase taxes by 10 percent for a temporary period.

But in my opinion taxpayers are interested in improving the tax system because they have reason to believe that there are those who are not carrying their fair share of the tax burden based upon ability to pay.

The former Secretary of the Treasury upon leaving office called to the attention of the American people the fact that in 1966, there were 154 individuals with incomes of over $200,000—21 of them with incomes of $1 million or more—who paid no tax. That added additional fuel to the fire and the desire for tax reform.

I have never noticed in the past on any matter such a volume of mail coming to the Ways and Means Committee office from all over the United States as I have observed entering that office in connection with the legislation now pending before the House.

Mr. Chairman, there is widespread interest in what is contained in this bill. And, do not be misled, Mr. Chairman, about people not knowing what is in the bill.

There may be some Members of Congress who, perhaps, have been devoting their time to some other subject matter and who have not read the reports and the releases put out by the committee, who may not know about all of the provisions in this bill. But the American people know the provisions of this bill which affect them, at least if they are involved in the very many areas where we have clamped down on the preferences of segments of our business population, or individuals.

Have you heard from any of your bankers back home? Have you heard from any of your savings and loan people back home? Have you heard from any of your cooperatives back home? Have you heard from anybody in the mineral or extractive industry back home? Have you heard from any of your real estate operators back home? I could go on and on and on.

They do not write you unless they know that something in the bill affects them. When it comes to provisions like this, they know what is going on.

So, I would say to you that if you do have a question about what is in the bill by a constituent or a friend when you get back home, you ask him a question: "Have you been enjoying a tax preference or a shelter for all or a part of your income which allows you to avoid paying the full rate of tax on it?" If he says "Yes;" you tell him "This bill does affect you. It squares your situation with that of all other taxpayers." Yes, that situation is changed.

On the other hand, if you see a taxpayer back home and you ask him if he has been enjoying a tax preference, and he says "No; I am subject to the withholding taxes and I have no income that is not fully subject to taxation," then you tell him that the bill contains benefits for him because we have taken all of the revenue—more, in fact, that could be recouped through the elimination of the tax shelters and the preferences dealt with the bill—and we have given this revenue back in many ways to all the taxpayers.

As a result there will not be a taxpayer in your district who will not have his taxes reduced some way or other in 1971

and 1972. And in 1972 there will not be a taxpayer in your district with up to $100,000 of taxable income who will not be able to realize a tax rate savings of at least 5 percent. In saying this, of course, I do not mean that there may not be some who have the preferences who may find their taxes increased.

Mr. Chairman, later in my remarks, I am going to insert a table showing how this recovered revenue is distributed in the form of tax reduction for people by income classes—from zero to $3,000, from $3,000 to $5,000, from $5,000 to $7,000, from $7,000 to $10,000, from $10,000 to $15,000, and so on. This table represents a revised version of a comparable table in the committee report that reflects more accurately the effects of the bill with the committee amendment to be offered. And you will notice that the table in the committee report shows that people in the zero to $3,000 income class will have a savings of 64 percent in their tax load as a result of this bill; the new table will show that these people will save over 66 percent. Also, the table in the report shows that people in the $3,000 to $5,000 income group will get a tax savings of 27 percent; the savings for this group goes up above 31 percent as a result of the amendment that the committee will offer in due course.

Mr. Chairman, there are just two answers to give to two types of constituents. You can advise the constituent who has enjoyed a preference that his preferential treatment has been reduced or eliminated. He is not going to be treated any worse than anybody else. He is just going to be treated like everybody else. And you can tell the fellow who hasn't any tax preferences and feels that he has been carrying a heavy load of the taxation all these many years, that the revenue we are getting by eliminating the shelters and preferences is going to him in a reduction of his taxes in the same legislation.

Mr. Chairman, I feel very strongly about the need for this legislation. I feel—in spite of the fact that many of these so-called preferences and shelters have been in the law since the adoption of the Income Tax Act 56 years ago, and certainly many of them for the last 43 or 45 years—that these preferences and shelters are not sacrosanct by virtue of age. They are susceptible of reconsideration and reevaluation.

There is no doubt in my mind that when any of these preferences were written into the law, there was a reason for doing so. Let me tell you about one case that provides a good example on this point. In the 1920's—and I know there were two Members here then that are here now, and maybe there are others—a man in Philadelphia died possessed of a great estate. In the process of dividing it among his children, he left a very sizable amount of money to a daughter who had become a Catholic nun pledged by her vows not to have income nor to own property.

The property passed to her in a trust in a form which made it impossible for her to divest herself of the property. As a result the law was changed in order to permit her to give all of the income from this property to the church.

So we passed a provision that became known as the unlimited charitable contribution provision, for her benefit. I am satisfied that there is not a man or lady on the floor of the House today, who would not have voted for that proposition, faced with the argument that was then made by the Committee on Ways and Means for this very fine lady.

But do you realize that this provision in 1966 enabled 49 people who have qualified for the unlimited charitable contribution year after year to avoid payment of all taxes on incomes which ranged from $200,000 to over $16 million.

Mr. Chairman, this is the way that provision works. These people make charitable contributions, I am certain, with the very highest of philanthropic motives. But at the same time they can receive substantial tax advantages because they usually give away assets that have been in their family for a long time. For example, an asset which initially may have cost $10 but today may be valued at $100. In this case they receive a charitable contribution deduction at today's market value of $100 for something that actually cost $10. They can, for example, give away stocks in their portfolio that have appreciated in value and then with this year's earnings buy back at today's market price the same stocks—and the same identical number of shares.

Now that can be done. So we are eliminating that over a 5-year period.

I have heard many people who are connected with colleges and universities say that we by curtailing the opportunities to reduce taxes through charitable contributions have made it a little bit more difficult for them to get contributions in large amounts. But to replace the unlimited charitable contribution deduction and to offset the elimination of 2-year short term charitable trust—where to avoid the 30-percent limitation on charitable contributions, one sets up a trust with a life of 2 or more years and provides that all the earnings from the property in the trust are to go to charity—we are changing this 30 percent limit. We are saying that anybody who wants to—and they do not have to qualify for the unlimited charitable contribution—can give away 50 percent of his gross income in the taxable year for educational, religious and public charitable purposes, hospitals and things of that sort and get deductions for these contributions.

It may mean that the charities will have to contact more people to get the same number of dollars. But the same amount of dollars and more ought to be available for contributions.

Now I gave you an example to show how these preferences get into the law. We worked very hard during the consideration of this bill because, a former Secretary of the Treasury—who is also a former Member of the House and who is sitting here to my right—shocked the Nation by saying that 154 people with $200,000 or more of income had avoided the payment of all income taxes.

But, Mr. Secretary, you did not say that 21 of these people who did not pay any income tax had more than a million dollars of income.

Now we have not only looked into how 154 high-income people could escape all tax but we have also examined why others with very large incomes pay an effective rate of 5 or 10 or 15 percent rather than an effective rate of 50 or 60 or 70 percent.

Several factors account for the ability of high-income people to escape all tax or to pay very low taxes.

In our examination of these cases, I believe I have already said we found that there were 49 with unlimited charitable contribution deductions. In many of these cases, the cost was little if anything to the taxpayer because the contributions were composed largely of appreciation in the value of assets which never had been taxed.

A second group of 72 cases benefited primarily from the deduction for interest paid on loans to acquire growth stocks and similar investments with the intention of taking down gain in the form of capital gains.

Consider an individual who has enough credit to be able to borrow $9 million to buy growth stocks which pay small dividends. Think of the amount of interest he pays on such a loan, most of it deducted from his other income, not from that investment, so that he reduces that income, in excess of $200,000 a year, to zero of tax.

Others benefit primarily from accelerated depreciation on real estate, or percentage depletion and intangible drilling expenses, or from very large farm losses offset against other income. In this latter case it is interesting to note that according to the statistics of income, the average size of farm losses increases as the size of the nonfarm income increases.

Many high-income individuals also reduce their effective tax rates to about 25 percent because of the alternative tax on capital gains. Many of them use their itemized personal deductions as an offset against their remaining income so the only income they have which is subject to tax is capital gains.

Still other high-income individuals substantially reduce their tax, or pay no tax at all and do not even file tax returns. I am referring to persons who derive their entire, or almost their entire, income from tax-exempt State and municipal bonds. A case was called to our attention of one widow whose husband left her enough municipal and State bonds to produce interest income of approximately $2 million a year, all of which is untaxed. The gentlelady from Michigan (Mrs. GRIFFITHS) will know of the case to which I refer.

A person I have known for a number of years deliberately set out in the taxable year 1968 to see that he could, through the use of these tax shelters and preferences, avoid the payment of any tax on $300,000 of income and not dispose of 1 penny of it. In the taxable year 1967 he paid a tax of somewhere between

$155,000 and $165,000. He decided to change this by using two types of shelters, one an interest deduction, and the other, excess depreciation, divided among a series of partners in the ownership of a building. In this way he reduced the tax on his $300,000, not to zero, but to the point where he was entitled to a $10,000 refund when he filed his tax return on April 15, 1969. Despite this he received $600,000 of cash during these 2 years.

He brought his return to me. He said, "It is not right. I wanted to show you, as chairman of the Ways and Means Committee, and you in turn could show the members of the committee what is going on all over the country."

These things, in my opinion, have brought about a situation where we might be faced with a breakdown of taxpayers' morale. We have in our country a self-assessment system. Nobody tells you what to put down on your tax return. The law says you shall include your income. The law says that you are entitled to certain deductions. But the law does not supply an individual to sit there and put it down for you. You do it. It is a self-assessment system.

Tax reform is needed to provide a sense of fair play in our tax system. To me this very simple reason for tax reform is probably the most important of all. It is necessary to insure that those with substantially the same income and family responsibilities pay substantially the same tax. It is also needed to make sure that the graduated income tax structure works fairly between different income levels. Because the tax preferences in present law permit a minority of high-income taxpayers to escape tax on a very large proportion of their economic income, many high-income individuals now pay tax at lower effective rates than those with relatively modest incomes.

Tax reform is also needed so we can all share the tax burden as evenly as possible and in this way perhaps none of us will have to pay as much as otherwise would be true. This has come to be known as base broadening. But I do not like base broadening without the other side of the coin—rate lowering. Only if all individuals and corporations are bearing their fair share of the tax burden is it possible to have a sufficiently broad-based tax to obtain the necessary revenue without unduly burdening some classes of taxpayers. This bill is based on this principle. On the one hand we broaden the base and on the other hand, as I will describe shortly, we lower the rates—right in the same bill.

The bill before us goes a long way toward the achievement of these tax reform objectives. It is designed to make sure that virtually no taxpayer will be able to escape payment of all tax on his economic income. Million dollar incomes without tax liability will become a thing of the past.

The Tax Reform Act sets up two lines of defense to keep individuals with large incomes from arranging their affairs so they are able to escape tax on all, or most, of their income. The first line of defense is a reduction, or elimination entirely, of specific tax preferences. For example, the alternative tax on capital gains received by individuals is eliminated. This makes sure that in all cases individuals will include in income half of their long-term capital gains. Other provisions in the bill, which I will describe further in a while, also deal with specific preferences. I am referring, for example, to the opportunities for individuals to avoid tax through offsetting large farm losses against substantial amounts of other income; charitable donations of appreciated property to private foundations, in the form of ordinary income and in other forms; the size of the present percentage depletion deductions, and the extent that accelerated depreciation on real estate can be used to offset other income.

Under the bill, for example, in the case of real estate, the 200 percent declining balance method and other fast forms are restricted to new housing so any encouragement from this device will be concentrated in the area of greatest need—new housing. Other new real estate can still claim depreciation at the 150 percent declining balance rate but not at 200 percent. Old properties are limited to straight-line depreciation since there is no need to provide any incentive here. Recapture rules in the case of real estate are applied to the excess of the depreciation allowed over straight-line. This prevents the conversion of ordinary income in these cases into capital gains. It also eliminates the inducement to continue turning properties over just to obtain this advantage.

I have already indicated in part how the charitable contribution deductions have been substantially restructured. The general charitable deduction limitation is increased to 50 percent but the so-called unlimited charitable deduction is eliminated entirely over a 5-year period. The extra tax benefits derived from charitable contributions of appreciated property are restricted in the case of gifts to private foundations, gifts of ordinary income property, gifts of tangible personal property, gifts of future interests, and in the case of so-called bargain sales. Also, the 20 percentage point increase in the charitable contributions deduction is not to be available with respect to appreciated property.

Farm losses also can no longer be used to convert ordinary income into capital gains by those with farm losses of $25,000 or more and with incomes of $50,000 from nonfarm sources. Other provisions of the bill primarily relating to farm operations provide for the recapture of depreciation upon the sale of livestock, the extension of the holding period for livestock and a revision of the tax treatment of hobby losses.

I have given you a few examples of what I call the first line of defense in this bill—the attack on specific problems. Let me turn now to the outer limit or defense perimeter. Here I am referring to the group of important tax preference items remaining after the application of the various specific provisions of the type I have already referred to. With this outer perimeter, we provide for a type of minimum tax called a limit on tax preferences. This requires individuals with significant amounts of tax-free income to pay tax on at least one-half of their economic income. This is accomplished by adding the tax preferences to the taxable income, dividing the result by *two*, and paying tax on this half.

In addition, individuals with substantial tax preferences will no longer be able to wipe out all their tax liability by charging all their personal deductions to the taxable portion of their income. Instead, they will be required to allocate their personal deductions between their taxable and tax-free income.

So far I have been talking largely about the impact of the tax reform bill on individuals. However, I want to emphasize that the reform measures in the bill also are concerned with the tax treatment of corporations and tax-exempt organizations.

Corporations in the business of operating oil and gas wells or mining will be affected by the reduction in the percentage depletion allowances provided by the bill for a wide range of items. The percentage depletion rate for oil and gas is reduced from 27½ to 20 percent of gross income—a 27.3-percent reduction and the rates on all but five of the other minerals are reduced by a comparable percentage. Oil and gas companies are not paying tax burdens comparable to other corporations and on that ground alone an adjustment in percentage depletion rates is justified. Perhaps more important, however, depletion rates have become the popular synonym for loophole. This means that no reform bill would be considered a real reform bill without reducing depletion rates. I think it is also necessary for the industry to change its image and this can only be done with a reduction in depletion rates.

Another corporate reform relates to multiple surtax exemptions. Corporations will no longer be able to avoid tax by setting up multiple related corporations to secure multiple $25,000 surtax exemptions for related corporations, such as a chain of stores. Multiple surtax exemptions are withdrawn under the bill gradually over an 8-year period.

The provision gradually eliminating multiple surtax exemptions for affiliated corporations will eventually also eliminate difficulties of statutory interpretation that have arisen under sections 269 and 1551 which were enacted, as their legislative history indicate, for the purpose of insuring the denial of surtax exemptions and accumulated earnings credits to corporations organized in connection with the direct or indirect split-up of an existing business.

The Congress was aware, through information introduced in hearings and otherwise, of the practice in several industries of forming a new corporation to engage in business in a separate marketing location, often within the same State or same metropolitan area, not previously served, and of the formation of the new business corporation by the direct or indirect transfer of property consisting of money or credit use to buy from the transferor inventory, fixtures and similar

property, and by the parent's guarantee of a lease of property and the furnishing of its organizational experience and business know-how.

Questions have been raised by the Internal Revenue Service whether the statute should be applied to deny such corporations their surtax exemptions. The Congress did not intend section 1551 to be applied to corporations formed in the course of an expansion of a business into a new geographic area or into a different type of operation, but rather intended the establishment of facts within the industry practices previously described to be sufficient, without more, to demonstrate that the securing of a surtax exemption or an accumulated earnings credit was not a major purpose of the organization of such a corporation. The application of section 269 in similar circumstances was understood and intended to be similarly limited for the same reasons.

The courts have applied sections 1551 and 269 in a manner consistent with this intention of Congress and it is expected that the Internal Revenue Service will recognize this limit upon the scope of these sections in its audit activities with respect to taxable years prior to January 1, 1976, when the phaseout of multiple surtax exemptions for all affiliated corporations now provided by this committee will become fully effective.

Corporations, also, are subjected to a higher capital gains tax—the rate is increased from 25 to 30 percent.

Still another area of concern is the tax treatment of corporate mergers. Here the bill denies an interest deduction for what is called debt, where it has most of the characteristics of equity securities in those cases where it is used to acquire other corporations. In this case also availability of the installment method for reporting gains is denied where the debt can be readily traded on the market—for example, where it is in registered form or there are interest coupons attached.

The tax advantages now secured by commercial banks as a result of special reserves for bad debt losses and capital gains treatment for bonds held in their banking business are withdrawn. The banks are placd on the regular 6-year moving average in computing their bad debt reserves but are given a 10-year carryback if they incur losses in excess of their income.

Mutual savings banks and savings and loan associations also will be required to reduce their overly generous deductions for excessive bad debt reserves. These institutions will no longer be allowed to compute their bad debt deductions on the basis of a reserve amounting to 3 percent of qualifying real property loans. In addition, the alternative deduction allowed for their bad debt reserves also is to be reduced gradually over a period of 10 years from 60 to 30 percent of taxable income. Here, too, however, in order to provide protection in the event of unusually large losses, the net operating loss carryback of such institutions is increased to 10 years. This, together with the present 5-year carry forward provision allows the spreading of losses over 15 years.

Let me turn now to the area of private foundations. The bill requires these foundations to pay a 7½ percent tax on their investment income. This is equal to the tax corporations pay on dividend income they receive. The bill requires the foundations to distribute their income for charitable purposes. It requires them to avoid self-dealing in transactions with their contributors.

In addition, it gives assurance that the huge resources of such foundations will not be used for political purposes.

In all of these provisions, the pending bill seeks to limit tax preferences for individuals and corporations to the full extent possible giving recognition to the fact that in some cases this may cause possible dislocations. Unfortunately, however, some of the preferences in the tax laws appear to be deeply imbedded in economic activities, and it has been claimed that their removal will result in serious dislocations for the economy.

The tax reform bill in a number of cases gives recognition to this argument by phasing in the remedial tax treatment over a period of years, frequently as long as 7 or 10 years.

In addition, the bill does not entirely remove the tax preferences, even after this transitional period, in those areas where it would appear that there is a good possibility that such action might cause serious dislocations in the economy. It does not, for example, remove the advantage of the double declining balance depreciation for new housing, because of the great need for improved housing.

For similar reasons, the tax advantages associated with the receipt of State and municipal bond interests have been reduced only indirectly and even gradually over an extended period of time. For example, for purposes of this minimum tax, initially only one-tenth of the State and municipal bond interest received by individuals is taken into consideration. This increases gradually over an extended period of time so that only after 10 years is the interest on issues of tax-exempt bonds taken into account to the same extent as other tax preferences.

Even when this time is reached, tax-exempt municipal bond interest will result in the imposition of a tax burden only in those cases where a taxpayer has more preference income than he has taxable income. As a result, even after a 10-year interval, individuals will pay no larger tax than at present, so long as their preference income does not exceed their taxable income.

At one time we considered imposing a 10-percent minimum tax on corporate holdings of State and municipal bond interest but this was dropped because we did not want to seriously affect the municipal bond market.

The only other provision which might have some indirect effect on State and municipal bond interest is the so-called allocations formula for deductions. Under this formula, deductions for such expenses as charitable contributions, taxes, and interest are allocated between taxable income and tax preference income on the basis of the proportion of each to the total. This is because the itemized deductions are likely to represent amounts paid, or contributed, as much out of the tax-free income as out of the taxable income. In the allocation of deductions provision, only interest on State and municipal bonds issued in the future is taken into account and even then only gradually over a 10-year transition period. Here, too, we considered a corporate allocations formula for municipal bond interest but dropped it in the interest of not disturbing the municipal bond market.

I do want to call your attention, however, to a provision in the bill designed to ease the problem faced by States and municipalities in floating their bond issues. The bill follows a new approach which will provide a new market for State and municipal bonds in the future by enabling them to issue taxable bonds but in turn receive from the Federal Government a subsidy that will compensate the States or municipalities for more than the extra interest cost they incurred on taxable securities.

The participation by the States and localities in this program is to be entirely on a voluntary basis. There will be no compulsion of any kind to get them to issue taxable bonds. Moreover, the Federal Government will maintain a complete hands-off policy toward such bond issues and will neither review the advisability of the local project for which the funds are borrowed nor the issuer's ability to service the securities.

The States and localities should benefit greatly under this program. They will be able to issue taxable bonds at a relatively low net cost. As a result, they will be able to sell their securities to tax-exempt institutions, such as pension funds and to individuals with moderate incomes who are not now attracted to tax-exempt State and local securities because of their relatively low yield. The new program will, therefore, make it possible for the States and localities to secure broad new markets for their securities and, therefore, should ease their borrowing problems.

The Tax Reform Act not only provides remedial measures to limit tax preferences; it also makes structural changes which, together, will provide relief to the bulk of our taxpayers. In fact, the remedial measures go hand in hand with the relief provisions since the revenue gains resulting from the remedial measures are what make it possible for us to afford the tax relief. When the bill is fully effective, all the revenue gains secured by the corrective measures are devoted to relief measures.

One of the relief provisions provides for increases in the standard deduction. The present standard deduction amounts to 10 percent of adjusted gross income with a ceiling of $1,000. The Tax Reform Act increases the standard deduction to 13 percent with a $1,400 ceiling in 1970, 14 percent with a $1,700 ceiling

in 1971, and 15 percent with a $2,000 ceiling in 1972.

This increase in the standard deduction is needed to counteract the impact of higher medical costs, higher interest rates, high State and local taxes, and increased homeownership in encouraging more and more taxpayers to itemize their deductions. Nearly 34 million returns or more than half of all taxable returns will benefit from this increase in the standard deduction.

The bill also provides for a new low-income allowance designed to relieve individuals at or below the poverty level from payment of all income tax. Under this new allowance, the minimum amount of income that a family unit may have without incurring tax liability is raised to $1,100 plus the sum of its $600 personal exemptions.

As a temporary transitional measure, the bill provides that for 1970 this new income allowance is to be phased out as the income of the taxpayer increases over the poverty level. However, in subsequent years the allowance will apply without being phased out in this way. In 1971, when the provisions will be fully effective, the low-income allowance alone will benefit over 38 million taxpayers and will take off the tax rolls almost 6 million poor people.

In describing the rate reductions provided by this bill I shall include not only the rate reductions provided in the bill but also the reduction included in the committee amendment which will be offered later in the consideration of the bill.

Tax rates are cut at least 5 percent throughout the entire income range with one-half of the reduction taking effect in 1971 and the full reduction taking effect in 1972. This is accomplished by reducing by 1 percentage point the present rates ranging from 14 to 22 percent—applying from $500 to $6,000 of taxable income for a single person and from $1,000 to $12,000 for a married couple filing joint returns. These are the income levels that also benefit substantially from the low-income allowance and the standard deduction.

At higher income levels, rates are also cut at least 5 percent. The top marginal rate is cut from 70 to 65 percent. This reduction in tax rates, particularly in the upper rate, should substantially reduce the incentive for taxpayers to seek shelter against the ordinary income tax rates.

Despite these rate reductions individuals with incomes above $100,000 on the average, will receive no net tax reduction under the tax reform bill. This is because they receive little or no benefit from the low-income allowance and the increased standard deduction. In addition, they are affected by the corrective measures adopted to the tax reform bill to curb the use of tax preferences.

Another relief measure provides a ceilir g on tax rates for earned income. A 50-percent limit is set on the top marginal tax rate applicable to earned income to take effect in 1970. This is provided not as a tax relief measure but to reduce the pressure for the use of tax shelters. With a top 50-percent marginal tax rate of this type on earned income, taken together with the changes made by the bill affecting the tax on capital gains, the maximum incentive for a taxpayer to convert ordinary income to capital gains is reduced from a 45 percentage point differential under present law to 17½ percentage points.

The fifth and final tax relief measure in the bill relates to the tax treatment of single persons.

Widows, widowers, and single persons age 35 or over will be allowed one-half of the income splitting benefits available to married persons filing joint returns. In addition, a surviving spouse will continue to receive the full income-splitting benefits accorded to married couples filing joint returns so long as she continues to support a dependent child in her household. These provisions will avoid the unduly heavy tax burdens resulting under present law for such individuals.

Before leaving the relief measures in the bill, I would like to comment on one of the charges which have been made. Some have said that the tax reform bill will complicate our tax structure. For the vast bulk of our taxpayers, just the opposite is true. The bill undoubtedly does add complexities for the small minority of taxpayers who now benefit greatly from tax preferences. But these taxpayers are accustomed to arranging their affairs in a complicated manner in order to get the maximum tax advantages from preferences. As a result, they should not be greatly bothered by the additional rules resulting from changes in the Tax Reform Act designed to reduce their preferences. They are more likely to object to the fact that their tax liabilities are being brought in line with those of other taxpayers.

The Tax Reform Act will provide very substantial tax simplification for the vast bulk of taxpayers who do not now use tax preferences to any significant degree. The increases in the standard deduction and the new low-income allowance which I described a few moments ago, both, will make important contributions toward tax simplification. These two provisions together, when fully effective, will make an additional 5.8 million returns nontaxable and will shift to the standard deduction some 11.8 million returns now itemizing deductions. This removal from the tax rolls of millions of low-income individuals with small tax liabilities will relieve these individuals entirely of the necessity of preparing tax returns and making tax payments. It will also relieve the Internal Revenue Service of the administrative burden of processing these returns. Similarly, the shift of large numbers of taxpayers from itemized deductions to the standard deduction will greatly simplify the operation of the tax system for both taxpayers and the Internal Revenue Service.

This bill also contains the portions of the surcharge bill, on which Congress has not acted. H.R. 12290 as passed by the House not only provided for the extension of the surcharge to mid-1970 but also contained a number of provisions designed to make a start on the tax reform program. H.R. 9951, which just recently was enacted into law, provided only for the extension of the 10 percent surcharge until December 31, 1969. The Tax Reform Act of 1969 includes those remaining provisions in H.R. 12290 which have not yet been enacted into law.

The adoption of the Tax Reform Act with these provisions by the House will give this chamber an opportunity to take these items up with the Senate in conference.

The specific items concerned are as follows:

The bill now before the House provides for extension of the surcharge at a 5 percent annual rate for the first half of calendar year 1970.

The second feature carried over from H.R. 12290 postpones for 1 year the reductions scheduled by present law in the excise taxes on automobiles and communications services.

The third feature taken from H.R. 12290 repeals the investment credit as of the end of April 18, 1969. At present this credit generally amounts to 7 percent for qualified investment and 3 percent for public utility investment. In this case, it should be noted that the repeal of the investment credit not only is an anti-inflationary measure but also represents a reform of our tax structure as well.

The bill provides for the permanent repeal of the investment credit for property constructed or acquired after April 18, 1969. To avoid hardship, a transition procedure is provided for taxpayers who have already made investments or who have committed themselves to make such investments on the assumption that the investment credit would continue.

The tax reform bill, as did H.R. 12290, also provides a tax incentive to private industry to increase their efforts to combat environmental pollution. This is done by permitting the costs of new pollution control facilities, certified by the relevant State and Federal authorities, to be amortized over a 5-year period. Since pollution control facilities ordinarily have a useful life extending considerably beyond 5 years, this rapid amortization will provide a substantial inducement for investment in such facilities.

The bill also provides for 7-year amortization for railroad rolling stock, other than locomotives. This was not in H.R. 12290.

Before concluding I thought it might also be useful to the Members if I review with them the revenue effect of this bill.

The Tax Reform Act in calendar 1970 provides revenue gains of $4.1 billion—substantially more than the $1.7 billion of revenue loss provided by the relief provisions effective in that year. This means that the bill contributes substantially to fiscal restraint in 1970. The bill was designed to have this effect because of the need to continue an anti-inflationary stance in 1970 in order to bring the economy under control.

By 1979, when all the changes made by the bill will be fully effective, the revenue gain under the bill will be $6.9 billion and the revenue loss

$9.3 billion. However, it is anticipated that this difference of $2.4 billion between the revenue loss and revenue gain will, in the long run, absorb only a small portion of the fiscal dividend which can be expected in these years—the increased tax receipts attributable to continued growth of the economy over the years.

The $6.9 billion of revenue gain when the revenue act is fully effective is composed of a $3.6 billion revenue gain from all items in the tax reform program and a $3.3 billion gain from repeal of the investment credit.

Of the total of $9.3 billion of revenue loss in 1979, rate reduction accounts for $4.5 billion and the maximum 50 percent rate on earned income accounts for $100 million. The low-income allowance—with no reduction after income passes the poverty level—provided a tax reduction of $2.6 billion. The increase in the standard deduction reduces revenue by an estimated $1.4 billion; while the extension of income splitting to widows, widowers, mature single people, and surviving spouses with dependent children involves a $650 million revenue loss.

The tax reform bill is specifically tailored to give proportionately greater relief to people with low and moderate incomes than to people with high incomes. As I indicated earlier when its provisions become fully effective, the bill will provide an average tax reduction of more than 66 percent for those with adjusted gross income of $3,000 or less, a 32 percent reduction for those in the $3,000 to $5,000 income class, 18 percent for taxpayers in the $5,000 to $7,000 income range, 11 percent between $7,000 and $10,000, over 10 percent in the $10,000 to $15,000 class and 8 percent plus in the $15,000 to $20,000 class. As a result of the substantial impact of the provisions of the bill to restrict tax preferences, those with incomes above $100,000 will, on the average, receive no tax reduction but instead will have their taxes increased about 4 percent.

Most of the income tax relief for those in the low-income brackets is provided by the new low-income allowance of $1,100. The increase in the standard deduction to 15 percent will also aid those with modest incomes as well as taxpayers in the middle-income brackets who will also benefit from the increase in the standard deduction ceiling from $1,000 to $2,000. For income levels above $15,000, the increase in the standard deduction gradually becomes less significant while the rate reductions become more significant.

Mr. Chairman, I believe the bill commends itself to the support of every Member of this House, not just because there are in it some very fine changes—primarily beginning in 1970—beneficial to all our taxpayers, but also because we have made fundamental changes with the purpose of trying to restore a greater degree of equity under the tax law between taxpayers with the same ability to pay.

This bill is essential to reform our tax structure and to make our tax system fairer. It is urgently needed to maintain the morale of our taxpayers and to demonstrate to all that million dollar incomes with no tax liabilities are a thing of the past. It is needed to grant tax relief to taxpayers in general and particularly to those at poverty levels. Finally, the bill is needed to repeal the investment credit which has outlived its usefulness and to extend the surcharge on a temporary basis until mid-1970 so that we can complete the job of fiscal restraint needed to clamp down on inflation and to get the economy under control.

The American people are looking to us to provide leadership and responsible action in providing tax reform. Responsible action calls for us to act and act now in passing H.R. 13270.

At this point I insert in the RECORD a series of tables showing revisions in certain tables in the committee report and also two committee amendments to be offered at the appropriate time.

COMMITTEE REPORT TABLES

As the Members of the House know, the Committee on Ways and Means has agreed to an amendment decreasing tax rates in 1971 and 1972 not only to the extent shown in the bill and in the committee report but also an additional amount. The additional amount provides for a 1 percentage point decrease in the brackets from 14 percent through 19 percent and also in the 32 percent and 36 percent brackets. This committee amendment was adopted in order to give assurances of at least a 5-percent rate reduction for all taxpayers. The cost in 1972 when the amendment is fully effective is $2.4 billion.

This committee amendment will change many of the tables shown in the committee report. Because of this, I would like to insert in the RECORD at this point a new series of tables from table 1 through table 12—pages 4 through 19—which correspond to those in the committee report as to table numbers and content. There is no table 5 or 6 in the material I am inserting, however, since these tables in the committee report are unaffected by the rate change adopted by the committee. In addition, I am inserting one table toward the back of the report, which also was changed—table 15 appearing on page 212 of the report:

TABLE 1.—THE BALANCING OF TAX REFORM WITH TAX RELIEF UNDER H.R. 13270 WITH MODIFIED RATE REDUCTION—CALENDAR YEAR TAX LIABILITY (P. 4 OF COMMITTEE REPORT)

[In millions of dollars]

	1970	1971	1972	1974	1979
Tax reform program	+1,640	+2,050	+2,180	+2,600	+3,555
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit	+4,140	+5,050	+5,180	+5,700	+6,855
Income tax relief	−1,692	−6,787	−9,273	−9,273	−9,273

Note: The tax surcharge extension ($3.1 liability for 1970) and the excise tax extension ($1.17 billion, $0.8 billion, $0.8 billion, and $0.4 billion for 1970 through 1973, respectively) are not included above because of their impermanent character.

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF—CALENDAR YEAR TAX LIABILITY (PAGE 12 OF COMMITTEE REPORT)

[In millions of dollars]

	1970	1971	1972	1974	1979
Tax reform program	+1,640	+2,050	+2,180	+2,600	+3,555
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit	+4,140	+5,050	+5,180	+5,700	+6,855
Income tax relief:					
Low income allowance	−625	−625	−625	−625	−625
Removal of phaseout on low income allowance		−2,027	−2,027	−2,027	−2,027
Increase in standard deduction [1]	−867	−1,086	−1,373	−1,373	−1,373
Rate reduction		−2,249	−4,498	−4,498	−4,498
Maximum 50-percent rate on earned income	−200	−150	−100	−100	−100
Intermediate tax treatment for certain single persons, etc		−650	−650	−650	−650
Total reductions	−1,692	−6,787	−9,273	−9,273	−9,273

[1] 1970: 13 percent, $1,400 ceiling; 1971: 14 percent, $1,700 ceiling; 1972: 15 percent, $2,000 ceiling.

Note: The tax surcharge extension ($3,100,000,000 liability for 1970) and the excise tax extension ($1,170,000,000, $800,000,000, $800,000,000 and $400,000,000 for 1970 through 1973, respectively) are not included above because of their impermanent character.

TABLE 3.—INDIVIDUAL INCOME TAX LIABILITY—TAX UNDER PRESENT LAW AND AMOUNT AND PERCENTAGE OF CHANGE UNDER REFORM AND RELIEF PROVISIONS WHEN FULLY EFFECTIVE (P. 13 OF COMMITTEE REPORT)

AGI class	Tax under present law (millions)	Increase (+) or decrease (−), from reform and relief provisions (taking into account committee amendment)		Percentage tax decrease under original rate schedule	Additional percentage reduction from modified rate schedule
		Amount (millions)	Percentage		
$0 to $3,000	$1,169	−$775	−66.3	−64.0	2.3
$3,000 to $5,000	3,320	−1,049	−31.6	−27.3	4.3
$5,000 to $7,000	5,591	−996	−17.8	−12.3	5.5
$7,000 to $10,000	11,792	−1,349	−11.4	−6.5	4.9
$10,000 to $15,000	18,494	−1,932	−10.4	−6.0	4.4
$15,000 to $20,000	9,184	−775	−8.4	−5.4	3.0
$20,000 to $50,000	$13,988	−$976	−7.0	−5.1	1.9
$50,000 to $100,000	6,659	−365	−5.5	−5.0	.5
$100,000 and over	7,686	+324	+4.2	+4.2	
Total	77,884	−7,893	−10.1	−7.0	3.1

TABLE 4.—TAX RELIEF PROVISIONS AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS (PAGE 13 OF COMMITTEE REPORT)

[In millions of dollars]

AGI class	Reform provisions	Low income allowance	Elimination of phaseout	15-percent $2,000 standard deduction	General rate reductions	Maximum tax on earned income	Intermediate tax treatment	Total relief provisions	Total, all provisions
0 to $3,000	+16	−552	−202		−27		−10	−791	−775
$3,000 to $5,000	−3	−72	−788		−141		−45	−1,046	−1,049
$5,000 to $7,000	+3	−1	−594		−329		−75	−999	−996
$7,000 to $10,000	+7		−335	−228	−663		−130	−1,356	−1,349
$10,000 to $15,000	+26		−83	−789	−975		−111	−1,958	−1,932
$15,000 to $20,000	+23		−16	−231	−496		+55	−798	−775
$20,000 to $50,000	+90		−8	−117	−806		−135	−1,066	−976
$50,000 to $100,000	+137		−1	−7	−420	−20	−54	−502	−365
$100,000 and over	+1,081			−1	−641	−80	−35	−757	+324
Total	+1,380	−625	−2,027	−1,373	−4,498	−100	−650	−9,273	−7,893

TABLE 7–8.—TAXABLE RETURNS UNDER PRESENT LAW, NUMBER MADE NONTAXABLE BY RELIEF PROVISIONS, AND NUMBER BENEFITING FROM RATE REDUCTION

[Number of returns in thousands (p. 17 in committee report)]

AGI class	Taxable under present law	Made nontaxable by low-income allowance and 15 percent $2,000 standard deduction	Remaining taxable—benefit from modified rate reduction
0 to $3,000	10,053	5,398	4,655
$3,000 to $5,000	9,562	389	9,173
$5,000 to $7,000	9,779	41	9,738
$7,000 to $10,000	13,815	8	13,807
$10,000 to $15,000	13,062	7	13,055
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	5,845	57,307

TABLE 9.—TAX BURDENS UNDER PRESENT LAW,[1] UNDER H.R. 13270,[1] AND PERCENT TAX CHANGE, MARRIED COUPLE WITH 2 DEPENDENTS (ASSUMES NONBUSINESS DEDUCTIONS OF 1 PERCENT OF INCOME) (P. 17 OF COMMITTEE REPORT)

Adjusted gross income (wages and salaries)	Present tax law	H.R. 13270 tax	Percent tax change
$3,000	[2]	[4]	0
$3,500	[3] $70	[4]	−100.0
$4,000	[3] 140	[4] $65	−53.6
$5,000	[3] 290	[4] 200	−31.0
$7,500	[5] 687	[5] 576	−16.2
$10,000	[5] 1,114	[5] 958	−14.0
$12,500	[5] $1,567	[5] $1,347	−14.0
$15,000	[6] 2,062	[7] 1,846	−10.5
$17,500	[5] 2,598	[7] 2,393	−7.9
$20,000	[6] 3,160	[7] 2,968	−6.1
$25,000	[5] 4,412	[6] 4,170	−5.5

[1] Does not include 10-percent surcharge.
[2] Uses provisions effective for tax year 1972.
[3] Uses minimum standard deduction of $600.
[4] Uses minimum standard deduction of $1,100.
[5] Itemizes deductible nonbusiness expenses.
[6] Uses 15-percent standard deduction.
[7] Uses $2,000 limit on 15-percent standard deduction.

TABLE 10.—TAX BURDENS UNDER PRESENT LAW,[1] UNDER H.R. 13270,[2] AND PERCENT TAX CHANGE (ASSUMES NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME) (P. 18 OF THE COMMITTEE REPORT)

Adjusted gross income (wages and salaries)	Single person under 35 (not a widow or widower)		
	Present tax law	H.R. 13270 tax	Percent tax change
$900	[3] 0	[4] 0	0
$1,700	[3] $115	[4] 0	−100.0
$3,000	[3] 329	[4] $180	−45.3
$4,000	[5] 500	[4] 344	−31.2
$5,000	[5] 671	[4] 524	−21.9
$7,500	[5] 1,168	[5] 1,023	−12.4
$10,000	[5] $1,742	[6] $1,507	−13.5
$12,500	[7] 2,398	[6] 2,078	−13.3
$15,000	[7] 3,154	[6] 2,806	−11.0
$17,500	[7] 3,999	[8] 3,683	−7.9
$20,000	[7] 4,918	[8] 4,650	−5.4
$25,000	[7] 6,982	[7] 6,566	−6.0

[1] Does not include 10-percent surcharge.
[2] Uses provisions effective for tax year 1972.
[3] Uses minimum standard deduction of $300.
[4] Uses minimum standard deduction of $1,100.
[5] Uses 10-percent standard deduction.
[6] Uses 15-percent standard deduction.
[7] Itemizes deductible nonbusiness expenses.
[8] Uses $2,000 limit on 15-percent standard deduction.

TABLE 11.—TAX BURDENS UNDER PRESENT LAW,[1] UNDER H.R. 13270,[2] AND PERCENT TAX CHANGE (ASSUMES NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME) (P. 18 OF THE COMMITTEE REPORT)

Adjusted gross income (wages and salaries)	Single person, 35 and over (widow or widower at any age)			Adjusted gross income (wages and salaries)	Single person, 35 and over (widow or widower at any age)		
	Present tax law	H.R. 13270 tax	Percent tax change		Present tax law	H.R. 13270 tax	Percent tax change
$900	[3] 0	[4] 0	0	$10,000	[5] $1,742	[6] $1,399	−19.7
$1,700	[3] $115	[4] 0	−100.0	$12,500	[7] 2,398	[6] 1,906	−20.5
$3,000	[3] 329	[4] $175	−46.8	$15,000	[7] 3,154	[8] 2,532	−19.7
$4,000	[5] 500	[4] 331	−33.8	$17,500	[7] 3,999	[8] 3,250	−18.7
$5,000	[5] 671	[4] 501	−25.3	$20,000	[7] 4,918	[8] 4,042	−17.8
$7,000	[5] 1,168	[6] 957	−18.1	$25,000	[7] 6,982	[7] 5,643	−19.2

[1] Does not include 10-percent surcharge.
[2] Uses provisions effective for tax year 1972.
[3] Uses minimum standard deduction of $300.
[4] Uses minimum standard deduction of $1,100.
[5] Uses 10-percent standard deduction.
[6] Uses 15-percent standard deduction.
[7] Itemizes deductible nonbusiness expenses.
[8] Uses $2,000 limit on 15-percent standard deduction.

TABLE 12.—EFFECT OF H.R. 13270 ON FISCAL YEAR RECEIPTS, 1970 AND 1971 (P. 19 OF COMMITTEE REPORT)

[In billions]

	Fiscal year	
	1970	1971
Tax reform provisions:		
Corporation	+$0.4	+$1.1
Individual	+.3	+.6
Total, tax reform provisions	+.7	+1.7
Tax relief provisions:		
Corporation	−0	−.1
Individual	−.7	−3.6
Total, tax relief provisions	−.7	−3.7
Other provisions:		
Repeal of investment credit:		
Corporation	+$0.9	+$1.9
Individual	+.4	+.6
Total, repeal of investment credit	+1.3	+2.6
Extend tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extend excise taxes	+.5	+1.1
Total, other provisions	+3.8	+4.8
Total	+3.8	+2.8

TABLE 15.—INDIVIDUAL INCOME TAX RATE SCHEDULE UNDER PRESENT LAW, UNDER H.R. 13270 AS REPORTED AND AS MODIFIED, FOR CALENDAR YEARS 1971 AND 1972 (P. 212 OF THE COMMITTEE REPORT)

Taxable income bracket		Tax rate (percent)				
			Committee bill			
			As reported		As modified	
Single person not eligible for inter. rates (thousands of dollars)	Married (joint) (thousands of dollars)	Present law	1971	1972	1971	1972
0 to 0.5	0 to 1	14	14.0	14	[1] 13.5	[1] 13
0.5 to 1	1 to 2	15	15.0	15	[1] 14.5	[1] 14
1 to 1.5	2 to 3	16	16.0	16	[1] 15.5	[1] 15
1.5 to 2	3 to 4	17	17.0	17	[1] 16.5	[1] 16
2 to 4	4 to 8	19	19.0	19	[1] 18.5	[1] 18
4 to 6	8 to 12	22	21.5	21	21.5	21
6 to 8	12 to 16	25	24.0	23	24.0	23
8 to 10	16 to 20	28	27.5	27	27.5	27
10 to 12	20 to 24	32	31.5	31	[1] 30.5	[1] 30
12 to 14	24 to 28	36	35.5	35	[1] 34.5	[1] 34
14 to 16	28 to 32	39	38.0	37	38.0	37
16 to 18	32 to 36	42	41.0	40	41.0	40
18 to 20	36 to 40	45	43.5	42	43.5	42
20 to 22	40 to 44	48	46.0	44	46.0	44
22 to 26	44 to 52	50	48.5	47	48.5	47
26 to 32	52 to 64	53	51.0	49	51.0	49
32 to 38	64 to 76	55	52.5	50	52.5	50
38 to 44	76 to 88	58	55.0	52	55.0	52
44 to 50	88 to 100	60	57.0	54	57.0	54
50 to 60	100 to 120	62	60.0	58	60.0	58
60 to 70	120 to 140	64	62.0	60	62.0	60
70 to 80	140 to 160	66	63.0	60	63.0	60
80 to 90	160 to 180	68	64.5	61	64.5	61
90 to 100	180 to 200	69	65.0	61	65.0	61
100 to 120	200 to 240	70	66.0	62	66.0	62
120 to 150	240 to 300	70	66.5	63	66.5	63
150 to 200	300 to 400	70	67.0	64	67.0	64
200 and over	400 and over	70	67.5	65	67.5	65

[1] Changed in Aug 5 modification.

COMMITTEE AMENDMENTS

The Committee on Ways and Means has adopted two amendments to be offered to the pending bill. One of these amendments relates to the rate reduction effective in 1971 and 1972. This amendment provides for a 1 percentage point rate reduction in the rate brackets from 14 percent through 19 percent. These are the rate brackets from zero through $4,000 in the case of single persons not eligible for intermediate tax rates and zero through $8,000 for married couples filing joint returns. In 1971, the rate decreases in these brackets are increased by one-half a percentage point. The amendment also decreases the rate in the $10,000 to $12,000 brackets for single taxpayers in present law from 32 percent which under the reported bill is reduced to 31 percent, a further percentage point to 30. Similarly, the 36 percent rate in present law which under the reported bill is reduced to 35 percent is further reduced to 34 percent in the committee amendment. These rates, of course, are those applicable to 1972. In 1971 the reductions are one-half this size; namely, to a level of 30.5 percent and to a level of 34.5 percent, respectively.

It is anticipated that in 1971 these rate reductions will reduce revenues by $1.2 billion and that by 1972 when the reductions are fully effective the revenue loss will be $2.4 billion. These rate reductions were added to those in the committee bill to give assurance that all taxpayers would receive rate reductions of at least 5 percent in 1972.

The committee amendment which will be offered is as follows:

COMMITTEE AMENDMENT ON RATES OF TAX ON INDIVIDUALS

Page 358, strike out line 13 and all that follows down to (but not including) line 1 on page 364, and insert in lieu thereof the following:

"(3) TAXABLE YEARS BEGINNING IN 1971.—In the case of a taxable year beginning after

December 31, 1970, and before January 1, 1972, there is hereby imposed on the taxable income of every individual (other than an intermediate tax rate individual to whom subsection (b) applies) a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $500	13.5% of the taxable income.
Over $500 but not over $1,000	$67.50 plus 14.5% of excess over $500
Over $1,000 but not over $1,500	$140 plus 15.5% of excess over $1,000
Over $1,500 but not over $2,000	$217.50 plus 16.5% of excess over $1,500
Over $2,000 but not over $4,000	$300 plus 18.5% of excess over $2,000
Over $4,000 but not over $6,000	$670 plus 21.5% of excess over $4,000
Over $6,000 but not over $8,000	$1,100 plus 24% of excess over $6,000
Over $8,000 but not over $10,000	$1,580 plus 27.5% of excess over $8,000
Over $10,000 but not over $12,000	$2,130 plus 31% of excess over $10,000
Over $12,000 but not over $14,000	$2,750 plus 35% of excess over $12,000
Over $14,000 but not over $16,000	$3,450 plus 38% of excess over $14,000
Over $16,000 but not over $18,000	$4,210 plus 41% of excess over $16,000
Over $18,000 but not over $20,000	$5,030 plus 43.5% of excess over $18,000
Over $20,000 but not over $22,000	$5,900 plus 46% of excess over $20,000
Over $22,000 but not over $26,000	$6,820 plus 48.5% of excess over $22,000
Over $26,000 but not over $32,000	$8,760 plus 51% of excess over $26,000
Over $32,000 but not over $38,000	$11,820 plus 52.5% of excess over $32,000
Over $38,000 but not over $44,000	$14,970 plus 55% of excess over $38,000
Over $44,000 but not over $50,000	$18,270 plus 57% of excess over $44,000
Over $50,000 but not over $60,000	$21,690 plus 60% of excess over $50,000
Over $60,000 but not over $70,000	$27,690 plus 62% of excess over $60,000
Over $70,000 but not over $80,000	$33,890 plus 63% of excess over $70,000
Over $80,000 but not over $90,000	$40,190 plus 64.5% of excess over $80,000
Over $90,000 but not over $100,000	$46,640 plus 65% of excess over $90,000
Over $100,000 but not over $120,000	$53,140 plus 66% of excess over $100,000
Over $120,000 but not over $150,000	$66,340 plus 66.5% of excess over $120,000
Over $150,000 but not over $200,000	$86,290 plus 67% of excess over $150,000
Over $200,000	$119,790 plus 67.5% of excess over $200,000

"(4) TAXABLE YEARS BEGINNING AFTER 1971.—In the case of a taxable year beginning after December 31, 1971, there is hereby imposed on the taxable income of every individual (other than an intermediate tax rate individual to whom subsection (b) applies) a tax determined in accordance with the following table:

"If the taxable income is—	The tax is—
Not over $500	13% of the taxable income.
Over $500 but not over $1,000	$65 plus 14% of excess over $500
Over $1,000 but not over $1,500	$135 plus 15% of excess over $1,000
Over $1,500 but not over $2,000	$210 plus 16% of excess over $1,500
Over $2,000 but not over $4,000	$290 plus 18% of excess over $2,000
Over $4,000 but not over $6,000	$650 plus 21% of excess over $4,000
Over $6,000 but not over $8,000	$1,070 plus 23% of excess over $6,000
Over $8,000 but not over $10,000	$1,530 plus 27% of excess over $8,000
Over $10,000 but not over $12,000	$2,070 plus 30% of excess over $10,000
Over $12,000 but not over $14,000	$2,670 plus 34% of excess over $12,000
Over $14,000 but not over $16,000	$3,350 plus 37% of excess over $14,000
Over $16,000 but not over $18,000	$4,090 plus 40% of excess over $16,000
Over $18,000 but not over $20,000	$4,890 plus 42% of excess over $18,000
Over $20,000 but not over $22,000	$5,730 plus 44% of excess over $20,000
Over $22,000 but not over $26,000	$6,610 plus 47% of excess over $22,000
Over $26,000 but not over $32,000	$8,490 plus 49% of excess over $26,000
Over $32,000 but not over $38,000	$11,430 plus 50% of excess over $32,000
Over $38,000 but not over $44,000	$14,430 plus 52% of excess over $38,000
Over $44,000 but not over $50,000	$17,550 plus 54% of excess over $44,000
Over $50,000 but not over $60,000	$20,790 plus 58% of excess over $50,000
Over $60,000 but not over $80,000	$26,590 plus 60% of excess over $60,000
Over $80,000 but not over $100,000	$38,590 plus 61% of excess over $80,000
Over $100,000 but not over $120,000	$50,790 plus 62% of excess over $100,000
Over $120,000 but not over $150,000	$63,190 plus 63% of excess over $120,000
Over $150,000 but not over $200,000	$82,090 plus 64% of excess over $150,000
Over $200,000	$114,090 plus 65% of excess over $200,000"

(b) INTERMEDIATE TAX RATES.—Section 1 (b)(1) is amended by inserting "and before January 1, 1971," after "December 31, 1964," each place it appears and by adding at the end thereof the following new subparagraphs:

"(C) TAXABLE YEARS BEGINNING IN 1971.—In the case of a taxable year beginning after December 31, 1970, and before January 1, 1972, there is hereby imposed on the taxable income of every individual who is an intermediate tax rate individual a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,000	13.5% of the taxable income.
Over $1,000 but not over $2,000	$135 plus 15.5% of excess over $1,000
Over $2,000 but not over $4,000	$290 plus 17.5% of excess over $2,000
Over $4,000 but not over $6,000	$640 plus 19.5% of excess over $4,000
Over $6,000 but not over $8,000	$1,030 plus 21.5% of excess over $6,000
Over $8,000 but not over $10,000	$1,460 plus 24.5% of excess over $8,000
Over $10,000 but not over $12,000	$1,950 plus 26.5% of excess over $10,000
Over $12,000 but not over $14,000	$2,480 plus 29.5% of excess over $12,000
Over $14,000 but not over $16,000	$3,070 plus 31% of excess over $14,000
Over $16,000 but not over $18,000	$3,690 plus 34% of excess over $16,000
Over $18,000 but not over $20,000	$4,370 plus 35.5% of excess over $18,000
Over $20,000 but not over $22,000	$5,080 plus 38.5% of excess over $20,000
Over $22,000 but not over $24,000	$5,850 plus 40% of excess over $22,000
Over $24,000 but not over $26,000	$6,650 plus 42% of excess over $24,000
Over $26,000 but not over $28,000	$7,490 plus 43% of excess over $26,000
Over $28,000 but not over $32,000	$8,350 plus 44% of excess over $28,000
Over $32,000 but not over $36,000	$10,110 plus 46.5% of excess over $32,000
Over $36,000 but not over $38,000	$11,970 plus 48% of excess over $36,000
Over $38,000 but not over $40,000	$12,930 plus 49.5% of excess over $38,000
Over $40,000 but not over $44,000	$13,920 plus 50.5% of excess over $40,000
Over $44,000 but not over $50,000	$15,940 plus 52.5% of excess over $44,000
Over $50,000 but not over $52,000	$19,090 plus 54.5% of excess over $50,000
Over $52,000 but not over $60,000	$20,180 plus 55.5% of excess over $52,000
Over $60,000 but not over $64,000	$24,620 plus 56.5% of excess over $60,000
Over $64,000 but not over $76,000	$26,880 plus 57.5% of excess over $64,000
Over $76,000 but not over $80,000	$33,780 plus 59% of excess over $76,000
Over $80,000 but not over $88,000	$36,140 plus 60% of excess over $80,000
Over $88,000 but not over $100,000	$40,940 plus 61% of excess over $88,000
Over $100,000 but not over $120,000	$48,260 plus 63% of excess over $100,000
Over $120,000 but not over $140,000	$60,860 plus 64% of excess over $120,000
Over $140,000 but not over $160,000	$73,660 plus 65% of excess over $140,000
Over $160,000 but not over $200,000	$86,660 plus 66% of excess over $160,000
Over $200,000 but not over $240,000	$113,060 plus 66.5% of excess over $200,000
Over $240,000 but not over $300,000	$139,660 plus 67% of excess over $240,000
Over $300,000	$179,860 plus 67.5% of excess over $300,000

"(D) TAXABLE YEARS BEGINNING AFTER 1971.—In the case of a taxable year beginning after December 31, 1971, there is hereby imposed on the taxable income of every individual who is an intermediate tax rate individual a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,000	13% of the taxable income.
Over $1,000 but not over $2,000	$130 plus 15% of excess over $1,000
Over $2,000 but not over $4,000	$280 plus 17% of excess over $2,000
Over $4,000 but not over $6,000	$620 plus 19% of excess over $4,000
Over $6,000 but not over $8,000	$1,000 plus 21% of excess over $6,000
Over $8,000 but not over $10,000	$1,420 plus 24% of excess over $8,000
Over $10,000 but not over $12,000	$1,900 plus 26% of excess over $10,000
Over $12,000 but not over $14,000	$2,420 plus 28% of excess over $12,000
Over $14,000 but not over $16,000	$2,980 plus 30% of excess over $14,000
Over $16,000 but not over $18,000	$3,580 plus 33% of excess over $16,000
Over $18,000 but not over $20,000	$4,240 plus 35% of excess over $18,000
Over $20,000 but not over $22,000	$4,940 plus 37% of excess over $20,000
Over $22,000 but not over $24,000	$5,680 plus 39% of excess over $22,000
Over $24,000 but not over $26,000	$6,460 plus 40% of excess over $24,000
Over $26,000 but not over $28,000	$7,260 plus 41% of excess over $26,000
Over $28,000 but not over $32,000	$8,080 plus 43% of excess over $28,000
Over $32,000 but not over $36,000	$9,800 plus 45% of excess over $32,000
Over $36,000 but not over $38,000	$11,600 plus 46% of excess over $36,000
Over $38,000 but not over $40,000	$12,520 plus 47% of excess over $38,000
Over $40,000 but not over $44,000	$13,460 plus 48% of excess over $40,000
Over $44,000 but not over $50,000	$15,380 plus 51% of excess over $44,000
Over $50,000 but not over $60,000	$18,440 plus 53% of excess over $50,000
Over $60,000 but not over $80,000	$23,740 plus 55% of excess over $60,000
Over $80,000 but not over $100,000	$34,740 plus 57% of excess over $80,000
Over $100,000 but not over $120,000	$46,140 plus 60% of excess over $100,000
Over $120,000 but not over $160,000	$58,140 plus 62% of excess over $120,000
Over $160,000 but not over $200,000	$82,940 plus 63% of excess over $160,000
Over $200,000 but not over $300,000	$108,140 plus 64% of excess over $200,000
Over $300,000	$172,140 plus 65% of excess over $300,000."

A second committee amendment has also been approved by the committee and will be offered to the bill before final passage. This amendment relates to oil shale. It provides that the percentage depletion allowance is to be computed on oil shale at the cutoff point after the oil is extracted from the shale but before hydrogenation and also before any of the refining processes are applied.

The purpose of this amendment is to provide the same base for computing percentage depletion extracted from oil shale as already applies in the case of oil produced from an oil well. The committee concluded that it was necessary to use the same base for the computation of the depletion allowance in these two cases if oil extracted from oil shale is not to be discriminated against. It should be clear, however, that oil shale under your committee's bill still will receive percentage depletion at 15 percent rather than the 20 percent which will be available for oil produced from oil wells.

The committee amendment which will be offered is as follows:

COMMITTEE AMENDMENT ON OIL SHALE TREATMENT PROCESSES

Page 281, immediately before line 4, insert the following:

"(e) TREATMENT PROCESSES IN THE CASE OF OIL SHALE.—Section 613(c)(4) (relating to treatment processes considered as mining) is amended by striking out 'and' at the end of subparagraph (G), by redesignating subparagraph (H) as subparagraph (I), and by inserting after subparagraph (G) the following new subparagraph:

"'(H) in the case of oil shale—extraction from the ground, crushing, loading into the retort, and retorting, but not hydrogenation, refining, or any other process subsequent to retorting; and'."

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

Mr. MILLS. I am glad to yield to the gentleman from New Jersey.

Mr. FRELINGHUYSEN. I should like to compliment the gentleman for a very able presentation, but I should like to ask a couple of questions.

I attempted, I might say, to ask a member of the committee, and also of the staff, and they were not able to give me an immediate answer.

The question is with respect to charitable contributions. I wonder what the effective date of the proposed changes in the present law would be with respect to charitable contributions? Is it the end of this calendar year?

Mr. MILLS. It is January 1, 1970, for most of the charitable contribution provisions.

Mr. FRELINGHUYSEN. If the gentleman will yield further briefly, I wonder about the appreciated value of contributions.

Mr. MILLS. Let me explain that.

Mr. FRELINGHUYSEN. There is some confusion as to when there would be a tax involved.

Mr. MILLS. Let me explain that.

We have said in the bill that if one gives appreciated property to a private foundation—unless the private foundation pays the amount out in within 1 year—the individual giving it will have to include in his income and pay a capital gains tax on the difference between the cost of the property to him—assuming it is capital gains income—and the fair market value of the charitable deduction at the time he gives it. If property cost him $10 and it is worth $100 today, there would be a $90 capital gain included in his income but he would receive a charitable contribution deduction of $100.

This provision of the bill applies to private foundations—not the public ones.

Except to the extent the minimum tax of limited tax preference applies, we have not changed the law one iota with respect to giving appreciated property to a college in the gentleman's district or mine, or to a hospital in the gentleman's district or mine. Under existing law one can give 30 percent of his adjusted gross income even though it is appreciated property for those kinds of purposes, and we permit that type of giving to continue.

The CHAIRMAN. The time yielded by the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Chairman, I yield myself 2 additional minutes.

Mr. FRELINGHUYSEN. I notice there is going to be a tax imposed if tangible personal property should be given away. As a trustee of a metropolitan museum in New York, it does strike me as a harsh provision, because it almost surely will prevent the transfer to a museum of certain gifts of that character. It would seem to me there might have been a proviso saying that if the gift were to a museum, which would keep such tangible personal property, there would not be any tax.

Mr. MILLS. Let me explain that to my friend.

I can make an argument as a lawyer against every change that has been made in this bill. I believe I could make a plausible argument, from the point of view of its desirability for some limited reason, just as the gentleman is making a very fine argument in the case of appreciated personal property for museums.

But there are difficulties if we look at it. Paintings and other art objects are very hard to value. As a result very high values are placed on paintings which cost the person very little. Who is to say how much the painting is really worth? Besides that why does there have to be a double benefit? Why should gifts of paintings be treated better than gifts of cash? Actually he may have given up, so far as the cost to him is concerned, only a small fraction of what he has deducted. He might reduce his tax to zero.

Mr. FRELINGHUYSEN. If the gentleman will yield further, it seems to me the gentleman just said there would be a limited tax in any case, so there would not be the possibility of reducing the liability to zero in any event.

It does seem to me there are going to be some real hardships imposed on museums and institutions which rely on tangible personal property instead of appreciated securities.

Mr. MILLS. I will tell my friend from New Jersey that everybody whose toes have been stepped on by this bill, can tell the same things as to its effect upon him.

The CHAIRMAN. The gentleman from Arkansas has consumed the balance of his time.

Mr. MILLS. Mr. Chairman, I yield myself 1 additional minute.

Mr. DENT. Mr. Chairman, will the gentleman yield to me?

Mr. MILLS. I am glad to yield to the gentleman.

Mr. DENT. I would like to clear up a point on the tax-exempt securities and income. As I understood what the gentleman said, you break it down into two parts and the second part is that you would divide somehow the tax exemptions between taxable income and others.

Mr. MILLS. You add the tax preferences to the regular income subject to tax, divide the result by two, and if this is greater than your regular income, this is the new base for your tax.

Mr. DENT. That I understand.

Mr. MILLS. That is with respect to both future and current issues of State and municipal bonds, but it is phased in over a 10-year period.

Mr. DENT. I understand. You also said and used the example that if you had a taxable income of $100,000 and nontaxable income, tax exempt, of $150,000, you would add them together and divide by two and have a taxable income of $125,000. Now, supposing I had $500,000 taxable income and $100,000 worth of tax-exempt bonds and added them together, would I not be in the tax bracket of $300,000?

Mr. MILLS. No. It does not work that way. You would not have to place it under an LTP—limit on tax preference—unless there is an amount of nontaxable income that is greater than the amount of the taxable income. Otherwise it would work in the reverse way.

Mr. DENT. Thank you. I just wanted to clear that up.

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

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

Mr. MILLS. I yield myself 1 additional minute.

I yield to the gentleman from New York.

Mr. KOCH. Mr. Chairman, I want to say to the chairman of the Committee on Ways and Means that I was told when I came here that the most singular situation from the point of view of being a Congressman would be to sit in the Chamber when you discussed a tax bill, and that was surely true today.

Mr. MILLS. Oh, my goodness. You just ask me anything you want.

Mr. KOCH. I am interested with respect to the 7½-percent tax on private foundations investment income. I would like to know the rationale for having done that with respect to private foundations and when the same rationale is not applied to investment income of churches, colleges, and foundations receiving the bulk of their funds from governmental units or the general public. What was the rationale for distinguishing between them?

Mr. MILLS. Let me return the gentleman's compliment first of all. When you came to this Congress I knew from what they said about you that you would ask intelligent questions, and you have done so. This is a very good question.

We have not affected in any way the income of public charities, educational institutions, or churches. When you give funds to these institutions your contributions are usually spent right away. But when you give to private foundations this amount is usually retained in the foundation. Usually only the income on this is spent. We think this justifies a difference in tax treatment. That is why we have written rules here that apply only to private foundations.

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

Mr. MILLS. Mr. Chairman, I yield myself 1 additional minute.

Let me make another distinction here. What is in the bill does have, as you point out, application only to private foundations like the Ford Foundation, Rockefeller Foundation, or Carnegie Foundation, and so on. They receive most of their income from investments in stocks and things of that sort. They were usually given these funds by the creator of the foundation. The funds they spend are only the income on this corpus. Others have to spend the contributions themselves. In the case of a corporation, you would get what is called an intercorporate dividends received deduction. The corporation producing the earnings in the first place is paying a 48-percent tax. When it pays out a dividend to another corporation, this corporation gets the deduction of 85 percent of the dividends it receives because when this is paid out to individual shareholders there is another tax. If the private foundation is the shareholder you do not have the prospect of the second tax at the shareholder level.

In the case of a corporation you get a deduction of 85 percent out of the total amount of dividends received. This leaves 15 percent subject to the tax, and at a 50-percent rate the tax amounts to 7½ percent. So, if the XYZ Corp., for example, receives a dividend on stock it owns in General Motors, it pays a 7½-percent tax on its dividend income. We did not want to tax the foundations to pay more than that. But we wanted to tax them this amount to develop suffi-

cient revenues to convince the Committee on Appropriations that the Internal Revenue Service should have sufficient manpower to check the operations of these foundations with regularity to see that they live within the rules.

I say this because some of the things that foundations have been doing in the past in my opinion are not good from the point of view of public policy.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, I am going to be very brief in these opening remarks. But I do think that as this debate opens I should make some general comments.

Tax reform is long overdue. I think this is recognized by every Member in this Chamber.

The chairman of the Committee on Ways and Means and I last summer and early fall both stated that the first order of business of the Ways and Means Committee in the 91st Congress should be an in-depth consideration of tax reform and the development of tax reform legislation for presentation to the Congress. We said that should be the case no matter what party happened to be in control of the committee or who happened to be chairman of the committee when the new Congress, the 91st Congress, met in January.

When this new Congress met, that was the first order of business. We began our deliberations in the early part of February and they have continued until this moment.

We now bring to you the fruits of that labor, during those many days and many hours since the middle of February.

During the course of this year the chairman and I have both promised on several occasions to this Congress that we would have a tax reform bill before this House upon which you could act before the recess that had been scheduled for the middle of August. There were many skeptics. There were those who chided us on those occasions and said, in effect, that they were just mere words and we would never have tax reform.

I say to you here today that we have kept our promise. You have before you today a tax reform bill of broad measure and I think one of the major tax bills that has ever been considered by the Congress of the United States since we adopted the income tax law in 1913.

Mr. Chairman, this is a nonpartisan bill. I think credit for the formulation of the legislation must go to a broad group of people. Certainly credit should go to the members of the Committee on Ways and Means, to the chairman, and to every member of that committee, because every member contributed in some degree to the development of the legislation that is now before us. Credit must also be given to the majority and minority staffs of the Ways and Means Committee who worked far beyond the normal call of duty in terms of hours and effort in assisting in the development of this bill.

Credit must be given to the staff of the Joint Committee on Internal Revenue Taxation under the leadership of Dr. Woodworth, who were valuable in their help and assistance.

Credit must be given to the legislative drafting service, particularly Ed Kraft and Ward Hussey.

Yes, and credit must go to the Treasury Department and their staff of technicians and tax experts under the able direction of Edwin Cohen, Assistant Secretary of the Treasury, in charge of tax policy, who I think did a yeoman's job of working with the staffs and with the committee to carry out the objectives that the committee had in bringing to you a real reform measure.

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

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 3 additional minutes.

Yes, Mr. Chairman, credit should also go to the staff of the previous Treasury Department who prepared a lengthy study of reform proposals which were submitted to the committee early this year and which also formed a basis for the work of the committee.

So I say, Mr. Chairman, this bill is a bill of many parts. It is a bill of great complexity. It is a bill that if we were going to look for adjectives we might call it momentous or we might call it extensive, but fundamentally we have to recognize that this is not just some simple little bill that comes before you that is the product of one or two minds; this is the product of a large group of people dedicated to a recognition of the need to produce greater equity in our Tax Code and, as the chairman has said, a necessity born of the fact that ours is a voluntary system that must have the confidence of the people.

Mr. Chairman, we bring to you a bill—I am not saying that it is a perfect bill—but it is a good bill. We bring to you an improvement of the Code, but in its enactment not a perfect Code.

Certainly we are going to have to continue surveillance. Certainly there will be some flaws found and maybe some loopholes still remaining that we have not found that we will have to calk up as we find them.

I do not think we will have a repetition in the future of what has occurred in recent years whereby some of the loopholes and the advantages that were being taken by some taxpayers were not called to the attention of the committee.

The people who should have the responsibility of maintaining the surveillance that should be maintained over the operation of the Code so that the Congress could be alerted to situations where certain taxpayers were taking advantage of the Code in a way and purposes that were never intended by the Congress, either did not maintain that surveillance or did not report what was taking place to the Congress. As a result the inequities in the Code accumulated.

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

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 2 additional minutes.

But, Mr. Chairman, we have advised the Treasury Department and the Internal Revenue Service that procedures should be established, and it is my information that procedures have been set up, so that there will be a continuing surveillance of the use of the various provisions of the Code and whether they are being used in a legitimate manner and where loopholes open up and are disclosed, that they will be brought to the attention of the committee and of the Congress so that we can take appropriate action.

Let me say I think this is a most important and necessary step, and a step in the right direction.

We bring to you, as I say, Mr. Chairman, what I think is a good bill. It is a bill that accomplishes fundamentally three objectives. First, it closes the loopholes that have developed, that people have taken undue advantage of and we have reduced the tax liability in many areas where the burden was too high and where equity requires reductions, and we have simplified the filing requirements for many, many taxpayers. It can be alleged, as it will be that this bill provides many additional complications. I will admit it does. But those complications are for those people who operate in a complicated manner. But for the average taxpayers, the guy in the street, this bill will simplify his tax return by bringing 11 million people within the purview of the opportunity to use the standard deduction and thus avoid the problems of itemizing all of their personal deductions. They will be able to use the simplified form by use of the standard deductions.

So we have made improvements down the line.

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

Mr. BYRNES of Wisconsin. I yield to my chairman.

Mr. MILLS. Mr. Chairman, I want to join with the gentleman in his statement of gratitude for the very fine people who have worked on the bill, including the members of our staff.

But I wanted to say something especially about my good friend, the gentleman from Wisconsin, if he will allow me to do so.

Mr. BYRNES of Wisconsin. I suppose I could yield some time for that purpose.

Mr. MILLS. I am not going to be critical, but if there ever was anyone who stood firmly and solidly like the Rock of Gibraltar in behalf of tax reform, it is the gentleman from Wisconsin.

In many instances my friend, I think, had views that were a little bit further down the road than my own, but he has convinced me and he has convinced others and he has been convinced himself by others—he has compromised—but he has never compromised to the point of allowing something to go untouched that constituted a shelter in the past or a preference in the past.

Without the gentleman my committee could not have succeeded in this great job that I think we have completed.

So I want to include the gentleman as he has included other members of the committee in the category of being very, very helpful and commend him for his great contributions to this legislation.

Mr. BYRNES of Wisconsin. I certainly am deeply grateful for the kind words of my chairman, but as he pointed out before, I do not think there is any individual who can take any special credit

when we list the large number of people who have contributed so much in time and in effort and in ideas in the development of this legislation.

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

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. FOREMAN. I appreciate the distinguished gentleman's explanation of the bill.

There is one provision that I would like to ask the gentleman to expand on briefly, if he will, and that is with reference to this business of interest deductions.

The gentleman says that the deduction of interest on funds borrowed to carry an investment is generally limited to investment income over $25,000.

My question is this. If you borrow money—if a small businessman borrows money to go into business or to run a business—is all the interest chargeable as an expense or interest deduction?

Mr. BYRNES of Wisconsin. First, let me say, no change is made in the deduction of that interest because it is a business expense.

What we are talking about here is only interest that is paid to carry on investment. As we have examined these returns, we found people with very large incomes avoid tax liability when we are dealing in loans of the magnitude of millions of dollars they were pledging the assets and charge that interest off against ordinary income. The investment was designed to produce a capital gain. So it was felt that there was here a very definite loophole. But the ordinary businessman will not be affected. His business interest will still be deductible. He deducts that interest in determining his net business income.

Mr. FOREMAN. And those interest deductions are still allowable?

Mr. BYRNES of Wisconsin. That part, and in addition to that, an amount equivalent to any investment income he receives plus $25,000. But any interest in excess of that would not be permitted as a deduction against income.

Mr. FOREMAN. I thank the gentleman.

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

The CHAIRMAN. The gentleman from Ohio is recognized.

Mr. BETTS. Mr. Chairman, this is not an easy task to follow the chairman and the ranking member of the committee, and I want to make clear that I have no intention of getting into the details of the bill. I simply wish to make a few brief general observations.

I believe the first observation that anyone should make on this subject is to compliment the chairman and the ranking member for the leadership they have displayed throughout the days and weeks we considered this bill. As the chairman and the ranking member also said—and I certainly want to associate myself with their remarks—we recognize the sterling performance of the staffs of the committee, the Joint Committee on Internal Revenue, and the Treasury. They contributed their labor, expertise, and talent which resulted in the final draft of the bill. I believe the chairman and the ranking member were looking for some adjectives to explain the bill. I might add that it is a monumental work. When it is passed and becomes law, it will be regarded as landmark legislation.

So I want again to pay my respects to the chairman, the gentleman from Arkansas (Mr. MILLS) and the ranking minority member, the gentleman from Wisconsin (Mr. BYRNES), because their leadership represents a promise made and a promise kept that this measure would be on the floor before the August recess.

Mr. Chairman, if and when this bill becomes law it can possibly be called the beginning of an era. Whether that is good or bad depends on many things that could happen in the future. If nothing is done to change it, it will probably be a good thing for the economy and everyone affected will no doubt become accustomed to it in the years ahead. On the other hand, if it is used as a means to oppress different segments of the economy by further restrictions of tax benefits in the future, it could stifle private enterprise and encourage the Federal Government to take over in many areas.

An example of this—and I cite this as only one instance—would be tax-exempt securities. I think we were tinkering with a sensitive balance of power between local and National governments when we wrote that section of the bill. Publicity directed to a few rich persons who have been able to reduce or avoid taxation by holding exempt securities has obscured the real danger of legislating here. Anything that impedes or discourages local financing such as Federal taxation of obligations simply tends to discourage normal operation of local government. When local bonds cannot be sold and local governments cannot finance the building of facilities, the Federal Government naturally steps in and finances these facilities.

With Federal aid goes Federal control. The power to tax, in my opinion, should not be used to destroy the constitutional division of powers between the local and Federal governments, and I hope we have not gone too far in this bill on this subject. At any rate, we have gone far enough, and if this provision becomes law, I hope it marks the end of the assault on the tax exempts.

Whether it is a good or bad bill depends to some extent on whether it is considered as a package or judged by specific items. I can think of provisions in this bill which certainly do not appeal to me. I am sure no one on the committee nor no one in the House would approve of everything in the bill. But to my mind the overriding consideration that we must give to this measure is that the American people want tax reform and are demanding it. This bill represents not one person's views on reform but the combined views of all the members of the Ways and Means Committee. I have enough confidence in the committee to believe this is the best overall tax reform which can be produced. For that reason, I support the bill.

When I say everyone is for the bill, I have to make some exemptions, because I suspect every person who wrote me about this bill said he was for tax reform except he did not want it to hurt him. In my opinion many of these objections were bona fide because many of the situations we have corrected have been written into the law for many years and were debated in both Houses of Congress and do not represent any hasty decisions. Just simply to jump to conclusions and ridicule all of them and call them loopholes in my opinion is not right. But our expanding economy and the increasing wealth which we enjoy I think has given rise to the need for a reappraisal, and this bill in my opinion represents an attempt not to eliminate benefits or destroy industry or the right to accumulate wealth, but is simply a readjustment of the benefits to the new conditions which prevail at present.

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

Mr. BETTS. I yield to my good friend, the gentleman from Ohio.

Mr. HAYS. Mr. Chairman, on the interest-rate provision in the new law, it is my understanding that for a person who borrowed money we will say to buy a farm or who borrowed money to buy a house and signed a mortgage, that the present law is not changed, that he can still deduct his interest payment.

Mr. BETTS. It is not changed as far as the home or farm is concerned. It is only where there is an investment.

Mr. HAYS. It is only when a person borrows in excess of $25,000 for an investment?

Mr. BYRNES of Wisconsin. Mr. Chairman, if the gentleman will yield, it is $25,000 interest, not $25,000 investment.

Mr. HAYS. It is $25,000 of interest for investment purposes. The money is borrowed for investment purposes, in other words.

Mr. BETTS. The interest would apply only to the money borrowed for investment income.

Mr. HAYS. But it does not apply to money borowed for homes or farms.

Mr. BETTS. That is correct.

I mentioned readjustment that this bill represents. I assume that in this readjustment there may be some shock to the economy and to the industries affected and to the persons affected, but I hope any economic shock that may occur or result from these readjustments will be slight and only temporary.

There is just one other comment about another feature of the bill which I think is unfortunate but it has to be a part of this bill whether we like it or not. That is, this bill certainly does not do anything to simplify the Tax Code. All it does, so far as that is concerned, is add 368 pages to an already complicated Internal Revenue Code.

While I support the bill and while I am sure the great majority of the American people are demanding this bill, I suspect after they have it and see what is in it, the next thing they will be crying for is simplification of our tax law.

I would hope that passage of this bill will hasten the day when our committee and the Congress, will turn to simplification—to real, honest, sincere, bona fide simplification of the tax provisions. Then the passage of this bill will have served another useful purpose.

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

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

Mr. SCHNEEBELI. Mr. Chairman, on balance, H.R. 13270, the new comprehensive tax reform bill, is a giant step forward toward achieving Federal tax equity—it represents probably the greatest and most dramatic change in our income tax history. Under the bill, virtually no individual with significant income will be able to escape a tax of some type, and most of them will be subject to a minimum 50-percent tax on their present tax-free income. Virtually all of the revenue gains are proposed to be devoted to the removal of hardship under the present law, or for providing tax reductions of general application.

The bill covers changes in at least 27 main areas and omits only one large area of suggested change, since the committee did not have time enough to get into the matter of estate and gift tax change. Hopefully, changes in this sector may be proposed during the present Congress.

The basic action of the bill, including the repeal of the investment credit will, by 1971, bring over $5 billion in additional revenue from the higher income brackets—both corporate and individual—and reduce the tax burden by the same amount in the lower and middle-income brackets for individuals. The proposed legislation is a proper compromise with all of the changes suggested by the administration, the committee, and the general public, and should give much better balance to the whole Federal income tax system.

However, I am strongly opposed to the provisions of the bill which drastically alter the tax treatment of municipal bonds. This fundamental alteration of our federal system is wrong in concept, is proposed at the worst possible time, goes far beyond any proposals that are needed to achieve tax equity, and is essentially irrelevant to the purposes of this legislation.

The timing of the committee's proposal could not be worse. Despite the growing trend toward centralization, the primary responsibility for basic governmental services remains at the level of government closest to the people—our States and localities. The growing costs of education, the maintainance of public order, the health, housing and welfare needs of our citizens, and the decay of the inner city are imposing tremendous costs on State and local governments. While these costs are growing in direct proportion to increases in our population and the continuing urbanization of our society, State governments do not have a source of revenue that grows proportionately.

The Federal Government has usurped the broadest and most elastic tax that can be imposed—the individual and corporate income tax. The States are required to rely primarily on sales taxes and property taxes which do not grow in proportion to increases in the gross national product and personal income. The present tax structure confronts them with the social problems of technology, but not the accompanying resources. Indeed, a study conducted by the Tax Foundation indicates that during the 20-year period from 1955 until 1975, total outstanding debt of State and local governments will increase from $44.3 billion to $169.4 billion—an increase of around $125 billion. During this period, total outstanding debt as a percentage of personal income will rise from about 12 percent to about 16 percent, despite dramatic increases in personal income.

The committee's action will compound the problems the States are experiencing in meeting their borrowing needs. The stability of the tax-exempt bond market has already been disrupted by the announcement of the committee's tentative decisions, on Monday, July 28, On Tuesday, the tax-exempt market was thrown into chaos with several attractive issues drawing no bids. The Wall Street Journal on Wednesday, July 30, carried the following quote from a senior official experienced in the tax-exempt bond market:

> This is the worst single day in our market's history, and its significance is that it was the beginning of a realization that the tax-exemption feature is truly in jeopardy.

The apprehension and uncertainty attending the committee's decision to propose an alternative plan to the historic tax-exemption privilege will dampen the demand for State and local issues. Investors may fear that once the system is established, the Federal Government, caught in a fiscal crunch, will ask the States and municipalities to pick up the interest tab. The disruption caused by these factors will be further compounded by the complexity of the new mechanisms that are established.

The practical and immediate consequences of disrupting the market, as serious as they are, do not alarm us as much as the violation of fundamental principles represented by the committee's decision. The committee's action can have only one result: The increasing threat of Federal control over State and local governments. Since the founding of our Republic, State and local bond issues have—under recognized principles of comity that are grounded in our Constitution—been exempt from Federal taxation.

The committee has carefully drafted the present provisions in hopes of avoiding constitutional impediments to its action. By providing an incentive in the form of Federal funds dispensed by a new group of Federal employees to encourage the States to issue taxable bonds, the committee bill uses the carrot rather than the stick. Since centralization has been defined as that device by which the taxpayer's normal prudence is overcome by his greed, the soft sell approach may accomplish the committee's goals while at the same time complying with the letter of the Constitution. But we are not concerned with the letter of the law, but the basic principles underlying our federal system. The committee's extension of the carrot may, in the final analysis, be more effective in undermining State and local responsibilities than simply using a stick to abolish tax exemption of State and local bonds.

Even if we did not agree that these proposals, which offend both prudence and principle, are offered at the wrong time in the wrong bill, we would be opposed to the specific provisions involved. If tax equity was the concern of the committee, this concern should have been alleviated when tax-exempt interest was included in the base of the limited tax preference (LTP) and the requirement for allocating itemized deductions between taxable and tax-exempt income. In going beyond this point to establish an awkward and possibly costly incentive program, the bill engages in overkill.

Since the committee's own revenue estimates show that this program will result in a revenue increase to the Federal Government of less than $2.5 million per year, it is not designed to correct a serious inequity and cannot masquerade as a reform. Instead, it must be represented for what it is, a restructuring of important fiscal relationships within our federal system. As such, the proposed incentive system should be held for consideration with other proposals relating to Federal-State fiscal relations that the Congress will be considering.

The Nixon administration, which did not recommend the subsidy system adopted by the committee, is currently preparing revenue-sharing proposals. These proposals recognize that federalism in the best sense of the term—providing autonomy for States and local governments—is the cornerstone of our governmental system. In its action, the committee seriously erodes this cornerstone. We strongly feel that any consideration of this proposal should await broader deliberations when the focus will be on Federal-State fiscal relations and more time will be available to examine the fundamental issues that are involved.

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

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

Mr. DON H. CLAUSEN. Mr. Chairman, 50 years have elapsed since the present income tax was enacted. During that time, there has never been, what many believe to be, a major reform or revision to the income tax structure although numerous efforts have been made, since then, to improve the system.

One of the major criticisms that I have expressed since coming to the Congress is that, over the years, many people with exceptionally high incomes have not been paying any taxes at all—let alone carrying their "fair share" of the overall burden. Too often, these same people, through careful manipulation, have discovered ways and means of compounding advantages and, in my judgment, this has been totally unacceptable, unfair, and unjust. I have never been one that wants to deprive anyone of proper reward for initiative—be it in a job or the development of an enterprise, but none of us can condone unequal or unfair tax legislation, loopholes, or a continuance of this inequity.

If we, in the Congress and in the Federal Government, are to generally expect taxpayers to voluntarily pay their taxes, then it is our responsibility and ours alone—to insure and insist that their taxes are fair and equitable.

It is for this reason, Mr. Chairman, that I welcome this opportunity to bring about meaningful and substantive tax reform in this country. And I commend the Committee on Ways and Means for advancing this timely and comprehensive reform package which does, indeed, include many of the revisions and improvements that I have personally advocated and which a majority of the American people can and will welcome.

Certainly, there will be objections—all Members will not agree on some of the provisions which have been included or those that have been omitted. Admittedly, the committee has postponed other income tax problems which either could not be resolved in committee or which required far more study than the limited time available afforded. But, there is no doubt that more remains to be done.

Noteworthy, however, is the fact that this bill includes some 27 separate tax reform provisions and noteworthy among these, in my judgment, is the fact that virtually no individual in this country with significant amounts of income, will henceforth escape payment of all taxes due. This, I am sure, will come as good news to the overburdened taxpayers in the middle- and lower-income groups.

There is one provision that I am particularly pleased with—that of granting relief to widows, widowers, unmarried individuals and single heads of household. This has been long overdue and will help many women in particular who have chosen to follow a personal career, thus carrying "head of household" financial responsibilities.

I am not completely satisfied with all aspects of the committee's tax reform recommendations, particularly with regard to the tax-exempt status of State, municipal, and school bonds. Local units of government have an increasing need for the municipal bond capital accumulation capability in order to finance their public facility requirements. I am generally pleased that the committee listened to our pleas and made major changes at the 11th hour.

Tax relief and tax simplification is provided for middle-income taxpayers both by increasing the standard deduction and raising the maximum standards deduction allowed. This will help many people who need relief desperately. There are likewise provisions whereby low-income groups will have the tax burden removed if they are at, or below, the established poverty level and substantial tax relief is included in the income levels only slightly capable of bearing a tax burden.

I, for one, believe the committee acted most responsibly when it included the temporary phaseout provisions with regard to the surcharge and the balance of the original tax package that cleared the House, to raise vitally needed revenue to offset some of the pressures that are now being felt during this transitional inflationary-checking period that we are now going through. This measure has special meaning for my congressional district which is now "feeling the squeeze" of the so-called "tight money" situation. Inflation must be controlled in order to release the credit for housing. Many people cannot afford to buy needed housing and this has played havoc with the economy of my area.

In all candor, Mr. Chairman, this bill has considerable merit—it is long overdue—and, as such, deserves the support of the Members of this body. It is a giant step forward in the field of tax reform and it is legislation, while not complete, that can and undoubtedly will serve as a "building block" for the future. To some it will be painful—to many it will give substantial relief, but I honestly believe the committee's tax reform package is designed to give fairer tax treatment to many more people.

Quite frankly, I am of the view that passage of this bill may well set a precedent for the State and local governments to follow suit. In the final analysis, what is really needed in this country is a total revision of our entire tax structure at every level of government. As such, I am hopeful and even optimistic that such a trend may be launched here today.

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

Mr. COLLIER. Mr. Chairman, I have had the privilege of serving in this body for seven terms on three different major committees which have handled a number of important legislative measures, but I say this afternoon that at no time has a committee spent longer hours or extended greater effort toward turning out legislation than has been the case with respect to the bill before us today.

This bill before us today marks a significant milestone in the field of Federal tax legislation because it is a measure which includes many reforms long demanded by the rank-and-file taxpayers of this country in the interest of tax equity.

It must be obvious to every Member of this body that a tax bill of this nature and scope could never be written in a manner that would satisfy everyone. That being evident, it is very simple for for any Member to level broad criticism against it for whatever particular reason motivates them to do so, political or otherwise.

Meaningful legislation of this kind can be produced only by negotiation and compromise. To suggest that it could be otherwise would be the apex of demagoguery of naiveté. In fact, if every Member of this body were to write a bill which he personally felt was perfect, we would probably have more than 430 different pieces of legislation with wide variations in different sections of it.

Withdrawing preferential or favored treatment under the Internal Revenue Code from any individual or group will naturally bring complaints, some deeply bitter and all with varying degrees of justification.

On two occasions in the past month this body was called upon to vote for extension of the surtax. This action was directly related to the legislation before us today and, in my opinion, to suggest otherwise is just not facing reality. I say this because the reform bill by itself will result in a loss of about $2 billion more in revenue than it will return. But the phasein of certain benefits on taxation of earned income will not result in any immediate impact which would reverse the anti-inflationary purpose of the surtax bill.

Hopefully this Congress will squarely face its responsibility to put the Government's fiscal house in order in the months ahead so that inflation can be stemmed and the tax break to individuals in this bill not voided by high living costs.

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

The CHAIRMAN. The Chair will count.

Fifty-one Members are present, not a quorum. The Clerk will call the roll.

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

[Roll No. 146]

Anderson, Tenn.	Diggs	McEwen
Ashbrook	Dingell	Mailliard
Ashley	Edwards, Calif.	Martin
Baring	Edwards, La.	Mizell
Barrett	Fallon	Nix
Belcher	Farbstein	O'Neill, Mass.
Brasco	Fascell	Ottinger
Broomfield	Flowers	Passman
Cahill	Foley	Patman
Carter	Frey	Poff
Celler	Gubser	Powell
Chisholm	Halpern	Reifel
Clancy	Harsha	Reuss
Clark	Hathaway	Rivers
Clay	Hawkins	Robison
Corbett	Hull	Rostenkowski
Culver	Kirwan	Saylor
Cunningham	Kuykendall	Scheuer
Daddario	Latta	Taft
	Lipscomb	Teague, Tex.

Accordingly the Committee rose; and the Speaker having resumed the chair (Mr. FLYNT), 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. 13270, and finding itself with a quorum, he had directed the roll to be called, when 373 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. At the time the point of order of no quorum was made the gentleman from Illinois (Mr. COLLIER) had consumed 5 minutes, and the gentleman has 5 minutes remaining.

The Chair recognizes the gentleman from Illinois (Mr. COLLIER).

Mr. COLLIER. Thank you, Mr. Chairman.

Mr. Chairman, there is one aspect of the bill before us today that the people of this country ought to understand, and understand well, if the manner in which the individual Members of this body voted on the surtax proposals are to be clearly understood. In opposing the original surtax extension of 10 percent for 6 months and 5 percent in the following 6-month phaseout of it, the opponents also voted against the repeal of the 7-percent investment credit which will produce more in revenue than the other reforms in this bill. In fact, repeal of the 7-percent investment credit is a $3.3 billion revenue package whereas all of the other reforms combined amount to about $2.7 billion.

With the substantial across-the-board

benefits to taxpaying individuals embraced in this bill, it obviously becomes necessary to include the 7-percent investment credit feature in the reform bill because obviously we could not responsibly propose this legislation without it. Certainly no one can deny that this proposal in the original surtax bill offered a substantial attack upon inflation in and of itself.

There are provisions in this bill which I personally do not particularly like and that may well be of a nature that will demand remedial legislation in the future. This will depend upon the effects which it will have on certain economic factors of an unpredictable nature. Certainly it has not been unusual for the tax-writing committees of this Congress to make changes from time to time appropriate to the prevailing economic and fiscal conditions of the country.

But, all in all, I believe that this bill represents a broad step in the right direction toward correcting existing tax inequities. It is a meaningful bill in many respects, and one which holds out tax relief for millions of Americans whose major income is earned income. This bill represents the first substantial relief for the middle- and upper-middle-income taxpayers of the country who have been the "forgotten men and women" in tax measures passed previously at local, State, and Federal levels, for that matter.

In closing, may I suggest that the inclusion of the 5-percent surcharge in this bill for the first 6 months of 1970 is a feature of it which we would all prefer to eliminate if it were fiscally responsible to do so in the broad application of this proposal. But it takes no special intellect to understand that virtually every individual taxpayer, from the lower to the higher levels, will actually pay less in taxes over the next 2 or 3 years than the amount involved in the 6-month, 5-percent surtax extension included in this bill. I believe it should be understood that those who vote against the omnibus legislation we have before us will be doing so with the knowledge that they are denying this overall tax benefit to the vast majority of their constituents who want and need tax relief.

For this and other obvious reasons, I urge strong support of this bill.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 20 minutes to the gentleman from Virginia (Mr. BROYHILL).

Mr. BROYHILL of Virginia. Mr. Chairman, the legislation we have before us today is, or at least was, the most sought after, asked for, longed for, waited for, pleaded for, demanded, promised, pledged, and anticipated legislation we have considered in the past decade. In fact, it had all the earmarks of being eligible for the grand prize for being the most popular legislation of all times.

Many of our colleagues, and indeed a large segment of the American people, sincerely felt that tax reform legislation would be a panacea for all of our economic and revenue problems. They had heard all too often about "tax loopholes," "tax havens," and "tax gimmicks." Their tax burden was so great, Mr. Chairman, that they were angered to learn that some citizens were not paying their fair share of the costs of operating our Government, and they were particularly angry that some people receiving incomes in excess of a million dollars were paying no taxes at all.

It was natural, therefore, that the American people should demand that these inequities be corrected and be corrected without delay. Then, Mr. Chairman, when the state of our economy necessitated continuation of the 10-percent surtax, which is a most objectionable tax, it was logical that the American people would resist and oppose its extension. They felt that, if Congress would just close the so-called tax loopholes, we could raise raise enough revenue to eliminate the necessity for continuing the surtax. They had received so many promises and had heard so much about what tax reform could do, they were led to believe that tax reform legislation would create a tax millennium.

So the letters piled into our offices demanding tax reform. And, as our colleagues will recall, there were efforts made in this House and the other body to hold the surtax proposal as a hostage to guarantee early consideration of tax reform legislation.

There are, of course, two reasons why tax reform legislation could not eliminate the necessity for continuing the surtax. The first one is the fact that tax reform legislation would not produce enough revenue, particularly enough revenue in time to do any good. Raising revenue is not the purpose of tax reform legislation. It was never intended to raise additional revenue, but merely to distribute some of the tax burden in a more equitable and fair manner. As evidence of this fact, Mr. Chairman, the bill we have before us, when it becomes fully effective in 1972, will result in a net loss in revenue of $2.4 billion and this includes the repeal of the 7-percent investment credit contained in the original surtax extension.

The second reason why tax reform legislation would not eliminate the necessity for the tax surcharge is that the only way the Congress can provide true relief for the American taxpayers, and I mean by that term a realistic reduction of their tax burden, is by cutting Federal spending. The Ways and Means Committee cannot perform any acts of magic in shifting the tax burden sufficiently to provide the type of relief the American people have been asking for. We may do more to help the taxpayers by reminding them of this fact when we are called upon from time to time to solve all the problems with which the Nation is confronted by merely spending additional Federal dollars.

Now, Mr. Chairman, the picture has changed sharply. We are now finding that the legislation before us today is not quite as popular as it was in the beginning. Yet the bill we have before us is what we have promised the American people and it is what the American people have been demanding for several weeks. It is a far-reaching piece of legislation. It covers 27 groups of provisions, and every provision may cause some difficulty in some particular segment of our economy. We found on further study and deliberation that many of the so-called tax loopholes were not loopholes as such but were created as a result of deliberate action by the Congress in years past for a specific purpose. Our problem was to eliminate abuses resulting from existing provisions of tax law.

As has been pointed out many times today, the Ways and Means Committee worked for several months on these problems. There had to be a great deal of give and take, or compromise, in working out solutions. I honestly believe we did the best job we could have done at this time. Yet every area of our economy has been hit to some degree, and we have noticed in recent weeks that the tone of our mail has changed. Now many of our letters start in the first paragraph with words to the effect that the writer is for tax reform legislation but that he opposes certain provisions of the tax reform bill. Almost all have some qualification, but they still recognize that tax reform legislation is necessary.

Mr. Chairman, as I stated before, there are objections to every section of this bill, and we cannot be indifferent about this fact. There are two provisions, for instance, which I am afraid may be devastating to the construction and home building industry. I refer to the home building industry because I happen to know the industry; at least I had a number of years of experience in it.

As our colleagues know, homebuilding is a major industry in this country, greatly affecting the economic health and well-being of our people. Our colleagues also know that there is a serious shortage of homes in the country at this time which is being further aggravated by the tight money market and high interest rates. In fact, the homebuilding industry is being hit harder by these two problems than any other industry, and it is, at this time, desperately seeking relief.

One of the sections of the bill will eliminate capital gains on the recapture of accelerated depreciation at the time of sale and will eliminate completely accelerated depreciation on older property sold after July 24, 1969. I agree wholeheartedly with the committee that it is unfair for any individual, be he a builder, real estate *operator*, or investor, to receive benefits of accelerated depreciation in excess of what is needed for expenses and amortization, thus receiving a tax-free cash flow, and then later on, selling his property to pay tax only on half of the income he receives. But there is another side to this problem. This provision was previously enacted deliberately into the law to encourage investment capital into the construction industry. At the time it was considered to be the only way in which the construction industry could compete for capital with other types of investments which were much safer and more productive. There is no question in my mind, Mr. Chairman, that this section will reduce capital investment in homebuilding and thus reduce sales of property which will, in turn, reduce reinvestment of the proceeds from the sales for production of additional houses.

I offered an amendment in the com-

mittee to extend the holding period on the sale of property in order to be entitled to capital gain treatment on all depletion, which would have stopped the quick turnover of property the committee was trying to prevent. I hope, Mr. Chairman, that we have not made a mistake in rejecting the amendment.

The other section of the bill which will injure the homebuilding industry is the section dealing with savings and loan associations and mutual savings banks. We reduced the allowance for bad debt reserve from 60 percent of the current income to 30 percent over a period of 10 years. Certainly there is an inequity when savings and loans pay a tax of 16.9 percent of their income; mutual savings banks pay only 6.1 percent of their income; while commercial banks are paying a tax of 23.2 percent and we are increasing their tax in this bill; and other industries are paying taxes amounting to from 43 to 45 percent of their income. Yet, on the other side of the question, savings and loan associations and mutual savings banks are the principal source of mortgage funds for homebuilding, and in order to be entitled to the 60-percent bad debt reserves 82 percent of their funds must be invested in residential type properties. I am fearful, Mr. Chairman, that we are creating a further shortage of funds at a very bad time for the industry.

Again I say that there are some objections to every section of this bill. The one section on which we received the most objections happens to be a section which attempts to close one of the biggest loopholes of all, the tax deduction for the appreciated value of gifts to charity and nonprofit organizations. Under current provisions an individual can make a gift of property in kind and receive twice the amount of tax exemption that he could receive if he sold the property and contributed the cash proceeds.

Most of our taxpayers have heard of the 154 individuals who earned at least $200,000 each in 1966 and did not pay one red cent of income taxes. Seventy-five percent of these individuals used the contribution of appreciated value of gifts as a method of reducing their tax liability. Mr. Chairman, we are cutting down on this provision and eliminating the unlimited charitable contributions provided for in existing law. The maximum allowance for the deduction of the appreciated value of gifts in this legislation will be limited to 30 percent of an individual's income. We have heard lots of protest against this provision, and it may well reduce some of the funds which are now going to educational and charitable organizations. But, on the other hand, we could not have true tax reform without some action on this part of the tax law.

Mr. Chairman, I hope and believe that the vast majority of the American people will also adopt a position of give and take in supporting this tax reform legislation. I am confident that they will realize that true tax reform means that everybody must agree to give up some of their own loopholes along with the other fellow. I support this bill with the knowledge that neither the Committee on Ways and Means nor Congress is going out of business. When we find that some of the provisions in this legislation have gone too far and possibly others not far enough, as I am certain will be the case, we can come back and correct the defects as we have always done in the past.

Mr. MILLS. Mr. Chairman, I yield 15 minutes to the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Chairman, there is no more difficult assignment for any legislative body than to change a nation's rules of taxation and reform its tax code. I am rather proud to be associated here with the effort of the Ways and Means Committee in doing just that.

I have heard it said here on the floor, and I have read in the press time and time again that we would not have a tax-reform bill this year which would be of any significance. I want to set the record straight as far as I am concerned: There never has been one iota of doubt from the time that the chairman of the committee (Mr. MILLS) issued an announcement for hearings on tax reform in January that we would have this bill before this House this year.

This effort would not have been possible had it not been for our most distinguished chairman. I think it has been a lifetime goal of the chairman to accomplish what we are accomplishing here today.

Also, even then, it would not have been possible had it not been for the ranking minority member, the gentleman from Wisconsin (Mr. BYRNES) who has been equally dedicated.

So I join in paying tribute to them here today. Also, I commend the staff for one of the finest performances I have seen on Capitol Hill in many a year. Both the Joint Committee on Internal Revenue Taxation and the committee staff, as well as the Legislative Counsel who actually drafted the language, worked around the clock day in and day out for weeks in order to accomplish this bill, which so many people said was not possible.

It still would not have been possible without the help of the Treasury Department. Assistant Secretary Cohen and others worked equally diligently with the staff and with the committee, day after day, in long, hard sessions to iron out the problems that are presented in a bill of this kind.

The committee held hearings over a 2-month period. On the committee table are the 15 volumes that make up the hearings this committee held.

We have been in long executive sessions, day in and day out, for weeks ironing out these problems, and coming to these solutions.

It has been argued, and probably will be argued, that this bill does not represent real reform. I say emphatically for the record, this is real tax reform.

We have investigated every section of the Tax Code where there was even a hint of a tax shelter. Twenty-seven major areas of the code will be changed if this bill becomes law. Individuals who have escaped taxation through a number of loopholes—charitable contributions, tax-exempt bond purchases, real estate depreciation—will now find their way blocked. Corporations that have flourished under tax shelters available for corporate mergers, multiple corporations, foreign tax credits, depreciation practices and natural resource holdings will now find this special protection reduced or removed.

I believe the true measure of the importance of this bill is in the equity it will restore to our tax structure. Clearly, passage of this legislation will take us a giant step toward equity. The burden of the low- and average-income taxpayer will be eased, while the wealthy will begin to pay a fair share. The low-income allowance provision will remove from the rolls 5 million taxpayers, representing the poverty level of the Nation. It will also cut sharply the taxes of another 7 million who are in need.

The tax liability of the average, or middle-income, taxpayer will be reduced by a series of provisions:

First. An increase in the standard deduction from 10 percent to 15 percent by 1972, while the ceiling on this deduction is gradually raised from $1,000 to $2,000. Thirty-four million taxpayers will benefit. Taxes will decline by as much as 6 percent in the $5,000-to-$15,000 class for adjusted gross income, and by more for those in the $3,000–$5,000 class.

Second. An across-the-board cut in individual tax rates, starting in 1971. By 1972, taxpayers at all income levels will find their taxes reduced by about 5 percent.

Third. An extension of head-of-household benefits to single people 35 years of age or older, as well as widows and widowers. Full income-splitting rights would go to widows and widowers with dependent children. The head-of-household provision will allow affected individuals to enjoy at least part of the lower tax rates available to married persons filing joint returns.

In our treatment of single people we are taking care of an inequity that has been in the law for a long time by giving them head-of-household treatment which, I believe, is tremendously important to millions of Americans.

Widows or widowers, supporting a dependent child in their home, could make full use of the joint return, or income-splitting advantage, until the child is 19 or completes his college education. By 1971 these changes will reduce Federal tax revenues by $650 million a year.

The committee's efforts for equity mean, on the other hand, that the wealthy who are escaping taxation, or paying low effective rates of tax, would be reached. This is one of the things that stirred up Americans all over the country when they heard for the first time, possibly, that there were 154 Americans whose income exceeded $200,000 a year and who did not pay a dime of income tax. I believe this has been one of the things that has made it possible for us to proceed with this tax bill and reach the point we have today. I would say it has been our dedicated effort to make it absolutely impossible for this to happen again. When we pass this tax legislation we will not read again about these millionaires who do not pay taxes because

we have examined in detail all of the procedures that have been used by these 154, and by thousands of others who are in a similar category, and we have systematically attacked the problem and plugged the loopholes.

In addition to all the treatment in the individual sections of the code, we have provided for the limitation of tax preferences, which is the equivalent of a minimum tax. It is a safeguard to insure that those individuals who are financially able to pay tax will include in taxable income at least one-half of their economic income. This minimum tax would eventually increase tax liability by $85 million a year, mostly for taxpayers with incomes of $50,000 or more.

Add to this the proposed requirement for allocation of deductions between taxable income and tax preference amounts. Now, individuals who receive tax-free income can charge the full amount of their personal deductions to taxable income, awarding themselves, in effect, a double tax benefit. This practice would be largely cut back. The allocation provision would add some $460 million in tax revenues when fully effective, almost all to come from taxpayers with adjusted gross income of $20,000 or more.

Yet this bill is not intended to be an exercise in soaking the rich to benefit the less well-off. A maximum-income tax would also be introduced, setting a tax ceiling of 50 percent on earned income. Other income would remain subject to the higher top rates now in effect. This provision would hopefully emphasize the advantages of earned income and ease the search among the high-income taxpayers for tax shelters to protect unearned income.

The equity in the system is also significantly enhanced by tightening tax rules governing tax-exempt organizations, as well as tax-paying corporations, including financial institutions.

About 80 percent, or some $5 billion, of the revenue produced by reforms in this bill will come from corporations.

What is placed in the average taxpayers' pocket by the proposed tax relief measures—some $7 billion annually by 1979—will be nearly matched by the additional Federal revenue gained in closing the tax loopholes to individuals and corporations.

In short, this bill gives this Congress the opportunity to bring real reform and real equity to the taxpayers of this country. It is an opportunity we must not pass by. The taxpayers have told each Member of this House that they will no longer stand for tax inequity, and that they will not settle for token adjustments. There can be no question that the proposed legislation is the answer to the taxpayers' demands.

Now, Mr. Chairman, I want to talk very briefly about the investment tax credit. We put the repeal of this credit in this bill. It passed earlier in the House. Of course, the entire thing has been pigeonholed over in the other body. I want to review the position I maintained when the House approved this repeal. I do not believe it is wise to repeal the investment tax credit. If you will recall the reasons why we put it in the code back in 1962, it was designed for the very special purpose of building growth in the American economy. We have never hit upon a more effective device to accomplish that purpose. It has been one of the leading reasons why this economy of ours has moved ahead during the past 8 years as it has. I think we are going to need it again. What we should be doing now, perhaps, is reducing the credit level from 7 percent to 3 percent or even 1 percent. But we should be leaving this on the books so that we can turn the credit up again to get the economy moving. I am not in accord with the inclusion of the repeal provision in this bill.

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

Mr. ULLMAN. Yes. I yield to the gentleman.

Mr. DENNEY. As I understand it, the repeal was primarily done in order to raise revenue to help the smaller taxpayer because of the relief given to them so that it would equalize out income against deductions so that the Treasury would not have this tremendous loss. Was any consideration given in the committee hearings to putting a limitation of $10,000 or $15,000 or $20,000 per year per taxpayer on investment credit? What I am concerned about is that in my area in the Midwest many of the farmers and small businessmen are only able to exist and refurbish their businesses and buy their machinery by the use of this investment credit. This completely wipes out the one thing that they really do need. Their operating costs have gone up, but their income is still at the level of 1950.

Mr. ULLMAN. I will say to the gentleman that I led the fight in the committee for the so-called small business investment. I fought to keep the credit up to the first $20,000 of investment operable in this country.

It would have been of tremendous value to the farmer and the small business people of the Nation. This investment credit repeal, as the gentleman will remember, was in the surcharge bill that the House passed earlier this year. It was not possible to go through that fight again for this bill because the House had already voted upon it.

But I would hope that, perhaps, when this bill comes back from the other body we can hold a part of this investment credit. What I would prefer to do would be to keep it at an across-the-board level of about 3 percent. I offered that amendment in the committee during the consideration of the previous surcharge bill. But if we cannot do that, at least we should give some small business credit and possibly some relief to the transportation industry, which depends so much upon it.

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

Mr. ULLMAN. I yield to the gentleman from Michigan.

Mr. CHAMBERLAIN. I would state that this question was raised in colloquy with the Secretary of the Treasury as to whether or not something could be done at this time. The committee was advised that they were studying this and that they hoped to have some recommendations on it when they submitted their further suggestions for tax reform later this year or early next year. I would agree that it is an area that needs attention.

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

Mr. BURLESON of Texas. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. ULLMAN. I think we want to keep the RECORD absolutely straight though. The administration was emphatically opposed to any kind of investment credit. What they wanted was some alternative to the investment credit. I think you are right in that they recognized there was a problem. But I also want to make the RECORD clear that they were strongly opposed to any continuation of it whatsoever.

Mr. Chairman, I would also comment on another provision of the earlier tax surcharge bill that has been included in this bill, a provision to extend the tax surcharge at a 5-percent level for the first 6 months of 1970. I voted against such an extension in June, and I remain opposed today. I continue to believe there is no justification for extending the surcharge longer than necessary to achieve a balanced budget for fiscal 1970. I voted earlier this week to extend the surcharge for the last half of 1969 to achieve this purpose. But I do not see any new evidence to support still further extension. Indeed, the recent "discovery" by the Treasury Department of an unexpected $3 billion surplus for fiscal 1969 makes me more skeptical than ever about Treasury projections and arguments. I would hope that this provision is eliminated before Congress sends the bill to the President.

Mr. Chairman, there is one other area of this tax bill that I want to touch upon. It is the matter of the committee's treatment of tax-exempt bonds.

I am very much opposed to restrictions on the existing treatment of tax-exempt bonds. I think the communities of this Nation are in a real time of crisis insofar as financing is concerned.

Sales of these bonds by State and local governments to commercial banks form the backbone of support for the growing need to build new schools, sewage and water systems, highways and mass transit facilities, housing and recreation projects. The tax exemption on bonds to these buyers is essential to the future of many of our municipalities.

This exemption generally makes it possible for the States and local governments to borrow at lower interest rates than would otherwise be possible. For example, as a result of the exemption, since 1962, yields on State and local government bonds generally have varied between 65 and 75 percent of the yields on taxable corporate bonds of the same quality. State and local governments are especially concerned about the cost of borrowed funds because they have been hard pressed in recent years to finance their expenditures. Their expenditures have increased more rapidly than any other major sector of the economy in recent years. Between 1957 and 1966 their receipts and expenditures more than doubled and their issues of long-term debt almost doubled.

We cannot afford to block any of these governments' present avenues of financing. In the committee, the original recommendation was to levy a tax on tax-exempt bonds in both the private and corporate sector. We were able to get that provision removed insofar as corporate purchases of tax-exempt bonds is concerned. As of now in this bill there is absolutely no restriction and no taxation on corporate-purchased—banking purchases—of tax-exempt bonds. I would refresh your memory to the effect that last year 90 percent of tax-exempt bonds were sold to the commercial banks and corporations.

At the same time, it is clear that State and local governments need new avenues to the bond market if they are to cover all their requirements now competing for financing. The base must be broadened. Thus I am particularly heartened by the committee's approval of a proposal that I strongly recommended to provide an option to these governments through creation of a new system of taxable bonds. I think this is a very exciting and challenging alternative for a municipality.

There is a great lack of understanding about this alternative for the moment. However, I believe once the municipalities of this Nation realize the potential in this alternative method of financing, they will open up these new doors to the financing that they very much need.

State and local units would be allowed the choice of issuing taxable obligations, offering a higher interest rate to investors. To help these governments pay the higher interest costs, the bill authorizes a U.S. Treasury subsidy. The mechanics of this payment are described as follows in the committee's report:

Under the bill, the fixed percentage to be paid by the United States may vary within a range that is not less than 25 percent and not more than 40 percent of the interest yield for calendar quarters beginning after December 31, 1974. Between the date of enactment and January 1, 1975, the fixed percentage may not go below 30 percent of the interest yield. The use of a range, instead of a constant fixed percentage, will permit the Secretary to take into account fluctuations in the ratio of tax-exempt yields to taxable yields that reflect the general supply of credit in the money market and the demand for credit. Determination of the interest yield on any issue of obligations is to be made immediately after they have been issued.

A State or local government issuing a debt obligation subject to the provisions provided by the bill may choose to have the fixed percentage the United States is to pay represented by a separate set of coupons attached to the bond which shall be obligations of the United States to the holder. It is thought that the use of such dual coupon obligations might be necessary to avoid violation of the maximum interest limitations imposed on some States and localities by local law.

Payment of the interest subsidy by the United States will be made to the issuer, even in the case of dual coupon obligations, unless the issuer requests that payment be made to a specified paying agent. In no case will the United States be required to assume the administrative burden of making payment directly to the holders of the obligations.

The United States is required to pay its portion of the interest on taxable obligations not later than the time the issuer is required to pay interest on the obligations. Where it is the most practicable method of effecting the intent of the bill, adjustment for any premium or any discount at which the obligations are issued may be made between the issuer and the United States at the time of issuance or such later time or times as may be appropriate.

The taxpayers will not lose on this plan: the additional tax revenues will offset the cost of the payments.

The result will be a greatly expanded market for the municipalities—drawing to the higher bond yields such new customers as individuals with moderate incomes, life insurance companies, tax-exempt foundations and pension funds. I would suggest that all of the Members advise your municipalities of the great potential here. This, in my judgment is one of the most important provisions in this bill.

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

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. UTT).

Mr. UTT. Mr. Chairman, I am unable to share the enthusiasm of some of my colleagues over the legislation now pending before the Committee. It has been said to be the greatest tax reform bill to come out of the Ways and Means Committee in the past 20 years. I cannot assign it that high appraisal. The truth is that is a normal tax bill with nothing new under the sun except the complicated accounting necessary in the excess deduction account, the limited preference account, the allocation of deductions accounts, and a few other complicated formulae.

I will agree that the committee worked diligently and has a great volume of testimony to which we paid little attention in the final analysis. There are many sections of the bill to which I can fully subscribe and others where there has been great improvement. But, even with that, there are loopholes in the foundation section through which you can drive a 10-ton truck. By setting up subsidiary charitable or educational organizations, the big foundations can do by indirection what we have prohibited them to do by direction. We have given certain foundations complete immunity.

It was considered that control of a corporation by a foundation was an evil thing. It was even evil if it were to be controlled by a consort consisting of the founder and members of the founder's family to the second and third generations. Later, the committee decided that if the people of the foundation were "good" people and qualified under a technical amendment, total control of a corporation was to be OK. That took care of the Kelloggs of Battle Creek. I am certain that there are many family foundations just as virtuous as the Kellogg Foundation, but they do not receive preferential treatment. To name but a few, I would refer you to the Hormel Foundation, the Waterman Foundation, and the Kaiser Foundation. Why this discrimination?

Our committee legislated in a state of emergency because of the adamant position taken by the other body to the effect that, until a reform bill was on the floor, there would be no surtax. With 6 months of testimony and 2 months of executive sessions, we moved like a race horse in the final 10 days just to get something; anything, to the floor. There were massive changes made 2 days before we reported the bill—and some corrections after it was reported—and we were given 1 day after reporting the bill to file any minority or additional views.

Surely, the general public is entitled to know what is in a bill, how it affects them, and what changes can be made to relieve or to ameliorate a situation so that they can communicate their views to their elected representatives. There was a general feeling that if H.R. 13270 was not passed before the recess and the Members would return to their districts for conferences with their constituents, they would return in September firmly committed against the passage of this so-called reform tax bill.

There is much evidence in the record, both public and executive, to the effect that we have abandoned the theory of taxation for revenue and are interested only in taxation to accomplish social reform. This should not be the field of the Ways and Means Committee and, yet, there is every evidence that the effect of this bill, should it unfortunately ever become law, will reduce all Americans to the lowest common economic denominator. This is not a satisfactory state of affairs for me. You have heard of all of the good things about the bill and, while agreeing with much of it, I shall reserve my time to point out what I consider to be bad tax legislation.

The revisions on the treatment of charitable gifts will curtail many of the contributions to our universities and hospitals, even though the recommendations of the current and past administration in this field were not followed. If we had followed them, philanthropy would really have been a dead duck.

The tax treatment of State and municipal bonds is most crucial to every State and municipal district in America. That treatment was slightly eased a day or two before reporting, but in that area, there is a new basic concept of State and municipal financing. That is the proposal that the Federal Government should pay the difference between normal municipal interest rates and the interest rates in the marketplace, ranging from an additional 2 to 4 percent. This proviso anticipates that the issuing State or municipality would agree to permit their bonds to be taxed. It sounds good, but it would not increase the purchasers' interest in State or municipal bonds. The buyer buys them because of their nontaxability and he does not want to depend on the Federal Government to maintain the subsidy over the period of many years. This section brings no relief whatsoever to the municipal bond area. We also provide for the taxing of all new State and municipal bonds; just a little, of course, but like the tree in Brooklyn, it would grow and grow. If

permitted by the leadership, I intend to offer a motion to recommit, eliminating any reference to the taxation or issuance of State or municipal bonds. The cry will go up, as it always has, that some rich people will buy only tax-free bonds, and escape Federal taxation. My friends, we have been talking Federal sharing of revenues with the cities and States and school districts for a long time. This is the easiest way to do it. If Mr. Jones buys $5 million worth of municipal bonds from my community, at 4 percent, when he could get 6 percent, 7 percent, or 8 percent from American Telephone, he has suffered an economic loss to the benefit of my community. For this $5 million he would be receiving $200,000 a year income, but at the same time he would have relieved my community of an additional $200,000 which taxable bonds would have cost. Who pays that $200,000? The people in my community in increased local taxes. If you want to do something for the local communities, stay away from interfering with tax-free bonds, and I do not consider that Mr. Jones is an evil man because he is not paying Federal taxes. But, the do-gooders and the planners will call it socially unjust.

There is another area which we invaded; namely, the agricultural area. Here we decided that because some people have been able to convert some normal income into capital gains, that it was socially unjust, even though it was helpful to the farming industry of America. We created an "excess deduction account" to handle these cunning people, so that we could recover at a later date, when any profit was realized. This may well drive all of the farmers into an accrual system of accounting rather than the cash system upon which 90 percent of the farmers operate. But, so what? We cured a so-called social injustice on the part of a few people and the farmer be hanged.

I have a letter from my own Governor of California, Ronald Reagan, which states:

> As you can see, much more than just the horse industry is involved. Of course, I do not have to tell you of the importance of agriculture and its place in our California economy.
>
> There are certainly a number of loopholes which can and should be closed in our tax system, but I think it very essential that in our eagerness to get at some of the 2,500 or so persons who are reported not to have paid a sufficient amount of income tax, I am afraid we may do permanent injury to the enormously important agricultural sector of our economy.

This Congress will have to decide whether or not the economic good done by the inflow of nonfarm income into the agricultural stream of America is worth more than the cure recommended by our committee.

The crying need today in America is for housing and more housing and more housing, but our committee moved into that area to slow down the housing industry; both single and multiple housing. What is the reason? It is simple. Some people were making money out of accelerated depreciation, by recapture through capital gains. So, we penalize the whole industry to get rid of these real estate developers. The changes in depreciation schedule will produce, in 1972, revenues amounting to $235 billion. This money will come at the expense of homebuilding and will be more "helpful" in funding our foreign aid program.

Other members of the committee, I am sure, will discuss changes in the extractive industries, including, of course, the national whipping boy, depletion. So, I will limit my remarks on this subject to simply saying that the action taken by the committee can well result in rationing of natural gas, and retarding the discovery of new petroleum sources in America. It will not be a matter of how much you pay for natural gas in your homes. It will be a matter of whether or not there will be enough gas to go around. The uncontroverted evidence is that we are consuming natural gas much more rapidly than we are discovering replacemnts. I supported a reduction on depletion from 27½ to 23 percent, but that motion lost on a 12-to-13 vote. I could not cut further. My main fault in the treatment of extractive industries is that without any hearings whatsoever, we proceeded to cut depletion allowances in a hundred metallic and nonmetallic ores. No inquiry was made as to the military shortage of some of these minerals, such as beryllium, which is absolutely essential in the space age; most of which has to be imported. No questions were asked as to whether the one big beryllium mine in Utah could survive with a reduced depletion. No questions were asked with reference to chrome, which is in short supply. We currently buy millions of dollars worth of chrome from Russia, which buys it from Rhodesia, and sells it at 50 percent above the market, because our State Department is too stupid to buy it directly from Rhodesia, and has the false idea that we are promoting social reform in Rhoedsia. How silly can we get? On the other hand, there are several minerals, both metallic and nonmetallic, which probably could survive without any depletion allowance, but those same people who hated the use of the meat ax approach in appropriations, used in it the Ways and Means Committee.

The last item and, to me, the most deadly to the American free enterprise system, is the tax treatment given to capital gains Some one has convinced the majority of our committee that there is no difference between capital and earned income. That is a deadly assumption. Capital is the thing that makes possible creative risk investments, and is entitled to separate and preferred treatment. The history of the great economic progress in America has been based on the willingness of millions of individuals to risk their hard-earned cash for research, development, expansion, and production of goods in America. We stand today on the threshold of the greatest opportunity in our history to perfect and produce gadgets of every sort and description at cheaper and cheaper prices in order to give the American a still higher standard of living than we have now. We must not destroy that incentive; that creative imagination which can give us the greatest progress in our history. Here, again, we are stymied by the Marxian doctrine of social reform through taxation. When capital gains taxes were under discussion a few years ago, and Mr. George Meany was on the stand, I asked him if he believed in taxation for revenue or punitive purposes. He quickly replied, "for revenue." Then, I said, "Mr. Meany, studies have been made by Brookings Institute that show if you reduced the capital gains alternative tax and reduced the holding period, there would be more than a trillion dollars worth of real estate and stocks which would become unfrozen and would double the amount of revenue from the capital gains sector." He replied, "Yes, Mr. UTT, but that would be socially unjust." In that statement alone is the fallacy of this whole reform legislation.

When Walter Reuther was on the stand this year, he made a most convincing argument that the capital gains dollar paid for as much food, clothing, lodging, and luxuries of living as the earned dollar, and, therefore, the capital gains should be treated exactly as earned income. The first part of his argument is true, but the second part is false and fatal. The capital dollar deserves a high station in our economic system, and this so-called reform legislation strikes a deadly blow to capital, the foundation of our free enterprise system. The maximum tax of capital gains under this bill has been increased by 38 percent, and the holding period has been doubled.

We invaded the area of deferred compensation, which affects millions of people in America. Business in America is successful because it shares its gains in the form of incentives with many of its employees. It is an effort to give an employee, in a key position, the responsibility and pride of proprietorship. The world moves by motivation and when you destroy that motivation, you reduce the output. Inability to pay and to obtain the broad spectrum of brains and ability to run our mammoth corporations, will cost the Government taxes by reason of falling income. It will reduce dividends to the stockholders and will create a sense of frustration on the part of those outstanding men and women who make our economy tick. How much revenue did we gain in performing this social reform on deferred compensation? About $10 million. The Treasury could lose much more by falling income of one big corporation, but then, we obtain a social reform.

The committee extended the unrelated income section to churches and charitable institutions. This reform was long overdue although it falls far short of covering the field. Only active unrelated income to be taxed and not passive unrelated income. In other words, we tax the oranges but we do not tax the lemons. This passive income gimmick is not only used by churches, colleges, and charitable organizations, but also is a favorite tax shelter for labor unions. This was untouched. The gimmick is in the definition of "passive" income. The taxable income will be active income received from operating a trade or business, including a hotel. Passive income is rental income, derived from renting a loft building, a warehouse building, or

real estate where the owner is not actively engaged in a trade or business. You not only can drive a 10-ton truck through that loophole, but you can drive a Rock Island freight train through it.

As I said in the beginning, this is not a true tax reform bill. The race horse pressure kept us from discussing an alternative tax, referred to as "tax on value, added," which is used in the common market countries of Europe and most all other modern industrial countries. This system of taxation serves to relieve the balance-of-payments problems and to equalize competition by the use of border taxes equal to the tax on value added. This would be real tax reform and would show *some* progress in thinking on the part of our committee.

The biggest loophole was not considered, although I made reference to it. That is the interest free, tax free, rent free competition by the Federal Government competing with private enterprise. Federal Government controls 17 percent of the productive capacity of the United States, over half of which should be sold to the private segment. This would generate $5 or $10 billion in taxes every year.

Finally, we were completely irresponsible when we included, in this reform package, the distribution of some $9 billion, which is $2 billion more than the amount which will be coming into the Treasury annually by 1979 by reason of this legislation. I urged the committee to apply all of these revenue increases to the national debt, so that for once we would not have to raise that debt on July 1, 1970. It appeared that no one had heard about the national debt, so my idea was retired. It was just 2 days ago on the floor of this House when the leadership on both sides, in argument for the 10-percent surtax, and in argument for the continuation of the 5-percent surtax, said over and over again that if we do not enact the surtax and take the money out of the economy, all our past actions will be lost and inflation will spiral again. And, here, 2 days later, we are considering a bill which returns to the enocomy some $9 billion. How are these dollars different today than the ones we discussed 2 days ago? They both will cause inflation, and the tax reductions provided in this bill will be stolen by inflation, before they are effective. The high sounding promises of tax equity, tax simplification, and tax neutrality, are strangely missing from the context of the reform bill. Two-thirds of the revenue gain in this tax bill comes from only two segments of American industry—the petroleum industry and the finance industry. This is not equality. Of course, the effect of the 7-percent investment credit is spread much more equitably, but that was not a part of this original tax reform bill. Ninety percent of the revenue gain is coming from corporations and, yet, in giving tax relief, not one-tenth of 1 percent was awarded to the goose that has been laying the golden eggs.

For the above reasons, it is obvious that I do not support passage of the 1969 tax reform bill, as it came from the House Ways and Means Committee. It is completely unworthy of that committee which has had an outstanding record of responsibility in the past.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Michigan (Mr. CHAMBERLAIN), a member of the committee.

Mr. CHAMBERLAIN. Mr. Chairman, we are considering what will certainly be one of the landmark pieces of legislation of this decade. The opportunity for a broad review of the tax system comes rarely. The time and effort for such an undertaking is not easily found amid the pressing demands from other problems begging attention. That the time has been found and the effort has been made, and is going to continue to be made, is a credit both to the legislative branch of our Government, especially to the chairman and the ranking minority member of the Ways and Means Committee, and to the cooperation of the Nixon administration.

As I indicated in supplementary views with the gentleman from Pennsylvania (Mr. SCHNEEBELI) in the report accompanying H.R. 13270 I am in general agreement with the proposed Tax Reform Act of 1969. As I am sure is true with most Members, there are features of the bill that cause me to have reservations. At the same time I recognize that if each Member of the House were to hold out for what he considered the most ideal plan of reform then we certainly would have no bill and no reform at all. While I intend to support the bill I cannot do so without expressing my very deep concern over the plan to alter the traditional and time-tested method of financing our State and local governments from tax-exempt bonds through the lure of a direct interest subsidy from the Federal Treasury.

This proposal, under sections 601 and 602 of the bill, goes beyond the question of tax reform and enters the whole new area of restructuring our federal system.

Mr. Chairman, let me make it clear that I do not think it is right that some individuals have avoided paying any Federal income tax whatsoever, and can now under present law, by investing in tax-exempt bonds. I would point out, however, that this bill contains not one but two provisions aimed specifically at closing that loophole. These are the limit on tax preferences, whereby an individual will not be permitted to shelter more than 50 percent of his income through tax exempt activities such as investing in municipal bonds, under section 301 of the bill; and the provision under section 302 requiring the allocation of itemized personal deductions between an individual's tax-free and taxable income. These provisions, it seems to me, should be sufficient. If you have doubts about this I would call your attention to a New York Times story entitled "Reform Hits Tax-Exempt Market," on Sunday, August 3, 1969. In discussing the limited tax preference provision, it stated:

> The prospect of this change in Federal income taxation threw the municipal bond market—a term that includes the market for all local government securities—into a tailspin last week. Prices plummeted and interest rates shot up to their highest levels in American financial history. Many investment bankers dropped out of the bidding for these bonds, and state and city controllers complained bitterly of the high costs they had to accept.

To go beyond this and add yet another provision which will most likely contribute to depress the bond market further, and raise the interest charges that cities and States, with or without a Federal subsidy, will have to pay, is to engage in overkill. This is not the intention of those, I take it, who urge reform in tax-exempt bond area. Neither, however, should it be the consequence of this bill whatever the intentions.

Presumably, the bond market would ultimately adjust to these new conditions, but undoubtedly at considerable cost to many vital public projects across the land. Yet, there is another threat at work here. For by tying State and local governments to the Federal Treasury through this subsidy mechanism we can only make them more dependent on Washington than before. If our cities and towns are really to be revitalized, it will not be achieved by making it more difficult for State and local governments to meet their problems.

The financial resources available to these governments as we all know, are extremely limited due to the preempting by the Federal Government of prime sources of tax revenue. Because of this State and local governments have gone more and more to the tax-exempt bond route to pay for streets, sewers, parks, schools, and other facilities. Currently I am advised there are outstanding some $130 billion worth of these tax-exempt bonds. If State and local governments cannot market their bond issues or can only do so at high interest rates their only real alternative is to turn to Washington more and more for Federal aid which means more and more Federal taxes. The situation was graphically expressed in the opening paragraph of the New York Times story previously mentioned.

> Tax reformers in Congress last week made sewers in Seattle more expensive, increased the costs of operating Alfred University and Pace College in New York State and made it more difficult for Newark, N.J.—the scene of one of the nation's worst racial outbreaks in 1967—to borrow $12 million for urban renewal.

Certainly it cannot be claimed that the changes being made by this bill with reference to State and local bonds is for the purpose of raising Federal revenues. Since the committee's own revenue estimates show that this provision will result in a revenue increase to the Federal Government of less than $2.5 million per year, it is not designed to correct a serious inequity and cannot masquerade as a reform. Instead, it must be represented for what it is, a restructuring of important fiscal relationships within our federal system. As such, the proposed subsidy incentive system should be held for consideration with other proposals relating to Federal-State fiscal relations that the Congress will be considering.

While I recognize that the House will not have an opportunity to amend the

bill with respect to this provision, unless it might possibly be included in the motion to recommit the bill with instructons, it is my hope that the other body will take careful note of the implications of this alleged reform for I feel that we have acted in haste and to the detriment of State and local governments.

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

Mr. BUSH. Mr. Chairman, the hour is late. I would like to join my colleagues in commending the staff, the chairman, and the ranking minority member of the committee for the excellent job they have done. The chairman of the committee, the gentleman from Arkansas (Mr. MILLS), talked about the morale of the taxpayer and he talked about the taxpayers writing in and demanding tax reforms. My experience is that the taxpayer is writing in and demanding tax relief. I support this legislation because in the long run we will provide meaningful tax relief when these tax cuts are phased in at all levels. The bill definitely does provide long-time tax relief. True it extends the surtax but in cutting the brackets approximately 5 percent for each of them, then it becomes meaningful tax relief. I also support it because I think many of the reforms are excellent, but I would like to turn the attention of the Committee for a moment to just talk about a few things that concern me where I think we have gone either too far or where the philosophical trend concerns me very much.

Mr. Chairman, there can be no question that the American people desperately need tax relief. There can be no question that our tax system should be more equitable. And the Ways and Means Committee has been working long and hard since February in coming up with the bill before us today. The reforms in the bill are in many instances highly technical, but I do believe that on the balance they are meaningful.

However, I am distressed by the trend toward centralization contained in this bill. For this reason the Honorable ROGERS MORTON and I wrote minority views, which I would like placed in the RECORD at this time, emphasizing views quite different from the impact of this legislation. In them, we tried to voice our concern for the centralized nature of these reforms—for the discouraging effect that some of these reforms will have on private investment and local fundraising by the cities and States; thus, creating a greater dependency upon Washington.

The minority views follow:

IX. SUPPLEMENTARY VIEWS OF HON. GEORGE BUSH AND HON. ROGERS C. B. MORTON

There are many excellent things in this massive reform proposal which have our full support; however, we do want to set out some concerns we have about parts of the legislation.

We subscribe to the separate views of Mr. Utt calling for simplification of the tax form. We did not come to grips with this problem in the committee.

In addition, we have some concern about the overall philosophical direction in which we have moved. In a well intentioned effort to remove "loopholes" we have not placed reasonable emphasis on "incentives."

We believe that the most effective way to solve problems is by getting industry involved in certain areas through the tax credit approach. We have done nothing on this. In fact we have moved away from needed decentralization and the encouragement of industry to find new answers by classifying some incentives solely as "loopholes."

REAL ESTATE

In a well-intentioned effort to correct obvious abuses in the real estate investment field, we fear that we lost sight of the national interest. In our view, we should not be cutting back on the real estate incentives built into our tax system. The extent which the removal of these incentives dries up capital to an already capital-starved industry will clearly not be in the national interest. Tight money is hurting our homebuilding industry. The suggestions of the committee will help guarantee that we continue to fail to meet our Nation's housing goals.

In a legitimate effort to eliminate abuse we have, we fear, moved to aggrevate an already intolerable shortage in residential dwellings of all sorts.

We had an excellent testimony from the Under Secretary of HUD representing the administration on this, and we agree with their testimony that the proposed revisions of section 1250, which will affect present capital gains treatment on real estate, will possibly inhibit investment in real estate at a time when investment should be encouraged.

NATURAL RESOURCES

Four out of five Federal Power Commissioners, none of whom have been identified in the past as defenders of the status quo in oil and gas taxation, testified that we are now faced with a very serious gas shortage and that we should be wary about doing anything that will curtail exploration for new resources.

Assistant Secretary of the Interior Hollis Dole spelled out his Department's concern about declining ratios of gas resources to gas consumption. His testimony corroborated that we have a serious resource shortage. He emphasized the need for continued incentives for other critical minerals in short supply.

In the face of this expert testimony, the committee has moved in almost punitive fashion against the oil industry and totally disregarded the Interior Department's suggestions on oil (as well as on other minerals). The depletion cut has hit the industry for an estimated $375 million. The removal of existing tax treatment on oil payments accounts for another $160 million approximately. The elimination of foreign depletion could cut down on our control of reserves abroad. It results in no revenue gain whatsoever to our Treasury after the second year. The changes in the foreign tax credit on income earned abroad take another $40 million out of this industry.

We recognize that depletion on oil has become a symbol—an idol that some feel must be toppled—but in the light of the unrefuted testimony of the serious resource shortages, we simply suggest that taking about $600 million out of an industry at this time is not in the national interest. The loser here will be the consumer—gasoline prices must rise sooner or later. This industry, not now disproportionately profitable, cannot be expected to absorb these additional costs.

Our own national defense and our position of world leadership depend upon both a viable domestic petroleum industry and a meaningful control of oil reserves beyond our own borders.

TAX-EXEMPT SECURITIES

We concur with the remarks of our colleagues, Messrs. Chamberlain and Schneebeli, on tax-exempt bonds. President Nixon's campaign stressed the need for a reaffirmation of our confidence in local government. He recognized that answers at the local level are more responsive to local problem-solving than those formulated in Washington, D.C.

By changing the rules on tax-exempt bonds, the committee has forced local government in the future to look to Washington to solve its problems.

In an effort to get at a handful of taxpayers who invest heavily in tax-exempt bonds, and thus pay little or no tax, we have damaged the ability of local governments to finance their growing needs without help from Washington.

The "alternative treatment" is inefficient. By the time the Federal Government "administers" the program, the cost of Government will go up just that much more.

The interest subsidy will be expensive to administer and could be used to coerce local government units to turn to Washington. If the rate of the subsidy is high, local governments will be forced to abandon the present system entirely.

Again, in an effort to sock the rich investor, we have inadvertently forced all local government to be more reliant on Washington, D.C., at a time when our city problems are so critical that we need all the diversity and imagination that local governments can bring to bear on their own critical problems.

FOUNDATIONS

We favor the concept of a fee or charge to foundations to pay for the additional costs that will be incurred by the Internal Revenue Service audits of returns of tax-exempt organizations to verify their compliance with the rules. Many foundations have abused their tax exempt privilege, and increased scrutiny by the Internal Revenue Service can cut down on abuses.

However, we oppose the 7½-percent tax on these organizations. The theory of pluralism should be encouraged not discouraged. Private philanthropy is more innovative than government. It can move more quickly and it is more imaginative. By imposing this tax we are simply cutting down on the volume of good the private sector can do. We should be moving away from centralization but, alas, by this tax we take one more step toward it.

We strongly feel that we must not permit foundations to exist solely as havens to protect accumulated idle capital. But as long as foundations do not increase alarmingly in relation to the GNP, they can set an imaginative course which genuinely helps mankind.

CHARITABLE CONTRIBUTIONS

In the committee there is some feeling that our private charities and private educational institutions are "sacred cows" grown fat on special treatment. Those sharing this view felt we did not go far enough in discouraging large gifts to universities.

Our view is different. As we reduce charitable contributions, by making it less attractive for people to give, we again force the recipients to turn to Washington—to get the Federal Government to solve our problems in education, health, and charity.

We support the elimination of the unlimited charitable deduction, but this move will unquestionably cut down on charitable giving.

The limitations on gifts of books, papers, and art at appreciated value will hurt our libraries, universities, and art galleries. People won't give as much with the removal of the full incentive.

And so, once again, through changing valid incentives to charitable giving, we are moving toward reliance on Washington:

1. Reliance to educate;
2. Reliance to take care of the poor; and
3. Reliance to construct buildings for educational and charitable purposes.

We are unquestionably eliminating some tax inequities. But in doing so, we are forcing private charities and all educational institutions to turn more to the Federal Government.

CAPITAL GAINS

In this bill we seem to erode away the difference between capital and income. The Treasury indicated that a change in the holding period from 6 to 12 months would result in a revenue gain. We feel this is incorrect. People would not turn their capital over as much and thus we would have a revenue loss. Our basic objection, however is not on the revenue side; rather it is because we make accumulating capital more difficult. The higher the tax on capital, the less investment money available to start new business and to expand existing businesses. This means jobs.

By doing away with the alternative long-term capital gains tax computation, we removed capital gains from the maximum 25-percent rate. On top of this, we put half of the capital gains excluded from income into LTP and allocation of deduction formulas.

This country needs more capitalists, not less. We need to encourage investment, not discourage it. We need to encourage people to create and build and profit; for as they do, the whole country moves ahead. We have more jobs, and less poverty—more wealth and less government dependence.

By this legislation we have moved away from the differentiation between capital and income. More and more people in our country are in a position to invest their savings—even after income taxes. They work hard, they pay full taxes on their incomes, they pay living expenses and at that point they have converted excess income into capital. It is proper that this capital be accorded special rates of taxation. In some countries capital gains are not taxed at all.

We do not consider capital gains treatment a loophole. To us it has been a fundamental and vital recognition that capital is a very different thing from income. In our view the committee moved in the wrong direction with this change. The overall revenue gain, which we agree we need, will not compensate for the damage we are doing to the vitality of the capitalistic system—the system which has produced a fantastic standard of living for this country.

Mr. Chairman, let me elaborate further in one area—tax-exempt foundations—my city has benefited tremendously by foundation philanthropy.

I agree that the confidence and support of the American people are indispensable if private philanthropy is to continue its past record of contributions. This confidence can only be maintained if any hint of impropriety is precluded by the enactment of sound legislation that, while affording flexibility and latitude to foundations, insure that the resources benefiting from tax exemption are dedicated to public purposes. For this reason I support the committee's efforts to prevent self-dealing between a foundation and substantial contributors to the foundation or directors of the foundation, although I do have some reservations about the particular form of the committee's proposals.

The proposal to impose a 7½-percent tax on a foundation's investment income is punitive and ill advised. There are abuses that do occur from time to time in the use of foundation funds, just as there are abuses that occur in use of governmental funds. However, the committee's bill responds to the few abuses that came to its attention and ignores the overwhelming good that has been done by private philanthropy and the important part that foundations play in American life. In the fields of medicine, science, education, the arts, and other areas, foundations provide a diverse source of ideas and funds to support innovative ideas that may become major programs—often underwritten by the Government—for the betterment of humanity.

The work of the Rockefeller Foundation in eliminating or controlling hookworm disease, malaria, and yellow fever in many parts of the world have saved millions of lives through the years, and launched the foundation on a program of preventative medicine that still represents an important part of their activities. The International Rice Institute in the Philippines, established and operated by the Ford and Rockefeller Foundations jointly, has developed a "miracle rice" that portends a revolution in the nourishment of Asia. The control of widespread hunger is a first step toward establishing stability in this part of the world. Widespread hunger is in part attributable to the population boom in Asia toward which Rockefeller Foundation programs on birth control have also been directed.

Mention should also be made of the tremendous role the Ford Foundation has played in expanding and improving the health of our private colleges and universities in the United States at a time when they have been undergoing real financial strain. A particularly interesting project is currently being supported by the Commonwealth Fund and Carnegie Foundation at the University of Colorado Medical Center. It involves the training of a new kind of medical practitioner—a pediatric associate—who will examine and immunize well children and treat normal childhood diseases under the direction of a pediatrician. If the program is successful it will alleviate the severe demand made on pediatric services by providing trained personnel to handle the more routine medical treatments under a physician's supervision, while freeing the physician to concentrate on more complex cases. This program might in the future be adapted to other areas of medical practice and is a good indication of how foundations can provide "seed money" for very productive changes in our society.

These private initiatives will be reduced in view of the diversion of private funds to the Federal Treasury that will be required by the committee's bill. While the Federal Government spends over $200 billion a year, the committee received testimony indicating that private foundations spend about $1.5 billion—far less than 1 percent of the Federal Government's expenditures. Despite the relatively small resources available to private foundations, the good that has accrued from their private initiatives, unhampered by the monolithic structure of our huge Federal bureaucracy, has been remarkable. Unfortunately, the committee's bill fails to take account of the importance of private initiatives in meeting the increasing problems of our pluralistic society. By diminishing the resources available to the private sector, the committee's bill will unfortunately increase the trend toward centralization and reliance on the Federal Government for the resolution of our problems. In summary, I support the committee's action to eliminate self-dealing.

I support the committee's action in keeping the foundations out of partisan politics.

I generally support the committee's proposals to keep the foundations from competing unfairly with taxpaying activities.

But I believe in private philanthropy. It is more innovative, more creative, more flexible, and more imaginative than government. The thing that worries me here is that some of our action is penalizing private philanthropy too much.

Mr. Chairman, the rates of city and State taxation have been increasing so rapidly that the American taxpayer is genuinely upset, and appropriately so, by his ever-increasing taxes. However, as hard as it may be to believe, even with the surtax, people are paying less Federal tax now than they did in 1962.

We are all familiar with the tax relief portions of this legislation. Yet, I think it is fair to question if this bill is really going to provide the relief it is heralded to do.

If the major pressure for increasing taxes is coming from the cities and the States, how have we relieved this? In my view by charging taxation on tax-exempt annuities, by discouraging incentives in capital-starved industries and discouraging exploration in other critical industries and by discouraging capital turnover, we have only increased dependence for money and for initiative upon the Federal Government. The bill does not face up to this problem and I find this tremendously disappointing.

Would not the committee have been doing more for the American taxpayer if we had looked at this aspect of the rising tax problem and had provided the cities with alternative methods of raising funds, such as tax credits and revenue sharing?

Another question we need to ask ourselves is, Is this bill going to add to inflation or is it going to help halt it? The President asked the Congress some months ago to extend the surcharge until January 1, reduce it until the end of June and then let it expire. At the same time he asked that the investment tax credit be repealed. These actions were requested by the President in order that the deficit might be brought to a surplus, thus easing the pressures toward rising prices in this country.

But due to events that took place in the other body we have included the repeal of the investment tax credit in this legislation. However, close scrutiny of the revenue effects of this reform bill will reveal that instead of using the funds for a reduction of the deficit they are, in fact, being used to cover the deficits incurred by the tax relief sections of the bill.

Unless the revenue estimates we have been working with in committee are in error the intermediate effects of this bill could be inflationary.

I do not believe, however, that in the real long term the bill is inflationary. We should enjoy substantial economic growth in this country, but I do have reservations about its impact on the economy before the economy has expanded enough to take care of the deficits.

Furthermore, I would ask, Have we, in this legislation, affected the proper balance between investment and consumption? Much of the revenue gain distributed to the taxpayer by the tax cut is coming from corporations. We may not have gone too far in this legislation, but we have to be extremely careful not to discourage investment in an effort to bring tax relief. Because by doing this we could seriously damage our growing national economy. We could put more money into the economy through consumer spending than would result from the across-the-board-tax cut, but if there is an overkill on investment this money would be chasing fewer and fewer goods—with higher prices and higher interest rates being the result.

It is in this regard that the repeal of the investment tax credit has me concerned. Although I have supported the repeal of the investment tax credit because of its inflationary and supposed "temporary" nature, I now think that there is a danger, in view of the other reforms, that we have indeed gone too far.

In closing, Mr. Chairman, I would like to make special mention of the committee action regarding the depletion provisions of the tax laws.

In my view, the committee went way too far. I recognize that depletion on oil has become a symbol. It is almost as if it was an idol that had to be toppled.

We had excellent testimony from the Interior Department and from four out of the five FPC Commissioners, all of whom warned the committee about impending gas shortages.

I think any Member of the Congress willing to look at the facts and willing to concede that depletion has ever had meaning, would agree that it is more meaningful now than ever in the past. It is not a gimmick; it is not a loophole. It is recognition that a man's capital should not be taxed at straight income rates and it is further a valued incentive. It is in our national interest that the domestic oil industry remain strong. Yes, Mr. Chairman, I feel that we have moved in the wrong direction as far as our depletion allowances go—not just in oil and gas; but, in other minerals as well. I am hopeful that the other body will give a careful review to the depletion picture and will restore the cuts that the Ways and Means Committee recommended.

I recognize that depletion has been considered a regional gimmick or loophole; but the tragedy of it all is that it is not such a device. It is a meaningful and time-tested provision which not only compensates in some degree for the inordinate risks in oil and gas exploration; but, more importantly, gives fundamental recognition to the fact that man's capital is being used up as oil reserves are depleted.

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

Mr. BUSH. I am happy to yield to the distinguished gentleman from Texas (Mr. MAHON), chairman of the Committee on Appropriations.

Mr. MAHON. Mr. Chairman, I thank the gentleman for the very helpful and informative statement he is making in regard to the pending measure. My friend formerly lived in the district which I now have the privilege of serving in Congress. His exceptional knowledge of the subject matter which he is discussing and the concern which he has expressed is very much in order.

Mr. Chairman, I want to join the gentleman in expressing my concern that the provisions in this bill, some of the provisions in this bill which relate to oil will prove to be very damaging not only to the oil industry but also to the general economy of the country.

I regard a healthy oil industry most important from the standpoint of the overall economy of the Nation and also to the military security of the country.

I commend the gentleman for his able efforts and I express the hope that before the pending measure is finally enacted into law it will be much improved over the present version.

Mr. BUSH. I thank the distinguished gentleman.

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

Mr. BUSH. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. I thank the gentleman for yielding, and I thank him for the remarks he has made on the subject of cuts which have taken place in depletion rates on a large number of minerals that are vital to the economy of the United States. The gentleman made mention of the fact that the Department of the Interior and one of our major commissions in Government has warned of the effect of these cuts. The gentleman, I am sure, is also aware of the fact that the majority of the members of the Mines and Mining Subcommittee of the Committee on Interior and Insular Affairs of this House sent a message to the distinguished members of the Committee on Ways and Means, pointing out to them the fact that in view of our production situation in the United States on a large number of minerals that consideration should be given on many of them to increases in depletion rates rather than cuts.

I have before me at this time a list of 10 minerals that are classified as strategic minerals in the United States. They include uranium, vanadium, fluorspar, tungsten, cobalt, nickel, beryllium, mercury, lead, and zinc. All of these minerals have been victimized by these cuts in depletion, to the detriment of the economy of the United States, and certainly to the detriment of the mining industry in the country.

I think we are going to see a shortage in gas in many cities in the country, whose Congressmen will be voting for the cut in depletion on gas, and I think the day will come when many will rue that vote.

Mr. BUSH. Let me say to my colleague that we had excellent testimony from the Department of the Interior, and four out of the five members of the Federal Power Commission who highlighted the gas shortage in this country. We had people from the North and East vitally concerned about protecting the consumer contact the members of the Committee on Ways and Means. These people had heretofore been opposed to incentives for intangible drilling and depletion but they now say:

> Don't tamper with these incentives at a time when our reserves are getting critical. We need more incentives to guarantee more reserves.

So I would say there is more understanding, but the fact remains that in this area the committee went too far. I am gratified, indeed, that the committee did not change the important provisions relating to intangible drilling.

Mr. BURLESON of Texas. Mr. Chairman, will the gentleman yield?

Mr. BUSH. I yield to my colleague from Texas.

Mr. BURLESON of Texas. I thank my colleague for yielding. First, I wish to compliment my associate and colleague on the committee for having done such an able and outstanding job in the committee, especially in presenting the situation in relation to the oil industry. There is a great deal of propaganda about the oil industry to the effect that everyone has a loophole and that a lot of people have gotten rich out of it. If that be true, is it not a little bit in contrast to the fact that so many people are going out of the business and have gone out of the business?

Mr. BUSH. There are fewer drilling rigs, fewer geophysical crews running, and less exploration; and yet depletion is considered a big get-rich-quick loophole. I do not wish to interrupt my colleague, but I point out that if we look at the cases of the 154 rich people who have paid no tax, and if you go around the street and ask the people, "Why didn't these rich people pay any tax at all?" they'd answer, "Oh, it is that oil and gas depletion allowance."

Of those 154 cases of rich people paying no tax, their total income was $112 million, and depletion accounted for less than 1 percent of the devices used to escape taxation. The oil industry has been abused. I think our part of the country has been abused by people calling this allowance a loophole. The country is the real loser.

Mr. BURLESON of Texas. If the gentleman would yield further. If my computations are correct, here is what I think the provisions of this bill have done as far as domestic production is concerned.

After applying the provisions of the bill, after considering the royalty payments, and using $3 a barrel—I think that is about the average price of crude at the present time—the net effect of this means $2.90 a barrel to the producer instead of $3 a barrel—a reduction in income even though the costs of labor, supplies, and everything else are mounting.

And yet the end price of oil today is less than it was 40 years ago.

Will the gentleman agree that somehow, somewhere, somebody has got to make this up?

Mr. BUSH. I heartily agree with my colleague, who is most knowledgeable on this. I know our State and country is most grateful for the work the gentleman has done on this. He stood up and fought and because he knows this subject he commends the respect of the whole House on this.

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

Mr. BUSH. I yield to the gentleman from Texas (Mr. CASEY).

Mr. CASEY. Mr. Chairman, I commend the gentleman from Texas (Mr. BUSH) as well as the gentleman from Texas (Mr. BURLESON) for the efforts they have made to try to get an understanding of the benefits that the country reaps from oil depletion and to convince people that it is not a loophole. I regret that not enough people seem to have listened to the answers and to have taken note of the work the gentlemen have done on it.

I sincerely hope, Mr. Chairman, the Members of the other body will finally see the light.

Again, Mr. Chairman, my compliments to the gentlemen on the hard work which the gentlemen have done on the Committee on Ways and Means. Certainly I appreciate the remarks of the gentlemen.

Mr. BUSH. Mr. Chairman, I thank the gentleman from Texas for his comments.

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

Mr. BUSH. I yield to the gentleman from Iowa.

Mr. KYL. Mr. Chairman, can the gentleman inform me, is the oil depletion the only tax break the oil industry gets?

Mr. BUSH. Mr. Chairman, I can only say the gentleman must not have heard my earlier comments. I do not consider the oil depletion a tax break. I consider it a proper provision in the tax law, but there are other provisions in the tax law that I think are valuable incentives as well.

Mr. Chairman, this legislation took $605 million out of the oil industry, $160 million out of the oil payments, and $375 million out of the depletion, and they wiped out foreign depletion. So I would say there were some cynical comments made in this Chamber that the oil industry was not being touched. I say $600 million in anybody's league is a pretty deep touch. It really smarts.

Mr. KYL. Mr. Chairman, the gentleman knows I am somewhat acquainted with this oil industry from one end to the other. The gentleman has tried to explain why the depletion allowance is not necessarily an evil thing.

What the gentleman has to explain to the American people, along with most of those who are interested in this, is how a single company can show a great profit for a year's business and still get by with paying little or no taxes.

Mr. BUSH. Mr. Chairman, the very definition of depletion restricts depletion to production. One gets 27½ but not to exceed 50 percent of the net profit from any lease. This clearly precludes the depletion as being the reason why taxes are not paid.

One of the big reasons given by one company was the use of oil payments "carve-outs" and ABC oil payments. These have been eliminated by this legislation.

Some companies had tremendously heavy exploratory drilling expenses, and they can deduct these. They can deduct them as a cost of doing business—certainly they should be able to deduct these.

I am glad the gentleman raised the question because it is absolutely impossible for the company to use depletion as a reason to pay no tax. The very definition of it is 27½ percent restricted to 50 percent. For that reason, it cannot be used as the reason for paying no taxes.

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

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

Mr. MYERS. Mr. Chairman, not on the subject of depletion, did I understand the gentleman a short time ago to make the statement that after the provisions of this law, after the change in the tax structure and tax exemption for municipal bonds, we will have more money?

Mr. BUSH. No; the gentleman understood it just the reverse. I am sorry if I left that impression. I am unhappy with the provision with respect to municipals, because I think it will make the municipalities and the local governments look more to Washington. I think experience will tell that. I am opposed to the provisions as now written.

Overridingly, I am in favor of this legislation, but this municipal bond part troubles me immensely.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield for a comment?

Mr. BUSH. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Mr. Chairman, on the statement which I understand the gentleman from Iowa made about oil companies escaping taxes, I would like to comment.

Mr. BUSH. Mr. Chairman, I think the gentleman asked how a company could pay no tax at all. I hope the gentleman from Iowa had not formed his opinion before asking the question. I hope I answered it to the gentleman's satisfaction.

Mr. EDMONDSON. Mr. Chairman, I do not believe there is an oil company in the United States that is escaping all taxes, although income tax payments may go up and down. The total tax picture seems to me to be of primary significance. In the year 1966, which is the most recent year for which I have such data, the oil industry paid 5.1 cents in direct taxes for every dollar of gross revenue, whereas all business corporations paid 4.5 cents per dollar of gross revenue.

The aggregate tax payments on oil industry operations in 1966 were $10.5 billion including excise and sales taxes, and these payments provided 5 percent of all receipts of the Federal, State, and local governments.

Mr. BUSH. I believe that is right. That is the total tax picture. It is a very valid observation by my knowledgeable colleague.

Mr. EDMONDSON. I thank the gentleman.

(Mr. BURLESON of Texas asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. BURLESON of Texas. Mr. Chairman, reference by my colleague and fellow Texan (Mr. BUSH) to the treatment of the oil industry in this measure, prompts me to discuss this matter a bit further.

No one can be sure what the future may bring. But that does not relieve those of us charged with conducting the affairs of the Nation from disregarding the likely possibilities. And if we can by the course we choose today prepare our Nation for tomorrow's risks, then that is the action we must take. Neither emotionalism, labels, or symbols should influence us to shirk that responsibility.

By reducing the oil and gas depletion allowance to 20 percent, the committee is unnecessarily gambling with the future security of the United States. The decision obviously must be based upon either one or a combination of two premises; first, that the domestic petroleum industry despite the reduction will continue to explore for, develop, and produce the petroleum our Nation needs; or second, that foreign petroleum supplies will be available at reasonable prices. I do not think that either premise is supportable.

A decrease in the depletion rate from 27½ to 20 percent will increase the industry's after tax cost of at least 10 cents per barrel. The added burden can hardly be expected to encourage oil and gas producers to continue their search for new petroleum reserves. In only one of the last 7 years—1967—did the oil industry's earnings on net investment exceed the earnings of other manufacturing. Exploration and development expenditures have remained static in the last decade, despite a 51-percent increase in petroleum demand. It has been estimated that if the oil industry is to meet the fuel needs of the Nation, as much as $100 billion will have to be spent in the 15-year period 1965–80. That is almost 40 percent more than the industry has been spending. Increasing the tax and reducing the profits of oil and gas products will make investments in the industry less attractive at a time when more capital than ever is needed.

The loss resulting from the reduction in the depletion rates could be offset by a rise in the price of crude oil. However, the mounting pressures to relax import controls might prevent any price increase regardless of the fact that petroleum products are less expensive today than in 1926. Furthermore, the long delay between exploration and production makes petroleum investments more vulnerable to the jerks and starts of changing governmental policy.

The decision to cut the depletion rate is serious but equally significant is the attitude the decision manifests. An oil and gas producer could well conclude that what the committee has done in this bill is only the beginning. If such is the case and this impression is allowed to grow, the outlook for petroleum investment in the United States will remain poor.

With so much foreign oil presently available, why can we not rely on it to supply our needs? The United States consumes one-third of all the energy produced in the world and three-fourths of our consumption comes from oil and gas. Yet our petroleum reserves are only 7 percent of the world's total. Given the 27.3-percent reduction in depletion and the pessimism it will engender, our domestic reserves could drop by more than 50 percent in the next decade. We would then be faced with having to import 8.5 million barrels of oil a day. There is only one place where the United States could get that much—the Middle East. Eighty-six percent of the free world's proved reserves outside the North American Continent are there. The Middle East has twice as much oil as the rest of the world.

Unfortunately, the American posture in the Middle East is at a low ebb. Egypt, Syria, Iraq, Yemen, Sudan, and Algeria have all severed relations with the United States because they felt we were supporting Israel. Other states, such as Jordan and Saudi Arabia, have also become less sympathetic.

As our influence has ebbed, Russian influence has grown. The Russian fleet in the Mediterranean now has port facilities in Alexandria and Port Said. Soviet pilots now fly Russian-made planes with Egyptian markings on Russian missions in the Middle East. Iraq has recently granted Russia the right to develop the rich Rumaila field. Other similar agreements have been signed with Iran, the United Arab Republic, Syria, and Algeria. Mr. Speaker, I fear that our Nation has not yet concluded, as a matter of policy, that foreign oil and its control is politics. Our adversaries in this world leave no doubt about it.

The proponents of increased reliance on foreign oil point to the resources in Canada, Latin America, Indonesia, and Australia. Canada does represent a secure source. However, its total reserves could not keep the United States supplied for 2 years. Venezuela, the largest Latin American oil country, is already producing near capacity. Argentina's total reserves would last us about 6 months. Indonesia and Australia, because of their proximity to Japan, are more likely to be selling their excess oil to the Japanese who are certainly anxious to rid themselves of their dependence on Mid-East oil.

Assuming, however, that the United States could rely on these countries and all the other nations in the free world outside the Middle East and North Africa to provide it with the 8½ million barrels a day it would need, what would happen to Western Europe and Japan if the Middle East decided to impose another petroleum boycott? The spare capacity in the United States, Canada, and Venezuela that cooled the crises in 1956 and 1967 would be gone. We would be using all the rest of the free world's spare capacity.

Reliance on foreign oil is dangerous for another reason. A case in point is the seizure of American-owned oil property in Peru. Also our current friendly relations with Indonesia should not obscure the memories of President Sukarno and the influence Red China once wielded over the island nation.

I am opposed to a reduction in the depletion rate because I feel that it will inevitably lead to a substantial contraction of the domestic industry and to a heavy dependence on foreign oil. I believe the Congress should not be inundated by a wave of emotionalism. There is a greater issue involved than tax policy. The security of our Nation is at stake. I would call to your attention the fact that every agency and committee directly concerned with the energy supply of our country, including the Department of the Interior, the majority of the Federal Power Commission, and the chairman and 13 other members of the Interior and Insular Affairs Committee have urged that no action be taken by the Congress to reduce the rate of oil and gas depletion.

Finally, on several occasions and from several sources, we have been urged to cut the depletion rate just to see what happens. What if we see only after it is too late?

In addition to a reduction in the percentage depletion rate on domestic production, the bill currently under consideration completely eliminates the deduction for percentage depletion on foreign oil and gas production. In taking this action, the committee must have concluded that the participation of American capital in the development of foreign petroleum is no longer in the national interest. This conclusion ignores the broad perspective of our national security, balance of payments, and foreign policy objectives. I disagree with this conclusion. Our country's interest in the ownership of foreign oil supplies is too vital to burden it with additional taxes. Without a continuing aggressive exploration and development program by the U.S. companies, we cannot long maintain our favorable overseas posture in the face of increasing competition from nations of the Communist bloc and those of the free world as well.

Many foreign governments are encouraging the acquisition of overseas reserves by privately owned companies domiciled in their countries or by state-owned companies. The United Kingdom, for example, grants cash incentives for overseas oil and gas exploration and development. France permits its national companies to deduct foreign exploration expenses against income derived from domestic sources. Germany makes interest-free loans to German companies and requires no repayment unless the ventures are successful.

Percentage depletion and other tax incentives have encouraged U.S. companies to develop diversified sources of foreign oil by U.S. companies. The resulting production has been profitable, and, as a consequence, the oil industry is one of the few that has made a contribution to the positive side of the balance of payments.

The increase in tax revenues from eliminating percentage depletion on foreign production will be transitory. The governments of the producing countries will merely increase their taxes and take away the additional revenue. The elimination of percentage depletion on foreign production will force American companies to pay more foreign income taxes.

Our stake in American ownership of foreign oil reserves is high. Reducing the incentives for American companies to operate abroad will place our companies at a competitive disadvantage with foreign corporations which are either not taxed at home or are directly subsidized. Such action can only hamper American companies' search for additional petroleum supplies.

Significantly, percentage depletion will still be allowed on all depletable minerals produced abroad other than oil and gas. I support this, but the reasons for retaining percentage depletion for these other minerals are equally applicable to oil and gas. To deny depletion for all foreign petroleum production would handicap American interests in many countries that would, in times of emergency, be in position to supply our needs. For example, Canadian reserves would be as secure a source of supply as our own.

I reiterate my concern at the action being taken today with regard to percentage depletion. By removing a symbol, the Congress could well be taking the first step toward making the United States completely dependent upon foreign petroleum sources. If this ever happens, rest assured, the strong voice that we have exercised in an effort to maintain some semblance of global stability will come through as only a faint whisper.

Mr. MILLS. Mr. Chairman, I yield such time as he may consume to the gentleman from Massachusetts (Mr. BURKE), a member of the Ways and Means Committee.

Mr. BURKE of Massachusetts. Mr. Chairman, I rise in support of this bill.

Mr. Chairman, the bill before the House represents many months of arduous and painstaking labor on the part of the Committee on Ways and Means. This was the initial major order of business before the committee in this session of Congress, and it has retained that priority right up to this moment. This bill, H.R. 13270, the Tax Reform Act of 1969, represents over 2 months of public hearings, and our executive sessions lasted right up until yesterday. The printed record of our public hearings alone encompass some 15 volumes and 5,690 printed pages.

I believe we have done a workmanlike job—a job to be proud of—and I wish to commend Chairman MILLS, the ranking minority member, Congressman JOHN W. BYRNES of Wisconsin, and all members of the committee from both sides of the aisle, all of whom have contributed to the development of this monumental piece of legislation. Without the spirit of team effort that pervaded the committee sessions, it would not have been possible.

I am not saying the bill is perfect in every respect. There are some provisions of it, if it were in my power to change and the House rules permitted, I would amend. I have been around here

long enough to know, however, that the legislative process does not often lend itself to the full and complete achievement of all of one Member's goals, ambitions, or desires with respect to a given piece of legislation. So it is with this bill.

I believe that some of its provisions dealing with the tax treatment of mutual savings banks, a financial institution that is so vital to the economy and people of New England, are somewhat harsh. For instance, I do not believe that the 60 percent of taxable income method of computing additions to reserves for bad debts should be reduced below 40 percent. Instead, and over my objection, the bill will reduce it to 30 percent over a 10-year period. I was pleased, however, that in the making of mutual savings banks subject to investment standards the committee, at my behest, set the percentage for qualifying assets not at the originally decided upon 82 percent, but at the lower figure of 72 percent. I fought hard for this reduction in the committee, and I might also add that I was gratified that the committee, on my motion, liberalized somewhat the composition of qualifying assets. It was also a prudent move on the part of the committee, in my judgment, to extend the net operating loss carryback provision from 3 years to 10 years.

So while I still believe that the provisions of the bill relating to mutual savings banks are too stringent, I am pleased that I was successful in easing some of the original committee decisions respecting these institutions, which are so important in my State and section of the Nation.

Mr. Chairman, for the past several years, I have been fighting to achieve for American workers more equitable, fair and sensible tax treatment for moving expenses. I have introduced bill after bill on this subject, seeking to expand the "bare bones," stingy treatment of legitimate, job-related employee moving expenses. The foundation for the provision in this bill was laid by my successive bills that have been introduced in this and preceding Congresses.

Briefly, the effect of the provision is to broaden the categories of deductible moving expenses, to provide that reimbursed employees are to be treated in the same manner as nonreimbursed old employees and new employees, and to refine the tests which must be satisfied for the deduction to be available. The three additional categories of expenses for which a moving expense may be available under the bill are:

First, remove house hunting trips;

Second, temporary living expenses at the new job location; and

Third, qualified expenses relating to sale or purchase of a residence and certain lease expenses.

While this provision may not be as broad as we would have liked or the dollar limitations as generous as we would have desired, it is a giant step in the direction of recognizing that moving expenses are really a cost of earning income and that the mobility of labor is an important and necessary part of a healthy, growing economy. I am pleased that the present administration adopted the concept of my bill and included it in its tax reform program.

Mr. Chairman, there are other sections of this bill that I could discuss, some of which I think are very good provisions and some which could be, and undoubtedly will be, improved upon in the future. I think that on the whole it is an excellent bill, and I am particularly gratified that the revenue gains garnered by tax reform are going to be returned to our citizens in rate reductions and in the form of the other tax reducing provisions, particularly those that will benefit our citizens in the lower and middle-income brackets.

Mr. Chairman, I wish to express the wish that after the enactment of this bill that Congress continues the work in tax reform. Only by our continuing efforts can equity be established in the tax field. This is the second meaningful tax cut that has been recommended by the House Ways and Means Committee during the past 4 years.

Mr. BOGGS. Mr. Chairman, one must consider this reform bill with the surtax bill passed on June 30. That bill was passed by a five-vote margin after a very difficult fight. It was opposed by the AFL–CIO, the National Manufacturers Association, the Liberty Lobby, the Farm Bureau, and many others, including the vast majority of the members of my own party.

Prior thereto, on Friday, June 27, we passed a resolution continuing the withholding rate for 30 days and then later at the expiration of that period, we passed a temporary measure extending the withholding rates through August 15.

Although the able leader of the Finance Committee in the other body, my friend and colleague from Louisiana, Senator LONG, had reported the House bill as we had passed it, the Democratic leadership there threatened to take no action at all.

Finally, the other body passed a 6-month extension of the surtax in which the House concurred on Monday of this week, which means that the withholding rates will be maintained as is through January 30, 1970. However, the Ways and Means Committee then added to the reform package the repeal of the investment tax credit, the extension of the surcharge at a 5-percent rate through June 30, 1970, and the extension of the excises as contained in the original bill.

Passage of the surtax bill was not an easy job. I include herewith articles which appeared in the Wall Street Journal of July 1, 1969, the New York Times of the same date, and the New Orleans Times-Picayune of July 11, 1969:

[From the New York Times, July 1, 1969]

HOUSE APPROVES KEEPING SURTAX; VOTE IS 210 TO 205

(By Eileen Shanahan)

WASHINGTON, June 30.—The House of Representatives, by the narrow margin of 210 to 205, approved today the Administration's bill continuing the income tax surcharge, repealing the 7 per cent investment credit and reducing or eliminating Federal income taxes for some 13 million low-income families.

The vote came only minutes after President Nixon had publicly reaffirmed his commitment to support the enactment of "meaningful tax reform" this year.

The commitment came in the form of a letter from Mr. Nixon to the Republican leader of the House, Gerald R. Ford of Michigan, which was read aloud to the House near the end of the afternoon's angry debate on the tax bill.

FEARS OF OPPONENTS

Mr. Nixon's letter spoke directly to the fears that had been expressed by opponents of the surcharge—fears that once the surcharge extension had been passed neither the Administration nor the Congressional leaders would do anything further about reform.

Mr. Nixon's letter said that he wished "to remove any doubt" concerning his Administration's "commitment to prompt and meaningful tax reform."

He said that there was "no reason why a far-reaching tax-reform bill cannot be put before the House of Representatives this summer." He said that this was the plan that had been announced by the House Ways and Means Committee, and that it was "also the policy of this Administration."

Mr. Nixon had previously committed himself to propose a major tax reform package by November. His letter today only moved up that timetable, with its implied promise that the Administration would help the House write a major tax reform bill even before that.

Whether Mr. Nixon's letter changed any votes on the surtax bill could not be ascertained immediately. But the vote certainly constituted the first major test of the Nixon Administration's ability to carry the Democratic-controlled House, and the test was won.

[From the Wall Street Journal, July 1, 1969]

NIXON'S SURTAX EXTENSION IS CLEARED BY HOUSE, 210–205; SENATORS NOW WILL SEEK TO ADD TAX-REFORM PROVISIONS

WASHINGTON.—The House narrowly passed and sent to the Senate the Nixon Administration's bill extending the 10% income tax surcharge.

The final tally, after a flurry of last minute vote switches, was 210 to 205.

The bill faces a protracted debate in the Senate, many of whose members plan to try using it as the vehicle for major tax-reform legislation.

On final passage, 154 Republicans and 56 Democrats voted aye. Voting against the bill were 179 Democrats and 26 Republicans. At the end of the roll call, the bill was behind 203 to 197, but this result gradually changed as each of about 18 members who had gathered in the well of the House announced—often to applause from one side or the other—that he was changing his vote.

The bill would extend the surcharge at the present 10% rate through Dec. 31 and at 5% for the first half of 1970. The surtax actually expired at midnight last night, but Congress approved a measure last week that will continue through July the payroll withholding rates based on the 10% surtax, with the aim of avoiding bookkeeping trouble for employers while the surtax issue is being resolved.

OTHER PROVISIONS

The bill also would repeal the tax credit of up to 7% for equipment purchases, retroactive to April 18; would postpone for a year the phased reduction scheduled to begin next Jan. 1 in telephone and automobile excise taxes; would eliminate or reduce the Federal tax liability of many low-income individuals, and would allow a five-year amortization of air and water pollution-control equipment.

The package is estimated to produce revenues of $9.26 billion in the fiscal year that started today. The surcharge extension would

bring in $7.64 billion of this, and repeal of the investment credit would gain another $1.35 billion. The excise-tax extension would bring in $540 million, and the low-income allowance would cost the Treasury $270 million.

In a statement, Treasury Secretary Kennedy "warmly congratulated" the House for voting to extend the surtax and he urged the Senate to "take up this measure and act on it favorably without delay."

Yesterday's four-hour debate was a fairly drab rerun of arguments that have been heard on both sides of the issue as the bill has moved unsteadily toward its House showdown.

Opponents of the bill, mainly Democratic liberals, attacked it on the ground it didn't contain sufficient tax-reform items. In response, Ways and Means Committee Chairman Mills (D., Ark.) who has been ailing and thus didn't participate fully in the debate, reiterated his pledge to bring a major tax-reform bill to the House by mid-August.

Other opponents contended that the surtax was enacted last year as a means of halting inflation and holding down interest rates, but that it obviously hasn't worked and therefore should be dropped.

PROPONENTS' ARGUMENTS

Proponents of the bill argued that inflation would be even greater if the surtax hadn't been in effect, and that failure to pass the measure would be equivalent to surrendering in the inflation fight. They also said the surtax extension has been supported by both Presidents Johnson and Nixon, as well as by prominent economists and the Congressional Joint Economic Committee.

The debate had perhaps two high points, one involving Chairman Mills' tax-reform pledge and the other centering around a letter read to the House by Republican Leader Ford of Michigan, who had just received it from President Nixon.

During most of the debate, Rep. Mills sat passively as Rep. Boggs, (D., La.), House Whip and No. 2 Democrat on the Ways and Means Committee, acted as the bill's floor manager. Mr. Boggs has been the Democratic leader in shaping the bill the past few weeks during Mr. Mills' illness, and Mr. Boggs told the House that Chairman Mills was appearing on the floor against his doctor's instructions.

MILLS' TAX-REFORM PROMISE

Late in the day Mr. Mills took the micophone to deliver a ringing tax-reform commitment that included a warning to liberals eager for reform that they may soon get more than they bargained for.

He said the committee is preparing a "good, real, wholesome, effective reform measure." When the reform bill reaches the House floor, "some of you may feel we've created a bullet that's a little too hot to bite into," he said later.

"You're going to have a chance to vote for reform," Mr. Mills added. "I just hope there's as much interest in reform then as there is today. The country needs this surtax bill and the country needs tax reform. As far as I'm concerned, this country is going to get both of them."

The letter from President Nixon said that "as the House nears a decision," Mr. Nixon wished to "reaffirm" his commitment to "prompt and meaningful reform."

The President noted that he had already sent Congress an interim tax-reform package, but that "much more is needed and will be done." He said Treasury officials are working continuously with the Ways and Means Committee in drafting the comprehensive bill being prepared.

"There is no reason why a far-raching tax-reform bill can't be put before the House this summer," Mr. Nixon said. "This is the announced goal of the Ways and Means Committee and it is the goal of this Administration."

But Mr. Nixon added that "the goals of fiscal responsibility and reform are not mutually exclusive. We must have both."

Here are additional details on the bill's major sections:

Investment tax-credit.—The bill would repeal the tax credit of up to 7% for equipment purchases, retroactive to April 18. The credit was instituted in the early 1960s to spark a lagging economy, but its availability is regarded as an unneeded stimulus that's inconsistent with the Government's fight against inflation.

In general, the credit won't be available for property acquired after April 18 even though construction began before the date. But the bill provides some exceptions under which the credit is to be available for property built or acquired under a binding contract entered into before last April 19. This "binding-contract" rule and other transitional provisions are similar to rules established by Congress in 1966 when the credit was suspended temporarily.

For property placed in service after 1970 that's nonetheless entitled to use of the credit because of these transitional rules, the bill would establish a phase-out mechanism reducing the 7% credit by 0.1 percentage point for each full calendar month after November 1970 and before the time when the property is placed in service. Thus, property placed in service in January 1971, if entitled to any credit, would be eligible for a credit up to 6.9%. The maximum credit allowable on property placed in service in July 1974 would be 2.7%, and no credit would be allowed for property placed in service after 1974.

Another provision of the credit-repeal action deals with the approximately $2 billion of unused investment credits outstanding from past years. Taxpayers have accumulated these because of limitations in present law on the amount of credit that can be claimed in a year.

The bill would put a special limitation on the amount of unused credits a taxpayer could claim as carry-overs to any year beginning with 1969. It provides that the credit attributable to carry-overs that's claimed in a year couldn't exceed 20% of the total amount of the taxpayer's unused credits that otherwise would have been available as carry-overs to the year in question. This special restriction is in addition to the general limitation of 50% of tax liability on the amount of credit a taxpayer can claim in a year.

One of the transitional rules provides that in cases where construction of a building had begun before last April 19, and the cost of the building plus any equipment ordered under a binding contract before that date represented more than half of the cost of the buliding and equipment, the entire equipped building and "incidental appurtenances" would be eligible for the credit of the extent they would otherwise qualify for it.

A transitional rule that engendered some controversy during the debate concerns barges for ocean-going vessels. If such a vessel designed to carry barges were eligible for the investment credit under the binding contract rule and if the Commerce Department's Maritime Administration were a party to the contract, the credit would be allowed on any barges constructed or acquired for use on the vessel.

Excise-tax continuation.—The bill would postpone for a year scheduled reductions in the 7% excise tax on passenger cars and the 10% excise tax on local and toll telephone services and teletypewriter exchange services.

Present law has scheduled a reduction in both these taxes to 5% during 1970, 3% during 1971 and 1% during 1972, with the tax being repealed as of Jan. 1, 1973. This timetable would be set back a year.

The Administration and the Ways and Means Committee have maintained that because of budgetary and economic conditions these reductions should be delayed.

Low-income allowance.—This provision adds to the minimum standard deduction enacted in 1964 an amount sufficient to bring the starting level of taxation almost up to the so-called "poverty level" in the case of all families with eight members or less.

The allowance would remove 5.2 million returns from the tax rolls, almost all of them showing incomes below the poverty level, and it would produce a tax reduction on another seven million returns. Thus, income taxes will either be eliminated or reduced on a total of 12 million returns.

The provision would add an amount which, together with the minimum standard deduction, would provide for $1,100 of nontaxable income in the case of all families with eight or fewer persons.

The additional tax-free income allowed 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 taxpayers' adjusted gross income exceeds the maximum nontaxable amount.

The low-income allowance wouldn't become effective until calendar 1970. On the basis of a full year's operation, it's estimated to reduce Federal revenue by $625 million.

Antipollution equipment amortization.—To lessen the impact the investment credit's repeal might have on industry's efforts to reduce air and water pollution, the bill provides that the cost of new pollution control facilities could be amortized over five years.

Because these facilities often have a useful life of as much as 20 years, the usual depreciation deduction per year is small. The larger deduction available under the bill is aimed at providing an incentive for installation of pollution-control equipment.

To qualify, the equipment would have to be certified by appropriate state and Federal authorities. The five-year amortization would be available only on a facility whose construction was completed by the taxpayer after 1968.

BOGGS THANKED FOR TAX VOTE

WASHINGTON.—Rep. Hale Boggs of New Orleans, ranking Democrat on the House Ways and Means Committee, Thursday made public copies of letters from President Nixon and Treasury Secretary David M. Kennedy thanking him for his efforts in behalf of the House-passed income-tax surcharge tax legislation.

Rep. Boggs was House floor leader for the measure, which has gone to the Senate. Following is the text of Nixon's letter to Boggs:

"Dear Hale:

"As a former member of the House I know how difficult it can be for a member of the opposition party to support the administration on such a politically potent issue as the surtax extension. That is why I particularly want to thank you for your voting as you did on Monday.

"With every good wish,

"Sincerely,

(signed) "R.N."

Secretary Kennedy's letter said in part:

"I know that there was considerable opposition to this measure within your party, and without your leadership the Treasury Department would not have been able to win approval of this vital legislation. For your statesmanship approach to this issue and efforts to keep this anti-inflation bill bipartisan, I am sincerely grateful."

The action of the Democratic leaders in the other body in holding the surtax bill was far from popular.

The following is a statement I made to the press on July 30, and a sampling of the editorial comment:

STATEMENT OF HON. HALE BOGGS

U.S. Rep. HALE BOGGS (D.-La.), House Majority whip and ranking Democratic member of the House Committee on Ways and Means, today made the following statement:

I am impelled to make this statement about the position now taken by certain members of my party in the United States Senate with respect to the tax surcharge bill.

Due to the illness of Chairman Wilbur Mills, it became my responsibility to manage the bill in the Ways and Means committee, to present the bill to the Rules Committee and ask for the use of a "closed rule" and to manage the bill on the floor of the House of Representatives.

The bill was opposed by the National Association of Manufacturers, Farm Bureau Federation, The Liberty Lobby, AFL–CIO, and most of my own House Democratic colleagues.

Working with Congressman Gerald Ford, Congressman Richard Bolling, Congressmen George Mahon, Mendel Rivers, Wright Patman, and under the leadership of Speaker John McCormack and majority leader Carl Albert, we were able to pass the bill by the narrow margin of five votes.

During the course of the debate, President Nixon, Chairman Mills of the House Ways and Means Committee, myself, and others, said without equivocation that we would proceed immediately to write a comprehensive reform tax bill.

I assumed the responsibility of the surcharge bill which also included the repeal of investment tax credit and the extension of existing excises, as well as the removal of five million poor people from the tax rolls because of my conviction that this legislation is absolutely essential if this nation is to dampen the raging fires of inflation now creating sheer panic in our Nation and threatening a depression of devastating consequences. At the present time, because of the fantastic rise in interest rates, the construction industry is already in a depression, the building and loan associations and other mutual savings groups are threatened with bankruptcy because of their inability to complete with 10% interest rates; homebuilding, with all of its economic and social implications, is fast coming to a standstill.

The stock market continues to go down because the financial community is convinced that the Government, and that means the executive branch and the legislative branch, doesn't have the courage to do the things that must be done to curb inflation and restore confidence at home and abroad in the American dollar.

I also agreed to manage the tax surcharge bill because I, along with Senator Mansfield, Senator Kennedy, Speaker McCormack, and majority leader Albert, sat with President Johnson prior to his leaving the white house and prior to submission of his own budget to Congress in January, when he pointed out that there was no way to have fiscal responsibility in this country without at least a one year extension of the surcharge. He said that he had to convince President elect Nixon of this necessity. As far as I can recall, all present agreed with President Johnson.

President Nixon, despite a campaign promise to permit the expiration of the surcharge on January 30, 1969, agreed to a further extension of a year. Thereafter, the Democratic caucus in the House of Representatives suggested the repeal of the investment tax credit and, in the meantime, the joint economic committee had recommended the extension of the surcharge for one year and the repeal of the investment tax credit.

In April, President Nixon recommended the extension of the surcharge at 10%, through 1969, and at 5% through June 30, 1970, which was five percent less during the latter part of the whole year than President Johnson had requested.

In view of the circumstances which impelled the congressional committee with the responsibility for initiating tax legislation, and the House leadership of both parties to expedite passage of the surtax extension bill, it has been distressing to me that the Democratic leadership of the other body should play a game of brinksmanship with this crucial fiscal measure.

In holding the surcharge bill hostage to tax reform, the Senate Democratic leadership impugns the integrity of the Committee on Ways and Means in its current announcements of decisions on comprehensive tax reform, the leadership of the House of Representatives, and the wise counsel of the distinguished chairman of the Senate Committee on Finance.

In flinging a gauntlet of fiscal irresponsibility at President Nixon, the Senate Democratic leadership is jeopardizing the economic stability of the nation and exposing the Democratic party to a charge of economic irresponsibility which could haunt our party for years to come—just as the stock market crash of 1929 became a political burden to the Republican Party.

The prudent fiscal course in my judgment is quick enactment of the surcharge bill as passed by the House of Representatives on June 30. And to follow this with expeditious action on the program of tax reform now nearing completion in the Committee on Ways and Means. This program has dealt with every manner of tax preference—and will assure that no wealthy person shall by shrewd tax planning escape his share of the Federal tax burden.

We can combine tax equity with fiscal responsibility. I shall, before the tax reform bill is reported to the House, offer an amendment to increase personal exemptions by $100 per person, and to increase the standard deduction to 15 percent, with a maximum of $1,500. The bulk of this relief will be spread among taxpayers with incomes below $10,000 to $15,000 per year.

In the interest of tax fairness, I shall also propose that widows and widowers shall be entitled to continue after the death of a husband or wife to file on a joint return basis, until their dependent children shall have reached age 19 or concluded college.

On the basis of projected revenue receipts and effective control of Federal expenditures, I am advised that such a program is possible without significant risk of incurring a deficit in the administrative budget for the next five years.

This in my judgment is a program of tax equity with fiscal responsibility.

[From the Washington Post, Aug. 4, 1969]

MANSFIELD LEADERSHIP WINS PROPAGANDA VICTORY ON TAX

(By William S. White)

The story on taxes is a complicated tale indeed, full of all manner of marchings and counter-marchings, but the essential facts of the matter aren't really all that hard to identify after all.

The Nixon administration and the cooperating House Democratic leaders have won the war, by bringing off a six-month extension of the 10 per cent income tax surcharge as an anti-inflation weapon. The rebellious Senate Democratic leadership, for its part, has won the immediate headlines—and it has also won the curious prospective honor of being held blameworthy if any national recession should be the price ultimately required for a long season of senatorial irresponsibility.

The fact that the tax bite has been extended for six months instead of 12, as had originally been sought by the administration and the House people, gives the Senate hierarchy headed by Sen. Mike Mansfield a propaganda victory that looks pretty big on the outside but is empty on the inside. The Mansfield people can say, and are saying, that anyhow they gave the President a licking here. The truth is that Mansfield and Company have themselves been defeated.

For what they had really been trying all long to do, and have in fact quite failed to do, was to block any extension at all save in some delaying interlinkage with some vague fundamental reform of the whole tax structure. The real issue from the start was not whether the surcharge was to be continued for 12 months or six but whether it was to be continued in the here and now. The true name of the game was quick action; timing was of the essence if only for psychological reasons, in the stock market and elsewhere.

So this is how it all now actually stands: The Mansfield leadership group in the Senate has saved its face, but at a very great long-term cost since its conduct here has alienated it from its Democratic counterparts in the House to a degree rarely seen.

The House leaders—Speaker John McCormack and Reps. Carl Albert, Wilbur Mills and Hale Boggs—have saved incomparably more. They have forced through Congress an obviously prudent and profoundly dangerous inflation, over the resistance of their own party rank and file in the House and over the marely exampled obstructionism of their own leadership colleagues in the Senate.

And they have saved at least a part of the Democratic Party from an indictment for partisan dilly and dally in an economic crisis. Finally, essentially vindicated, too, is the heretofore lonely and roughed-up chairman of the Senate Finance Committee, Sen. Russell Long of Louisiana. Mansfield and his associate, Sen. Edward Kennedy, had pretty well tried to freeze Long out of his due privileges.

Moreover, if one looks beyond the superficialities here it is not certain that even the 12-month extension would not have prevailed in the Senate had this been the sole alternative. Had not some senators known perfectly well that a continuation of at least six months would win they would have been compelled to put economic principle above short-term politicking and would in fact have voted for 12 months.

The truth is that this episode more than any other has both illustrated and deeply hardened a fundamental cleavage between the Democratic controllers of the Senate and House. The former, headed by Mansfield and Kennedy, have been taking the line that most any stick was good enough to beat the Nixon administration with, whether on taxes or foreign policy or military preparedness. In the House, McCormack, Albert Boggs and Mills are incomparably more national-minded, first because this is simply the way they think and second because they believe that the best politics is to be responsible as distinguished from merely belligerent.

"Getting Nixon" or "gutting Nixon" is of course good melodrama and will surely appeal to the more frantic partisans. Supporting Nixon on the grand and not properly partisan issues, not because he is Nixon and not because he is a Republican but simply because in these things the real interest is simply the national interest, is far less stirring. Still it is very likely to turn out to be far more sensible, even in expedient political terms. This country has been tired for a long time of automatic partisanship—Jones is such a good Democrat and Smith is such a dreadful Republican—and vice versa and more and more demands more performance and less political theater.

[From Newsweek magazine, Aug. 4, 1969]

FISCAL POLICY AT BAY

(By Henry C. Wallich)

The extension of the tax surcharge is assured—at least for six months. But the outlook for rational use of fiscal policy is very dim indeed.

Congress has proved, as near as anything can be proved in politics, that quick decisions to raise or cut tax rates cannot be relied upon when they are needed. The extension of the surcharge should have been an

easy decision. Inflation is rampant. Monetary policy has been stretched almost as tight as it will go. Nothing much was being asked—only an extension, partial at that, of a tax enacted earlier. Yet the battle has been long, the prospect touch and go, and the result falls decidedly short.

What makes the case so discouraging is that the surcharge has been opposed on grounds that, by themselves, are entirely creditable. No Machiavellianism, no petty vested interests that perhaps could be set aside. Conservatives have opposed the surcharge for the simple reason that they want a smaller public sector. Liberals have opposed it because they want tax reform. Agree or not, these are respectable positions. Yet when they are promoted under threat of blowing up the whole country in inflation, the democratic processing of fiscal policy reaches an impasse.

FRUSTRATION

Three times now something like this has happened. More than a year went by getting the tax cut of 1964 enacted. Perhaps that could be explained on grounds of novelty. Another seventeen months were spent debating the surcharge. Raising taxes, it turned out, was harder than cutting them. Finally, frustration was escalated when a simple extension bogged down in time-consuming political maneuvering. How, after this sort of experience, can we make ourselves believe that fiscal policy is operational?

However this may end, the economic consequences of the battle will still be felt. Interest rates are higher for fear that the Fed might have to serve up an even crunchier monetary policy. Some homes, some schools will not be built because of that. With the outlook cleared, the markets will recover. But what cannot be recovered is the damage done to the fiscal policy instrument itself.

This blow falls at a moment when flexible fiscal policy is more urgently needed than ever. More is being demanded of the economy. It must be stabler than in the past because unemployment tolerances have shrunk. It must grow faster, because the richer we get, the less we seem able to make do with what we have.

Permissible reaction time is shrinking for policymakers. Fluctuations seem to be getting shorter, demanding quicker responses. Running the economy close to the brink of inflation calls for policy in constant airborne alert. Monetary policy, hampered in any event by long lags, may be increasingly preoccupied with the balance of payments. This is the moment the Congress has chosen to put under a cloud the basic stabilizing instrument that it shares with the Executive.

WHAT ELSE?

Alternatives to Congressional fiscal policy are few and uninviting. Hope for an act of Congressional self-denial that would delegate power over tax rates to the President? The antecedents of this excellent idea are not encouraging. The fact that it cannot handle something does not mean that Congress will delegate it. Give the President discretionary power over tax increases only? An excellent idea too, but it would not have helped right now when extension was the issue. Operate fiscal policy by changing expenditures instead of taxes? Not impossible, but surely more vulnerable to political ailments than even tax changes. Let the Fed do it all with monetary policy? Perhaps it could. But we had better then get ourselves a new set of financial institutions, able to take the drastic interest-rate movements that might be required.

There is no good panacea to substitute for good Congressional handling of fiscal policy. But if that is to be achieved, Congress will have to build a wall between tax reform and tax-rate change. So long as any rate change becomes a Christmas tree on which to hang reforms, however desirable, fiscal policy will remain mired in fiscal politics. There is no reason to mix rate change and reform, any more than there is to reform the banking system every time the discount rate changes. Reform and rate change happen to come through the same committees—that is all. From the New Economics, Congress has gained a thorough understanding of how fiscal policy ought to work. What is needed now is the will to make it work.

Under this bill, all of the people below the poverty line will be removed completely from the tax rolls.

The minimum standard deduction for the middle income taxpayer will be increased from $1,000 to $2,000; the rate on middle income taxpayers will be reduced by at least 5 percent; the rate on high income taxpayers will be reduced from 70 to 65 percent. In addition, every person 35 years of age who is single and has a mother, father, relative or any other dependent, will be given the same tax treatment as married couples enjoy today. That is, they will be able to file the equivalent of a joint income tax return. Furthermore, every widow or widower will be protected as long as he or she remains a widow or widower, for such period as it takes to educate their children.

This is done by permitting the widow or widower to continue to file a joint income tax return after the death of a husband or wife.

In addition, people who are required to move from one place to another in their employment will be able to deduct the expenses required for moving, including the expenses of living in temporary quarters and the selling of one house and the buying of another.

The principles of tax averaging will be applied across the board, which means that a person who makes $20,000 one year, $10,000 the next year, $3,000 the next year, and $5,000 the next year, can average out those 5 years for tax purposes.

We have also made it impossible for a person to make a million dollars a year and pay no taxes whatsoever. The bill simply says that half of that, or $500,000, will still be tax free, but the other half will be subject to the normal rate.

We discarded the Treasury Department's recommendations on the mineral industry, which would have wrecked the oil and gas industries in Louisiana, and took in exchange therefor a slight decrease in percentage depletion.

We did not affect the legitimate foundations such as Rockefeller and others, but we made it impossible to establish foundations in order to avoid the payment of taxes.

In this bill, we have balanced the budget each year, both the administrative and unified, with a substantial surplus, making it possible for more funds to be available for education, for the rebuilding of the cities, for the elimination of the ghettos, for the elimination of water and air pollution, and for making our country a better place in which to live.

I am very proud of the fact that I had to play the main role in putting together these two packages.

The tax reform and tax relief before the House today provides greater tax equity and substantial tax relief. It also leaves room for substantial increases in domestic programs to provide even greater equity and necessary services for our citizens.

In fact, the incentives provided by this bill will contribute to a substantial increase in the growth rate of the economy and generate revenues far above those that could otherwise be expected. By plugging tax loopholes, the bill has reduced the incentive to devote effort to unproductive "tax planning." By reducing the tax advantage of certain activities, many of which were not truly productive on a before-tax basis, effort will be redirected to economically productive activities and thus contribute to the real growth of our economy and making available more goods and services to devote to necessary public programs. The incentive to work and invest is further encouraged by this bill through the reduction in the excessively high tax rates which have discouraged initiative and effort. The top rate, for example, is cut from 70 to 65 percent and rate reduction takes place in all income brackets. The 50-percent tax rate limit on earned income will be particularly effective in encouraging initiative and effort of the sort that produces economically useful results.

Even on the basis of a conservative assumption on the growth of revenue that does not take into account the impetus to growth and initiative provided by this bill, there are still ample funds available for significant improvement in our domestic programs even after the tax reduction provided by this bill is taken into account.

I insert at this point a table which shows the effect of the tax reform bill on the unified budget surplus. The table shows the expected revenue under present law and the extension of the surcharge and excise taxes contained in H.R. 12290. The table conservatively assumes that these receipts will grow at a rate of 6 percent a year.

This is shown in line 1 of the table for fiscal years 1970 through 1974. To this is added the revenue gain from the repeal of the investment credit and the revenue gain resulting from the tax reform provisions contained in the bill before us today. The total receipts from these three sources are reduced by the tax relief and incentive provisions contained in this bill. The table shows clearly that even after taking account of the tax relief provisions, there is a substantial increase in receipts in each fiscal year.

For example, on even the conservative 6-percent growth in receipts assumption, the total revenue after accounting for the tax reform and tax relief provisions increases from $198 billion in fiscal year 1970 to over $237 billion in fiscal year 1974. The next line in the table, labeled "budget outlays" assumes that budget outlays increase by 4 percent a year which accounts for the "relatively uncontrollable" expenditures and does not account for either reduced defense expenditures or any new programs. This 4-percent-a-year increase in relatively uncontrollable expenditures means an increase of approximately $8 billion a year which is quite consistent with the recent experience.

Even after taking the growth in uncontrollable expenditures into account, there is still a substantial surplus on the unified budget basis in each of the fiscal years 1970 through 1974. As the table shows, the unified budget surplus, on the basis of these calculations, is $5.1 billion in fiscal year 1970 but reaches over $11 billion in fiscal year 1974.

Clearly these budget surpluses of $5 to $11 billion leave ample room to adopt—

First, an entirely new welfare concept which abolishes the existing welfare program and replaces it with a self-enforcing minimum income program without the degrading interference by social workers and a program that would encourage people to work because it would reduce their minimum income payments by only 50 cents for every dollar of earnings in contrast to the present program which produces welfare payments dollar for dollar for income earned and thus discourages those on welfare from seeking work. A budget surplus of $11 billion would permit $4 billion to be devoted to this program.

Second, revenue would also be available to begin tax sharing with the States, returning the portion of the Federal revenue to the States which so desperately need it, perhaps as much as a billion dollars,

Third, even this conservative estimate in the growth in receipts would permit a billion dollars to be devoted to improving and expanding our airports and further developing our great highway system,

Fourth, additional revenues should be devoted to increasing social security benefits by at least 10 percent as President Johnson proposed. An additional $2 billion could be devoted to this necessary program,

Fifth, the growth in revenue will also permit more than a billion dollars to be devoted to achieving our national goal of building 25 million new housing units within the next decade,

Sixth, an additional billion dollars could also be devoted to aid to education as proposed by Congressman JOELSON,

Seventh, an additional billion dollars could also be devoted to expanding the model cities program of HUD.

These estimates are an indication of the way in which the budget surplus in 1974 of more than $11 billion could be used for new programs. To the extent that revenues grow more rapidly as a result of the incentive provided by the tax reform and tax relief bill before us today, the amounts devoted to each of these programs could be substantially larger and still leave us with a budget surplus.

ROUGH ESTIMATE OF THE EFFECT OF THE TAX REFORM BILL ON THE UNIFIED BUDGET SURPLUS WITH CONSTANT GROWTH RECEIPTS AND EXPENDITURE ASSUMPTIONS

[In billions of dollars]

	Fiscal years				
	1970	1971	1972	1973	1974
Unified budget receipts with House-passed surcharge bill (H.R. 12290) minus investment credit repeal [1]	196.8	202.3	214.4	227.3	240.9
Repeal of investment credit	+1.3	+2.6	+3.0	+3.0	+3.1
Tax reform	+.6	+1.7	+2.2	+2.5	+2.8
Total receipts	198.7	206.6	219.6	232.8	246.8
Tax relief, incentive	−.7	−3.7	−7.9	−9.6	−9.7
Revenue net of tax reform and relief	198.0	202.9	211.7	223.2	237.1
Budget outlays [2]	192.9	200.6	208.6	216.9	225.6
Unified budget surplus (+) deficit (−)	+5.1	+2.3	+3.1	+6.3	+11.5

[1] Present law except for H.R. 12290 cf. p. 44 of the Ways and Means Committee report on H.R. 12290 assumes revenues grow at 6 percent a year. Fiscal year 1971 receipts are $6,300,000,000 lower than fiscal year 1970 because of the expiration of the surcharge.
[2] Assumes a 4-percent increase for "relatively uncontrollable" expenditures and does not contain an estimate of reduced defense expenditures or new programs.

Note: Trust fund surpluses depend on whether suggested social security tax and benefit changes are adopted. These would affect receipts and outlays as well as trust fund surpluses so they are not shown.

There was another provision in the Treasury Department's proposals which would have drastically affected programs of the Department of Housing and Urban Development, headed by former Gov. George Romney.

I conferred with Secretary Romney about the Treasury Department's proposals, and he wrote me the following letter.

Let the record show that Secretary Romney's problems were with another Department of the Nixon administration and not with the Committee on Ways and Means:

JULY 23, 1969.

HON. HALE BOGGS,
House of Representatives,
Washington, D.C.

DEAR MR. BOGGS: This follows up on our conversation yesterday morning regarding the serious negative effect that certain tax reform proposals would have on our ability to meet the National housing goals.

As you know, among the various tax reform proposals which have been advanced to your Committee are several effecting accelerated depreciation and capital gain treatment of real estate investments. While these proposals vary, their general approach is to restrict or eliminate the use of accelerated depreciation and to tax as ordinary income rather than capital gain the portion of the real estate sale price which represents accelerated depreciation previously taken.

These changes, if adopted, would severely restrict the construction of multi-family residential housing and would effectively destroy this Department's chances to achieve the housing goals established by the Congress in the 1968 Housing Act.

Multi-family rental housing currently accounts for 40% of all new housing produced. It is in very short supply with vacancy rates below 1% in many of our large cities.

Production of such housing, including much Federally subsidized housing, depends very heavily on private investment. This is the entire thrust of the 1968 Housing Act.

Continuation of private investment in rental housing depends upon existing tax incentives. The proposed changes in accelerated depreciation and capital gain of real estate investments would drive private investors out of the housing market into opportunities offering lower risk and greater liquidity.

We recognize the need for tax reform. However, we do not believe that the Congress should in the name of tax reform completely undercut the housing goals established in the 1968 Housing Act.

I enclose for your information a memorandum from Richard Dunnells, one of our able staff assistants, which discusses the matter in greater detail. I have omitted the attachments but if you would find them of interest, please let me know.

Sincerely,

GEORGE ROMNEY.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,

July 14, 1969.

To: George Romney, Secretary.
From: G. Richard Dunnells.
Subject: Major Points in Opposition to Tax Reform in Rental Housing.

In anticipation of your appearance before the Ways and Means Committee, this memo summarizes the major points in opposition to proposed tax reform. Attachment A provides some questions and answers. Attachment B is a copy of the position paper which covers in greater depth our arguments against tax reform.

1. *Accelerated depreciation and capital gains treatment under Section 1250 provide a substantial stimulus to private investment in critically needed new rental housing construction. We oppose the elimination or substantial cutback of these tax incentives absent the development and enactment of alternative methods for maintaining and increasing the Nation's supply of rental housing.*

2. *Inflation and tight money have hit housing harder than any industry in this country.* Today, soaring land, building materials, labor and money costs are severely restricting housing construction. Equity money is tight. With housing on the bottom rung of the money market ladder, builders are finding it increasingly difficult to marshal equity money for housing construction.

3. *These financial restraints come at a time when we are faced with a critical shortage of housing.* Some 20 million persons are living in substandard housing; vacancy rates are at all-time lows (below 1% in New York City and Chicago; 1.5% in Newark; and 2.5% in Boston); rents are spiraling upwards; new construction is lagging 25% behind demand and, unless production rates pick up, will lag 40% behind demand by 1973. This housing shortage has been felt most by our cities where overcrowded, substandard units and the lack of decent alternative housing have contributed substantially to social and economic tensions. If tax restraints are now added to existing financial restraints, we cannot expect to approach meeting today's need for housing.

4. *Tax reform restricting construction of multi-family rental housing will effectively destroy our chances for meeting national housing goals.* Prohibitive costs of single family housing and the enormous growth of our urban centers have caused the rate of multi-family rental starts to increase to the point where today this type of housing accounts for over 40% of our total annual housing starts. Moreover, multi-family rental housing is looked to as the major source to alleviate our urban housing shortage—particularly as it relates to low and moderate income families. To meet future housing needs—26 million new housing units by 1978—12 million (or approximately 50%) of these new units must be multi-family rental. This means that we are going to have to produce 1,020,000 new rental units per year by

1973 and 1,250,000 units by 1978. Last year we produced only 600,000 new rental units—about one-half the production rate we'll have to have over the next decade. We can say categorically that should existing tax incentives be eliminated, the construction of multi-family rental housing will drop to a fraction of its present level.

5. *Under our present system, the production of rental housing depends entirely upon its offer of competitive yields to private investors.* Virtually our entire stock of rental housing has been sponsored and built by private enterprise. Today, we have no viable substitute for this system. Although HUD has a variety of tools to assist in the production of rental housing, these tools are of no use unless private enterprise is willing to invest in and build this housing. This willingness, of course, depends on the potential yields offered as compared to other sources of investment. If the yields are competitive, private capital will go into rental housing. If not, it will go elsewhere.

6. *The elimination or substantial cutback of the tax benefits of accelerated depreciation and Section 1250 capital gains treatment will reduce yields to the point of driving private equity capital away from rental housing investment.* Even with these tax incentives, rental housing with its lack of liquidity and high risks, has failed to provide financial incentives to attract sufficient private investment from other fields. Without them, the margin they provide which makes rental housing investment attractive for many investors will be removed. If an investor can't get yield from tax benefits (which don't show up in rents), they'll demand higher cash return on their equity (which will show up in higher rents). But rents cannot be raised without regard to competitive effects. There is a limit on the direct cash flow return potential here. If equity investors in multi-family rental housing (without the benefit of tax incentives) cannot reasonably anticipate a competitive direct cash flow return from rents, then the equity money stays away from rental housing with a resultant loss of housing starts. The net effect of the elimination of these tax incentives then is twofold:

(1) There will be a slowdown in the rate of construction of new multi-family rental housing.

(2) Rents will be forced upward at an accelerated pace since there would be increased pressure for greater cash return on equity.

7. *The elimination or substantial cutback of these tax incentives would overturn Congress' plan for promoting production of low and moderate income rental housing.* The 1968 Housing Act sets a goal for the next decade of ". . . the construction and rehabilitation of twenty-six million housing units, six million of these for low and moderate income families." To achieve that goal, the Congress had a choice between (1) a program built upon the existing system of private construction and ownership supplemented by Government assistance or (2) a program of direct Government construction, ownership, and operation of rental housing built for low and moderate income families. Congress chose the former. In its reliance upon and expansion of the pre existing system of private investment in housing with its recognized dependence upon existing tax incentives, Congress authorized the organization of the National Corporation for Housing Partnerships. The Report of the Senate Banking and Currency Committee which recommended the creation of the National Housing Partnerships states:

"This title would authorize the creation of a federally chartered, privately funded corporation to mobilize private investment and the application of business skills in the job of creating low and moderate income housing in substantial volume. Such a corporation in turn would form a partnership as its vehicle for participating in developments, projects, or undertakings for the provision of housing primarily for families of low and moderate income, pursuant to Federal programs or otherwise."

"This partnership arrangement makes it possible to assure an adequate return to the investors. *Under existing Internal Revenue Service regulations and rulings,* partnership losses for tax purposes flow to the individual partners. In the case of new housing units financed on a 10-percent equity—90-percent debt basis, the annual *accelerated depreciation* of the building cost results in substantial book losses during the *initial ten years* after a project is built. Assuming the member of the partnership is in a relatively high income tax bracket, *his share of the depreciation losses, plus cash income from project operations would provide an after-tax return on his investment which would compare favorably with the return which most industrial firms realize on their equity capital.*" (Report of the Committee on Banking and Currency, United States Senate, on the Housing and Urban Development Act of 1968, Sen. Rep. 1123 p. 80.)

8. *Unless we are prepared to rely primarily upon publicly funded construction programs to produce multi-family rental housing (which means either a limited construction program far below national needs or a greatly increased public involvement in the production of this housing with a corresponding increase in appropriations) we must have the participation of private enterprise.* Concern for the closing of inequitable "loopholes" and "leakages" in individual cases should not be at the cost of driving private investment away from housing and curtailing critically needed new multi-family rental construction.

Now, Mr. Chairman, I include herewith my statement before the House Rules Committee on yesterday:

Mr. Chairman, first, let me thank you for letting me come back. You were very kind to me last time. You kept me for eight hours and I was tired after that. And, incidentally, the Ways and Means Committee has been working ever since February of this year for nine or 10 hours a day so this is an early evening for us. So I consider this day just beginning.

I discovered when that long session was over that the TV people wanted me, and I looked kind of tired. I told them that rabbits had just eaten up all of my cabbages, and I was in a bad fix because my wife and grandchildren prefer live rabbits to cabbages.

Somehow or other, I lost my glasses today so I am handicapped. I had to buy these at the dime store and I can't see too well.

Now, Mr. Chairman, I was interested in what you said because I grew up where you did. My family votes for you although I don't vote the same way you do here on some issues. I went to a mission parochial school in Long Beach, Mississippi. Most of the children were first generation Italians, Yugoslavs and south Europeans. They were very poor. But, I happen to have a dear mother, who is still alive, thank God, who taught me that I wasn't any better than anyone else. Then, I went to Gretna, Louisiana where many of the children were first generation Germans, Irish, etc. One day at the Gretna Parochial School, I looked up and saw an airplane—the first one that I had ever seen. It was about 1922. While looking up and running I feel into a ditch.

Talk about pollution—that was real pollution. A good nun sent me home to change my clothes and on the way home I figured out what I was going to tell my mother. I told her that an immigrant boy shoved me into the ditch. The next day my mother came to the school to complain and the nun set her straight. That night I received the licking that I deserved from my father for telling a lie.

So that could be one of the reasons why I vote for poverty programs, social programs, voting rights, etc.

It took a lot of doing for me to get elected last time. I won by 1.2%. I don't know about all this so-called oil money. I got less than 5% of what it cost to run my campaign from that industry.

I want to tell you it cost money to get re-elected. I have a little island in my district called Grand Isle. Hurricane Betsy about blew it off the map, but thanks to former President Lyndon Johnson and Hale Boggs that island was rebuilt. I made flood insurance possible. But when the votes were counted last year, I lost Grand Isle. Half of the inhabitants of that island are employees of the oil industry and in that area I lost by 2–1. The others were loyal and voted for me.

Now, the last time we had an open rule on a major bill was the Smoot-Hawley Tariff bill, and I invite you to read the history of that. I don't know how many amendments were offered, but they went into the thousands. They logrolled—"You give me my tariff and I'll give you yours." But, shortly thereafter, the late Cordell Hull proposed and passed the reciprocal trade program and ever since then you've had no logrolling on tariff measures and such measures have invariably been considered under closed rules.

If you open this bill to amendments, there might be hundreds offered. The House would be in utter and sheer pandemonium. Now, people say they don't understand this bill. Yesterday I put into the RECORD two articles—one written by Eileen Shanahan of the New York Times along with a summary, and one written by Arlen J. Large and Fred Zimmerman of the Wall Street Journal, and I suggested to Members of the House that they read those articles, and if they read them they would understand this bill. I do not know how many read them. I hope they all have.

Today in the Washington Post there are several matters of interest. First, an editorial—here it is—"Tax Relief for Nearly Everyone," and all throughout you find things about the tax bill and how good it is. Now, here's tonight's Star. The headline says, "Mills Unit O.K.'s New Tax Bill." Then I turn to the stock market and I see where stocks are neither up nor down because the business community is uncertain, but I looked at what happened to tax exempt municipals. They are up today because we have not done a single solitary thing to hurt them and they know it.

You may recall that 8-hour session that I had before your Rules Committee on the surtax bill, and I asked how many of you will vote to tax municipals. Most of you said, "Count me out." Well, they are still tax free under this bill.

Mr. Chairman, we must look at these bills as a package. Let me say this to you, Mr. Bolling and Mr. Anderson, those speeches you made on the floor on June 30th for the rule on the surtax were magnificent. And, Mr. Chairman (Mr. Colmer), you voted for that bill and that was courageous.

After the first bill (the surtax bill) passed, I read in a column or two that due to inept leadership the Democratic liberals in the House almost defeated the surtax bill. All of my colleagues from Louisiana, except for myself, voted against the bill. Most of them don't call themselves liberals. All of the Democrats from Georgia voted against the bill. All of the Democrats from Mississippi, with the exception of Mr. Colmer, voted against the bill. I don't believe they would classify themselves as liberals. They had every right to vote as they please. That is their sacred privilege, and I am not interested in labels. If you will check the record, you would note that most of the 56 votes were from Democratic Members who are classified as liberals.

Mr. Chairman, after the Rules Committee

granted the rule for the surtax bill, my whip count showed 23 votes on the Democratic side for the bill. Minority Leader Ford came to me on Friday and said he had 170 Republican votes. I really didn't think he did, but I understood his strategy. I knew, and he knew, that if the Members went home over the Fourth of July the bill would never pass. So, we met with the Speaker and agreed to call the bill up on June 30, and we passed it by five votes. There were people who voted for it who said that it will cost their political life. I asked what is more important, their political life or the United States. At 4:00 p.m. on June 30, the White House called me to say that the Republicans could produce 154 votes and that's all. In between that time, I was able to increase the Democratic votes from 23 to 56. Prior to the passage of the bill, Mr. Ford, the Minority Leader, read a letter from President Nixon, pledging tax reform. Chairman Mills made the same pledge, as did Speaker McCormack, Majority Leader Carl Albert and myself. We have kept that pledge.

From that time on, Wilbur Mills, John Byrnes and the other members of the Ways and Means Committee have labored day and night.

As I previously pointed out, the committee cut percentage depletion 30% across the board on 110 depletable items in the cut. We had come to the point where a candidate running for Congress in a non-oil producing State almost had to sign a pledge committing himself to be against 27½% on percentage depletion for oil and gas, and where a candidate running in an oil producing State had to sign almost a similar pledge to keep percentage depletion at 27½%.

In other words, the mineral industry, vital to our Nation, had become a divisive controversy in our country.

No Member of Congress has a greater interest in the health of this industry than I do. Louisiana produces about one-half of the gas consumed in the United States, more oil per acre than any State in the United States, and tremendous quantities of sulphur, salt, and other minerals.

These industries employ at least 125,000 people. They pay together about 70% of all the taxes collected in Louisiana. They pay practically all of the cost of higher education in Louisiana and much of the cost of the welfare program. In addition to this, millions of barrels of oil are being produced off the Louisiana coast on the outer continental shelf. The Federal Government is collecting from this production about a billion dollars a year from which Louisiana receives not one cent.

But the Treasury Department wants more. Here in the paper today is a statement from the Treasury: "Administration to seek tightening of tax loopholes." It says that the Treasury will go to the Senate Finance Committee and statement to obtain all of the wrecking amendments affecting the mineral industry which the House Ways and Means Committee rejected.

This bill reduces percentage depletion to 20% on oil and gas. It also takes from the oil and gas industry another $400 million in the so-called "carve-out" and "ABC" provisions. In other words, it would seem to me that the Treasury Department would be satisfied with what they have already done, and even should they succeed in the Senate they will never succeed in conference.

My good friend, John Byrnes, is here and just finished testifying. He remembers the time when a candidate from his State of Wisconsin had to sign a pledge that he was for butter and against coloring oleomargarine so that it looked like butter. On the other hand, if a candidate came from the cotton belt, he had to be for oleomargarine and permit oleomargarine to be sold colored to look like butter.

Prior to that time, the only way a housewife could buy oleomargarine was to buy it colored white. I remember my mother buying oleomargarine with a little packet of yellow coloring, but by the time she finished trying to mix it all up it wasn't fit to eat. After years of controversy, we finally changed the law and one would have to go back to the history books to revive the argument.

So, it occurred to me that it was time to remove the mineral industry as a divisive political controversy in America. There is no more efficient industry in America and without it, the moon shot would not have been possible. I would like to invite you gentlemen to come down sometime and look at the oil fields and our sulphur production, particularly in the Gulf of Mexico, and look at the petrochemical plants. They are modern miracles.

So, on July 21 I went to New York on my own, at my own expense. I met with executives of the sulphur industry and oil industry and told them that in my judgment there had to be a reduction in percentage depletion. Naturally, they were not pleased, but I said to them it would not be limited to oil, gas and sulphur. My motion would propose a cut almost across the board.

And, that is what it did with the exception of gold, silver, and one other mineral, which cannot be profitably produced in our country today.

Now, Mr. Chairman, the hour is late. If the committee permits the House on tomorrow to vote on a closed rule and then pass the bill, members of the business community will know what is in store for them.

As I said, consider these bills as a package. It is the only way. Here is what happens. Inflation in this economy today, if it continues, will lead to a panic and inevitably to a depression, and God knows what that would be.

Incidentally, the Treasury revenues are up $3.1 billion because of inflation and will be up more because of inflation, but if we act today, maybe the business community will take time out to read Eileen Shanahan and Fred Zimmerman rather than having two or three martinis at lunch and not knowing what is going on.

I have been working on this package since June 15. Many a night I failed to get more than one or two hours sleep.

Now, Mr. Chairman, the hour is late but if the committee permits the House on tomorrow to vote on a closed rule and then pass the bill, the business community will know what is in store for them; the rate of interest will start going down; the cost of what has to be paid to finance waterworks in Pascagoula, Mississippi, will go down, too, and we can return to a healthy rate of growth of about 4% GNP a year.

This is indeed a monumental package benefiting every American.

Tomorrow on the floor I will attempt to show what will be possible aside from the tax reduction for all Americans.

[From the Wall Street Journal, Aug. 5, 1969]

HIGHLIGHTS OF THE TAX-REVISION BILL THE HOUSE WILL CONSIDER

WASHINGTON.—The House is due to vote this week on a measure described as the most sweeping revision of the Federal income-tax laws in the nation's history.

The 863-page reform bill, as completed by the House Ways and Means Committee last Friday following months of work, would raise more than $6.8 bilion of Federal revenue annually through tighter tax treatment of most wealthy persons and a variety of industries.

Almost exactly this amount would be redistributed, mainly to lower and middle-income taxpayers, through rate reductions taking effect in 1971 and 1972 and through several other tax benefits.

The bill's principal architect, Chairman Mills (D., Ark.) of the Ways and Means Committee, is scheduled to seek formal clearance from the House Rules Committee this morning to allow floor debate on the bill tomorrow and Thursday, with a vote likely Thursday afternoon.

Assuming House passage, the measure faces a prolonged and explosive fight in the Senate.

Here is a summary of the bill's major provisions, as outlined in a lengthy report that went on sale yesterday for $1 at the Government Printing Office:

TAX REDUCTIONS

Rate reductions: The bill provides individual income-tax cuts totaling $2.04 billion, spread evenly between 1971 and 1972. The reductions, generally averaging about 5% when fully effective, would begin at the point in the tax tables where the current 22% tax rate applies. This rate is paid by married persons whose taxable income is between $8,000 and $12,000.

The current top tax rate of 70% would be cut to 65% over the two years. Also, a 50% maximum rate would be imposed on earned income of individuals, effective in taxable years starting next Jan. 1. This provision is expected to result in an annual revenue loss of about $100 million by 1972.

Standard deduction: A taxpayer who doesn't wish to file an itemized return, generally because he doesn't have home mortgage-interest payments to deduct, currently is allowed a standard deduction of 10% of adjusted gross income, with a $1,000 maximum.

The bill would raise this, in calendar 1970, to 13% with a $1,400 maximum, and the following year it would rise to 14% with a $1,700 maximum. In 1972, it would level off at a new rate of 15% with a $2,000 maximum.

When fully effective, the change would cost the Treasury an estimatd $1.3 billion annually. But the increase is expected to simplify the collection process by prompting more individuals to use the standard deduction. Currently, 58% of returns claim the standard deduction; by 1972, this figure would be expected to rise to nearly 70%.

The increase would result in a tax cut on nearly 34 million returns.

Low-income allowance: the bill would add to the minimum standard deduction (of $300 for the first exemption and $100 for each additional one) an amount sufficient to raise a family's exempt income to $1,100, plus the number of $600 regular personal exemptions available to the family.

The provision, which would apply to families of eight or fewer members, would bring the starting level of taxation nearly up to the so-called poverty level.

As an example, a married taxpayer with four children filing a joint return with an adjusted gross income of $4,700 is currently allowed exemptions totaling $3,600 and a minimum standard deduction of $800. He is subject to tax on $300 and would pay $46. The proposal would give him an additional allowance of $300 because his gross income is below the poverty level. He thus wouldn't have any taxable income.

The allowance would remove 5.2 million returns from the Federal tax rolls and result in a tax reduction on another 7 million returns.

The allowance would become fully effective beginning in 1971. The annual revenue loss is estimated at $2 billion. The provision is similar to a section in the bill the House passed last June 30 to extend the income-tax surcharge.

Single persons: Single persons 35 years of age or more and any person whose spouse has died, would be provided income tax rates halfway between those available to married couples and those currently applicable to single persons. This intermediate category is known as "head-of-household" status.

Widows and widowers with dependent children younger than age 20 or attending school would be allowed to file joint returns.

These changes, which would take effect next year, would reduce Federal revenue by $650 million in 1971 and subsequent years.

Moving expenses: The present deduction for moving expenses would be expanded to allow the deduction of expenses for house-hunting trips, living expenses for up to 30 days at the new job location, expenses related to the purchase of a residence or settlement of an unexpired lease at the old job location, and expenses related to the purchase of a residence at the new job location.

The total deduction for these additional categories would be limited to $2,500, and expenses related to house-hunting trips and temporary living quarters couldn't exceed more than $1,000 of that limitation. Additionally, all moving-expense reimbursements would be included in gross income. Courts generally have interpreted current laws as providing that reimbursements for deductible moving expenses shouldn't be included in gross income but that reimbursements for other moving expenses should be included.

A deduction wouldn't be allowed, however, unless the distance between the taxpayer's new job is at least 50 miles farther from his former residence than was his old job.

The changes, which generally would take effect next Jan. 1, will cost the Treasury about $100 million annually.

Income averaging: The bill would simplify the present income-averaging provision, which allows a taxpayer with unusually large earnings in a single year to spread the income over several years for tax purposes.

TAX INCREASES—INDIVIDUALS

The bill would permit the averaging of all types of currently ineligible income, including long-term capital gains. Under current law, a taxpayer's income must be more than 133⅓% of the average of the prior four years to be eligible for averaging. The bill would lower this figure to 120%.

These changes, which would take effect next year, would cost the Treasury about $300 million annually.

Limit on tax preferences: An individual having income that isn't subject to taxation because it derives from any of five types of preferential sources would be required to include in his ordinary income-tax base half of this preferential income, to the extent it exceeds the income subject to tax.

The requirement would apply only in cases where the income from preferential sources exceeded adjusted gross income subject to tax by at least $10,000.

The five preferential sources of income:

The excluded half of long-term capital gains.

Any appreciation in gifts of property to educational or charitable organizations (to the extent they aren't otherwise subject to tax).

The excess of accelerated over straight-line depreciation in real estate.

Farm losses, except to the extent it is established that the losses are "economic losses."

Interest from currently tax-extempt state and local bonds, which would be taken into account proportionately over a 10-year period.

If an individual is subject to this minimum tax in one year but woudn't be if the preferential items were spread over that and any of the succeeding five years, a downward adjustment is to be made in the subsequent year's tax base to reflect this.

The committee reversed itself in the final drafting process and removed from the coverage of this tax plan two oil-related items the Nixon Administration had wanted included: The excess of percentage over cost depletion and certain excessive intangible drilling and development costs.

The limit on tax preferences would apply to taxable years beginning next Jan. 1. When fully effective, the plan would raise $85 million annually. About half of the additional tax liability would come from taxpayers whose incomes are more than $50,000 a year.

Allocation of deductions: This companion proposal to the limit on tax preferences would require the allocation of personal itemized deductions between adjusted gross income subject to tax and seven specified categories of income that aren't subject to taxation. These categories are the five items covered in the limit on tax preferences, plus the two relating to percentage depletion and intangible drilling expenses.

The allocation would be made on a pro-rata basis generally according to the portion of the total income that is subject to tax and the preference items that aren't subject to tax. The allocation wouldn't be required if the amount of income from the seven preferential sources totaled less than $10,000. The itemized deductions taken into account under this rule include all deductions except employe business expenses, alimony and child-care deductions.

The allocations requirement would apply beginning next year, although it would affect tax-exempt interest on bonds issued after last July 12. The plan would increase Federal revenue by $205 million next year, and by $460 million annually when fully effective.

Capital gains: The alternative maximum capital-gains tax rate of 25% would be eliminated for individuals, effective on transactions after last July 25. This provision is expected to increase Federal revenue by $360 million a year.

The holding period that's required before the sale of an asset is eligible for capital-gains tax treatment would be lengthened to one year from the current six months. This change would apply to taxable years beginning after last July 25, and would increase annual Federal revenue by $150 million after next year.

The corporate tax rate on long-term capital gains would be increased to 30% from 25%. This change would apply to transactions after last July 31, and would increase annual revenue by $175 million a year.

Only 50% of an individual's net long-term capital losses could be deducted from ordinary taxable income. In the case of married persons filing separate returns, the amount of capital losses that could be deducted from ordinary income would be limited to $500 for each spouse, instead of the present $1,000 limit.

These two requirements would apply to taxable years beginning after last July 25, and would increase revenue by more than $50 million a year.

Another of the bill's provisions would restrict the extent to which lump-sum pension distributions would receive capital gains treatment and would tighten the tax treatment of the amounts of distributions represented by employer contributions made to purchase employer securities for a pension plan. These changes would apply starting next Jan. 1, and would increase revenue by $50 million in 1979.

Charitable contributions: The general limit on the charitable-contribution deduction for individuals would be increased from 30% of adjusted gross income to 50%, minus any nonbusiness interest deductions claimed in excess of $5,000.

The provision allowing unlimited deduction of charitable contributions in certain cases would be repealed gradually by 1975.

A taxpayer would have the choice of reducing the charitable deduction claimed for certain gifts to the amount of his cost or other basis in the property, or, if he wished, claiming a deduction based on the fair-market value of the property, including in his income the untaxed appreciation on the property.

Application of these requirements would be limited, however, to most contributions to private foundations, to cases where the property's sale would have resulted in ordinary income or a short-term capital gain, and to gifts of tangible personal property such as art and collections of papers.

Also, when a taxpayer sold property to a charitable organization for less than its fair-market value, the cost of the property would be allocated by the taxpayer between the portion considered to be sold and the portion considered to be given, on the basis of the fair-market value of each.

By 1972, the annual revenue gain from these and other changes in taxation of charitable contributions is estimated at $20 million.

State and local bonds: To encourage state and local governments to begin issuing taxable, rather than tax-exempt, bonds, the Federal Government would offer to make annual payments on the taxable bonds equal to the average cost of the additional interest plus some additional amount.

The amount of the Federal subsidy would be fixed by the Treasury Secretary within a range of 25% to 40% of the interest yield of the bond, except that for the first five years that the arrangement was in effect the range would be 30% to 40%.

The governmental units could continue to issue tax-exempt bonds if they wished, although under another of the bill's provisions the interest paid to individuals from these bonds—whether new or outstanding—would be taxed in certain circumstances.

If the issuing governmental unit elects that a bond issue won't be tax-exempt, the fixed percentage subsidy would follow automatically without any Federal review of the advisability of the local project or the issuer's ability to repay.

The subsidy arrangement would apply to obligations issued after the bill's enactment. The plan isn't expected to result in a net revenue loss to the Federal Government, because the revenue gained by taxation of interest would more than offset the cost of the subsidy.

Restricted stock plans: The bill would provide for taxing the employe receiving the stock at the time it was transferred to him in those cases where it is nonforfeitable at that time. Currently, the tax is deferred until the time restrictions lapse, and the employee then is taxed either on the value of the stock when it was transferred or, if smaller, on the value at the time the restrictions lapsed.

The bill generally would require that the employee be taxed on the fair market value of the stock at the time it was transferred to him. In cases where an employe's interest in the stock at the time of transfer is forfeitable, he wouldn't be subject to tax until his interest becomes nonforfeitable, but the tax would be based on the value of the stock at that time.

The rules generally would apply to property transferred after last June 30, and would take effect upon enactment of the bill. The Federal revenue impact of the changes is described as negligible.

Stock dividends: Current law provides that stock dividends generally don't result in gross income for tax purposes, but there are two exceptions to that rule that would be broadened by the bill.

Under the first exception, the bill would require that if stock or stock rights are distributed in conjunction with a taxable dividend distribution based on other shares, then the stock distribution would be taxable. But this would apply only if the distribution increased the recipient's proportionate interest in the corporation.

Under the second exception, preferred stock or preferred stock-rights distributions would be treated as taxable dividends even if they weren't related to a cash dividend on other stock.

The bill also would broaden the application, through changing the effective dates,

of certain stock-dividend regulations the Treasury issued last January.

The bill's stock-dividend changes would apply to distributions made after next Jan. 10. The changes aren't expected to have any immediate revenue impact, but are considered likely to forestall substantial future revenue losses.

Other deferred compensation: Although deferred compensation is to continue to be taxed generally when it is received, a minimum tax would be imposed on the deferred compensation to the extent it exceeds $10,000 in any taxable year ending after last June 30.

The minimum tax to be paid would be the lower of two alternate amounts computed according to complex formulas. Under the first alternative, which is generally indicative of the tax liability that would result in these cases, the amount to be paid would be the aggregate increase in tax resulting from adding (to the employee's taxable income for each taxable year in which an excess is deemed to have been earned) the portion of the excess over $10,000 that's considered to have been earned in that taxable year.

Various transitional rules would soften the immediate impact of the changes, which are expected to increase revenue by $25 million by 1979.

Interest deductions: The bill would limit to an amount equal to investment income the deduction by individuals of interest on money borrowed to acquire or carry investment assets, except that interest expenses could be offset against other income up to $25,000.

Investment income would be computed on a net basis. In determining the limitation, interest would be considered on the last deduction taken. Capital gains would be included in investment income.

Interest deductions denied in any year because of the limitation could be carried forward and used in late years to offset investment income then. The limitation wouldn't apply to interest on funds borrowed in connection with a trade or business, nor would it apply to income from rental properties unless the property was being rented under a net lease arrangement.

The requirement would apply to taxable years starting on or after next Jan. 1, and would increase Federal revenue by $20 million annually.

Farm losses: Any taxpayer having an annual farm loss over $25,000 and adjusted gross income from nonfarm sources of $50,000 or more, would be required to maintain an "excess deductions account."

Farm losses above $25,000 would be entered in the account, and any net ordinary farm income would be deducted as it was incurred.

When there was a sale of farm assets that would otherwise qualify for capital-gains treatment, the gain would be treated as ordinary income to the extent of the total in the excess-deductions account. That account then would be reduced accordingly.

Capital gains from the sale of farm buildings and farm land wouldn't be subject to conversion to ordinary income except in limited amounts, however.

The so-called "hobby loss provision" of present law would be replaced by a section disallowing the deduction of losses arising from a business that wasn't operated with a "reasonable expectation" of realizing a profit.

These and other farm-loss changes would become effective next year. They would increase revenue by $5 million in 1971 and by an estimated $20 million annually in 1979.

Accumulation trusts: Several of the bill's provisions would have the effect of specifying that beneficiaries are to be taxed on distributions received from accumulation trusts in about the same manner as if the income had been distributed to the beneficiary on a current basis as it is earned, rather than being accumulated.

The committee maintains that the progressive tax structure is distorted when an individual creates trusts that accumulate income taxed at low rates and the income, in turn, is distributed later with hardly any additional tax being paid by the beneficiary, even when he is in a high tax bracket.

TAX INCREASES—CORPORATIONS

The new requirements generally would apply to distributions made after last April 22. They will increase Federal revenue by $50 million in 1970 and by $70 million annually in later years.

Mergers: A corporation generally wouldn't be allowed to claim a deduction for interest paid on certain bonds and debentures issued in exchange for at least two-thirds of another company's stock, as long as the bonds or debentures meet each of three qualifications making them similar to equity securities.

Specifically, the deduction wouldn't be allowed in cases where the bonds are subordinated to a "significant segment" of the corporation's other creditors; where the bonds or debentures are convertible into stock, or warrants to purchase the corporation's stocks are issued in conjunction with the bonds and debentures; and where the corporation's debt-equity ratio is more than two to one, or on a pro-forma basis, the corporation after the acquisition would fail to earn (based on the combined earnings before the acquisition) its interest costs at least three times over.

The provision contains an exception permitting deduction of $5 million annually in interest payments in connection with acquisitions. Also, the restriction wouldn't apply to securities issued in certain acquisitions of foreign corporations.

Additionally, two limitations would be placed on the use in acquisitions of the present installment-sales provision, which permits deferral of income-tax payments until the income is received in cases where less than 30% of the selling price is received in the year of sale.

Under the first limitation, bonds or debentures with interest coupons or in registered form (or in a form making it possible to trade them readily) wouldn't be treated as evidences of debt, and thus the installment-sales privilege wouldn't apply.

Under the second restriction, the availability of the installment-sales provisicn would be limited to transactions in which the payment of the loan principal, or the payment of the principal and interest together, are spread relatively evenly over the installment period.

Among several provisions affecting the original-issue discount—arising from the value of warrants attached to bonds or debentures—is one requiring a holder of a bond or debenture to include the discount in his gross income over the life of the indebtedness.

Most of these changes would be effective as of last May 27. The revenues increases resulting from these and other merger-taxation changes are estimated at $10 million for the first year and $40 million by the fourth year.

Depletion allowances: The 27½% oil-depletion allowance would be reduced to 20%, and comparable cuts would be made in the allowances on most other minerals. The 15% rate for gold, silver, oil shale, copper, and iron ore would be retained, however.

Additionally, percentage depletion wouldn't be allowed any longer for foreign oil and gas production.

The oil-depletion allowance permits the owner of a well to deduct annually from his taxable income 27½% of the gross value of oil the well produced, up to half the net income from the well. The allowance is figured without respect to the amount invested in the well.

The committee said that in recent years the oil industry has paid about 21% of taxable net income to the U.S. and foreign governments, compared with an average tax of 43% by most other manufacturing companies. The committee added that percentage depletion is "the most important single reason for the lower rates" paid by the oil industry. It asserted, too, that the bill's cut in depletion rates "should have only a minimal effect" on the search for new petroleum reserves.

The depletion changes are to apply to taxable years beginning after last July 22. The changes in allowances will increase Federal revenue by $425 million in 1970 and by $410 million the following year. Although a $90 million annual gain is possible from repeal of foreign depletion, this may be fully offset eventually by increased foreign taxes.

Production payments: These complex transactions, which are a frequent financing method in the oil and gas industry, would be treated for tax purposes essentially as loans.

Under the so-called carved-out production payment, the proceeds received when the payment is sold wouldn't be taxable to the seller. But as income is derived from the property subject to the carve-out, the income would be taxable to the owner of the property subject to the allowance for depletion.

In the case of retained production payments, the property would be considered as being transferred under a mortgage. The income derived from the property used to satisfy the production payment would be taxed to the owner of the mineral property subject to the allowance for depletion. The production cost attributable to producing the minerals would be deductible by the owner of the working interest in the year incurred.

The changes generally would apply to production payments created on or after last April 22. The Government's annual revenue gain is estimated at $100 million in 1970 and $200 million by 1979.

Foreign tax credit: The bill would make two major changes in the application of the credit on U.S. taxes that companies are allowed for taxes paid to foreign governments.

One change, which would apply in cases where a company offset U.S. income by a loss in another country, would allow the U.S. to recapture, against the foreign tax credit of a later year, the U.S. tax benefit the company derived from the foreign loss.

Another change would apply in cases where a company was extracting minerals from property whose mineral rights were held by a foreign government. The provision would specify that if the company, while doing this, generated tax credits in that country in excess of the current overall limitation on their use, the company couldn't apply them to offset income earned in another foreign country if a U.S. tax was to be paid on that income.

The first change would take effect next Jan. 1, and the second would apply to taxable years beginning after the date of the bill's enactment. The bill's foreign-tax credit changes would increase revenue by about $65 million annually.

Real estate depreciation: Current accelerated depreciation rates would be permitted on new residential housing, but all other new real estate would be ineligible for any faster depreciation method than the 150% declining-balance rate. This limitation would apply to construction begun or real estate acquired after last July 24.

Depreciation on old buildings acquired after July 24, unless there was a binding purchase contract in effect on that date, would be limited to the straight-line method.

Capital expenditures made to rehabilitate property could be amortized over five years.

On future real estate depreciation, any write-off in excess of straight-line would be recaptured as ordinary income, to the extent of the capital gain occurring when the property is sold anytime after July 24. This is the same as the recapture rule in present law, except for the elimination of the provision for a percentage reduction in the recapture,

The changes would apply to taxable years ending after last July 24. Changes in the recapture provision eventually will increase revenue by $125 million a year. The reduction in depreciation allowances will add $585 million to revenue annually by 1974. The rehabilitation writeoff will cause a revenue loss of $15 million next year and about $200 million in 1974.

Utilities Depreciation: The bill would have the general effect of freezing the current situation regarding depreciation methods used by gas and oil pipelines, telephone companies, electric companies and water systems.

Companies depreciating existing property on a straight-line basis wouldn't be allowed to convert to faster depreciation rates on that property.

Companies depreciating existing property on an accelerating basis and then "normalizing" deferred taxes (by computing the greater Federal income-tax liability that would have resulted from use of straight-line depreciation and adding this amount to a reserve account for future tax liability on the company books) would have to convert to the straight-line method unless they continue normalizing.

Companies taking accelerated depreciation on existing property and passing on to customers the benefits of deferred taxes would have to continue unless the appropriate regulatory agency allowed a change.

A utility's present depreciation method would be determined by reference to its latest tax return filed before last July 22.

In the case of property completed or acquired after next Dec. 31, the bill provides that if the company currently passes on to customers the benefits of deferred taxation, then it must stay on accelerated depreciation and continue to pass on these benefits unless a regulatory agency permits it to change.

The requirements apply to taxable years ending after last July 22, the date the committee's tentative decisions were published. The Federal revenue increase under these changes is estimated at $60 million next year and $260 million in 1974, although the committee believes that the changes will forestall expected Federal revenue losses of nearly $2 billion a year if present industry trends were allowed to continue.

Tax-free dividends: Companies would be required to compute earnings, for the purpose of determining distributions to shareholders, on the basis of straight-line depreciation. This requirement is designed to curb the issuance of nontaxable distributions, prevalent practice particularly in the utilities and real estate industries.

The requirement would apply to the computation of earnings in taxable years beginning after June 30, 1972. This delay is to avoid "drastic reductions in the market values of the shares of corporations which now make such tax-free distributions," the committee said. The change would increase Federal revenue by $80 million annually beginning in 1973.

Financial institutions: Commercial banks are permitted more generous bad-debt reserves, for tax-deduction purposes, than most taxpayers. They generally maintain a reserve of 2.4% of outstanding uninsured loans, whereas if they were treated as other taxpayers they would be allowed a reserve totaling less than 0.2% of these loans.

The bill provides for gradually lowering the reserve to about this level by allowing banks to add to the reserves only the amount called for on the basis of the average of their actual loss experience in the current year and the five preceding ones. Because of a transitional rule, the reduction would occur over several years.

The change would increase Federal revenue by $250 million annually.

Another section of the bill would prohibit mutual savings banks and savings and loan associations from continuing to compute their bad debt reserves on the basis of 3% of qualifying real property loans.

The other current computation method used by these institutions (the deduction of 60% of taxable income) would be tightened over 10 years by reducing the figure to 30%. Additionally, mutual savings banks wishing to make full use of this method would be required to have 72% of their nonliquid assets invested in residentially related real estate.

These changes would increase the Government's revenue by $10 million in 1970 and by $160 million in 1979.

The present preferential treatment given to transactions by financial institutions in corporate and Government bonds and other evidences of indebtedness would be eliminated by requiring parallel treatment of gains and losses on these transactions. Institutions would be required to treat net gains from these transactions as ordinary income instead of as capital gains. They would continue to treat net losses as ordinary losses.

This rule would increase revenue by $50 million annually.

All these changes in taxation of financial institutions would become effective for taxable years beginning after last July 11.

Investment tax credit: The bill would repeal retroactive to last April 18 the 7% tax credit for business equipment purchases. This provision already has passed the House, but it was contained in a bill that got sidetracked in the Senate during the controversy over extending the income-tax surcharge. Even so the Senate Finance Committee and most key Senators have stated they favor repeal of the tax credit, effective as of last April 18.

The full revenue effect from repeal is estimated as a $3.3 billion annual gain for the Government.

Multiple corporations: The use of multiple surtax exemptions (under which the first $25,000 of a corporation's income is taxed at a 28% rate rather than the regular 48% corporate rate) would be eliminated over a five-year period.

Multiple use of other tax benefits designed to aid small business would be eliminated.

The revenue effect of changes in this area is estimated at an increase to Federal funds of $20 million the first year, and $235 million by the 10th year.

Cooperatives: Patronage dividends would be required to be distributed over 15 years or less. The required cash payout in any year, on either current or prior years' patronage, would have to equal at least 50% of the amount of the current year's patronage.

These requirements will apply starting next year.

Subchapter S corporations: In the case of these corporations, which are taxed in a manner similar to partnerships, amounts set aside under qualified pension plans for shareholder-employe beneficiaries won't be allowed to be excluded from the income of the shareholder-employe to the extent they exceed 10% of the compensation paid, or $2,500, whichever is smaller. This requirement would apply starting next year.

TAX INCREASES—TAX-EXEMPT ORGANIZATIONS

Private foundations: The bill would impose a tax of 7½% on net investment income, beginning next year. It's estimated that this would increase Federal revenue by $65 million in 1970, and by $100 million annually after 10 years.

Another provision would require a foundation to distribute on a current basis all its net income other than net long-term capital gains.

The bill limits to 20% the combined ownership of a corporation's voting stock that may be held by a foundation and related persons. Existing excess holdings must be disposed of within 10 years.

Among other restriction on foundation's activities, the bill forbids them to spend money for lobbying, certain types of voter-registration drives, and grants to individuals, unless there are assurances that these grants are made on an "objective" basis.

Most changes affecting foundations would apply beginning next year.

Other tax-exempt organizations: Exempt organizations generally would be prohibited from continuing to participate in debt-financed property acquisitions, wherein the organizations in effect share their tax-exemption with private businesses.

The unrelated-business income tax would be extended after 1975 to nearly all tax-exempt organizations that currently aren't covered, including churches. Additionally, the regular corporate tax would be extended to the investment income of such organizations as social clubs and fraternal beneficiary societies.

After 10 years, these provisions would increase Federal revenue by $20 million annually.

[From the Washington Post, July 23, 1969]

TAX REFORM DEMANDS SWAMP HILL

(By Drew Pearson and Jack Anderson)

The mail pouring in on Congress demanding tax reform is unprecedented. And its central target is the 27½ per cent oil depletion allowance, which costs the Federal Government approximately $2 billion a year in lost tax revenues. The average taxpayer is so riled that he will not be satisfied with reform legislation unless the oil depletion allowance is repealed altogether or reduced to 15 per cent.

Meanwhile, the oil companies plan to retaliate. An industry public relations man recently admitted: "We can't let this go on without an answer of some kind. We've got to do something to scare the housewives."

Standard Oil of New Jersey had already started to do just that. It has informed credit card holders that the price of gasoline will increase if the depletion allowance is either reduced or abolished.

Despite this, the change in Congressional attitude is almost revolutionary. Many Congressmen realize they can no longer defend the $2 billion tax loophole to oil companies.

It was different 15 years ago when Rep. Charles Vanik, then a Congressional freshman, made his maiden speech on the House floor against the oil depletion allowance. The late Speaker Sam Rayburn, a friend of oil, who was in the chair, turned around and looked at the American flag during most of the speech.

Vanik, now a member of the Ways and Means Committee, is preparing another speech for delivery soon in which he reviews the background of the oil depletion allowance from its beginning in the 1918 Revenue Act, when it was called the "Discovery Depletion Allowance."

He will state, in part, that the average steel worker with a family of four paid more taxes than the Atlantic Oil Company in the years 1962 through 1968. Actually, Atlantic paid no Federal income tax at all in all of those years, except for 1968. After merging with Richfield, it paid a tax of only 1.2 per cent on a net income of $240,272,000.

Note: One reason why President Nixon contrived that end run around Sen. Mike Mansfield for quick passage of the surtax bill was fear of public reaction when Senators go home for the August recess. There are so many gripes from disgruntled taxpayers that the President was afraid some Senators may become infected by the angry public mood when they go home.

BARRY KEEP BUSY

How does a man react when he has run for President of the United States, then returns to Washington to serve in Congress?

Not many have done this. John Quincy Adams served as President, then returned to Washington to serve in the House of Representatives as a Member from Massachusetts.

But most ex-Presidents and most ex-candidates for President are not willing to come back to the sometimes unexciting, exacting, time-consuming job of serving in Congress.

Not so Barry Goldwater, candidate for President in 1964, now (for the second time) Republican Senator from Arizona.

Sen. Goldwater takes the "chores" of the Senate seriously. He has been attending the ABM debate religiously, takes pride in answering mail from constituents. The volume is heavy. As an ex-candidate for President, he also gets mail from other parts of the United States.

"I have a sort of fetish about keeping my desk clean," he confides. "We get about 500 letters a day, and if they don't get answered, I take them home. My staff has been with me a long time, and they're pretty good about helping me."

Goldwater is deluged with speaking invitations, and he's accepting some.

"I have been trying to raise money to pay for a church in the Grand Canyon Park," he explains—"Shrine of the Ages."

"We found that on Sunday morning in the park the Catholics would take over the lodge lobby, the Protestants would clean out the bar and hold services there, and other denominations would hold services wherever they could. So we're building this church. It's non-denominational and will have several rooms for several churches. I am donating my lecture fees to finish the cost of the church."

On the Senator's wall are photographs of his wife, children and seven grandchildren. There is also an interesting photo of his being sworn in to serve in the present 91st Congress. In the photo, believe it or not, are Sen. Mike Mansfield, Democrat and Hubert Humphrey, another well known Democrat. They are all smiling together. Such is politics and nonpartisanship in the Senate of the United States.

AEC BLASTS

In partial deference to Howard Hughes, chief defender of Nevada, who objects to earth shaking nuclear explosions the Atomic Energy Commission has moved to the Aleutian Islands to set off some whopping one-megaton and two-megaton underground blasts to test the anti-ballistic missile system.

Conditions in outer space will be carefully simulated in these underground tests.

What the AEC is trying to learn is how big a blast it will take to knock down incoming nuclear warheads.

[From the New Orleans Times-Picayune, July 16, 1969]

BOGGS ATTENDS SESSIONS IN NEW YORK—CONFERS WITH OFFICIALS OF MINERAL INDUSTRIES

WASHINGTON.—Rep. Hale Boggs, ranking member of the House Ways and Means Committee, said he spent Monday in a round of New York conferences with representatives of the oil, natural gas, sulphur and petrochemical industries in an effort to "counteract" the "attacks" being made on those industries.

"I am astonished," the New Orleanian said Tuesday, "at the amount of misinformation that is being fed to the American people about the mining and mineral industries of our nation."

Boggs said the whole question of the "extractive industries" is scheduled to come before the House Ways and Means Committee in closed session Thursday and Friday.

WIDE DISCUSSION

There is wide discussion under way across the country involving the 27½ per cent income tax allowance pertaining to the oil industry.

"There are 110 minerals that qualify for the percentage depletion," said Boggs. "If the percentage depletion formula were removed in its entirety, the whole 110 minerals would be affected, and not more than $1 billion would be realized in terms of revenue.

"However, the impact on the economy of the country, and the economy of Louisiana in particular, would be almost catastrophic."

INDUSTRIES PROVIDE

Rep. Boggs said these industries provide about 60 per cent of all of Louisiana's revenues, including nearly all of the revenue earmarked for higher education. He said more than 150,000 Louisianians are employed in the oil, gas, sulphur and petrochemical industries.

He said these industries invest some $5 million, daily in the state, and daily yield more than $1 million in taxes, and fees. Nearly $2 million is invested each day in drilling and equipping oil and gas wells or drilling dry-holes.

"One-fourth of the United States as a whole depends on Louisiana for these things," he said. "One fourth of our national oil needs is provided by Louisiana. The United States also depends upon Louisiana for almost one-third of its natural gas supplies. A substantial part of the natural gas reserves are in offshore Louisiana, which will supply future markets in the East and Midwest."

ADVISED BY FPC

Boggs said the Federal Power Commission advised him in an official letter that if the existing tax formula is drastically changed in light of gas shortages, the price of natural gas for both industrial and residential users must be increased.

Taking cognizance of the opposition to the depletion allowance for income-tax purposes granted for various minerals, Boggs said:

"I am hopeful that as a result of our meeting in New York Monday, an alternate and workable proposal can be presented to and adopted by the Congress in the months ahead."

[From the States-Item, July 15, 1969]

BOGGS, OILMEN MAP FIGHT ON TAX CHANGES

WASHINGTON.—U.S. Rep. Hale Boggs said today he has discussed with representatives of the oil, gas and sulphur industries strategy to fight efforts by some members of Congress to change the federal tax structure in a way that "would severely injure these industries."

Boggs, said the meeting, held in New York City, covered proposals now pending before the House Ways and Means Committee which would reduce depletion allowances, disallow intangible drilling costs and disallow taxes to foreign countries, among other things.

"The oil, gas and sulphur industries and their complementary industries, the petrochemical plants," said Boggs, "provide well over 150,000 jobs in our state; they invest something like $10 million per day, and they provide over half the tax revenues required to operate the state of Louisiana."

He said practically all of the revenues for higher education come from the mineral industries.

"Unfortunately," Boggs continued, "there has been so much adverse publicity about these industries, that there are many members of Congress, most of whom are totally misinformed who are attempting to pass legislation which is not correct in equities, but punishes industries which have made enormous contributions to the development of our country."

Louisiana has most of the proven oil and gas reserves in the country, he said.

United States cities, he stated, are faced with an acute shortage of natural gas.

"I have been informed by the Federal Power Commission that the proposals advocated by some members of Congress to change drastically existing tax laws will result in increased costs to industrial and residential consumers throughout the United States," Boggs said.

[From the New Orlean Times-Picayune, July 20, 1969]

BOGGS EXPECTS CHANGE IN TAX—OPINION ON DEPLETION ALLOWANCE GIVEN

The 27.5 percent oil depletion allowance will be cut, U.S. Rep. Hale Boggs predicted Saturday. He also said, however, that the allowance may not be reduced below 20 percent.

He said opponents of the oil industry "have been proposing a percentage depletion rate of 10 percent, or at the most 15 percent."

Boggs held out hope for independent Louisiana producers, adding that he has proposed that the allowance for percentage depletion—the amount of gross income from a well on which the depletion figure may be claimed—be increased from 50 to 70 percent.

Boggs said, "This will be the greatest help imaginable to independent producers in Louisiana and will more than make up whatever dollar cost will be involved in any reduction in percentage depletion."

PLAN REPORTED

It was reported that Boggs proposed a compromise 22 per cent oil and gas depletion allowance rate in closed-door hearings of the House Ways and Means Committee Friday.

Boggs, ranking Democrat on the committee and a strong defender of the 27.5 per cent depletion rate, would not comment on the report.

The proposal for a compromise on the amount of gross income oil and gas producers can deduct before taxes indicates a willingness on the industry's part to take a relatively modest cut in depletion allowances to salvage intangible drilling costs, also under committee scrutiny.

Some members of the committee insist on a cut to 15 per cent. They balked at Boggs' compromise move. Others asked for more statistical data on possible effects of the cut on oil and gas reserves.

Boggs said the committee is in the process of working out problems confronting mineral industries.

The treasury department has proposed that so-called "intangible drilling costs" be disallowed, that foreign tax credits now available be disallowed and that the depletion allowance be limited only to recoverable cost of a given well instead of being applied to a company's wells as a whole.

Staff figures calculate the depletion allowance is worth $50 million, a percentage point to the petroleum industry.

If all oil and gas depletion were eliminated, it would cost the industry $1.4 billion in revenue annually.

A committee source said the 22 per cent figure does not represent an agreement among members on the fate of the depletion allowance.

The proposed draft language is simply to serve as a vehicle from which the committee will proceed Monday.

[From the Washington Post, July 22, 1969]

DISPUTED TAX BREAK WOULD DROP BY 30 PERCENT—HOUSE UNIT VOTES TO CUT OIL EXEMPTION

(By Frank C. Porter)

The House Ways and Means Committee voted yesterday to cut the oil depletion allowance from 27½ to 20 per cent on domestic production and to eliminate it entirely on foreign output.

The 18-to-7 tally was considered a landmark decision. For years tax reformers in both houses of Congress have sought unsuccessfully either to reduce or repeal outright the depletion allowance.

The issue has achieved particular prominence this year as the most visible and politically controversial symbol in the first comprehensive effort toward tax reform since 1954.

The final motion on rolling back domestic depletion allowances was offered by Rep. Hale Boggs (D-La.), the No. 2 Democrat on the Committee. Louisiana is one of the larger oil producers in the Nation.

Earlier, the Committee had been prepared to vote on reducing oil depletion to 23½ per cent. But Boggs and others were able to persuade a majority of their colleagues that a cut of only four percentage points would be construed as mere tokenism by the voter back home.

Yesterday's decision was the first roll call vote during the intensive executive sessions that Chairman Wilbur D. Mills (D-Ark.) hopes will produce a wide-ranging reform bill before Congress recess Aug. 13. A good part of the package has been tentatively approved through informal agreement.

OTHER MINERALS

The Committee also voted to reduce the depletion allowance—which range downward from the 27½ per cent on oil and gas—by about 27 per cent rounded off to the nearest percentage point. The allowance on coal, for example, would be reduced from 10 to 7 per cent.

Left untouched, however, is the 15 per cent allowance on gold, silver, oil shale, copper and iron ore to encourage domestic exploration.

The allowance works this way. An oil company is permitted to deduct 27½ per cent of its gross income from its net income before computing Federal income taxes. The allowance cannot exceed 50 per cent of net income.

For example, a company grosses $10 million on an oil well and has pre-tax profits of $3 million after expenses. Under the law for most corporations it would pay Federal income taxes of 52 per cent or $1,560,000, leaving an after-tax profit of $1,440,000.

PROFIT INCREASED

The depletion allowance would amount to 25½ per cent of the $10 million gross or $2,750,000. But since it cannot exceed 50 per cent of the $3 million in earnings, only $1.5 million can be deducted. This leaves a taxable net of $1.5 million, income taxes of $780,000 and after-tax profits of $2,220,000.

Later in the day, Boggs issued this statement:

"The oil and gas and other extractive industries are vital to the economy of this country. The marvel (on the moon) that we have just witnessed could not have been possible without the efficiency of the American energy industries.

"For years, however, the oil 27½ has been a matter of continuing divisive national continuing divisive national controversy. I hope that the progressive members of this great industry will accept these reasonable reforms and thus remove the issue as one of national controversy.

"I don't think that I have to establish my credentials as a life-long friend of these industries."

ACCEPTABLE COMPROMISE

Rep. Charles A. Vanik (D-Ohio), a principal supporter of the Boggs motion who led the fight for repeal of the overseas depletion allowance, termed the action on oil taxation yesterday "an acceptable compromise that will pave the way for a substantial package of tax reform."

Committee staffers said that reducing the mineral depletion allowances would raise Federal revenues by $432 million a year, $360 million of which would come from oil and gas. There was no estimate for the revenue effect of ending depletion allowances overseas, but Committee staffers said it would be small.

But Boggs said that with the effect of other reforms, such as tentatively approved curbs on so-called carved-out and ABC production payments, the added revenue should be as much as $1 billion.

In the afternoon the Committee rejected a further proposal for curbing oil industry tax preferences. This would have required companies to amortize the cost of drilling wells in established oil fields over five years rather than deducting them entirely in the first year.

Rep. George Bush (R-Tex.), a former oil company executive and one of the seven who voted against the depletion allowance reduction, said, "This is no time to tamper with legitimate tax incentive." As quoted by United Press International. Bush said this was the advice presented by Interior Department and Federal Power Commission witnesses, who point to serious gas reserve shortages in the United States.

[From the Wall Street Journal, July 22, 1969]

CUT TO 20 PERCENT IN OIL-DEPLETION CREDIT, SLICE IN ITS SCOPE VOTED BY PANEL—OTHER ALLOWANCES ALSO PARED; HOUSE UNIT SAID TO STUDY UTILITY DEPRECIATION SHIFT

(By Fred L. Zimmerman)

WASHINGTON.—The House Ways and Means Committee voted to reduce the 27½% oil-depletion allowance to 20% and to prohibit its use on foreign production.

Varying allowances on other minerals would be scaled down proportionately.

The decision was a major victory for committee liberals, who had protested a staff recommendation last week that the controversial oil allowance be cut only to 23% and that its use on foreign production be permitted to continue.

Their protests prompted several polls on the oil-taxation issue, the first actual votes Ways and Means has taken during the lengthy drafting of its comprehensive tax-reform bill. The vote on final acceptance of the oil package was said to be 18 to 7.

In a later decision on a separate issue, the committee decided to leave untouched the current practice of allowing oil companies to deduct on a current basis their intangible drilling and development costs. The committee had been considering a suggestion that these costs be amortized over several years.

The committee also is understood to be considering a complex proposal for changing the depreciation practices of many regulated utilities, thereby substantially increasing Federal revenue from these companies. A related proposal would curb the issuance, primarily by utilities, of so-called "tax-free dividends" to stockholders.

Meanwhile, the Senate impasse continued over how to handle the Administration's House-passed surtax-extension bill, amid signs that the surtax-scheduling question has become a heated partisan issue.

The bill, which cleared the Senate Finance Committee by one vote last week, would continue the income-tax surcharge at 10% through Dec. 31 and at 5% for the first half of 1970.

Senate Republicans and the Nixon Administration want the extension brought to a quick Senate vote, but Senate Majority Leader Mansfield reiterated his determination to delay that vote until the Ways and Means Committee's big reform bill has passed the House and is ready for a Senate vote immediately after the surtax bill.

Sen. Mansfield, and the Democratic Policy Committee he heads, control the scheduling of legislation on the Senate floor. Members of this group, along with a number of Democratic liberals, favor holding the surtax bill hostage as a way of insuring Administration backing for sweeping tax reform.

THREAT OF FILIBUSTER

Sen. Mansfield said Friday that liberal Democrats might filibuster against any attempt by the Administration to push the surtax bill through the Senate ahead of his timetable. He repeated that he's willing to support an extension of up to three months in payroll withholding rates based on the surtax, while the surtax issue itself is being settled.

The surtax actually expired June 30, the day the House voted 210 to 205 to continue it for a year. Congress earlier had voted to continue payroll withholding rates until July 31. Among other provisions, the surtax bill would repeal the tax credit of up to 7% for equipment purchases, retroactive to April 18.

Sen. Mansfield's scheduling decision, if it holds, will delay a vote on the surtax bill until at least September. The Senate probably will be working on the measure involving deployment of the antiballistic missile system until time for the Congressional recess that begins Aug. 13 and ends Sept. 3.

The tax-reform bill for which Sen. Mansfield has said he's going to wait is being rushed to completion by the Ways and Means Committee on the other side of the Capitol. While much of Congress took yesterday off, the committee met in closed session nearly all day to resolve several controversial questions of oil taxation.

A committee source estimated that the proposed changes in the depletion allowances would increase annual Federal revenue by about $400 million, mostly from the oil and gas industry. That industry's Federal tax bill would rise another $200 million a year through the committee's earlier decision to treat so-called "mineral production payments," a special financing method of the oil and gas industry, as loans for tax purposes.

The oil-depletion allowance permits the owner of an oil well to deduct each year from his taxable income 27½% of the gross value of the oil the well produced, up to half the net income from the well. The allowance is figured without respect to the amount invested in the well.

The committee's decision, although still short of the cut to 15% that's favored by many Congressional liberals, is certain to be one of the hottest features of the reform bill when it reaches the Senate. Sen. Long (D., La.), is perhaps the oil industry's most powerful defender from his position as chairman of the Senate Finance Committee. He's known to oppose any cut at all in the depletion allowance, which has become a symbol of tax loopholes to liberals.

Treasury officials who attended yesterday's closed session were said to have been fairly silent on the Administration's attitude toward an oil-depletion cut, although President Nixon recently reiterated a campaign statement that he opposes reducing the allowance. But one of the seven committee members who is understood to have voted against the reduction was Rep. Morton of Maryland, chairman of the Republican National Committee.

Rep. Vanik (D. Ohio), a leader of the reform movement within the committee, said the vote to cut the depletion allowance "saved the tax reform bill. No one would have accepted it if we hadn't done something meaningful about oil depletion."

UTILITIES' DEPRECIATION

The Ways and Means Committee's deliberations on the question of utilities' depreciation center on a 10-page confidential report prepared for the committee by the staff of the Joint Committee on Internal Revenue Taxation, a group of Congressional tax experts.

Ways and Means discussed the subject last week and is expected to return to it this morning, with some changes in current practices likely to be part of the reform bill

Chairman Mill (D., Ark.) has promised will be passed by the House by the Aug. 13 recess.

The problem Ways and Means is trying to resolve arises from the fact that although many regulated utilities depreciate their property for tax purposes on a straight-line basis, about half of the regulatory agencies require utilities that use accelerated depreciation to pass on to customers the resulting reduction in Federal income taxes.

Some agencies insist that utilities they regulate use accelerated depreciation for tax purposes. In cases where the utilities don't, some agencies treat the companies, for rate-making purposes, as if they did so. The result is that taxes are less.

The Joint Committee staff has told Ways and Means that unless Congress takes action it's likely that accelerated depreciation and the "flow-through" of resulting rate reductions to customers will become nearly universal among regulated utilities. This development would reduce Federal revenue by about $1.5 billion annually, the staff estimates.

The group's report to Ways and Means discusses several alternatives for dealing with the problem, but it appears to favor a recommendation that regulated utilities be prohibited from depreciating for Federal tax purposes, on a faster basis than the straight-line method. That is unless the Federal income tax reductions are "normalized" for rate-making purposes.

This "normalization" procedure involves computing the greater Federal income tax liability that would have been incurred if the utility had used straight-line depreciation, including these additional taxes in current expenses, and then adding the total to a reserve for future tax expense.

The customer's costs then are the same as they would be under straight-line depreciation and the utility has access to cash that could be used for capital investment, current expenses, or for any other purpose in the same way funds generated by a depreciation reserve may be used.

Even under this method, a regulatory agency could exclude the future-tax reserve from the base on which it computes rates, thus giving the customer the benefit of its use without providing the utility with a return on this amount. The staff group noted that this "normalization" method seems to me to be preferred by the accounting profession as the procedure that "more accurately reflects income."

The staff group suggested that if the committee adopts the recommendation to require straight-line depreciation, unless normalization is permitted, a utility should be given perhaps three months after enactment to choose whether to apply the new rule to its operations or to continue, presumably because of price competition, to pass on to customers in the form of lower rates the tax reductions that result from accelerated depreciation.

For a particular piece of new or existing property, the staff also suggested that a regulated utility shouldn't be allowed to change to a faster depreciation method than whatever one is being applied to the piece of property.

The staff group also proposed a way of reducing the issuance of so-called "tax-free dividends," particularly by utilities using accelerated depreciation.

In determining how much of a utility's dividends are subject to Federal taxation, the fact that the utility's earnings are reduced by depreciation has to be taken into account. If the dividend is paid from that amount set aside for depreciation it is tax-free.

The group said that "the opportunity for such manipulations could be substantially reduced" by requiring companies to compute earnings on the basis of straight-line depreciation even though another depreciation method is used in computing Federal taxes.

[From the New Orleans States-Item, July 21, 1969]

VOTE IS VICTORY FOR LOUISIANA OIL—BOGGS

WASHINGTON.—Rep. Hale Boggs of New Orleans said today the new oil and gas tax changes approved by the Ways and Means Committee are a "significant victory" for the Louisiana petroleum industry.

He said that by accepting a cut of 7.5 percentage points in the oil and gas depletion allowance, the industry supporters on the committee were able to stave off a series of much more injurious tax amendments.

Boggs, ranking Democrat on the committee, said the reduction of the depletion allowance from 27.5 to 20 per cent was approved by a vote of 18–7.

He indicated the vote should end the decades-old fight waged by critics who claimed the allowance rate was too high and enabled some oil companies to avoid most or all federal income tax.

Boggs said the industry's opponents on the committee prepared a package of tax amendments "that would have wrecked the oil and gas industry in Louisiana."

The changes included cutting the allowance for intangible drilling costs, changes in the way the depletion allowance is allowed, denial of depletion allowances to land owners, denying tax credit to major companies for taxes already paid abroad and a cut in the depletion allowance rate to 10 percent.

Boggs said every one of these was rejected in return for agreement on the 20 per cent rate in the depletion allowance.

The depletion allowance, which applies at varying rates to all minerals, is deducted from gross income up to 50 per cent of the net income to determine taxable income.

Boggs said, "Some people in politics don't want to win—they just want an issue" referring to those who proposed the package.

He said these politicians have been using the petroleum industry as a whipping boy and most recently attempted to block passage of the income surtax extension by insisting on a depletion allowance amendment.

With today's action, Boggs said, "the oil industry changes its image to what it should be—the most important source of energy in the country."

The oil tax amendments are part of a wide-ranging tax reform bill being prepared by the Ways and Means Committee, which hopes to finish action within a month.

A strong move is also under way in the Senate to use the pending surtax extension bill as a vehicle for tax amendments, including a depletion allowance cut.

[From the Washington Post, July 25, 1969]

THE SYMBOL OF TAX REFORM

Rightly or wrongly, the 27½ per cent depletion allowance long enjoyed by the oil industry stands as the foremost symbol of tax inequity. Reformers have been tilting at the oil depletion allowance ever since it was written into the law in 1926. The House Ways and Means Committee had to move resolutely against this special privilege in order to convince other legislators in Congress and the public that its tax reform bill is worthy of the name.

It is highly significant that Rep. Hale Boggs offered the motion in the Committee to cut the oil depletion allowance from 27½ to 20 per cent. His state of Louisiana is one of the large oil producers, but he had doubtless come to realize that something had to give. Whether or not he was seeking to fend off a more severe cut, we think he has properly read the current public demand for closing, or at least narrowing, the most flagrant leaks in our tax structure.

Spokesmen for the oil industry insist that the depletion allowance has a legitimate and constructive purpose. By allowing the oil companies to escape the payment of taxes on 27½ per cent of their gross revenue from the sale of oil and gas at the well (if the allowance does not exceed 50 percent of net income), Congress intended to encourage the companies to reinvest these sums in other oil and gas producing ventures. By this means, it was assumed, a healthy domestic oil industry could be assured in the interests of national security. But the result has been a rather gross distortion of tax obligations. The National Committee on Tax Justice reports that the oil industry paid only 13 per cent of its profits in Federal taxes in the year ending last September compared to 45 per cent for other manufacturing industries.

Probably there is no way of proving that the depletion allowance is related to national security, or that it is not. The prevailing view is that the relationship, if any, has become a very slender thread and that the special privileges granted oil and various other extractive industries must be critically reappraised. The major question is whether the cuts approved by the Ways and Means Committee go deep enough.

We think the Committee was well advised, however, to call for a substantial reduction instead of complete elimination of the allowance at this time. Complete reversal of a policy in effect for more than 40 years might cause serious disruption in the industry. It is better to go a step at a time and see what the consequences are. The Senate may decide on a deeper cut, but it is not necessary to sweep away the controversial depreciation allowances to achieve meaningful reform. The important thing is to make the bill now taking shape a demonstrable pursuit of equity, without sparing any sacred cows.

[From the New York Times, July 24, 1969]

CLOSING THE DEPLETION LOOPHOLE

The House Ways and Means Committee took a significant step toward meaningful tax reform when it voted to reduce the oil and gas depletion allowances from 27.5 to 20 per cent. Proportional reductions would also be made in the allowances for other minerals, which now range from 5 to 23 per cent.

If adopted by the Congress, those recommendations would add about $400 million to tax revenues. But that figure grossly understates the importance of the reform, both as a symbolic attack on the citadel of tax privilege and as a means of ensuring a more efficient allocation of economic resources.

The petroleum industry has long defended on two grounds the depletion allowances and the companion privilege of writing off drilling costs as a current business expense rather than treating them, for tax purposes, as investments. One argument relates to the risks of oil exploration; the other rests on the national defense need for maintaining proved domestic reserves of oil through continuous exploration.

A spokesman for the petroleum industry pointed out in a recent discussion of the oil and gas depletion allowances that of "50 new field wildcat wells drilled . . . only about one well is likely to turn out to be a profitable producer." Assuming that statement to be accurate, it does not follow that the oil and gas exploration is so much riskier than other business ventures as to justify special tax treatment. The reasoning about risk is circular because much of the wildcat drilling would never be attempted in the absence of the tax shelters.

The more important question concerns the national defense. First, it should be pointed out that the link—essential to the industry's case—between the depletion allowance and the growth of proved oil reserves has never been convincingly demonstrated. Second, it is doubtful whether the growth of oil reserves within the continental boundaries of the United States is really essential to the national defense.

In a nuclear conflict that engulfed the major centers of population, the adequacy

of oil reserves would not be preeminent on the list of priorities. In limited, non-nuclear wars, such as those that have occurred in the Middle East, the flow of petroleum may for a time be disrupted. But the dangers on that score are being diminished by the new strikes in Canada and Alaska as well as the very large reserves in Latin America, Indonesia and Australia.

The economic fact of the matter is that there is a superabundance of low-cost oil outside the United States. Its flow, to be sure, can be interrupted. But it is highly unlikely that all of the sources of supply would be dried up at the same time. It follows that the American public is shouldering an unnecessarily costly burden by subsidizing the oil industry, not only by special tax treatment, but also through the imposition of import quotas and cartel restrictions on domestic production. As a result, prices to consumers are higher, tax revenues are lower and—because of the tax shelter—capital flows into domestic exploration that would yield higher returns invested elsewhere.

The proposed reduction in the mineral depletion allowances will provide a crucial test of whether Congress is willing to vote for a fairer tax system. A failure to adopt the recommendation of the overwhelming majority of the Ways and Means Committee can only lead to the further erosion of public confidence in the democratic process.

[From the Washington Post, Aug. 3, 1969]

ADMINISTRATION TO SEEK TIGHTENING OF MINERAL INDUSTRY TAX LOOPHOLES

(By Murray Seeger)

The administration will accept higher depletion allowances but seek to tighten other loopholes when it sends Congress its official position on taxing the oil, gas and hard minerals industry.

This position is taking shape, according to Treasury Department sources, for submission to the Senate Finance Committee next month.

Meantime, the House is expected to lower Thursday the oil depletion allowance from 27½ per cent, where it was set in 1926, to 20 per cent.

Other mineral depletion figures would be decreased by the same proportionate amounts except for iron, coal, copper, silver and oil shale which would remain at 15 percent.

The administration's proposals would be more generous to the minerals industry than the reform legislation as it now reads.

Since the House is expected to pass the reform legislation unchanged from the House Ways and Means Committee's draft, the administration plans to make its case in the Senate.

There the Finance Committee under its chairman, Sen. Russell Long (D-La.), is expected to vote to push the depletion percentages back to current levels.

The administration is not expected to fight this move but will try to balance it by insisting that the minimum tax plan in the reform bill be expanded to apply to the excess income individuals get from oil depletion and expense allowances.

This privileged form of income was deleted from the minimum tax plan by a surprise vote of the Ways and Means Committee.

In addition, the administration will seek to change the expense write-off section which now allows 100 per cent tax deductions for the cost of finding and developing new wells.

The Treasury will suggest that "development wells," those drilled into known pools, be paid for over 10 years standard depreciation. "Exploratory wells," those drilled in the search for new supplies, would continue to get the generous one-year write off.

In this way, the Treasury experts feel the government's tax policy would encourage exploration for new oil sources while cutting down on excessive tax subsidies for the industry.

[From the New York Times, Aug. 6, 1969]

TREASURY ASKS BIG RISE IN TAXES ON OIL INDUSTRY

WASHINGTON, August 5.—A plan that would substantially increase the taxes paid by the oil industry has been worked out by the Treasury Department. However, it is not clear whether the White House will approve the proposal.

The Treasury's objective, Assistant Secretary Edwin S. Cohen said, is to make certain the nation "gets its money's worth" from the favored tax treatment accorded the oil industry.

Thus, the plan would not eliminate outright the preferential treatment given the oil industry under the tax laws. Rather, it would require the industry to use its tax savings in the national interest—specifically, to discover new reserves of oil and perhaps other minerals.

ALLOWANCE DEFENDED

The industry has always defended the 27½ per cent depletion allowance and its other favorable tax treatment as necessary incentives for the discovery of new oil deposits that the nation would need, particularly in time of war.

The industry objected vigorously to the Treasury's plan when it was submitted to the House Ways and Means Committee during the closed sessions in which the committee was writing its tax reform bill.

The committee's discussion of the plan reportedly consumed only a few minutes. The proposal was never seriously considered.

Now, however, the Treasury wants to make a real appeal for changing the tax rules that apply to the oil industry at the public hearings on tax reform that the Senate Finance Committee plans to start shortly after Labor Day.

To do this, the Treasury will have to receive White House approval for its plan, or a special dispensation to submit public testimony without White House approval.

Richard M. Nixon promised during the Presidential campaign that he would not permit any reduction in the depletion allowance, and the Treasury's proposal would not do so.

The Ways and Means Committee's tax reform bill does involve a cut in the depletion allowance—to 20 percent.

The Treasury's plan, while leaving the allowance untouched, would impose more new taxes on the oil industry than the committee's bill, however.

The committee has estimated that the reduction in the depletion allowance would increase the industry's taxes by $360-million annually, although the figure has been disputed as too high.

The Treasury's plan would increase the industry's taxes by at least $500 million, Treasury experts believe.

In addition to proposing that the tax savings from the depletion allowance be used for the exploration of new oil fields or the development of natural resources other than oil, the Treasury wants to restrict the other major tax advantage enjoyed by the oil industry—its ability to write off, in just one year, most of its costs of drilling oil wells. Such costs are regarded as capital costs in other industries and must be written off gradually, over the lifetime of the productive assets.

The Treasury is willing to permit continued immediate deductions in cases where real exploration for new oil fields is involved. But where the drilling amounts only to the sinking of new wells in a proved field, the Treasury would require long-term capitalization of the costs.

In its attempt to persuade the oil industry not to fight its plan, the Treasury offered what one official described as "an overly generous" distinction between exploration and development costs. But the industry, apparently sure it had the support to defeat the Treasury in Ways and Means Committee, rejected the whole idea.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may extend their remarks at this point in the RECORD.

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

There was no objection.

Mr. BOLAND. Mr. Chairman, I rise in support of this bill—a bill that, although far from the ideal one I envisioned when the Ways and Means Committee opened hearings this year, would put a measure of equity into this country's income tax code.

A package of major tax reform legislation has finally come before us. Administration officials and congressional leaders have been talking about tax reform for years, citing the gaping loopholes that allow the wealthy and the privileged to escape their just share of taxation. They have talked about the plight of the average taxpayer, faced with taxes that steadily move upward year by year at the same dreary and disheartening pace. They have talked about the poor, forced to contribute a significant share of their yearly incomes to the Federal Government. They have talked about certain giant corporations and individual entrepreneurs, sheltered against virtually any kind of taxation by laws that appear hand tailored for their benefit.

The idle talk at last has ended. The debating and dithering over tax reform has run its course. We in the Congress now have an opportunity to act.

The Ways and Means Committee, chaired by the able and distinguished Mr. MILLS, has reported out legislation that seeks genuinely meaningful reforms. The bill would plug up scores of loopholes and clear away still further scores of special tax subsidies—loopholes and subsidies that drain billions of dollars from the Federal Treasury each year. The 27½ percent oil depletion allowance—one of the most celebrated loopholes enjoyed by private industry, and one of the loopholes I have been trying to close for years—would be trimmed back to a far more reasonable 20 percent. The alarming tax benefits lavished on multiple corporations would be tightly restricted. The huge tax windfalls that stem from corporate mergers would be substantially eliminated. And, as just one further example out of literally hundreds I could cite here, firm limits would be put on the depreciation deductions granted to owners of nonhousing real estate. This last reform by itself is expected to yield $1 billion in new tax revenue by the time it becomes fully effective.

The bill, however, contains little that would seem startling or dramatic to the average taxpayer. It does seek small tax reductions—relatively trivial ones—for taxpayers in the middle-income brackets. It does call for a 50-percent increase in the standard deduction that most people use to compute their tax. It does propose fairer treatment for poor people, for single people, for widows and widowers

bringing up children. But it contains nothing that would inspire the average taxpayer to rub his hands in gleeful anticipation of next April 15.

The bill's chief benefit for the middle-income taxpayer is its goal of eliminating special tax privileges—privileges that certain businesses and industries have maintained for decades through political muscle and Washington lobbying. The bill would recover the billions of dollars in taxes that these institutions now elude. This means, of course, that the country's average taxpayers would no longer have to make up for this revenue drain in their own tax returns.

I am something less than ecstatic about this bill. It is highly disappointing in some respects—especially in its lack of deductions for families sending children to college, in its failure to increase the personal exemption, in its unfair approach to private philanthropic foundations, in its request for a full year extension of the surtax instead of a 6-month extension.

But it is essentially a good bill—the first effort at major tax reform since the income tax was enacted more than a half century ago.

It will eventually mean significant savings in dollars and cents for the average taxpayer.

I urge its passage.

Mr. ROGERS of Florida. Mr. Chairman, as one who not only strongly favors meaningful tax reform, but also all due speed in securing passage of a good reform bill, I find the situation facing the House today most difficult.

The House Ways and Means Committee, and its most able chairman, have worked long and hard to get this bill to the House. Yet it is some 368 pages long. The report explaining the bill is an additional 226 pages, and now we have been handed a supplemental report by the committee of another 148 pages.

The Rules Committee has approved only 6 hours of debate, and has closed off all amendments. And the bill and reports, which together total some 742 pages of highly technical language, have only been in our hands a few days.

Haste on the part of the House today might be regretted in the weeks ahead. The Senate leadership has already indicated they will not bring the reform bill up prior to October, so the rush in the House is not only unnecessary, it is not going to accomplish swift enactment of the legislation.

I believe the Members of this House should have time not only to study each and every provision of this bill, but to have sufficient time to hear from constituents at home as they, too, have time to digest the contents of this proposal.

If we are not to have this additional time, then at least we should have the opportunity to have the bill open for amendment by the House. From the brief review I have made of the bill and reports today, I find myself in basic agreement with many of its provisions, but I am sure that the debate will open additional questions and propose additional relief, as well as discuss particular hardships resulting from some of the changes which might well require amendments. The House should be permitted to work its will on any specific section by the amendment process, rather than being placed in the position of having to approve or reject the entire package.

I can see the wisdom in the "closed rule" procedure on less complicated tax questions, but in a bill which seeks a major change not only in tax rates but in the whole area of tax law, we should not be placed in a position of having to vote for a bill which we might favor in most part, but object to in part, or have to vote against a bill which we feel is basically good but has areas of ommission, when these matters could be worked out by the amendment process.

I intend to vote against the closed rule for these reasons, and hope that the House will be able to consider whatever amendments seem necessary as debate on the bill develops all the facts.

Mr. UDALL. Mr. Chairman, during my years of service on the House Post Office and Civil Service Committee, every time we have had a rate hearing, the question of postage rates of tax exempt publications and their tax exempt status has come up. Invariably, one of the arguments advanced to us for maintaining very low rates for a large number of tax exempt organizations was the fact that the Internal Revenue Service exempted them from paying a tax. Yet they had large advertising content. The postal deficit in this one area alone has been over $100 million a year.

The Post Office Committee faced up to this problem by gradually raising the postage rate on the advertising content to about what taxpaying publications pay. But tax-exempt publications still pay a fraction of what taxpaying publications pay in postage for their editorial content.

Now, I do not see any difference between an advertisement which appears in National Geographic or Holiday. They are both for the purpose of making money and they should both pay a tax, just as the advertisement which runs in National Geographic should pay the same postage as the advertisement which runs in Holiday.

I am puzzled, therefore, by a sentence on page 50 of the report relating to the taxation of advertising profits of tax exempt organizations. I refer specifically to the sentence which reads:

> Where an organization publishes more than one magazine, periodical, etc., the organization may treat any of these on a consolidated basis in determining its unrelated trade or business income so long as each such periodical, etc., is "carried on for the production of income."

The next paragraph on page 50 calls upon the Secretary or his delegate to prescribe regulations respecting the allocation of income and expenses, and so forth, "to prevent avoidance of unrelated business income tax liability."

It strikes me that these are diametrically opposed concepts. If anything, the report language opens up more of a loophole than the language in the bill was intended to close. The trouble with the language I have read is that tax exempt organizations with multiple publications will arrange things so they will not have to pay any tax. Because they can charge off all kinds of activities including pamphlets, newsletters, membership solicitation letters, and so forth, against the profits of one magaine, they can claim that all of these were for other publications or activities for the production of income. The tax-exempt organization which will have to pay the tax is the smaller organization which has only one publication. But I rather expect that the small ones will follow the lead of larger organizations and arrange to use some device which will siphon off the tax.

It seems to me that the sentence I have quoted above is an open invitation to tax avoidance. I feel certain the committee did not intend this because that is not what the language on page 93 of the bill says. I am therefore hopeful that before the other body completes its consideration of this bill, that all the rest of the language, including the directive to the Secretary to prevent tax avoidance, will govern.

I want to take this opportunity to commend the Ways and Means Committee for the action it took in applying the unrelated business tax to the advertising profits of tax exempt organizations, and for also stating as follows on page 50, of the report:

> Because of the ensuing controversy over this problem your committee has decided to deal with this by legislation. In general, it is in agreement with the purpose of the regulations. Your committee believes that an entity competing with tax paying organizations should not be granted an unfair advantage by operating tax free, unless the business contributes importantly to the exempt function. It has concluded that by this standard, advertising in a journal published by an exempt organization is not related to the organization's exempt functions. And therefore it believes this income should be taxed.

The foregoing language will be rendered meaningless unless each publication of a tax-exempt organization is considered separately.

Mr. EILBERG. Mr. Chairman, I rise today to give my support to the promise of H.R. 13270 that at long last the Congress is moving toward a recognition that there must be tax justice in the United States. Every day without fail when I read my mail, I find that 50 percent of these letters are entreaties that I exert every effort to achieve tax reform. I am pleased with the action that the committee has taken in closing some of the more glaring loopholes in the tax system. However, I feel obliged to note two substantial weaknesses in the committee bill.

First, while the committee has acted to increase tax revenues by some $1 billion by closing tax loopholes which the wealthy have utilized to escape paying their fair share, they have at the same time acted to reduce the income tax burden on this same group by 5 percent. What this means is that, despite the action of the committee in closing tax loopholes, the real tax gain to the Federal Government will only be $300 million because of the rate cut. I would have much rather seen the committee cut the income tax rates of only the middle-income taxpayer and thus assure that the closing of these tax loopholes would yield the additional revenue the committee advertised.

Second, I am dismayed that there will be no opportunity to vote on continuation of the tax surcharge on its own merits. In a bill as complex as this one, it is my opinion that the only reasonable approach is to separate the matter of the tax surcharge from tax reform. There are many of us who supported the enactment of the tax surcharge last year because we believed that it was an economic tool which was necessary in the effort to fight the tight money situation, keep down interest rates, and stop the spiraling cost of living. The results of the past 12 months have shown us beyond any shadow of a doubt that the surcharge has not helped stem the tide of inflation.

In view of the fact that the extension of the tax surcharge initially was passed by this body by only five votes, because so many of us wanted tax reform to replace this regressive tax as a revenue source, I can see no reason for lumping the surcharge and tax reform together. Obviously, if those of us who felt the tax surcharge was unnecessary and that tax reforms should be the place for the needed additional revenue to come were sincere, we are amazed that the committee has ignored this fact in its request for a closed rule on H.R. 13270.

Mr. Chairman, I ask that you consider the irony of the fact that the major portion of the legislation we are now considering is designed to be the first small step toward tax justice since the first income tax law was passed in 1861 placing 3-percent income tax on all income over $800. Incidently, we celebrated the 109th anniversary of this first income tax law August 5. At the same time, included in this legislation is the extension of the surcharge. The surcharge has the same faults as our income tax laws and still will until we in the Congress can completely overhaul them and bring about tax justice. The very rich still do not pay their fair share of the surcharge and the middle-income taxpayer pays too much.

While I oppose the surtax, I am also a realist. I know that the loophole closing provisions of H.R. 13270 are necessary. However, I also know that there is no good reason why the tax rates for the very wealthy should be reduced and there is no good reason why the surcharge has to be packaged together with these tax reform proposals on a take it or leave it basis. However, because I feel it is so important to get the tax reform ball rolling full force, I will vote for this bill. Hopefully this bill, which is only a small first step toward tax justice, will provide new hope to law-abiding taxpaying Americans that tax justice is indeed possible in the foreseeable future.

The paychecks of the people in my district will be increased by the action we take here today, Mr. Chairman. These checks will be increased further when we are rid of this regressive surtax. It is my hope that the 91st Congress will be remembered for its successes in achieving tax justice. H.R. 13270 is a very small step toward that goal but a step which I encourage my colleagues to take with me.

Mr. PATMAN. Mr. Chairman, I am quite concerned about the provisions in this bill substantially increasing the taxation of savings and loan associations. The previous administration, the present administration, prior Congresses, and the current Congress have expended much energy on a commitment to provide decent housing for our people. While the needs are mushrooming each year, attempts to meet them are failing. Housing starts are expected to drop to one million this year, far short of the average 2.6 million needed each year for the next 10 years.

Everyone familiar with the matter knows that the single major source of funds for one to four family housing units is the savings and loan association. These associations are now struggling to keep their heads above water in providing housing and money and, I for one, do not want to see them plunged under.

The committee report shows that savings and loan associations have been paying taxes at a rate anticipated by Congress; that, indeed, it is necessary to preserve the inducement for them to continue investing in real estate mortgages.

I strongly hope that before this bill is enacted into law, careful consideration of the role savings and loan associations play in meeting our housing needs and the necessity for preserving their ability to do so will result in reducing the impact on the savings and loan business.

FOUNDATIONS

Mr. Chairman, foundations can well afford to pay a 20-percent tax on their net investment income. This would produce for the Treasury approximately $200 million annually instead of the $65 million annually resulting from a 7½-percent tax.

I should also like to call to the attention of the Members the fact that the Internal Revenue Service publishes very little information on foundations. They should be directed to summarize and analyze information which is reported to the Service by foundations. This would have great public value. For example, at present, there is no accurate, up-to-date information available which provides an insight into the variety of foundations that exists in this country, such as:

Foundations that are closely and exclusively related to one operating organization.

Foundations that primarily produce services in exchange for grants or contract purposes.

Fundraising foundations.

Contract research foundations.

Community foundations.

Company-sponsored foundations.

Family foundations.

The Internal Revenue Service should adopt a plan for the classification of foundations as one of the first steps in making new policy for foundations. This plan should be based on the relevant differences in purposes, organization, and operation. In other words, foundations should be separated from the other tax-exempt organizations of charitable, educational, religious, literary, and scientific character with which they are presently classed for tax treatment, and there should be appropriate differentiation of treatment of the various types of foundations. For example, the private, family-type foundations require a different set of rules than the contract research foundations, which receive the greater part of their income in exchange for services rendered—in competition with taxpaying research entities. Also, fundraising foundations, which solicit gifts from the public, need still different rules.

Mr. Chairman, for a number of years the Subcommittee on Foundations of the House Select Committee on Small Business, of which I am chairman, has been conducting a review of the activities of privately controlled, tax-exempt foundations. A number of hearings have been held and seven reports have been issued which have disclosed a number of abuses of the tax-exempt privilege by such organizations.

When the Committee on Ways and Means began its hearings on Tuesday, February 18, 1969, it was my privilege to appear before that committee as its first witness to discuss the importance of tax reforms related to privately controlled, tax-exempt foundations.

At that time, I introduced a bill, H.R. 7053, which had three features, each of which were directed at shortcomings discovered during the continuing study which had been conducted by the Subcommittee on Foundations. Briefly, these three features would have required every such organization to pay a tax in the amount of 20 percent of its gross income including capital gains. Contributions, gifts, grants received would have been excluded from this tax. Second, it would have restricted ownership of the outstanding shares of any stock of a corporation to not more than 3 percent and would have limited interest in the capital or profits of a partnership to a similar percentage. Third, the net income of every privately controlled, tax-exempt foundation would have to be disbursed annually for the purposes for which it was organized.

This bill was not a vindictive measure, rather, by encouraging foundations to their original purpose of philanthropy, it was believed that they could carry on the good work for which they were organized, which a large number of foundations have been doing in the highest and best public interest.

H.R. 13270, the result of prodigious efforts by the distinguished members of the Ways and Means Committee included provisions covered in H.R. 7053, the bill which I had introduced on February 18, 1969, but their recommendations varied from those included in my bill.

In reviewing that portion of H.R. 13270 applicable to private foundations, I prepared a brief summary of the recommendations and I would like to include this summary in the RECORD:

SUMMARY OF H.R. 13270 RELATING TO PRIVATE FOUNDATIONS AND TAX-EXEMPT ORGANIZATIONS GENERALLY

GENERAL

Private foundations

a. Permissible activities are substantially tightened to prevent self-dealing between foundations and their substantial contributors;

b. Requires distribution of income for charitable purposes;

c. Limits holding of private business;

d. Assures that activities are restricted as provided by the exemption provisions of the tax laws;

e. Assures that investments are not jeopardized by financial speculation;

f. Taxes investment income at 7½ percent.

Tax-exempt organizations generally

a. Their activities are limited so that they cannot participate in debt financed programs;

b. Extends unrelated business income tax to almost all tax-exempt foundations including churches after 1975;

c. Extends regular corporate tax to investment income of tax-exempt organizations, primarily established for member benefits—such as social clubs, fraternal beneficiary societies and so forth.

SPECIFICS ON PRIVATE FOUNDATIONS

1. Tax on investment income: The Bill imposes a 7½ percent tax on net investment income defined as including interest, dividends, rents and royalties and net capital gain, less expenses incurred in earning such income.

Comment: A question arises as to whether net income from operating a related business is subject to the tax. It is believed legislative history should be developed to clarify this. H.R. 7053 had recommended a 20 percent tax on gross income.

2. Prohibitions on self-dealing: The Bill's provisions are very tightly drawn. Self-dealing standards have been expanded to include government officials as a party to such deals, establishes three graduated levels of sanctions against the self-dealers as well as the foundation manager who willfully engages in them and results finally in taxing all items excluded since 1913. Foundations charters are to be revised to include as a condition of tax-exemption that the foundations be prohibited from self-dealing.

Comment: The Bill is very tightly and effectively drawn and should go a long way towards its eliminating this abuse.

3. Distribution of income: The Bill provides that to avoid tax, private foundations must distribute all income currently, defined as in the year received or in the next year (but not less than 5 percent of investment assets) and to allow for a carry-forward of "excess" distributions. It imposes graduated sanctions on the failure to distribute.

Comment: Distributable net income excludes net-long-term-capital gains. Assets used directly for the foundations' exempt purposes are excluded for determining the 5-percent base. "Private Operating Foundations" a new term, are not subject to these distribution requirements. The Bill as drawn should assure the distribution of income on a current basis.

4. Stock ownership limitation: The Bill limits to 20 percent the combined ownership of corporate voting stock which may be held by a foundation and all disqualified persons. If, however, it can be shown that someone else has control of the business, the 20 percent limit may be raised to 35 percent. Existing excess holdings must be disposed of in 10 years; future excess holdings acquired by gift or bequest in five years. The same general rule applies to partnerships and sole proprietorships.

Certain sanctions starting with a 5 percent tax each year on excess holdings are provided for.

Comment: Except for the 20 percent to 35 percent rule as compared to the 3 percent which H.R. 7053 recommended, there is no comment.

5. Limitation on assets: Present law provides that a private foundation loses its exemption if its accumulated income is invested in such a manner as to jeopardize carrying out its exemption purposes. No such limitation applies to investment of assets.

A 100 percent tax is imposed on the foundation and 50 percent on the foundation manager who knowingly so invests the assets. The tax could be avoided where State Attorneys General take certain actions. Penalty is similar to self-dealing to cover repeated or flagrant violations.

Comment: Good provision.

6. Other limitations: The Bill provides that foundations are forbidden from spending money for lobbying, electioneering (including voter registration), grants to individuals (unless there are assurances that the grants are made on an objective basis), grants to other organizations (unless the foundation is responsible for the use of such funds (by the donee)) or for any other non-exempt purpose. Any improper expenditure is subject to tax. There are certain provisions which do not apply where such activity is supported by five or more foundations and carried on by non-partisan exempt organizations active in at least five states.

Comment: The Bill should effectively limit such activities. Penalties for repeated or flagrant violations, sanctions, and court review are the same as those for self-dealing.

7. Disclosure and publicity requirements: The bill provides that every organization exempt under Section 501(a), whether or not it is a private foundation, is required to file an annual information return except when the Secretary of the Treasury determines this to be unnecessary for efficient tax administration. Additional information is to be shown on the return and provision is made to furnish information to State officials. Failure to file will result in a sanction of $10 a day up to a maximum of $5,000.

No comment.

8. Change of Status: The Bill provides that new exempt organizations must notify the Internal Revenue Service that they claim 501(c)(3) tax-exempt status. This is not required under present law. They also must notify IRS if they claim to be other than private foundations. These requirements do not apply to churches, schools and other specific classes of organizations. Sanctions with respect to changing its status from private to other than private may involve repayment of all tax benefits received. Abatement of the tax is allowable under certain circumstances (i.e.) distribution of its assets to other non-private exempt organizations. Certain other provisions are included which will assist state officials in enforcing the law.

Comment: It is believed, that this will close the presently existing loopholes in filing for and continuing tax-exempt status.

9. Changes in definitions: The definition establishes for the first time a definition of "Private Foundations".

Comment: Desirable.

10. Private operating foundation definition: The Bill defines for the first time a "Private Operating Foundation". These organizations are eligible to receive distributions from other private foundations but are otherwise subject to the limitation imposed upon private organizations.

Comment: This appears to be a desirable feature.

11. Hospitals: The Bill eliminates some of the present ambiguity with respect to hospitals. It provides that hospitals are to be organized and operated exclusively for providing of hospital care and are not included in the term private foundations.

No comment.

Mr. Chairman, it is recognized that because it is a summary, it does not include the thoughtful deliberations on which the committee made its final judgment. Further, there have been a number of recommendations made in the reports published over the years, which have not been considered in H.R. 13270. I believe that these recommendations are still valid and should be given serious consideration when further legislation concerning privately controlled, tax-exempt foundations is contemplated. They are noted in the following list:

Previous recommendations for the regulation and control of privately controlled tax-exempt foundations which are not covered in H.R. 13270

1. Limitation on life of foundations, and/or officers directors and trustees

2. Restricting commercial lending and borrowing.

3. Restricting benefits to a controlled company's employees.

4. Prohibiting solicitation or acceptance of contributions from suppliers.

5. Limiting speculative or trading activity in securities.

6. Denying exemption if foundation formed for tax avoidance or for financial benefit for the contributors.

7. Requiring foundations to publish annual reports available to the public.

8. Requiring the publication annually of a national register of all foundations.

9. Make available for public inspection all matters relating to granting, denial, revocation of tax exemption.

10. Expenditures for television, radio and other news media advertising.

My testimony before the House Ways and Means Committee on February 18, 1969, I believe is important to the deliberations of this body on H.R. 13270. I would like to have it inserted in the RECORD at this point:

STATEMENT OF HON. WRIGHT PATMAN, DEMOCRAT OF TEXAS, CHAIRMAN, SUBCOMMITTEE ON FOUNDATIONS, SELECT COMMITTEE ON SMALL BUSINESS, BEFORE THE COMMITTEE ON WAYS AND MEANS ON TAX REFORM, FEBRUARY 18, 1969

Mr. Chairman, I greatly appreciate your invitation to testify before this committee on the important subject of privately-controlled, tax-exempt foundations.

Today, I shall introduce a bill to end a gross inequity which this country and its citizens can no longer afford: The tax-exempt status of the so-called privately-controlled, charitable foundations, and their propensity for domination of business and accumulation of wealth.

Put most bluntly, philanthropy—one of mankind's more noble instincts—has been perverted into a vehicle for institutionalized deliberate evasion of fiscal and moral responsibility to the Nation.

This has been accomplished by tax immunities granted by the United States Congress. The use of the tax-free status, as I shall amply document, reveals the continuing devotion of some of our millionaires to greed, rather than conversion to graciousness.

Mr. Chairman, when a privilege is abused, it should be withdrawn. And the onerous burdens on 65 million taxpayers demand that Congress curb the tax-exempt foundations which, in unwitting good faith, it helped to create.

Did the Congress intend that foundations use their tax-exempt status to finance the recruiting of college football players? To pay the bills for several years of gay living and partying by twin sisters who befriended an aging millionaire? The foundations fiddle while the small businessman, the farmer, the individual citizen, pay the tax bills—and burn. If the rich care to fritter away their dollars in senseless frivolity, that is certainly their privilege—but Congress has no obliga-

tion to give them tax-free dollars at the expense of the rest of the country.

Mr. Chairman, my bill is by no means a vindictive measure; indeed, by encouraging the foundations to return to the original purpose for their existence—that is, philanthropy—they should emerge stronger, not weaker. This new vigor I do not fear, so long as it is exercised in the proper area. Their pained outcries of persecution notwithstanding, I do not seek to destroy the foundations, but to reform them. And I do not single out the foundations for harsh regulation—I simply propose that they be subject to the same economic rules as the rest of America. Equal treatment under the law is perhaps a painful contemplation for some of them, but equal treatment under the law is really what America is all about.

My bill has three features, each of which is directed at a shortcoming discovered during the continuing study which the Subcommittee on Foundations of the House Small Business Committee has conducted since 1962:

(1) Every privately-controlled, tax-exempt foundation would pay a tax in the amount of 20 percent of its gross income, including capital gains. Gross income would be comprised of the following: gross profit from business activities; interest; dividends; gross rents; gross royalties; gain or loss from sale of assets, excluding inventory items; and other income, *excluding* contributions, gifts, grants, etc., received.

(2) A privately-controlled, tax-exempt foundation would not be permitted to own more than three percent of the outstanding shares of any class of stock of a corporation or to own more than a three percent interest in the capital or profits of a partnership.

(3) The net income of every privately-controlled, tax-exempt foundation would have to be disbursed annually for the purposes for which it was organized.

According to the Internal Revenue Service, there are 30,262 private, tax-exempt foundations in the nation. The Internal Revenue Service is responsible for regulating the foundations, but it has been a singularly ineffectual watchdog. For instance, despite the multitude of computers and data-retrieval systems with which it watches the individual taxpayer, the Internal Revenue Service cannot tell the Congress the assets and income of all the foundations it is supposed to supervise. But an indication of the foundations' economic girth comes from the study of 596 foundations by our Subcommittee on Foundations. In 1966 these foundations had a gross income of $1,079,627,732, including capital gains. A 20 percent tax on this income alone would yield the U.S. Treasury some $200 million. Income from the other 29,666 foundations known to the IRS would add to this figure; but, lacking firm data, the exact amount cannot be computed.

Yet, the amount of the tax revenue, significant though it may be, resolves only part of the problem. Another issue before the Congress is the astounding amount of wealth which foundations have managed to spirit away behind the protective walls of tax exemption. And the figure is increasing rapidly, both in terms of income and assets.

The value of the assets of the 596 foundations covered by our Subcommittee's study was 50 percent greater at the close of 1966 than it had been six years earlier, at the end of 1960—$15.1 billion, compared to $10.2 billion. The $15.1 billion valuation is 41 percent greater than the $10.7 billion capital funds (capital, surplus, and undivided profits) of the 50 largest banks in the United States. This massive, systematic diversion of assets into tax-exempt status erodes our nation's tax base, and forces millions of individual citizens and small businessmen to carry a still heavier tax burden.

The statistics on foundation receipts are even more sobering.

The 596 foundations reported total receipts of $559.7 million during the first accounting period for which they submitted data to the Subcommittee (usually 1951). By 1966 the total receipts had increased to $1.3 billion.

The foundations will suffer no injustice from my proposed reforms. Instead, they will finally share with all of us the burden of maintaining our society. If foundations pay their share of taxes, the burden on 65 million taxpayers can be somewhat lessened—the most welcomed charity of all.

One of the questions that turns up frequently in the mail I receive is, "What are the Ford and Rockefeller foundations, the two biggest foundations in the country, really up to?" This question usually stems from the following type of expenditures and is reason for mounting concern over foundation operations:

In fiscal years 1966 and 1967, the Ford Foundation paid out $360,351.26 to four outside law firms. Of this amount, $159,644.73, or 44 percent, was paid to Ginsburg & Feldman, 1700 Pennsylvania Avenue, Washington, D.C.

The Ford Foundation paid out $446,262.46 for public relations in fiscal year 1967.

The Rockefeller Foundation paid $31,546.53 to Earl Newsom & Company, Inc., New York City public relations counsel, in 1967.

The Ford Foundation spent $210,037.38 for outside printing in fiscal year 1967.

As of September 30, 1967, the Ford Foundation had 357 employes in the United States and 920 in foreign countries.

As of December 31, 1967, the Rockefeller Foundation had 211 employees in the United States and 112 in foreign countries excluding nationals hired locally. The Rockefeller Foundation sent 75 percent more money out of the country in 1966 than it spent here. It spent $17.8 million for the benefit of foreign institutions or persons, while individuals and institutions in this country received only $10.9 million.

The Rockefeller Foundation spent half as much just running its New York office—$5.4 million—as it spent throughout the entire nation in 1966. It spent more just running its New York offices—in salaries and the like—than it spent on "benevolence" in New York State and California combined. The Foundation spent $1,693,762 in India, but not a penny in Arkansas. It spent half a million dollars in Uganda, but not a cent in Idaho. It spent more than $1 million in Nigeria, but it could bring itself to spend only $1,000 in Kentucky.

It spent nearly $2 million in Colombia, but it spent nothing at all in South Carolina, or Wyoming, or Maine, or Delaware.

More than $5 million went into the upkeep of its elegant offices in New York, but only $2,374 of its money went into West Virginia.

In fiscal years 1966 and 1967, the Ford Foundation lost $92,496.92 and $100,119.58 respectively in the operation of its cafeteria and dining room, and, of course, the taxpaying restaurant owners in New York City lost over 300 potential customers.

In 1966 and 1967, the Rockefeller Foundation lost $44,456 and $47,176 respectively in the operation of its lunchrooms, and the taxpaying restaurant owners in New York City lost over 200 potential customers here.

I am hopeful that this committee will agree that there is an urgent need to redefine the role of the privately-controlled charitable foundation. Are the giant foundations on the road to becoming political machines? An article in the New York Times of December 23, 1968 says "Ford grants have gone lately for widening voter registration in Cleveland's slums" and are said "to have aided the election of Carl B. Stokes in November 1967."

The Ford Foundation had gross income of $252 million in 1967, $385 million in 1966, and has assets valued at $3–3½ billion. The Rockefeller Foundation had gross income of $53 million in 1967, $42 million in 1966, and has assets valued at $736 million. I need not tell you gentlemen what can happen in a local, state or national election where this kind of money is turned loose, directly or indirectly, in behalf of their favorite candidates.

This committee would do well to scrutinize closely the ventures of the foundations in politics. The Honorable John J. Rooney of Brooklyn, New York can tell you quite a good deal about that. It is alleged that the Ford Foundations' grants for experimental school decentralization in New York helped ignite New York City's longest teacher's strike. Have the giant foundations made or do they plan to make grants that will aid certain candidates to run for National, state and local office? Does the Ford Foundation have a grandiose design to bring vast political, economic and social changes to the nation in the 1970's? Is this what Congress had in mind when it granted tax exemption to privately-controlled foundations?

It has been reported that the Ford Foundation, the Rockefeller Foundation and others have made grants to public servants. This committee should consider the effect on public servants when they are subjected to foundation grants. Will the grantees be critical of their benefactors? Do you want the foundations to make grants to public servants in police departments, health, or sanitation departments? Do you want city employee unions to receive foundation grants?

On July 10, 1968, a story in the Washington Post said:

"The Ford Foundation has offered generous travel grants to various members of Kennedy's Senate staff, including three of the young writers and intellectuals who were important influences on the Senator's philosophical development—Peter Edelman, Adam Walinsky and Tom Johnston.

"The grants are provided under a Foundation program of long standing that seeks to ease the transition from public to private life. They provide up to a year of leisure and freedom from immediate financial concerns."

Subsequently, the Ford Foundation advised us that the following aides of the late Senator Robert F. Kennedy received travel and study awards from the Ford Foundation aggregating $131,069.50:

Jerry Bruno	$19,450.00
Joseph Dolan	18,556.00
Peter Edelman	19,091.00
Dall Forsythe	6,390.00
Earl Graves	19,500.00
Thomas Johnston	10,190.00
Adam Walinsky	22,200.00
Frank Mankiewicz	15,692.00
Total	131,069.50

I have the most heartfelt sympathy for the late Senator Kennedy's associates, but again I ask this Committee, is this what the Congress had in mind when it granted tax exemption to charitable foundations? Were aides of Vice President Humphrey, Senator McCarthy, and Governor Wallace offered similar awards by the Ford Foundation.

As you know, a foundation is exempt from taxation today under section 501(c)(3) of the Code, provided it is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or education purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

In coming weeks, the foundation lobbyists will be emitting predictable cries that they can't "afford" taxation because it would divert funds from their "vital activities" in

public welfare, educational and other fields. Let us dispense with this nonsense in a hurry, for the bloated foundations would benefit greatly from forced attendance at a financial weight-watchers' class. If their managements have trouble deciding which "vital" programs should be abandoned because of the 20 percent tax, I direct their collective attentions to several gross examples of foundation foolishness discovered during our Subcommittee's study.

While our cities decay, and while those of us not fortunate enough to merit the tax-exempt status of the foundations pay a 10 percent surtax to keep the nation more or less solvent, the Bollingen Foundation of New York City, a creation of the Mellon banking family of Pittsburgh, spends tax-free dollars on such esoteric research subjects as: "The works of Hugo von Hofmannsthal," "The phenomenology of the Iranian religious consciousness," "The origin and significance of the decorative types of medieval tombstones in Bosnia and Herzegovina."

While the Congress and the Administration searched feverishly for funds to finance essential urban rebuilding programs, the Richard King Mellon Foundation sent $50,000 to Ireland for the "preservation of historical buildings."

While thousands of Puerto Rican youngsters drop out of New York Schools because they can't master English, the Agricultural Development Council, Inc., of New York, one of the 13 Rockefeller-controlled foundations in our study, sends $311,280 to Japan to "improve English language teaching in Japanese schools." The list is seemingly endless—one could call the examples ironic, but I think "tragic" is the better adjective. The shortage of physicians in America is critical, so the Commonwealth Fund of New York sends $208,141 to Canada for medical education.

The fore-mentioned Bollingen Foundation, an organization that seems to specialize in sending thousands of dollars abroad for the development of trivia into nonsense, disbursed $212,113 in foreign grants during the period January 1, 1965–November 15, 1967, including grants for the following:

Archaeological research and preparation for publication of a study relating to the remains of rural chthonic traditions which existed in Europe during the Middle Ages—$4,500.

Completion of study of a Roman mystery cult of the second and third century, A.D.—$5,000.

Acquisition of data on important proto-historic entrepots and on maritime activities of peoples of Southeast Asia in proto-historic times—$3,000.

Congress certainly cannot complain if the entire Mellon banking family assembles in one of their Pittsburgh mansions each evening for a round-table discussion on the origin and significance of the decorative types of medieval tombstones in Bosnia and Herzegovina. If the Mellons are more interes'ed in medieval tombstones than in Pittsburgh poverty, and care to spend their money studying 12th and 13th Century church construction, that is the Mellons' affair. However, there is no obligation upon either the Congress or the American citizenry to give the Mellons tax-free dollars to finance their exotic interests.

In sum: The foundation programs contain ample fat that could and should be trimmed, and the Federal government can find better uses for the money than studies of medieval tombstones.

Grants to governments by U.S. foundations are not without precedent. The Ford Foundation, for example, made direct grants (in U.S. dollars) to at least 25 foreign governments during the period January 1, 1965–September 30, 1967: United Arab Republic, Government of Jordan, Government of Lebanon, Republic of Zambia, Government of Northern Nigeria, Federal Republic of Nigeria, Government of Midwestern Nigeria, Government of Eastern Nigeria, Government of Pakistan, Government of West Pakistan, Government of East Pakistan, Government of India, Republic of the Ivory Coast, Syrian Arab Republic, Republic of Iraq, United Republic of Tanzania, United Mexican States, Government of Kenya, Republic of Tunisia, Government of Antigua, Federal Republic of Cameroon, Government of West Bengal, Republic of Chile, United States of Brazil, Government of Nepal.

Thus far, the relationship between the tax exempt foundations and the United States Government has been a one-way street—with the foundations doing all the "gittin." For example, three of the Rockefeller-controlled foundations have received Federal funds totalling at least $16 million during the past 13 years, in part from the Agency for International Development.

Our review of the records of 25 of the 596 foundations under study shows that 22 of those 25 foundations disbursed grants abroad in dollars, totalling $70.4 million, purchased foreign securities costing $91 million, and sent $15.2 million to foreign branch offices during the period January 1, 1969-November 20, 1967. Translating this into hardships imposed on our tourists, the aggregate outlay of $176.6 million is equal to the amount of duty-free goods that 1,766,000 Americans would be permitted to bring into this country at $100 a person.

The second part of my reform bill is directed at the use of foundations to dominate businesses and to escape estate taxes. Through their domination of numerous corporations, the foundations wield a significant—and unchecked—weight in the American economy.

The progressive development of thousands of foundations through gifts of corporate stock illustrates the increasing flow of formerly taxable income into these cozy tax shelters. In the hands of the foundations, the dividends, of course, go untaxed, and our tax base is further eroded.

The tax-exempt foundation has long been used by many of our millionaires as a loophole which enables them to avoid Federal estate taxes and thus keep their businesses and large fortunes intact. The late Secretary of the Treasury Andrew Mellon used a charitable foundation to avoid estate taxes on his multimillion dollar estate. The Ford Foundation was created to reduce the taxable estates of Henry and Edsel Ford, and to enable their heirs to avoid having to sell Ford Motor Co. stock to meet estate taxes. Thus the Ford Foundation was given more than 90 percent of the equity in Ford Motor Co.

Substantial portions of the great fortunes of men who profited by the enormous expansion of American business continue to find their way into tax-exempt foundations. These foundations have already passed and will continue to pass—by right of inheritance—to the control of heirs or their trustees. This enables a few individuals to control ever increasing tax-exempt wealth.

Here are a few conspicuous examples of prominent Americans who have died in recent years and whose personal foundations will receive at least $293.4 million, which will, of course, escape estate taxes.

[In millions of dollars]

Donor	Donee	Approximate amount that will pass to the Foundation valued as of date of death
Archibald G. Bush, St. Paul, Minn	The Bush Foundation, St. Paul, Minn	$118.0
Henry R. Luce, New York, N.Y	Henry Luce Foundation, Inc., New York, N.Y	68.0
Arthur Vining Davis, Pittsburgh, Pa	Arthur Vining Davis Foundation No. 2, Pittsburgh, Pa	15.0
Do	Arthur Vining Davis Foundation No. 3, Miami, Fla	30.0
George Gund, Cleveland, Ohio	The George Gund Foundation, Cleveland, Ohio	20.0
Mr. and Mrs Stephen Currier, New York, N.Y	Taconic Foundation, New York, N.Y	20.0
Billy Rose, New York, N.Y	Billy Rose Foundation, Inc., New York, N.Y	20.0
Walt Disney, Los Angeles, Calif	The Disney Foundation, Los Angeles, Calif	2.4
Total		293.4

The trend to shift the wealth of America's richest families into tax-exempt foundations and trusts represents a gigantic loophole in our tax laws. This is an area urgently needing reform.

Stanley S. Surrey, former Assistant Secretary of the Treasury for Tax Policy, is reported to have said in a speech on February 23, 1967: "The present resort of tax and business planners to the creation of a private foundation to hold the stock of a business enterprise so as to perpetuate the family control of that enterprise is a complete distortion of the policies and philanthropic motivations that underlie the tax benefits granted charitable contributions and charitable institutions." I agree emphatically with Mr. Surrey's statement, and urge that Congress put an end to this distortion.

Increasing numbers of foundations hold substantial interests in commercial enterprises. Of the 596 foundations under study by our Subcommittee, 136 held stock in 288 corporations at the close of 1966, in amounts ranging from five to 100 percent of the outstanding shares of at least one class of stock. The carrying value of those shares was $2.5 billion, the estimated market value $4.9 billion. Even the latter figure is most likely an understatement, however, because in many instances the securities were in closely-held companies that are not traded. A prime example is the James Irvine Foundation, of San Francisco, which owns 53 percent of the Irvine Co., which in turn owns 88,000 acres of suburban Los Angeles, almost one-fifth the land area of Orange County. The land is reportedly valued at $1 billion—but the Foundation carries the Irvine Company stock at $2.

Here is a sampling of some nationally-known companies that had substantial links with tax-free foundations at the end of 1966:

B. Altman & Co. (New York)—95 percent of the capital voting stock owned by Altman Foundation, New York City.

American Chain & Cable Co., Inc.—17 percent of the capital voting stock owned by Wm. T. Morris Foundation, New York City.

American National Insurance Co.—35 percent of the common voting stock owned by the Moody Foundation, Galveston, Tex.

Cannon Mills Co.—16 percent of the common voting stock owned by the Cannon Foundation, Inc., Concord, N.C.

Coca-Cola International—16 percent of the common voting stock owned by Emily & Ernest Woodruff Foundation, Atlanta, Ga.

Dana Corp.—17 percent of the common voting stock owned by the Charles A. Dana Foundation, Greenwich, Conn.

Duke Power Co.—57 percent of the common voting stock owned by Duke Endowment, New York City.

Federal Cartridge Corp.—100 percent of the common voting stock and 100 percent of the preferred nonvoting stock owned by Olin Foundation, Inc., New York City.

Ford Motor Co.—100 percent of the class A nonvoting stock owned by the Ford Foundation, New York City.

W. T. Grant Co.—10 percent of the common voting stock and 8 percent of the preferred nonvoting stock owned by the Grant Foundation, Inc., New York City.

Great Atlantic & Pacific Tea Co., Inc.—34 percent of the common voting stock owned by John A. Hartford Foundation, Inc., New York City.

H. J. Heinz Co.—17 percent of the common voting stock owned by the Howard Heinz Endowment, Pittsburgh, Pa.

Hughes Aircraft Co.—100 percent of the common voting stock owned by the Howard Hughes Medical Institute, Miami Beach, Fla.

Hunt Foods and Industries, Inc.—8 percent of the common voting stock owned by the Norton Simon Foundation, Fullerton, Calif.

Irvine Co.— 53 percent of the common voting stock owned by the James Irvine Foundation, San Francisco, Calif.

Kaiser Industries Corp.—15 percent of the common voting stock owned by the Henry J. Kaiser Family Foundation, Oakland, Calif.

Kellogg Co.—Approximately 51 percent of the common voting stock owned by W. K. Kellogg Foundation Trust, Battle Creek, Mich.

S. S. Kresge Co.—22 percent of the capital voting stock owned by Kresge Foundation, Detroit, Mich.

Eli Lilly & Co.—24 percent of the common stock owned by Lilly Endowment, Inc., Indianapolis, Ind.

McDonnell Aircraft Corp.—7 percent of the common voting stock owned by the McDonnell Foundation, Inc., St. Louis, Mo.

Merrill, Lynch, Pierce, Fenner & Smith, Inc.—17 percent of the common voting stock owned by the Charles E. Merrill Trust, New York City.

Miller Brewing Co.—47 percent of the common voting stock owned by De Rance, Inc., Milwaukee, Wis.

Ralston Purina Co.—20 percent of the common voting stock owned by the Danforth Foundation, St. Louis, Mo.

Rohn and Haas Co.—19 percent of the common voting stock owned by the Phoebe Waterman Foundation, Philadelphia, Pa.

Sahara Coal Co., Inc.—36 percent of the preferred nonvoting stock and 24 percent of the common voting stock owned by Woods Charitable Fund, Inc., Lincoln, Nebr.

Sun Oil Co.—22 percent of the common voting stock owned by the Pew Memorial Trust, Philadelphia, Pa.

Timken Roller Bearing Co.—10 percent of the common voting stock owned by the Timken Foundation of Canton, Ohio.

United States Sugar Corp.—48 percent of the common stock owned by Charles Stewart Mott Foundation, Flint, Mich.

Wieboldt Stores, Inc.—91 percent of the 6 percent cumulative preferred voting stock owned by Wieboldt Foundation, Chicago, Ill.

My bill, by limiting foundation holdings to more than three percent of any class of shares, would make it more difficult for our millionaires to bypass the tax collector by handling their intact estates over to tax-free captive foundations. The estate tax—was a Congressional declaration of public policy—the use of tax-exempt foundations to avoid estate taxes is a violation of that public policy, and should be halted.

My constituents in East Texas have a bitter truism: "Them that has, gits." When speaking of the foundations, one can add two more words: "Them that has, gits, and keeps." And it is to be proclivity of some foundations for hoarding money, rather than distributing it, as they are supposed to do, that the third section of my reform bill is directed. The tax returns of the 596 foundations under study by our Subcommittee indicate they had accumulated (meaning unspent) income of $1.9 billion at the end of 1966. At the end of the first accounting period for which they submitted data to our Subcommittee (usually 1951), their unspent income totalled only $364 million.

My solution is straightforward, and simple: The foundations were created to spend, not to hoard and grow—thus Congress should require them to spend, annually, their net income, and for the purposes for which they were organized.

The foundation problems are far more numerous and serious than Treasury officials have been willing to admit publicly. During our Subcommittee's 1964 hearings, I made the following statement, in part:

"The Secretary of the Treasury has testified that it is the Treasury's duty to be alert to all possible violations of law. The Secretary also says (1) he does not consider it proper for a foundation to engage in insider's stock deals, stock price manipulations, short sales, margin trading, speculation in commodity futures, or to act as an unregulated source of stock market credit, and (2) the SEC should be alerted to the possibility of a foundation's involvement in insider deals and stock price manipulations.

"Yet, testimony before this Subcommittee indicates the following:

"The IRS does not examine foundations to determine whether they are violating any Federal securities laws—including those relating to insider's stock deals, stock price manipulations, and unregulated sources of stock market credit.

"The IRS has not collected any information, as to the extent that foundations are involved in speculation and trading on margin.

"The IRS has not collected any data on the involvement of foundations in corporate proxy fights.

"The IRS does not examine foundations to determine whether their foreign operations may be in conflict with Government policies.

"The IRS does not examine foundations to determine whether the foundations are channeling income and corpus in a direction that may hurt competitors and investors.

"The IRS does not examine foundations to determine whether they are being used as a device for engaging in various trade practices which might be in violation of certain statutes administered by the Federal Trade Commission or the Antitrust Division.

"Few of the persons in the IRS who examine foundation tax returns would be sufficiently familiar with the antitrust law to know whether the practices as cited may violate Section 5 of the FTC Act or the Sherman Act.

"The IRS does not examine foundations to determine whether there is a conflict of interest between the duties of a foundation's directors or trustees and their interests as officers, stockholders and employees of business corporations whose stock is controlled by the foundation.

"The Acting Commissioner does not know of any cases where compensation of officers, directors or trustees among the large foundations has been unreasonable or unjustified. Yet, Mr. Benson Ford received $15,000 for attending three meetings of the Ford Foundation.

"The IRS does not review a foundation's individual charitable donations.

"The IRS has no rule of thumb regarding the percentage of income that a foundation must spend for the purpose for which it was granted tax exemption.

"The IRS does not examine foundations to determine whether contributions are being made to the foundations by persons or organizations that supply goods or services to companies interlocked with the foundations.

"The IRS does not know how much money was spent overseas by U.S. foundations in 1963.

"The IRS does not examine foundations to determine whether they are making loans overseas that may be contributing to our balance of payments problem

"This is the most impressive record of donothing that I have seen in my 36 years in Congress."

I regret to say that those observations are just as pertinent today as they were in 1964.

The fact that foundations are exempt from taxation does not mean that they are exempt from other Federal laws. Hence, antitrust law, FTC law, SEC law, etc. are applicable to foundations.

It is, of course, possible for a foundation to be used as a device for engaging in various trade practices which may be a violation of certain statutes administered by the Federal Trade Commission or the Antitrust Division. For example, contributions may be made to a foundation by (1) persons or organizations that supply goods or services to companies interlocked with the foundations, or (2) from persons or organizations that buy goods or services from companies interlocked with the foundation. The point is that if the company that is interlocked with a foundation is doing business and by a contribution to the parent foundation they get the business because of that interlock, they are obviously getting an advantage. This is one of the things that the Ways and Means Committee should consider in drafting a self-dealing law.

In other words, a contribution can be made to a foundation for a business purpose rather than an eleemosynary purpose. For example, under the Robinson-Patman Act, business concerns are prohibited from making disproportionate discriminatory discounts to particular buyers if the effect might be to substantially lessen competition or tend to create a monopoly. Hence, contributions to a foundation can be a method of getting around this provision of law.

Also, there is the business practice known as reciprocity, which may violate the antitrust laws. It involves tacit or actual agreement to do business with a firm if it reciprocates and gives business in return. Foundations may be parties to reciprocity arrangements. For example, a business affiliated with a foundation may say to one of its suppliers, "I will buy from you if you will contribute to such and such a foundation" or, "if you buy from me, such and such foundation will make you a business loan at favorable terms".

Our study indicates that many business suppliers and buyers have made sizable contributions to foundations controlled by customers. For example, we know that a number of suppliers of the Hilton Hotel chain are contributors to the Conrad N. Hilton Foundation, of Los Angeles. Mr. C. N. Hilton, Jr., Secretary of the Conrad N. Hilton Foundation, has acknowledged that, during the fiscal years ending February 28, 1952 through February 28, 1963, 29 donors—who were suppliers of goods or services to Hilton Hotels Corporation or its subsidiaries—made contributions to the Conrad N. Hilton Foundation in the amount of $61,695.18.

Does not this kind of situation appear to raise the specter of business reciprocity—We will buy from you if you contribute to our foundation?

If so, does it not raise a number of serious antitrust problems? Specifically, may it not

involve a possible violation of the Robinson-Patman Act because it involves the inducement of discriminatory prices?

Or may it not involve a violation of Section 5 of the FTC Act as have other instances of business reciprocity because they involve "unfair methods of competition"?

Here is another case that we discussed in our hearings. The Rogosin Foundation, of New York City, is controlled by the Rogosin family. The Rogosin family has also dominated Beaunit Corporation (formerly Beaunit Mills, Inc.), Rogosin Industries, Limited, and Skenandoa Rayon Corporation.

On December 31, 1952, the Foundation held 33⅓ percent of the nonvoting preferred stock of Beaunit Mills, Inc. (carrying value $2.7 million) as well as 5 percent of the common voting stock of the same corporation (carrying value $1.9 million).

Beaunit Mills, Inc. manufactures synthetic yarn, knits and weaves fabrics, and manufactures intimate apparel. The Goodyear Tire and Rubber Company of Akron, Ohio, has been a buyer of tire-cord yarn from Beaunit Corporation.

In March 1952, Goodyear made a cash donation of $150,000 to the Rogosin Foundation. Additionally, on March 10, 1952, Goodyear loaned $2.5 million to the Rogosin Foundation at 4 percent interest. The loan was to be paid off in installments due January 3–August 15, 1953, January 3–August 15, 1954, and January 3–August 15, 1955. According to the Foundation, payments on the loan were made on August 15, 1953, August 15, 1954, and August 15, 1955.

The Foundation states that it used the $2.5 million loan to purchase from Beaunit Mills, Inc., 30,000 shares of the latter's preferred stock. An identical number of shares of Beaunit Mills, Inc., preferred stock was pledged by the Foundation as collateral for the loan.

So, here we have the question as to whether this arrangement involves a price discount from Rogosin to Goodyear, for which Goodyear, the buyer, compensated Rogosin by making a contribution to the Rogosin Foundation. If this were the case, would it not seem to raise both tax and antitrust problems. First, it is a method whereby the buyer compensates the seller by making a tax deductible contribution to the Rogosin Foundation? Second, would not this practice, at best, be a distortion of the pricing and exchange process in a free enterprise economy? Third, might not this practice actually involve, (a) a violation of the Robinson-Patman Act because it involved discriminatory pricing, or (b) a violation of section 3 of the Federal Trade Commission Act because it is an unfair method of competition? Additionally, of course, Goodyear was acting as a source of unregulated credit.

Then there are the possible antitrust problems—actual or potential conflict of interest situations—that may stem from situations where board members of foundations also sit on the boards of business firms that compete with each other. As we all know, Section 8 of the Clayton Act provides that no person shall be a director of two or more competing corporations. Now, that Act does not apply to indirect interlocks, such as when a foundation has two board members, one of whom is also a board member of corporation A and the other member is on the board of corporation B (a competitor of A). While there is nothing illegal about such an arrangement under Section 8, there could be a special public interest problem when a foundation established for eleemosynary purposes becomes a vehicle for such indirect interlocks which might affect competition.

Here is another area that this panel should explore. Does a businessman in government pose a greater potential conflict of interest than the officials of foundations in government—such as, for example, McGeorge Bundy, President of the Ford Foundation, whose overlords, the Ford family, have immense commercial interests throughout the world, including the Middle East? It seems to me a bit inconsistent for the Congress to require a businessman to completely eliminate potential conflict of interest when, at the same time, it permits Mr. Bundy to wander in and out of the Government while retaining his $65,000 annual salary from the Ford Foundation. This was the case in June 1967 when Mr. Bundy became Executive Secretary to the National Security Council Committee on the Middle East.

Now, to turn to the stock market—there is ample evidence that many foundations are actively trading in the market with substantial portions of their funds. Judging from the content of their portfolios and the frequency of turnover, many foundations are concerned less with equity yields and inflationary trends than they are with the lure of capital gains to swell their principal funds. I might add that former Secretary Dillon testified that he shares my view that speculative gains for charity are not worth the risk of speculative losses, and that he knew of no case where directors or trustees of a foundation have reimbursed the foundation for losses incurred in speculation.

One of the operations that should be subjected to the close scrutiny of this committee is that of the private pooling of investments by some foundations—in other words, the pooling of capital to trade in the stock market. For example, some of the Rockefeller foundations have informed us that they have a joint investment staff of 16 persons, not including secretarial, headed by Mr. J. Richardson Dilworth, which provides investment services with the cost shared by the various Rockefeller participants.

Does this not raise some potential problems—the possibility of speculative tactics, the possibility of a conflict of interest, the possibility of huge buying power that will have a strong impact on the prices of stock they deal in?

Secretary Dillon also testified that a foundation can be a source of unfair competition arising from active use of foundation assets by donors or trustees for private business ends, and that there are an infinite number of ways in which foundation assets or income can be used for the preferment of one set of private persons over another. The Secretary agreed that (1) foundations' money-lending activities put them into unfair competition with private lenders and also give the foundations an element of influence over a wide range of business ventures, and (2) such activities may present problems, such as preferential rates of interest. All this is made possible by the fact that, at present, the only restraint on a foundation's money-lending appears to be that loans must carry a "reasonable" rate of interest and adequate security, and that nothing prevents the foundation from making loans to its founder or his family, the businesses under his control, or a donor.

I conclude with this thought: There is something fundamentally wrong in conditions which make such acquisition of economic power possible, and which tolerate its continuation. And it is the responsibility of Congress to correct those conditions.

I am indeed grateful for the opportunity to appear before this distinguished panel. Thank you very much. You may be assured that our Subcommittee will do everything possible to cooperate with the Committee on Ways and Means. I have informed Chairman Mills that we will be delighted to loan our records and our staff to the Committee on Ways and Means whenever it wishes.

Mr. HANNA. Mr. Chairman, 4 weeks ago the House passed the measure to extend the 10-percent surcharge for 12 months. At that time I opposed the 12-month extension of the surtax. I based my opposition to this extension on two factors.

First, my belief that progress toward the adoption of a meaningful tax reform package should be guaranteed before any further steps were taken to extend or increase the tax burden now levied on America's overtaxed middle-income taxpayers. It was my judgment that we had for too long considered tax reform and tax increase as two separate matters. I believed that before further increases were made in our tax rate, progress had to be made in eliminating the evident inequities which exist in our tax structure. I mentioned only a few of the loopholes. I referred to the favorable treatment which is accorded foundations. Attention was brought to the fact that several hundred taxpayers with gross incomes ranging around $1 million had paid no Federal income tax during the last tax year. Note was made of the fact that the charitable deductions provisions were slanted to give unduly favorable treatment to the wealthy. In short, it was my considered opinion that our tax structure as it stood was so archaic—so badly in need of revision—that a thoroughgoing overhaul of the tax structure was necessary before the House voted to extend the surtax.

Second, I indicated my belief that an adequate case had not been made for a 12-month extension. I felt at that time and still do today that a 6-month extension would provide a sufficient time to enable both the House and the Senate to adopt a meaningful reform measure. Indicating my willingness to support a 6-month extension, I was reflecting my genuine concern that the pressures of inflation which are all too evident at this time coupled with the need to increase Government revenues to offset heavy defense spending necessitated a continuation of the fiscal restraint which the surcharge measure indicated. However, it was my judgment, that a 6-month extension would provide sufficient time to determine whether or not other Government policies of restraint would be sufficient to ameliorate the inflationary problem.

Today, I find that the two circumstances which I had set out as preconditions to my support for any tax extension measure have been met. My first condition was met when a meaningful and far-reaching tax reform measure was reported by the House Ways and Means Committee. It will be voted on this week. I am, in general, very well pleased with the provisions of this bill. It is my opinion that it is the most far-reaching and most effective tax reform measure to be reported in over three decades. I believe that there can be little doubt that the House will pass the tax reform measure when it comes to a vote Thursday. Moreover, the developments in the Senate in recent weeks make it clear that a tax reform measure of similar magnitude will pass that body too. My second condition is met by the 10-percent surtax extension which is before the House at this time and which extends

the surtax for only 6 months. As I indicated when I opposed the 12-month extension, I would support a 6-month extension if an extension were coupled with the assurance of tax reform. Both of the conditions have been met.

In closing, let me make clear the fact that I do not support the provision of the measure which will be reported today which would extend the surtax at the rate of 5 percent for an additional 6 months beginning on January 1, 1970. It is my judgment that the issue of whether or not there is a legitimate need for further tax extension can be adequately dealt with when the need is documented. It is not at all clear at this time whether or not added tax restraint will be needed beyond the first of the year. There are some indications that the economy is beginning to approach a leveling off in the rate of inflation. I would hope that this is true. Above and beyond my hope, I do not feel that we should legislate in this period of ignorance. The best we can do at this point is to speculate about the future. Recent actions by the House and Senate make it very clear that it is possible for the Congress to move fast and effectively on tax policy. Therefore, I would suggest to my colleagues that it is inappropriate to consider any extension of the surtax beyond January 1. Should, of course, a good case be made for further extension, then that case can be considered the first of the year when the 10-percent surtax will otherwise expire.

Mr. BOLAND. Mr. Chairman, the Tax Reform Act now before the House contains more than 80 pages dealing with foundations. Much of what the Ways and Means Committee has reported to the floor is excellent and will deal with the critical and flagrant abuses—self-dealing and manipulation of foundations for private gain—that have marked the operations of some small, personal foundations in the past. Most of the legislation dealing with foundations is constructive and much needed.

However, several of the provisions dealing with the private philanthropic foundations and their role in American society, are matters of great concern. I am speaking today because I fear that, perhaps inadvertently, some provisions of the Tax Reform Act will lead to an erosion of a deep and vital tradition in American life, the principle of private social initiative. The Congress certainly has the right and obligation to inquire into the operations of American philanthropic operations and to enact legislation to insure that the foundations continue do what they are supposed to do for our country—apply private wealth for the public good. But in enacting such legislation the Congress has a responsibility to exert careful regulation while avoiding either intended or unintended punitive action. This, I am afraid, we may have done in the case of several provisions which I will discuss in a moment.

However, I should first like to talk generally about the unique and vital role which private foundations play in American life. In doing so, it is necessary to sweep away some of the mythology and misinformation that has grown up about American foundations. Some of this has grown up in recent years as a result in part of unwise decisions and actions taken by the foundations themselves.

One of these myths is that foundations represent dangerous concentrations of social and economic power. The Treasury Department's report on private foundations in 1965 dealt with this matter and found that it lacked factual basis. The evidence is clear—indeed, obvious—that foundations do not constitute a menacing complex of institutional power.

Another myth is that American foundations are great reservoirs of money.

The assets of all American foundations total some $20 billion. This is a large sum, to be sure, but if we compare it against the great problems that foundations address, that sum begins to shrink. For example, foundations are deeply engaged in efforts to advance the quality and extent of education at all levels. Yet even if all their assets were applied to education, they would equal about one-third of national education expenditures for just 1 year. To put the matter of scale in even sharper perspective, let me note that I have spoken so far of the assets of foundations; the annual income available for foundations to disburse comes to $1 billion. In fact, even within the total field of private philanthropy, foundations provide a relatively small percentage, only 8 percent. The greatest philanthropist still is the individual citizen who accounts for nearly 80 percent of all donations.

The impact, uniqueness, and value of foundations lie not in their size but in the way they operate—as creative forces that exert enormous leverage for progress in human affairs. This does not apply, of course, to every foundation in the United States. There are, after all, some 20,000 of them.

And, most foundations, though quite law abiding, are little more than incorporated channels for giving by individuals. But they account for a quite small proportion of the field, both in assets and influence.

More than two-thirds of all foundations assets are held by a relative handful, perhaps 200 of the general purpose foundations—those whose governing concept is the identification of problems important to American society and the support of efforts toward their solution. These few hundred are the leaders in the field. They include of course the foundations whose names have become household words—Carnegie, Rockefeller, Ford, Kellogg, Lilly, Old Dominion, Sloan and Guggenheim. But among these are also such professionally managed and socially productive institutions as the Falk Foundation in Pittsburgh, the Babcock and Reynolds Foundations of North Carolina, the Hill Foundation in Minnesota, the Kettering and Beaumont Foundations in Ohio, the Meyer Foundation here in Washington, the Mott Foundation in Michigan, the Rosenberg Foundation in California, and dozens of others.

Another myth that has surrounded foundations is their untouchability—that since they are under nobody's control they are accountable to no one and free to do mischief as well as good, to engage in folly as well as high purpose. This myth has intensified, I believe, because we are drifting in this country toward a mistaken definition of accountability. We more and more believe that to be accountable an institution must be regulated by Government.

One reason foundations have been able to do so much is precisely because they enjoy an unusual degree of freedom of action and of inquiry. That permits them to respond to changed conditions and needs, to venture down unfamiliar paths when there seems to be a promise of an important result to society. They are, after all, private institutions, established with private wealth. Nonetheless, the best of them—the vast majority of the leaders I spoke of earlier—recognize large public responsibilities. In effect, they see themselves as quasi-public. Thus, many leading foundations go well beyond the legislative requirements of reporting and public disclosure of their activities. And sections of the bill now before us, such as those involving grants to individuals, would add new requirements for reporting and public disclosure, designed to avoid abuses.

Furthermore, foundations have widely representative boards of trustees, men and women of unquestioned dedication to public service and enviable records of judgment and accomplishment. The presence on the boards of foundations of such trustees as Roger Blough, Amory Houghton, F. R. Kappel, Ralph J. Bunche, Elliot V. Bell, Philip D. Reed, Detlev Bronk, Barry Bingham, C. Douglas Dillon, Lee A. DuBridge, George D. Woods, Robert McNamara, Frederick Seitz, Devereaux C. Josephs, Lucius D. Clay, Lewis W. Douglas, Caryl Haskins, Harding Bancroft, John Cowles, Gabriel Hauge, Robert F. Goheen, Arthur Dean, Father Theodore M. Hesburgh, Whitney North Seymour, Erwin D. Canham, Francis Biddle, JONATHAN B. BINGHAM, Arthur F. Burns, David E. Lilienthal, Luis Muñoz-Marin, and Charles P. Taft constitute a powerful assurance that foundations will act responsibly and will be accountable in the broadest sense to American society. Foundations are also open to review by the press, and their performance undergoes continuing "market evaluation" by academic and community institutions that cooperate with them. Those institutions are perhaps the most informed judges of the worth and effectiveness of foundations.

As the president of one foundation has said—

> Philanthropy is an act of trust. It involves three parties—the giver, the receiver, and the public. The giver trusts the integrity and purpose of the receiver, the receiver in turn trusts the giver's obligation to respect his independence, and lastly the public trusts that this transaction is motivated solely by the desire to serve the common welfare.

And finally, Congress does have and has exercised, ever since 1915, the right to inquire into activities of foundations. Leading foundations, indeed, welcome responsible congressional inquiry. It gives them a rare opportunity to respond to public curiosity and to explain their own ways and means in the highest rep-

resentative forum in the land. And this is as it should be. The foundations have an obligation of candor, and in such periodic inquiries the Congress has its own obligation to hear from all sides within and without the foundation field.

The foundations themselves have taken measures in the past to insure greater public understanding and to increase their accountability.

They have established a documentation center that encourages and assists foundations to report publicly on their activities. Several hundred of the larger community and family foundations have formed a council to share technical assistance and professionalize their operations.

And currently foundations are cooperating with an independent private commission of distinguished men that is conducting a large-scale inquiry into the role of foundations, the Peterson Commission, among whose members is our distinguished former colleague, Thomas B. Curtis. The Commission is expected to file its report later this year. Foundations large and small have gone to extraordinary effort not only to respond to the large-scale periodic congressional inquiries but also to share their experience and talent with congressional committees and executive agencies on an array of special problems in education, public health, the arts, population, and many other fields.

The most pervasive myth of all is that foundations are little more than tax dodges. The corollary, of course, is that foundation funds are really public funds. The cynics and critics who use this myth to undermine foundations or to treat them as just another agency of Government misread both the historical antecedents of American philanthropy and the present function of foundations. This approach also runs counter to a profound tradition of which the modern American foundation is perhaps the crowning example. That tradition—as old as mankind itself—is the impulse to help one another. No society has a monopoly on this fundamental human inclination. We ascribe it to the Judeo-Christian ethic because that is the wellspring of our civilization. Indeed at least one historian has noted that some Europeans regarded the very settlement of the American continent as an act of philanthropy. The charitable impulse arrived in this country as early as the first settlers. One of the real founders of American philanthropy was the Puritan leader John Winthrop of my own State who preached a classic sermon titled "A Model of Christian Charity" as his company sailed toward New England in 1630. Said Winthrop:

> In this duty of love we must love brotherly without dissimulation, we must love one another with a pure heart, fervently, we must bear one another's burdens, we must not look only on our own things but also on the things of our brethren.

The seed of American philanthropy was nurtured by William Penn, Cotton Mather, Benjamin Franklin, Benjamin Rush, Peter Cooper, and hundreds of others who demonstrated concern for their fellow man even while fashioning a new nation as rugged, independent men.

But something distinctive happened to philanthropy on these shores. Our generosity has gone beyond charity. Our concern for the poor and the afflicted and for general social ills has sought to reach beyond the dole, beyond palliatives, and into root causes and out to lasting remedies and effective preventatives. The purpose of our philanthropy has become nothing less than the affirmative promotion of the welfare, happiness, and culture of mankind.

Moreover, while we have continued to place great reliance on individual generosity we have consciously institutionalized the philanthropic impulse as a matter of public policy. The American genius for organization has fussed with the deep charitable tradition into a form that is the wonder and envy of far older civilizations.

The second great tradition embodied in the contemporary foundation is the diversity of American life. Our strength springs from many wells. We have cherished the multiple roots of our population and we place a high value on a multiplicity of effort. Government has grown in scale and extent of interest far beyond the design of our Republic's founders, but we still look to private initiative for some of our most important work. This habit does not so much bespeak a fear of massive and overweening government. That is only part of it. Principally it reflects our deep conviction in the positive advantages of variety and competition in social, education, scientific and cultural matters, our deep belief that the sum of many parts is far richer than a single whole, enlarging the area for choice in approaches, concepts, and values.

This technique of social progress through cooperation rather than by total Government control and involvement attracted the comment of that most astute foreign observer, Alexis de Toqueville. Upon returning to France in 1830, he wrote:

> The Americans are the most peculiar people in the world. You'll not believe it when I tell you how they behave. In a local community in their country a citizen may conceive of some need which is not being met. What does he do? He goes across the street and discusses it with his neighbor. And then what happens? A committee comes into existence and then the committee begins functioning on behalf of that need and, you won't believe this but it is true. All of this is done without any reference to any bureaucrat, all of this is done by private citizens, on their own initiative.

While both the range of Government grew and the complexity of our social problems grew enormously in the ensuing century, belief in the value of private effort for the common good persisted. Abraham Flexner, one of the philanthropic statesmen of this century summed it up as follows:

> The level of a civilization can perhaps be measured by the extent of private initiative, private responsibility, private organization in all the fields open to human culture.

Every town and city in this country is richer for the effort of the hundreds of thousands of private organizations that carry forward the philanthropic impulse—the Boy and Girl Scouts, the 4–H Clubs, the Red Cross, the YMCA, the YWCA, and the YMHA as well as organizations devoted to the conquest of disease, the American Heart Association, the American Cancer Society; the great organizations that have grappled with severe problems of racial anguish, the National Association for the Advancement of Colored People, and the National Urban League, the Urban Coalition, and others. Add in the important scientific and scholarly organizations whose patient painstaking work in the quiet of laboratories and libraries yield over time the basic knowledge and insights that enrich us all—the Brookings Institution, the National Bureau of Economic Research, the American Council of Learned Societies, the Social Science Research Council, the Council on Library Resources, Resources for the Future, the Nature Conservancy, and many others, to say nothing of the great private colleges and universities, many in my own State. All these contribute to the vigor of American society as surely as the wealth of our mines, fields, and factories.

The purpose of foundations is not material profit, but, rather the advancement of human well-being, and so they are tax-exempt organizations. However, the heavy burden of taxation on individuals has aroused strong pressures for relief and reexamination of basic premises, including the whole field of exemptions. I strongly support tax reforms.

But in the process we must guard against unwittingly destroying or damaging sources of wealth that no amount of tax revenue can replace. If in the desperate search for tax relief we somehow circumscribe the great nonprofit sector, we should first carefully calculate whether the taxpayer will not in the long range suffer consequences far heavier than the amount by which his burden may be lightened.

We take philanthropy so much for granted that the danger of miscalculating for a short-term fiscal or political advantage is great. Foundations are a perfect case in point. They have been taken for granted because they work on fundamental problems, and the results of their efforts are better measured over the years and decades than by daily headlines.

Some foundations work so unobtrusively that the field has acquired an unfortunate reputation for a reticence that is sometimes even mistaken for secretiveness. Leaders in the foundation field have of late realized that they must strike a better balance between the need for public accountability and a reluctance to appear to be self-serving. My own view is that the public ought to know more about the distinguished record of foundation contributions to the public well-being. For example, with the exceptions of hearing reference to the Carnegie libraries and the Rockefeller work in eliminating rural disease, our school-

children learn little of the unique and rich role of foundations in American life.

We need to take inventory and remind ourselves of the contributions initiated by American foundations for the last century and down to the present. The most cursory glimpse discloses such landmarks as—

Thorough reform of medical education;

The national merit scholarship program to help talented students get a college education;

Control of yellow fever and other endemic diseases;

Dr. Robert H. Goddard's pioneering experiments in rocketry;

The college-faculty pension system, the first major step to overcome the financial hardships of the teaching profession.

A nationwide drive against loan shark practices;

Legal aid and defense for the poor;

Greater educational and economic opportunity for minority groups;

Early assistance to Dr. Jonas Salk's polio-vaccine research;

"An American Dilemma," by Gunnar Myrdal, a pioneering study of Negro conditions;

The founding of free public libraries;

Pilot experiments in combating poverty;

Introduction of public television and television as a teaching tool;

Cracking of the "genetic code" mechanism that shapes all plant and animal cells; and

The Mount Wilson and Mount Palomar telescopes, which have provided major new knowledge about the universe.

The record is extensive and inspiring; moreover, the foundations are not living off past glories. They are in fact helping American society to adapt rationally and constructively to the turbulent changes of our day. Their vitality is greater than ever, and so is their variety.

Just a few years ago doubts were raised as to the need for foundations in an era when the role of Government had expanded so greatly into such traditional fields of foundation-giving as education, health, and even the arts. But neither the New Frontier nor the Great Society has diminished the need for foundation work.

They have continued to play a vital role in supporting established agencies and in experimenting on a small scale in untried areas where the Government should not or will not yet operate massively. The foundations are assisting experimental ventures in the reform of our welfare system. They are helping to fashion imaginative approaches in conservation, ecology, and restoration of the quality of our environment. To their proud record in educational reform they are adding fresh chapters—for example, the revitalization of legal education to meet new public responsibilities and a restructuring of medical education to meet urban and rural community health needs. Notwithstanding the growth of Federal scholarship and fellowship programs, particularly needs of hundreds of thousands of individuals for assistance in their basic education, specialized advanced study, or midcareer training are being met only through highly selective and imaginative foundation programs.

The Nation's severely strapped artistic institutions still await an adequate governmental response, and even when that comes they will need foundation support for new programs and ventures. Ever since the emergence of television as a major means of communication, foundations have carried on the lonely struggle to preserve part of the spectrum for purely educational and public purposes; now their perseverance has moved public television into an era of great promise and impact.

While Americans take scientific agriculture for granted, today in a dozen underdeveloped countries American foundations are helping to seed what has become known as a Green Revolution, through development and dissemination of remarkable new varieties of rice, wheat, and other basic foodstuffs.

The basic story of how foundations have worked to help the Nation survive its racial ordeal has yet to be told, and when it is I think some of those who have thoughtlessly pinned labels like troublemaker and agitator on foundations may have second thoughts.

The past, the present, and the future potential of foundations is best summed up, perhaps, by the 1965 Treasury Department report:

> Private philanthropy plays a special and vital role in our society. Beyond providing for areas into which government cannot or should not advance (such as religion), private philanthropic organizations can be uniquely qualified to initiate thought and action, experiment with new and untried ventures, dissent from prevailing attitudes, and act quickly and flexibly.
>
> Private foundations have an important part in this work. Available even to those of relatively restricted means, they enable individuals or small groups to establish new charitable endeavors and to express their own bents, concerns, and experience. In doing so, they enrich the pluralism of our social order. Equally important, because their funds are frequently free of commitment to specific operating programs, they can shift the focus of their interest and their financial support from one charitable area to another. They can, hence, constitute a powerful instrument for evolution, growth, and improvement in the shape and direction of charity.

If then private foundations are such an indispensable feature of our national life, why are they under attack? And why is there a danger that they will be legislated into blandness?

The fault in part lies here in the Congress. There are abuses in the foundation field but the Congress has failed, until today, to deal with them. The law permits the relatively easy establishment of foundations that may be used more for private gain than for philanthropic good. The Treasury Department's 1965 investigation revealed:

> The preponderant number of private foundations perform their functions without tax abuse.

And there is now before the House a set of carefully considered, intelligent proposals for preventing these few abuses. One would prohibit dealings between a foundation and any substantial donor and insure that assets dedicated to charity will actually be used for that purpose. Another would assure steady distribution of foundations' net income. The involvement of foundations in a business substantially unrelated to the philanthropic function of the foundation would be limited. Transactions in which foundations may acquire businesses by means of borrowing with tax-exempt income would be prohibited.

These necessary reforms would eliminate the scattered abuses that have unfairly tarnished the reputation of one of American society's most treasured resources. It is a mark of the responsibility of the bona fide foundations of this country that they have publicly and consistently concurred in the substance of these proposals and urged their passage. By curbing abuses these proposals would remove any cloud of suspicion and serve to strengthen and encourage the growth of responsible philanthropy.

But along with these constructive proposals have come several others. They have nothing to do with tax reform, nor with the business-related abuses that have rightly preoccupied many Members of Congress for many years. Instead, this second set of proposals strike at some of the most valuable and necessary activities in which American foundations have been engaged for many years.

Two concern me deeply, and lead me to ask the question: Have we gone too far?

The first in section 101(a) of the bill, enacting a new section 506 of the Internal Revenue Code. In the words of the committee report:

> The new section imposes a "minimal" tax of 7½ percent upon a private foundation's net investment income. The income subject to this tax includes interest, dividends, rents and royalties, less the expenses paid or incurred in earning such income.

Until today, foundations, along with all other charitable, philanthropic, nonprofit U.S. institutions have been exempt from tax. But today we single out the private foundation for special, if not favorable, treatment.

Until today, the tax exemption has been a means of expressing the commitment of the Congress and the country to private philanthropy and charitable organizations. Many of the greatest foundations were organized even before it became advantageous in tax terms to do so—the General Education Board in 1902, the Carnegie Foundation for the Advancement of Teaching in 1905, Milbank Memorial Fund in 1905, Russell Sage Foundation in 1907, Carnegie Corp. of New York in 1911, and the Rockefeller Foundation in 1913. But it was through later exemption statutes that the public sought to encourage the establishment and growth of private effort in the fields of social needs and cultural and educational activities. Thus the exemption in the case of organized philanthropy is not so much a privilege as it is an inducement to activity for the public good.

The public forgoes tax revenue, and in return expects a unique yield that simi-

lar funds spent through the public treasury could not possibly produce. The value of that yield stems from the diversity, competition, multiplicity of effort, and the sense of participation and self-reliance that a free and various people prefer against the alternative of organized human affairs managed exclusively by the State.

The purpose of imposing a tax on foundations is not to appreciably alleviate the tax burden on the American public. The estimated yield annually would be $65 million in the first year, $85 million in the fifth year, and $100 million in the tenth year. We should be clear about what we are doing. This is not a tax on foundations; it is a "sales tax" paid by the recipients of foundation generosity. Projects, people and institutions in every Member's district will be hit by this tax. It simply means that foundations will have 7½ percent less each year to give to hospitals; 7½ percent less each year to grant for medical research; 7½ percent less each year for scholarships and study grants; 7½ percent less each year for support of colleges and universities; and so on.

To repeat: the burden falls on the recipients, not the foundations. And what we are saying today is that we accept a responsibility that the Government should do these jobs, give these scholarships, support this research; we are saying that the Government, not private groups, are better suited to do the job. We are saying—let us have more and more Government control. I agree with the supplementary views filed by Mr. BUSH and Mr. MORTON, at page 225 of the committee report:

> We oppose the 7½ percent tax . . . The theory of pluralism should be encouraged, not discouraged. Private philanthropy is more innovative than government. It can move more quickly and it is more imaginative. By imposing this tax we are simply cutting down on the volume of good the private sector can do. We should be moving away from centralization but, alas, by this tax we take one more step toward it.

The alternative, which I support, is also set forth in the statement of Messrs. BUSH and MORTON:

> We favor the concept of a fee or charge to foundations to pay for the additional costs that will be incurred by the Internal Revenue Service audits of returns of tax-exempt organizations to verify their compliance with the rules. Many foundations have abused these tax exempt privileges, and increased scrutiny by the Internal Revenue Service can cut down on abuses.

I might add that most of the major foundations also support this approach.

An even more serious aspect of the tax on foundations are the precedents we are establishing.

The first precedent is that now we can tax foundations, we can increase the tax. In a sense, we have already done so: the original committee proposal was a 5-percent tax and this has now been raised to 7½ percent. Make no mistake, it can go higher. And the higher it goes, the less the recipients will receive. And the higher it goes, the closer we come to the danger which Chief Justice John Marshall warned of early in the history of our Republic:

> The power to tax is the power to destroy.

If in later years it comes to pass that foundations are destroyed as a force in our society, history may well say that destruction began here and now.

A second dangerous precedent is that we are taxing nonprofit, philanthropic, charitable institutions. Make no mistake, we are setting the precedent here and now. We are, in effect, saying that any exempt organizations are subject to tax, for the great principle that has guided our tax policy since 1913 has been altered.

The question we might well ask is, Who will be next?

Some are angry with foundations and say it is acceptable to punish them a little. But suppose, in another time, some are angry with our universities and colleges or our hospital system and urge that they be taxed "just like the foundations"; it may be hard to imagine, but a year ago, a tax on foundations was hard to imagine.

This tax is characterized as "minimal." I disagree. In fact, the 7½-percent tax on investment income of foundations is equal to or greater than the tax which a noncharitable corporation would pay on dividend income under similar circumstances.

The second section which prompts the question, have we gone too far, is section 4945(c)(2), in a new chapter of the Code dealing with private foundations. Under the new subsection foundations would be forbidden from—

> (1) Any attempt to influence legislation through an attempt to affect the opinion of the general public or any segment thereof, and
>
> (2) Any attempt to influence legislation through private communication with any member or employee of a legislative body, or with any other person who may participate in the formulation of the legislation, other than through making available the results of non-partisan analysis or research.

Here again we have singled out foundations for special treatment, and here again we have established a precedent that could be applied to any other group or organization that enjoys some tax exemption from the Government.

I am not troubled with the prohibition on foundation lobbying or grassroots efforts. In fact, the responsible foundations do not disagree with this restriction. But I am concerned, however, that this one group is singled out, while all other tax-exempt organizations and trade associations may continue to lobby and continue to stir up support for or against legislation.

I might add, for clarification, that I agree that the present law should continue to apply to all such groups; I believe that the existing substantiality test has worked well and can continue to do so.

What concerns me most about the restrictions quoted above is the possibility that they may severely restrict productive communication between Congress and any other legislative body and the foundations. We are saying to the foundations—and the foundations alone—"when it comes to legislation, you keep quiet."

This, I submit, is self-defeating.

The language in the bill could well be interpreted to restrict the healthy, constructive interchange of ideas and proposals among legislative bodies and private foundations. This hurts both, for communication is helpful to both sides. It is a two-way street; communication means that we in Congress can involve the private sector in our problems and let the foundations benefit and be seasoned by our experience as legislators; we can influence their thinking, inform their judgments, and, it might be added, bring a sense of realism to their deliberations. On the other hand, this provision prevents us from having the benefit of new, original and valuable ideas and approaches.

We benefit from suggestions from all sides and groups; that is the genius of our system. But here we are striking at the very root of the democratic, pluralistic system. We are silencing a segment of society; we are cutting off communications; we are depriving our great deliberative body, and other legislative bodies, of what might be a point of view essential to our work—a highly likely result when we consider that foundations often work on the frontiers of knowledge, and often lead in efforts to solve the great problems of our day.

Should we be forbidden to hear from an agricultural expert with valuable experience merely because he works for a foundation?

Should we be prevented from getting the views of a demographic researcher, antipollution expert or cancer specialist, merely because he works for a foundation?

Are we going too far? Are we depriving ourselves of a vital resource? I hope we are not.

Mr. Chairman, the Tax Reform Act of 1969 does so much good in so many fields that I believe it will be remembered as one of the great, progressive acts during my years in the Congress.

I hope that it will not be remembered as the law which began a regressive trend in American history. On this point, I am not sure, Mr. Chairman, for the proposed tax on foundations may well be the first step toward the destruction of organized private initiative in American public affairs. It can happen here, and what more convenient place to start with than foundations which work quietly—except when they touch the raw nerve of controversy—which are still, to many of us, an imperfectly understood oddity, and which lack legions of ready defenders? Today's act could be a signal to the whole array of nonprofit institutions that the National Government no longer valued their efforts, and that even the relatively small fraction of the national wealth channeled to social purposes outside the Government must now be commandeered to the public treasury.

The absorption of all philanthropic initiative by the State would not happen overnight, but in one crisis or another a new incursion would be rationalized on the grounds no firmer than those advanced for the current proposals for a tax and restrictions on foundation activities. Not every nonprofit venture

would be proscribed, of course—only those of importance and public impact. All matters affecting public policy would revert to the State. To private initiative the State would leave the marginal, the bland, and the most narrowly defined charity.

We would find ourselves living in a society where, in place of the multiplicity of effort and a spectrum of contending views, there stands a monolithic system.

This may not happen, but the questions and issues I am raising today must be asked, and answered. For "the price of liberty is eternal vigilance."

Mr. DONOHUE. Mr. Chairman, I wish to register my convictions on this measure before us—H.R. 13270—the Tax Reform Act of 1969.

I intend to support this measure, but only with several misgivings and reservations that I am sure are commonly shared by a great many other Members of the House. I intend to support it because, however deficient it may be, it does represent the first small but real step in all our history toward the imperative national urgency to more equitably distribute the tax burdens in accord with ability to pay; because no amendment improvement can be offered under the yes or no closed rule procedure governing debate on the bill, and because there is good reason to believe and hope that the Senate will make significantly improving changes and revisions in the bill when it reaches that body.

Mr. Chairman, when I voted against the income tax surcharge extension here last June 30, I expressed my conviction that the desire of the enormous majority of our American taxpayers today is that the Congress should primarily concern itself with the enactment of urgently needed and too long delayed equitable tax reform before or at least simultaneously with any action on such an extension. At that time, I emphasized my belief that it was my legislative obligation to do everything within my power "to encourage prompt enactment of a more equitable tax system freed from every discriminatory and unjustifiable preference and loophole." Since my voting action, together with 204 House colleagues, against the surtax extension has resulted in this unexpectedly early presentation of a tax reform bill, I share, with these colleagues, a certain, limited gratification that we are, at least, today, dealing with the essential subject of national tax reform.

We are gratified, Mr. Chairman, because this bill before us does contain provisions to extend modified tax relief to those American taxpayers who need it the most.

Under certain provisions of this bill, we are happy to observe that nearly 6 million poverty-level families are removed from tax rolls on which, in this affluent country, they should never have been included. Other provisions, over a 3-year period, grant a modest reduction to the great number of moderate-income taxpayers who do not itemize their deductions and, by late action last night, a vast number of middle income—from $7,500 to about $13,000—mostly homeowning families who itemize their deductions are covered, now, within the tax reduction language. May I say, Mr. Chairman, that without this late action by the committee, a tremendous injustice would have been imposed upon millions of overburdened American taxpayers and, had this action, we had encouraged, not occurred, many of us would have been heavily moved toward protest rejection of the bill. We congratulate the chairman and the committee for their right and timely gesture, in consideration of these heavily tax-plagued middle-income Americans. Let me remind my colleagues, Mr. Chairman, of the fact that authoritative statistics reveal that the middle-income taxpayers in this country have long been required to shoulder nearly two-thirds of all personal Federal income tax levies.

Also, Mr. Chairman, a great many of us are pleased to see that this measure contains a few of the wholesome objectives we have long been trying to achieve through the introduction of individual bills, such as those designed to grant head-of-household rates to single taxpayers; to grant head-of-household status to all widows and widowers maintaining a household; to make widows and widowers with school-attending children eligible for the income-splitting advantages of joint returns; and to liberalize tax deduction allowances for moving and house-hunting expenses.

However, we are deeply disturbed and disappointed that this measure contains no provisions for any relief or consideration at all of the increasingly burdensome expense of rapidly rising college tuition costs that fall most heavily upon the moderate- and middle-income family head; that no proposal is being made to increase the $600 personal exemption to a more realistic, higher figure; that no recommendation is made, in the face of ever-rising bare subsistence costs, for any significant relief for those of our citizens, in retirement, living on a fixed income and that no special consideration is being extended to the elderly, over 65, and the many citizens among us who are deaf and otherwise severely handicapped.

Mr. Chairman, a great many of us have repeatedly brought the unusual economic urgencies of these particular Americans to the attention of the Ways and Means Committee and we shall continue to do so until action is recommended and taken to grant these citizens the special measure of tax relief they merit and which they must have in order to live in this modern economy without fear and despair. Let us hope, that in all justice, the committee will expedite relieving action in these areas.

As I indicated, Mr. Chairman, before, a great many of us entertain several earnest reservations about the entirely wholesome nature and complete scope of this bill, despite the allegations that it is "comprehensive" in its projected reform.

On the contrary, a great many of us feel and fear that it still proposes too little, for too many, while it still too much and too greatly favors the comparatively few who are extremely wealthy and the interests that are extremely powerful.

For instance, we are forced to question the claimed comprehensive plugging of the loopholes of the privileged few, when we find, from analysis, that even when the highly praised limitation on tax preference procedure, recommended by the committee, is fully applied in 1971, it will only recover an estimated $85 million of escape taxes which represent only one-half of 1 percent of the overall currently existing $15.3 billion tax-free income.

We are forced to doubt the comprehensiveness as well as the effectiveness of the supposedly heavy but simple reduction in the oil and gas depletion allowance from 27½ to 20 percent, when we find that the lucrative intangible oil drilling costs remain untouched and excess percentage depletion allowances are exempted from the tax preference limitation provision.

We are further impelled to look with some skepticism upon this supposed comprehensive reform action when we learn that the very fertile field of recovery of excess profits from the very high profit segments of the defense industry was apparently not considered by the committee, along with authoritatively suggested examination of possible additional tax recovery in the fields of revised estate and gift tax regulations, taxation of capital gains untaxed at death, the possible elimination of payments of estate taxes by redemption of government bonds at par and the establishment of the same rate for gifts and estate taxes. It would certainly seem that a review, by the committee, of these and other likely tax recovery sources, suggested by experts, from those who can most afford it for the relief of those who most need it, would have been and still is in order if the announced objective of "comprehensive" reform is to be anywhere near fulfilled. Let us again hope that renewed action on this score will soon be initiated by the committee.

May I further emphasize, Mr. Chairman, that I and a great many others here are concerned with the manner in which this tax reform bill is being presented coupled with the proposed extension of the income surtax at the 5-percent rate from January 1, 1970, through June 30, 1970. A great many of us remain firm in our conviction that this extension should have been given separate consideration from this tax reform bill for the simple reason, as I previously stated, when the first proposed extension was being discussed here last June 30, that if a real, substantial, comprehensive loophole, preferential tax plugging, and escape tax recovery bill was enacted, the extension of this income surcharge, for the proposed time limits and at both the 10-percent and 5-percent rates might very well and probably be found unnecessary.

Let us remember that some of our most esteemed economic authorities still maintain that the surcharge has had no appreciable effect upon the control of in-

flation, that living costs are consistently rising practically every month, and that interest rates for the ordinary borrower are at the alltime high of our history. It is pertinent to also remember that even in the provisions of this bill, ostensibly to give some tax relief, as well as to more equitably distribute the tax load, it is proposed to again extend, what we had previously committed ourselves to eliminate, the excise taxes on automobiles and communications services, which seems to be very close to contradicting one of the main intents of this measure.

Also, Mr. Chairman, a great many of us have some real misgivings about some of the other projected reforms in this bill, such as the long-range effect of the suggested restrictions upon charitable contributions that could adversely affect our educational institutions; the practical wisdom of the suggested limitations upon State and municipal tax-exempt bonds; and the possible unwitting discouragement and withdrawal of financial assistance to potential homebuyers when it has been the long accepted policy of our National Government to try to reasonably encourage home purchases and building.

But, despite our misgivings and reservations, I hold the deep belief, Mr. Chairman, that it is imperative, especially in this period of national turbulence and uncertainty, that this House and this Congress make a beginning toward the full restoration of public confidence in the essential fairness of our tax system. Insofar as this House of Representatives is concerned, this is the first and only step we are permitted to take today.

Let us, therefore, in practical wisdom and patriotic concern, take this first if small step, today, while we pledge to continue to work and look toward tomorrow, to take the giant leap that will finally and comprehensively place our tax system on a sound and equitable basis by which every individual can know and be assured that he, and every one of his fellow citizens, and every sort of business and enterprise in this country is fairly sharing in the legitimate costs of our National Government in compliance with the traditional principle of taxation in accord with the true ability to pay, and for the promotion of the true peace and progress of the people of the United States and the world.

Mr. PICKLE. Mr. Chairman, this is such a huge and complex bill that it is difficult for the House thoroughly to know all the details of each provision and to express its intent precisely.

I realize an open rule on a tax bill is not practical, but I do think certain specific votes ought to be allowed. For instance, I question the change recommended relating to tax-exempt municipal bonds. The provision for interest subsidy payments by the Federal Government to cities and school districts is most complex and confusing to the local taxing entity. Moreover, it places unnecessary administrative burdens on them. It seems to me that it gets the Federal Government more into local matters than it should. It probably does not raise any revenues for the Federal Government, and possibly hurts the cities and counties.

I have asked to see if it would be in order to offer amendments to any amendment offered if the previous question was voted down. I hope there might be a possibility for at least one or two amendments to the tax package without making it a completely open rule. I therefore intend to vote against the previous question.

I am for a reasonable tax reform bill, but I regret that we must take it all or nothing. This is a 368-page bill, and even the Ways and Means Committee was holding special, emergency meetings and making corrections as late as yesterday. Assuming that this bill is passed by the House, I hope there can be some changes in the Senate.

Mr. CASEY. Mr. Chairman, in a short time this deliberative body will be asked to vote on a tax bill that exceeds 350 pages in length; that has a two-part committee report that is several hundred complex pages in length; that involves the reallocation of some $7 billion in tax liability; that provides long overdue tax relief for some in the future but imposes high tax burdens on everyone in the more immediate future; that attacks the fiscal integrity of our State and local governments; that impairs the capital recovery ability of our private enterprise system; that purports to enhance equity in our tax system through arbitrary and capricious substantive amendments that threaten to have stifling effect on the creation of new jobs and the improvement of existing job opportunities.

Mr. Chairman, in my judgment there is no Member of this deliberative body who has had the time to study this legislation to permit an informed vote on this far-reaching measure. There is no Member who has had adequate time to determine how H.R. 13270 will affect his constituency or the attitude of his constituents with respect to it. While I am confident there is much in this bill that has merit, I am also confident that many of the changes in the bill are totally lacking in merit. In the latter category of changes lacking in merit, I place the amendments adversely affecting the natural resource industry.

The bill, H.R. 13270, includes provisions sharply reducing the percentage depletion rates in the case of more than 100 essential minerals and dangerously impairing the ability of American-owned enterprises to enage competitively in international natural resource development.

Mr. Chairman, I believe every Member of the House of Representatives recognizes the importance of energy in promoting a high level of per capita income, in postering our economic progress, and in maintaining our national security. Petroleum provides almost three-fourths of our Nation's energy requirements. It is with respect to petroleum and our future energy requirements that I would like to address the balance of my remarks.

Mr. Chairman, we live in a changing world; these are dynamic times. It is often necessary, therefore, that some of our institutions and laws be altered to enable us to meet new challenges and new conditions. At the same time, however, we should always keep in mind that there are two sides to the face of change. Just as some changes are beneficial, others can be harmful.

The proposal to reduce percentage depletion falls, it seems to me, in the latter category. Just a few years down the road lies a tremendous increase in our population. The Nation's demand for energy continues to soar. Nevertheless, despite these sobering facts, we are seriously considering a reduction in the incentives to explore for oil and gas—the source of nearly 75 percent of the energy that keeps this country moving ahead.

To keep this proposal in proper perspective, it would be helpful, I think, to consider some of the points brought out in a recent study made by the energy division of the Chase Manhattan Bank. This study, which was appropriately titled "Can't We Ever Learn?", called attention to the fact that last year this country consumed 50 percent more oil than our domestic petroleum industry added to its proved reserves.

Ideally, the study said, the new reserves added each year should not only match consumption but should exceed it. Our underground inventories of oil, in other words, should expand in reasonable proportion to growth in demand. Yet 1968 was the ninth consecutive year that reserve additions of crude oil and other petroleum liquids were below the level of consumption.

The Chase Manhattan study goes on to say that to a degree, of course, we can supplement our own domestic reserves with oil imported from foreign sources. In fact, we are already relying on imports for nearly one-fourth of our needs.

Chase Manhattan points out:

> But the nation would incur a very grave risk indeed if it became heavily dependent upon outside sources. As the record forcefully demonstrates, reason does not prevail throughout the world. And there is no real assurance that oil from abroad would be continuously and fully available.

Continuing, the study says:

> The economy of the United States is much too dependent upon oil to tolerate an inadequate supply. And in the unfortunate event of another international war the nation's position would be perilous if it had to rely upon a high proportion of imported oil. Prudence and common sense, therefore, require that the nation remain largely self-sufficient.

The study says that to maintain a minimum safe inventory of proved reserves, the domestic industry will need to find and develop 87 billion barrels of oil between now and 1980. Says Chase Manhattan:

> Against that requirement, the recently reported discoveries in Alaska do not loom large—and we should be mindful that they are not yet in the category of proved reserves.

Can the domestic industry find that much oil? In answer to that question, the Chase Manhattan report points out that over the past two decades there has been a consistent relationship between the amount of money spent in the search for oil and gas and the proved reserves actually found. The report says:

If this relationship continues, the petroleum industry will need to spend approximately 116 billion dollars to find and develop 87 billion barrels of oil. That would necessitate an average outlay of 9.7 billion dollars a year between 1968 and 1980—well over twice as much as the industry has been spending in recent years.

Chase Manhattan says that over the past 9 years the petroleum industry spent as much as $40 billion trying to find and develop new sources of petroleum in the United States. To have found enough oil to meet market needs and to maintain a satisfactory level of reserves, it should have spent 70 percent more than was actually spent. The answer as to why it did not, says, the report, hinges primarily on two factors: First, the incentive to spend; and, second, the ability to spend.

Neither major companies nor independent producers, says the report, have had financial resources sufficient to support a fully adequate expenditure. The petroleum industry is far more capital intensive than most others; the scope of its activities create vast capital needs. But the industry also involves a higher degree of risk than most others, the report points out, and for that reason it has had to generate most of the funds for its capital and other financial requirements from its operations.

Says Chase Manhattan:

Historically about 45 percent of the money needed has been derived from net earnings, another 45 percent from the various provisions for capital recovery, and only 10 percent from the capital markets. But in recent years the industry has been unable to generate enough from operations and has to depend much more heavily upon borrowed capital. Currently, its use of borrowed funds is well over twice as large as the historical proportion.

Let me quote just one more paragraph from this important study:

Clearly, the availability of sufficient petroleum from domestic sources is vital to the welfare of the United States. And, obviously, if the petroleum industry is to satisfy the nation's needs and also maintain a safe margin of proved reserves, it must have enough capital to reform that function. It must also have sufficient incentive to use its capital for that purpose. In the face of these demonstrated needs, it would be logical to think that nothing would be done to prevent the industry from accomplishing its essential purpose. Yet, incredible as it may seem, obstacles are indeed placed in the industry's way.

The title of this report, as I mentioned before, is "Can't We Ever Learn?" I hope we can, Mr. Chairman, I am confident we can. But let us make sure that we do not learn in that hardest of schools—the school of experience. Let us make sure that we do not learn through suffering acute shortages of oil and gas—shortages that could not only damage our economy but which could also endanger our national strength.

Mr. Chairman, 87 billion barrels of oil that we need to find and develop between now and 1980 is a lot of oil and the $116 billion that we will need to spend to achieve this objective is a lot of money. The course of responsible action would seem to argue persuasively against impairing any of the current tax incentives that are needed to get the job done.

As a part of my remarks, I will include the commentary from the Chase Manhattan Bank letter entitled "Can't We Ever Learn?":

CAN'T WE EVER LEARN?

Last year the United States consumed 50 percent more oil than the domestic petroleum industry added to its proved reserves. It was not the first time the industry has been unable to keep pace with the nation's growing needs. Indeed, 1968 was the ninth consecutive year in which reserve additions of crude oil and other petroleum liquids were below the level of consumption. For the entire nine year period, the new reserves represented little more than four-fifths of the accumulated consumption in that time.

Ideally, the new reserves added each year should not only match consumption but should exceed it. Proved reserves are in the nature of underground inventories. And, as such, they should expand in reasonable proportion to the growth of market demand—if the market's needs are to be fully and continuously accommodated. If that goal had been achieved over the past nine years, the petroleum industry would have had to find 1.4 barrels of proved reserves for each barrel consumed instead of the 0.8 barrel it actually did find. In other words, it should have discovered a total of 51 billion barrels in the nine year period—two-thirds more than the 30 billion actually found.

It is not absolutely essential, of course, that the ideal situation be achieved. To a degree, the nation's domestic reserves can be supplemented with oil imported from foreign sources. And the United States now relies upon imports for nearly one-fourth of its needs. But the nation would incur a very grave risk indeed if it became heavily dependent upon outside sources. As the record forcefully demonstrates, reason does not prevail throughout the world. And there is no real assurance that oil from abroad would be continuously and fully available. The economy of the United States is much too dependent upon oil to tolerate an inadequate supply. And in the unfortunate event of another international war the nation's position would be perilous if it had to rely upon a high proportion of imported oil. Prudence and common sense, therefore, require that the nation remain largely self-sufficient.

But it won't be for much longer, if the trend of the past nine years continues. By 1980, the annual consumption of oil products in the United States is expected to reach 19 million barrels per day—nearly 50 percent more than the 13 million a day consumed in 1968. Between 1968 and 1980, the accumulated consumption is expected to amount to 70 billion barrels. If the United States is to maintain a minimum safe inventory of proved reserves and not become more dependent upon outside sources than it now is—obviously a desirable goal from the standpoint of the nation's well-being—the domestic petroleum industry will need to find and develop a total of 87 billion barrels between 1968 and 1980. Against that requirement, the recently reported discoveries in Alaska do not loom large—and we should be mindful that they are not yet in the category of proved reserves.

To find such a tremendous amount of oil will require an equally enormous capital expenditure. For the past two decades there has been a consistent relationship between the amount of money spent in the search for oil and natural gas and the proved reserves actually found. And if this relationship continues, the petroleum industry will need to spend approximately 116 billion dollars to find and develop 87 billion barrels of oil. That would necessitate an average outlay of 9.7 billion dollars a year between 1968 and 1980—well over twice as much as the industry has been spending in recent years.

In the past nine years—the period during which domestic reserve additions were less than consumption—the petroleum industry spent as much as 40 billion dollars trying to find and develop new sources of petroleum in the United States. By any standard, that was a huge financial effort. But, obviously, it was not enough. To have found sufficient oil to match market needs and maintain a satisfactory level of proved reserves, a capital expenditure of about 68 billion dollars would have been required—70 percent more than was actually spent. Why—if there was a need—did the industry fail to spend that much? The answer hinges primarily upon two factors: (1) the incentive to spend, and (2) the ability to spend.

Insofar as the search for oil and natural gas in the United States is concerned, the petroleum industry may be divided into two basic groups—the major companies and the independent producers. For a decade following World War II, both groups spent nearly identical amounts of money. And they both increased their levels of spending year after year, keeping pace with market expansion. By the mid-fifties, each group was spending approximately 2.5 billion dollars a year—more than three times as much as they were a decade earlier. But since that time, their pattern of capital spending has changed to a marked degree. The major companies have sharply curtailed the rate of growth of their expenditures. And the independent producers have progressively reduced their annual outlay. Currently, the independents are spending only half as much as they were a dozen years ago.

These developments provide clear evidence of damage to the incentive to spend. Obviously, if the rate of return on their investment had been more attractive relative to other investment opportunities, both groups would have spent more than they did in their search for additional domestic reserves of oil and natural gas.

But neither group had financial resources sufficient to support a fully adequate expenditure. The petroleum industry is far more capital intensive than most others. And the scope of its activities creates vast capital needs. It is also an industry whose operations involve a substantially higher degree of risk than most others. And, for that reason, it has had to generate most of the funds for its capital and other financial requirements from its operations. Historically, about 45 percent of the money needed has been derived from net earnings, another 45 percent from the various provisions for capital recovery, and only 10 percent from the capital markets. But in recent years the industry has been unable to generate enough from operations and has had to depend much more heavily upon borrowed capital. Currently, its use of borrowed funds is well over twice as large as the historical proportion. Had the industry chosen to spend all the money required to maintain a satisfactory level of proved reserves over the past nine years, it would have been forced to borrow far more than it actually did. And we must be mindful, of course, that all borrowed capital eventually must be repaid with funds generated from operations.

Clearly, the availability of sufficient petroleum from domestic sources is vital to the welfare of the United States. And, obviously, if the petroleum industry is to satisfy the nation's needs and also maintain a safe margin of proved reserves, it must have enough capital to perform that function. It must also have sufficient incentive to use its capital for that purpose. In the face of these demonstrated needs, it would be logical to think that nothing would be done to prevent the industry from accomplishing its essential purpose. Yet, incredible as it may seem, obstacles are indeed placed in the industry's way.

For the last decade and a half, the indus-

try's generation of capital funds has been severely limited by governmental regulation of the price of natural gas. Carried on without sufficient regard for economic and competitive circumstances, the regulation forces the industry to accept a price for gas that is much too low. Since various oil products must compete in the market with the low priced gas, their prices are indirectly affected also by the regulation.

These circumstances limited both the generation of capital and the incentive to invest the funds that actually were available. Significantly, the cutback of capital spending devoted to the search for new oil and gas reserves was initiated shortly after the imposition of the price control. And, as a result, the nation is now faced with a shortage of both oil and natural gas. How, we might wonder, could anyone ever have believed the United States could continue to have adequate supplies of oil and natural gas, if the petroleum industry were denied sufficient funds to search for them? Yet, that denial has persisted, despite repeated warnings of the consequences.

And there exists today a situation that demonstrates further how poorly the lesson has been learned. As noted earlier, the petroleum industry derives a large proportion of its capital funds from the various provisions for capital recovery. Together, amortization, depreciation, depletion, etc. rank equally with net income as a source of capital. Until recently, they satisfied as much as 45 percent of the industry's overall financial needs. All private industries, of course, have provisions for capital recovery—otherwise, they could not survive. But they all do not have the same provisions. A factory or a piece of machinery can be depreciated over its lifetime. And when they are worn out, they can be replaced. But when oil and natural gas have been extracted from the earth and consumed they cannot be replaced—new sources must be found instead. And that can be an exceedingly costly and risky undertaking. The record abundantly demonstrates that vast sums of money can be spent without any oil or gas being found. Since, in fact, the production of oil and gas represents a depletion of its capital assets, the petroluem industry is permitted by law to recover a portion of this capital by means of a depletion allowance.

This procedure, however, has been subjected to increasing attack. And there are mounting demands that the allowance be reduced or eliminated. Some of the attacks obviously are politically motivated. But there is also criticism that reflects a lack of understanding of the true role played by the depletion allowance. There is a failure to recognize that the allowance applies only to revenue generated by the industry's successful producing properties—and the benefits derived do not offset the large sums spent on the search for petroleum that proves unsuccessful.

Most often, the allowance is labeled by its critics as a tax loophole—conveying the impression that the money thus obtained is utilized for some nonessential purpose. But regardless of what its detractors choose to call it, the depletion allowance is today what it always has been—a source of capital. And if that source is reduced or eliminated, it must be replaced by another.

There is only one practical alternate source. If, for example, the industry's generation of capital funds were reduced 10 percent by a change in the depletion allowance, net income would have to be increased by an equal amount. And that could be achieved only with an increase in gross revenue—which, of course, would necessitate higher prices for petroleum products. Thus, a cut in the depletion allowance would, for all practical purposes, be the equivalent of a tax increase to consumers. And, as such, it would carry all the inflationary force of any other rise in their costs.

Clearly, a reduction in the depletion allowance—or any of the other provisions for capital recovery—would not be in the best interests of the United States. The nation's dependence upon petroleum, its tremendous needs, the vast amount of capital required by the petroleum industry to satisfy those needs, the industry's decreasing ability to generate enough capital and mounting dependence upon borrowed funds, and the developing shortage of both oil and natural gas are all reasons why such an action would be ill advised. Rather than inhibit the generation of capital and thereby discourage its use, the interests of the United States would be far better served by positive actions designed to achieve the opposite results. If we are to have enough oil and gas, we have to pay enough for them—there simply is no other way. Why is that elementary fact so difficult to understand?

Mr. MILLS. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. EDMONDSON) having assumed the chair, the Chairman of the Committee of the Whole House on the State of the Union (Mr. FLYNT) reported that that Committee, having had under consideration the bill (H.R. 13270) to reform the income tax laws, had come to no resolution thereon.

GENERAL LEAVE

Mr. MILLS. Mr. Speaker, I ask unanimous consent that those Members who spoke on the bill in general debate and those Members who wish to extend their remarks under the permission obtained earlier be permitted to include extraneous matter with their remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

CHAIRMAN WRIGHT PATMAN CELEBRATES BIRTHDAY ON AUGUST 6

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

Mr. ANNUNZIO. Mr. Speaker, I rise today to congratulate and extend my best wishes to Hon. WRIGHT PATMAN, distinguished chairman of the House Banking and Currency Committee and Representative of the First District of the great State of Texas, on the occasion of his 76th birthday.

For more than 40 years, since he was first elected to the 71st Congress, WRIGHT PATMAN has compiled an outstanding record of dedicated and devoted service to the people of America.

It has been my privilege to serve on Chairman PATMAN'S Banking and Currency Committee since I was first elected to Congress in 1965. During this time, I have witnessed his vigorous campaign to help the Nation's poor and disadvantaged people overcome their excessive financial burdens. As a Representative of Chicago's West Side, I have noted with admiration Mr. PATMAN'S indefatigable efforts to champion the cause of the "little man" and to bring him financial relief.

As a critic of excessively high interest rates, Mr. PATMAN has brought public attention to this serious financial inequity. In recent months as the Nation's banks have raised their prime interest rates to 8½ percent, and still further raises are threatened, the urgency of his criticism has become apparent.

Chairman PATMAN has long been a critic of the Federal Reserve System. He has suggested stronger congressional control over the Federal Reserve Board. In an era of growing inflationary pressures, the inability of the Federal Reserve Board to help alleviate this situation has been justly criticized by Mr. PATMAN.

In this regard, another prominent authority on financial affairs, Senator Paul Douglas, former senior Senator from Illinois and a mainstay of the Senate Finance Committee for more than 10 years, paid this tribute to WRIGHT PATMAN:

> He knows more about the Federal Reserve System than anybody in Congress and has more factual knowledge of its operations than its officials themselves.

A man who is vitally aware of the social as well as economic problems in our Nation, Mr. PATMAN is neither oblivious nor unconcerned about our Nation's cities. He is a man who realizes that credit abuses are often responsible for high crime rates and civil disorders in our cities, and he is continuing the fight to stop these credit abuses.

As our Nation's precarious financial situation becomes a subject of growing concern, Congress and the American people can and will rely heavily on WRIGHT PATMAN'S expertise and genuine interest in the field of economic affairs.

One of the great accomplishments in WRIGHT PATMAN'S career has been the exposing of usurious interest rates, sometimes as high as 50 and 60 percent, which were being charged American boys in uniform all over the world. Through the efforts of the Domestic Finance Subcommittee, which WRIGHT PATMAN heads and on which I serve, our subcommittee went to Europe and Asia. We exposed these juice racketeers who were charging exorbitantly high interest rates, and we eliminated these juice racketeers and loan sharks from operating on military installations all over Europe and Asia. Today, thanks to WRIGHT PATMAN, we have Federal credit unions in Europe and Asia with millions of dollars in deposits and extending millions of dollars in low-interest-rate loans.

Someday, I hope that the American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, AMVETS, Catholic War Veterans, Jewish War Veterans, and our other veterans' organizations, will recognize this great contribution that has been made to our men in uniform assigned to military installations all over the world, who have fought in the Korean war and are fighting in the Vietnam conflict, in order to defend our democratic principles and to maintain peace and freedom. I firmly believe that these national veteran or-

ganizations should publicly acknowledge this valuable work that has been done in the interest of our American fighting men.

Personally, I want to say that WRIGHT PATMAN'S wise counsel as well as his exemplary public service have been sources of profound inspiration to me, and it has always been my pleasure to follow his lead in advocating the best interests and welfare of all Americans.

Once again I am delighted to extend best wishes to WRIGHT PATMAN on the occasion of his 76th birthday and to wish him continued good health and many more years of outstanding public service.

THE EVERGLADES NATIONAL PARK NEEDS HELP

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

Mr. McCARTHY. Mr. Speaker, the third largest national park in the United States and the only subtropical park—the Everglades—is a unique tropical area stretching from the Tamiami Trail south to Florida Bay and covers the entire southern shoreline of the tip of Florida. The park is a sea of sawgrass dotted with tree islands and bordered on the west with a belt of mangroves. It is the home of the snowy egret, the green heron, the ibis, the roseate spoonbill, the anhinga, and thousands of other birds. It is the home of the alligator and the green turtle. The Everglades is rich in the marine organisms and marine life that are necessary to the fish that swarm off Florida's coastline. Twenty of the species of wildlife living in the Everglades are rare—so rare that they are threatened with extinction.

The Everglades stretch beyond the boundaries of the national park itself. North of the Tamiami Trail are three conservation areas established by the U.S. Corps of Engineers and the Central and South Florida Flood Control District. These areas are a major attraction to fishermen—the largemouth bass is a sportsman's favorite. Visitors can camp or stay in these water conservation areas while enjoying the northern Everglades.

The Everglades National Park is threatened. The city of Miami, or more precisely, Dade County, wants to construct a 39-square-mile jetport on the north edge of the park. This airport—big enough to contain the airports of four other major cities—is designed to handle the modern jet-age aircraft that carry visitors to and from south Florida. When it is completed, an average of 100 flights an hour will roar in and out of this complex.

Miami would be helped in the construction of this giant airport by the Federal Government. The Department of Transportation has agreed to study a high-speed ground transportation system—perhaps a railroad—connecting Miami and the airport. Miami is also arguing for an interstate highway link from the airport to the city, a link that if approved would be paid for mostly by the Federal Government. In addition, the Federal Aviation Administration has raised no objections to the proposed location of this airport. So although the Department of Transportation is required by law to consider the effects on the environment of its projects, so far it apparently is unaware of the destructive effects that this mammoth airport will have on the Everglades National Park.

The fragile balance of nature in the Everglades will suffer irreparable damage if the new Miami Airport is built at the planned location. Construction of 39 square miles of runways and terminals will further reduce the amount of water available to the park. The communities that will spring up around the airport will further cut into the water that now comes from the conservation districts north of the Tamiami Trail. Noise from the modern jets will blanket much of the park. The airport planners themselves say that the park offers them a location where there will be no complaints because of aircraft noise. Wildlife will not complain. It will just disappear. Pollutants from the exhausts of low-flying aircraft will poison the waters of the Everglades. It is unlikely that the park would survive the airport.

Fortunately, there are alternative locations for the airport. Every effort should be made to have one of these locations used rather than the north edge of the Everglades Park. The Department of Transportation has an obligation to pursue this goal. And the Congress has a responsibility to see that the interests of every American are best served by protecting the park.

Every American has invested part of his tax money in the Everglades National Park. As a rich, unusual wonderland of nature, it is the property not just of Miamians, not just of Floridians, but of the Nation. The airlines themselves understand that the Everglades National Park is a major attraction that brings millions of visitors to Florida. The park is advertised by Eastern, National, and other airlines as a place to visit. It is ironic that the airlines are not more aware that the new airport that they want may destroy the very source of their passenger traffic. But others are aware of the danger and should speak out. This is the way in which the park will be saved. I have written to Secretary John A. Volpe, of the Department of Transportation, asking that no action be taken that would jeopardize the Everglades National Park.

I am including in the RECORD an article appearing in the July issue of the Sierra Club Bulletin concerning the threat to the Everglades National Park for the information of my colleagues:

THE EVERGLADES JETPORT—ONE HELL OF AN UPROAR

(By Gary A. Soucie)

The nation's third largest national park is in trouble, serious trouble. As Undersecretary of the Interior Russell Train stated at the June Senate Interior hearings on the Everglades, "Everglades National Park has the dubious distinction of having the most serious preservation problems facing the National Park Service today. . . ." Everglades National Park is in as much jeopardy as the 22 endangered species of fish and wildlife that find refuge within its boundaries.

The fragile, unique ecology of Everglades National Park is utterly dependent on a reliable supply of pure, fresh water. But the sources of this supply exist outside the park's boundaries, in the sloughs and sawgrass savannahs of the Everglades to the north, in the strands and marshes of the Big Cypress Swamp to the north and west, in Lake Okeechobee almost 70 miles north, and even in the Kissimmee Prairie beyond the lake. And, every since the 1880's, man has been busy as the proverbial beaver draining, diking, ditching, and otherwise "managing" this water.

The real trouble began in 1948 when Congress authorized the construction of a gigantic flood control, drainage, and reclamation project north of Everglades National Park. Still under construction (at latest count it was $170 million old and still only 48 per cent complete), the project already has the capability of completely shutting off the park from its source of surface water, which was proved during the long and severe drought of the early 1960's.

Designed and built by the Army Corps of Engineers, the project is administered by a state agency, the Central and Southern Florida Flood Control District (FCD). Both of these agencies have been notably more understanding of the project's other water users: citrus growers, beef ranchers, sugarcane growers, vegetable farmers, real-estate developers, and municipal water users. However, since the appointment of conservation-minded Chevrolet dealer Robert W. Padrick to the chairmanship of the FCD's board of governors, the national park has fared considerably better.

But there is no way to insure that the next FCD chairman will be as understanding of the park's problems as Bob Padrick; so the only long-range solution is to secure for Everglades National Park a guarantee to its miniscule, but absolutely necessary share of the project's water. The Corps has several times entered into agreement with the National Park Service, but has backed off each time. The people of the United States have been waiting 21 years now for this guarantee, and in each of those 21 years Congress has appropriated several millions of public dollars to advance construction of the flood control project. It's high time for Congress to secure for the people of the 49 other states their interest in Everglades National Park. That's precious little to ask for all that equity in the water project.

THE NEW ENEMY

But, while conservationists and the National Park Service were engaged in this long struggle to secure the park's water supply, Everglades National Park took a mean blow below the belt from an entirely different foe. On September 18, 1968, ground was broken in the ecotone between the Everglades and the Big Cypress Swamp for the world's largest airport. Just imagine, an airport of 39 square miles, large enough to hold Kennedy, Los Angeles, San Francisco, and Washington national airports with plenty of room left over to spare; with runways six miles long, capable of handling the largest and fastest jet transport aircraft—and just six miles away from, and "upstream" of, Everglades National Park.

Though not exclusively a water problem, the jetport certainly will have an impact on this resource. First consider the degradation of the waters flowing into Everglades National Park from the use of pesticides, fertilizers, and detergents on the airport site, from the inevitable fuel spills, from the effluent of the 35 to 40 million passengers it is expected to serve by 1985. Then, consider the tons of hydrocarbons, petrochemicals, and carbon particulates from unburned and

partially burned fuel that will be dumped into water on its way to the park during approach, landing, takeoff, and climbout.

Perhaps even more important is the broad threat to both water quality and quantity posed by the massive development of the Big Cypress Swamp that will be spurred by the construction and operation of the world's largest jetport. It has been estimated that a city of 500,000 to one million inhabitants will spring up in the wilderness of the Big Cypress Swamp. The drainage required by a development of this magnitude (remember, this is Florida swampland) would siphon off a substantial portion of the park's Big Cypress water supply. And the potential pollution of the rest is fantastic.

In April of this year, the Sierra Club joined with 20 other conservation organizations to oppose the jetport's development at the present site and requested Secretary of Transportation John Volpe to withdraw his department's support and to actively encourage the relocation of the facility.

Jetport backers, including not only the Port Authority but also other Miami and Dade County economic interests and several major airlines, are quick to point out to conservationists that the Big Cypress lands in Collier and Monroe counties are subject to undesirable development whether or not the jetport is developed at the present site. True, but the jetport will accelerate and magnify the development. As Nathaniel P. Reed, special assistant to Governor Claude R. Kirk, pointed out to the Senate Interior Committee:

"For years competent biologists and ecologists have wondered what would happen to the park if the peripheral Big Cypress lands were ultimately developed. Due to the money squeeze, the problem remained insoluble. In my opinion, the park cannot be saved for future generations if the Big Cypress is allowed to be developed. Even 'planned development' will surely wreak havoc with the water route."

Without the development catalyst of the jetport there might, just might, be time to acquire enough of the Big Cypress and to zone enough of the rest to preserve the western Ten Thousand Islands section of Everglades National Park. With the jetport, that slim chance is lost.

TRANSPORTATION ACT VIOLATED

Last year, at the urging of Senator Henry M. Jackson, Congress amended the Transportation Act to require consultation between the Secretaries of Transportation and Interior prior to approval of any transportation program or project which uses park, wildlife, or recreation lands of federal, state, or local significance. This language was designed to prevent just the sort of disaster that now threatens the Everglades. The FAA has made an airport construction grant of $500,000 to the Dade County Port Authority without the required consultation between the Secretaries of Transportation and the Interior, and without the required demonstration that (1) there was no "feasible and prudent alternative" and that (2) the airport program included "all possible planning to minimize harm" to Everglades National Park and State Water Conservation Area 3, an important state outdoor recreation area. Not only that, but the Department of Transportation's Federal Railway Administration has announced a $200,000 grant to study high-speed ground transportation connecting the jetport with Miami, 52 miles to the east, and plans are under way to route Interstate Highway 75 connecting Tampa-St. Petersburg and Miami past or through the jetport site.

Port authority and FAA officials have lately been given to public expression of conservation platitudes, but the record is clear: it's the same old flim-flam. The memorandum from the Port Authority staff to the Dade County commissioners recommending the jetport project mentions Everglades National Park just once: "The Everglades National Park south of the site at Tamiami Trail assures that no private complaining development will be adjacent on that side." This great national park was seen exclusively as a buffer, "with no one to complain about the noise except the alligators." And as for the "environmental concern" the jetport sponsors profess to share with the Interior agencies and private conservation organizations, *Aviation Week & Space Technology* published the following statement in their May 22, 1969 issue—before the rising tide of public concern began to well up:

"The bulk of the takeoffs will be out over the 15 miles of clear zone of the undeveloped state-owned water conservation area. . . . Climbouts could then turn south over the Everglades National Park, providing what the airport officials believe to be optimum environment operating conditions."

This doesn't pass muster as sound environmental planning.

At present the air over Everglades National Park is pure and clear. But what will it be like if the jetport is developed at the present site? Figures on pollutant emissions from jet aircraft engines readily available from the Department of Health, Education, and Welfare or the Society of Automotive Engineers are highly unreliable, but some inside-outside figure can be calculated to provide an idea of the magnitude of the air pollution problem. Based on 900,000 flights a year—the projected operation level as a full-blown commercial jetport—the airport's annual contribution to the Everglades atmosphere will be something like this:

Carbon monoxide, 9,000 to 72,000 tons.
Nitrogen oxides, 4,150 to 6,000 tons.
Hydrocarbons, 13,000 to 40,250 tons.
Aldehydes, about 1,000 tons.
Particulates, 1,260 to 3,250 tons.

That is a big-league air pollution.

And the prognosis for noise pollution isn't much rosier. The supersonic transports the jetport is being built to accommodate (the sign at the gate bills it as "the world's first all-new jetport for the supersonic age") are expected to be noisier than the current generation of jets. And how noisy is that?

When the Anglo-French Concorde made its maiden flight this past winter, NBC reported, "On takeoff, the roar of its four engines could be heard in villages 20 miles away." And the Concorde is expected to be even noiser on approach. Last year *Aerospace Technology* reported, "It is expected that the Concorde will exhibit sideline noise levels of about 118 PNdB (decibels of perceived noise), according to U.S. engineers, and may show a rather startling 124 PNdB figure during approach. . . ." Boeing's studies show that its larger, faster, and more powerful SST will probably generate a sideline noise level of 122 PNdB. As a yardstick, 120 decibels is considered the threshold of pain. The current subsonic commercial jets at takeoff generate noise levels three miles away in the range of 120 PNdB.

It is difficult to determine what the noise levels would be within Everglades National Park, but it's a safe bet that they would be considerably higher than a typical national park "noise"—the rustling of leaves, which is rated at 10 decibels. Talk about uproar; if the jetport is developed at the present site, it will turn the wilderness quietude of Everglades National Park into bedlam. Nine hundred thousand flights a year averages out to more than 100 flights an hour, 24 hours a day, 365 days a year.

NEEDED: ONE HELL OF AN UPROAR

Fortunately, Section 4(f) of the Transportation Act gives the Department of Transportation a clear mandate to move the jetport if a "feasible and prudent alternative" exists. At the June 3 hearing before the Senate Interior Committee, alternative sites were identified by two state witnesses: Nat Reed of the governor's office and FCD Chairman Padrick. The sites they identified are both on state-owned land, so a land swap with the Port Authority would make things relatively simple.

But the push for another site isn't going to come from Miami, not while either alternative would benefit Fort Lauderdale, West Palm Beach, and other cities north of Miami along Florida's Gold Coast. The push is going to have to come from Washington, by shutting off the federal subsidy for development at the present, destructive site. And Washington isn't likely to push too hard without a push from the general public. Everglades National Park might well become the first national park to be dis-established, unless the American people stand up in its defense. So far, through the various federally supported programs and projects of diverse agencies and departments, the American public has unwittingly been subsidizing the destruction of Everglades National Park.

As long as the various federal departments and their agencies pursue their separate ways, ignoring the several laws that exist to promote—and that even require—inter-departmental coordination and sound environmental planning, there can be no hope for preserving and restoring the American environment. In many ways the Everglades problems are symptomatic of an even larger problem. Hopefully, President Nixon's new Environmental Quality Council will roll up its collective shirtsleeves and go to bat for Everglades National Park. For it the Everglades are lost, America will have gone one hitless inning toward losing the whole environmental ballgame.

The first step down the long road toward saving Everglades National Park is moving the jetport away from the park. As Senator Nelson observed, moving the jetport will cause one hell of an uproar in Dade and Collier counties. But the jetport isn't likely to be moved unless there is one hell of an uproar in the 50 states of the Union over the threat to Everglades National Park. Conservationists who want to see Everglades National Park given at least a fair chance of survival, are writing President Richard M. Nixon, as well as their senators and congressmen. If the jetport isn't moved, say goodbye to the continent's only subtropical national park and to the world's only Everglades.

FOUNDATIONS

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

Mr. BRADEMAS. Mr. Speaker, a substantial part of the bill we are considering deals with foundations. The committee has wisely written into the bill some meaningful safeguards that should help correct the abuses practiced by some foundations for personal gain and not for the public good.

I commend the Committee on Ways and Means for these actions, and from the communications I have received I know they will be welcomed by the leaders of the thousands of legitimate foundations which do so much good in this country.

Some of the other provisions in this bill seem to me to be, however, unduly restrictive and, in effect, to apply the lash to the extremely worthwhile foundations for the sins of the few. I realize that the

widespread publicity given in recent months to some unwise foundation actions may have been a factor in the committee's deliberation. This is regrettable, but understandable.

But, Mr. Speaker, I think it fair to observe that there seems to be an impression in some quarters that Congress is about to express a vote of no-confidence in our private foundations. I am sure that the great majority of Members of the House would agree in saying emphatically that nothing could be farther from the truth.

Mr. Speaker, the philosophy of giving which is embodied in our foundations is a unique American concept. In no other country are there such institutions comparable for using the resources of the private sector for the public good as our foundations—or at least as many and as varied and as significant.

The benefits of foundation grants are interwoven with the most important social, scientific, and cultural advances of this century. Last Monday, Marquis Childs, in his column in the Washington Post, put it this way:

> The benefits of foundations have been spread far and wide. Every form of scientific research, medical advance, music, the drama, all the arts have profited. City planning, urban well-being, the plight of the poor, the ills of a time of troubles have come under the foundation purview.

Mr. Speaker, it is against such a background of enormous public good that we must view the occasional account of a minor foundation action which we may question.

Let us not forget that Dr. Jonas Salk developed the polio vaccine under a foundation grant.

When we marvel at man's trip to the Moon or television pictures of Mars, let us not forget that the pioneering work of Dr. Robert H. Goddard was supported by a foundation.

Let those who are concerned about the education of our people not forget that the Carnegie Foundation has spent $24 million and built 2,500 libraries to establish the principle of the public library.

And let those who worry about the influence of Government on education remember that it was $93 million of Carnegie funds—not Federal or State appropriations—which established the pension system for teachers.

It was through the philanthropy of the Rockefeller Foundation that hookworm was eradicated in the South and malaria and yellow fever were conquered.

A foundation grant financed the famous Flexner report which put an end to the old-style medical schools, while other foundation funds helped establish our modern system of medical education and move American medicine into the twentieth century.

As Congressmen, we daily feel the burgeoning pressures of the problems of our cities. We may lose sight of the fact that the Ford Foundation has been trying, for almost a decade, to combat the conditions which have produced the crisis that afflicts urban America.

Mr. Speaker, I am happy to see that the committee report specifically excludes the work of the Southern Regional Council from the prohibitions against foundation support of activities which might influence the outcome of elections. As a result of action taken by this Congress in passing the Voting Rights Act of 1965, combined with the nonpartisan Voter Education Project of the Southern Regional Council, some 800,000 American Negroes have been registered to vote. This result could not have been accomplished without foundation support.

I commend the committee for singling out in the report both the Southern Regional Council and the League of Women Voters education fund as examples of political activities which could continue with foundation support under the provisions of this bill.

Mr. Speaker, many people today are concerned about what they consider the pervasive influence of the Federal Government in many areas of our national life. This influence derives almost exclusively from the ability of the Government either to supply or withhold Federal financing of public undertakings.

We might consider how much stronger the Federal influence in these areas would be without the some $1½ billion which the foundations supply annually to support activities in the public interest. This is particularly true in the fields of education, health, and welfare, which are the principal areas of foundation spending.

I, for one, believe we need more, not fewer, centers for innovative action in this country. I am not willing to rely on Government for everything. And certainly the record proves that the innovations supported by our private foundations have, for the most part, been effective and overwhelmingly in the public interest.

There are, Mr. Speaker, two good examples of what I am saying in State government. Perhaps many people do not know that two foundations have financed the work of the Citizens Conference on State Legislatures. This conference has worked for higher salaries for State legislators to help free them from the influence of special interests. It has also advocated the adequate staffing and office space essential to the effective work of our State legislatures.

At the request of the Governors, foundations also supplied the initial funding for a program carried out by the National Governors' Conference for studies in a number of areas relating to the role of States in our modern society.

Mr. Speaker, I could cite many other examples of the vital contributions that foundations are making to our national life. I hope, however, that I have made the point that private foundations are a striking and highly visible example of the way private interests work in cooperation with Government to help lift the standard and quality of life in our country.

It therefore makes no sense to weaken these private efforts by placing unreasonable restrictions on all foundations because we do not approve of some of the actions of a few. For this reason, I see no justification for imposing a 7½ percent tax on the foundations when the effect will only be to reduce the income of recipients by that amount. Instead of going to them, the money will go to the Government—so that what we are really saying is that we feel Congress can spend the money more wisely for the public good than can the private foundations. Indeed, it is my understanding that the Treasury did not request this tax.

But, Mr. Speaker, I recognize the problems of the committee in dealing with the whole complex problem of tax reform. I, nonetheless, want to be sure that the American people realize that, in voting for this bill, the House is in no way passing an adverse judgment on the great accomplishments of the private foundations in this country.

Mr. Speaker, at this point in the RECORD, I include an excellent editorial on the subject I have been discussing from the New York Times of today, August 6, 1969.

The editorial follows:

PRESERVING THE FOUNDATIONS

The House Ways and Means Committee's shotgun approach to the tax-free foundations would buy reform at a very high social cost. It proposes a genuine—and wholly desirable—crackdown on the self-dealing manipulations of foundations that are operated as vehicles for tax avoidance. But great harm would come from the new tax and other restrictions the bill would impose upon the bona fide philanthropic foundations which enrich American life with ideas and innovative social programs.

A leading case in point is the 7.5 per cent tax that would be levied on the investment income—dividends, interest, rent, royalties and capital gains—realized by foundations. The levy is not sufficiently stiff to discourage the tax-dodgers, but it would put a dent in the useful activities of worthier foundations. About two-thirds of their income now goes in the form of gifts to private universities and local charities. Hence, what the Treasury realized in additional revenues—probably not more than $65 million in the first year—would soon be offset by demands for new or expanded Federal programs in the same fields.

Although the foundations tax is described by the committee as a "user fee" to defray the costs of more vigorous policing, no machinery is proposed or funds earmarked for that purpose. A preferable alternative would be a much lower special registration fee for foundations, the proceeds of which would support a special supervisory office in the Treasury Department. With effective supervision of the foundations, dollars destined for philanthropy would actually get where they are supposed to go.

There has been a softening of some of the very harsh restrictions that the committee originally proposed to prevent foundations from engaging in political activities. The Southern Regional Council is specifically cited in the committee report as a foundation that may continue to finance voter registration drives. But a number of ambiguous and potentially restrictive provisions remain in the bill.

The whole title dealing with tax-exempt organizations should be sent back for redrafting. Its passage by Congress would inhibit creative philanthropic activities, an essential ingredient of a pluralistic society.

SHOULD FEDERAL FUNDS BE USED TO SUBSIDIZE COUNTRY CLUBS ANYWHERE?

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

Mr. CONTE. Mr. Speaker, I rise today because of my deep concern about the

recent news that the Farmers Home Administration has approved a $265,000 loan guarantee for an all-white country club situated in Lee County, Miss.

Only last weekend, Mr. Speaker, I had the painful experience of talking with several small businessmen in my district unable to secure loan guarantees because of the woefully inadequate funds available to the Small Business Administration.

What a damning indictment of our system of national priorities when funds for such ventures are unavailable at the same time the Federal Government is in the business of subsidizing country clubs—and all-white country clubs at that. And make no mistake about it, since the FHA will be picking up the interest payments over 5 percent, we will be expending Federal funds, possibly as much as $270,000 over the 40-year term of the loan.

Aside from this matter of national priorities, Mr. Speaker, there is also the grave question whether we should be subsidizing an institution which would appear to be racially exclusive.

It is not enough, I suggest, to be told that, in accepting the loan, the country club is bound to Federal nondiscrimination requirements. I wonder if any of us expect a vigorous recruitment drive for black members.

It has also been pointed out that, in approving the guarantee, the FHA may ever have bent its own rules. According to an FHA loan administrator, the size of the loan does exceed their usual FHA standard of approving no loan that would create indebtedness of more than $1,000 per family membership. Those guidelines were exceeded here by more than 15 percent.

Perhaps the reason for FHA's confidence in this case is based on the fact that farmers in Lee County collected over half a million dollars in subsidy payments in excess of $5,000 in 1968.

I also understand that the country club in question did not originally have sufficient rural members to qualify for FHA financing. It was one member short. Fortunately for the club, however, a doctor who works in town but lived in the country signed up, and the loan guarantee went through.

I am sure this was a great relief to the authors of last week's antibusing amendment who otherwise might have seen the specter of forced busing of rural country club members.

Seriously, Mr. Speaker, this incident raises grave questions, even beyond the serious matter of racial discrimination. Should Federal funds be expended to subsidize country clubs anywhere at a time when the housing and nutritional needs of so many Americans remain unmet, I think the answer is clear.

BOTH HORNS OF ASIAN DILEMMA

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

Mr. ADAIR. Mr. Speaker, there has been some criticism of the President for assertedly saying one thing on Guam and another in Thailand regarding U.S. policy in Asia.

The Cleveland Plain Dealer clarifies the situation nicely in the attached recent editorial:

BOTH HORNS OF ASIAN DILEMMA

President Nixon has been urging Asians to shoulder more of their own defense burden. At his stops in Manila and Jakarta Mr. Nixon served notice that U.S. forces in Asia will shrink and will not again get mired down as they have in Vietnam.

But in Bangkok the President said: "The United States will stand proudly with Thailand against those who might threaten it from abroad or from within."

Are those two positions consistent? Communist guerrillas are already a significant threat in northeast Thailand. Some of them take orders from Peking and some from Hanoi. Is Mr. Nixon pledging to increase U.S. military troops stationed in Thailand if the Communist threat grows more serious—as that threat once grew in Vietnam?

Those two positions represent the two horns of America's dilemma in Asia. On one hand the United States cannot throw massive forces into every Asian country that gets into trouble. On the other, it cannot renege on its obligations; certainly not on signed commitments such as the Southeast Asia Treaty, which applies if Thailand is subjected to armed attack.

Beyond that, the United States has its own interests to protect in maintaining peace. World peace cannot be assured by a total unilateral American pullout, no matter how fervently some peace talkers argue that it can.

Mr. Nixon's two-sided policy is consistent if the time dimension is added in. Over a term of five to 10 years, if promising Southeast Asian countries develop well economically and governmentally, they can do far more militarily for themselves.

One must also be able to rule out any serious increase in tensions, and certainly there must be no spread of war. Certainly then U.S. force levels could be lowered.

Mr. Nixon's words express a hopeful outline of the near future. They are not an exactly drawn blueprint, so he should not be called to give precise dates and numbers or situations in which U.S. power will or will not be committed.

His principal point is coming through clearly for all to hear. The United States is not going to plunge into every Asian mixup, but it is not going to desert its friends and it will remain an Asian power.

INTERCITY RAIL PASSENGER SERVICE ACT

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

Mr. ADAMS. Mr. Speaker, I am introducing today the Intercity Rail Passenger Service Act. I am being joined by 17 cosponsors on this bill which will provide capital assistance to railroad companies or regional transportation agencies so that Intercity Rail Passenger Service will be continued.

The bill would authorize the Secretary of Transportation to purchase and to rehabilitate existing passenger equipment or to purchase new equipment, such as high-speed trains. The equipment in this car pool would be leased by the Department of Transportation to railroads or regional transportation agencies operating passenger service.

During the past year alone the number of intercity passenger trains has been reduced by 20 percent. In June of 1968 there were 590 regular intercity trains. Today, less than 500 are in scheduled service. About 50 of the remaining intercity trains are presently involved in discontinuance proceedings before the ICC.

Many in the management of the railroads have asked that Congress give an operating subsidy to the money-losing railroads. This approach not only flies in the face of precedent but also provides little or no incentive to reduce costs or to increase revenues on their own initiative.

The vast undertaking to recapture 20 years of lost ground in passenger service can only adequately be accomplished by the Federal Government giving capital assistance to the railroads.

Much of our passenger fleet is nearly 20 years old and will inevitably have to be replaced. Today, a new passenger car costs about $250,000. The railroad industry is already starved for capital, and it is unreasonable to expect the industry to put sorely needed capital into passenger service, at best a break-even proposition. However, there is a clear social need for the continuance of such service. We have already poured billions of dollars into other modes of transportation—highways, airways, and waterways. But cars and planes by themselves cannot handle the growing number of intercity travelers. The Intercity Passenger Service Act will go a long way toward correcting the imbalance in our transportation subsidies.

It is difficult for me to understand how the Congress can allow merger after merger in the railroad industry and stand by while the railroads roll steadily on forcing passengers off the railroads. If we in Congress do not accept responsibility and act decisively, the public will very soon be excluded from the railroads completely.

I want to especially thank the National Association of Railway Passengers and particularly Anthony Haswell, chairman of NARP, for their help in developing this legislation. It is a very complicated field and I appreciate the technical advice they have given.

I include excerpts from various news media:

[From Life magazine, Aug. 2, 1968]

NATION'S REAL INTEREST: NATIONAL RAIL SERVICE

In the past 10 years, 858 intercity trains have disappeared, among them such reverberating names as the 20th Century Limited, the Lark and the Chief. Oddly enough, the people now most eager to do away with the great trains are the railroad operators themselves . . . They want to be free to make money on freight alone . . . It may be that the real interest of the country would dictate that some form of railroad passenger business coast to coast should be supported at the expense of a few interchanges or airport runways.

[From the Washington (D.C.) Post, Feb. 19, 1969]

GENERATION OF NEGLECT TO OVERCOME

There is one encouraging aspect to the cry for Government to help that went up last

week from the Nation's railroads. It is simply that they have finally begun to face up to the fact that they are not going to be allowed to get completely out of the passenger business. This is the crucial first step towards creating a national transportation policy in which the railroads have a major role, although the specific proposal of the railroads—that the Government underwrite losses on non-profitable trains—is not a very creative second step. The first response to the Metroliners running between here and New York City indicates there is a substantial and perhaps growing market for the railroads on intercity runs, particularly in heavily populated sections of the country. There may also be markets on longer runs, such as those that can be made overnight and those across less populated sections where air transportation is not readily available. And, as the airways and the highways steadily grow more crowded, there may even be a future for the railroads in the summer vacation travel. To tap such markets, however, the railroads have a generation of neglect to overcome. The tragedy of rail transportation is that the industry after World War II was seized by the idea that its future lay solely in freight operations. Instead of responding to the challenge presented by the airlines, many railroads set out to destroy their own passenger train operations and did about everything they were allowed to do to make traveling by train as inconvenient and uncomfortable as possible. If the railroads are to overcome this era of neglect, they need more than just a Government subsidy to non-profitable trains. It is going to take railroad management that is creative enough and eager enough to build up public interest once again in getting there by train. This means fares that are competitive, cars that are clean and comfortable, tickets and reservations that are simple to obtain, other passenger services that are the equivalent of those offered to air travelers, and a strong effort to convince the public of the advantages, such as getting there on time, of rail transportation.

[From the Washington (D.C.) Star, Oct. 9, 1968]

160,000 PASSENGERS ON SUNSET LIMITED "DESPITE DEPLORABLE CONDITIONS"

Two young lawyers—one representing the California Public Utilities Commission and the other the National Association of Railroad Passengers—have urged the normally somnolent ICC to come out of its slumber long enough to realize that times have indeed changed since 1887, when the ICC was first organized. They have reminded the commissioners that when the ICC was founded, railroads were fighting each other to woo passengers. And they say—rightfully, we think—that the Interstate Commerce Act is broad enough to allow the commission to require the railroads to see that the segment of the traveling public—106 million passengers last year—which wants to ride the trains for distances longer than commuting continues to have not only just a train, but an adequate train . . . The service that remains is in some cases continually downgraded by railroads anxious to discourage the remaining passengers. One of the worst such cases is the Southern Pacific Co., and its once-famous Sunset Limited between New Orleans and Los Angeles . . . Despite the deplorable conditions aboard, more than 160,000 persons rode the Sunset last year . . . Seaboard Coast Line turns a profit on its Florida-bound streamliners. But its trains are clean. Seaboard lures passengers with movies, games, free champagne and candlelight dinners. What works for them might well pay off for the Southern Pacific.

[From the Wall Street Journal, Dec. 11, 1968]

MOST ECONOMICAL METHOD OF MOVING PEOPLE QUICKLY

Few industries are as dependent on popular support as the railroads, and yet the roads sometimes seem to be at war with the public. In their own interest, it would seem time to try some new tactics . . . One approach would be a more constructive attitude toward passenger service. With all of the aerial and highway traffic jams, it should be evident that the nation is going to continue to need mass transit, and railroads remain the most economic method for getting people quickly from place to to place . . . All in all, the railroads could do quite a bit to show that they realize their status as a vital utility entails specific public responsibilities. If they did, the industry would once again be on the right track.

[From the Wall Street Journal, Feb. 19, 1969]

SUBSIDIES: KNOW WHAT WE'RE PAYING FOR

The Association of American Railroads has proposed that the Federal Government pay the cost of operating money-losing passenger trains. If subsidies of that sort are enacted, the nation will want to be sure it knows what it's getting. What's it's getting now is passenger service that is highly uneven in quality and quantity. In some areas, especially in the West, the service is excellent, while elsewhere it is decrepit or just about nonexistent . . . The question, in sum, is not merely who will pay but what the money will buy. In too many parts of the country, the public already is paying heavily for the lack of adequate means to travel from place to place.

ABOUT TIME UNITED STATES GOT HIGH-SPEED TRAINS

It is about time that the U.S. got some high-speed trains. Europe has long had them and Japan's highly successful Tokaido express travels at 130 mph . . . Since the Government obviously has higher-priority projects—spaceships, supersonic transport planes and down-to-earth welfare spending—such heavy expenditures [for an expanded high-speed rail service program] will have to wait for some future generation. But the trains have finally begun to speed up, and that should be welcome news to passengers and railroads alike.

[From the Philadelphia (Pa.) Inquirer, May 28, 1968]

ALL PASSENGER SERVICE ELIMINATED BY 13 MAJOR RAILROADS

As it is, the ICC is authorized to allow carriers to reduce passenger service but not to promote it. Perhaps that is as it should be, but under this policy some 13 major railroads have eliminated all regular passenger service and the number of passenger trains operating on a daily basis has been reduced to . . . less than 600. If it is fighting for a lost cause to try to resist the trend, it ought to be recognized and faced. On the other hand, if the welfare of the nation is hurt in any real way, the decline ought to be arrested.

[From the Chicago (Ill.) Tribune, Dec. 29, 1968]

FAST RAIL SERVICE DESERVES PRIORITY

We are happy to note that the Illinois Central railroad is planning to experiment with a 170-mph train on its run between Chicago and Carbondale, 307 miles downstate. With the highways leading to big cities already clogged and with metropolitan airports already overcrowded, it does not take very much thought to figure out that what urban areas need most in the way of transportation is fast rail service. . . . We would like to think that the railroads could inspire the necessary confidence to raise the money [for high-speed service] themselves, just as we would like to see the aviation and trucking industries pay a fair share for the cost of publicly financed facilities used by them. But on the basis of need, the railroads should have priority. And if the only way the job can be done is with federal help, the railroads are as entitled as their competitors to a crack at the public treasury. Any proposal which emerges from the present negotiations at least deserves consideration.

[From the Providence (R.I.) Journal, May 29, 1968]

RAILROADS HAVE "PREFERRED TO LET PASSENGER SERVICE DIE"

The railroad lines themselves have preferred to let passenger service die on the simple premise that there is a greater and surer financial return in promoting long-haul freight business . . .

There still is no federal long-range transportation policy in spite of all the talks about getting one . . . Rail lines, it is being recognized, offer the most economical public method of getting people in and out of big cities—yet that service dies as the roads jam and the airlanes clog.

[From Christian Science Monitor, Nov. 19, 1968]

"MILLIONS" WOULD ENJOY FAST, COMFORTABLE TRAINS

Any cutoff of federal aid to the development of a high-speed train should be resisted vigorously by both politicians and the public. Since Washington finds it possible to pour vast sums into the development of aircraft, it can certainly afford to spend pennies on the production of a new, faster, and pleasanter type of rail travel . . . Fast train travel is needed as airports and roads become increasingly clogged and unpleasant. Furthermore, we still believe that there are millions of individuals who would enjoy train travel if this could be both sped up and made more comfortable. The present experimentation is designed to do both. We therefore say: Give the railroads a chance. And let the government spend a minute proportion of the fabulous funds it pours out on aviation on rail travel.

U.S. HAS "WORST RAILROAD PASSENGER SERVICE" IN INDUSTRIALIZED WORLD

The United States has the worst railroad passenger service of any industrialized country in the world . . . There is little if any acknowledgement from either political party that millions of dollars are going to be needed over the next decade if the nation's cities and suburbs are to have modern mass transit. There is little disposition to tell the airlines that they ought not to develop 'jumbo jets' when ground facilities do not exist to cope with them. Or to tell the truckers that they cannot go on indefinitely increasing the length, width and weight of their huge trailers. Or to tell the highway builders that there is a limit to the need for new construction and that scenic, esthetic and other social values must be considered as equal in importance to engineering efficiency. Or to tell the railroads that passenger service cannot be thrown away like an old suit of clothes.

[From the New York Times, May 13, 1968]

A PRACTICAL NECESSITY

Railroad companies have developed the propaganda myth that maintenance of passenger service is a matter of interest only to a dwindling number of train buffs. In reality, ninety-eight million passengers, not counting daily commuters, traveled on intercity trains

last year. Rather than dwindling, the number of rail passengers is likely to rise in the coming decade as highway and airline congestion worsens . . . A functioning network of passenger railroads connecting major points in this nation is not a matter of nostalgia and romance; it is a practical necessity . . . The ICC's duty is to stop pampering the railroads it is supposed to regulate and to begin protecting the defenseless traveling public.

[From the Oklahoma City (Okla.) Daily Oklahoman, Nov. 1, 1968]

AUTO: INSATIABLE SPACE USER

The automobile is such an insatiable consumer of urban space and public funds that its multiplying demands raise the eventual prospect of downtown areas being reduced largely to streets, freeways and parking lots. Downtown Los Angeles, to cite one wheels-stricken example, is estimated to consist 68% of streets, freeways and parking space . . . What applies to Los Angeles will apply eventually even to such relatively uncongested urban centers as Oklahoma City. The answer . . . is a balanced urban transportation system that embraces private cars, buses, commuter railroads, subways and rapid rail transit.

TO THE HORIZON—TO THE STARS: APOLLO 11 AND ITS MEANING TO MANKIND

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Indiana (Mr. BRAY) is recognized for 10 minutes.

Mr. BRAY. Mr. Speaker, issuance in August of a special 10-cent airmail stamp to commemorate the flight of Apollo 11 and man's first steps on the surface of the moon will mark the most outstanding and thrilling event of centuries.

The stamp itself will make history. The astronauts carried to the moon, aboard Eagle, the die from which plates for printing the stamps will be made, with a "Moon letter." The letter was hand-canceled on the moon with a special postmark, and a similar postmark will be used for cancellation when the stamp is issued.

When he wrote "To pluck bright honor from the pale faced moon," Shakespeare was oddly prophetic in this line from Part I of King Henry IV, but it has taken man centuries to reach the point of "bright honor." First, of course, there was fear. What other emotion could there have been, in that remote, never-to-be-measured time, that one instant when some early, brute man, eyes squinting, swaying on unsteady legs, was for the first time suddenly aware of the full moon soaring in splendor above the distant hills? For him, and for centuries to come, the moon became a deity. Here we have an interesting note: practically all representations of the moon as an object of worship portray the deity as a goddess.

So it went for centuries, the cult of moon worship, from the ends of the earth to the ends of the earth. And when it challenged other faiths, the response was quick and direct: the 17th chapter of Deuteronomy tells how Moses, the great lawgiver, decreed:

If there be found among you . . . man or woman, that . . . had gone and served other gods, and worshipped them, either the sun, or moon . . . thou . . . shalt stone them with stones, till they die.

There is scarcely a part of the globe where people did not worship the moon: Ishtar of Babylon, Mother of All, Silver Shining Seed; Astarte in Phoenicia; Isis in Egypt; Artemis in Greece; Diana in Rome; Mama-Quilla, goddess of the Incas, high in the Peruvian Andes; Pah among the Pawnees; Terah of Carthage; Tsuku-Yomi in Japan; Hina in Hawaii; Great Varuna, among the Hindus, also King of the Dead because the moon was where the dead went; Myesyats, of ancient Slavonic legend. Nokomis, mother of Hiawatha, was daughter of the moon, and in Egypt Thoth, the dog-headed ape, played checkers with the moon and won one seventy-second of the moon's light. Thoth, being a clever and imaginative fellow, used the light to create 5 extra days.

For most of them, their temples and shrines fell long ago, although various forms of moon worship still exist among primitive peoples. But in the poetic sense, the first human footprint in the lunar dust, undisturbed for aeons, was the final and symbolic step that meant the passing for all time of the moon as a deity.

But, curiously, amidst this widespread fear, and worship—among all the exhortations to the moon, for good or evil, almost buried in centuries of superstition, flickering, now dimly, now brightly, against a background of myth, magic, and marvel—we find oddly disturbing and disquieting signs of early man's relation to the moon that indisputably point to a far earlier stirring of man's intellect than was ever before imagined.

On cave walls, bones, tools, bits of human utensils, dating back 30,000 to 35,000 years to the Upper Paleolithic Age, appear puzzling and mysterious markings and scratches, not accounted for by random causes, or normal usage. Only after careful notations of marks that appeared to be in groups were made, then these analyzed by precise statistical methods, did the results tumble out to unbelieving eyes: there were many, many more groups of markings in amounts of 29 or 30 than pure chance could ever account for. The cycle of the moon is 29.5 days.

Mark Twain wrote:

War talk by men who have been in war is always interesting, whereas moon talk by a poet who has not been in the moon is likely to be dull.

The irrepressible Twain followed this up by asserting that—

Everyone is a Moon and has a dark side which he never shows to anybody.

But his comments on poets writing about the moon merely illustrated the fact of its being used so frequently as a subject for verse.

The moon in poetry ranges from the idyllic; Shelley called it "that orbed maiden, with white fire laden, whom mortals call the moon," and Milton wrote:

Hesperus, that led
The starry host, rode brightest, till the moon,
Rising in clouded majesty, at length
Apparent queen, unveil'd her peerless light
And o'er the dark her silver mantel threw.

To the mixed sentiments of Sir Richard Burton, translator of "The Arabian Nights":

That gentle Moon, the lesser light,
the Lover's lamp, the Swain's delight,
A ruined world, a globe burnt out,
a corpse upon the road of night.

Be all this as it may, it is still a matter of record on the rolls of human history that the moon has guided man in planning, believing, or indulging in a truly astonishing number of things. According to the moon, or by it, or with its help, or on account of it, man would: Make war; make peace; make love; invoke its aid for victory in battle, as in Joshua 10:12:

Joshua . . . said in the sight of Israel, "Sun, stand thou still upon Gideon; and thou, Moon, in the valley of Ajalon."

He would dream about it, Genesis 37:9:

Joseph said, "Behold, I have dreamed a dream more; and, behold, the sun and the moon and the eleven stars made obeisance to me."

He would work by it—moonlighting; smuggle by it—"moonshine" is originally an 18th-century British term for smuggled brandy; go mad under its spell—lunacy, mooncalf; swear by it, with reservations—Juliet begged Romeo:

O! swear not by the moon, the inconstant moon, that monthly changes in her circled orb.

He would plant the crops; harvest the crops; hunt; sail—by using the tides; predict the weather; lie hidden from his enemies as the moon shone; go hunting for his enemies as the moon shone; fear the full moon, for it was then that vampires and werewolves roamed abroad; build shrines and temples in its honor; plan uprisings; swear solemn oaths; hold secret meetings; attempt to read the future; see indications of divine displeasure if the moon were red; write music; impress his fellow men—members of the priesthood, being more skilled in astronomy and knowing when eclipses would occur, used this to great and often rascally advantage among primitive peoples; and among all this attempt to read into it signs of hope or of disaster for man's future.

But, above all else, dream of reaching it, and reflect on its beckoning beauty—so near, and yet so far. This was one of the first sentiments expressed by the first man whose astonished eyes beheld it through a crude telescope. Galileo said:

It is a most beautiful and delightful sight to behold the body of the Moon.

Yon rising moon that looks for us again,
How oft hereafter shall she wax and wane!
How oft hereafter rising look for us . . .

In 1947 the U.S. Army Signal Corps bounced a radar signal off the moon, a startling and significant achievement for that time, just 20 short years ago. I recall seeing a cartoon drawn at the time. The picture was of a quizzical moon, peering down at a smiling earth, and the caption

was "I could swear she winked at me." The landing of Eagle was a triumph for man, in the sense that we are all members of the human race, but above and beyond that, it was a purely American triumph, a culmination of a solely American endeavor, with American footprints the first to disturb lunar dust unspoiled for 4½ billion years, and the American flag standing in the Sea of Tranquillity.

The doubters and faint-of-heart who said "It cannot be done" are behind us, now, forever, but among us yet are those who would for some warped reason of their own continue to downgrade it and say "It should not have been done" or "We should not do any more." Such as these are as old as human history. It is recorded that in 1486 Ferdinand and Isabella of Spain appointed a committee—what a modern sound that has—to study Columbus' plans for exploration to the west. And, as do many committees, a host of reasons were found why it could not or should not be done. According to Bartolome de la Casas, a biographer and contemporary of Columbus, reporting to Their Majesties in 1490, wrote:

> The committee . . . judged his promises and offers were impossible and vain and worthy of rejection . . . that it was not a proper object for their royal authority to favor an affair that rested on such weak foundations, and which appeared uncertain and impossible to any educated person, however little learning he might have.

The equivalent of the committee that we have among us today forget that there come times in human existence when singular or collective efforts of men rise to the greatest challenge of all: the challenge of meeting what man's destiny must surely be. There come times when the pace of man's advance surges and roars ahead with one gigantic bound. Sir Bernard Lovell, Director of Britain's Jodrell Bank Observatory, drew his lesson from history in his comments on Apollo 11:

> If you look at the thousands of years of civilization you will find that only those communities that have been prepared to struggle with the nearly insoluble problems at the limits of their technical capability—those are the only communities, the only times, that civilization has advanced.

Man must make this great leap when the time is there, or he stands in danger of turning his back upon what he was ultimately meant to be, what he ultimately can be, and what he ultimately will be. We have our dreams; we have our faith; we have our courage; and we have our hope. All these things and more went into Apollo 11; the skilled hands that machined a valve or soldered a connection or designed a part or sketched equations upon a blackboard, they were directly involved. Without our great American free enterprise system, without the know-how and the production capacity and prosperity that this and our educational structure engender, Apollo 11 could never have been a success. All America has a part in this great achievement. And from those watching, waiting millions who were not a direct part of the mission, there were their prayers.

I believe there is a universal pride among the inhabitants of Earth over what Apollo 11 accomplished. I also believe this pride is, justifiably, stronger and greater, and heads are held higher because of it, here in our own country, over what our fellow countrymen have done. And let no one say this is solely a pride in material things. The experience of Apollo 11 was, true, a triumph for technology in showing what man can do, but there was undeniably something spiritual and esthetic about it that fulfilled a deeper need and yearning in the heart, mind, and soul of man.

A sense of adventure? A new sort of challenge? An appreciation for the sheer, pristine beauty of the flight, in sight as it was viewed and in concept as it was carried out? A reminder that the jaded, the mundane, the obvious, the tiresome, can suddenly be swept away by unparalleled magnificence? Yes, I think all these things were there. For it is written in the Book of Deuteronomy, 8:3, that—

> Man doth not live by bread only, but by every word that proceedeth out of the mouth of the Lord doth man live.

The injunction is repeated again in the Bible, in Matthew 4:4; let us never forget it. Man's plane of existence demands more than bread, because man, created just lower than the angels, is not a beast. And Apollo 11 was more than bread.

THIS NEW OCEAN

So gladly, from the songs of modern speech
Men turn, and see the stars, and feel the free
Shrill wind beyond the close of heavy flowers;
And through the music of those languid hours
They hear, like Ocean on a western beach,
The surge and thunder of the Odyssey!

For man, our earth is but the shore of that great sea, the universe. As men have set off from the shores into the unknown beyond the horizon since time immemorial, so do we today feel our spirits soar and our minds stir as we are once again beckoned by an unknown sea, vast beyond comprehension. Virgil knew these passions, and wrote on them, centuries ago, in "The Aeneid," as Aeneas and his comrades set out to challenge the fates:

> They sit down at the thwarts, and their arms are tense on the oars; at full strain they wait the signal, while throbbing fear and high passion of glory drain their riotous blood. Then, when the clear trumpet-note sounds . . . all the sea is torn asunder by oars.

August 1492, and Columbus' three ships drifted slowly down the Rio Tinto on the morning tide. To the ears of Columbus and his sailors came the sound of friars' voices raised in the ancient hymn "Iam Lucis Orto Sidere—Now the Risen Star of Light." Its weirdly prophetic, haunting refrain swelled and drifted about the top gallants of the ships: "Et nunc et in perpetuum—Now and forevermore." Like the opening bars to that never-ending great symphony of quest beyond the unknown, its words linger with us still.

And men will always push out on the tide, "now and forevermore." For of all the vertebrate animals, man is the only one who walks with his head upright, his line of sight fixed on, and his eyes reaching out to, the horizon or the stars. And now, that which was beheld by the eyes for so long has been grasped by the hands.

We could not do otherwise; it would go against our destiny to turn our backs upon the challenge of the universe just as much as it would have been in violation of the laws of nature and the laws of creation to have turned aside from the challenge of what lay beyond the next hill, or—

Beyond that last blue mountain barred with snow
Across that angry or that glittering sea

But some still ask, "Why?" H. G. Wells, in his book "First Men on the Moon," had the narrator, Bedford, repeat the age-old question. It is as applicable to space flight as it must have been to the Phoenicians who 500 years before Christ set out to explore the coast of Africa:

> Why had we come to the Moon? The thing presented itself to me as a perplexing problem. What is this spirit in man that urges forever to depart from happiness and security, to toil, to place himself in danger, even to risk a reasonable certainty of death?

Wells had Bedford conclude that "some force not himself impels him and go he must," but in 1935, in his scenario for the film "Things to Come," Wells gave a more detailed answer:

> For man there is no rest and no ending. He must go on—conquest beyond conquest. This little planet and its winds and ways, and all the laws of mind and matter that restrain him, and at last out across immensity to the stars. And when he has conquered all the deeps of space and all the mysteries of time—still he will be but beginning.

All things end—except beginnings. Man is still but an infant on the cosmic scale. Sir James Jeans has demonstrated this in his famous analogy: place a penny on top of the 70-foot obelisk known as Cleopatra's Needle, and a postage stamp on the penny. The obelisk represents the age of the earth; the penny the length of man's total existence, and the stamp the period of time in which man has been civilized. Possible life on earth would have to be shown by a column of stamps almost a mile high.

I believe it is all part of one eloquent, master plan of creation. First, to teach us humility, to make us more aware of the immensity and grandeur of the universe, and our very small scale of existence to date within it. Second, I feel, it is planned to show man what he can really be. For man has been given the power to turn his own earth into a lifeless, charred cinder. Prometheus, for the sin of giving fire to mortals, was chained to a rock for eternity and an eagle sent to devour his liver, but as this fire of a nuclear furnace, its secret now unlocked and ready to be used as man's will so dictates, can incinerate and destroy, it can also provide man with the means to take life—the life of mankind—to where none as we know it exists.

The pattern of creation has given us the choice, and I am confident we will

make the wiser of the two. We are moved by things beyond our ken and comprehension, things which we know not. Walt Whitman asked in his "Passage to India":

Are thy wings plumed indeed for such far flights?

Then, in the closing lines of his verse, Whitman answered in a sweeping, rapturous outpouring of faith, trust, and belief in man's destiny:

O sun and moon, and all you stars! Sirius and Jupiter!
Passage to you!

Passage—immediate passage! the blood burns in my veins!
Away, O soul! hoist instantly the anchor!
Cut the hawsers—haul out—shake out every sail!
Have we not stood here like trees in the ground long enough?
Have we not grovell'd here long enough, eating and drinking like mere brutes?
Have we not darken'd and dazed ourselves with books long enough?

Sail forth! steer for the deep waters only!
Reckless, O soul, exploring, I with thee, and thou with me;
For we are bound where mariner has not yet dared to go,
And we will risk the ship, ourselves and all.

O my brave soul!
O farther, farther sail!
O daring joy, but safe! Are they not all the seas of God?
O farther, farther, farther sail!

MOBIL OIL CORP. LETTER RECEIVED

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Ohio (Mr. VANIK) is recognized for 15 minutes.

Mr. VANIK. Mr. Speaker, today a constituent mailed to my office a circular letter which he received from the Mobil Oil Corp. in which the chairman of the board of Mobil Oil Corp. infers that the corporation assumes a fair share of the Nation's tax burdens. Later on, he suggests that increased taxation of oil would result in higher prices to the consumer.

According to public records, the Mobil Oil Corp. had a net income of $673,739,000 in 1968 and paid taxes totaling $22 million or a 3.3-percent rate while other industry averages ranged between 37.5 percent and 48 percent. How can this record be reconciled with the statement of Mr. Nickerson?

If the oil industry moves prices upward, we should make every effort to permit the rules of the marketplace to operate. Oil prices are today artificially rigged by State production controls and the oil import quota.

The oil import quota alone costs the consumer $7.2 billion per year, nearly 6 cents per gallon.

I think we should give Mr. Nickerson the free market he is asking for by providing an increase in import quotas with every increase in oil prices. The people of America need not stand still for any continued price manipulation of oil.

Following is the full text of Mr. Nickerson's letter:

MOBIL OIL CORP.,
New York, N.Y., July 18, 1969.

DEAR INTEREST OWNER: Oil companies are faced with an immediate threat of greatly increased taxation. Tax changes under consideration in Congress could, if enacted, prove damaging to everyone who depends on petroleum for transportation, heat, power, or income—as well as cause harm to the U.S. economy. None of us objects to over-all tax reform, but there are considerable dangers in piecemeal reform in a highly emotional climate.

The attack in Congress is aimed at tax concepts established more than four decades ago—measures reviewed and endorsed many times since by thoughtful men in government. This attack has been characterized by inflammatory and uninformed criticism of the amount of taxes paid by oil companies, of petroleum product prices, and of oil company profits.

It is a demonstrable fact that the U.S. oil industry as a whole pays its fair share of taxes. Oil companies' relatively low U.S. *federal* income taxes are more than outweighed by their payment of large state and local taxes that do not apply to other industries.

As for prices, probably no other industry can match oil's record of keeping prices reasonable. Since 1957–59 the prices of gasoline (exclusive of taxes) and home heating oil in our country have risen only about half as much as the government's Consumer Price Index.

Regarding profits, for 20 years the U.S. petroleum industry as a whole has had a lower rate of return on net assets than manufacturing in general. Even so, roughly half of oil earnings must be reinvested to provide for growing demand. This need for capital is enormous: more than $62 billion has been invested by the industry in the United States in the past 10 years. In the dozen years ahead the investment required will be on the order of $110 billion in the U.S. alone.

Despite its moderate product price and profit levels, the industry faces the possibility of an increase in its tax burden that will both stifle the incentive to search for more oil and force product prices up. I am sure that no conscientious and informed legislator would knowingly espouse a policy that would risk making oil products scarce and costly.

Whether or not you agree with these views, I hope that you as a taxpayer and an interest owner will express your opinion to your Senators and Representatives. They can be reached at the Senate Office Building, Washington, D.C. 20510; and the House of Representatives Office Building, Washington, D.C. 20515. The time is short.

Sincerely yours,

ALBERT L. NICKERSON.

COURT SUIT AGAINST UNITED MINE WORKERS AND ASSOCIATED PARTIES

The SPEAKER pro tempore. Under previous order of the House, the gentleman from West Virginia (Mr. HECHLER) is recognized for 15 minutes.

Mr. HECHLER of West Virginia. Mr. Speaker, I am very happy to see that a Federal court suit has been filed on behalf of the long-suffering disabled coal miners and their widows. This suit was filed Monday in U.S. district court, and seeks at least $75 million in compensatory damages, not counting punitive damages.

This suit charges that there has been a conspiracy by the United Mine Workers of America, the UMW welfare and retirement fund, the union-owned National Bank of Washington and the Bituminous Coal Operators Association of America to deprive many disabled and retired miners and miners' widows of their pensions and that through gross mismanagement and other causes there have been breaches of the fiduciary duties owed to the miners.

I will have a great deal more to say about this suit and the substance of the allegations contained therein. For many weeks, I have been calling attention to the gross inequities in the United Mine Workers welfare and retirement fund, and the failure of the top leadership of the United Mine Workers of America to stand up for the rank and file of coal miners. In focusing congressional attention on protecting the health and safety of the miners, we in Congress must not overlook the tragic neglect of those retired and disabled miners and their widows—many of whose sweat and blood went into the original establishment of the welfare and retirement fund in 1946 and have since been declared ineligible to share in the very benefits which they helped create.

Mr. Speaker, attached to my remarks is the text of the complaint filed in the U.S. District Court for the District of Columbia, along with several news articles on this suit:

IN THE U.S. DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

Willie Ray Blankenship, Box 81, Hewett, West Virginia; Rev. Marvin Lovell Kuhn, Gordon, West Virginia; Howard Linville, Peytona, West Virginia; Marble Morgan, Box 439, Whitesburg, Kentucky; Charles Omechinski, Box 305, Quinwood, West Virginia; et al., as listed in Exhibits A, B, and C, which are attached hereto and made a part hereof, individually and on behalf of all others similarly situated and on behalf of the United Mine Workers of America Welfare and Retirement Fund of 1950, 907 Fifteenth Street, N.W., Washington, D.C.; and

The Association of Disabled Miners and Widows, Inc., 227 State Street, Madison, West Virginia.

Plaintiffs,

versus

W. A. (Tony) Boyle, George Titler and Edward L. Carey, individually and in their capacities as president, vice-president, and general counsel, respectively, of the United Mine Workers of America, 900 Fifteenth Street, N.W., Washington, D.C., and certain other officers of the United Mine Workers of America, as listed in Exhibit E, which is attached hereto and made a part hereof;

The United Mine Workers of America, 900 Fifteenth Street, N.W., Washington, D.C.;

Bituminous Coal Operators' Association, 918 Sixteenth Street, N.W., Washington, D.C., and its individual members, including Consolidation Coal Company;

The United Mine Workers of America Welfare and Retirement Fund of 1950, 907 Fifteenth Street, N.W., Washington, D.C.;

The National Bank of Washington, 619 Fourteenth Street, N.W., Washington, D.C.;

Guy Farmer, Josephine Roche, and W. A. (Tony) Boyle, 907 Fifteenth Street, N.W., Washington, D.C., individually and in their capacity as trustees of the United Mine Workers of America Welfare and Retirement Fund of 1950, 907 Fifteenth Street, N.W., Washington, D.C.;

George L. Judy and Henry S. Schmidt, individually and as former trustees of the

United Mine Workers of America Welfare and Retirement Fund of 1950, 907 Fifteenth Street, N.W., Washington, D.C.; and

Wilmer J. Waller, W. A. (Tony) Boyle, Edward L. Carey and Barnum L. Colton, individually and in their capacity as directors of the National Bank of Washington, 619 Fourteenth Street, N.Y., Washington, D.C.,

Defendants.

COMPLAINT FOR DAMAGES AND EQUITABLE RELIEF FOR BREACH OF TRUST

Plaintiffs, by their attorneys, for their complaint allege:

I. Jurisdiction and venue

1. This is an action at law and equity brought by the Plaintiffs, on their own behalf and on the behalf of all others similarly situated, and on behalf of the United Mine Workers of America Welfare and Retirement Fund of 1950 (hereinafter referred to as the "Welfare Fund"), seeking the relief described below, including, *inter alia*, to enjoin and redress a continuing breach of fiduciary duty by the Defendants with respect to the assets of the Welfare Fund, and for a mandatory injunction that the Welfare Fund be administered solely for the benefit of those for whom the Welfare Fund was created. The amount in controversy, exclusive of interest and costs, exceeds Ten Thousand Dollars ($10,000). The amount in controversy, exclusive of interest and costs, for each of the individually named Plaintiffs, exceeds Ten Thousand Dollars ($10,000).

2. The jurisdiction of this Court is invoked pursuant to 11 D.C. Code § 521; 28 U.S.C. §§1331, 1332, and 1337; 29 U.S.C. §§ 185–186; and the principles of pendant jurisdiction of this Court. The Plaintiffs have no adequate remedy at law.

II. Description of plaintiffs

3. This action is brought by Plaintiffs as a representative or class action, pusuant to Rule 23 of the Federal Rules of Civil Procedure, on their own behalf and on behalf of all others similarly situated who are now receiving, or should be receiving, or will, upon retirement or becoming disabled through sickness or injury, be eligible to receive, pensions and other benefits from the Welfare Fund.

4. The class is so numerous that joinder of all members is impracticable. There are questions of law and fact common to the class. The claims of the Plaintiffs are typical of the claims of the class. The Plaintiffs will fairly and adequately protect the interest of the class.

5. The Defendants have acted or have refused or have failed to act, in concert and individually, on grounds generally applicable to the class, thereby making appropriate the relief requested in this Complaint with respect to the class as a whole.

6. The class consists of the following persons:

A. Group I Plaintiffs are all retired or disabled miners who have received, or are receiving, or are aligible to receive pensions and other benefits from the Welfare Fund, or who are entitled to receive but have been wrongfully denied pensions and other benefits by the Welfare Fund. The names of several such Plaintiffs, who are representatives of this class, with each individual's address listed, are set forth in Exhibit A attached hereto and made a part hereof.

B. Group II Plaintiffs are all widows and other family survivors of deceased miners who have received, who are now receiving, or who are entitled to receive pensions and other benefits from the Welfare Fund. The names of several such Plaintiffs, who are representatives of this class, with each individual's address listed, are set forth on Exhibit B attached hereto and made a part hereof.

C. Group III Plaintiffs are all active and dues-paying members and all former members of the United Mine Workers of America ("U.M.W.A."), who will be eligible under existing regulations to receive pensions and other benefits from the Welfare Fund. The names of several such Plaintiffs, who are representatives of this class, with each individual's address listed, are set forth on Exhibit C attached hereto and made a part hereof.

7. The Plaintiffs and the class which Plaintiffs represent are also suing on behalf of the United Mine Workers Welfare and Retirement Fund of 1950, asserting claims derivatively on behalf of the Welfare Fund against Defendants named herein as set forth below.

8. The Association of Disabled Miners and Widows, Inc., Madison, West Virginia, is a West Virginia non-profit corporation organized in West Virginia on May 24, 1967. It has approximately 4,000 dues-paying members. Each such member is a disabled or retired miner or widow who has either been denied a pension or hospital benefits or who, under existing regulations of the Welfare Fund, is not eligible for a pension and other benefits of the Welfare Fund. The Association is using on behalf of itself and for each of its individual members.

III. Description of the defendants

9. *Defendant U.M.W.A.* is an unincorporated association with its central office and headquarters at 900 Fifteenth Street, N. W., Washington, D. C. It carries on the activities of a labor union and has tens of thousands of members in many states, and its employees represent it and carry on its business in many states, including West Virginia, Virginia, Kentucky, and Pennsylvania.

10. *Defendant Welfare Fund* is an irrevocable trust created pursuant to Section 302(c) of the "Labor Management Relations Act of 1947" [29 U.S.C. § 186(c)]. Its principal place of business and central office and headquarters is located at 907 Fifteenth Street, N.W., Washington, D.C. The Welfare Fund was created pursuant to a trust agreement which was a part of the collective bargaining agreement entered into in 1950 between the U.M.W.A. and a group of owners and operators of coal mines which formed the Bituminous Coal Operator's Association and eight other associations and/or coal companies. The Welfare Fund's purpose is to pay retirement pensions and other benefits to coal miners and their families and survivors. The trust agreement (hereinafter referred to herein as the "Trust Agreement") is set forth under the heading "U.M.W.A. Welfare and Retirement Fund of 1950" of the 1968 Coal Wage Agreement, which carries forward and preserves, subject to amendments, modifications and supplements, the terms and conditions of previous coal wage agreements dating back to 1941. A copy of the 1968 Coal Wage Agreement (hereinafter referred to as the "Coal Wage Agreement") is attached as Exhibit D hereto.

11. *Defendant Bituminous Coal Operators' Association* is a business association formed in June, 1950, as a collective bargaining agency for the country's major coal producers. Its members include the nation's largest coal operators, including Consolidation Coal Company, Island Creek Coal Company, Clinchfield Coal Company (Division of the Pittston Company), and Peabody Coal Company. The Association carries on its business and has its central office and headquarters at 918 Sixteenth Street, N.W., Washington, D.C.

12. *Defendant National Bank* is a national banking association organized under the banking laws of the United States. Its headquarters and principal office is at 619 Fourteenth Street, N.W., Washington, D.C. As of December 31, 1968, Defendant U.M.W.A. owned 740,801 shares of the 1,000,000 issued and outstanding shares of the National Bank.

13. *Defendant W. A. (Tony) Boyle* is (a) a Trustee and Chairman and Chief Executive Officer of the Defendant Welfare Fund; (b) the President of Defendant U.M.W.A.; and (c) a director of the Defendant National Bank of Washington. Defendant Boyle maintains an office at 900 Fifteenth Street, N.W., Washington, D.C., and he is to be found within the District of Columbia. Other officers of the U.M.W.A. who are parties Defendant are set out in Exhibit E.

14. *Defendants W. A. Boyle, Josephine Roche, and Guy Farmer* (referred to hereinafter as the "Defendant Trustees") are the three trustees of the Welfare Fund. W. A. Boyle is chairman and chief executive officer, appointed as representative of the Defendant U.M.W.A.;[1] Guy Farmer, general counsel of Defendant National Bituminous Coal Operators' Association, was appointed as the representative of the employers signatory to the 1968 Coal Wage Agreement; and Josephine Roche was appointed as the "neutral" Trustee. The Defendant Trustees are responsible for the operation of the Welfare Fund, including, but not limited to, investment of trust funds, questions of coverage and eligibility, types of benefits, amounts of benefits, methods of providing for benefits, and all other related matters of the Welfare Fund. Defendants Roche and Farmer maintain an office at 907 Fifteen Street, N.W., Washington, D.C., and both may be found within the District of Columbia.

15. *Defendant Henry Schmidt* was one of the three original trustees and served on the Board until his resignation in early 1969. He was replaced by *Defendant George L. Judy*, who served for only one month, to be replaced by Defendant Guy Farmer. Defendants Schmidt and Judy maintain offices at 907 Fifteenth Street, N.W., Washington,, D.C., and each may be found within the District of Columbia.

16. *Defendant Edward L. Carey* is the general counsel of the Defendant U.M.W.A., and director of the Defendant National Bank of Washington. Defendant Carey maintains an office and place of business at 900 Fifteenth Street, N.W., Washington, D.C., and he is to be found within the District of Columbia.

17. *Defendant George J. Titler* is the vice-president of the Defendant U.M.W.A. He maintains an office at 900 Fifteenth Street, N.W., Washington, D.C., and he is to be found within the District of Columbia.

18. *Defendant John Owens* is the secretary-treasurer of the Defendant U.M.W.A. He maintains an office at 900 Fifteenth Street, N.W., Washington, D.C., and he is to be found within the District of Columbia.

19. *Defendants Wilmer J. Waller and Barnum L. Colton* are each directors of the Defendant National Bank of Washington. Defendant Waller is the chairman of the Board of Directors of the National Bank, and Defendant Colton is the president of the National Bank. They each maintain an office at 619 Fourteenth Street, N.W., Washington, D.C., and each may be found within the District of Columbia.

IV. As and for a first cause of action by all plaintiffs (including the welfare fund) against defendant trustees

20. In conformity with the terms of the Trust Agreement, as amended, and with the applicable laws governing trusts, the Welfare Fund is required to be organized and administered as a separate entity. The Welfare Fund is to be operated independently of the U.M.W.A. and the coal operators, pursuant to regulations adopted by its Board of Trustees. The Welfare Fund's purposes, as stated in the Trust Agreement, are to

[1] Trustee Boyle is the successor to John L. Lewis, who was the Welfare Fund's chairman and chief executive officer until Mr. Lewis' death on June 11, 1969.

make payments of retirement pensions to employees of mine operators, their families and dependents; payments for medical or hospital care; pensions to the families of employees on the death of employees; and benefits of other types as specified in regulations of the Welfare Fund.

21. The Welfare Fund derives revenues from 40¢ per ton royalty payments on each ton of coal produced by coal operators signatory to the Coal Wage Agreements. The Trust Agreement obligates all signatory operators to pay these royalty payments monthly to the office of the Welfare Fund in Washington. Title to all money paid into or due and owing the Welfare Fund is vested exclusively in the Defendant Trustees. The Defendant Trustees maintain accounts at the Defendant National Bank, out of which are paid pensions and other benefits as authorized to beneficiaries who qualify.

22. The Defendant Trustees are required by the Trust Agreement, the statutes governing the establishment of pension and retirement trusts, and by the principles of equity, to perform specific duties as trustees. These duties arise from the Defendant Trustees' fiduciary position in relationship to the Welfare Fund and the beneficiaries of the Welfare Fund, including the Plaintiffs and the class which the Plaintiffs represent. The duties of the Defendant Trustees include, but are not limited to, the following:

a. Defendant Trustees must have undivided loyalty to the Welfare Fund and the beneficiaries of the Welfare Fund and must administer the Welfare Fund solely in the interest of the beneficiaries without permitting the intrusion of interests of the Trustees or third parties that may in any way conflict with the interests of the Welfare Fund;

b. The Trustees may not engage in any self-dealing, either for themselves or for their affiliates, relatives, friends, and associates;

c. The Trustees must manage the funds and assets of the Welfare Fund, and they must invest those funds and assets so as to produce reasonable income for the beneficiaries of the Fund, including Plaintiffs and the class which Plaintiffs represent;

d. The Trustees have a duty to collect all of the royalties due from the coal operators pursuant to the provisions of the Coal Wage Agreements of 1950 and 1968;

e. The Trustees have a duty to maximize the payment of reasonable benefits to the beneficiaries of the Welfare Fund, including Plaintiffs and the class which Plaintiffs represent;

f. The Trustees have a duty to promulgate just and reasonable regulations and requirements to assist and aid the beneficiaries of the Welfare Fund, including Plaintiffs and the class which Plaintiffs represent, to receive pensions and other benefits and not to promulgate hostile, arbitrary, restrictive, and inappropriate regulations which had and have as their purpose to exclude beneficiaries of the Welfare Fund, including Plaintiffs, from receiving Welfare Fund benefits;

g. The Trustees have a duty not to loan funds of the Welfare Fund to, or to invest in the business organizations of, any associate, relative, friend, employer, or other interested person with whom the Trustees have a direct or indirect interest;

h. The Trustees have a duty not to defraud the beneficiaries of the Welfare Fund, including Plaintiffs and the class which Plaintiffs represent;

i. The Trustees have a duty not to waste the Fund's assets or to operate the Fund in any manner which is not for the sole and exclusive benefit of the beneficiaries, including Plaintiffs and the class which Plaintiffs represent; and

j. The Trustees have a duty to administer the Welfare Fund for the "sole and exclusive benefit" of the Plaintiffs and other members of the class, pursuant to the provisions of 29 U.S.C. § 186.[2]

The Defendant Trustees have violated each of the above duties and other duties not enumerated above.

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[2] 29 U.S.C. § 186 provides in pertinent part that:

(a) It shall be unlawful for any employer or association of employers or any person who acts as a labor relations expert, advisor, or consultant to an employer or who acts in the interest of an employer to pay, lend, or deliver, or agree to pay, land, or deliver, any money or other thing of value—

(1) to any representative of any of his employees who are employed in an industry affecting commerce; or

(2) to any labor organization, or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce; . . .

(b) (1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a) of this section. . . .

(c) The provisions of this section shall not be applicable . . . (5) with respect to money or other thing of value paid to a trust fund established by such representative, for the sole and exclusive benefit of the employees of such employer, and their families and dependents (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents): *Provided,* That (A) such payments are held in trust for the purpose of paying, either from principal or income or both, for the benefit of employees, their families and dependents, for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such fund, together with such neutral persons as the representatives of the employers and the representatives of employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in the event of their failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group, be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such other places as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; . . .

23. The beneficiaries of the Welfare Fund, including the Plaintiffs and the class which Plaintiffs represent, have beneficial, equitable, and legal interests—including vested interests—in the Welfare Fund, in accordance with the Trust Agreement, the statutes governing the establishment of pension and retirement trusts, and the principles of equity. These interests of the beneficiaries, including Plaintiffs, arise from the provisions of the Trust Agreement and the Coal Wage Agreements; the fact that funds which were paid and are being paid to the Welfare Fund are because of the labor of the beneficiaries, including Plaintiffs; that benefits paid by the Welfare Fund are a form of deferred compensation paid to beneficiaries because of such beneficiaries' labor; and from the statutes and principles of equity relating to trusts. These interests entitle the beneficiaries, including Plaintiffs and the class which Plaintiffs represent:

a. to enforce the provisions of the Trust Agreement;

b. to have breaches of the fiduciary duties by the Trustees enjoined;

c. to obtain the proper legal and equitable redress because of such breaches by the Trustees;

d. to receive reasonable income in the form of pensions from the Welfare Fund;

e. to receive reasonable hospital and other similar type benefits from the Welfare Fund;

f. to have the Welfare Fund administered according to reasonable regulations and requirements which are designed to assist and aid such beneficiaries, including the Plaintiffs and the class which Plaintiffs represent, to receive pensions and other reasonable benefits; and

g. to receive from the Trustees the Trustees' undivided loyalty so that such Trustees would operate the Welfare Fund for the benefit of beneficiaries, including Plaintiffs and the class which Plaintiffs represent.

24. The Welfare Fund has not been and it is not presently being operated or administered by the Defendant Trustees for the sole benefit of the beneficiaries of the Fund, including Plaintiffs and the class which Plaintiffs represent.

As more fully alleged hereinafter, the Defendant Trustees have violated their duties as Trustees for their own or other's profit and benefit, and they have exploited, made use of, and permitted the use of the assets of the Welfare Fund hereinabove referred to without the knowledge or consent of these Plaintiffs, all in violation of Plaintiffs' rights and interests as beneficiaries under the Trust Agreement.

25. Upon information and belief, Plaintiffs allege that Defendant Trustees have violated their duties as Trustees of the Welfare Fund in the following ways, among others, and that such acts constitute a breach of such Trustees' fiduciary duty to the beneciaries of the Welfare Fund, including Plaintiffs and the class which Plaintiffs represent:

A. Funds of the Welfare Fund amounting to between $40,000,000 and $100,000,000 each year for at least the past five years have been deposited in non-interest paying accounts with the Defendant National Bank, thereby providing funds to the National Bank for the benefit of said bank and Defendant U.M.W.A., which owns more than 74 percent of the common stock of said bank. As a result of such action, the Welfare Fund has been deprived of interest amounting to between $2,000,000 and $5,000,000 annually, for a five-year total of between $10,000,000 and $25,000,000. This money was therefore not available to the Welfare Fund to pay to Plaintiffs in the form of benefits to which they were and are entitled. The amounts of money of the Welfare Fund kept on deposit at the National Bank

are grossly in excess of the amounts required to meet the regular commitments of the Welfare Fund. The revenues thus lost have been appropriated to the benefit of the National Bank, which has profited by the use of interest-free money to enrich itself; to the benefit of the U.M.W., which has received each year because of its ownership of common stock of the National Bank up to $1,500,000 in cash dividends from the Bank and whose stock has appreciated in value as a result of its unjust enrichment at the expense of the Welfare Fund.

B. The investment portfolio of the Welfare Fund has been so mismanaged by the Defendant Trustees that it has lost an undetermined amount of money on a $44,000,000 investment portfolio during a period of time which has been marked by one of the largest advances of the prices of common stock and some of the highest interest rates on corporate and municipal obligations in the history of this country. At the present time, the entire investment portfolio of the Fund is comprised of common stock.

C. The Defendant Trustees have deliberately and willfully invested monies of the Welfare Fund's investment portfolio in common stocks of companies in which certain of the defendants have a direct or indirect financial interest. For example, more than 10 percent of the Welfare Fund's investment portfolio is comprised of "party-in-interest" common stocks.[3]

D. The funds of the Welfare Fund have not been used to generate income for the Welfare Fund but for the personal benefit of Defendant Boyle, and for the benefit of Defendants U.M.W.A., Bituminous Coal Operators' Association and its members, and the National Bank in that such funds were used by the National Bank and the U.M.W.A. to make loans to selected coal operators, selected coal-related companies, and friends of such Defendants, all to the detriment and damage of the Plaintiffs.

E. Administrative expenses of the Welfare Fund are grossly excessive in that many of the salaries and expenses paid by the Welfare Fund are paid to friends and relatives of U.M.W.A. officials for work which is not done, or such salaries are grossly in excess of payments normally made to persons doing similar work, and for expenses which are not incurred. Further, funds of the Welfare Fund are being diverted through indiscriminate and illegal transfers of and the consequent use thereof, of such Welfare Fund funds from the Fund's use to and for the use of the U.M.W.A. and the Bituminous Coal Operators' Association and its members.

F. In order to minimize the benefits payable by the Welfare Fund and maximize the money available for Defendants' own wrongful purposes, Defendant Trustees have engaged in hostile acts to deprive Plaintiffs and other members of the class which Plaintiffs represent of benefits to which they are or will be entitled, as for example:

1. The U.M.W.A. has deliberately and purposely misled Plaintiffs and other members of the class who would otherwise have been eligible for Welfare Fund benefits to do acts which the U.M.W.A. knew would violate existing Welfare Fund regulations and thereby make such persons ineligible for benefits.

2. U.M.W.A. agents and employees have willfully induced and encouraged U.M.W.A. members to accept employment in mines of coal operators which are not signatories to the Coal Wage Agreements, knowing that by accepting such employment, such members would be ineligible for Welfare Fund benefits. Thereafter, the U.M.W.A. caused the Welfare Fund to refuse Welfare Fund benefits to such members on the grounds that they were last employed in a non-signatory mine contrary to a Welfare Fund regulation.

G. Regulations of the Welfare Fund are arbitrary, capricious, and unreasonable and have been deliberately designed by the Defendant Trustees wrongfully to exclude Plaintiffs and the class which Plaintiffs represent as beneficiaries. Examples of regulations of the Welfare Fund which are arbitrary and capricious are italicized below. Individual examples of the results of the application of such arbitrary and capricious regulations are also set forth below, as follows:

1. Pension Benefit Regulation B–2

For miners who ceased working in the coal industry *before February 1, 1965*—

1. Age 55 or over at date of application.

2. *Twenty years' service as an employee in a classified job for an employer in the coal industry within the thirty-year period immediately preceding date of receipt of application by the Trust Fund.*[4]

The following application of this particular regulation demonstrates its arbitrary, capricious, and unreasonable effect:

a. Plaintiff Willie Ray Blankenship: Mr. Blankenship of Hewett, West Virginia, is sixty-six years of age. He began working in the mines when he was eighteen years of age. Although forced to leave the mines temporarily in 1944 because of a serious back injury, he resumed working one year later and continued to work in the mines until December, 1967, when emphysema and silicosis (coal miners' pneumoconiosis) caused his permanent retirement. Mr. Blankenship applied for a Welfare Fund pension shortly thereafter and was notified in October, 1968, that he was ineligible because of the above Regulation B–2, i.e., he did not work twenty years in union mines within the thirty-year period immediately preceding his pension application to the Welfare Fund. Mr. Blankenship, notwithstanding over thirty-five years of employment in union mines, does not receive Welfare Fund benefits.

b. Plaintiff John Thomas Green: Mr. Green of Bloomingrose, West Virginia, is seventy years of age. He began working in the mines at the age of fourteen and was continuously employed in union mines for forty years, from 1913 until 1953, the year the mine in which he had been employed was finally "worked out." He was unable to pass the health test for other union mine employment principally because of "black lung." On March 21, 1960, Mr. Green applied for a Welfare Fund pension. The application was denied because of the above Regulation B–2, i.e., he did not work twenty years in union mines within the thirty-year period immediately preceding his pension application to the Welfare Fund. Mr. Green, despite forty years' employment in union mines, does not receive Welfare Fund benefits.

c. Plaintiff Reverend Marvin Lovell Kuhn: Reverend Kuhn of Gordon, West Virginia, is sixty-five years of age. He worked in union coal mines from October, 1925, until he became injured and disabled in September 1946. Reverend Kuhn has not applied for a Welfare Fund pension because local union representatives have told him that he would not qualify because of the above Regulation B–2, i.e., he did not work twenty years in union mines within the thirty-year period immediately preceding his pension application to the Welfare Fund. Reverend Kuhn, despite twenty-one years in union mines, does not receive a Welfare Fund pension.

d. Plaintiff Howard Linville: Mr. Linville, of Peytona, West Virginia, is fifty-eight years of age and the father of four children under eighteen years of age. He worked in union coal mines for twenty-one years until December 30, 1958. On that date he suffered a back injury in the mines and became permanently disabled. On January 4, 1967, the Welfare Fund denied Mr. Linville's application for a pension because of the application of Regulation B–2, i.e., he did not work twenty years in union mines within the thirty-year period immediately preceding his pension application to the Welfare Fund. Mr. Linville, despite twenty-one years in union mines, does not receive a Welfare Fund pension.

e. Plaintiff Estle Eugene Noonkester: Mr. Noonkester of Midway, West Virginia, is sixty-six years of age. He began working in the mines when he was thirteen years of age and worked in the mines for almost forty years. In 1962 at the age of fifty-nine, he was forced to leave the mines as a result of coal miners' pneumoconiosis and complications suffered from a back injury sustained in the mines. Mr. Noonkester, after first being denied even an application blank by union officials, applied for a Welfare Fund pension in 1964. Mr. Noonkester was denied his pension because of the application of the above Regulation B–2, i.e., he did not work twenty years in union mines within the thirty-year period immediately preceding his pension application to the Welfare Fund. Mr. Noonkester, despite almost forty years work in union mines does not receive a Welfare Fund pension.

2. Pension Benefit Regulations A–3 and B–4

A–3; B–4. *Permanently ceased working following regular employment for at least one full year as an employee in classified job for an employer signatory to the National Bituminous Coal Wage Agreement.*[5]

The application of these particular regulations demonstrates their arbitrary, capricious and unreasonable effect:

a. Plaintiff Joseph Blake Hatlay: Mr. Hatlay of Webster Springs, West Virginia, is sixty-one years of age. He worked in union mines for thirty years—from 1930 until 1960 when the union mine in which he was last employed was "worked out." In 1961, unable to pass the physical examination to get into a union mine (because of coal miners' pneumoconiosis) and not being old enough to apply for his Fund pension, Mr. Hatlay worked on and off for a period of two years in non-union mines in order to support his family. He applied for a pension from the Welfare Fund in 1963 and was refused because of the above Regulations A–3 and B–4; i.e., his last job was in a non-union mine. Notwithstanding the fact that Mr. Hatlay worked over thirty years in union mines, he does not receive any Welfare Fund benefits because he worked to support his family for less than two years in non-union mines.

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[3] The term "party-in-interest" means any administrator, officer, trustee, custodian, counsel, or employee of any employee welfare benefit plan or employee pension benefit plan, or a person providing benefit plan services to any such plan, or an employer any of whose employees are covered by such a plan or officer or employee or agent of such employer, or an officer or agent or employee of an employee organization having members covered by such plan. (Part IV—Section D., Employee Welfare or Pension Benefit Plan Annual Report Form, U.S. Department of Labor Form D–2.)

[4] For miners who ceased working *after* February 1, 1965, the requirement of twenty years' employment within the preceding thirty-year period has been eliminated. To qualify for a pension, those miners must only prove twenty years' employment (Pension Benefit Regulation A–2).

[5] This particular regulation has been declared arbitrary and capricious by this Court. *Collins* v. *U.M.W.A. Welfare and Retirement Fund of 1950*, U.S. District Court for the District of Columbia, Civil Action No. 1977–67, April 22, 1969.

3. Hospital and Medical Care Benefits

A. Miners and pensioners

1. Working miners are eligible while regularly employed in the coal industry as an employee in a classified job for an employer signatory to the National Bituminous Coal Wage Agreement. *Eligibility continues while miners are so employed and for one (1) year thereafter while unemployed.*

2. Miners awarded workmen's compensation payments for a mine injury or occupational disease sustained while employed in a classified job in the coal industry may continue to be eligible for Hospital and Medical Care Benefits while *unemployed and receiving workmen's compensation payments and for one (1) year thereafter up to a maximum of four (4) years from the date of last employment.*

The following application of these particular regulations demonstrates their arbitrary, capricious and unreasonable effect:

a. Plaintiff Odell Sylvester Gwynn: Mr. Gwynn of Beckley, West Virginia, is sixty-three years of age. He began working in the mines when he was sixteen. He was employed as a brakeman and motorman in union mines from 1922 until 1949 when he was forced to leave as a result of a back injury sustained on the job. He underwent spinal surgery in 1951 and 1952. Mr. Gwynn received hospital benefits from the Welfare Fund for only one year, pursuant to Fund Regulation 3–A–1. Following that year, however, Fund officials demanded the return of his Fund "hospital card," which entitles the bearer to receive medical benefits at Fund-associated hospitals in the coal fields, and stopped all further medical benefits. At that time, U.M.W.A. representatives told Mr. Gwynn that it was of no benefit to him to continue paying his union dues since he would not be getting any more welfare Fund benefits in any case, and not to apply for a pension from the Welfare Fund because he would be ineligible under the Fund Regulation B–2, i.e., he did not work twenty years in union mines within the thirty-year period immediately preceding his pension application to the Welfare Fund. Mr. Gynn, despite twenty-seven years in union mines, does not receive a Welfare Fund pension. Mr. Gwynn has also not received any further medical benefits from the Welfare Fund, even though he has continued to need medical care for the injury received while working in a union mine, because the Fund provides medical benefits for only one year.

b. Plaintiff Charles Omechinski: Mr. Omechinski of Quinwood, West Virginia, is fifty-one years of age and has spent twenty-seven years in union coal mines as a machine man and coal loader. In 1961 he was forced to leave the mines and undergo surgery to have a part of his right lung removed—a situation caused by coal miners' pneumoconiosis and silicosis. The Fund permitted Mr. Omechinski to retain his "hospital card" for one year after his surgery, recalling it at the end of that year. In 1963, Defendant Titler, then president of U.M.W.A. District 29, refused to take Mr. Omechinski's union dues, stating that he had lost all union benefits and would never be eligible to receive a pension. Mr. Omechinski has not received any further medical benefits from the Fund, even though he has continued to require medical care, because the Fund provides medical benefits for only one year.

c. Plaintiff Posey Stewart: Posey Stewart of Oceana, West Virginia, is fifty-one years of age. He has worked over thirty-three years in union mines. He was seriously injured in 1963 (his last year in the mines) and was allowed to keep his Welfare Fund "hospital card" for one year. The medical benefits were then terminated. Mr. Stewart has not received any further medical benefits from the Fund, even though he has continued to require medical care, because the Fund provides medical benefits for only one year.

4. Funeral Expense and Widows and Survivors Benefits

A. The dependent survivors of deceased miners are eligible for Widows and Survivors Benefits provided the miner was at the time of death:

1. *Regularly employed in the coal industry as an employee in a classified job for an employer signatory to the National Bituminous Coal Wage Agreement. Eligibility continues while the miner is so employed and for (1) year thereafter while unemployed.*

2. Unemployed and receiving workmen's compensation for an injury or occupational disease sustained while employed in a classified job in the coal industry. *Eligibility may continue while the miner is receiving workmen's compensation payments and for one (1) year thereafter up to a maximum of four (4) years from the date of last employment.*

3. Receiving Trust Fund pension payments and not employed in an occupation outside the coal industry.

The following application of these particular regulations demonstrates their arbitrary, capricious, and unreasonable effect:

a. Plaintiff Mrs. Verna Mae Jackson: Mrs. Verna Mae Jackson of Baisden, West Virginia, is thirty-five years of age and the mother of two children, James Jackson, aged ten, and Anita Fay Jackson, aged seven. Her late husband, Clyde Jackson, was employed in union mines for almost twenty-five years. A severe illness forced his retirement in 1962. He was given a Welfare Fund hospital card for one year after which he received no additional union benefits. Mr. Jackson died in 1967. Mrs. Jackson has received no Welfare Fund benefits under the above Regulations because her husband, who worked twenty-seven years in the mines, did not die while working in the mines or within one year after he ceased working.

b. Plaintiff Mrs. Anna Felecia Omechinski: Mrs. Omechinski is the seventy-four year old widow of Ludwig Omechinski, an active coal miner for thirty-four years. Her late husband died in 1963 at the age of seventy-five. Although receiving a Welfare Fund pension at the time of his death, Mrs. Omechinski was only given a $1,000 widow's benefit. She is not receiving any sort of pension from the Fund at this time, nor is she entitled to hospital care under the above regulations because her husband, who worked thirty-four years in the mines, did not die working in the mines or within one year after he ceased working.

5. Arbitrary "Requirements" of the Welfare Fund

Regulations of the Welfare Fund which are arbitrary, capricious, and unreasonable are not limited to the examples referred to above. There are other regulations of the Welfare Fund which are also arbitrary and capricious, together with certain "requirements" of the Welfare Fund which are not given the status by the Trustees of formal "regulations." These requirements relate to various aspects of the administration of the Fund and to the method of proving an applicant's eligibility under the Regulations. For example, the Fund requires that if no work records are available, then the applicant must prove his work record through affidavits of two miners who worked with him. Since many of the applicants' work records go back some thirty to forty years, this is often an impossible burden.

H. Regulations are not only arbitrary and capricious, but are often deliberately and wrongfully applied to eliminate pensions and hospital benefits to applicants who would otherwise qualify. This wrongful and deliberate application of such regulations has taken several forms, e.g., where proof of an applicant's qualification has been summarily rejected and where the Trustees have attempted to retroactively apply new Regulations to applicants who had already qualified under Regulations in effect at the time of their application.

I. The granting or withholding of benefits has been used and is used as a weapon of intimidation by the U.M.W.A., its officers, and the Welfare Fund to eliminate criticism of and opposition to the U.M.W.A. or the Welfare Fund. The Defendant Trustees of the Welfare Fund wrongfully misused their authority under the Trust Agreement in determining the types and amounts of benefits and to establish eligibility requirements and in denying the applications for benefits of certain individuals, including certain individual Plaintiffs. The Trustees have also misused their authority to administer the Welfare Fund so that all benefits are subject to termination, suspension, revision, or amendment by the Trustees in their sole discretion at any time. No hearing or appeal procedure is provided to any applicant or beneficiary to challenge or review a ruling of the Defendant Trustees or the Welfare Fund. To maintain this arbitrary control by the Trustees, Welfare Fund benefits are not automatically provided to union members and workers; they are granted, rather, only through arbitrary and capricious rulings of the Trustees.

J. No hearing is allowed by the Trustees on questions of eligibility, on the termination of benefits, or on any other questions. Plaintiffs herein have been denied such hearings. Each letter from the Welfare Fund to an applicant or pension holder ends with this caption: "This benefit is subject to suspension or termination at any time by the Trustees of the Fund for any matter, cause or thing of which they shall be the sole judges and without assignment of reason therefor." Plaintiffs and members of the class which Plaintiffs represent have thus been forced to use the courts to enforce such rightful claims, thus imposing an unlawful and unwarranted burden on those for whose benefit the Welfare Fund is supposed to be operating.

K. The Trustees are required to conduct a thorough and continuing review of the accounts of coal operators signatory to the 1950 and 1968 Coal Wage Agreements. The Trustees are charged with the duty of taking prompt action to enforce royalty payments if delinquencies appear. A large amount of payments which should have been made into the Welfare Fund by signatory coal operators have not been made, and the Defendant Trustees, in violation of their duties, have failed to take steps to collect the deficiencies.

L. Defendants and/or agents of the Defendants falsely and fraudulently and with the willful intent to defraud Plaintiffs and other members of the class made false representations and misleading statements to Plaintiffs concerning the purposes, administration, and operation of the Welfare Fund, knowing that such statements were false and misleading at the time they were made, including, but not limited to, the following:

1. That if Plaintiffs paid "Welfare Fund dues," that said Plaintiffs would receive upon retirement a Welfare Fund pension;

2. That if Plaintiffs could work in a non-union mine before retiring, that such non-union employment would not disqualify Plaintiffs from receiving their Welfare Fund pensions;

3. That no money has been paid by any individual miner into the Welfare Fund, but that all payments come from royalties paid by the signatory coal companies. Plaintiffs relied upon such false and misleading statements to their detriment.

M. Defendants and/or agents of Defendants deprived Plaintiffs and other members

of the class of their rights to the assets of the Welfare Fund in that Defendants wrongfully converted the monies, assets, and property rights in the Welfare Fund from the Plaintiffs and other members of the class for the use of the Defendants.

26. Plaintiffs and members of the class to which Plaintiffs belong have duly and fully performed each and every term, covenant, and condition of the Trust Agreement upon their part to be performed, and have duly requested of Defendants, both in and out of courts of law, on innumerable occasions, that Defendants take and/or cooperate in the taking of various steps which would result in the Welfare Fund being operated for the benefit of the Plaintiffs and other members of the class. Defendant Trustees, in violation and in breach of their duties as trustees, have neglected and refused and still fail, neglect and refuse, to comply with said requests, or to take or cooperate in the taking of any of the said steps, and the said failure, neglect and refusal of Defendants to so act has resulted in losses as set forth below, which has resulted in the permanent, irreparable, and irretrievable damages to the Plaintiffs and threatens to result in the next year alone of the loss of at least $10,000,000 to the Welfare Fund, causing further permanent, irreparable, and irretrievable damage to the Plaintiffs. Further, Defendants have failed, declined, and refused to recognize and to perform and still fail, decline and refuse to recognize and to perform in other respects, their duties as Trustees under the Trust created by the Trust Agreement.

27. As a result of the foregoing:

a. Plaintiffs named herein have been damaged in each of their respective individual cases in an amount to be fixed by the Court;

b. The class which Plaintiffs represent have been damaged in an amount to be fixed by the Court; and

c. The Welfare Fund has been damaged in an amount as set forth below.

Because the acts of all of the Defendants as set forth above and as set forth herein were willful and constituted reckless and intentional disregard of the rights of Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund, Plaintiffs seek punitive damages in an amount to be fixed by the Court.

AS AND FOR A SECOND CAUSE OF ACTION BY ALL PLAINTIFFS DERIVATIVELY ON BEHALF OF THE WELFARE FUND AGAINST ALL DEFENDANTS OTHER THAN THE WELFARE FUND

28. Plaintiffs reallege each and every allegation contained in Paragraphs 1 through 27, inclusive, with the same force and effect as though the same were set forth in full.

29. The resources of the Welfare Fund having been illegally utilized for the private and personal uses of the other Defendants, and the Welfare Fund having refused and being incapable to prevent itself from being plundered, and refusing to assert its rights against the other Defendants, Plaintiffs demand that the money so utilized and the gains or benefits of the use of such money by the other Defendants be returned to the Welfare Fund by those Defendants who are jointly and severally liable therefore.

30. As a result of the foregoing:

a. Plaintiffs named herein have been damaged in each of their respective individual cases in an amount to be fixed by the Court:

b. The class which Plaintiffs represent has been damaged in an amount to be fixed by the Court; and

c. The Welfare Fund has been damaged in an amount as set forth below.

Because the acts of all of the Defendants as set forth above and as set forth herein were willful and constituted reckless and intentional disregard of the rights of Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund, Plaintiffs seek punitive damages in an amount to be fixed by the Court.

AS AND FOR A THIRD CAUSE OF ACTION BY ALL PLAINTIFFS DERIVATIVELY ON BEHALF OF THE U.M.W.A. AGAINST DEFENDANTS BOYLE, TITLER, CAREY, AND THE OTHER U.M.W.A. OFFICERS SET FORTH ON EXHIBIT E

31. Plaintiffs reallege each and every allegation contained in Paragraphs 1 through 27, inclusive, with the same force and effect as though the same were set forth in full.

32. By wrongfully utilizing the name and organization of the U.M.W.A., its assets and, in particular, the Welfare Fund for their own purposes and those of their associates, Defendants named herein violated their fiduciary responsibility as officers of a labor organization under 29 U.S.C. § 501, i.e., their duty to fairly represent the members of the U.M.W.A., and their attendant common law fiduciary obligation to Plaintiffs.

33. As a result of the foregoing:

a. Plaintiffs named herein have been damaged in each of their respective individual cases in an amount to be fixed by the Court;

b. The class which Plaintiffs represent has been damaged in an amount to be fixed by the Court; and

c. The Welfare Fund has been damaged in an amount as set forth below.

Because the acts of all of the Defendants as set forth above and as set forth herein were willful and constituted reckless and intentional disregard of the rights of Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund, Plaintiffs seek punitive damages in an amount to be fixed by the Court.

AS AND FOR A FOURTH CAUSE OF ACTION BY ALL PLAINTIFFS AGAINST ALL DEFENDANTS

34. Plaintiffs reallege each and every allegation contained in Paragraphs 1 through 27, inclusive, with the same force and effect as though the same were set forth in full.

35. The Welfare Fund, in granting pensions to retired miners and their survivors and dependents who are part of the retired labor force of this country, and in providing medical benefits to injured and disabled miners and their survivors and dependents, provides and performs a public function. Because of the size of the Welfare Fund and the number of persons it serves and will serve, it has assumed a quasi-governmental role, carrying out a stated government policy, function, and purpose of long standing that the country's elder, retired workers and citizens should receive "pensions" and "medical care." The continued well-being and security of thousands of employees and their dependents are directly affected by the Welfare Fund. The Welfare Fund is affected with a national public interest, and it has become an important factor affecting the stability of employment of thousands of employees in several states. The Welfare Fund has become an important factor in commerce because of the interstate character of its activities, and of the activities of its participants, and the employers, employee organizations, and other entities by which it was established and maintained. Further, it is in the interest of the Federal Government that pension funds such as these should operate subject to governmental review and authority and government-established safeguards.

36. The Welfare Fund was created "pursuant to Section 302(c) [29 U.S.C. § 186(c)] of the Labor-Management Relations Act of 1947." Its benefits are those which are "specified, provided for or permitted" in said Section 302(c), or which are "determined by the Trustees [to be] within the scope of the provisions" of Section 302(c). The power of the Trustees must be "within the scope of the provisions of the aforesaid 'Labor-Management Relations Act of 1947.'"[6] The Coal Wage Agreement itself is a collective bargaining agreement specifically authorized by Congress, and while the U.M.W.A. is essentially a private organization, its power to represent and bind all members of a class or craft is derived solely from Congress. Further, Congress, pursuant to the Welfare Fund Disclosure Act (29 U.S.C. §§ 301–309), requires that the Welfare Fund file periodic reports to the Department of Labor disclosing its operations. Congress has thus specifically licensed the creation and operation of the Welfare Fund, setting standards, types of benefits, and the type of organization of the Welfare Fund.

37. The courts of various states, including the state courts of West Virginia, Kentucky, and Pennsylvania, and the United States Federal District Courts, have been used by the Welfare Fund to enforce the arbitrary and capricious regulations of the Welfare Fund.

38. The Welfare Fund does not allow a hearing, or other guaranteed procedures of due process, to an applicant seeking review of an adverse decision and/or denial of his pension or benefit application. Thus, Plaintiffs and the class which Plaintiffs represent have been deprived of property without due process of law, in violation of the Fourteenth Amendment of the Constitution of the United States.

39. As a result of the foregoing:

a. Plaintiffs named herein have been damaged in each of their respective individual cases in an amount to be fixed by the Court;

b. The class which Plaintiffs represent has been damaged in an amount to be fixed by the Court; and

c. The Welfare Fund has been damaged in an amount as set forth below.

Because the acts of all of the Defendants as set forth above and as set forth herein were willful and constituted reckless and intentional disregard of the rights of Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund. Plaintiffs seek punitive damages in an amount to be fixed by the Court.

AS AND FOR A FIFTH CAUSE OF ACTION BY ALL PLAINTIFFS AGAINST ALL DEFENDNTS

40. Plaintiffs reallege each and every allegation contained in Paragraphs 1 through 27, inclusive, and 35 through 38, inclusive, with the same force and effect as though the same were here set forth in full.

41. The National Bituminous Coal Wage Agreement of 1968 (hereinafter the "Coal Wage Agreement") is a collective bargaining agreement and carries forward and preserves the terms and conditions of previous coal wage agreements. It is "by and between" the signatory coal operators and the U.M.W.A., as the exclusive bargaining agency representing the employee of the signatory coal operators. Plaintiffs and the class which Plaintiffs represent are principals and beneficiaries of the Coal Wage Agreement and of such previous coal wage agreements. The U.M.W.A. was the agent of the Plaintiffs, entering into the Coal Wage Agreement "on behalf of each member" of the U.M.W.A. The performance of certain of the provisions of the Coal Wage Agreement was specifically intended for the benefit of the Plaintiffs and the class which Plaintiffs represent. There is no arbitration provision in the 1968 Coal Wage Agreement which is applicable to the benefits intended for the Plaintiffs and the class which Plaintiffs represent. A copy of the 1968 Coal Wage Agreement is attached hereto as Exhibit D.

42. The U.M.W.A. has, and had, a duty pursuant to the Coal Wage Agreement and applicable law to fairly represent its members, including Plaintiffs and the class which Plaintiffs represent, and to enforce for its members the terms, conditions, and provisions of the Coal Wage Agreement. On in-

[6] The above quoted portions are all from the Trust Agreement, which is a part of the 1968 Coal Wage Agreement, attached as Exhibit D.

formation and belief, Defendant U.M.W.A. has breached and is continuing to breach the Coal Wage Agreement and such previous Coal Wage Agreements in that it has not fairly represented its members and that it has acted contrary to the purposes and provisions of such Agreements and has diverted the benefits which such agreements were intended to confer on Plaintiffs herein and other members of the class to itself, to wit:

A. The Welfare Fund created by these Agreements has been used as a U.M.W.A. slush fund in that funds of the Welfare Fund have been deposited and invested or not invested or not deposited at the discretion of the U.M.W.A. and the Bituminous Coal Operators' Association, and for U.M.W.A. and the Bituminous Coal Operators' Association purposes;

B. Defendants U.M.W.A., its 74 percent owned and controlled subsidiary, the National Bank, and the Bituminous Coal Operators' Association and its individual members, have all received and are receiving personal and monetary benefit and gain from the past and continuing breach of the Coal Wage Agreements by having the funds of the Welfare Fund remain on deposit at the National Bank for U.M.W.A. and the Bituminous Coal Operators' Association purposes without the Welfare Fund receiving any benefit therefrom and contrary to the provisions of the 1950 and 1968 Coal Wage Agreements.

43. On information and belief, Defendant Trustees and Defendants Boyle, Carey, Titler, Waller, Owens, and Colton, the National Bank, and the Bituminous Coal Operators' Association induced the U.M.W.A. to breach the Agreements in order to serve their own purposes, i.e., to solidify their positions of office and power in the U.M.W.A. and for their own and other's personal financial gain.

44. On information and belief, Defendant National Bank induced the U.M.W.A. to breach the Coal Wage Agreement in order to serve its own purposes, i.e., to create additional reserves for its lending use. An analysis of the relationship between the demand and time deposits of the Welfare Fund deposited in the National Bank as compared with the total demand and time deposits of the National Bank shows that the Welfare Fund deposits grew from some 8 percent in 1961 to 26 percent in 1968 of the National Bank's total demand and time deposits. The Welfare Fund's demand deposits in 1968 thus created for the National Bank, under present Federal Reserve Regulations, approximately $500,000,000 available for lending purposes.

45. As the exclusive bargaining agent for its individual members, Defendant U.M.W.A. is under the legal obligation to provide such individuals "fair representation." The above practices are specific examples of Defendant's past and present breach of such duty and of its failure to act in good faith on behalf of its members.

46. As a result of the foregoing:

a. Plaintiffs named herein have been damaged in each of their respective individual cases in an amount to be fixed by the Court;

b. The class which Plaintiffs represent has been damaged in an amount to be fixed by the Court; and

c. The Welfare Fund has been damaged in an amount as set forth below.

Because the acts of all of the Defendants as set forth above and as set forth herein were willful and constituted reckless and intentional disregard of the rights of Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund, Plaintiffs seek punitive damages in an amount to be fixed by the Court.

AS AND FOR A SIXTH CAUSE OF ACTION BY ALL PLAINTIFFS AGAINST ALL DEFENDANTS

47. Plaintiffs reallege each and every allegation contained in Paragraphs 1 through 27, inclusive, and 35 through 38, inclusive, and 42 through 45, inclusive, with the same force and effect as though the same were here set forth in full.

48. Defendants conspired together as set forth above to defraud Plaintiffs and to deprive Plaintiffs and other members of the class of their rights pursuant to:

a. the 1950 and 1968 Coal Wage Agreement, which established the Welfare Fund;

b. 29 U.S.C. § 501;

c. 29 U.S.C. §§ 185–186;

d. their rights as beneficiaries of the Welfare Fund;

e. their rights not to have the assets of the Welfare Fund wrongfully converted to the use of the Defendants, as Defendants have done pursuant to this conspiracy.

49. On information and belief and in furtherance of this conspiracy to defraud and deprive Plaintiffs of their rightful benefits, Defendants falsely and fraudulently and with the willful intent to defraud Plaintiffs and other members of the class, represented to Plaintiffs that the Welfare Fund was to be used exclusively for the benefit of Plaintiffs and the other members of the class which Plaintiffs represent. These representations were false in fact and known to be false by Defendants at the time they were so made.

50. In truth and fact, Defendants have not and are not devoting the Welfare Fund to the sole and exclusive benefit of Plaintiffs but intended to and did use the Welfare Fund (a) for their own financial purposes; (b) to induce Plaintiffs to believe that the U.M.W.A. and its leaders were acting in the Plaintiffs' best interests; and (c) to perpetuate the union leaders' control over the U.M.W.A., the National Bank, and the Welfare Fund.

51. Plaintiffs and members of the class in fact relied to their detriment upon these agreement terms and upon the false, fraudulent, and misleading statements of the Defendants and were induced thereby (a) to ratify and support the National Bituminous Coal Wage Agreements of 1946, 1950, and 1968; (b) to support the union and its officers in maintaining power; and (c) to not seek the removal of the Defendant Trustees prior hereto.

52. As a result of the foregoing:

a. Plaintiffs named herein have been damaged in each of their respective individual cases in an amount to be fixed by the Court;

b. The class which Plaintiffs represent has been damaged in an amount to be fixed by the Court; and

c. The Welfare Fund has been damaged in an amount as set forth below.

Because the acts of all of the Defendants as set forth above and as set forth herein were willful and constituted reckless and intentional disregard of the rights of Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund, Plaintiffs seek punitive damages in an amount to be fixed by the Court.

PRAYERS FOR RELIEF

Wherefore Plaintiffs demand judgment:

(1) That damages be awarded in amounts as follows:

(a) To each individual Plaintiff, an individual amount due as fixed by the Court;

(b) To the class which Plaintiffs represent, an amount to be fixed by the Court;

(c) To the Welfare Fund:

1) At least $30,000,000, as the amount of funds which should have been collected by the Welfare Fund from the local operators, but which funds were not collected;

2) At least $20,000,000, as the amount of funds which is due to the Welfare Fund if its funds had been properly invested instead of improperly invested or not invested at all;

3) At least $25,000,000, as the amount of funds which were wasted because of the mismanagement of the Fund;

(d) Punitive damages to Plaintiffs, the class which Plaintiffs represent, and the Welfare Fund, in amounts to be fixed by the Court.

Plaintiffs have no adequate remedy at law. Monetary damages are inadequate to compensate the Plaintiffs for their injuries. If the Defendant Trustees are permitted to continue as Trustees, Plaintiffs will suffer great and irreparable loss and injury, and the assets of the Welfare Fund will be lost beyond recovery. Plaintiffs therefore demand:

(2) That Defendant Trustees be required to account for all of the assets of the Welfare Fund, whether in their possession or disposed of by them for their own account, and for all of their acts under the Trust Agreement;

(3) That Defendant Trustees be removed as trustees and that substitute Trustees be appointed in their place and stead who will administer the Welfare Fund for the benefit of those persons for whom the Welfare Fund was created, and in accordance with the terms of the Coal Wage Agreements;

(4) That until new Trustees are appointed, the Court place the Welfare Fund into receivership so that the assets of the Welfare Fund will be preserved and will not be sold, disposed of, or encumbered in any way pending the outcome of this litigation;

(5) That all Defendants be restrained and enjoined from any further wasting of the assets of the Welfare Fund, and from selling, disposing of, or encumbering any of the assets of the Welfare Fund;

(6) That the substitute trustees be mandatorily enjoined to promulgate and adopt new regulations for eligibility to receive benefits which are not unreasonable, arbitrary, or capricious, and which are not hostile to the Plaintiffs and other members of the class, and that such new regulations include the right to a hearing and other procedures guaranteed to meet the standards of due process;

(7) That Defendants Boyle, U.M.W.A., the Bituminous Coal Operators' Association, the National Bank, Defendant Trustees, and all other Defendants named in Exhibit E be directed to execute any and all papers and documents which may be necessary and proper to protect the Welfare Fund and the interests of Plaintiffs;

(8) That Defendants be restrained and enjoined from further participation in a continuing conspiracy with the Bituminous Coal Operators' Association and its individual members to the detriment of the Plaintiffs; and

(9) That Plaintiffs have such other, further, and different relief as to the Court may seem just and proper, together with the interest, costs, and disbursements of this action, including just and reasonable attorneys' fees and expenses.

Respectfully submitted.

ATTORNEYS FOR PLAINTIFFS

Harry Huge, 1823 Jefferson Place NW., Washington, D.C.

Paul Kaufman, 723 Kanawha Boulevard, East Charleston, W. Va.

Harry Caudill, Whitesburg, Ky.

OF COUNSEL

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James L. McHugh, Esq., 1250 Connecticut Avenue NW., Washington, D.C.

Richard B. Sobol, Esq., 1823 Jefferson Place NW., Washington, D.C.

Adam Walinsky, Esq., 425 Park Avenue, New York, N.Y.

EXHIBIT A

GROUP I PLAINTIFFS

The following named Plaintiffs are all retired or disabled miners who have received or are receiving or are eligible to receive

pensions and other benefits from the Welfare Fund or who are entitled to receive but have been wrongfully denied pensions and other benefits from the Welfare Fund:

Edward Abbott, Route 2, Madison, West Virginia.

Lester Bruke Ashcraft, Route 2, Box 224, Clarksburg, West Virginia.

Okey Otto Baldwin, Foster, West Virginia.

Oliver Baldwin, Box 88, Blair, West Virginia.

Leonard Wayne Bassham, Foster, West Virginia.

Jimmie C. Bentley, Route 2, Box 713, Pikeville, Kentucky.

Willie Ray Blankenship, Box 81, Hewett, West Virginia.

John F. Calvert, Route 1, Box 253, Fayetteville, West Virginia.

E. E. Cody, Route 1, Fayetteville, West Virginia.

Clarence Caudill, P.O. Box 504, Northfork, West Virginia.

Curtis G. Collier, Eolia, Kentucky.

Henry M. Collier, Payne Gap, Kentucky.

Mose S. Cline, Box 7, Isaben, West Virginia.

Hubert R. Cooper, Star Route, Box 3, Thurmond, West Virginia.

Noah L. Cooper, Box 56, Aspers, Pennsylvania.

Lilly Cornett, Jewel Ridge, Kentucky.

Elson Daniels, Box 18, Glen Daniels, West Virginia.

Bill F. Day, Thornton, Kentucky.

Bryant Dixon, Blackey, Kentucky.

Albert J. Duncan, Twin Branch, West Virginia.

Carl Easter, Nellis, West Virginia.

Azel J. Farley, Box 22, Rock Creek, West Virginia.

Ronald Herbert Fauber, Bloomingrose, West Virginia.

Leroy W. Fields, Thornton, Kentucky.

Lonnie W. Gibson, Route 1, Box 131, North Tazewell, Virginia.

John Thomas Green, Bloomingrose, West Virginia.

Thurman Green, 27 Ronda Street, Dry Branch, West Virginia.

Odell Sylvester Gwynn, 100 Segmon Street, Beckley, West Virginia.

Jack Hairston, 406 Bluefield Avenue, Charleston, West Virginia.

Joseph Blake Hatlay, Webster Springs, West Virginia.

Darius O. Hoke, Quinwood, West Virginia.

Carl Maxwell Keffer, 102 Spruce Street, St. Albans, West Virginia.

Joda Kincer, Kona, Kentucky.

Edgar D. Kromer, 106 North Pike Street, Beckley, West Virginia.

Reverend Marvin Lovell Kuhn, Gordon, West Virginia.

Paul Jones, Chauncey, West Virginia.

Howard Linville, Peytona, West Virginia.

Charles D. Lowe, Route 2, Elizabethton, Tennessee.

Lonzo May, Box 166, Lookout, Kentucky.

C. P. McDorman, Route 2, Box 317-C, Charleston, West Virginia.

Riley McGowan, 1441 East Ninety-fourth Street, Cleveland, Ohio.

Otto McKinney, Foster, West Virginia.

Marble Morgan, Box 434, Whitesburg, Kentucky.

Earnie W. Morris, Scarboro, West Virginia.

Mason H. Myers, Box 75, Davis, West Virginia.

Edward Washington Nelson, Box 243, Williams Mountain, West Virginia.

Arkie Newman, Jenkins, Kentucky.

Estle Eugene Noonkester, Midway, West Virginia.

Damon Ralph Peters, Brandytown, West Virginia.

Johnny W. Pocrnich, Bradshow, West Virginia.

Isaac Howard Ratcliff, Kings Creek, Kentucky.

Herbert Shepherd, Eolia, Kentucky.

Albert Sloane, Kona, Kentucky.

Ezra Smith, Ridgeview, West Virginia.

Virgil Spurlock, 7509 Wentworth Avenue, Cleveland, Ohio.

Hurl Stowers, Route 1, Box 4, Clothier, West Virginia.

Ewing White, Kona, Kentucky.

Archie Williams, Sumerco, West Virgnia.

Harry N. Brewster, 15 Poplar Street, Richwood, West Virginia.

William J. Simpson, 109 Davis Street, Elkins, West Virginia.

EXHIBIT B

GROUP II PLAINTIFFS

The following named Plaintiffs are all widows and other family survivors of deceased miners who have received, who are now receiving, or who are entitled to receive pensions and other benefits from the Welfare Fund:

Mrs. Preston J. Britt, 2508 Washington Avenue, St. Albans, West Virginia.

Mrs. Mont W. Harris, Barrett, West Virginia.

Mrs. Verna Mae Jackson, on behalf of herself and her children, James Jackson, age ten, and Onita Fay Jackson, age seven; Baisden, West Virginia.

Mrs. Jerome Clayton Jarrell, Lewisburg, West Virginia.

Mrs. Raymond Maul, Route 1, Box 351, Clarksburg, West Virginia.

Mrs. Bernard Lee Law, Scarboro, West Virginia.

Mrs. Bernard McKinney, Herndon, West Virginia.

Mrs. Anna Felicia Omechinski, Box 812, Mount Hope, West Virginia.

Mrs. Lake Ervin Sizemore, Route 1, Box 201, Bandy, Virginia.

Mrs. Luther Trammell, Bob White, West Virginia.

Mrs. Lance Harold Trent, Baileysville, West Virginia.

Mrs. Earl Whitt, Route 2, Box 105, South Point, Ohio.

EXHIBIT C

GROUP III PLAINTIFFS

The following named Plaintiffs are all active and dues-paying members and/or all former members of the United Mine Workers of America (U.M.W.A.), who will be eligible under existing regulations to receive pensions and other benefits from the Welfare Fund:

John Rufus Hill, Box 384, Raven, Virginia.

Pratt Kears, Hearnshaw, West Virginia.

Doncie Loftis, Clothier, West Virginia.

Charles Omechinski, Box 305, Quinwood, West Virginia.

Posey Stewart, Box 1, Oceana, West Virginia.

EXHIBIT D

NATIONAL BITUMINOUS COAL WAGE AGREEMENT OF 1968, EFFECTIVE OCTOBER 1, 1968

This agreement, made this 14th day of October, 1968, by and between the coal operators and associations signatory hereto, hereinafter referred to as Operators, parties of the first part, and the International Union, United Mine Workers of America, hereinafter referred to as Mine Workers, on behalf of each member thereof, party of the second part, covering all of the bituminous coal mines owned or operated by said first parties, amends, modifies, and supplements previous agreements as herein provided. This agreement (subject to the amendments, modifications and supplements as hereinafter provided) carries forward and preserves the terms and conditions of the Appalachian Joint Wage Agreement (dated June 19, 1941) effective April 1, 1941, to March 31, 1943, the Supplemental Six Day Work Week Agreement, the National Bituminous Coal Wage Agreement (dated April 11, 1945) effective April 1, 1945, and all of the various district agreements executed between the United Mine Workers of America and the various operators and coal associations (based upon the aforesaid basic agreements) as they existed on March 31, 1946, subject to the terms and conditions of this agreement and as amended, modified and supplemented by this agreement as herein set out.

Witnesseth: It is agreed that this contract is for the exclusive joint use and benefit of the contracting parties, as defined and set forth in this agreement. It is agreed that the United Mine Workers of America is recognized herein as the exclusive bargaining agency representing the employees of the parties of the first part. It is further agreed that as a condition of employment all employees shall be, or become, members of the United Mine Workers of America, to the extent and in the manner permitted by law, except in those exempted classifications of employment as hereinafter provided in this agreement. This provision does not change the rules or practices of the industry pertaining to management. The Mine Workers intend no intrusion upon the rights of management as heretofore practiced and understood. It is the intent and purpose of the parties hereto that this agreement will promote and improve industrial and economic relationship in the bituminous coal industry and to set forth herein the basic agreements covering rates of pay, hours of work and conditions of employment to be observed between the parties, and shall cover the employment of persons employed in the bituminous coal mines covered by this agreement.

EXEMPTIONS UNDER THIS AGREEMENT

It is the intention of this agreement to reserve to management and except from this agreement an adequate force of supervisory employees to effectively conduct the safe and efficient operation of the mines and at the same time, to provide against the abuse of such exemptions by excepting more such employees than are reasonably required for the purpose.

Coal inspectors and weigh bosses at mines where men are paid by the ton, watchmen, clerks, engineering and technical forces of the operator, working at or from a district or local mines office, are exempt from this agreement.

All other employees working in or about the mines shall be included in this agreement except essential supervisors in fact such as: mine foremen, assistant mine foremen who, in the usual performance of their duties, may make examinations for gas as prescribed by law, and such other supervisors as are in charge of any class of labor inside or outside of the mines and who perform no production work.

The union will not seek to organize or ask recognition for such excepted supervisor employees during the life of this contract.

The operators shall not use this provision to exempt from the provisions of this agreement as supervisors, more men than are necessary for the safe and efficient operation of the mine, taking into consideration the area covered by the workings, roof conditions, drainage conditions, explosion hazards, and the ability of supervisors, due to thickness of the seam, to make the essential number of visits to the working faces as required by law and safety regulations.

Disputes arising under this section shall be referred to a Joint Board of Review consisting of two representatives of the union and two representatives of the operators whose decision shall be final and binding on the parties.

MINE SAFETY PROGRAM

(a) *Mine safety code*

The Federal Mine Safety Codes for Bituminous Coal and Lignite Mines of the United States, Part I-underground mines and Part II-strip mines, promulgated and approved

October 8, 1953, by the Secretary of the Interior are hereby adopted and incorporated by reference in this contract as a code for health and safety in bituminous and lignite mines of the parties of the first part.

(b) *Enforcement*

(1) Reports of the federal coal mine inspectors: Whenever inspectors of the United States Bureau of Mines, in making their inspections in accordance with authority as provided in Public Law 49 and Public Law 552 find there are violations of the Federal Mine Safety Code and make recommendations for the elimination of such noncompliance, the operators shall promptly comply with such recommendations, except as modified in paragraph two of this subsection.

(2) Whenever either party to the contract feels that compliance with the recommendations of the federal mine inspectors as provided above would cause irreparable damage or great injustice, they may appeal such recommendation to the Joint Industry Safety Committee as hereinafter provided.

(c) *Review and revision*

In order to carry out the intent and purposes of the agreement affecting the Federal Mine Safety Code it is agreed that representatives of the United Mine Workers of America and the coal operators signatory hereto shall hold joint consultations with the United States Bureau of Mines looking toward review and appropriate revision of the Federal Mine Safety Code. Any revised code that is agreed upon between the aforementioned parties, when adopted by the parties, shall be adopted and incorporated by reference into this agreement in place of the code adopted and incorporated in the National Bituminous Coal Wage Agreement of 1950 and continued under this agreement.

(d) *Joint Industry Safety Committee*

There is hereby established under this agreement a Joint Industry Safety Committee composed of four members, two of whom will be appointed by the Mine Workers and two of whom will be appointed by the operators, whose duty it shall be to (1) arbitrate any appeal which is filed with it by any operator or any mine worker who feels that any reported violations of the code and recommendation of compliance by a federal coal mine inspector has not been justly reported or that the action required of him to correct the violation would subject him to irreparable damage or great injustice; and (2) to consult with the United States Bureau of Mines in accordance with the provisions of Section (c) above.

(e) *Mine Safety Committee*

At each mine there shall be a mine safety committee selected by the local union. The committee members while engaged in the performance of their duties, with the following exception, shall be paid by the local union. When the mine safety committee is making an investigation of an explosion and/or a disaster, they shall be paid by the company at their regular rate of pay for the hours spent making such investigation, provided there is not a more favorable local agreement or practice already in effect. The committee at all times shall be deemed to be acting within the scope of their employment in the mine within the meaning of the Workmen's Compensation law of the state where such duties are performed.

The mine safety committee may inspect any mine development or equipment used in producing coal. If the committee believes conditions found endanger the life and bodies of the mine workers, it shall report its findings and recommendations to the management. In those special instances where the committee believes an immediate danger exists and the committee recommends that the management remove all mine workers from the unsafe area, the operator is required to follow the recommendation of the committee.

If the safety committee in closing down an unsafe area act arbitrarily and capriciously, members of such committee may be removed from the committee. Grievances that may arise as a result of a request for removal of a member of the safety committee under this section shall be handled in accordance with the provisions providing for settlement of disputes.

The safety committee and operators shall maintain such records concerning inspections, findings, recommendations, and actions relating to this provision of the agreement as may be required, and copies of all reports made by the safety committee shall be filed with the operators.

(f) *Memorial periods*

The International Union, United Mine Workers of America, may designate memorial periods not exceeding a total of ten (10) days during the term of this agreement at any mine or operation provided it shall give reasonable notice to the coal company.

WORKMEN'S COMPENSATION AND OCCUPATIONAL DISEASES

Each operator who is a party to this agreement will provide the protection and coverage of the benefits under Workmen's Compensation and Occupational Disease Laws, whether compulsory or elective, existing in the states in which the respective employees are employed. Refusal of any operator to carry out this direction shall be deemed a violation of this agreement. Notice of compliance with this section shall be posted at the mine.

UNITED MINE WORKERS OF AMERICA WELFARE AND RETIREMENT FUND OF 1950

A. It is hereby stipulated and agreed by the contracting parties hereto that there is hereby created a Fund to be designated and known as the "United Mine Workers of America Welfare and Retirement Fund of 1950." During the life of this agreement there shall be paid into such Fund by each operator signatory hereto the sum of forty cents (40¢) per ton of two thousand (2,000) pounds on each ton of bituminous coal produced by such operator for use or for sale. On all bituminous coal procured or acquired by any signatory operator for use or for sale, (i.e., all bituminous coal other than that produced by such signatory operator) there shall during the life of this agreement be paid into such Fund by each such operator signatory hereto or by any subsidiary or affiliate of such operator signatory hereto the sum of eighty cents (80¢) per ton of two thousand (2,000) pounds on each ton of such bituminous coal so procured or acquired on which the aforesaid sum of forty cents (40¢) per ton had not been paid into said Fund prior to such procurement or acquisition. The parties hereto mutually agree that, if at any time during the term of this agreement a court or tribunal of competent jurisdiction determines by final decision that the provision appearing in the sentence just preceding, providing for the payment by signatory operators of eighty cents (80¢) per ton under certain prescribed conditions, is invalid or in violation of the National Labor Relations Act, as amended, or other federal or state law, the parties shall, at the option of and upon demand by party of the second part, without affecting the integrity of any other provision of this section or any other provision of the National Bituminous Coal Wage Agreement, meet and engage in good faith negotiations to agree upon a clause to be inserted into this agreement in replacement of the provision found invalid or unlawful. Such Fund shall have its place of business in Washington, District of Columbia, and it shall be operated by a Board of Trustees, one of whom shall be appointed as a representative of the Employers, one of whom shall be appointed as a representative of the United Mine Workers of America and one of whom shall be a neutral party, selected by the other two. In the event of resignation, death, inability or unwillingness to serve of the Trustee appointed by the operators or the Trustee appointed by the United Mine Workers of America, the operators shall appoint the successor of the Trustee originally appointed by them and the United Mine Workers of America shall appoint the successor of the Trustee originally appointed by it.

The operators signatory hereto do hereby appoint Henry G. Schmidt of Cleveland, Ohio, as their representative on said Board of Trustees. The United Mine Workers of America do hereby appoint John L. Lewis, of Washington, D.C., as its representative on said Board of Trustees. It is further stipulated and agreed by the joint contracting parties that Josephine Roche, of Denver, Colorado, is appointed as the neutral Trustee. Said three Trustees so named and designated shall constitute the Board of Trustees to administer the Fund herein created.

In the event of a deadlock on the designation or agreement as to any future neutral Trustee, an impartial umpire shall be selected either by agreement of the two Trustees, representatives of the contracting parties hereto, or by petition by either of the contracting parties hereto to the United States District Court for the District of Columbia for the appointment of such an impartial umpire, all as made and provided in Section 302(c) of the "Labor-Management Relations Act, 1947."

It is agreed by the contracting parties hereto that the Trustees herein provided for shall serve for the duration of this contract and as long thereafter as the proper continuation and administration of said trust shall require.

It is agreed that this Fund is an irrevocable trust created pursuant to Section 302(c) of the "Labor-Management Relations Act, 1947," and shall endure as long as the purposes for its creation shall exist. Said purposes shall be to make payments from principal or income or both, of (1) benefits to employees of said operators, their families and dependents for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or life insurance, disability and sickness insurance or accident insurance; (2) benefits with respect to wage loss not otherwise compensated for at all or adequately by tax supported agencies created by federal or state law; (3) benefits on account of sickness, temporary disability, permanent disability, death or retirement; (4) benefits for any and all other purposes which may be specified, provided for or permitted in Section 302(c) of the "Labor-Management Relations Act, 1947," as agreed upon from time to time by the Trustees including the making of any or all of the foregoing benefits applicable to the individual members of the United Mine Workers of America and their families and dependents, and to employees of the operators other than those exempted from this agreement; and (5) benefits for all other related welfare purposes as may be determined by the Trustees within the scope of the provisions of the aforesaid "Labor-Management Relations Act, 1947." Subject to the stated purposes of this Fund, the Trustees shall have full authority, within the terms and provisions of the "Labor-Management Relations Act, 1947," and other applicable law, with respect to questions of coverage and eligibility, priorities among classes

of benefits, amounts of benefits, methods of providing or arranging for provisions for benefits, investment of trust funds, and all other related matters.

The aforesaid Trustees shall designate a portion (which may be changed from time to time) of the payments herein provided, based upon the Trust's statistical experience, as a separate fund to be administered by the said Trustees herein described and to be used for providing for pensions or annuities for the members of the United Mine Workers of America or their families or dependents and such other persons as may be properly included as beneficiaries thereunder.

It is further agreed that the detailed basis upon which payments from the Fund will be made shall be resolved in writing by the aforesaid Trustees at their initial meeting, or at the earliest practicable date that may by them thereafter be agreed upon.

Title to all the moneys paid into and or due and owing said Fund shall be vested in and remain exclusively in the Trustees of the Fund, and it is the intention of the parties hereto that said Fund shall constitute an irrevocable trust and that no benefits or moneys payable from this Fund shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void. The moneys to be paid into said Fund shall not constitute or be deemed wages due to the individual mine worker, nor shall said moneys in any manner be liable for or subject to the debts, contracts, liabilities or torts of the parties entitled to such money, i.e., the beneficiaries of said Trust under the terms of this agreement.

The obligation to make payments to the "United Mine Workers of America Welfare and Retirement Fund of 1950" under this contract shall become effective on October 1, 1968, and the first actual payments are to be made on November 10, 1968, and thereafter continuously on the 10th day of each succeeding calendar month covering the production of all coal for use or sale during the preceding month.

It is stipulated and agreed by the contracting parties hereto that the Trustee designated by the United Mine Workers of America shall be the Chief Executive Officer and the Chairman of the Trustees of the Fund provided for in this agreement.

It shall be the duty of the operators signatory hereto, and each of them, to keep said payments due said Fund, as hereinabove described and provided for, current and to furnish to the United Mine Workers of America and to the Trustees hereinabove designated a monthly statement showing the full amount due hereunder for all coal produced for use or for sale from each of the several individual mines owned or operated by the said operators signatory hereto; together with a monthly statement showing the full amount due hereunder on all bituminous coal procured or acquired from any mine, preparation plant or facility other than those owned or operated by such signatory operator, all as hereinabove set out and provided. Payments to said Fund shall be made by check payable to "United Mine Workers of America Welfare and Retirement Fund of 1950" and shall be delivered or mailed to the office of said Fund located at 907 Fifteenth Street, N.W., Washington, D.C., or as otherwise designated by the Trustees.

It is stipulated and agreed by the contracting parties hereto that an annual audit of the Fund hereinabove described shall be made by competent authorities to be designated by the Trustees of said Fund. A statement of the results of such audit shall be made available for inspection of interested persons at the principal office of the Trust Fund and at such other places as may be designated by the Trustees.

Failure of any operator signatory hereto to make full and prompt payments to the "United Mine Workers of America Welfare and Retirement Fund of 1950" in the manner and on the dates herein provided shall, at the option of the United Mine Workers of America, be deemed a violation of this agreement. This obligation of each operator signatory hereto, which is several and not joint, to so pay such sums shall be a direct and continuing obligation of said operator during the life of this agreement and it shall be deemed a violation of this agreement, if any mine, preparation plant or other facility to which this agreement is applicable shall be sold, leased, sub-leased, assigned, or otherwise disposed of for the purpose of avoiding any of the obligations hereunder.

Action which may be required hereunder by the operators for the appointment of a successor Trustee representing them, or which may be required in connection with any other matter hereunder, may be taken by those operators who at the time are parties hereto, and authorization, approval, or ratification of operators representing fifty-one percent (51%) or more of the coal produced for use or sale during the calendar year previous to that in which the action is taken shall be sufficient and shall bind all operators.

B. It is hereby stipulated and agreed by the contracting parties with respect to the Fund created by the National Bituminous Coal Wage Agreement of 1947:

(1) The operators signatory hereto agree to make payments into said Fund on or before March 15, 1950, on account of all coal produced for use or sale up to and including March 6, 1950, wth respect to which payment has not heretofore been made, such payments to be on the basis heretofore made by said operators under the National Bituminous Coal Wage Agreement of 1947 and the National Bituminous Coal Wage Agreement of 1948, whichever is applicable.

(2) The operators signatory hereto hereby renounce and forever release any and all claim to or interest in payments made into the said 1947 Fund.

(3) The Trustees appointed pursuant to this agreement are hereby authorized and directed to accept into the new trust fund hereby created and to devote for the purposes hereinabove specified and enumerated, any and all trust funds remaining unexpended or unobligated in said 1947 trust fund.

(4) The parties hereto agree that the best interest of the beneficiaries of said trust fund would be served by having all unexpended or unobligated funds therein transferred as above provided, and agree that the Trustees thereof should transfer such funds to the new trust fund created by this agreement.

C. It is stipulated, understood and agreed by the contracting parties hereto that the present practices with respect to wage deductions and their use for provision of medical, hospital and related services shall continue during the terms of this contract or until such earlier date or dates as may be agreed upon by the United Mine Workers of America and any operator signatory hereto.

D. It is the intent and purpose of the contracting parties hereto that full cooperation shall by each of them be given to each other, the Trustees named under this Section and to all affected mine workers to the eventual coordination and development of policies and working agreements necessary or advisable for the effective operation of this Fund.

APPLICATION OF CONTRACT TO COAL LANDS

As part of the consideration for this agreement, the operators signatory hereto agree that this agreement covers the operation of all of the coal lands, coal producing and coal preparation facilities owned or held under lease by them, or any of them, or by any subsidiary or affiliate at the date of this agreement, or acquired during its term which may hereafter (during the term of this agreement) be put into production or use. The operators agree that they will not lease, license or contract out any coal lands, coal producing or coal preparation facilities for the purpose of avoiding the application of this agreement or any section, paragraph or clause thereof.

WAGES AND HOURS

(a) For all inside employees a work day of eight hours from portal to portal, which means collar to collar or bank to bank, is established including a staggered thirty minutes for lunch, and without any intermission or suspension of operation throughout the day. For inside day workers these eight hours shall be paid for at straight rate. Overtime beyond eight hours per day and forty hours per week shall be paid for at time and one-half with no pyramiding of overtime. Straight time rates for inside day workers shall be the total daily normal shift earnings for eight hours divided by eight (8) hours.

(b) For all outside employees except those covered in subsection (c) hereof (including all strip mine and coke oven employees), a work day of seven hours and fifteen minutes is established including a staggered thirty minutes for lunch, and without any intermission or suspension of operations throughout the day. These seven hours and fifteen minutes shall be paid for at straight time rate. Overtime beyond seven hours and fifteen minutes per day and thirty-six and one-quarter hours per week shall be paid for at time and one-half with no pyramiding of overtime. Straight time earnings for outside day workers covered by this paragraph shall be the total daily normal shift earnings for seven hours and fifteen minutes divided by seven and one-quarter (7.25) hours. However, the work day of any outside employee engaged in the dumping, handling and preparation of coal and the manufacture of coke may be extended to eight hours provided overtime is paid for work in excess of seven hours and fifteen minutes per day.

(c) For all outside continuous employees who are engaged at powerhouses, substations and pumps operating continuously for twenty-four (24) hours daily, and hoisting engineers, a work day of eight hours is established including a staggered thirty minutes for lunch and without any intermission or suspension of operations throughout the day. These eight hours shall be paid for at straight time rate. Overtime beyond eight hours per day and forty hours per week shall be paid for at time and one-half with no pyramiding of overtime. Straight time earnings for day workers covered by this paragraph shall be the total daily normal shift earnings for eight hours divided by eight (8) hours.

(d) The day rate for inside electrician, mechanic and continuous mining machine operator (i) shall be increased three dollars per day effective October 1, 1968 and shall be not less than thirty-three dollars; (ii) shall be increased two dollars per day effective October 1, 1969 and shall be not less than thirty-five dollars; (iii) shall be increased two dollars per day effective October 1, 1970 and shall be not less than thirty-seven dollars.

(e) The traditional differential in District 20 and District 23 will be abolished during the life of this contract. This differential will be abolished in four steps: one-fourth of the differential will be abolished October 1, 1968; one-fourth October 1, 1969; one-

fourth October 1, 1970 and the remaining one-fourth of the differential will be abolished September 30, 1971.

(f) All mine workers other than those covered by subsection (d) whether employed by the month or day shall receive (i) effective October 1, 1968 twenty dollars and twenty-five cents per day in addition to that provided for in the contract which expired March 31, 1946; (ii) effective October 1, 1969 twenty-two dollars and twenty-five cents per day in addition to that provided for in the contract which expired March 31, 1946; (iii) effective October 1, 1970 twenty-four dollars and twenty-five cents per day in addition to that provided for in the contract which expired March 31, 1946.

(g) The following eight holidays shall be observed: New Year's Day, April 1st, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day and Christmas Day. If any of the foregoing holidays falls on Sunday, it shall be celebrated the following Monday. Employees who work on the foregoing holidays shall be paid at triple time or triple rates for all time worked. Employees who do not work on the foregoing holidays will be paid straight time or straight time rate provided such employee was not absent his last scheduled day prior to and his first scheduled day following the holiday because of an unauthorized work stoppage. When a holiday occurs during an employee's scheduled vacation, he shall be paid for the holiday not worked in addition to his vacation pay. An employee forced to cease work because of injury or personal illness will be compensated for all holidays when due occurring during the following 364 days provided he establishes medical proof of illness or injury. Payment for holidays not worked shall be included with pay for the pay period in which the holiday occurs.

(h) The operator's rate will be paid for tramming mobile loading, cutting, continuous mining or related machines and equipment from one location to another.

(i) Rockdusting shall be done at the expense of the coal operator.

(j) It is understood and agreed that roof bolters will be paid the same day rates paid to drillers and shooters on mechanical crews, except roof bolters on continuous mining machines will be paid the continuous mining machine operator helper's rate.

(k) Work performed on Saturday shall be paid for at time and one-half or rate and one-half. Work performed on Sunday shall be paid for at double time or double rates. No coal will be produced or processed on Sunday or on the foregoing holidays but the operator shall be permitted to load previously mined and processed coal for shipment on Sunday or on the foregoing holidays, provided that the employees engaged in such loading for shipment shall be covered by this agreement and shall be paid at double time or double rates for all work performed on Sunday, and at triple time or triple rates for all work performed on the foregoing holidays.

The operator shall have the right to schedule maintenance crews, powerhouse and substation employees, pumpers, lamphouse and bathhouse men, firemen, fan attendants, switchboard operators and other similar employees for Saturday and Sunday work and schedule their days off during the first five days of the work week (except continuous hoisting engineers as now provided in subsection (c) hereof). However, such employees shall be given the opportunity to work the same number of days per week as the number of days of which the mine produces coal, and shall be given equal opportunity to share the available work on premium days.

(l) Amend the National Bituminous Coal Wage Agreement of 1945 to provide: "Employees scheduled for and starting work on the second shift, whether paid by the day or by the ton, shall be paid eight cents additional for each hour employed. Employees scheduled for and starting work on the third shift, whether paid by the day or by the ton, shall be paid ten cents additional for each hour employed. Shift differentials shall be considered part of the regular rate of pay in the calculation of overtime or premium rates, holiday pay and vacation pay."

(m) Amend the Appalachian Joint Wage Agreement of 1941 to provide: "Unless notified not to report, when men report for work at their usual starting time, they shall be entitled to four hours' pay whether or not the operation works the full four hours, but after the first four hours, the men shall be paid for every hour thereafter by the hour, for each hour's work or fractional part thereof. If, for any reason, the regular routine work can not be furnished, the employer may furnish other than the regular work. Reporting pay shall not be applicable to any portion of the four hours not worked by the employee due to his refusal to perform assigned work. Notification of employees not to report means reasonable efforts by management to communicate with the employee.

VACATION PAYMENT

An annual vacation of fourteen days shall be the rule of the industry. To assure consumers of a continued supply of coal and extend employment opportunities, the two separate vacation periods shall be as follows:

Dates of vacation period

Beginning at the start of the morning shift on Saturday, June 28, 1969, and ending at the beginning of the morning shift on Saturday, July 12, 1969: or beginning at the start of the morning shift on Saturday, July 12, 1969, and ending at the beginning of the morning shift on Saturday, July 26, 1969.

Beginning at the start of the morning shift on Saturday, June 27, 1970, and ending at the beginning of the morning shift on Saturday, July 11, 1970; or beginning at the start of the morning shift on Saturday, July 11, 1970, and ending at the beginning of the morning shift on Saturday, July 25, 1970.

Beginning at the start of the morning shift on Saturday, June 26, 1971, and ending at the beginning of the morning shift on Saturday, July 10, 1971; or beginning at the start of the morning shift on Saturday, July 10, 1971, and ending at the beginning of the morning shift on Saturday, July 24, 1971.

The operator must make a separate written declaration for each mine he operates setting forth which vacation period he has elected to take. This declaration must be filed with the president of the respective UMWA district in which the mine or mines are located by May 15.

Day men required to work during either of these periods at coke plants and other necessarily continuous operations or on emergency or repair work shall have vacations of the same duration at another agreed period of fourteen consecutive days.

Staggered vacations

To further assure a continued supply of coal and extend employment opportunities any operator signatory hereto may operate his mine without interruption and schedule vacations of 14 consecutive days for each employee at his mine during the calendar year. In the event the operator elects to operate his mine without interruption, he must file a written declaration with the president of the respective UMWA district in which the mine is located by January 1.

Should the operator elect to operate his mine without interruption, vacation period shall be scheduled by the company at the times desired by individual employees so long as this does not affect the operation of the mine. Should there be a conflicting choice of vacation between two or more employees, the choice will be determined on a seniority basis. Each employee shall have as much advance notice of his scheduled vacation as practicable.

Qualifying period and amount of payment

All employees with a record of one year's standing from June 1, 1968 to May 31, 1969, shall receive as compensation for the 1969 vacation period the sum of ten times the employee's day wage rate; and all employees with a record of one year's standing from June 1, 1969 to May 31, 1970, shall receive as compensation for the 1970 vacation period the sum of ten times the employee's day wage rate; and all employees with a record of one year's standing from June 1, 1970 to May 31, 1971, shall receive as compensation for the 1971 vacation period the sum of ten time the employee's day wage rate with the following exception: Employees who enter or return from the armed services to their jobs during the qualifying period shall receive the sum of ten times the employee's day wage rate. The employee's day wage rate will be his regular rate paid at the time his vacation payment is due as set forth below.

Shift differentials are included in the calculation of vacation pay. For employees who rotate all three shifts, add the shift differential of 8¢ for the second shift and 10¢ for the third shift and then divide the total of 18¢ by three to arrive at an average of 6¢ per hour shift differential. For employees who only rotate the first and second shifts, take the second shift differential of 8¢ and divide by two to arrive at an average of 4¢ an hour shift differential.

All the terms and provisions of district agreements relating to vacation pay for sick and injured employees are carried forward to this agreement and payments are to be made in the sum as provided herein.

Pro rata payments for the months they are on the payroll shall be provided for those mine workers who are given employment or who leave their employment during the qualifying period.

Time of payment

The vacation payment shall be made on the last pay day immediately preceding the beginning of the respective vacation periods. If the operator elects to stagger his mine, an employees taking his individual vacation between January and July is entitled to his vacation payment immediately preceding the beginning of his respective vacation. If the employee takes his individual vacation after the regular June-July vacation period, he is entitled to receive his vacation payment on the last pay day before the June vacation period. Employees who leave their employment during the qualifying period shall receive their pro rata share of vacation payment at the time they sever their employment. In the event any employer should sell, lease, transfer, assign or otherwise dispose of his mine, he shall pay to each of his employees his pro rata share of vacation payment on the day of such sale, assignment or lease.

Graduated vacation

In addition to the foregoing vacation, any employee who has had the length of continuous employment with the coal company specified in the table below, shall be entitled to the corresponding additional vacation days each year with pay. The word "days" means working days. The rate of pay for each additional day of vacation will be the same rate of pay used in the calculation of the employee's regular vacation and will be paid at the same time as set forth above in this provision.

Length of continuous employment

[Additional days per year]

Ten years but less than 11 years	1
11 years but less than 12 years	2
12 years but less than 13 years	3
13 years but less than 14 years	4
14 years but less than 15 years	5
15 years but less than 16 years	6
16 years but less than 17 years	7
17 years but less than 18 years	8
18 years but less than 19 years	9
19 years or over	10

Continuous employment under this graduated vacation provision means employment which has not been interrupted by voluntarily quitting, discharge, retirement or a final determination of permanent and total disability under federal and/or state laws which provide compensation therefor. The time for taking these additional days of vacation shall be determined between the employee and the employer, but will be taken in the year in which they are due.

Failure of any operator signatory hereto to make full and prompt payment of the amounts required hereby, in the manner and on the dates herein provided, shall at the option of the United Mine Workers of America, be deemed a violation of this agreement. This obligation of each operator signatory hereto which is several and not joint, to so pay such sums, shall be a direct and continuing obligation of said operator during the life of this agreement; and it shall be deemed a violation of this agreement if any mine, to which this agreement is applicable, shall be sold, leased, sub-leased, assigned or otherwise disposed of for the purpose of avoiding the obligation hereunder.

CHECKOFF

The membership dues, including initiation fees, and assessments of the United Mine Workers of America and its various subdivisions, as authorized and approved by the International Union, United Mine Workers of America, shall be checked off the wages of the employees by the operators covered by this contract and shall be remitted by the operators to the properly designated officers of the mine workers for distribution to its various branches. Such remittances shall be accompanied by an itemized statement showing the name of each employee and the amount checked off for dues, initiation fees and assessments together with a list of employees from whom dues, initiation fees and assessments have not been collected.

In order that this section may become effective and operate within the limitations of the "Labor-Management Relations Act, 1947," the mine workers hereby agree to furnish, with all reasonable dispatch to the respective operators, and the operators agree to aid, assist and cooperate in obtaining written assignments from each employee so employed. Upon the presentation to the operators of such assignments in such reasonable form as time and circumstances, looking to the continuous and uninterrupted production of coal, may allow, said operators shall make deductions so authorized and deliver the same to the designated district officer of the mine workers or to such authorized representative as may be designated by the mine workers.

SETTLEMENT OF LOCAL AND DISTRICT DISPUTES

Should differences arise between the Mine Workers and the operators as to the meaning and application of the provisions of this agreement, or should differences arise about matters not specifically mentioned in this agreement, or should any local trouble of any kind arise at the mine, an earnest effort shall be made to settle such differences immediately: (The parties will not be represented by legal counsel at any of the steps below.)

1. Between the aggrieved party and the mine management.

2. Through the management of the mine and the mine committee.

3. Through district representatives of the United Mine Workers of America and a commissioner representative (where employed) of the coal company.

4. By a board consisting of four members, two of whom shall be designated by the Mine Workers and two by the operators. Neither the Mine Workers' representatives on the board nor the operators' representatives on the board shall be the same persons who participated in steps (1), (2), or (3) of this procedure.

5. Should the board fail to agree the matter shall, within twenty (20) days after decision by the board, be referred to an umpire to be mutually agreed upon by the operator or operators affected and by the duly designated representatives of the United Mine Workers of America, and the umpire so agreed upon shall expeditiously and without delay decide said case. The decision of the umpire shall be final. Expenses and salary incident to the services of an umpire shall be paid equally by the operator or operators affected and by the Mine Workers.

A decision reached at any stage of the proceedings above outlined shall be binding on both parties hereto and shall not be subject to reopening by any other party or branch of either association except by mutual agreement.

DISCHARGE CASES

Amend the "Discharge Cases" section of the Appalachian Joint Wage Agreement of June 19, 1941, by striking all of the language of that section and substituting the following:

When a mine worker has been discharged from his employment and he believes he has been unjustly dealt with, it shall be a case under the "Settlement of Local and District Disputes" clause. In all discharge cases should it be decided under the rules of this agreement that an injustice has been dealt the mine worker, the operator shall reinstate and compensate him at the rate based on the earning of said mine worker prior to such discharge. Provided, however, that such case shall be taken up within five days from the date of discharge.

SENIORITY

1. Seniority at the mine shall be recognized in the industry on the following basis: Length of service and qualification to perform the work.

2. In all cases where the working force is to be reduced, employees with the greatest seniority shall be retained providing they are qualified to perform the work.

3. Employees who are idle because of a reduction in the working force shall be placed on a panel from which they shall be returned to employment on the basis of seniority as outlined in paragraph one.

4. Employees who are placed on a panel shall retain the seniority earned prior to their layoff and, in order to protect their relative seniority standing, will continue to accrue seniority while on the panel.

5. Employees will be granted a leave of absence in order to serve as a district or international officer or representative and shall retain their seniority earned prior to their layoff and will continue to accrue seniority while serving in the capacity of union officer or representative. This provision is retroactive to April 1, 1964.

6. Employees who are promoted to a supervisory position exempt from coverage under this agreement for a period in excess of four months shall retain their original seniority as of the date of their promotion, but will not accumulate any seniority for the time spent in such supersivory position.

7. When a permanent vacancy is filled at a mine where shift rotation is not practiced, the employee with the greatest seniority shall be given preference with respect to the first, second and third shift work.

8. Promotions to all permanent vacancies and new jobs created during the term of this agreement will be made on the basis of mine seniority as set forth in the following procedure.

(1) The job or vacancy shall be posted by management in a conspicious place for a period of five production days and will be properly identified.

(2) Any employee—including panel members—qualified to perform the work where the permanent vacancy occurs shall be entitled to bid on such vacancy during the five-day posting period.

(3) After the five-day posting period the senior qualified man making a bid for such permanent vacancy shall be selected from applicants.

(4) When an employee is absent from work due to illness or other legitimate reason during the five-day posting period he shall be notified by management of the vacancy. Notice to the last known address by certified mail shall be sufficient notice.

(5) During the five-day posting period the management shall have the right to fill such vacancy by an employee they may select.

(6) No claim shall be recognized by either the company or union representatives for any vacancy after the five-day period and the job has been filled by the senior qualified man making a bid for the same.

(7) In order to provide a stable working force under ordinary circumstances an employee will not be entitled to bid on a vacancy for a period of six months after his last job change under this procedure.

(8) In case of an older man's refusal to take a job, he shall become ineligible for that job in that instance but shall retain all privileges for all subsequent jobs.

9. When a mine is abandoned or closed after April 1, 1966, employees laid off shall at their request be placed on the panel of the other mine or mines of the same company in the same UMWA district.

When employees are laid off in a reduction in force at a mine after October 1, 1968, the employees so laid off shall at their request be placed on the panel of the other mine or mines of the same company in the same UMWA district.

When work is available at the other mine or mines of the same company and the employees have requested their names be placed on the panel or panels of such mine or mines, the employees from the abandoned mine or the employees laid off in the reduction in force, shall be transferred to the other mine or mines where work in available. They shall be transferred in line with their position on their former mine's panel list, but their seniority at the mine to which they are being transferred will not begin until they are so transferred with the following exception.

When employees from the abandoned mine are required to remain there to assist in closing or dismantling work, they will have the right to transfer later, but their seniority will be retroactive to the date when they would have been transferred had they not been required to remain at the abandoned mine on dismantling work.

Should such closed or abandoned mine be reopened, or should work be available for the men laid off in a reduction in force, they will be permitted to return to the former mine with full accumulated seniority therein.

10. Any person on the panel list who secures casual or intermittent employment during the period when no work is available for him at the operation shall in no way

jeopardize his seniority rights while engaged in such temporary employment. However, any person on the panel list who secures regular employment at another operation, or outside the industry, and does not return to work when there is available employment at the mine for those in said panel, shall sacrifice his seniority rights at the operation and shall have his name removed from the panel list.

11. The superintendent of the mine and the secretary of the local union shall be joint custodians of the panel records. It shall be the obligation of the employee to keep the custodians advised of any change of address. Notice to the last known address by certified mail shall be sufficient notice of recall. Failure to respond within a reasonable time shall be sufficient reason to remove him from the panel.

12. Grievances which arise under the provisions of this section shall be processed under the "Settlement of Local and District Disputes" clause of this agreement.

BATHHOUSE OR WASHROOM

There shall be no charge by the operator for use of a bathhouse or washroom. The operator will furnish soap in the bathhouse or washroom. Where bathhouses or washrooms are not furnished by the operator, other satisfactory arrangements will be made between the operator and the district.

BULLETIN BOARDS

The operator agrees to provide bulletin boards or bulletin spaces for the union's use and the union agrees to post notices or information of interest to the union.

CHRISTMAS BONUS

In each of the years 1969, 1970 and 1971 each employee with a record of one year's standing prior to December 1 of such year shall receive on the pay day prior to Christmas a separately identified Christmas bonus calculated on the following basis:

One hundred twenty dollars less ten dollars for each calendar month during the immediately preceding December 1 through November 30 period in which the employee failed to work all the days he was scheduled to work that month unless his failure to work was due to good cause.

Pro rata payments for the months they are on the payroll shall be provided for those mine workers who are given employment or who are laid off during the December 1 to November 30 qualifying period.

CLASSIFICATION REQUIREMENT

Within sixty days of his employment or within sixty days of the effective date of this agreement, whichever is earlier, each new employee—unless prohibited by law—shall be classified in a regular, recognized occupation. Failure to so classify such new employee will result in automatic classification at the rate which is the highest rate for any work performed during the period since he was employed and has not been classified. Nothing in this section, however, shall be understood to require double manning of jobs or prevent return of an employee to his usual classification following temporary assignment to another job.

CLASSIFIED WORK

Supervisory employees shall perform no production, classified or other work covered by this agreement except in emergencies and except as such work is for the purpose of training or instructing employees. When a dispute arises under this section, it shall be adjudicated through the grievance machinery and the burden of proof will be on the employer to prove that the supervisory employee has not performed such work.

COMPULSORY RETIREMENT

No operator signatory to this agreement will have a policy of compulsory retirement based solely on age for the employees covered by this agreement.

HELPERS

On each face production crew the mine operator shall designate one of the crew members as helper who, when directed, shall operate either a loading machine or any type of continuous mining equipment in the absence of the operator, but when not operating the machine shall perform such other duties within the working section as directed by the mine operator. It is understood that the working crew is not to be increased by designation of a member as a helper. It is further understood that it is the intent of the parties that a member of the face production crew, other than the operator, shall be within sight or hearing of the loading machine or continuous mining equipment when said equipment is actively engaged in the production or loading of coal. The designated helper shall be paid the cutting and shearing machine operator's rate. The helper shall be paid the machine operator's rate for the time spent performing the duties of a machine operator.

HOUSE COAL

House coal shall be sold to all employees (including retired employees or their widows and the widows of employees of the company) who live within a reasonable distance of the mine, for their own household use, at the cost of production, exclusive of sales and administrative costs. Should any differences arise between the Mine Workers and the operator of any mine as to the price so to be charged for said coal, such differences shall be settled under the terms of the "Settlement of Local and District Disputes" section of this agreement.

JURY DUTY

When a regular employee is called for jury service, he shall be excused from work on the days he is required to appear in court. Employees called for jury duty, upon proof of such service and of the amount of pay received therefor, will be paid whatever sum, if any, is necessary in addition to the fees received for jury duty service to reimburse him for earnings lost because of such jury duty.

NEW MACHINERY

The right to install and operate new types of equipment is recognized. When such equipment is to be installed, the company will notify the president of the UMWA district in which the new type of equipment will be located. It is agreed that upon installation of new types of equipment not already in use in the industry for which no wage rates are now established the rates for operating such equipment shall be established by agreement between the management of the mine and—subject to the approval of the International Union—the president of the UMWA district in which the new type of equipment is operated.

PAY DAY

Amend the Appalachian Joint Wage Agreement of 1941 by striking the first sentence of the "PAY DAY" section and inserting in lieu thereof the following: "All employees will be paid at least every two weeks."

STRIPPING CREWS

A swing shift shall be recognized for the stripping and dragline crews when stripping coal, but when the operator uses a swing shift the regular crews shall be assured of six days each week except weeks in which holidays occur.

TONNAGE RATES

Amend the "Basic Tonnage Rates" section and Schedule A of the Appalachian Joint Wage Agreement of 1941 by striking out the language of that section and substituting the following:

"Hand loaders employed on a tonnage rate basis will be paid a tonnage rate to be negotiated between the company and the President of the UMWA district in which the company operates subject to the approval of the International Union."

WORK JURISDICTION

The following work shall be performed solely by members of the United Mine Workers of America and will be covered by this agreement:

1. All hauling of coal, overburden, mine refuse in or about the mine, including hauling to a screening, crushing, washing or other preparation facility, or other contiguous mine-related operation.

2. All repair and maintenance work in and around the mine to the extent that the employer has the necessary equipment at such mine or at a central repair shop where such work is normally performed and regular employees with the necessary skills available to do the work.

Nothing in this section shall be construed or applied to diminish the exclusive work jurisdiction otherwise expressed or implied by this agreement.

CONSTRUCTION WORK

All construction of mine or mine-related facilities including erection of mine tipples and sinking shafts which is not performed by the operator may be performed by such outside contractors as are designated by the operator and such work will be under the jurisdiction of the United Mine Workers of America in the manner and to the extent permitted by law.

JOINT COMMISSION ON WAGE RATES

A joint commission consisting of representatives of the operators and the mine workers from each bituminous district in the United States is established to investigate the wage rates and classifications existing in the various districts for the purpose of determning whether there are wage rates for all classifications of work, whether there are any existing discrepancies or inequities in rates within the districts or among the district and other related problems.

The United Mine Workers of America will designate representatives from each bituminous district and the operators will designate representatives from each bituminous district. The commission shall undertake this assignment at an early date and shall complete its investigation and report its recommendations no later than December 30, 1969.

DISTRICT AGREEMENTS

New districts of the United Mine Workers of America may be established.

This agreement supersedes all existing and previous contracts except as incorporated and carried forward herein by reference; and all local agreements, rules, regulations and customs heretofore established in conflict with this agreement are hereby abolished. Prior practice and custom not in conflict with this agreement may be continued, but any provisions in district or local agreements providing for the levying, assessing or collecting of fines or providing for "no strike," "indemnity" or "guarantee" clauses or provisions are hereby expressly repealed and shall not be applicable during the term of this agreement. Wherever a conflict arises between this agreement and any district or local agreement, this agreement shall prevail. When day men are transferred to loading coal the individual affected, if aggrieved, shall have the right of review under the settlement of disputes procedures provided in this agreement.

No district contract or agreement negotiated hereunder shall become effective until approval of such contract or agreement by the International Union, United Mine Workers of America, has been first obtained.

MISCELLANEOUS

1. Any and all provisions in either the Appalachian Joint Wage Agreement of June 19, 1941, or the National Bituminous Coal Wage Agreement of April 11, 1945, containing any "no strike" or "penalty" clause or clauses or any clause denominated "Illegal Suspension of Work" are hereby rescinded, cancelled, abrogated and made null and void.

2. Any and all provisions of any contracts or agreements between the parties hereto or some of them whether national, district, local or otherwise providing for a protective wage clause and a modification of this agreement or said agreements if a more favorable wage agreement is entered into by the United Mine Workers of America, are hereby rescinded, cancelled, abrogated and made null and void.

3. The United Mine Workers of America and the operators agree and affirm that they will maintain the integrity of this contract and that all disputes and claims which are not settled by agreement shall be settled by the machinery provided in the "Settlement of Local and District Disputes" section of this agreement unless national in character in which event the parties shall settle such disputes by free collective bargaining as heretofore practiced in the industry, it being the purpose of this provision to provide for the settlement of all such disputes and claims through the machinery in this contract provided and by collective bargaining without recourse to the courts.

4. Each operator signatory or who may become signatory hereto hereafter agrees to give proper notice to the president of the local union at the mine by the 18th day of each month that said operator has made the required payment to the United Mine Workers of America Welfare and Retirement Fund for the previous month.

NATIONAL CONFERENCES

It is hereby stipulated and agreed by all parties signatory hereto that they, and each of them, will attend any conference or conferences held under the terms of this agreement and that such conference or conferences shall be convened at Washington, District of Columbia, unless such place of meeting is changed by mutual agreement of the parties.

INTEGRATED INSTRUMENT

This agreement is an integrated instrument and its respective provisions are interdependent and shall be effective from and after October 1, 1968.

TERMINATION OF AGREEMENT

This agreement dated October 14, 1968 shall be effective October 1, 1968 and is not subject to termination by any party signatory hereto prior to September 30, 1971, provided, however, That either the parties of the first part or the party of the second part may terminate this agreement on or after September 30, 1971, by giving at least sixty (60) days' written notice to the other party of such desired termination date.

In Witness Whereof, each of the parties signatory hereto, pursuant to proper authority, has caused this agreement effective October 1, 1968, to be signed by its proper officers or representatives at Washington, District of Columbia, on this 14th day of October, 1968.

UNITED MINE WORKERS OF AMERICA

W. A. Boyle, President; George J. Titler, Vice President; John Owens, Secretary-Treasurer.

District No. 2—Harvey Younker.
District No. 3—Ewing Watt.
District No. 4—James W. Kelly.
District No. 5—Michael Budzanoski.
District No. 6—Thomas A. Williams.
District No. 8—Elias Dayhuff.
District No. 10—Sam Nicholls.
District No. 11—Ernest Goad.
District No. 12—Joe Shannon.
District No. 14—Henry Allai.
District No. 15—Arthur Biggs.
District No. 17—R. R. Humphreys.
District No. 19—William J. Turnblazer.
District No. 20—E. E. Hollyfield.
District No .21—Henry Allai.
District No. 22—Frank M. Stevenson.
District No. 23—Louis Austin.
District No. 27—R. J. Boyle.
District No. 28—Carson Hibbits.
District No. 29—Larkin S. Philpott.
District No. 30—C. E. Beane.
District No. 31—C. J. Urbaniak.

OPERATORS

Bituminous Coal Operators' Assoication.
Central Pennsylvania Coal Producers' Association.
Northern Panhandle of West Virginia Coal Operators' Association.
Northern West Virginia Coal Association.
Ohio Coal Association.
Southern Coal Producers' Association.
Western Pennsylvania Coal Operators' Association.
Amherst Coal Company.
Armco Steel Corporation.
Beatrice Pocahontas Company.
Bell and Zoller Coal Company.
Beth-Elkhorn Corporation.
Bethlehem Mines Corporation.
Bishop Coal Company.
C F & I Steel Corporation.
Cannelton Coal Company, Kanawha & Pocahontas Division.
Carpentertown Coal and Coke Company.
Central Appalachian Coal Company.
Central Ohio Coal Company.
Clinchfield Coal Company, Division of The Pittston Company.
Coal Processing Corporation.
Consolidation Coal Company.
Duquesne Light Company.
Eastern Associated Coal Corporation.
Enos Coal Corporation.
Freeman Coal Mining Corporation.
Gateway Coal Company.
Harmar Coal Company.
Inland Steel Company.
Island Creek Coal Company.
Itmann Coal Company.
Jewell Ridge Coal Corporation.
Joanne Coal Company.
Jones & Laughlin Steel Corporation.
Kentland-Elkhorn Coal Corporation.
Kings Station Coal Corporation.
Mathies Coal Company.
Mohawk Mining Company.
National Coal Mining Company.
National Steel Corporation, National Mines Corporation.
North American Coal Corporation.
Old Ben Coal Corporation.
Omar Mining Company.
Peabody Coal Company.
Pikeville Coal Company.
Republic Steel Corporation.
Rochester & Pittsburgh Coal Company.
Sewell Coal Company.
Slab Fork Coal Company.
The United Electric Coal Companies.
Union Carbide Corporation.
United States Steel Corporation.
Westmoreland Coal Company.
Winding Gulf Coals, Inc.
Windsor Power House Coal Company.
Youngstown Steel Corporation, Buckeye Coal Company, Olga Coal Company, The Youngstown Mines Corporation.
Zeigler Coal & Coke Company.
Alabama Commercial Coal Operators' Association.
Arkansas-Oklahoma Coal Operators' Association.
Ayrshire Colleries Corporation.
Gibraltar Coal Corporation.
Kaiser Steel Corporation.
Southwestern Illinois Coal Corp.
Pittsburg & Midway Coal Mining Company.
Yankeetown Dock Corporation.

EXHIBIT E

ADDITIONAL UMWA OFFICERS WHO ARE ALSO NAMED AS DEFENDANTS

The following named officers of the U.M.W.A. are hereby named as Defendants to this action. Their names and addresses are listed below and it is believed that each Defendant maintains an office at this address and may be found within the District of Columbia:

R. J. Boyle, 900 Fifteenth Street, NW., Washington, D.C.
Carson Hibbits, 900 Fifteenth Street, NW., Washington, D.C.
R. R. Humphreys, 900 Fifteenth Street, NW., Washington, D.C.
John T. Kmetz. 900 Fifteenth Street, NW., Washington, D.C.
Cecil J. Urbaniak, 900 Fifteenth Street, NW., Washington, D.C.
Ewing Watt, 900 Fifteenth Street, NW., Washington, D.C.
Larkin Philpott, 900 Fifteenth Street, NW., Washington, D.C.
James W. Ridings, 900 Fifteenth Street, NW., Washington, D.C.
C. E. Beane, 900 Fifteenth Street, NW., Washington, D.C.

[From the New York Times]

MINERS SUE UNION, CHARGING FRAUD—OFFICIALS OF WELFARE FUND, BANK AND OWNERS' GROUP ACCUSED OF PRIVATE GAIN

(By Ben A. Franklin)

WASHINGTON, August 4.—A group of union coal miners and miners' widows filed a damage suit today, that accused the United Mine Workers of America, the union's Welfare and Retirement Fund, a union-owned bank and the largest association of mine owners and operators of conspiring to betray the rank-and-file membership for private profit.

Those filing the suit demanded at least $75-million in compensatory damages, not counting punitive damages for "willfully defrauding" the membership, which could total millions more.

They also asked the United States District Court here to place the $179-million union Welfare and Retirement Fund, the focus of the suit, in Federal receivership to prevent what they called further "plunder" of the members' assets.

CONSPIRACY IS CHARGED

Without specifically naming those alleged to have made "private gain," the suit charged that, through conspiracy, the officers of all of the defendant organizations "have all received and are receiving personal and monetary benefit and gain" through violations of "fiduciary trust." Allegations of "personal financial gain," minus specific details, appeared on nearly half the complaint's 37 pages.

At a news conference, Harry Huge, a Washington lawyer who said he had spent six months preparing the suit, declined to respond to newsmen's demands for details.

"I would rather wait until we get to court," he said at one point. "You don't put all your evidence in the first complaint."

Asked if he believed that criminal prosecutions might arise from the evidence to be submitted later in his civil complaint, Mr. Huge replied, "No comment." Finally, he made a veiled reference to a defendant who he said had received an "interest-free loan" to purchase coal company stock, with the understanding that if he made a profit he would keep it and that if the stock went down he would simply return the stock as

payment for the loan. There were no other details.

CHARGES ROYALTY LOSS

In general, the suit charged that the union Welfare and Retirement Fund had enabled the coal industry to profit by failing to collect $30-million due the fund in miners' pension royalties, had failed to earn at least $20-million in income by "improper investment" of the industry's 40-cent-a-ton pension royalty, and had "wasted" another $25-million. It called these actions "willful," "reckless," "fraudulent" and "a conspiracy to defraud" the rank and file. It charged that the defendants "intended to and did use the welfare fund for their own financial purposes."

Even if no money damages are ever awarded by the court—lawyers estimated today that the suit would probably not come to trial on the crowded civil docket here for two to three years—the mere act of filing the complaint almost certainly damaged the re-election hopes of the United Mine Workers' president, W. A. Boyle, who is the principal defendant in the suit.

Mr. Boyle had himself named as one of the three trustees of the fund, replacing John L. Lewis after the death of the former union president on June 11.

Lawyers and other spokesmen here for the rank and file plaintiffs denied at a news conference that there had been any intention to embarrass Mr. Boyle politically during the most strenuous challenge to an incumbent president in the union's 79-year history. But that seemed likely to be an immediate effect, and union spokesmen charged this afternoon that the suit was politically motivated.

PURE HOGWASH

A press spokesman for the United Mine Workers, Rex Lauck, called the accusations "pure hogwash." Spokesmen for the other defendants—the Welfare and Retirement Fund, Inc., The U.M.W.-owned National Bank of Washington, and the Bituminous Coal Operators' Association, an industry group—said they had not seen the complaint and would have no comment.

Nearly three-quarters of the stock of the National Bank of Washington, the city's third largest, is owned by the mine union. The suit charged that the deposition of millions of dollars of union welfare funds in noninterest bearing accounts at the bank had profited the bank, and therefore the union. Mr. Boyle has long been a director of the bank.

Mr. Boyle, 64 years old, is being challenged for re-election to a second five-year term by Joseph A. Yablonski, 59, a long-time member of the union's International Executive Board and a former supporter of the Boyle regime. Last May, Mr. Yablonski made a public break with Mr. Boyle, accusing him of "dictatorial" conduct. He has since gathered around him rank and file and other anti-Boyle support. Election day is Dec. 9.

In a statement today, Mr. Yablonski commended the plaintiffs "for their initiative and industry" in filing the suit.

The plaintiffs were 78 active, disabled or retired union members or miners' widows and the leaders of the 4,000-member Association of Disabled Miners and Widows, Inc., a group organized three years ago at Madison, W. Va., to press complaints against alleged abuses by top officials of the union and the welfare fund. Four retired miners among the plaintiffs at the news conference denied that they were supporters of Mr. Yablonski.

"After giving our lives to the United Mine Workers and the mines," declared Howard Linville, a 58-year-old disabled miner who is the first plaintiff named in the suit, "now we have nothing. We feel that is wrong and that the union and the Welfare and Retirement Fund which we helped found did not intend that its members and its disabled and its widows and its retired should not have their pensions and hospital benefits."

OLD COMPLAINT

This was an old and bitter complaint, reflecting a series of retrenchments in benefits by the welfare fund in the late nineteen-fifties and early nineteen-sixties after a decade of costly pension and medical care experience.

Mr. Linville, for example, told newsmen that in 1967 he had been denied the union pension "for which I walked the picket line in the nineteen-forties, because, although he had worked 21 years in union mines he had failed to meet the fund's recently amended requirement that 20 of his union working years fall within the 30-year period immediately preceding his application for benefits.

The welfare fund has consistently denied that its policies are unfair. In recent years, it has usually won lawsuits brought by individual miners designed to force pension payments. In its annual financial statement published today, the fund said that total benefit payments to miners—the retirement stipend is now $150 a month—had reached a high of $158.6 million in the year ending June 30.

[From the Washington (D.C.) Post]

MINERS' SUIT SAYS UMW MISUSES FUND

(By Robert C. Maynard)

Rank-and-file coal miners charged in U.S. District Court here yesterday that their welfare and pension fund is being "plundered" by the leadership of the United Mine Workers.

The suit, asking damages of at least $75 million, also charges that miners have been denied their rightful pensions and medical benefits while the union leadership gained personally from funds diverted from membership use.

In a terse afternoon statement, the union denied the charges of the suit, calling them "untrue, unfounded and politically motivated." At the same time, the union issued a brochure on the pension fund that says it is providing more aid to miners than ever before.

Lawyers filing the suit on behalf of 4,000 disabled miners and widows of miners insisted that the suit was in no way affiliated with the challenge ot the leadership of UMW President W. A. (Tony) Boyle.

Joseph Yablonski, a former friend and associate of Boyle, is challenging Boyle's bid for re-election to a new five-year term in a Dec. 9 election. The campaign has been marked by sporadic violence.

Yablonski, speaking through the office of his Washington lawyer, Joseph Rauh, said in a statement:

"I am running for president of UMW to redress just the kind of abuses that are the basis of this suit. Had I been running this union, we would have had no need for law suits such as this."

Harry Huge of Washington Research Project, the public interest law firm handling the suit, said his involvement in the suit pre-dates Yablonski's campaign.

The suit, which also charges a conspiracy between the union and the Bituminous Coal Operators' Association, a management group, names as defendants the top leadership of the union, the management group, the Welfare and Retirement Fund and the National Bank of Washington.

The other main charges are:

That $40 million to $100 million a year for the past five years has been deposited by pension fund officials in the National Bank of Washington accounts that provided the Fund with no interest, thus enriching the bank at the expense of the union rank and file.

That the United Mine Workers owns 74 per cent of the National Bank and that members of the union leadership are on the board of directors, thereby standing to benefit personally from its enrichment at the expense of the pension fund.

That through mismanagement the fund lost an unknown portion of a $44 million portfolio, once filled with government bonds, but now made up of common stock, some of it coal-related firms in which some of the defendants have interests.

That the expenses of the fund were bloated to support friends and relatives of members of the union hierarchy.

That the trustees "engaged in hostile acts" designed to deny union members pensions and benefits to which they would otherwise have been entitled.

That members were dropped from pensions and other benefits without recourse and for arbitrary reasons.

That the fund was "illegally utilized for the private and personal use of the defendants and the fund . . . (was) . . . incapable of preventing itself from being plundered."

At a press conference at the International Club, during which all present baked in sauna-like discomfort, several of the miners told their stories of losing benefits after a year or being ruled ineligible because of a narrow technicality in the regulations.

Howard Linville of Paytona, W.Va., one of the plaintiffs, described how, after a year, medical benefits were halted irrespective of the condition of the recipient.

"Bonnard Foster, my neighbor, had a heart condition and when he had his (benefit) card taken he couldn't get this medicine and he died," Linville claimed.

Other miners told other stories of such personal disasters, which led them to form the Association of Disabled Miners and Widows in 1967. It was their group that was the prime mover in bringing the suit that was filed yesterday.

Although most of the charges made in the suit have been made publicly in the past, either in the press or in speeches by political adversaries of Boyle, never before have they been brought together in a law suit.

[From the Washington (D.C.) Evening Star, Aug. 5, 1969]

$75 MILLION SUIT ALLEGES MISUSE OF UMW FUND

A $75 million suit charging wrongdoing in operation of the United Mine Workers of America Welfare and retirement fund has been filed in U.S. District Court here.

The suit, filed yesterday by five individuals on behalf of the Welfare and Retirement Fund and the Association of Disabled Miners and Widows, Inc., charges that between $40 million and $100 million each year for at least the past five years has been deposited in a non-interest-paying account in the National Bank of Washington.

The suit said this means a loss of $2 to $5 million annually in interest.

Listed as defendants are the union and its president, W. A. (Tony) Boyle, who is engaged in a contest for re-election; the Welfare and Retirement Fund; the National Bank of Washington, of which 74 percent of the common stock is owned by the UMW; and Bituminous Coal Operators Association.

Other defendants are George Titler, vice president, and Edward L. Carey, general counsel of the union; Guy Farmer, Joseph E. Roache and Boyle as trustees of the retirement fund; George L. Judy and Henry S. Schmidt as former trustees of the fund; and Wilmer J. Waller, Boyle, Carey and Barnum L. Colton, as directors of the bank.

Harry Huge of Washington, the attorney representing the dissidents, denied that the suit was instigated because Boyle happens to be in a political battle with Joseph Yablonski for the union presidency.

The suit charges that funds of the welfare fund have not been used to generate income for the fund, but have been used for the personal benefit of some of the defendants.

The administrative expenses of the fund "are grossly excessive" and many of the salaries and expenses of the welfare fund go to "friends and relatives" of UMW officials "for work not done," it charges.

The suit asks that the court order an accounting of all assets, and remove the present trustees and place the fund in receivership until new trustees are named.

It seeks at least $30 million as the amount of funds which it claims should have been collected by the welfare funds from coal operators but was not, $20 million as the amount due if the money had been properly invested and $25 million as the amount the suit claims was wasted because of mismanagement.

[From the Washington (D.C.) Daily News, Aug. 5, 1969]

BENEFICIARIES MAKE MOVE: $75 MILLION UMW SUIT IS FILED

(By Stanley Levey)

W. A. (Tony) Boyle, already faced with serious opposition to his re-election as president of the United Mine Workers (UMW), has received another jolt with the filing of a $75 million suit against him, the union, the union's welfare fund, the union-owned bank, soft coal operators and a number of associates.

By contrast, Mr. Boyle's major opponent for the presidency, Joseph (Jock) Yablonski, while claiming no connection with the suit, appears almost certain to benefit from it. The suit is based on many of the charges that Mr. Yablonski, formerly a Boyle lieutenant, has made against Mr. Boyle and his union administration.

The suit was filed in District Court here yesterday by 79 plaintiffs from Kentucky, Ohio, Tennessee, Pennsylvania, Virginia and West Virginia and by the Association of Disabled Miners and Widows (ADMW) Inc.

CHARGES LISTED

It makes these charges against Mr. Boyle and fellow defendants:

That they "mismanaged" the $180-million welfare and retirement fund "so that it suffered great financial loss." Those bringing the suit, most of them disabled, say they have wrongfully been denied pensions and other benefits as a result.

That they "conspired" with coal operators, the union and the union-owned National Bank of Washington "to operate the fund for their benefit and not for the benefit of the miners and pensioners." The plaintiffs alleged that for many years welfare fund money has lain idle in non-interest checking accounts in the bank, depriving the fund of $2 million to $5 million a year in interest income.

That they "defrauded the miners and pensioners" by investing welfare fund reserves "for the personal benefit" of Mr. Boyle and his co-defendants, by making loans of fund money to coal operators and friends, and by paying "grossly excessive" salaries and expenses to friends and relatives for work not done.

That they issued "arbitrary and capricious" eligibility regulations for the fund, "designed to exclude miners from receiving pensions and other benefits." The plaintiffs estimate that 70,000 miners have been denied such pensions and benefits, while 90,000 receive them.

ISSUE REPORT

At the same time the suit was being filed, fund officials were issuing their report for the year ended June 30. It showed that the fund paid out $158.6 million in pensions, hospital and medical benefits, funeral expenses and widows' and survivors' benefits, spent $5.2 million on administration, took in $157.4 million from soft coal operators (based on a royalty of 40 cents a ton), had an income of $5.7 million from interest and dividends, and ended the year with an unspent balance of $179.4 million.

The fund also showed that it had sharply reduced the sum it had put in non-interest checking accounts. In the 1968 fiscal year, the fund kept $67 million in such accounts, resulting in criticism from newspapers, miners, public officials and Ralph Nader, the consumer and safety crusader. This year $32.7 million went into no-interest checking accounts.

The plaintiffs in the suit are represented by a blue-ribbon battery of attorneys, including Harry Huge, member of the Washington Research Project, which he described as "a public interest law firm;" Harry Caudill of Whitesburg, Ky., author and advocate of liberal causes, and Adam Walinsky, former legislative assistant to the late Sen. Robert F. Kennedy, and now a "self-employed lawyer and consultant."

The suit is being financed by the ADMW, Group of 4,000, from the $1-a-month dues members pay, and by the Washington Research Project. A spokesman said the attorneys were serving on a "routine" contingency basis, meaning that they would share in any damages collected.

A VOLUNTEER ARMY

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Wisconsin (Mr. STEIGER) is recognized for 45 minutes.

Mr. STEIGER of Wisconsin. Mr. Speaker, today I join the gentleman from New York (Mr. LOWENSTEIN) and a bipartisan group of other Members—Mr. ADDABBO, Mrs. CHISHOLM, Mr. CLAY, Mr. CONYERS, Mr. COWGER, Mr. EDWARDS of California, Mr. FINDLEY, Mr. HALPERN, Mr. LUKENS, Mr. REES, Mr. RYAN, Mr. TAFT and Mr. UDALL—in introducing the Voluntary Military Manpower Procurement Act of 1969.

Throughout this Nation's experience with the selective service system, we have been warned by men of great insight of the dangers inherent in a system of forced military conscription. Thirty years ago, the late Senator Robert A. Taft clearly pointed out the dangers of the draft to a democratic society:

It is said that a compulsory draft is a democratic system. I deny that it has anything to do with democracy. It is far more typical of totalitarian nations than of democratic nations. It is absolutely opposed to the principles of individual liberty, which have always been considered a part of American democracy.

In recent years, leaders from all shades of the political spectrum have echoed Robert Taft's warning. Adlai Stevenson, William F. Buckley, Jr., Adm. Ben Moreell, MARK HATFIELD, GEORGE MCGOVERN, BARRY GOLDWATER, Don Rumsfeld, and Thomas Curtis, to name just a few, have called for the abolishment of the draft and the institution of an all-volunteer armed force. The platforms of both the Republican and Democratic parties in recent years have joined in this plea, and I was pleased to note that the Young Republicans at their recent national convention in Chicago also endorsed this concept.

Mr. Speaker, it is time these voices were heeded. It is time that we take the necessary steps to bring about an end to forced conscription.

Listening to the debates on the draft in this body and reading the commentary in the press, it appears that supporters of our present Selective Service System are few in number. Most all agree that it should be changed and, according to a recent Christian Science Monitor poll, a majority of Congress supports, at least in principle, the concept of an all-volunteer armed force. President Nixon, moreover, has been a welcomed addition to this growing opposition to forced conscription. During the recent campaign he pledged that his administration would work toward the goal of an all-volunteer military. Speaking of the need for moving in this direction, Mr. Nixon stated:

A system of compulsory service that arbitrarily selects some men and not others simply cannot be squared with our whole concept of liberty, justice and equality under the law. . . .

Last March the President took a major step toward fulfilling his campaign pledge by naming an impressive commission, headed by the distinguished former Secretary of Defense, Thomas S. Gates, Jr., which was directed to develop a comprehensive plan for eliminating conscription and moving toward the goal of voluntary service. I applaud this move and eagerly look forward to the commission's recommendations. I am also confident that unlike earlier studies prepared under the previous administration, the report of this commission will be made public so that we in Congress and the American people will be provided with the information necessary for an intelligent debate on this proposal.

Congress, however, need not be dormant until the release of this report. We can begin preliminary work on legislation which will prepare us to act knowledgeably when the President's recommendations are transmitted to Congress. Consideration of the bill being introduced today, which is similar to the measure introduced in the other body by Mr. HATFIELD and eight other Members—Mr. COOK, Mr. DOLE, Mr. GOLDWATER, Mr. MCGOVERN, Mr. NELSON, Mr. PACKWOOD, Mr. PROUTY, and Mr. SCHWEIKER—would be a fruitful first step.

Mr. Speaker, one may wonder, as I frequently have, why so little action has been taken in this area, even though support for abolishment of the draft appears so strong. So far no proposal of the type being introduced today, has ever been seriously considered in committee. Part of the answer, I believe, is that while many favor the idea of an all-volunteer military, some are unsure of its feasibility. To me, such doubts should be even more compelling reason for serious com-

mittee investigation—not almost complete neglect as has been the case.

Exacerbating this uncertainty has been the lack of information made available to Congress on this topic. The Johnson administration never made public most of the reports and working papers which had been compiled by the various commissions President Johnson had appointed to study the draft and its possible alternatives. However, Mr. Speaker, even though the data available are meager, it is still possible to dispel some of the doubts which plague many Members about the feasibility of an all-volunteer armed force.

Many of those who favor this concept in principle balk at implementing it because they fear the financial costs would be prohibitive. One hears of figures upward of $17 or $20 billion per year in additional expenses. The fact is, though, that no one can really be sure just what the costs will be. It is impossible to determine exactly what level of pay increase would provide adequate incentive for enough men to volunteer in order to meet our manpower requirements. For that matter, we cannot even be sure of what these manpower requirements will be. What is possible, though, is to make some rough estimates, and these show that the figure of $17 billion or more is simply not accurate.

Those who suggest that the costs of an all-volunteer service would be prohibitive, assume that increased pay would be the only important factor in inducing a man to enlist into one of the services. If pay was the only inducement for voluntary enlistment, then the costs would possibly become excessive, but such is not the approach we suggest. Pay alone will not be enough. Salary is not the only factor considered when one selects a potential career.

Mr. Speaker, when we attempt to resolve the problem of attracting men into the armed forces, it is important to provide for improvement in a wide range of career inducements. Military life could become a great deal more attractive to our young men if it promised them expanded opportunities for educational development, training in job skills that could be utilized in their post-service life, and if it could be enriched in terms of cultural and recreational benefits that would not only enhance the soldiers full development, but also improve the image of the military to the civilian world. It is probably this latter factor which is most important. Nothing could increase enlistments faster than a positive image of the military in the civilian community. The services must be upgraded in such a manner that our soldiers receive the respect from the whole society that their heroic actions in defense of our liberty accord them.

Our proposal calls for the Secretaries of the various services, under the direction and supervision of the Secretary of Defense, to provide these career inducements. We suggest, among others, improvement in in-service educational and vocational training opportunities, and enhancement of the cultural and recreational life of the servicemen. By taking these steps, and more, we can make military life more attractive and thus lower somewhat the payroll increases necessary to attract the needed volunteers.

An additional provision of this bill calls for an investigation of the possibility of establishing Military Youth Opportunity Schools. Our proposal directs the Secretary of Defense, with the cooperation of the Secretaries of Labor and HEW, to determine the feasibility and desirability of establishing schools which would provide special educational and physical training to volunteers who fail to meet the minimum physical and mental requirements for military service.

Such an approach, if deemed feasible and desirable, would make it possible for many thousands of young men who want to volunteer but cannot because of inadequate mental or physical development to enter the service. Presently, about 70,000 potential volunteers are turned down each year because they do not meet the minimum physical, mental or moral standards for military induction. These schools would also make it possible to attract young men into the service who would not otherwise have benefit of this special training. This suggestion, if implemented, would not only increase the number of volunteer enlistments, but also make a positive contribution to aiding those who lack meaningful opportunity in the civilian world.

Pay, of course, is still one of the most important factors. Regardless of how we get men into the service, we must pay them a living wage. Present military pay falls short of this. We cannot hope to attract enough volunteers if they are not adequately paid. Our bill, however, does not attempt to present detailed recommendations of what military pay rates should be. Such recommendations should only be the product of long and careful investigation. I eagerly look forward, therefore, to the recently completed Hubbell report on military pay being translated into concrete legislative proposals. It appears from this report that DOD will be moving in a direction of military pay reform that will be conducive to attracting volunteers. Among the report's recommendations which I strongly support are:

Raising military pay to at least a level commensurate with civilian pay for comparable types of work and equivalent skill levels.

Liberalizing the retirement program so that those career soldiers who do not put in 20 years can still receive some retirement benefits.

Changing the confusing and complex system whereby a soldier receives his pay part in-kind and part in-cash, to one where a career soldier would receive his pay in the form of a regular salary.

Presently, soldiers are not aware of how much they actually do receive and consistently underestimate their level of pay. Likewise, banks and other lending institutions also underestimate military pay and thus make it harder for military personnel to receive credit.

I hope we will see positive action by DOD on this report and commend it to all Members for review.

I do feel, however, that the greatest salary increases are needed for the lower enlisted ranks and the junior grade officers. It is at these ranks where the present pay inequalities are most blatant and ironically are the points of entrance into military service for new enlistees. These pay grades must be increased if we are to attract more volunteers. The question, of course, then arises as to how much these pay raises could cost. As stated earlier, no exact figure can be suggested; but it is worthwhile to review briefly the judgments of those who have seriously studied this matter.

The concensus of these studies is that it would cost an additional $4 to $7 billion per year in order to meet the manpower needs of an armed force of about 2.7 million men. Dr. Walter Y. Oi, a leading economist and former manpower consultant for the Defense Department, has written one of the most comprehensive studies of the cost of an all-volunteer force. Dr. Oi concludes that the budgetary payroll cost would have to be raised by only $4 billion per year. I recommend that all Members review Dr. Oi's presentation which was placed in the March 9, 1967, RECORD by our former colleague, the Honorable Donald Rumsfeld.

More recently, there have been studies completed at Harvard and by the Institute for Defense Analysis—IDA—which, though they differ in their estimates, still place the figure below the $17 billion price tag so frequently, but mistakenly, quoted.

The Harvard study, "The Draft Versus the Free Market: The Economics of Military Manpower Procurement in Peacetime," was prepared by Stewart W. Kemp. Kemp argues that it may be possible to maintain an armed force of 2.7 million men without even increasing pay. He bases this conclusion on the fact that during the 1970's there will be many more young men in the 18-to-26 age group than there are today. Thus, there will be a larger pool of available manpower from which to attract volunteers. The IDA study, "The Supply of First Term Enlistees in the Absence of a Draft," using a different methodology, puts the price tag at about $5 to $7.5 billion.

These various studies, though they disagree as to the exact costs, show that a volunteer force will cost far less than many have believed. Indeed, these studies except for Kemp's also assume that the only added inducement for enlistment will be pay. They neglect the additional flow of volunteers possible by implementation of the general types of in-service improvements I have already mentioned.

Mr. Speaker, in determining the economic costs of the volunteer approach we must also note that the budget costs of the present system of manpower procurement greatly understates the real costs of the draft. There are important costs which are placed upon the individual soldier and on society in general

which never get into the accounting figures—cost which would not occur if we had an all volunteer force.

The most cruel and unjust aspect of the present system of forced conscription is the uncertainty which each young man faces for as long as 7 years. Without even attempting to measure the psychological damage to the individual or the contribution of the draft to the unrest which marks so many of our campuses, we can see the terrible toll of the draft in the frequent inability of a young man of draft age to find meaningful employment.

It has been estimated that 40 percent of those who enter the service between the ages of 22 and 25 have been turned down for jobs because of their draft eligibility. My colleague from the Education and Labor Committee (Mr. PUCINSKI) as early as 1959 brought to the attention of this body the relationship between the draft and the inability of young men to find employment. He stated in a speech before the House:

> Many young men who graduate from high school and who do not, or cannot because of economic reasons, go to college find it impossible to get decent employment because the first thing they are asked by a potential employer is what is his draft status.

What makes this situation even more intolerable is that the gentleman from Illinois (Mr. PUCINSKI) found that this inability to find employment contributed directly to the increase in juvenile delinquency. Is this not, then, yet another cost of our present system of military manpower procurement which should be considered before fear is expressed at the estimated costs of the all-volunteer approach?

This, Mr. Speaker, is but one way in which the draft contains hidden costs to society. It also forces many highly trained individuals out of their productive positions in the civilian world and gives them military work to do which a less well trained individual could easily handle. This entails a very definite cost to society and is shamefully wasteful in both a social and economic sense. Moreover, to speak of only the cost to society in this regard neglects the heavy costs such job displacements place on the draftee.

Under present military pay—even with the recent pay increases—a young man is not only drafted, but an implicit tax is also put on him for the privilege of being drafted! For the young man who does find employment before he is drafted, must suffer a pay cut between what he receives in the civilian market and what he is payed as a draftee. Dr. Oi clearly points out the magnitude of this "hidden tax" on military personnel:

> In 1964, the typical recruit to regular enlisted ranks (volunteers) could as a civilian have earned $3,450 per year, while the typical draftee who is older could have earned $3,810 per year. The average military income (for the first three years of service and including the value of subsistence and quarters) was only $2,400 per year. Each draftee or draft-induced volunteer was thus burdened with a hidden tax averaging roughly $1,200 per year . . . The inordinately low levels of first-term pay thus impose a considerable burden on a minority of youths—those who happen to be drafted or who were coerced to enlist by the threat of a draft. Put in another way, the men who serve in the Armed Forces are compelled to pay a hidden tax twice as high as the average tax burden placed on all adults, and by this process a part of the real cost of procuring military manpower is concealed.

Using these 1964 figures, Dr. Oi placed the total costs of this implicit tax on each age group of draftees at about $800 million for the time they spend in the military service. For all the Armed Forces, the figure would be over $5 billion. The recent pay increases have made some progress in removing this additional burden on our soldiers, but the pay inequities between military and civilian life still exist. With higher pay and an all-volunteer Armed Forces, one would simply be transferring the existing costs from those who do the fighting to society in general. This should be done regardless of the nature of conscription.

Finally, by instituting an all-volunteer military there would be important dollar and cent savings in the area of training, equipment and other secondary costs. Each time a volunteer enlistment makes a compulsory induction unnecessary, there is a savings, according to our five colleagues who wrote the outstanding study, "How To End the Draft," of around $5,000. Given that we have drafted in the neighborhood of 300,000 young men in each of the recent years, this would amount to a total savings of about $1.5 billion simply in training and related costs.

To understand how such savings are possible, we must keep in mind that volunteers reenlist at a much higher rate than draftees. In fiscal year 1969, 30 percent of all volunteers reenlisted while only 8 percent of the draftees reenlisted. Moreover, the percentage of volunteers who re-enlist and who had not volunteered initially because of the draft, is appreciably higher. Also to be remembered is that a volunteer enlists for 3 to 4 years while draftees are inducted for only 2 years. Thus there is far less manpower turnover among volunteers than among draftees and hence the rather considerable savings in training costs.

These costs are simply one area where the volunteer concept would bring important savings. One provision of our proposal urges the Secretary of Defense to replace as many military personnel as possible with civilian employees. There is no need for clerical help to go through the expensive process of basic training. As another example of possible savings contingent upon the abolishment of the draft would be the costs of operating the Selective Service itself: Almost $64 million in fiscal year 1968!

Moreover, the modern military needs far better trained and technically equipped soldiers than it ever has before. As President Nixon has commented:

> The complex weapons of modern war demands a higher level of technical and professional skill. . . . Conscription was an efficient mechanism for raising the massive land armies of past wars. . . . But I believe our military needs in the future will place a special premium on the services of career soldiers.

It is not unusual to have an average turnover of almost 500,000 soldiers each year. Draftees, who serve on an average of less than 2 years, make up the vast percentage of this turnover. Given the present size of our Armed Forces, this means that almost one-sixth of our total force is replaced each year. With such massive turnover rates, it is impossible to develop the type of technical expertise that modern soldiers need. This creates costs in terms of equipment wear from misuse; and, most important, an armed force less capable of carrying out its mission in times of war. The draft, it could well be argued, lessens the ability of our military to do that which they are mandated to do: insure and protect the security of our Nation.

In short, while in terms of "budget" expenses it would seem that the all-volunteer approach would cost a considerable amount of money; it also brings about important savings in other areas. The concept of volunteerism, with a proper pay scale, would place the costs of the military on the shoulders of society itself and not on the recruit, and it would provide us with a military more capable of carrying out its peacekeeping duties.

Mr. Speaker, while the question of cost is possibly uppermost in the mind of most of those who are concerned about the feasibility of an all-volunteer military, I do not deny that there are other fears as well.

Many question, for example, whether or not such an approach would provide the military with the needed manpower flexibility to cope with crisis situations. Many argue that it is only through forced conscription that short term fluctuations in manpower needs can be satisfied.

We are well aware of this problem and our proposal contains the safeguard of returning to forced conscription to meet our manpower needs if the President and Congress decide that such action is necessary. Our proposal, while it abolishes the draft 6 months after enactment of the bill, does retain Selective Service registration. Hence, it would take only a very short time to return to the draft if our national security warranted such a move.

The proposal being introduced today contains an important provision in this regard which is missing from its counterpart in the Senate. I am aware that it may be necessary, at some time in the future, to return to conscription; but if we are forced to return to such a system, I feel it is important that the Selective Service be operated in as fair and just a manner as possible. The bill provides, therefore, that a National Commission on the Operation of the Selective Service System, appointed by the President with the advice and consent of the Senate, be established.

This Commission is mandated to make recommendations on the functioning of the Selective Service System during the absence of the draft, the procedure for reinstating the draft and the criteria for granting deferments and determining the order of induction in the event of a resumption of the draft. With the addi-

tion of this provision, it is my hope that, if we are forced to return to a draft, it will not result in the inequality and hardship that the present Selective Service System fosters.

However, one can also underestimate the amount of flexibility possible in the all-volunteer approach. As the noted economist Milton Friedman observes:

> Recruitment by volunteer means could provide considerable flexibility—at a cost. The way to do so would be to make pay and conditions of service more attractive than is required to recruit the number of men that it is anticipated will be needed. There would then be an excess of volunteers—queues. If the number of men required increased, the queues could be shortened and conversely.

Though, as Dr. Friedman notes, this technique of increasing the flexibility of the volunteer approach would entail additional costs, such costs may be preferable to returning to the undemocratic technique of forced conscription.

Mr. Speaker, the final issue of feasibility which I feel is important to briefly discuss at this point is the question of the possible threat to democratic government posed by an all-volunteer military. It is feared by some that maintaining an armed force composed totally of volunteers would lead to the creation of a Junker class of military professionals who would be insensitive to democratic norms. Though concern over maintaining the democratic ethos of our society is commendable, I feel that such fears are misplaced in this instance.

First, our Armed Forces are already made up overwhelmingly of professionals. Only about 15 percent of our present armed force is composed of draftees, and these draftees are concentrated in the very lowest enlisted ranks which have little control over military policy. Presently, important military decisions are already made by the professional soldier, tempered by firm civilian control of the military which would, of course, be unchanged by our legislation. Of equal importance, Mr. Speaker, is the fact that our democratic traditions are not maintained solely by the legal structures and conventions of our country. They are protected as well by the democratic values and norms of the society itself. As long as these are strong, our democratic tradition is protected. If they become weak, democracy is threatened—regardless of the nature of the military.

Second, historically it is interesting to note that we have had, for all but the last 20 years, an all-volunteer armed force except during times of major war. We developed the strongest democratic tradition known to mankind while maintaining a wholly volunteer armed force. The histories of other nations also show little correlation between the nature of conscription and the possible threat to the established order. Napoleon and Franco are only two out of many examples of revolutionaries who came to power at the head of armies composed of conscripts.

It is not my purpose to belittle those who are concerned, as we all are, with maintaining democratic values in our country. It is simply my view that an all-volunteer armed force would not be a threat to our democratic form of government. Indeed, I feel that forced conscription is far less democratic than the notion of voluntary service. As Dr. Friedman notes:

> So long as compulsion is retained, inequity, waste and interference with freedom are inevitable.

In closing, Mr. Speaker, let me say that for too long we have tolerated in this country a system of forced military conscription which runs counter to the democratic and libertarian principles which are the foundation of our Republic. The forced regimentation of our young men into a myriad of arbitrary selective service classifications, and the resulting inequity to those who are drafted, is, to me, more characteristic of authoritarian regimes than a free society.

The proposal introduced today provides a feasible and needed alternative to the draft. It is a step which should have been taken long ago and should not now be delayed. As my good friend and former colleague, Donald Rumsfeld stated over 2 years ago:

> Military manpower requirements and the recommendations to meet them pose broad and complex questions. Based upon the information available thus far, the case for moving toward a volunteer military seems to be overwhelming.

Mrs. CHISHOLM. Mr. Speaker, today I join with Representative LOWENSTEIN of New York, STEIGER of Wisconsin, and other Members in introducing the "Voluntary Military Manpower Procurement Act of 1969," which is intended to create a volunteer army.

I favor such a move because the present selective service system depends on forced labor to fulfill what the Army says are our Nation's military manpower needs. The present draft system is indentured servitude, a 16th century anachronism.

A democracy that depends on conscription of often unwilling citizens is not a democracy at all. Even worse, when a country preys on its politically weakest element—nonvoting youth—to carry out its military aims, it is nothing more than an elitist jungle where only the strong and the lucky can survive.

More than that, it is a political and social tinder box. We wonder why the youth of this Nation are rebelling. Could it be because we treat them as mindless, subservient cannon fodder?

A few weeks ago I cosponsored a bill introduced by Representative THOMPSON of New Jersey that fell far short of the bill being introduced today. The Thompson bill introduces basic reforms into the selective service system, but it would retain the draft. It did look better than anything else that was to be introduced this session of Congress and it did provide for relief of many of the inequities in the present draft system. I still support it, but I support it only as the minimum immediate first step to be taken toward a volunteer army.

Only a volunteer army is truly appropriate for a free and democratic society. Let me share with you some of my reasons for believing this.

Perhaps the first and most emotional argument raised by the fearmongers who oppose the idea of a volunteer army is that in time of national crisis we would not be able to raise an army. That just is not true. We have always, in time of true national crisis, been able to raise an army; not only of soldiers abroad but also an army of workers at home.

What those who argue this way are doing is accusing Americans, particularly American youth, of being moral and physical cowards. Bear in mind that the average critic is well over the draft age of 26 and most could not pass the induction physical even if they could meet the mental requirements. In short, most of them, because of their age, are too old to fight; they only wage the wars, while those who do the fighting and the dying cannot even vote, cannot even decide whether or not to fight.

A volunteer army would give these young people a vote of a kind, a say in the decisions that affect their lives, which, after all, is what democracy and freedom are all about. It would, in fact, provide a direct check by all citizens on foreign policy set by the President and the executive branch of the Government. Unpopular wars such as Vietnam could be either prevented or stopped by the people; they simply would not volunteer for military service.

Another argument that many opponents of a volunteer army use is the high cost. They say that it will cost more, and they are right. There are as yet no good estimates of how much it will cost, but most authorities point to about $7 billion additional per year. But if we examine the cost outlays, even superficially, it is readily apparent that the increased cost factor is only true in the short run and that the additional benefits that will eventually derive to the society will be worth the higher cost.

In order to induce enough people to volunteer, it will be necessary to provide higher wages—wages that closely parallel what soldiers could make in civilian life. That should be done anyway; there is no valid reason for treating soldiers as second-class citizens economically.

As far as the present pay scale of the military is concerned, soldiers are subject to what amounts to a double tax. They are forced by the draft or the threat of it to accept lower wages and then must pay an income tax on what they do make. This extra tax should not be carried by the soldiers alone; it should be shared by the society as a whole.

It is the added inducements or fringe benefits necessary to creat a voluntary army that would reduce the cost in the long run. By offering better training and higher education, the military will produce men who will return to civilian life with substantially better skills and education than those who return at present. Veterans, in short, will be better equipped to cope with and to live in modern American society.

Just as there is no valid reason to treat the soldier as a second-class citizen economically, there is no valid reason to

treat him as a second-class citizen socially or politically.

A volunteer army would help to insure that this would not happen. The primary inducement the military would have to offer to potential volunteers is a more democratic institution than the one that now exists. Violations of civil liberties simply would not be allowed to occur, for if they did, volunteers would be hard to find. The Armed Forces would have to become freer and more democratic. They would have to drop their tyrannical ways.

I would not worry about soldiers not obeying orders. People rebel against tyranny but are willing to accept orders that are fairly and democratically formed.

Another major objection to this plan has been, of course, the argument that such a volunteer army would significantly increase the political power of the military. The argument is based on the assumption that all volunteers would be of a similar political bent. Hogwash. A volunteer army would not significantly alter the political power of the Armed Forces.

For one, the major control of the military would rest in the same hands that it does at present—the career officers and the executive branch of the Government. And as I have argued before they would be more, not less, accountable to the people.

In the second place, the same people who make up the bulk of the draft quota now—the black and the poor—would represent the largest pool of potential volunteers. In short, the numbers and the political inclinations would be about as they are now. Once again it is important to point out that soldiers will have received, by the time of their discharge, better training and education—and above all they will have received the kinds and types that they want and on terms more acceptable to both them and the general citizenry.

In the final analysis there are only two basic differences between a volunteer army and the present draft army—costs and personal liberties. I am willing to pay the higher costs for a volunteer army if that army will do two things:

First, if it will provide an effective citizen check on our foreign policy and bring it back to the inner limits of sanity and good sense, and;

Second, if it will guarantee each citizen, a soldier or not, that the personal and political liberties of a democracy cannot be abridged at the personal whims of any one individual.

I do not have much hope that this bill will pass. The U.S. Congress still operates too often on the Hamiltonian thesis that "The people are a beast." This bill attempts to restore directly to the people some of the power that has been usurped and controlled by the politicians. It seems to me that unfortunately neither Congress nor the executive branch wants that power restored.

I would like to repeat for emphasis "Only a volunteer army is truly appropriate to a free and democratic society."

Most of the world of today is divided into two camps. It is a Mexican standoff. Neither side dares start a war but both sides are afraid of the others commencing one.

Foreign policy based on military might or military priorities cannot ease the situation; history has proven that lasting peace cannot be accomplished that way. A volunteer army is the first step toward a world of peace and a world of harmony.

Mr. TAFT. Mr. Speaker, I am most pleased to join my colleagues from both sides of the aisle in sponsoring the Voluntary Military Manpower Procurement Act of 1969, which would replace the compulsory draft system with an all-volunteer Army.

The case for an all-volunteer Army is a strong one. In a day when we have the ability and technological expertise to place a man on the moon, it is inconceivable that we can tolerate such an outdated and inefficient draft system.

A volunteer Army appeals to me for many reasons. It seems that a system of military protection comprised of volunteers is more suited to the nature of democracy than is the present Selective Service System. For a country built on the premise that men are the agents of their destiny, to allow the Selective Service to interrupt the course of young men's lives for as long as 7 years does not seem consistent with our political heritage.

A volunteer Army would certainly draw the most committed and dedicated individuals, those interested primarily in the military service of their country. This idea is consistent with the fact that only 15 percent of the total Army today is composed of draftees, with the remaining 85 percent being enlisted men.

Further, the volunteer Army provides us with a far more efficient and competent military. It would give us men who choose to serve, rather than those who are forced to. It would give us men who would be able to utilize the training they received, rather than their returning to civilian life within a short period of time following the completion of this training. We spend a great deal of money merely training men who will be in the service for a limited time. In the case of a volunteer Army, however, we can assume that the men would stay in the service longer, and therefore they will be able to better utilize the skills which they acquired throughout their training period.

Mr. Speaker, it is my belief that it is the responsibility of this body to take a hard look at the inequities of the present draft system, and replace this system with one which is based upon the concept of individual choice. Such a needed system is the all-volunteer Army.

Mr. CLAY. Mr. Speaker, I join several of my House colleagues today in sponsoring legislation to abolish the draft and to replace it with an all-volunteer Army.

Compulsory military service, when not essential to national survival, is alien to our concept of a democratic society. In my opinion, this Nation can muster an adequate defense force of willing and dedicated volunteers.

Conscription in America has traditionally been a much detested expedient, utilized only during the most extreme emergencies. It must not now be allowed to persist as a mere convenience to our military high command. It is crucial to our belief in nonauthoritarian government that it does not become a regular fixture of our society.

In 193 years of national existence, only 35 years have witnessed a recourse to coercive military service imposed by the Federal Government. During the remaining 165 years, our Nation prospered and won several wars with a tightly knit volunteer Army. If there is any tradition regarding military service, it is one of free choice in whether to serve or not to serve. In this period of great military influence, it is vital that all forms of conscription be recognized as temporary, stop-gap measures, to be used only until a voluntary system more in harmony with our form of society can be reinstituted. No other policy, regardless of its impartiality, can promote the ideal of free choice.

Much of the unrest among our youth has been attributed to the use of an unprecedented peacetime draft. The Nation's students protest the draft even though they are protected from it by a discriminatory deferment system. They have clearly recognized that the present utilization of compulsory military service is repugnant to the tenets on which this country is supposedly structured. It is one more well-founded observation which supports their disillusionment with this Nation. The young question whether these tenets are anything more than empty political rhetoric.

Large segments of our society are being alienated from their Government by the unnecessary use of conscription. The draft may appear administratively convenient and cheap, but the real price is a growing disenchantment with our Federal Government and a loss of faith in the effectiveness and validity of our traditional beliefs.

The draft has now been with us for the longest continuous period in our history, 21 years. By its sheer longevity it has acquired the powerful backing of the status quo, and thus—many argue that conscription is the only practical method of meeting our manpower needs. It is not. There are many compelling arguments for a rapid transition to a volunteer force and the elimination of all compulsive systems.

The pool of potential volunteers is rapidly growing. By 1975, the number of young men reaching draft age each year will have increased by 300,000 to over 2,100,000. With the resulting drop in the percentage of our youth needed for service, it will become even more difficult to decide fairly who should serve under a compulsive system.

The draft creates an excessive turnover of personnel. As few as 3 percent of draftees reenlist. Not only is the Army faced with constantly training entire divisions of new troops, but in the event of an emergency, a very high percentage of our soldiers would have less than 1 or 2 years of experience. With enlistees, a higher level of training could be achieved, and the turnover among volunteers is only 15 percent a year. An important bonus would be that a smaller, better trained Army would be more effective than a larger one composed of draftees. We will be exchanging quantity for quality. Morale is lower among those

serving under compulsion than among those who have volunteered. Volunteers working with and meeting discontented draftees will have their own morale effected.

A return to a volunteer force will end the discriminatory practices inherent in our draft. It is a scandal that the rich and those in college are able to avoid service, leaving the major burden on the lower and middle classes. The draft is being used as a weapon to stifle legitimate dissent. Minority groups, struggling for equal treatment live in expectation of punitive draft decisions. Students and nonstudents should be able to make decisions without having to consider how the alternatives will effect their draft classification. Schools and employers should accept people for their qualifications rather than for their draft status. Everyone—businesses, schools, and the Army—would benefit by the transition to a volunteer force.

Objections to a volunteer force result more from bureaucratic intransigence than from true practical difficulties. The annual cost of such a force would be far below the dubious Department of Defense estimate of $17 billion. Most experts estimate a more realistic $8 billion price tag. Proper fiscal management in the Pentagon alone would supply a large part of this added cost. If this Nation can afford a senseless war, the least it can do is to fund a career Army tc fight it.

I take strong issue with the argument that a volunteer army would be overwhelmingly black or poor. The higher pay would be as attractive to whites as to blacks, and if every minority group member eligible for service enlisted, they would still constitute a minority of our fighting forces. Even if the percentage of minority group members and poor people in the army were to rise, there can be no rational objection to creating decent opportunities at competitive rates for the socially disadvantaged.

The fear that a professional army would be a threat to our democracy is barely applicable to the draft issue. This danger has always come from the top military elite, which would be unaffected by any change in the lower ranks. Armies of draftees have followed military dictators as enthusiastically as groups of volunteers. The responsibility for keeping the Army's influence limited remains with the people and the Government. Whether that army is composed of conscripts or of volunteers makes little difference.

The objection that a volunteer force would be incapable of rapid expansion has been overdramatized. A draft structure should be retained for use in an emergency, or a waiting list should be instituted if enlistments exceed the spots available. The present draft with its monthly quotas would be no quicker in expanding our Armed Forces than would be any of several contingency methods.

Finally, to consider a career army as a group of mercenaries would be to put all our present professionals in the same category. For most of our history, we have relied on a career army without detriment to our national reputation. Certainly, no one is going to enlist for spoils or riches. Remove the stigma of compulsion, raise the low pay scales which presently make the draft seem important since it discourages volunteers—and the army will become just another respected vocation.

Financially, America can afford a volunteer army. Socially, America cannot afford the draft. The draft, not a volunteer army, is the luxury. If our Government and the precepts on which it is based are to retain their credibility among the young, the minorities and among large segments of the middle class—we must put an end to the present system. It is contradictory to our Nation's political system and a crime against its citizens.

Too many American boys from too many families have witnessed the discriminatory, un-American practices which have found fertile ground in an unjustly imposed and ill-managed conscription policy. We can no longer tolerate it. There is nothing to revise—it rests on grounds which are not consistent with freedom of choice or national security. It has been utilized to the detriment of both and it must be abolished.

GENERAL LEAVE TO EXTEND

Mr. STEIGER of Wisconsin. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the subject of my special order today, on a volunteer army.

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

There was no objection.

THE SENATE ABM VOTE

The SPEAKER pro tempore. Under previous order of the House, the gentleman from New York (Mr. FARBSTEIN) is recognized for 20 minutes.

Mr. FARBSTEIN. Mr. Speaker, I am as convinced today as ever that the antiballistic-missile system could turn out to be the most tragic and costly military dud in the Nation's history. The defeat of the antideployment amendment in the Senate is deplorable.

The administration has failed utterly to convince the American people that the ABM would prove to be an effective deterrent. I have always maintained that the ABM is not technically feasible and have not changed my mind. I doubt that the outcome of today's Senate action will make many converts for the ABM from the ranks of the thoughtful.

The thought of an expenditure of billions of dollars on such a controversial defense system is shocking to me because of the vital necessity of substantial expenditures for social and humanitarian purposes.

I regret and have consistently opposed the administration's decision to divert sorely needed resources from the urgent requirements of our cities. What a difference a few billions would make if used to combat hunger, despair, housing deficiences and other problems facing the underprivileged.

It is my conviction that the advocates of ABM are not soundly evaluating the priorities involved in the national welfare.

I intend to keep on fighting ABM. A battle has been lost, but not the war.

WRIGHT PATMAN, HAPPY BIRTHDAY

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 10 minutes.

Mr. GONZALEZ. Mr. Speaker, since 1928 the Congress has been served by the honorable WRIGHT PATMAN, dean of the Texas delegation and the distinguished chairman of the Committee on Banking and Currency. But WRIGHT PATMAN has served the people of Texas even longer than his great service in the House, for he has also been a member of the Texas Legislature and a district attorney.

WRIGHT PATMAN is in all ways a remarkable man. He is and has long been the champion of the interests of the individual citizen, the citizen who is and has been the backbone of Texas First District and the backbone of this Nation. WRIGHT PATMAN has strong convictions and he states them without fear and without reservation. Not all men agree with him, but all men must respect his energy, his intense convictions, and his complete integrity. His has been a life of selfless service, a life that few could emulate.

Today is the birthday of WRIGHT PATMAN. He was born on this date in 1893, at Patman's Switch, Tex.

I take this opportunity to wish him a most happy birthday and many returns. So long as he lives and serves, the people of his district and the people of Texas and the United States will be well served.

A WELCOME TO THE NEW CHIEF OF ARMY ENGINEERS

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Maryland (Mr. FALLON) is recognized for 15 minutes.

Mr. FALLON. Mr. Speaker, I wish to acknowledge a changing of the guard in one of our most highly respected agencies.

The Corps of Engineers has a new Chief—Lt. Gen. Frederick J. Clarke—and I know I express the sentiments of this body in extending to him a cordial welcome and hearty congratulations on his appointment.

Well-trained, well-experienced and well-qualified for the job, General Clarke, who has been Deputy Chief of Engineers since December 1966, takes over as Chief of Army Engineers after an illustrious career which was launched with his graduation from West Point, further enhanced by a master's degree in civil engineering from Cornell University and topped off by a wealth of assignments at home and abroad in the fields of civil and military construction.

General Clarke, before becoming Deputy Chief of Engineers, was commanding general, U.S. Army Engineer Center at Fort Belvoir, and commandant, the Engi-

neer School, Fort Belvoir, Va., from 1965 to 1966. He was Director of Military Construction, Office of the Chief of Engineers, Washington, D.C., from 1963 to 1965, in charge of the worldwide military construction programs of the Corps of Engineers.

From 1960 to 1963, General Clarke was engineer commissioner of the District of Columbia, one of the three commissioners then charged with responsibility for administration of the Nation's capital.

General Clarke was born in Little Falls, N.Y., on March 1, 1915, and was commissioned in the Army Corps of Engineers in 1937 following graduation from the U.S. Military Academy, West Point. He received his masters degree in civil engineering from Cornell University in 1940. He is also a graduate of the Command and General Staff College Armed Forces Staff College, and the National War College.

A registered professional engineer, General Clarke is also a Fellow of the American Society of Civil Engineers, and a member of the Society of American Military Engineers, National Society of Professional Engineers, District of Columbia Society of Professional Engineers, and the American Public Works Association.

Although General Clarke becomes Chief of Engineers at a time when many sections of our country are clamoring for development of our water resources to proceed at a faster pace, he inherits a healthy and growing program. His is a billion-dollar-a-year agency in furthering the construction and maintenance of our river basin works. At the present time, some 280 projects are under construction, and about 100 more are in the advance engineering stage. The future also holds promise with more than 330 studies for new projects underway.

Mr. Speaker, as Chairman of the Committee on Public Works, the committee which has jurisdiction over the civil works activities of the Corps of Engineers, I personally wish to welcome General Clarke as the newest member of a long line of distinguished Chiefs of Engineers.

SOVIET SLAVE LABOR CAMPS TODAY

(Mr. RARICK asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. RARICK. Mr. Speaker, as a result of skillful thought conditioning, many of our unsuspecting citizens have been deliberately misled to believe that Soviet Russia is mellowing and that brutality—slave labor camps and individual persecutions no longer exist as standard methods of "persuasive education" under the Bolshevik system. Sensitivity training was to be more effective.

In fact, we have even been subjected to distorted testimony from some of our Nation's leaders that forced labor camps have been eliminated from the so-called new modern Russia.

To know that the party line about Communist mellowing is a distortion of the facts, one need only look to the personal testimony of one Soviet citizen, Anatoly Marchenko. Marchenko as recently as 1966 was confined in a Russian political prison and because of his testimony of his personal experiences there, was returned to the slave labor camp under a new charge of "anti-Soviet propaganda."

The reprisal by the Russian Communists in trying to suppress Marchenko's memoirs must be considered the best guarantee of the truth and accuracy of his reporting.

Because there are American fighting men and other citizens presently languishing in Communist concentration camps around the world, Marchenko's testimony may be revealing as to the inhuman conditions under which our people are being held captive.

Before removing all our troops from South Vietnam, those in leadership should likewise prepare for removal of all American citizens from North Vietnam—imprisoned in Communist camps. And in talks and summits with Red dictators—our leaders must demand the release of U.S. prisoners from Red labor camps. Silence and inaction at such meetings can only be construed—both by the American people and the captive peoples in Communist-ruled lands—as condoning the cruelty and brutality of present-day concentration camps.

I include at this point an introduction and Anatoly Marchenko's "My Testimony—Soviet Prison Camps Today," as printed in the August Reader's Digest, as follows:

BEHIND THE LINES

Some months ago, an editor in our Paris office began to read the French newsweekly *L'Express*. It was part of his regular but interesting routine, reading in the hope of finding material usable in the Digest.

The editor, John Flint, started to skim a long article entitled *"Les Camps Après Khrushchev,"* written by one Anatoly Marchenko. He hadn't got far into it when his skin began to prickle and his editorial antennae to quiver. The piece was a remarkable eyewitness account of life in Russia's political prison camps between 1960 and 1966. Its blistering realism stood in dramatic contrast to recent Soviet claims that while, yes, there had been regrettable inhumanities in the forced-labor camps during the Stalin era, all that was over and done with now. The author insisted from personal experience that it all continues, virtually undiluted, even today.

Sensing that this was news of scoop proportions, Flint translated the article and flashed it to the home office in Pleasantville. Were we interested?

We were indeed. But could *L'Express* tell us more about it—what, for instance, was the source of the article? It was, replied *L'Express*, a section taken from a copy of an unpublished book manuscript in their possession, a document in Russian, smuggled out of the Soviet Union on microfilm. Back flew our cable: could we see the manuscript? But of course, the French journal replied.

A few days later a bulky manuscript arrived. The urgent task of translation was begun, guided by the Digest's own crack Kremlinologist, retired senior editor Eugene Lyons. Day by day, with mounting excitment, we read Marchenko's words as they emerged in English. The book had the clear ring of authenticity. Its harrowing revelations, the richness of incident, made it gripping reading. And it was unique: no one else has written—and got safely into the hands of an uncensored publisher—a major book on the camps *as they exist in Russia today*. Without hesitation, we bought publication rights from *L'Express*.* A condensed version appears on page 193.

Unlike the handful of other Russian authors who have dared to send their works out to the free world, the 32-year-old Marchenko is not a member of the intelligentsia, but one of the proletariat—those in whose name the communist revolution was made. A sometime machine operator and freight loader, with only eight years of schooling, he was driven by his experiences to an eloquence that transcends his education. The result is a book both gruesome and poetic.

In Marchenko's cry for justice and freedom, one senses the true voice of Russia. "I do not consider myself a writer," he says. "These notes are not a literary work. But there is not a single fictitious character here, not one invented story. Every incident, every fact, can be confirmed by others—by hundreds, sometimes thousands, of witnesses. They could, indeed, supply details more monstrous than I am going to relate."

One of those thousands is the famed writer Yuli Daniel, a prison mate of Marchenko's. When Marchenko was released, Daniel inscribed the flyleaf of a book for him. "You became deaf here," he wrote, "but your eyes have been opened."

Marchenko's freedom was short-lived. In July 1968, he wrote a letter to three Czechoslovak journals, to several Western communist newspapers, and to the British Broadcasting Corp. in London, assailing Soviet opposition to the liberalizing reforms of the Dubcek government in Czechoslovakia. His protest, of course, altered nothing. Just one month later, tanks rolled and Soviet troops invaded Prague.

Meanwhile, the KGB arrested Marchenko. He was promptly tried—presumably on charges of "anti-Soviet propaganda"—convicted and sentenced to a year at hard labor in the same camps he so graphically describes in his book.

Soviet "justice" is nothing if not thorough. This past February Marchenko's pretty, 29-year-old blond fiancee, Irina Belgorodskaya was tried for having in her handbag 60 copies of a petition protesting Marchenko's arrest. In a closed trial, the court found her guilty of "defaming the Soviet state" and sentenced her to one year in a labor camp. As she stepped from the grim courthouse into freezing weather, she and her guards were confronted by a crowd of her friends and supporters. "We're with you, Irina!" they shouted, and showered the girl with bouquets as the police hustled her into a waiting truck, and away.

Marchenko himself was due to be released this August. Now, in light of his book, it is possible that he will be tried and sentenced again—to become, in the words of a traditional labor-camp song, "an eternal prisoner." If so, there is at least some comfort in the knowledge that truth and courage are also eternal, and hold the ultimate power to make men free.

THE EDITORS.

MY TESTIMONY: SOVIET PRISON CAMPS TODAY

(By Anatoly Marchenko)

(NOTE.—When I was in the Vladimir prison, I was often seized by despair. I was ready to jump at my jailers, my only purpose being to perish—just as other prisoners before my eyes had committed suicide. Only one thing stopped me and gave me the strength to live:

* *L'Express* is putting all money and royalties due Marchenko, including part of the Digest payment to *L'Express*, into a special account for the author. In addition, the Digest will set aside a further payment to Marchenko, in the hope that he will someday be free to collect it.

the hope that when I got out I could give my testimony and tell all that I had witnessed.

(In the last few years, various literary and documentary works have shed light on the political prison camps of the Stalin era. This is all to the good. Yet these works, referring only to the past, may create the impression that nothing like it is—or can be—happening today. This is not so. How many forgotten people are still prisoners! How many new victims are coming into the camps! In fact, the camps today, if less numerous, are just as horrible as in Stalin's time—in some respects better, but in others worse.

(I do not consider myself a writer. These notes are not a literary effort. During my six years in prisons and camps I just tried to see and to remember. There is not a single fictitious character here, nor one invented story. Every incident, every fact, can be confirmed by hundreds, sometimes thousands, of witnesses. My friends and fellow prisoners could, indeed, supply details and fact more monstrous than those I am going to relate.)

My name is Anatoly Marchenko. I was born in 1938 in the small Siberian town of Barabinsk. My father worked on the railroad. My mother was a cleaning woman. Both are illiterate.

After eight years in school, I became a construction worker and traveled all over Siberia, wherever new hydroelectric stations were being erected. It was in Karaganda, in Kazakhstan province, that I first tangled with the law. There was a fight in our barracks. By the time the militia came to break it up, most of the leading brawlers had run away, but they grabbed all those still there—me among them. They tried us all in one day, with no effort to find out who was guilty or innocent. So I had my first taste of Russian justice in the Karaganda camps.

After my release, I decided to escape from the Soviet Union. I simply could not see any alternative. A young man named Anatoly Budrovsky joined me, and on October 29, 1960, we tried to cross the Iranian border. Soviet guards captured us 50 yards from the frontier.

For five months the KGB (secret police) held me in solitary confinement. Every day two interrogators grilled me, determined to obtain an admission that I was a traitor to my country. But I did not break down. Though there was no real evidence supporting their charge, I was tried for treason.

On March 3, 1961, the Supreme Court of the Turkmen Soviet Socialist Republic reviewed my case. For two days, behind closed doors, they asked me the same questions that I had been asked during the interrogations, and I answered them, denying that I was a traitor. However, my comrade Budrovsky testified against me to win leniency for himself. I asked the court why they ignored other witnesses favorable to my case and believed him. I was told: "The court decides for itself which evidence is correct and which it should believe."

In the end, Budrovsky was given two years for trying to cross the frontier; I was sentenced to six years for treason. I was then 23 years old.

Much later I would realize that by branding me a traitor they had mutilated not merely six years of my life but my entire future. At the time I had only one feeling: something had happened which made a mockery of justice, and I was powerless to fight it.

I was told I would be sent to a "Komsomol (Young Communist League) building site," and shortly after my trial I was shipped out. I traveled by *stolypinsky vagon*, a special railroad car used since the tsars' time for transporting convicts, and by KGB vans known as "Black Ravens." In the latter there is room for about ten prisoners, but some 30 of us were crammed in so tight that even a dead man could not have fallen down.

I was shipped through several staging points: Tashkent, Alma Ata, Novosibirsk. At the end of May, after nearly three months in transit, I came to Potma, in the infamous Mordovian camps about 300 miles southeast of Moscow. A vast area here is crisscrossed by high barbed-wire fences, studded with watchtowers, flooded at night by searchlights, patrolled by soldiers with police dogs. Everywhere there are warnings: "Halt! Forbidden Zone!"

In this region one sees more soldiers, officers and secret police than local people; more dogs than in the sheep-raising regions of the Caucasus. The statistics here are curiously out of balance. There are vastly more men than women, for instance, and there is a remarkable diversity of national groups. Russians, Ukrainians, Latvians, Estonians, members of many other nationalities have been coming to this camp complex for years and decades. From all corners of the Soviet Union, children of today's prisoners gather to be near their parents. Fathers and older brothers of many of the people now serving sentences, having themselves been prisoners, lie buried in this soil.

Now I, too, would contribute my mite to the Mordovian statistics.

THE CURFEW TOLLS

From the Potma receiving center I was sent to Camp No. 10, a large compound of wooden buildings behind barbed wire. In one of the overcrowded barracks I located a bunk, then obtained a straw mattress, pillow and blanket. At the commissary I picked up threadbare black pants, jacket and cap, undershirts, quilted coat, boots and two sets of underwear—the regulation work clothes.

Shortly the dinner hour struck, and I followed the other men to the mess hall. It was filled with closely placed tables made of coarse boards with benches on either side, and already it was mobbed and noisy. I joined a food line and slowly progressed up to a window, where a bowl of soup was handed to me. The thin liquid was called *shchee*, meaning cabbage soup, but it was a parody of that national dish. The second course was a watery gruel, about three tablespoons in all. It took only a minute to swallow it.

In time I learned that the diet was scientifically designed to keep us barely alive. The daily portion was 2400 calories, including 700 grams of bread—about one and a half pounds—and 50 grams of meat. (The police dogs on guard duty received 450 grams of meat.)

This diet is far less than a man requires if he is doing hard work. And even so, we didn't get all we were supposed to. When the meat was brought to the kitchen for preparation, you looked at it in bewilderment. It was blue, and bones, sinew, tendon were all you could see. If we got 15 grams of real meat a day we were lucky. When the cabbage was brought in—black, slimy and putrid—we could not at first even guess what it was. In the summertime, the stench could knock you out. Much of the food had to be thrown away.

Following my introduction to this diet, the chief of my compound summoned me to his office. His room was small and neat. On one wall was a portrait of Lenin, on another, Khrushchev.

He examined my dossier and went through the usual questions: my name, birth date, the statute under which I had been convicted. Then in a dry official tone, he listed the camp rules. I must come to work in the regulation clothes. I must attend political-indoctrination classes every Thursday. "The prisoner is obliged . . . obliged . . .obliged . . ." If I broke the rules, I might be deprived of the once-a-year visit from my family, of my limited rights to buy items at the commissary, of the right to receive food packages, or to write and receive letters. For serious infractions, I could also be put in solitary confinement.

"All right," he concluded. "Tomorrow you begin work in the fields. You can go."

In the barracks the platoon leader, himself a prisoner, asked me how long I was in for. When I told him, he remarked, "Six years. That's child's play." Others smiled, too.

They wanted to know about my trial. Had I been allowed to read my formal sentence? I answered no. "Yes, that's how they still do it," they said. Almost all of them had, like myself, been tried and condemned behind closed doors. "True, there are some people here who had public trials," they said, "but they are ordinary criminals, embezzlers and the like."

After supper, I took a walk in the compound enclosure. It was a warm spring night. The grass was beginning to grow. But shortly, even before it was completely dark, the searchlights in the watchtowers went on. I returned to the barracks to make up my bunk.

At ten o'clock I heard the curfew—a length of rail struck ten times. Even before the ringing stopped, I could hear another rail, far away in another compound; then more and more, still farther off. Suddenly it was as if I could hear this same signal even in Moscow, echoed by the clock in the Spassky Tower in Red Square. In my imagination a curfew was pealing from the Far East to the frontiers of Europe—from camp to camp, across the entire country.

A PLAN TO ESCAPE

The next morning at 7:30, after twice being thoroughly searched, we were marched under armed guard through a sort of no-man's-land to the work zones. In the fields red flags marked the area beyond which we were forbidden to step. I performed simple farmer's chores, such as planting cabbages, tomatoes, potatoes and carrots. But after a long day, without a minute's rest, few of us had met the work quota. Failure to reach it, or poor work (as judged by the administrators), meant penalties, including a special famine diet.

The first month I worked very hard. We were paid as much for this labor as on the outside—between 70 and 75 rubles a month. The difference was that a free worker has only his taxes deducted. In camp we also paid taxes but, in addition, 50 percent of our wages went for camp maintenance. From what was left, a few more rubles went for our prison uniforms, and another 13 were deducted for food. (As a free man, I spent 50 rubles a month for food, and cannot honestly say I ate well.)

Ironically, billboards all over the camp exhorted us to "Save and buy a car!" Yet we were lucky if during our entire prison term we could keep enough for a suit and a pair of shoes when released. The first month I was credited with only 48 kopecks (about 50 cents). The next month, nothing.

I was tempted to say to hell with the back-breaking labor, let them put me in solitary! But long ago I had decided that, no matter how tolerable the camp, I would not sit behind wire. I would escape somehow. Thus I had to make friends with other prisoners, and learn all I could about the camp. Perhaps I would find a comrade for the attempt.

One of the first persons I met was Anatoly Burov, a short, baldheaded man in his 30s. He had been a child of only two or three when his family were deprived of their land and belongings because his father was considered a kulak, or rich peasant. (During the forced collectivization of the 1930s, anyone who had two cows or refused to join a collective farm was included in the term.) One spring a number of kulak families were rounded up and taken by boat down the Ob River. After a while, they were simply dumped on the shore in a deserted area and told to shift for themselves.

The outcasts dug some mud huts underground, then cut trees to build cabins. Slowly the Burovs and other exiled families began to work together. They made homes, tended the fields. Then three or four years later the government boat returned. The community was a great surprise to the communist officials. "You are supposed to be dead," they said. "But here you are, kulaks again!"

A month passed, then a detachment of soldiers arrived. Once again the families were uprooted, deprived of land and belongings—"They didn't even let us have a spoon"—and set down in a wilderness. Taken into the army in 1945, Burov ran away, was caught and drew a five-year sentence. Twice after that he tried to escape. When I met him he had been a prisoner for 16 years.

I liked Burov, and together we planned to dig a tunnel. Cautiously enlisting the aid of a third prisoner, we began to scout for the best site. We had the hours between curfew at 10 p.m. and a bed-check at 2 a.m., and from then on until dawn, in which to work. However, our efforts were in vain. We dug first under our own barracks, but at a depth of half a meter we came to water. The following nights we examined all the other barracks—with the same results. Yet we were so determined to escape that we kept on looking.

Meanwhile, our strength began to give out. It was not easy to go without sleep most of the night, then work all day, while subsisting on camp fare. In June I fell ill with an inflammation of the ears. Several times I went to the doctor, only to be told that since I had no fever I was only trying to avoid work. By the end of June, I was no longer fulfilling my work quota, and so I was sent to solitary confinement, the usual punishment.

Solitary in 1961 was an ordinary barracks about half a mile from Camp No. 10, divided into various types of cells. Some were literally for solitary confinement; others held two or as many as 20 persons. All the cells had bare boards for beds and a peephole in the door. In one corner stood a rusty *parasha*, the slop pail, or toilet, found in all Soviet prisons. For the prescribed daily walks, there was a tiny yard—not a blade of grass, since anything growing would have been eaten by the prisoners.

The principal punishment in solitary was the food. For breakfast we got a cup of boiling water and the day's bread ration of 450 grams (one pound). At lunchtime we might get a container of soup with bits of putrid sauerkraut swimming in it. Supper might be a rotten piece of codfish the size of a matchbox. There was not a gram of sugar or fat.

Even the regular camp food, although a semi-starvation diet, began to look like a feast, and I waited for my stretch in solitary to end more eagerly than for the end of my whole prison term. I sat in solitary for seven days and came out so weak I had to hold onto the walls to support myself. Despite that, I was required to go to work the next day.

"SAVE US FROM THIS HAPPY LIFE"

As soon as I began to feel better, Burov and I and our friend decided on a new escape attempt: a tunnel beneath a new barracks just being erected. We chose a night when movies were being shown outdoors in the barracks yard. After the newsreel we were able to slip away unobserved, and met inside the partly finished building. It was very dark.

As we dug, a ray of light from the tower would now and then cross the building. Each time, we quickly stooped and waited for it to glide away. We dug down about half a meter without mishap, but 20 centimeters farther, water appeared. Failure again! Suddenly Burov rushed in. He had been standing watch outside. "The guard just passed the window!" he whispered excitedly.

Had we been discovered? We filled the hole quickly, but as we emerged from the building, the entire area was suddenly flooded with light. We were completely blinded. We tried to hide but the guards dragged us into the open and showered us with blows. For fear of being overpowered, these guards carried no guns, but each was equipped with a pointed stick. They also used their metal-tipped boots, kicking our legs.

"Killers! Torturers!" the other prisoners shouted at our tormentors. To scare the prisoners, guards from a tower fired several volleys over their heads.

As we were led away, I walked with my head bent low and my hands trying to protect my face, fending off blows with my elbows. But soon my body ceased to react to pain.

We were taken before a major for questioning, then handcuffed, marched to a special cell, ordered up against a wall and beaten again. Now we could not even use our arms to protect our faces. Afterward the guards threw us to the floor and stomped us with their boots.

"That's the way!" the major kept saying. "Let them remember and tell others how they tried to run away!"

After a time they removed the handcuffs and dragged us into another cell. Here we lay, bloodied, bruised and barely able to move, for three or four days. The door would open occasionally and food would be shoved in. But at first we could not get up to take it.

We were now in the zone of special regimen or "*spetz*," in prisoners' lingo. What kind of wild beasts are confined here, under seven locks, behind heavy bars and rows of barbed wire outside? All those who plan to escape, or resist the guards or repeatedly fail to fulfill their work quotas.

The cells in the special regimen are much like those in solitary, and again the main punishment is hunger. But, in *spetz*, the prisoners are forced to work even harder than before. If your quota is not met, the already meager food ration is reduced—and with less nourishment you're sure to drop farther and farther behind. You do not die of starvation outright, but are gradually drained of all strength.

Men kept in *spetz* for years are reduced to a condition of complete animalism. They forget what self-respect, honor and morality mean. In every cell are one or more informers ready to squeal on other prisoners in order to gain a bit of extra food or some small privilege for themselves. Others, more desperate, hang themselves. Or they cut their veins under the blankets at night. Or they mutilate themselves.

One day while I was there three prisoners decided to commit suicide. During working hours they left the brick factory and went to the fence that surrounded the compound.

"Don't climb! I'll shoot!" a guard in a tower shouted.

"Please do us that favor. Save us from this happy life!" a prisoner called back, and began to climb. As he reached the top an automatic weapon chattered, and he was hit. His corpse, entangled in the wire, remained hanging on the fence. The second man began to climb, calmly inviting a similar death. Again the tower guard obliged. Then the third went up and also drew fire. I was later told he was not killed and was seen at the hospital in Camp 3. Thus he got away from *spetz* only for a time. The other two had escaped forever.

THE TATTOOED MAN

In *spetz* I witnessed things I never would have believed if I had not seen them. Worst of all were the tattoos with which some prisoners covered themselves. I saw two men, for example, who had tattooed on their cheeks and foreheads such phrases as "Communists are executioners" and "Communists drink the people's blood." In large letters across his forehead, another prisoner had tattooed, "Slave of Khrushchev."

Usually these people were ordinary criminals who, in prison, had deliberately planned to get into political camps in the mistaken belief that conditions there are more tolerable, that the work is easier, the treatment more humane. Such men may write a leaflet attacking the Party; they have been known to make an American flag out of rags and hang it in some public place.

Of course they face rapid disillusionment, for in the political camps they go even hungrier than before. They are more apt to get solitary, more likely to get beat up by the guards. Soon some of them begin to voice complaints, only to realize that it is useless. And so they resort to other forms of protest—such as tattooing, a practice learned in the criminal camps.

In our *spetz* barracks I saw a young man, Nikolai Shcherbakov, who did not have a single spot of unmarked skin on his face. On one cheek was tattooed the inscription, "Lenin is an executioner," and on the other, "Because of him millions suffer." Under his eyes the tattoos read: "Khrushchev, Brezhnev, Voroshilov—all executioners." On his scrawny neck, in black, was the rough outline of a hand gripping his throat. This hand was initialed KPSS (Communist Party of the Soviet Union), and the thumb, KGB.

One evening in September, word spread through the barracks that Shcherbakov had cut off one of his ears. Before the amputation he tattooed a message on it. Then he banged on the door of his cell and when a guard opened the peephole, he threw the ear at him. It read: "Gift for the 22nd Congress."

How do prisoners tattoo themselves? I have seen it done may times. A man pulls a nail out of his shoe, or picks up a piece of wire, and patiently shapes it into a sharp pin by rubbing it against a stone. To make ink, he burns a piece of black rubber, usually from the sole of a shoe, and combines it carefully with urine. With these materials he then begins to puncture his skin.

Why did these unfortunate people mutilate themselves for life? To mark your face, you must have given up all hope of a normal existence. You must begin to feel, as a camp song puts it, "like an eternal prisoner." I wondered about Shcherbakov. Why had he cut off his ear? What for?

And yet in moments of helpless despair I, too, found myself thinking: Why *not* throw a piece of my own body at the torturers? At such moments you don't ask yourself, "What for?"

CELL NO. 54

I spent three months in *spetz*, plus 15 days in solitary. Then I was called before a "people's court" for trial. There was a judge, some spectators—mostly camp officials—and two associate justices, an elderly man and woman, representing "the people." They were just decorative dummies, and no one addressed a word to them during the entire affair.

When the judge began asking me questions, I announced that I refused to take part in this comedy. In the end, he declared that three years of my sentence in camp were to be replaced by three years in prison.

I was to be moved to Vladimir, a city some 110 miles east of Moscow where there is a prison dating from tsarist times. The trip, again by *stolypinsky vagon* with many other prisoners, took several days. At one station we were lined up in columns of fives and, surrounded by dogs and guards, marched across a footbridge over the tracks.

A crowd had gathered, watching the scene, and some people shouted, "Fellows, where are you going?" Several packs of cigarettes were

tossed into our column, also cigars and even money.

Then an official rushed up and began shouting at the transport commander, "You were warned not to make prisoners walk in open daylight so everybody can see them! You've attracted a crowd like a theater performance."

I recalled how many times I had read that, throughout Russia's history, the simple people, the plain folk, were fil'ed with pity for prisoners and always gave them bread. Dostoevski has written that on holidays prisoners in Siberia were showered with gifts of bread, cakes, etc. Now the rule is to hide prisoners away and not even let the people look at them!

At Vladimir, as before, I was interrogated, made to undress, inspected minutely, and issued prison garb and gear. Then I was taken down a passageway with cells on either side. The warden opened the door of No. 54, and I entered to begin the next three years of my life.

My cell was small, 15 feet by 8 feet. It held five people. On the far wall, opposite the door, there was a tiny barred window covered by a kind of shutter on the outside; scarcely any daylight filtered through. Along each blank wall was a double bunk, with a fifth bed below the window. Here, too, was a large iron container. It was divided into sections, one for each inmate, to store eating utensils and the bread ration. In the center of the cell was a little, dark-red table on iron legs welded to the floor, and next to it two small benches. And of course there was the everlasting *parasha* by the door.

The prison routine was about the same as in *spetz*. The main difference was that we did not work. From reveille at 6 a.m. to curfew at 10 p.m. we were not allowed to lie down on our bunks—7 to 15 days of solitary confinement was the punishment if we were caught. And all day long in the corridor between cell blocks, the wardens patrolled silently up and down in soft felt boots, constantly peeping in at us.

What can prisoners do for 16 hours? We were permitted to write—one could buy a notebook of 12 pages once in two weeks—although everything you wrote was checked by a warden. Each cell also had a chess set and dominoes. Books and newspapers could be borrowed from the prison library—two books per person for ten days. However, after a while reading loses its attraction for hungry men.

I find it impossible to describe the tortures of continual hunger. Every morning we were awake long before reveille, thinking of the bread to come—reduced to 400 grams for one's first two months at Vladimir. Finally, when the food trap in the door was opened, all of us were there, trying to spot the biggest portion, as if an extra ten grams could save us from famine. The more prudent prisoners broke their bread into three equal portions for the day's three meals. But often a prisoner was unable to restrain himself and consumed the whole ration at once, even before he received the rest of the breakfast—a few decayed sardines and a mug of hot water.

It is so difficult, suffering pangs of hunger hour after hour, knowing that in your little iron compartment there is a piece of bread. You think about it continually; sometimes you can bear it no longer. You break off a tiny crust. You tuck it inside your cheek and try to prolong the pleasure, like a child sucking a piece of candy. But soon the crust is eaten.

In helpless protest many a prisoner was driven to bizarre behavior. Some cut their stomachs open; others filled their eyes with ground glass; a few at times pulverized sugar (if they had any) and inhaled it until abscesses formed on their lungs.

Another common practice was to swallow strange objects. If the doctors in the prison hospital had made a museum of the things pulled out of our insides, it would have been an amazing collection—spoons, toothbrushes, pieces of wire. They also operated frequently to eradicate tattoos. The procedure was primitive: simply cut out the tattooed skin, pull the edges together and sew them up. I recall one prisoner who was operated on three times. First they excised a ribbon of forehead skin on which he had the popular "Slave of Khrushchev" inscription. Shortly after he returned from the hospital, he again managed to tattoo his forehead, so again the inscription was removed. Once more this happened—until now the skin was stretched so tight across his head that he could scarcely close his eyes. We called him the "ever-seeing one."

AN AMERICAN FOR A NEIGHBOR

One day we learned that the American U–2 pilot, Francis Gary Powers, shot down over Russia in 1960, had been freed before the expiration of his term. This, we were told, was in consideration of his wholehearted repentance, his good behavior and pleas from his family.

This touched off discussion and argument in our cell. Powers had not completed even a quarter of his term, yet they let him go! And here we were—obviously considered more dangerous than a capitalist spy! But it also occurred to us that there must be more realistic reasons for his release. Probably, we surmised, the Americans had caught one of our spies and Powers had been exchanged for him. Subsequently I learned that this was so.

We had known all along that Powers was in the Vladimir prison with us. He had been brought directly from Moscow by automobile, not by prison car. Some prisoners even managed to see him during his daily walks in the yard. They said that Powers wore his own clothes, not the tawdry, threadbare prison uniform; that his face was clean-shaven, not like us, who were scraped with hair clippers every ten days; that his head was not shaved as ours were.

Powers had a cellmate who shared his easy life. He was an Estonian or Latvian, apparently an educated man who spoke good English. He was serving a 25-year term, but had been promised his freedom if he fulfilled certain instructions. He was to divert the American with conversation about films, literature and sports, saying as little as possible about life and customs in the Soviet Union. And he was to make Powers believe that his own treatment was enjoyed by all Soviet political prisoners. If by chance Powers saw anything to the contrary, his cellmate was supposed to give some plausible explanation.

It was in vain that some of us hoped he could tell the truth about this hell on earth when he went back to his country. He had not even come close to the real prison existence at Vladimir.

There was one disbeliever, named Gennady, who argued with his cellmate that there could not possibly be two different sets of circumstances for political prisoners. Because everyone laughed at him, Gennady vowed that he would get a look at Powers and prove that he was right.

Some days later a cellmate told the wardens that Gennady had swallowed two spoons. A search of the cell showed the spoons were missing, and Gennady was taken to the hospital building for X rays. As he was led through the passageway where Powers' cell was located, Gennady broke away from his dumbfounded wardens, opened the peephole to the American spy's cell and glued himself to it long enough for a good look.

In due time Gennady was brought back to his cell, before being removed to solitary. (The X rays showed he had not swallowed the spoons.) He told his cellmates that he had seen the American, and what others had said about him was correct. Powers had his own natural haircut, wore a civilian suit, and appeared to be well fed.

TOUR OF INSPECTION

Prisoners were taken out for a walk once a day. You'd think that everyone would be overjoyed to get out of the stuffy, smelly cell into the fresh air. But in the cold months, the wardens had to drive us out forcibly. Temperatures ranged from 15 to 30 degrees below zero Fahrenheit, and we had only a small poncho to wear over our cotton uniform, ancient clothes falling apart after many washings.

Besides, everyone was famished, emaciated, with little body heat. We walked around the yard, stamping our feet and slapping our hands. The doctors excused only those completely unable to walk. The old and sick would sit in a corner by the fence, huddled up, shivering, for the entire hour.

After returning to the cell, we could not get warmed up. The cell itself was so cold that at night we covered the teapot with a poncho or blanket to keep it from freezing and covered ourselves with all the rags we had, including the mattress covers meant to serve as bedsheets.

It was the same story with baths, which we were permitted to have every ten days at the bathhouse. In summer we waited for the day impatiently, craving a rinse and the chance to walk a little extra in the fresh air. But in winter, bath day was a torment. New arrivals hoped to get washed and warmed by hot water. Nothing of the sort! The water was so cold that even a young man like me, raised in Siberia, had his hands frozen numb. And the bathhouse itself was so cold the walls were often caked with frost. You were furious, standing there naked, with the cold piercing your innards.

Why didn't we protest such tortures? Let me tell this story.

One day a state representative visited the prison on an inspection tour and asked us what complaints we might have. We did not answer him—we knew it was useless. The next day on our walk we were taken out with the men of Cell 79. Had the official seen them, too? Indeed he had. In fact, he had been astonished and embarrassed, for he knew one of the inmates in Cell 79, a man named Stepan.

"You still here?" the official exclaimed.

"As you see," Stepan replied.

The man hesitated briefly, then said goodby. Stepan explained that he and the official had spent two years in the same cell together until, in 1956, the official had been "rehabilitated." How could anyone complain to a man with that background? He already knew everything, only too well.

"LET GOD CURE YOU"

In Vladimir, there were many religionists," confined because of their faith in God. Among them were Baptists, Evangelists, Jehovah's Witnesses, Russian Orthodox, Muslims. Sometimes in the press we read about crimes committed by religionists—ritual murder, torture of children and the like. I cannot believe this. I have met many of them in camps and prison, and they were all opposed to violence.

Consoled by the belief that they were suffering for God and faith, they bore their torments more patiently than most. I heard them sing hymns about how the Redeemer bore His cross but did not blame His enemies for "in Him burned a holy love." Though they were submissive in all things except those pertaining to their faith, they were sent to Vladimir in great numbers, usually for failure to fill work quotas or refusal to work on religious holidays.

The administration always tried to humiliate the believers. When one asked to see the prison doctor, he was taunted: "Why a doctor? Try to see your God—let him cure you."

And Lent! All of us prison inmates were half dead from lack of food. Yet most religionists wanted to follow the rules of their faith—including fasting—even here. "You're lying," the wardens would say. "You're just

pretending." But during Lenten days many believers lived on bread and water.

Now a word about the mental cases. The prisoners often said that there were no sane or normal people among us. And indeed, under the conditions, it was hard to remain psychologically sound.

In one cell at Vladimir some prisoners obtained a knife blade and collected some paper. Then each cut off a piece of his own flesh, some from their abdomen, others from a leg. They threw the pieces into a dish, made a small fire with the paper, and began to cook the flesh. When the wardens noticed what was happening and rushed into the cell, the prisoners grabbed the half-raw "stew" meat burning their hands in the process, and tried to cram it into their mouths.

I know it is hard to believe, but it really did happen. Subsequently I talked to some of the prisoners involved. The remarkable part of it is that they seemed entirely normal. One was Yuri Panov. There was hardly an unscarred spot on his body, for he had cut pieces from himself on several occasions. Yet Panov did not appear to be psychopathic.

In camp we often discussed such incidents. If the men involved were abnormal, what were they doing in prison? Even Soviet law requires that abnormal people be sent to a psychiatric ward or placed in custody of relatives. If they were normal, then what must be said of the conditions that drive normal men to such actions?

This is something our society should think about. But few people know anything of such horrors.

THE FRUITS OF LABOR

Quite unexpectedly, a year before my prison sentence was up, I was returned to camp. Perhaps they needed the space at Vladimir for new arrivals!

I reached Potma in early summer, and with several others was sent to Camp 7. From the railroad station of Sosnovka we went on foot, with dogs and armed soldiers surrounding us. It was so pleasant walking on a road, through small towns and villages, beyond which we could see woods! Grass was growing on the roadside. I hadn't seen grass in two years.

The minute we got inside the camp gate, other prisoners gathered around, asking who we were, how long we were in for and why. "You're from Vladimir?" they said. "Buried people look better!"

They took us to the mess hall, where I was given a full dish of noodle soup and a plate full of bread. "Eat, eat!" they urged. The soup was thin and without fat, but it seemed to me that even at home I had never eaten better noodles.

"Well, friend, is it like the soup at Vladimir?"

"No," I assured them. "One portion here equals five at Vladimir."

I emptied the dish and they brought me a new one. "Eat!"

So I returned to the world of the forced-labor camps. There had been changes since I left. Wherever you looked there were photographs of Khrushchev and quotes from Khrushchev's speeches. In the previous camp we had worn a uniform "Stalin hat." Now we wore a black cotton "Cuban cap." Even here, the prisoners said jokingly, Nikita was trying to root out the Stalin personality cult.

After two years in prison I was in bad physical shape, but I had to go back to work. I was assigned to a loading brigade, handling logs, coal and various raw materials in the freight yard. After unloading one freight car I thought I would be unable to walk back to the barracks and in the morning my entire body ached. I could not walk straight, and reeled from side to side. Everyone laughed good-naturedly, and for quite a while I was kidded about my duck walk.

In time, I sampled all the jobs in Camp 7. Virtually all work was done by hand, even pushing 62-ton railroad cars up an incline for some 200 meters. On paper we were listed as having "mechanical aids," but these were only picks, hooks, and a couple of boards for a ramp.

Almost all of the camp's 3500 prisoners worked in the large furniture factory. It had a mill and a foundry—which was real hell—where we made machine parts out of zinc, aluminum and copper alloys. The ventilating equipment was defective so that we inhaled fumes and gases. Often we had to rush outside for a breath of fresh air. In the finishing department the air was heavy with fumes of lacquer and acetone. There we suffered headaches, became dizzy and vomited.

It was impossible to fulfill the quotas set for us; they were constantly increased while wages were lowered. In the finishing section, where radio cabinets were polished, the norm used to be six Yugdon radios a day, but in my time this was hiked to 13. Likewise, in 1964 a worker had to polish four television sets a day. The next year it was raised to six, although the labor on each remained the same. The polishing was done by hand, using a cotton wad soaked in acetone, until the body of the set glistened.

But the main evil of camp work was not the hard labor, or the fact that we toiled for a pittance. We hated it because it was slave labor, degrading work, supporting parasitical officials who did nothing but make us feel worthless.

Later, when I was released and returned to freedom, I often walked past furniture stores and radio shops and looked at the window displays. Here was a nicely polished table, there a beautiful dresser. Here were the familiar radio sets I had worked on.

You buy yourself a television set for 360 rubles, and you sit in the evening in a cozy room enjoying the lawful fruit of your labor. But this set cost me and my fellow prisoners many hours of hard labor. Look at its nicely polished surface. Can you see the reflection of a shaved head, a yellow, emaciated face, a black camp uniform? Maybe it is a former friend, someone you knew.

BOUQUET FOR A COMMISSAR

It is Thursday, the day of political classes. Attendance is mandatory, and at exactly 7 p.m. everybody must be in his barracks for the lecture.

All of us try to avoid going. What can we learn from such lessons? Everyone is tired of communist verbiage, the slogans, the billboards. Besides, most of these prisoners have completed high-school studies, some are even college graduates, and many have studied Lenin, Marx, Engels, Hegel, Kant and contemporary philosophers. After all, we are "political" prisoners.

As the hour approaches, the library and the mess hall close. We have nothing to do but play volleyball and dominoes or walk in the yard. Then the headquarters door opens, and a detail of some 30 wardens emerges to round us up.

"All right, stop playing! Let's go to political class."

Refusing to attend is lawful ground for punishment—the withdrawal of such privileges as family visits (once a year) or the right to receive packages from the outside (one every three months). But these privileges are allowed only after we have served half our term, and even then most of us would probably be deprived of them for some other infraction. In all my time I never received a single package, and I had only two visitors.

The camp director, Major Sveshnikov, before each class dictates the lesson to our platoon leaders, most of whom are nearly illiterate. They conduct the classes, trying to teach politics from their notes. It can be quite funny. Quite often the pupils, having been forced to come to class, take it out on the teacher with a barrage of questions.

One night my friend Kolya Yusupov demanded, "You say one must live honestly and not cheat the state. But how *can* a family live on 50 to 70 rubles a month? What is *your* pay? How do you reconcile that—and the higher work quotas, and the rising prices of all foodstuffs—with the rise in living standards?"

Our lecturer hemmed and hawed, then answered, "Yusupov, you purposely draw attention to minor shortcomings, which are mostly temporary." All the prisoners laughed.

I spoke up. "How long *will* these conditions last?" I asked. "We all know that the decree on censorship was only a 'temporary' measure. That was nearly 50 years ago, and we still have censorship."

"You, Marchenko," the harassed platoon leader replied, "were given too short a term. It should be made longer. As for the rest of you, I see that some of you are begging for solitary."

"All right!" we shouted. "You've convinced us! You've convinced us!"

From time to time we were also asked to attend "discussions" by government officials who were visiting the camps. At first very few prisoners could be persuaded without threats, but later the authorities began to present programs with folk songs and poems in conjunction with the meetings.

One day representatives of a Baltic republic visited us, and we were promised a concert after the usual lecture. Quite a large number of us turned out. At the close of the talk a young prisoner from the Baltic area suddenly stood up and went to the speaker's platform, carrying a tightly wrapped bouquet. This had never happened before—flowers were given to performers, never to lecturers. A dead silence fell over the audience.

"In the name of our countrymen," the prisoner began, "allow me to present you with the garden flowers that grow here, so far away from our native land."

His words caused a commotion among the prisoners. Exclamations were heard from all sides: "Scum! Stool pigeon! Toady!" I myself was boiling over with fury.

The prisoner finished his little speech and presented the bouquet. But when the speaker began to remove the wrappings, we saw that it was a bouquet of barbed wire! At first the crowd was stunned. Everyone, on stage and off, stood with his mouth open. Then the storm broke out. Never before or since have I heard such wild applause.

That evening the prisoner was taken off to solitary for 15 days, and then sent to *spetz*. Soon after the episode we read in the camp newspaper that the concert-meeting had taken place in "an atmosphere of friendliness and warmth"!

EXIT KHRUSHCHEV

One day in the fall of 1964, as we were going to lunch from work, we saw three wardens dragging a prisoner to solitary. Many of us knew him, and we called out, "Why did you get solitary?"

"Because of Khrushchev!" he answered.

Nikita Khrushchev had just been ousted, and the camp administration was rushing to erase every trace of him—all the posters, banners, portraits and glorifying slogans. Our friend had been summoned to headquarters with a contingent of the most venal prisoners, human wrecks who for a price would do anything. Sveshnikov, the camp director, placed several packages of imported India tea in front of him—an invaluable commodity on the prison black market.

"Go into the library reading room," Sveshnikov instructed our friend, "and get rid of everything that has to do with Khrushchev."

The prisoner's eyes went from the officials to the tea, and back again. "For tea," he finally said in a businesslike tone, "one does anything. But you know, director, you have a huge backside. You have fattened yourself at our expense . ."

He was immediately hauled away. But he continued to shout: "You dirty bastards! I got seven additional years because of Khrushchev! Now you ought to *release* me! Instead you're putting me in solitary, once more because of him."

This was the scene we encountered as we went to lunch. (We had been working all night loading freight, so we hadn't heard the news.) The authorities had begun eradicating Khrushchev's name and face immediately, in the early hours, hoping to complete the job before the prisoners awoke. But it was too large an undertaking, and soon those who had sold themselves for the India tea were accompanied by a chorus of jeering prisoners as they set to work cleansing the camp of everything that had the slightest connection with the fallen leader. Khrushchev's head was clipped off posters and stuck laughingly on the foreheads of friends who happened to be nearby. Pictures of Brezhnev, Podgorny and others were also mutilated. This was later explained as due to "confusion."

As soon as all signs of Khrushchev were gone, a new business started. Prisoners who had been sentenced because of Krhushchev began to clamor for their freedom. It was said that at Camp 2 some prisoners got all their belongings together and marched to the sentry post. "We were jailed for criticizing Khrushchev," they explained. "And now it turns out we were right. So open the gate. Release us!" Needless to say, they were hustled back to their barracks.

To avoid trouble, camp officials called the anti-Khrushchev prisoners, one by one, to the KGB offices, where they were told to write to the Presidium of the Supreme Soviet and ask for a pardon. Apparently officialdom figured that it would take time for the prisoners to write, more time for the letters to be sent, still more before an answer came, and by then all this excitement would have died down.

In any event, of those who did plead for pardons, only a few were released. The others were told that in criticizing Khrushchev they had also attacked the Central Committee of the Party. Or they were simply notified that "because their offense was of a very serious nature, no pardon could ge granted."

LETTER LOVES

During all these years I continued to have trouble with my ears and often suffered intense pain and dizzy spells. At last I was sent to the hospital zone in Camp 3. Afterward I obtained a temporary assignment there as a hospital aide.

It is difficult to imagine that love can flower under the forbidding circumstances of camp life. But it does. Our hospital and the women's hospital were next to each other, separated by a forbidden zone. Not only could one see women, but it was even possible to talk to them secretly or throw a note over. Later, the women's building was moved farther away, but the patients still managed to keep in contact.

Sometimes nurses, or aides like myself who carried women to and from operations, were induced to transmit notes. If we were discovered, solitary confinement was inevitable. But no rules could stop men and women who had been cut off from normal life for so long.

Some of these "letter loves" lasted a week, others for years. Often the first note was sent to anyone, at random. Simple self-introductions led to declarations of love and visions of meeting someday. Thus the prisoner in his dreams embraced not just "a woman," but his own Nadya or Lusia, who had told him that she loved him. He waited impatiently for the next note—the camp, the loneliness, the barbed wire all temporarily forgotten—to learn if she was still "his" or if she had found another phantom lover.

Nikolai Semyk had such a beloved: Luba, a first-aid specialist. Both of them had worked in the hospital for five years, and they maintained their correspondence through a nurse. Occasionally, when he helped carry women to the operating room and back again, Nikolai even had a chance to see Luba. We tried to abet him by distracting the attention of wardens, so at times Nikolai and Luba remained alone for as much as two or three minutes.

Luba had a husband, a nice fellow, and Nikolai had even seen him when he made a visit. The existence of a husband, however, did not mar the prison love. Here were two different lives: freedom, a husband who might come to visit once a year—and the camp life, the notes, the day-to-day dreams of a real meeting. It was impossible to say which life was real, which imaginary.

The vast majority of prisoners, however, live without any sort of love, not even the correspondence type. In consequence, homosexuality is widespread, especially among the criminal offenders. The young single men suffer most, and there are many of them in camp because more young men are being arrested these days. Many have lived with sweethearts before they are imprisoned, but common-law wives may visit only if they obtain a document attesting to the relationship. Demeaning as it may be, many girls ask for such a document.

Once, one of my girl friends suddenly visited me! Luckily I was not guilty of any infraction of rules at the time, and I was granted three days to spend at the visitors' barracks. What good fortune—three whole days with a woman.

But afterward, I decided not to write her anymore. Why should I tie her down to a prisoner? What kind of happiness could she have, meeting me for three days once a year?

THE ARRIVAL OF A CELEBRITY

When I returned from the hospital zone to Camp 11, I had only eight months left to serve. Now a major topic of discussion was the public trial of Andrei Sinyavsky and Yuli Daniel, whose satirical writings had been smuggled out of Russia and published abroad under pseudonyms. When the first news stories appeared, nearly everybody in camp had decided that these men must be scum. They were to be tried under Article 70 of the Russian criminal code, which was interpreted as a ban on publication abroad of "anti-Soviet propaganda and agitation." A public political trial under this article was unheard of, so we assumed that Sinyavsky and Daniel would obediently play prearranged roles and confess that they had worked on orders from the West, that they had sold out for dollars. We didn't know the whole world was talking about the men's arrest, and it was that reason the government couldn't keep the affair under wraps.

Now the trial was over. The defendants had not pleaded guilty. They did not confess and beg for mercy, but argued with the court and insisted on freedom of expression. Sinyavsky and Daniel were brave fellows, we decided, and pretty soon we might hear about the case from the writers themselves, for we were sure that they would come to the Mordovian camps. With our expertise, we even correctly predicted their sentences: Sinyavsky would get seven years, Daniel five.

As it turned out, the two men were separated, but Daniel came to our camp. I met him the first day. He appeared to be about 35 or 40 and had obviously prepared for prison life, for he had on a quilted jacket, warm boots, and a rust-colored fur cap with ear flaps. (Of course, he had to surrender these clothes.)

As we talked, Daniel turned his right ear toward me and asked me to speak louder. I turned my right ear to him, cupping it with my palm. We were amused to discover that we were "twins," both hard of hearing.

His trial had been open in name only. The audience was composed mostly of KGB agents. "I'm sure my friends would have come," Daniel said. "But they were not allowed in."

Though Daniel had fractured his right arm at the front during the war and it had not healed properly, the authorities assigned him to the heaviest kind of camp labor: lifting heavy logs and shoveling coal. They counted on breaking him down, forcing him to ask for lighter work.

At first not everyone felt kindly toward Daniel. Some gloated over his misfortune: "Let him bend his back, as we do! We know these writers! They live in comfort and write about our 'paradise on earth.'"

But the hostility melted after the first few days. Daniel was a simple unaffected person. His fame hadn't turned his head at all. On unloading duty, he tried his best to do his full share, even though pains soon developed in his shoulder at the spot where the bone had been shattered. Yet he never applied for lighter work. Before long the other prisoners were trying to help him. On night calls we let him sleep, and we insisted that the brigade leaders put him on the easier chores.

Shortly our brigade leaders were summoned before the KGB. "Who's helping Daniel?" they demanded.

"They're all helping."

"Why? Can't he do it himself? That's goldbricking!"

One fellow gave a proper answer:

"What does it say in your communist code? There must be mutual comradely help. Every man is a friend of the other, his comrade and brother."

The KGB agents didn't argue. They put Daniel in the machine shop, pretending that they were trying to ease his lot. We all understood: it was not kindness, the authorities simply were irritated by his popularity. He was liked by everyone in camp. Sometimes the Lithuanians would invite him to their barracks to listen to folk songs. The young people from Leningrad invited him for coffee. The Ukrainians urged him to read his poetry.

"I had heard that all political prisoners were released ten years ago," he joked with us one day. "Of course, I knew about a Jew in Kiev being imprisoned because of his ties with Israel, or some such thing. So, with Sinyavsky and myself, I thought, that would make *three* politicals. Probably we'd be put together with criminals. Then I learned that there were thousands of political prisoners. They certainly had us fooled!" This was greeted with laughter.

In June 1966, he was sent to solitary for 15 days for non-fulfillment of the work quota and for feigning illness. There was a loose fragment of bone in his arm, and his old wound had become infected. But the doctor refused to give him a work release, and when Yuli didn't report one morning, he was clapped in solitary.

He endured the 15 days, but the next morning he was given another ten, and then another. There was no reason for this punishment; it was plain harassment. Daniel was continually picked on, up to the time of my release. He was not allowed a full visit with his wife or even to keep the cigarettes she brought him.

But he never complained, never asked for anything, and was quick to defend his companions. We were proud that Yuli was made of fiber that was not easily bent.

"ALL OF ONE MIND!"

Two or three months before my release, I was called in for a talk with three people: a KGB officer, the director of collective activi-

ties, and my platoon commander, Captain Usov.

"Marchenko," I was told, "you must behave after your release. The free life isn't like camp, where each man has his own opinions."

"Comrade director," I said, "times have changed. Even communists disagree now."

"Don't indulge in slander! All communists are of one mind!"

"Yes? Then what about the Chinese, the Albanians?"

"Every family has its black sheep," he replied.

"Marchenko," the KGB officer said, "with such ideas you will be back here soon."

"I know that," I said. "In other countries there are legal opposition parties, including communist parties, whose goal is to change the existing system. They are not charged with treason or imprisoned. But I, a simple workingman, not a member of any party, have to spend six years behind barbed wire, and then I am threatened with more for having convictions of my own."

"Other countries have their own laws, we have ours. All you prisoners keep throwing America in our faces. If they have freedom there, why do the Negroes riot? Why do American workers go on strike?"

"But Lenin himself said that strikes and the struggles of Negroes in the United States are indications of freedom and democracy."

At this, my "educators" jumped on me. "How dare you libel Lenin! Where did you hear such lies?"

Luckily I had been doing a lot of reading—I remembered the quote word for word. I repeated it and cited the number of the Lenin volume. Instantly the director went to his office, brought back a volume from the latest edition of Lenin's works and thrust it at me. While I turned the pages, all three waited like hounds with an animal at bay. Lenin couldn't possibly have said such a thing. Besides, they couldn't believe that a fellow like me, without an education, had read Lenin.

I handed them the open book, and the director read the passage aloud. The KGB officer said, "Give it to me." All three began turning pages, hoping to find some refutation or explanation of what Lenin had written. Unable to find it, the officer said, without embarrassment, "Marchenko, you interpret Lenin your own way because of your opinions. That's not good. You certainly won't remain at liberty."

I know that when Soviet people on the outside hear about such a discussion they will say, "Damn it—in camps they have more freedom than we do! Even at home, we would be cautious before saying what Marchenko said to camp authorities. And after he said it, he was told he could go! Here we would be arrested right away."

If I had said such things in the barracks, informers would have reported it and I might have received an extra sentence for "propagandizing among the prisoners." But it is the camp officials' obligation to *convince* a prisoner—and if they fail it's their own fault, isn't it? Possibly, if I had been the only one of this argumentative kind, they might have shipped me to Vladimir, but I was not alone. All the young people in camp are like that—and the camps are constantly growing "younger."

FREEDOM

Just before my release, I was sent to solitary, because I was ill and refused to work. I drew 15 days, and when I returned to camp I reeled like a drunkard from weakness. But the end of my sentence was now only 17 days away. I went to work as before, hauling lumber and shoveling coal. I still had dizzy spells, but I wanted to spend my last days with my friends.

We got together every free moment. Our talk centered on one topic: where I should go, how I should arrange my life in freedom. Under internal passport regulations, I would not be allowed to reside in the Moscow or Leningrad districts, in any seaport, or in a border region. In addition, there were several other areas from which I would be barred as an ex-political prisoner. Because of my loss of hearing, it would be impossible for me to take up my old profession as a boring-machine operator. I could probably go to work as a freight loader.

The day before my release I returned all camp property. Then early the next morning, my friends and acquaintances came to say farewell. They gave me the addresses of their families, and asked me to stop and convey their greetings if I had the chance. Above all, they told me not to forget those who remained behind in the Mordovian camps and those still serving in Vladimir.

Yuli Daniel presented me with a book. On the flyleaf he wrote in verse: *"In general, it was not too bad. You became deaf here, but your eyes have been opened. Be proud of this. Not everyone who has sight can see."*

At ten o'clock my closest friends escorted me to headquarters. Here we embraced and again said goodby. I can't possibly describe my emotions. All the joy faded away and there was a lump in my throat. I was afraid I'd burst into tears.

"Go, Tolya, go. You'll be late for the train!"

Soon I was walking along the no-man's strip—already separated from my friends by the barbed wire. Waving to them once more, I entered headquarters. The door shut behind me. Now I had to look forward to a completely different farewell. I was taken to an office.

"Strip naked! Now crouch! Stretch out your arms!"

Having searched my body, they searched all my clothes—every seam in my shirt, my underwear, everything. Then came the examination of my suitcase. A warden opened the book and saw Yuli's poem. At once he showed it to a KGB officer, who took it and left the office.

A little later Major Postnikov, top KGB man in the whole Mordovian complex, arrived. He studied Yuli's poem and ordered: "Cut it out! Cut the entire page and fill out a form!" I asked him to explain what was so terrible about the poem.

"In my view, Daniel is expressing his opinions in it."

"But what's so seditious in these opinions?" I asked.

Postnikov did not answer.

At last I was walking toward the exit, accompanied by the major. We walked through several doors, at each of which the major showed some official papers. The doors were then shut behind us. The last door opened—and I found myself out on the street.

A column of women prisoners was being led past headquarters as I came out. I heard the coarse shouts of the armed guards. The women who wore heavy work boots, walked slowly, dragging their feet. They had on dark-gray jackets, padded cotton pants. Their faces were all yellowish-gray. I studied them and thought: Perhaps I carried one of you on a stretcher, in the hospital. But I couldn't recognize anyone. In that column they all looked alike. Prisoners, nothing more.

The column passed. I took a deep breath of air; even if it was Mordovian, at least it was free air. It was snowing. Large snowflakes fell and immediately melted on my clothes. It was early afternoon on November 2, 1966—five days before the 49th anniversary of the establishment of the communist regime.

EDITOR'S NOTE

Marchenko settled in the city of Aleksandrov, 60 miles northeast of Moscow, and there *My Testimony* was written. For a year and a half he lived in relative peace. He wrote several letters to Russian authorities to protest against the living conditions in the camps. His manuscript on labor-camp and prison life was, of course never published; nevertheless, copies did circulate underground.

Then on July 22, 1968, a month before Russia's invasion of Czechoslovakia, Marchenko addressed a 2000-word letter to three Czechoslovak journals, to the communist newspapers of Britain, France and Italy, and to the British Broadcasting Corp. In it he denounced the Soviet attempt to repress liberal reforms in Czechoslovakia.

"I am ashamed for my country," he wrote. "I would be ashamed for my countrymen also if I believed that they were unanimous in supporting this policy of the government. But I am confident that such is not the case. The unanimity of our people is a fiction, artificially created through the violation of the very freedom of speech that is being upheld in the Czechoslovak Socialist Republic."

One week later, on a journey to Moscow, Marchenko was arrested. His trial is reported to have taken place in mid-August. He was sentenced to a year at hard labor in the same camps he had depicted so vividly.

In the preface to *My Testimony*, Marchenko relates that Captain Usov, his platoon commander, once said to him, "Marchenko, you are never pleased with anything. All you ever want to do is run away! What have you done to *improve* things?"

"If, after all these writings, I again confront Captain Usov in prison," Marchenko continues, " I shall say to him: 'I did everything in my power. Here I am again.' "

TAX-EXEMPT LIBERAL CHURCHES FINANCE REVOLUTION

Mr. RARICK. Mr. Speaker, as we resume our consideration of the tax reform bill, I think it well for our colleagues to study a report compiled by the Church League of America of Wheaton, Ill., which itemized the various violent revolutionary organizations in our country financed by tax-exempt funds while masquerading behind a facade of religion.

Mr. Speaker, I include the report "The Liberal Churches Finance the Revolutionists," the August 1969 report by the Church League of America, 422 North Prospect Street, Wheaton, Ill., at this point:

THE LIBERAL CHURCHES FINANCE THE REVOLUTIONISTS

During the past two years, various militant organizations have been funded by both the Federal Government and church-sponsored groups. This report will deal with the funding through private sources and will not deal with the Federal programs. Investigation of this funding disclosed three basic points:

1. The militant organizations, in many instances, received initial support through Federal funding. After the Federal funds were expended or withdrawn, church-sponsored organizations stepped in and subsidized the militant group with tax-exempt funds.

2. A relationship was established, connecting religious denominations and the State Councils of Church through dual affiliation of individuals, and between these organizations and the National Council of Churches (NCC) in the same manner. The NCC appears to be the driving force behind the various funding programs.

3. The funds, supplied to the militant organizations by church-sponsored groups, were diverted into politics, civil disorders and labor disputes. This use appears to be a violation of the tax-exempt provisions, granted to tax-exempt churches and church-sponsored organizations.

THE NATIONAL COUNCIL OF CHURCHES

The Council is a merger of previously formed, inter-denominational organizations. This includes elected representatives from National Synods, Assemblies and Council of Member Communions. Eight hundred members are then elected from this group to sit as members of the NCC's General Assembly. The General Assembly meets every three years to chart broad policy, review program and give Christian witness. The member Communions nominate approximately one-fourth of their General Assembly representatives to serve as the General Board. The General Board meets three times each year to decide on Council policy, program, organization and administration.

The General Board of NCC is an ultra-liberal, leftist-oriented body of churchmen. The pronouncements voted on by the General Board are considered as policy statements. These pronouncements voted on and adopted, include the following:

1. Expressing the concern relative to control of armaments, and the use of space, and efforts toward peaceful settlement of disputes. (1959)

2. Adoption of the Hartford Appeal, dealing with freedom of expression. (1959)

3. Protesting loyalty oath requirement in the National Education Defense Act of 1958. (1959)

4. Urging the churches to support major revisions in the McCarran-Walter Act, and the establishment of a National Study Committee to make recommendations for a more effective immigration policy. (1959)

5. Recognizing that orderly, non-violent, sit-in demonstrations are expressions of just and righteous indignation against laws that violate human personality and urging Christians to express sympathetic concern for the students who have taken part in these demonstrations. (1961)

6. Recognition of the People's Republic of China by the United States Government. (1966)

7. Opposed permanent Military Conscription. (1966)

In September, 1967, the NCC's General Board adopted a resolution that asserted "Christians cannot be content with words; they must back their words with money." At this meeting, the Board suspended their standing rules to create a five member investment committee with power to divert at least ten per cent of "unrestricted capital funds" into ghetto developments.

The following Communions compose the National Council of Churches:

African Methodist Episcopal Church.

African Methodist Episcopal Zion Church.

American Baptist Convention—IFCO member organization.

Antiochian Orthodox Catholic Archdiocese of Toledo Dependencies.

Armenian Church of America.

Christian Churches, International Convention.

Christian Methodist Episcopal Church.

Church of the Brethren.

Church of the New Jerusalem.

Exarchate of the Russian Orthodox Church in North and South America.

Friends United Meeting.

Greek Archdiocese of North and South America.

Lutheran Church in America.

Moravian Church in America.

National Baptist Convention in America—IFCO member organization.

National Baptist Convention, USA, Inc.

Philadelphia Yearly Meeting of the Religious Society of Friends.

Polish National Catholic Church of America.

Presbyterian Church in the United States.

Progressive National Baptist Convention, Inc.

Protestant Episcopal Church—IFCO member organization.

Reformed Church in America.

Romanian Orthodox Episcopate of America.

Russian Orthodox Greek Catholic Church.

Serbian Eastern Orthodox Church.

Seventh Day Baptist General Conference.

Syrian Antiochian Orthodox Church.

Syrian Orthodox Church of Antioch.

Ukranian Orthodox Church of America.

United Church of Christ—IFCO member organization.

United Methodist Church—IFCO member organization.

United Presbyterian Church in USA—IFCO member organization.

COUNCIL OF CHURCHES IN SOUTHERN CALIFORNIA

The National Council of Churches' Yearbook, 1964, Division of Christian Education, has the Council of Churches in Southern California listed as a State Council Representative. This means, the Council of Churches in Southern California had nine representatives present at the Assembly of Division of Christian Education, for the NCC, and was a member State Council. The Council of Churches in Southern California has a sub-division organization, titled, the Commission on Church and Race. This Commission has contributed funds to militant organizations in the Los Angeles area.

There is a connection between the NCC and the Council of Churches in Southern California, as shown by the affiliation of individuals who have held, or now hold, offices in both organizations. This affiliation is also evident, due to the Council of Churches in Southern California's membership as a member State Council to the NCC. Some dual affiliations are as follows:

John N. Pratt: He is presently employed as director of the Commission on Church and Race, Council of Churches in Southern California, and was the Legal Council for the NCC, 1963–1966.

Stanley McKee: He was vice president for the Council of Churches in Southern California in 1968; formerly a representative to the NCC's General Assembly in 1960.

Forrest C. Weir: He was General Secretary for the Council of Churches in Southern California in 1968; formerly a member of the NCC's General Assembly in 1952 and 1960.

Rev. Don E. Lindblom: He was the secretary for the Council of Churches in Southern California in 1968; formerly a State Council Representative to the NCC, Division of Christian Education in 1964.

INTER-RELIGIOUS FOUNDATION FOR COMMUNITY ORGANIZATION—IFCO

IFCO is a tax-exempt, non-profit organization and located at 211 East 43rd Street, New York, New York. A newsletter, published by IFCO, lists its address as 475 Riverside Drive, New York. This is the same address maintained by the NCC. IFCO is alleged to be an inter-denominational organization, but available data indicates it is not restricted to religious organizations.

A membership requirement is a $1,000 minimum donation per year by each member organization. When IFCO was first incorporated, the membership included ten denominations, six of which were NCC member Communions:

American Baptist Home Mission Society—NCC member organization.

American Jewish Committee.

Board of Homeland Ministries, United Church of Christ—NCC member organization.

Board of Missions, Methodist Church—NCC member organization.

Board of National Missions, United Presbyterian Church USA—NCC member organization.

Catholic Committee for Urban Ministries.

Executive Council of the Episcopal Church—NCC member organization.

Foundation for Voluntary Service.

General Board of Christian Social Concerns, Methodist Church—NCC member organization.

National Catholic Conference for Interracial Justice.

Additional organizations have joined IFCO since the group incorporated. This includes organizations that, in the past, as non-members, received funds from IFCO. Membership entitled each organization to have two representatives on IFCO's Board of Directors to dictate future policy. The additional members are:

	Donation
Black Affairs Council of the Unitarian Universalist Association	$1,000
California Center for Community Development	1,000
Catholic Committee for Urban Ministries	1,000
Disciples of Christ "Reconciliation Program"	1,000
Hope Development Inc., Houston, Tex	1,000
City Wide Citizens Action Committee, Detroit	1,000
Washington, D.C., Capital East Foundation	1,000
National Welfare Rights Organization	1,000
Milwaukee Northcott Neighborhood House	1,000
Foundation for Community Development, Durham, N.C.	1,000
NCC, Division of Christian Life & Mission	5,000

The following organizations received money from IFCO prior to becoming a member of the organization:

National Welfare Rights Organization	$1,000
City Wide Citizens Action Committee	1,000
Foundation for Community Development, Durham, N.C.	1,000
Capital East Foundation, Washington, D.C.	1,000

In 1966, when IFCO was incorporated, some of the directors and signers on the incorporation papers were identified as having previous NCC affiliation and others were presently affiliated. In 1966, IFCO's Board of Directors included twelve individuals, of which eleven had NCC affiliation, either directly, or through their denominations.

Directors

Harvey Everett—American Baptist Home Mission Society, NCC member organization.

Rev. Ray Schroder—American Baptist Home Mission Society, NCC member organization.

Henry B. Clark—Employed by NCC.

James A. McDaniel—United Presbyterian Church USA, NCC member organization.

D. Barry Menuez—Episcopal Church, NCC member organization.

Rev. Joseph Merchant—United Church of Christ, NCC member organization; and was the Director of the Division of Home Missions for NCC in 1954.

Leon E. Modeste—Episcopal Church, NCC member organization.

Rev. Gary Oniki—United Church of Christ, NCC member organization.

Rev. Paul A. Stauffer—Methodist Church, NCC member organization.

Rev. George E. Todd—Presbyterian Church USA, NCC member organization.

Rabbi Marc Tanenbaum—American Jewish Committee.

Rev. George H. Woodard—Episcopal Church, NCC member organization.

Incorporation signers were: Ray L. Schroder—See above; James A. McDaniel—See above; Joseph W. Merchant—See above; James Brewer; Harold K. Schultz—NCC employee.

FUNDING

The National Council of Churches contributed an undertermined amount of money towards a newly formed agency called Operation Connection. NCC's contribution included their furnishing office space in New York City, for Operation Connection's headquarters. The procedures that Operation Connection will follow are outlined as follows:

1. The program would not try to duplicate any existing programs, but would tie in with religious or secular efforts as those of the NCC and the Urban Coalition.

2. Operation Connection would encourage communications between existing programs. In general, its staff would first focus on a target city and analyze what resources the black and religious communities have available.

3. Funds would be given to programs "designed, conducted and controlled" by the poor, with no strings attached, other than that the funds not be used to support violence. Some funds could go towards electing black officials in the target cities.

4. Operation Connection will also attempt to "confront leaders of the private sector and the religious community with the meaning of the black revolution."

The co-chairmen of Operation Connection are Rev. Albert Cleage, Jr. of Detroit and the Rev. John E. Hines.

The Rev. Cleage is a former Black Muslim who was a close associate of the late Malcolm X. He is described as the spiritual leader of Detroit's many Black Nationalist groups. He is a member of IFCO's Board of Directors.

The Rev. John E. Hines, presiding Bishop of the Protestant Episcopal Church and a vice president at large, for the NCC, 1966 through 1969.

COUNCIL OF CHURCHES IN SOUTHERN CALIFORNIA

The Commission on Church and Race has both funded and sponsored militant organizations in Southern California. These organizations include the following:

Watt's happening to Coffee House

Originally funded through a Federal grant. One stipulation of the grant was the community's responsibility to raise matching funds. The community failed to raise the funds and, at this point, the City of Los Angeles contributed the necessary amount to continue the program. The Coffee House has been used by numerous organizations, both militant and non-militant, as a meeting place. There is a proposal to erect a new building to house the Coffee House, and allegedly, Ron Karenga, the leader of "US",* will utilize the new office space for his organization.

SOCIAL ACTION TRAINING CENTERS

A Federal grant for $150,000 was granted for two Social action training centers. The Commission on Church and Race and the California Center for Community Development (IFCO member organization) jointly sponsored the training centers. The center, located in South Los Angeles, was directed by Walter Bremond and assisted by Ron Karenga. The second center, located in East Los Angeles at the parish of Fr. John B. Luce. Both centers' training programs include the following:

1. The meaning and history of direct action, picketing, sit-ins and other forms of demonstrations.

2. How and when to picket and how to make and distribute leaflets and placards.

Two training films that were shown were "The Organizer" and "The Freedom Ride." Practical experience was gained by trainees participating at demonstrations.

*See Church League Special Report "Discussion and Death—US Style," April 1969.

Each center started a newspaper. The South Los Angeles paper was originally titled *Harambee*. *Harambee* was discontinued, when a second paper, titled, *The Black Voice*, took its place. In East Los Angeles, the newspaper was titled *La Rama*. All three papers are anti-establishment, anti-white and preached revolution. They glorify militant activity in the community. The South Los Angeles training center evolved into a coalition of organizations known as the Black Congress. The East Los Angeles training center evolved into a group known as Accion De Bronze Colectiva.

Community alert patrol

The patrol was started in June, 1966. The alleged purpose for the patrol was to observe, record and document examples of police brutality. They aligned with the temporary alliance of local organizations, which included members representing the following leftist-oriented groups:

Congress of Racial Equality, Students Nonviolent Coordinating Committee, Self Leadership for All Nationalities Today, National Association for the Advancement of Colored People, United Civil Rights Congress and "Us".

Louis Gothard, presently employed by Assistant Director for IFCO, was a member of the Community Alert Patrol and the Temporary Alliance of Local Organizations.

Community Alert Patrol members were observed at Will Rogers Park, acting as security guards for Stokely Carmichael, on November 26, 1966.

Piranya coffee house

The coffee house was used as a meeting place for militant, Mexican-American youths. It was a police problem from the time it first opened. The director, David Sanchez, is the Prime Minister for the Brown Berets. Sanchez was a trainee of the East Los Angeles Social Action Training Center. Numerous arrests for disturbing the peace, possession of alcohol by minors and curfew, were made at the coffee house. The Council or Churches in Southern California sponsored other organizations, including the following: Self Leadership for All Nationalities Today, a paper organization; Willowbrook Job Corporation: Sons of Watts Improvement Association and financial assistance was provided for two police malpractice complaint centers, one in Watts and one in East Los Angles.

INTER-RELIGIOUS FOUNDATION FOR COMMUNITY ORGANIZATION—IFCO

Key individuals in IFCO:

Louis Gothard: Presently, IFCO Assistant Director; was Los Angeles Community Alert Patrol Director.

Lorenzo Freeman: Presently, IFCO Assistant Director, in charge of project evaluation; was Assistant Director of the West Central Organization, Detroit, Michigan. The West Central Organization employed Saul Alinsky in a consultant capacity, allegedly paying him $200 a day.

Joseph Merchant: Presently, IFCO Board of Directors; was incorporation signee.

Ray L. Schroder: Presently, Board of Directors.

Chestyn Everett: Presently, IFCO Field Representative. He was listed in the space provided for husband, wife or guardian, on Ron Karenga's application for U.C.L.A., in December, 1961.

Albert B. Cleage, Jr.: Presently, IFCO Board of Directors; was the director for the City Wide Citizens' Action Committee, in Detroit.

ORGANIZATIONS FUNDED BY IFCO

Operation Exodus, Boston, Mass., $5,000.

Operation Exodus initiated a program to bus ghetto students to outlying schools. When initial funds were expended, the organization filed a suit against the school board. They are demanding the school board to continue the bussing program and assume the responsibility for its funding.

Camden, New Jersey Christian Center, $2,000.

Rev. Amos Johnson, Jr., the center's director, is employed through the American Baptist Home Mission Society, IFCO member organization. Another organization, the Black People's Unity Movement, holds meetings at the center. The Black People's Unity Movement has been involved in high school sit-ins, walk-outs, boycotts and general disruptive activities throughout the community. A confidential source states the Black People's Unity Movement is supposed to receive $57,000 from IFCO; however, no funds have been received as yet. Rev. Johnson is an officer of the Black People's Unity Movement.

Chester, Pennsylvania Home Improvement Project, $15,004.

This organization was subsidized by the United Fund, until the money was withdrawn, due to the political involvement of the project.

Garfield Organization, Chicago, Illinois, $20,000.

This organization is a militant, civil rights group. They were active in staging demonstrations against businesses, protesting the business' selling alleged over-priced and inferior products in the Negro community. Two officers of the organization, Frederick Andrews, the Executive Director, and Edward Crawford, the organizer, were arrested during the disturbance in Chicago, following the death of Martin Luther King, Jr. They were charged with arson, conspiracy to commit arson and burglary.

United Black Community Organizations, Cincinnati, Ohio, $44,000.

This is a coalition of Negro organizations similar to the Los Angeles Black Congress. The director, Harold Hunt, is described as "the militant of all militants." This organization applies pressure to the establishment demanding additional benefits in welfare and better housing.

East Central Area Council, Columbus, Ohio, $21,065.

This is an all-Negro organization. It has been involved in staging demonstrations against the establishment. It has demanded changes in school policy and has protested alleged police brutality.

Force, Dayton, Ohio, $26,000.

This organization has participated in demonstrations demanding increased benefits for welfare recipients.

California Migrant Ministry, $54,000.

This organization has involved itself in the labor dispute between the migrant farm workers and the established farm owners in California. It exerts pressure on the farmers in the grape industry, through boycotts, picketing and strikes. The NCC, IFCO, and the Council of Churches in Southern California have all endorsed the activities of the California Migrant Ministry.

City Wide Citizens' Action Committee, Detroit, Michigan, $85,000.

This is a militant organization, led by the Rev. Albert Cleage, Jr. The Rev. Cleage embraces the philosophy that "Negro communities should band together for mutual defense and store food stuffs to prepare themselves for the coming invasion of Negro communities by the whites." The Rev. Cleage sponsored a Black Power Convention at his church. Black Nationalists from throughout the United States, attended the convention, where initial plans for the Republic of New Africa (RNA) were discussed. Also discussed, was the question of opening discussions with the United States Government, for settlement of key questions and status under the Geneva Convention for black guerrillas that would swear allegiance to the new government.

West Central Organization, Detroit, Michigan, $7,000.

The West Central Organization is a coalition similar to the Los Angeles Black Congress. It is described as very militant and has applied pressure against the establishment, demanding better welfare rights and housing. The past director, Lorenzo Freeman, presently an IFCO employee, received his training from Saul Alinsky, a revolutionary radical.

Hope Development Incorporated, Houston, Texas, $90,000.

A militant organization, originally funded by a Federal grant. It was involved in fundraising activities which bordered on extortion. The method used was to mail letters to approximately five hundred local business owners. The letters solicited donations, explaining "the firms take funds from the black community; therefore, some of the funds should be returned for community work." The letter stated that Hope represented the black community; therefore, the funds should be returned to them. The businesses were assessed specific amounts from $25 to $500. In some instances, when donations were refused, the businesses were picketed. This matter was investigated by the McClellan Committee; however, no criminal charges were filed.

Community Improvement Alliance, Jersey City, N.J., $64,341.

This organization was sponsored and originally financed by the Jersey City Council of Churches. The Community Improvement Alliance and the Black Panther Party share the same headquarters. The Board of Trustees for the Community Improvement Alliance are:

David Bell who is also the finance officer for the Jersey City Black Panther Party.

Beatrice Waiss is also one of the most outspoken members of the Jersey City Congress of Racial Equality.

Robert Castle, Jr. has been directly, or indirectly, involved in every major demonstration involving militants and the police in Jersey City, since 1963. A confidential source states that Black Panther Party members are trained in guerilla warfare at Castle's farm. This farm is in his wife's name.

Joseph Cypress is active in the Black Panther Party and teaches the members Karate.

National Campaign for Political Education, Newark, N.J., $10,000.

No record of this organization could be located as being an incorporated organization.

Newark, New Jersey, Area Planning Association, $2,000.

This organization protested the erection of a medical and dental center, stating it was unfair to relocate approximately seven hundred families. Demands were also made on construction companies and labor unions to have one-half of the apprentice and one-third of the journeymen jobs on the medical center filled by non-whites. The director, Junius W. Williams, shared his residence in Newark, with Phillip Hutchings, who is a successor to H. Rap Brown, as the director of the Student Non-violent Coordinating Committee.

Liberty City Community Council, Miami, Florida, $5,000.

This is described as a quasi militant organization. The organization attempts to promote trouble or make an issue of police action in their area and they were active in the 1968 racial disturbances.

Farm Labor Organizing Committee, Ottawa, Ohio, $1,000.

This is the Ohio counterpart of the California Migrant Ministry. They work through the AFL–CIO and are attempting to organize migrant farm laborers.

Suburban Action Centers, Philadelphia, Pa., $19.000.

This organization stated its purpose was to "unracist the society." The organization opposed anti-riot legislation, calling it racist and repressive. This position appears to have caused dissention in the community, and according to the director, the organization has lost its effectiveness. He stated, "We learned that confrontation doesn't work without power."

Combat, Steubenville, Ohio, $16,100.

This is a Saul Alinsky-oriented organization. They participate in demonstrations and civil rights marches, demanding additional welfare benefits. They are aligned with two left-wing organizations, the Communist Action Training Center and the Young Socialist Alliance.

National Welfare Rights Organization, Washington, D.C., $106,212.

This is a nation-wide militant welfare organization. Their goals are additional welfare benefits and a guaranteed annual income. They participate in mass marches and civil rights demonstrations.

The following organizations have received grants from IFCO; however, information concerning their activities is not available at this time.

	Donation
Southwest Georgia Project, Albany, Ga	$5,000
Foundation for Community Development, Durham, N.C	189,742
Poor People's Corporation, Jackson, Miss	1,000
Deep South Education & Research Project, New Orleans	10,000
National Communications Network, N.Y	8,117
Afro-American Black People's Federation, Peoria, Ill	3,000
Virginia Community Development Organization, Richmond	2,000
Organization of Organizations, Syracuse, N.Y	5,000
Capital East Foundation, Washington, D.C	67,250

The total funds disbursed by IFCO, as covered in this report, amount to $885,831. Of this total, $584,722 were granted to organizations involved in militant, political or labor activities. The remaining $301,109 may have been used for the same purposes; however, no information is available concerning the activities of these organizations.

DIRECT FUNDING BY RELIGIOUS DENOMINATIONS

Religious denominations are funding militant organizations by direct grants. Information regarding this type of funding has been obtained on the Episcopal, Presbyterian and United Church of Christ denominations. These figures are not complete; however, they do show a trend where churches are funding organizations under the guise of "community organization" or "community development" projects.

THE EPISCOPALIAN CHURCH

This denomination convened at a general convention in Seattle, Washington, in the fall of 1967. The funding program that was approved involved funding for several militant organizations. Since 1967, the Episcopalian Church has given the following amounts to militant organizations:

	Donation
Inter-Religious Foundation For Community Organizations -- See IFCO for details.	$200,000
California Migrant Ministry------ See IFCO for details.	30,600
Afro-Mex Coalition	53,000

This is a coalition organization. The Negro portion is known as the Black Congress and the Mexican-American portion is known as the Accion De Bronze Colectiva. The Black Congress member organizations are as follows:

Black Panther Party, Los Angeles Area

The Black Panther Party in the Los Angeles area is a section of the Black Panther Party for Self Defense, whose National Headquarters is located in Berkeley, California. They are revolutionary, anti-white and anti-government. The Los Angeles Panthers have had several confrontations with law enforcement, including gun fights, resulting in serious injuries to policemen and death to Black Panthers. The leaders insist that violence is the only way to social and economic change for the black man. They advise their followers to arm and protect themselves against the police.

California Community Alert Patrol

This organization is similar to the original Community Alert Patrol. The director, Ganzia Washington, has been frequently observed at militant demonstrations. He has also been observed transporting Black Panthers to demonstrations. The California Community Alert Patrol is aligned with several militant organizations, including the Student Non-violent Coordinating Committee, the Black Panther Party and "US".

Congress of Racial Equality

This organization was a forerunner in staging militant demonstrations. It participated in some of the first sit-ins, lie-ins and shop-ins.

L.A. County Welfare Rights Organization

A militant organization that, on occasion, has demanded additional benefits for welfare recipients. Representatives from Los Angeles took part in the National Welfare Rights march in Washington, D.C. Representatives appeared before the L.A. County Board of Supervisors and demanded an increase in welfare benefits. They threatened to tie up the welfare bureau through court litigation, if their demands were not met.

Police Malpractice Complaint Center, Watts

This organization allegedly assists victims of police brutality. It advises the victims how to lodge a complaint. It is affiliated with the American Civil Liberties Union.

Slant—Self Leadership for All Nationalities Today

An alleged civil rights organization that appears to be a paper organization, with no membership other than the officers; however, two of the officers, Karl Von Key and James Doss are officers in Ron Karenga's organization, "US".

United Parents' Council

A militant organization involved in education disputes. The director, Mrs. Margaret Wright, has been involved in student unrest in the Los Angeles area. She alleges she is the Deputy Minister of Education for the Black Panther Party in the Los Angeles area.

Watt's Happening Coffee House

See Council of Churches in Southern California for details.

"US"

This is an all-Negro, anti-white, militant organization. The leader, Ron Karenga, embraces the philosophy that the Negro community will be invaded by the whites. Members of "US" have been arrested on numerous occasions for possession of firearms and lately, two members were arrested for the murder of two Black Panther Party officers killed on the U.C.L.A. campus.

There are additional organizations that are members of the Black Congress. These organizations are not necessarily militant; however, individual members have participated at various demonstrations and rallies sponsored by the Black Congress.

The Accion De Bronze Colectiva member organizations are: East Los Angeles Welfare Rights Organization, see L.A. Welfare Rights Organization for details; La Raza, a militant anti-establishment, anti-white, bi-lingual newspaper. The newspaper glorifies the activities of the Mexican-American militant organizations. The editor, Eli Risco, was indicted for his activity in the high school walkouts in East Los Angeles during March, 1968.

UMAS—United Mexican-American Students

A militant student organization with branches in colleges. They were active in the high school walk-outs in East Los Angeles, March, 1968.

MASA—Mexican-American Students Association

A militant student organization with branches on the college, high school and junior high school levels. They were active in the high school walk-outs in East Los Angeles, March, 1968.

MAPA, 40 A.D.—Mexican-American Political Association

This is a political organization. One of its members, Pat Sanchez, was indicted for his part in the East Los Angeles school walk-outs, March, 1968.

Inside-Eastside

A militant, bi-lingual newspaper that appears to be the student counterpart of La-Raza.

El Sereno Mothers' Club

A neighborhood P.T.A. type organization. The director, Mrs. Nell Sparks participated with other members in demonstrations on the grammar school and high school levels. Members were also present during the East Los Angeles high school walk-outs, March, 1968.

Police Malpractice Complaint Center, East Los Angeles

A militant organization that has initiated demonstrations and picketing, protesting alleged police brutality.

Brown Berets

A militant, Mexican-American youth organization. Several members, including the Prime Minister, DAVID SANCHEZ, were indicted for their part in the East Los Angeles high school walk-outs, March, 1968.

La Junta

A militant, Mexican-American youth organization. This group has recruited their members from East Los Angeles gangs. The director, Gilberto Cruz Olmeda, was indicted for his part in the East Los Angeles high school walk-outs, March, 1968. At that time, he was a member of the Brown Berets.

The remaining organizations that are part of the ABC are not necessarily militant; however, they too have participated in demonstrations and rallies.

East Side-Springfield Concerned Citizens, Florida, $27,500.

The stated goals of this organization is to exert influence on public opinion and officials' decisions on critical community issues.

Southwest Georgia Project, $50,000.

An organization established to help poor black people to gain a voice in political decisions, elect their own candidates, change social conditions and develop black-owned and black-operated businesses.

Urban training center, Chicago, $5,000.

A training center for the clergy. They convene a three-month workshop for black clergy and community organizers with instructions in community organization. Saul Alinsky is a featured speaker.

	Donation
Community improvement alliance, Jersey City	$8,080
See IFCO for details.	
Combat, Steubenville, Ohio	5,000
See IFCO for details.	

MIGRANT FARM WORKER PROJECT

This organization assists migrant workers to organize and improve wage rates and working conditions.

The remaining organizations have received funds; however, no information concerning their activities is available.

	Donation
Joint Strategy and Action Committee	$3,365
Northport Day Care Center, Alabama	21,600
Selma Inter-Religious Project, Alabama	3,500
United Council for Black Dignity, San Francisco	5,000
West Berkeley Ministry	3,000
Black United to Motivate Progress, Oakland	1,250
Coalition of American Indian Citizens, Colorado	6,000
SCLA, Washington, D.C.	5,000
St. Patrick's Episcopal Church, Washington, D.C.	1,000
Vine City Foundation, Georgia	30,000
Southern Rural Action Project, Georgia	8,000
Twilight Sewing Plant, Georgia	26,850
Black Radical Action Project, Indiana	2,360
American Indian Center, Iowa	28,945
Organization for Citizens Representation, Kansas	6,000
Wyandotte County Welfare Council, Kansas	8,600
West End Community Council, Kentucky	15,000
Diocese of Maryland Project	3,375
Community School Board, Boston	50,000
Community Assembly for a Unified Southend, Boston	10,000
Episcopal City Mission, Boston	4,000
East Side Voice for Independent Detroit	25,000
Woodward East Project, Detroit	33,000
People Against Racism, Detriot	7,000
Poor People's Corporation, Mississippi	2,000
Mid-City Community Congress, Missouri	6,000
Diocese of West Missouri Project	(1)
Puerto Rican Education Program, New Jersey	35,000
Build, Buffalo, New York	1,000
Reality House, New York	13,000
North East Area Development, Rochester, New York	6,500
East Harlem Housing Office, New York	10,000
Mount Vernon Community Parents, New York	25,000
Confederation of Action Groups of the Lower East Side, N.Y.	17,460
Board for Urban Ministry, New York	12,000
Cultural Arts Program, New York	5,000
The Real Great Society, New York	(1)
Harlem Commonwealth Council Inc., New York	(1)
Mantua Community Planners, Pennsylvania	16,260
National Council of Churches, Tennessee	5,000
St. Paul's School, Texas	12,000
The Panther's Den, Wisconsin	13,640

[1] Unknown.

UNITED CHURCH OF CHRIST—UCC

There appears to be an affiliation between the UCC and the NCC through joint membership of individuals in both organizations and the fact that UCC of Southern California is a member organization of NCC.

Rev. Truman Bartlett Douglass: Director, Board of Homeland Ministries, Inc. In 1968, Vice President for Division of Christian Life and Mission, a sub-division of the NCC. (Now Deceased).

Dr. Marjorie H. Likins: Minister, Christian Education, UCC, 1968. In 1964, she was a Council of Churches in Southern California representative to the NCC.

FUNDING

West End Community Council, Louisville: Episcopal, $5,000; UCC, $5,000.

The activities included formation of a federation of West End Parent-Teachers' Association, as an action group for the purpose of organizing welfare recipients. They also participated in a demonstration at the State Capitol.

West Side Residents Organization, Cleveland: UCC, $2,000.

This organization is directed by the Rev. Donald C. Armstrong, a graduate of the Community Organization course at the Urban Training Center in Chicago. This is a Saul Alinsky-oriented school.

Contact Point Ministry, Columbus: UCC, $6,000.

Advised by Rev. Donald P. Huey, a graduate of Urban Training Center in Chicago.

North Side Christian Ministry, Pittsburgh, UCC, $1,000.

Activities include picketing of real estate dealers who evicted slum tenants because they tried to protest sub-standard housing.

Lincoln Temple, UCC, Washington, $5,000.

This is a neighborhood community organization ministry involved in encouraging residents to organize around issues of lack of police service and consideration, poor educational opportunities and sub-standard housing.

During the last week in October, 1968, the General Board of the National Council of Churches sponsored "The United States Conference on Church and Society" in Detroit, Michigan, for the purpose of planning "strategies which can help direct economic and social development for full opportunity in a technological age." It grew out of the World Conference on Church and Society sponsored by the World Council of Churches July 12-26, 1966, in Geneva, Switzerland. (See Church League of America's complete report on this unbelievable leftist conference dominated by the Marxists from the Soviet Union and other countries which made the United States the culprit for most of the world's ills. News and Views, November 1966, "The World Council of Churches—Platform for Communist Propaganda.")

The General Board of the National Council of Churches, meeting in San Diego, California, the last week of February, 1968, voted "to receive the report of the U.S. Conference on Church and Society and refer it for study and *action* to the churches, to individual Christians and to the public.

"That the recommendations for actions contained in the report be referred to the appropriate unit within the National Council for *implementation* and/or recommendation.

"That the General Board create a Committee to receive the reports and recommendations from the units for presentation to the next meeting of the Board." Here are the charts used by the National Council of Churches' United States Conference on Church and Society. They are purely political and *economic* from beginning to end. They have nothing to do with the historic message and mission of the Christian Church to preach the Gospel of our Lord and Savior Jesus Christ to the uttermost parts of the earth and to win individual souls to Him and unto Everlasting Life.

Here, again, is indisputable proof that the National Council of Churches is a left-liberal political organization, seeking to influence government policies on the domestic and international scenes, while masquerading behind the facade of religion.

It is time for the Internal Revenue Service to take a hard look at this leftist political action organization, masquerading behind the facade of religion, which takes in $25 million in tax-deductible funds annually and spends it to destroy the churches and the country.

It is past time for the members of the constituent denominations of the NCC to cut off the funds and to withdraw their membership from an unholy yoke.

SEC. I.—ALTERNATIVE USES OF U.S. POWER IN DEVELOPING COUNTRIES

Issue	Goal	Objectives	Approximate objectives	Targets	Tactics	Resources	Agents
1. China	Develop closer relations with China and her people.	Change U.S. policy re China; seat China in U.N.; develop closer social and economic relations with China; halt arms race.	Rescind Trading With Enemy Act; permit travel and free flow of information. Support principle of self-determination; open diplomatic relations with China; strengthen training of missionaries.	Mission boards, missionaries, seminaries, churchmen.	Create China task force; recall or retire missionaries who cannot adjust; establish travel to Asia committee; establish Christian news center.	Missionaries; priority for peace program of NCC.	NCC/DIA and cognate units in denominations.
2 Latin-American military policy.	Self-determination of all people in Latin America.	Change U.S. Latin American military policy; recognize Cuba; halt arms sale	Dismantle LA military bases, keep nuclear weapons out of LA, stop both military and paramilitary intervention in LA. Educate constituencies, dialog with decisionmakers; take direct action.	Constituencies; decision-makers.	Pronouncements by church agencies, educational programs; picketing and demonstrations; establish criteria for church investment, support nonviolent groups working for change.	----------	NCC.
3 Latin-American economic policy.	To aid Latin American economic development.	Change corporation policies; change government policies, support anti-status-quo movements.	Form group of corporation executives dedicated to change; establish research, education, and action agency focused on Latin American economic matters; evaluate structures and programs of churches re LA. Confront businessmen with issues of Latin American development.	Business leaders; government; churches.	Educational programs, mass media; supply funds to groups working for change, appoint minister-at-large to corporations, develop corporate pressure groups.	----------	NCC; denominations.
4. Economic development in Africa.	To understand aspirations of underdeveloped countries; to achieve more self-determination of economic and political policies.	Change corporation policies; involve church in development.	Deploy church personnel to development situations; consultation to reexamine mission in redevelopment issues; to invest church funds in under-developed countries.	Industry, banks, commercial establishments, Government.	Dialog, consultations, educational programs, confrontation between "have" institutions and spokesmen for "have-nots."	----------	NCC; local churches.
5. World hunger	Immediate alleviation of hunger; develop self-sufficiency in food production; change present U.S. foreign policy.	Direct shipment of food to crisis areas; develop nutrition-education; mother-care and family planning; investment of church funds in underdeveloped countries.	Educate church people; arrange nationwide conferences; encourage investment of private capital; establish goals for nonmilitary foreign assistance; provide Cabinet status for Director of International Assistance; war on hunger planks in party platform.	Church people; technically competent laymen.	Churches invest their funds in development; urge private investments in developing economies; hold consultations; develop educational programs.	----------	NCC; denominations.
6. Southern Africa	Independence for southern Africa	To secure a definite statement by U.S. Government re economic policy; develop dialog between groups and nations as equals; influence American corporations doing business in southern Africa.	Seek enforcement of Rhodesia sanctions; defense and aid for detainees; increase cooperation with other groups.	Clergy; Christians	Dialog; provide information	----------	
7. Vietnam	Deescalate U.S. military action, realine diplomatic action; redirect U.S. political action; develop opening for international initiative.	Secure more accurate information for American public; support conscientious dissent; evaluate military chaplaincy; develop political action through churches; bring economic pressure; increase voluntary services to alleviate suffering; and promote development; take direct action to oppose escalation.	Develop adequate informational plans; appeal to mass media for adequate and unprejudicial coverage; establish counselling and protective services for resisters; secure adequate planks in platforms; hold new round Senate hearings; establish ecumenical service centers; remove church investments from war industries; work for volunteer rather than conscript army.	Mass media; church leaders; churches; pastors; individuals; Government officials.	Letter writing, educational programs (seminars, teams, etc.). Use mass media; raise defense and support funds; put pressure on government; cooperate with other groups working for same ends; boycotts, picket war plants; issue public statements; declare "no business" day of protest if there is escalation.	Other groups dealing with same issue.	NCC Vietnam office; executive committee of general board; churches at all levels.
8. Middle East	Resettle refugees; reduce fear and mistrust; develop channels for political settlement; economic development of the Middle East.	Develop support for UNRWA; prevent United States-U.S.S.R. power struggle in area; understand human and theological problems in area.	Marshall world opinion through WCC; educate U.S. citizens in problems; establish NCC channels of influence; support for movements for social change; reduce shipment of arms to area.	Government; mass media	NCC assign staff for info-gathering; send NCC delegation to U.S. Government offices; use mass media and religious press.	UNRWA; WCC	NCC; World Council of Churches.

SEC. 1.—ALTERNATIVE USES OF U.S. POWER IN DEVELOPING COUNTRIES—Continued

Issue	Goal	Objectives	Approximate objectives	Targets	Tactics	Resources	Agents
9. United States, Europe, Russia, and developing nations.	Major powers develop structures of cooperation for world development.	Interpret economic and political responsibility for development and secure Christian participation; educate corporate executives to responsibility. International decision-making processes of private agencies; ecumenize church resources.	Change religious education curricula; influence public school curricula; influence congressional action; increase Christian participation in government agencies; invest church funds in development. Ecumenical decision on funds and personnel.	Church people		Church magazines; department of education for mission; National Education Association.	Department of Churchmen Overseas. Department of International Affairs, of NCC.
10. International relations education.	Better understanding of: Foreign policy; other cultures; relationship between faith and its expression in life. Recruit and train specialists in this field.	Have people act in the area of international affairs; develop educational programs at each level of church life; establish major programs of world affairs education through the DCE of the NCC; create better coverage of international affairs in universities and mass media.	Develop skills; secure institutional commitments; develop and expand lay academies; research and experiment with new curricula; develop specialists, cadres, leadership elites, pressure groups; develop new curricula; help persons analyze situations and facts.	Public; churchmen; government.	Use mass media; develop cadres, develop leadership elites; apply pressure on churches; experiment and innovate; devise new curricula; enlarge exchange programs.		NCC, DIA, and DCE; local churches.

SEC. II.—REDISTRIBUTION OF POWER AND OPPORTUNITY FOR SOCIAL AND ECONOMIC BETTERMENT IN THE UNITED STATES

Issue	Goal	Objectives	Approximate objectives	Targets	Tactics	Resources	Agents
1. Power	To understand and use power; to distribute power more equitably.	Develop a theology of power; have more minority group members in church executive positions.	Reserve a proportion of executive positions for minority group persons; develop skill bank; establish permanent machinery for emergency educational opportunities.	Church leaders and members; advisory panel Negro Employment; NCC member denominations.	Theological reflection; disciplined group action; infiltration of power structures; confrontation.	Churches economic, investment, and employment powers; small committed groups within local churches.	NCC and member denominations; NCC staff and committees.
2. Income distribution	To achieve a guaranteed annual income for all people.		Support and develop organizations of the poor; change investment and employment practices of churches.	Middle class Christians; ecclesiastical bureaucracies.	Education; organize broadly based coalitions.		Churches.
3. Education	To develop educational systems to permit full partcipation with power in a democratic society.	Guarantee that schools serve all children fully and equally; modify present school structures; create parallel educational structures; reallocate financial and personnel resources of the churches.	Modify tax policies; change school planning policies; establish demonstration centers; establish freedom schools.	Churches, their agencies and councils; educators and the educational establishment; white churches.	Establish listening posts, gather information rally support, infiltrate organizations, establish community organizations; raise funds, educational programs, political action; donate church buildings; hire professional consultants.	Funds and personnel in church organization now deployed for other activities (25 percent); Interreligious Foundation for Community Organization.	Division of Christian Education; Division of Christian Unity; Department of Educational Development. Den. Boards of Christian Education. Local churches and Community groups; white churches.
4. Mass media			Develop research center on effect of media on social change; conduct experiment to increase audience impact on programing; develop encounter between church and media professionals.				
5. Violence	To understand violence in society and to develop alternatives to its use.	Expose violence in society wherever it is expressed; combat the use of violence in maintaining status quo and preserving privilege.	Study relation between racism and violence; mobilize church resources to stand with oppressed in times of physical violence.	White groups that mobilize to protect privilege; the privileged class.	Revise social action guidelines, mobilize legal services, "one-time" newspapers.		Churches, social action groups: NCC denominations.
6. Community organization.	To bring the powerless into greater participation in decisions of society.	Recruit and train community organizers; refashion church structures.	Reorder priorities of DCLM; Bring pressure on church leadership for change; Establish "gadfly committees"; develop educational programs on powerlessness.	DCLM, denominations; social action groups, local churches.	Support IFCO; pressure from conference delegates on church leadership.	Interreligious Foundation for Community Organization.	Division of Christian Life and Mission; denominations; social action groups.
7. Economic development and manpower.	To develop means by which economic well-being of all is guaranteed.	Secure a guaranteed annual income for all people; expand service occupations in society; attract business and jobs into the ghetto and minority communities.	Secure subsidies for businesses in ghettoes; establish interdenominational research commission; establish coalition to influence Congress; have church investment and pension funds used for above purposes; declare moratorium on church building.	Legislators; top executives and officials; corporation policymakers; investment committees.	Public statements, information gathering, study, and discussion; support project equality; examine church employment practices; demonstration projects.	Economic Development Corp. of NCNC.	Churches and community organizations.

8. Legislation	To use legislative processes for social and economic change.	Transfer decisional power to those affected by decisions; involve the churches more actively and relevantly in legislative processes at national and regional levels.	Free church staff to participate in legislative activity; divert money from building to people; develop and support community organization; develop effective educational programs; coordinate denominational and interdenominational activity.	Legislators at national, regional, and local levels; church staff personnel.	Redeploy staff and funds; train personnel in effective legislative action techniques, coordinate legislative activities; determine priorities; communication among those working on similar issues.	NCC Washington office; denominational offices.	NCC general board; regional and national denominational agencies.
9. Corporate structures	To redirect the power of corporate structures to serve the well-being of all persons.	Have corporations use their power responsibly; involve a broader range of people in corporate decisionmaking process.	Curb excesses in use of power; create parallel corporate structures in poor communities; secure government regulation; stimulate internal reform.	Leaders of corporations		Industrial missions; metropolitan associations; community organizations; specialized ministries.	
10. Urban crisis (A special group).	To combat racism in American society.	Develop education and action programs; support community organizations; establish educational structures; redirect church investments; use church buildings more adequately.	Develop task forces; have hearing before DCLM; have den. structures implement these tactics; develop legislative programs.	Residents of suburbs; ghetto residents; DCLM; corporation executives; denominational leadership.	Use unused church buildings; educational programs; community organizations; redirect church investments; hearing at DCLM program board.	DCLM staff; IFCO	DCLM; denominations; social education and action groups.

SEC. III.—DEVELOPMENT OF POLITICAL AND SOCIAL INSTITUTIONS TO COPE WITH RAPID TECHNICAL CHANGES

Issue	Goal	Objectives	Approximate objectives	Targets	Tactics	Resources	Agents
1. Politics of research	To involve the church and individual Christians in decisions required by research into the future.	To discover implications of present actions; to develop responses in interest of humanity; mobilize expert laymen.	Develop new operational style for Church—experimental; develop groups as catalysts; develop continuing committees on politics of research in church.		Bring pressure for funding; develop political pressure; personal contacts.		
2. Privacy, pressure and political processes.	To guarantee the privacy of individuals in the light of technological invaders of privacy.	Develop theological and philosophical definitions of "right to privacy"; develop legal controls on use of privacy invading equipment.					
3. Manipulation of the mind.	To build the ethical and legal grounds under which devices for controlling the mind can be developed and used.	Develop strategies of information, interpretation and action; develop strategies related to mass media (sociocultural manipulation).	Develop boards of review; pass necessary legislation, create awareness among public of potentials and dangers; support continued research on effects; change public attitudes toward addicts.	Public; church	Research study; educate; form committees; working groups of concerned people.	Academy of Religion and Mental Health; Society for the Scientific Study of Religion.	
4. Life-and-death issues.	Build ethical and legal systems to deal with issues raised by scientific research on birth, life, health and death.	Develop a pool of technical expertise within church; learn to work in a world which doesn't share church's values; encourage responsible use of freedom; correct imbalance of resources spent on death and life; find new definitions of problems and issues.			Study, research, training dialog; minority report; use investments; use buildings for health and education; pay community for social services; dialog between professionals and laymen.		Local churches.
5. Leisure and job flexibility.	To help persons adjust to the demands of leisure and job flexibility.	Allocate resources to alleviate human ills; have portion of leisure time channeled to public service; channel resources for public resources and facilities; church work for financial security of low-income groups.	Develop community participation in political processes; establish centers of continuing study; change role of minister and laity in fulfilling ministry.	Christians	Examine church publications and curriculums; work for curriculum changes; establish dialog groups.		Christian education boards; "Religious community".
6. Technology and the human psyche.	To examine ways human psyche is affected by technology.	Achieve a free and open edutional system; expand the Christian concern for the mass media; involve recipients of institutional services in decisions affecting those services.	Create climate for innovation; reeducate teachers; establish experimental learning centers; hold consultation among theologians and mass media experts; train people to participate in decisionmaking process of institutions (bureaucracies).	Churchmen			

SEC. III.—DEVELOPMENT OF POLITICAL AND SOCIAL INSTITUTIONS TO COPE WITH RAPID TECHNICAL CHANGES—Continued

Issue	Goal	Objectives	Approximate objectives	Targets	Tactics	Resources	Agents
7. Changing cultural values and norms.	----------	Develop and use a method for constructing and reconstructing values in a changing technological society.	Change religious education curriculums; create ecumenical channels; establish national clearinghouse; train ministers; establish policy-planning centers; form vocational and professional groups.	----------	Alter curriculums; hold conferences regionally and locally.	----------	NCC and member churches; local churches.
8. Technology's impact on natural environment.	To have men exercise responsible dominion over both earth and technology.	----------	Develop broad basis for participation in decisionmaking; church support for various measures; inform public about stewardship of natural resources.	----------	Develop information and exchange systems; use secular means.	----------	NCC department of stewardship; church at various levels.
9. Military uses of technology.	Develop international control of military technology utilize military technology for world peace.	Develop means of combating military uses of technology; church involvement in combating militarism; reorient American priorities; internationalize ocean floor.	Establish NCC task force; build prototype global military safety system; oppose military research and develop alternative research possibilities; develop education and communication programs to develop support and action.	Government, laymen, college administrators and students; denominational leadership.	Hold war prevention games; develop war prevention center; hold convocations; study relationship between military research and campus policies; develop dialog, support action programs; speakers bureau.	----------	NCC; NCC department of higher education; campus groups; local churches.
10. Planning for beauty, space, and livability.	To involve churchmen in the struggle to create an environment which will be more livable.	Establish new church structures at local, metropolitan, and national levels; develop ecumenical strategies of both study and action.	Develop effective community organization; develop ecumenical parishes; review current boundaries, funding and planning processes; develop comprehensive strategies; national churches provide coordination, support and training; establish interfaith urban affairs center.	Denominational and council leadership.	Deploy church staff to neighborhoods; organize cadres; develop interdisciplinary advisory groups; develop educational programs.	Urban training center; American Institute of Planners.	Local churches; metropolitan councils of churches; national church agencies.

A NEW ALARM: THE SUBMARINE GAP

(Mr. HALL asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

Mr. HALL. Mr. Speaker, as a member of the Committee on Armed Services, it has become painfully clear to me, that our Navy, the greatest in the world, is in danger of falling behind.

Since World War II, the Soviet Union has built a submarine fleet approaching 400 vessels, 65 of which are reportedly nuclear powered.

If the United States is to continue its dominance of the high seas, a necessity as a simple deterrent in these days of potential nuclear war, we must give special attention to the strengthening of our undersea fleet.

Francis Vivian Drake, writing for the Reader's Digest, has set down a most enlightening article on the posture of our submarine fleet as compared to that of Russia's.

I include this article in the CONGRESSIONAL RECORD, at this point, so that others may also be enlightened:

A NEW ALARM: THE SUBMARINE GAP

(By Francis Vivian Drake)

An astonishing statement was recently made before the U.S. Senate Armed Services Committee, investigating our ability to counter the threat posed by Russia's enormous buildup in nuclear weapons. Vice-Adm. Hyman G. Rickover, father of the atomic submarine, was asked which he would rather have under his command, the Soviet submarine force or our own. Without hesitation he replied: "The Soviet!" He added: "I would rather have that force, as it exists and is programmed, than ours as it exists and is programmed."

This blunt answer, coming from a man aware of every detail of what he was talking about, shocked the committee. It came at a time when our entire land-based intercontinental ballistic missile system is becoming vulnerable as never before to the big new Russian SS-9 "Scarp" missile (which can carry several 20-megaton bombs—*each 1000 times as powerful as the Hiroshima bomb*). It also highlights a fact long shielded behind secret testimony: that while the atomic sub is assuming a pre-eminent role in deterring nuclear attack, and while the Russians are working at top speed to overtake our submarine strength, our own missile sub production has been halted. The last one we built, the *Will Rogers*, was launched in 1966. Since then, although it takes at least five years from the date of authorizing to build one, no more have been put into production.

Full-scale research on the Fast Submarine and the Quiet Submarine, two projected types of the utmost importance in the years ahead, was held up for years. Also, the planned size of the attack submarine fleet, whose function is to protect our missile subs and guard our shores, was limited by the civilian defense bureaucracy to far below the number requested by the Chief of Naval Operations, the Joint Chiefs of Staff, the U.S. Senate and House committees. As a result, the impending submarine gap is so serious that the Committee of Atomic Energy calls the outlook "frightening."

FROM THE BLACK DEPTHS

Once this nation was safe behind the barriers of its oceans. Then, with the coming of the atomic age, defense emphasis shifted from the sea to our land mass, with ICBMs entrenched in what seemed to be impregnable concrete silos. Today, all this is changing. The whereabouts of every ICBM silo is known, and the Russians can pretarget their huge new missiles on them. Faced with this threat, our military strategists are turning their thoughts back to the sea—not to its blue surface, but to the black depths in which modern nuclear submarines (each as large as a World War II cruiser) can operate at high speed, armed with long-range atomic missiles which can strike any target in the world.

The military advantages are great:

Dispersion. The United States, with only 43 percent of the land area of the Soviet Union, is crammed with cities, roads, and means of observation by spies. The sea, in contrast, covers 71 percent of the world's surface. In it, nuclear submarines can cruise over 400 miles a day, anywhere, any time, and remain undetected—*except by other nuclear submarines.* They can speed faster than most surface ships, remain submerged for months at a time, and yet be navigated with such accuracy that each missile is always trained on its assigned target.

Deception. All missiles discharged from the United States would have to enter the Soviet Union from one main direction, through what is known as the Threat Tube. The Tube is 33 degrees wide, or about nine percent of the Soviet defense perimeter. This shrinks the area to be defended, and the Russians are already building anti-ballistic missiles (ABMs) with which to frustrate an attack. But our nuclear missile subs can fire from the Atlantic, Pacific or Indian oceans, even from the open waters between the North Pole and the Soviet Union. Thus Russia would be forced to maintain a 360-degree defense.

Invulnerability. No surface detection device yet invented is able to pierce the depths used by nuclear submarines. Even a missile with a warhead designed to explode beneath the surface would be unlikely to knock one out, for a submarine is constantly changing course. The "reflecting layers" of the deep ocean throw off even the best sonar, and a vessel directly above a nuclear submarine might not know it was there.

Time. In nuclear war, literally every minute would be crucial. Our search radar has the capacity to detect hostile ICBMs only about 20 minutes before they would reach the United States. During this time the "blips" would have to be confirmed, and precious minutes would be spent in communications. The President's tremendous decision—whether to give a command which would mean death for millions of people and the destruction of a large part of the civilized world—would thus have to be taken in a very few minutes. But U.S. nuclear submarines, cruising thousands of miles nearer to the attacker than our land bases, and consequently with shorter flight time for their missiles, would give the President a longer time to think and confer before reacting.

Vulnerable Silos. Russia has overtaken us in number of land-based installations. The United States has 1054 land-based missiles, nearly all Minutemen, and no program for increasing the total. Today the Russians have more than 1000 ICBMs, and military experts believe they will have 1500 by next year. Moreover, the Soviets' new Scarp missile (they already have 200) can carry two tons 5600 miles. Dr. John S. Foster, director of research and development for the Department of Defense, says that if we were hit by say 500 Scarps, each with three warheads, fewer than 100 of our Minutemen would survive. And these, being targeted through the Threat Tube where they could be picked up by Russian ABMs, would not have great deterrent power.

We are not about to abandon our multi-billion-dollar land-based deterrent. There are steps we can take to increase its security. We can fit our own missiles with multiple warheads. We can try to shield our silos from the electronic storm of a big nuclear blast which might blow every fuse for miles around and render a missile useless. We can strengthen our silos against blast, and defend them with point-defense missiles designed to explode an attacking missile high in the air. All these things we are doing. However, at the same time we have to recognize the way the scales have tipped between land and sea, and *use* the great areas of the sea to provide us with a safe mix of deterrent power.

BASE OFF OUR SHORES

Today we still have a slim lead in nuclear submarines, but the gap is closing rapidly. We now have 41 missile submarines, each carrying 16 single-bomb Polaris missiles. And 31 of these boats are being equipped with the larger Poseidon missile which can carry up to ten nuclear bombs in one warhead. The 41 nuclear subs may sound an awesome total, but at any one time 16 of them have to come off station to take on supplies, change crews and be serviced. That leaves only 25 on sea patrol, but in case of premeditated attack many of them could be shadowed beforehand by a hostile sub and some might be lost.

Many Naval experts believe that these 25 subs are not enough to provide a reliable balance of deterrence. Although between them they carry 400 missiles, that is equivalent to only 40 percent of our land-based retaliatory strength. Another 12 boats would raise it to 60 percent.

To guard our missile subs, to protect our shores against hostile submarine marauders, and to escort surface ships all over the world, the Navy now has 39 nuclear attack submarines, plus 30 more being completed. These have equipment designed to sink adversaries at long range, and are the *only* vessels reliably able to intercept and destroy similar deep-diving submarines.

In keeping hostile subs at bay, under constant surveillance, our attack subs are already engaged in a secret, unending cold war. Every submarine makes a distinctive sound "signature"—a combination of the noise of propellers, turbines, reduction gears and the mass of machinery within the hull. Our attack subs listen for the sounds and, aided by a complex network, some of it on the ocean floor, shadow Soviet craft.

The undersea threat is already great. A few years ago communist efforts to emplace missile batteries on Cuba brought us to the edge of war. Yet today much deadlier bases are cruising up and down our shores; all our cities are within easy range, including Chicago, Kansas City and Denver.

The Navy contends that a total of 69 attack submarines will not be enough to keep hostile subs at bay and discharge all the other vital tasks assigned to them. At least 25 will be unavailable on any given day, leaving only 44 to patrol the seven seas. The Navy has repeatedly requested a total of 105 nuclear attack subs, or 36 more than the program calls for.

AT THE CROSSROADS

Quick to grasp the enormous possibilities of nuclear submarines, the Russians are working all-out to surpass us. They already have 320 diesel-driven subs, to our 66. We have 80 nuclear subs, missile and attack, in commission; they have 65 of both types and are building more. By 1970, says Admiral Rickover, "the Russians will have more nuclear submarines than the United States." The Senate Preparedness Committee has announced that "the Soviets now possess the largest and most modern shipyards in the world, in fact exceeding the capacity of the rest of the world," and it is estimated that they can turn out at least one submarine a month

We are thus at the crossroads between successful deterrence and the possibility, at the worst, of a disastrous war and, at the least, of blackmail. The Joint Committee on Atomic Energy fears that "unless major improvements are made, the United States may find itself unable to counter the increasing Soviet submarine threat." It is urgent that the repeated recommendations of the Joint Chiefs of Staff and the Armed Services committees of the House and Senate be acted on in at least five respects:

1. Immediate reassessment of the needed size of our nuclear missile submarine fleet, with notice taken of the increasing vulnerability of our land-based system. To repeat, we have *no* missile subs building.

2. Revision of the Johnson Administration's limit of 69 nuclear attack subs, to a new total of 105, with retirement of our old and slow diesel boats.

3. Top priority for development of the Fast Submarine, forerunner of future subs, by providing a major increase in the nuclear power plant. Last year, a Soviet nuclear sub intercepted our mightiest carrier, the *Enterprise*, in mid-Pacific. The *Enterprise* increased speed from 22 knots to 24, and then to 26 (30 m.p.h.) but the Soviet sub kept up. Only when the big ship wound up to 30 knots did the Russian fall behind. The incident showed that the Russians are already well on the road to increased submarine speeds.

4. Equal priority for the Quiet Submarine. Present nuclear subs are driven by steam, generated by the nuclear reactor, passing through a train of turbines with reduction gears between. The greater the speed, the more gear noise. (The plan is to substitute electric drive, and special propellers designed to reduce noise.) The implications are enormous, in the desperate hide-and-seek carried out deep in the sea.

5. Approval of starting work on the projected ULMS—Undersea Long Range Missile System—already approved by the Armed Services committees of both House and Senate. This project contemplates design of submarines able to carry missiles of extreme range, at high speed, at a low operating cost and with increased prospects of survivability. Special systems would reduce in-port time; the longer-range missiles would shorten the distance the subs would have to travel to reach station, and thus increase on-station availability. In short, we should get much more deterrence for our money.

In their pursuit of world domination, the Russians have already realized that the sea is the coming area of decision, and that nuclear submarines are the most powerful weapons in it. As long ago as 1964 the Russians brazenly called for the destruction of our submarine missiles as the first step toward disarmament.

Time presses. Submarines take a long time to build. Our current plan of "Production Zero" can place us in a position of peril from which no sudden appropriation of money, no last-minute afterthoughts, no wishful thinking could bring escape.

TWO U.S. LEGISLATORS CALLED "AGITATORS" BY SOUTH AFRICA

(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, 2 days ago on August 4, I shared with the House my hope that the South African cabinet would reconsider its decision to grant Congressman OGDEN REID a visa only on the condition that he make no speeches during his planned visit to South Africa. I deeply regret, however that it has reaffirmed its decision, denying the gentleman from New York the right to address the Annual Day of Affirmation of Academic and Human Freedom ceremony of the National Union of South African Students, the purpose for which he had been invited to South Africa.

Not only is this a personal affront to Mr. REID, but, even more important, it is a devastating attack on the principles of freedom and mutual understanding to which all men of good will are devoted.

I was particularly disturbed by the charges levied against my colleagues, Mr. REID and Mr. DIGGS, by Radio South Africa. I am including these in my remarks here, and know my colleagues in the House will understand my distress and concern:

[From the Baltimore (Md.) Sun, Aug. 5, 1969]

TWO U.S. LEGISLATORS CALLED "AGITATORS" BY SOUTH AFRICA

JOHANNESBURG, August 4—Radio South Africa attacked two members of the United States House of Representatives tonight, charging that they are "agitators, not impartial observers."

The government radio defended the Foreign Ministry's decision to grant conditional visas to Representatives Charles C. Diggs, Jr. (D., Mich.), and Ogden R. Reid (R., N.Y.).

RESTRICTIONS PLANNED

Hilgard Muller, the foreign minister, announced Friday that the legislators' visa applications will be granted if they promise not to interfere in South Africa's domestic affairs or make public speeches during their visits.

Mr. Diggs, a Negro, is chairman of the House subcommittee on Africa. Mr. Reid was

invited by the anti-government National Union of South African Students to address Witwatersrand University in Johannesburg on academic freedom.

Describing Mr. Diggs and Mr. Reid as "well known for their anti-South African outlooks," the radio said: "The conditions under which the visas have been granted them impose no limitations that could possibly hinder genuinely interested visitors.

DEBARRED FROM MEDDLING

"They are simply debarred from meddling in the country's internal politics, whether this be by liaison with subversive elements or by taking part in [the student union's] campaign against university apartheid [racial segregation].

"In imposing these conditions South Africa has shown the world without any ambiguity that she has nothing to hide. Even our declared enemies are accepted and are welcome to come and see how we are trying to solve problems to which nobody else has yet put forward better solutions."

The radio said Mr. Diggs and Mr. Reid have been "forced to show their cards, and these are the cards of agitators, not impartial observers.

"An unfortunate backlash from the episode could be that it would be used to pressurize the Nixon administration into turning away from a more relaxed relationship with the republic [of South Africa]. This would be what one would expect of Mr. Reid and Mr. Diggs."

There are no Members of this body more responsible, more genuinely interested, and more aware of the need for increased understanding between the peoples of the two nations. There are none more concerned with human rights and the rule of law. The reaction of Radio South Africa can only reflect a repudiation of these principles and a further step toward isolation from the world community. I can but hope that those in South Africa who invited Congressman REID will maintain their courage and their commitment.

Congressman REID has felt compelled to cancel his trip to South Africa under these conditions, but I am heartened by his determination, in the face of this adversity, to persevere in his commitment to the cause of human rights and human dignity. I am honored to share with his colleagues his thoughtful statement, issued this morning:

REID DENIED SOUTH AFRICAN VISA

I have been informed that the South African cabinet, at a meeting Tuesday attended by the Prime Minister, reaffirmed that my visa to visit that country would be granted only on the condition that I make no speeches.

That decision is unacceptable to me as a Member of Congress and a former newspaperman, and I have, regretfully, cancelled plans to go to South Africa. I had deeply hoped to be able to visit South Africa and to meet with South Africans from every sector of society and to call on members of the government if their schedules permitted. It is a cause for genuine regret and sadness that, at a time when our world grows smaller, any nation should act to restrict communication between peoples.

It appears that the South African government is determined that the walls of state repression should increasingly close in on all South Africans, including some 27,000 members of the National Union of South African Students. NUSAS' continuing commitment to oppose apartheid and the serious erosion of the rule of law in South Africa through an Annual Day of Affirmation of Academic and Human Freedom can only excite the admiration of Americans generally.

The students represent much of the hope of South Africa. They should know that their courage does not go unnoticed and that their commitment will be joined by the solemn resolve of all on this planet who know that mankind cannot be free if any man's rights are denied.

It should also be a source of pride to and a cause for support by newspapermen throughout the world that their colleagues in South Africa are continuing to report the news and run forthright editorials irrespective of the consequences of a lengthening list of restrictive and stifling laws curbing a free press.

I am grateful to our government for having made clear from the outset and at the highest levels in Washington and Pretoria that the refusal of unconditional visas would have an effect on relations between our two countries and could signal to the world further South African withdrawal into isolation. The United States has imposed no restrictions on South African MP's visiting this country, and our government has made plain that this decision can only generate considerable and unfavorable public comment across the United States.

For my part, my determination is stronger than ever to help those opposed to apartheid and concerned that all human beings are equal in dignity and rights, and I intend to release the Affirmation Day speech scheduled for August 18th on that date.

LET US HAVE ACTION IN THE SUBWAY CRISIS

(Mr. HARSHA asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HARSHA. Mr. Speaker, in December 1968, this Congress imposed a legal mandate upon the District of Columbia Government to accomplish a specified highway program. Except by words—both written and spoken—this mandate has been deliberately ignored. In addition to bringing ridicule upon this Congress, a transportation crisis of monstrous proportions has been created. This failure to comply by the District of Columbia government smacks of irrationality.

Practitioners of demagoguery have led some members of the District Council to ignore the truth from a fear born out of threat and intimidation. The truth is that not only is the subway needed, but certain highways within this city are also required. This joint use of subway and highways is an essential to this city's economic health. Without both, this city will strangle. Further, and most important, this requirement is known and accepted by most of the District's citizens.

All that needs to be said and written on this subject has been said, resaid, written, rewritten, discussed and rediscussed. Congress, the District Council and the public have enjoyed endless debate and argument through all the media. There are no new and startling revelations to come forth on this topic. Enough is enough. Let us have some action. Let us recognize the needs. Let the work begin.

Unless this transportation program of highways and subways is initiated now in this our Federal City, the result will be a giant step backward into utter confusion instead of forward to modern transportation.

COMMISSION ON POPULATION AND THE AMERICAN FUTURE

(Mr. BUSH asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BUSH. Mr. Speaker, today I cosponsored bill H.R. 13337 with 24 other colleagues. This bill is a result of the President's request for Congress to establish a Commisison on Population and the American Future.

This Commission will allow the leadership of this country to properly establish criteria which can be the basis for a national policy on population. Only a formal body with congressional recognition can properly execute this task. This task also includes providing to all levels of government in the United States and to our people, information and education regarding the broad range of problems associated with population growth and their implications for America's future. The Commission will create the public awareness that these problems deserve. The success of future legislation to create and ensure an environment of quality strongly depends on an acute public awareness of the problems propogated by our present population growth rate.

I would like to point out that this Commission is not charged with the responsibility of recommending legislative action. It is not just another study group. The duties of the Commision are well defined in this bill. They are centered on the foreseeable social consequences of the population growth in the United States. Such a high level inquiry with such broad purposes can provide us with a clear picture of what directions our society is taking toward a more meaningful life for all our citizens. Future legislation that involves urban affairs, transportation, conservation, agriculture, health, education and welfare could be much more meaningful as a result of having the information that this Commission will produce.

As a result of the many hearings held by the Republican Research Committee on Earth Resources and Population, of which I am chairman, I feel the urgency of this problem of population growth with intrinsic intensity.

Mr. Speaker, I would like H.R. No. 13337 printed in the RECORD at this point:

H.R. 13337

A bill to establish a Commission on Population Growth and the American Future

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Commission on Population Growth and the American Future is hereby established to conduct and sponsor such studies and research and make such recommendations as may be necessary to provide information and education to all levels of government in the United States, and to our people, regarding a broad range of problems associated with population growth and their implications for America's future.

MEMBERSHIP OF COMMISSION

SEC. 2. (a) The Commission on Population Growth and the American Future (hereinafter referred to as the "Commission") shall be composed of:

(1) two Members of the Senate who shall be members of different political parties and who shall be appointed by the President of the Senate;

(2) two Members of the House of Representatives who shall be members of different political parties and who shall be appointed by the Speaker of the House of Representatives; and

(3) not to exceed twenty members appointed by the President.

(b) The President shall designate one of the members to serve as Chairman and one to serve as Vice Chairman of the Commission.

(c) The majority of the members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

COMPENSATION OF MEMBERS OF THE COMMISSION

SEC. 3. (a) Members of the Commission who are officers or full-time employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(b) Members of the Commission who are not officers or full-time employees of the United States shall each receive $150 per diem when engaged in the actual performance of duties vested in the Commission.

(c) All members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5 of the United States Code for persons in the Government service employed intermittently.

DUTIES OF THE COMMISSION

SEC. 4. The Commission shall conduct an inquiry into the following aspects of population growth in the United States and its foreseeable social consequences:

(a) the probable course of population growth, internal migration, and related demographic developments between now and the year 2000;

(b) the resources in the public sector of the economy that will be required to deal with the anticipated growth in population; and

(c) the ways in which population growth may affect the activities of Federal, State, and local government.

STAFF OF THE COMMISSION

SEC. 5. (a) The Commission shall appoint an Executive Director and such other personnel as the Commission deems necessary without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service and shall fix the compensation of such personnel without regard to the provisions of chapter 51 and subtitle II of chapter 53 of such title relating to classification and General Schedule pay rates: *Provided*, That no personnel so appointed shall receive compensation in excess of the rate authorized for GS–18 by section 5332 of such title.

(b) The Executive Director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed $150 per diem.

(c) The Commission is authorized to enter into contracts with public agencies, private firms, institutions, and individuals for the conduct of research and surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

GOVERNMENT AGENCY COOPERATION

SEC. 6. The Commission is authorized to request from any Federal department or agency any information and assistance it deems necessary to carry out its functions; and each such department or agency is authorized to cooperate with the Commission and, to the extent permitted by law, to furnish such information and assistance to the Commission upon request made by the Chairman or any other member when acting as Chairman.

ADMINISTRATIVE SERVICES

SEC. 7. The General Services Administration shall provide administrative services for the Commission on a reimbursable basis.

REPORTS OF COMMISSION; TERMINATION

SEC. 8. The Commission shall submit an interim report to the President and the Congress one year after it is established and shall submit its final report two years after the enactment of this Act. The Commission shall cease to exist sixty days after the date of the submission of its final report.

AUTHORIZATION OF APPROPRIATIONS

SEC. 9. There are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions of this Act.

PRESIDENT NIXON'S TRIP ABROAD

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

Mr. BUSH. Mr. Speaker, in reflecting on President Nixon's trip abroad, it seems just to say that he has registered a significant success. Throughout his journey, he displayed a vigorous confidence and conviction in the ideals and ideas he transmitted to world leaders.

In scope and purpose, the trip has contributed immeasurably toward broadening the base of world peace.

With the safe touchdown of the monumental Apollo 11 mission, the President initiated this most important tour. With a most expansive and overwhelmingly favorable response from almost 1 million Rumanians, he concluded his trip. The spirit of both events was universal in impact on the world community.

In Asia, the President outlined the program we must pursue to insure a lasting peace and eliminate the possibility of future Vietnams. The steps he spelled out will undoubtedly be of benefit in our immediate and long-range efforts to effect the necessary lasting peace in Southeast Asia. While asserting a clear U.S. stance against aggression, he assured our allies of our conviction in peace and progress for that area of the world.

In keeping with the theme of his administration, Mr. Nixon's trip augured well for his intent to bring people together. Indeed, he has taken the positive role of bringing nations closer together.

It was a long day's journey in the quest of peace. It was one that will be long remembered and recounted by all proud Americans.

WHAT IS NEWSWORTHY—TRADITIONS AND PRECEDENTS OF THE HOUSE OF REPRESENTATIVES

(Mr. TALCOTT asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. TALCOTT. Mr. Speaker, what I have to say now will not be widely reported—but to give a better perspective to the reporting about the Congress I must say it.

Last Thursday in a special order, I talked about some of the traditions and precedents of the House of Representatives particularly relating to decorum. Anyone hearing or reading my comments would have quickly understood that I have great respect for the House, its rules, precedents, and Members. I said repeatedly that most Members comply with the rules and traditions and that new Members were anxious to learn of the precedents, traditions, and rules so that they could comply.

Apparently a wire service reported that the main thrust of my remarks were critical of the dress or personal grooming of Members. It was not. I did not mention grooming—for which there is, of course, no rule, precedent, or tradition. I mentioned several precedents relating to attire very briefly—five out of 88 paragraphs.

A number of reporters, photographers, and radio newscasters contacted me for a story. Each encouraged me to say something critical or demeaning about the House or its Members. When they discovered I had nothing critical to say and only praise for the great traditions and precedents of the House and respect for the Members they decided there was no story.

This tells me a good deal about reports relating to the House. Criticism of the House will get you headlines; compliments or credit for the House are not considered newsworthy.

The people of our Nation quickly hear and read the criticisms but seldom hear or read complimentary reports about the House of Representatives.

Each reporter called me for a story—leading me to believe, at first, that what I had to say was newsworthy. I soon discovered that if I would criticize the House, its leadership, or its Members—that was newsworthy; but if I intended to commend the House or applaud its conduct—that was not newsworthy.

All readers and listeners ought to know this criterion of the various news media for selecting news relating to the House.

MONEY FOR SAFEGUARD

(Mr. LOWENSTEIN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. LOWENSTEIN. Mr. Speaker, today the other body begins voting on the proposed deployment of the Safeguard missiles. Coincidentally, perhaps, we awoke this morning to read in some headlines that the House had yesterday voted some $2.5 million that can be used for beginning the deployment of some Safeguard components. The distinguished and knowledgeable chairman of the House Armed Services Committee, the honorable MENDEL RIVERS of South Carolina, was not aware until the very last moment that this money was included in the omnibus military construction bill that he steered so skillfully through the House yesterday. Chairman RIVERS is a man of his word, and, as the House recalls, he explained the situation in which he found himself in the straightforward and courteous fashion that those who know him here have come to expect from him.

This $2.5 million that one finds in this morning's headlines, then, slipped

through the House, without serious debate, amidst some parliamentary confusion, in a cloudy situation, marked by differing assurances from various distinguished Members, both about the reasons for the belated discovery of the inclusion of this particular $2.5 million, and about the import of a vote for the bill containing it. We shall have to live with these headlines, and no one will ever be sure if it was in fact accident or the brainstorm of some rising public relations expert in the Pentagon that produced a situation so unfair to Chairman RIVERS and his committee and to the House itself, and so fortuitous for those who may have thought that headlines about a vote here might influence the outcome of the voting today in the Senate.

In any event, that substantial part of the American public that has come to the conclusion that the proposed deployment of Safeguard would drain our resources needlessly, and would in fact weaken our national security, will expect—whatever precisely did happen here yesterday and whatever happens in the opening skirmishes in the Senate today—that the decision about so vital a question will not be made by indirection, by stealth, by fortuity, by threat, or in confusion.

So I want to salute the chairman of the Armed Services Committee for his fairness in explaining his dilemma yesterday. And I want to serve notice that despite this morning's headlines, the battle over the deployment of Safeguard has not yet begun in this House. I do not for a moment believe that the American people—as they come increasingly to understand the facts of the situation, and what is at stake in this decision—will accept quietly a new and suffocating burden of wasteful expenditures any more than they have proved to be willing to accept quietly the continuation of the inequities so long regarded as unchangeable in the Federal tax structure.

COMMENDING REPRESENTATIVE WILBUR D. MILLS FOR HIS STATEMENT ON TEXTILE IMPORTS

(Mr. ST GERMAIN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ST GERMAIN. Mr. Speaker, on July 28 Representative WILBUR D. MILLS spoke emphatically and forcefully on the subject of textile imports. It was an opportune time for strong words from the chairman of the House Committee on Ways and Means. I commend him for his statement, and I know that the American textile industry took his remarks as a sign of welcome hope while it looked ahead into an otherwise darkening future.

Yes, the textile import picture is gloomy indeed. Imports exceeded 3¼ billion square yards last year, piling up a trade deficit of $1.1 billion. These figures alone are ominous, but the accelerating trend is the most worrisome part of all. Imports have more than tripled since 1961.

Take imports from Taiwan. Manmade fiber textile manufactures from Taiwan totaled $7 million in 1966. This jumped to $15 million in 1967—then up to $36 million in 1968—and imports for 1969 are conservatively estimated at $65 million.

Imports on manmade fiber textiles from all foreign countries are running about 30 percent ahead of last year; and last year's pace exceeded the year before by 50 percent. Is this an orderly expansion of trade we are witnessing? More properly, it can be called an all-out attack on our domestic industry. No wonder that capital investment in the textile industry was down 30 percent last year from its 1966 level.

The initiation of discussions with Japan by Secretary of Commerce Maurice H. Stans must be regarded as a crucial matter. Japan exports over a billion yards of cloth a year to this country and takes none of our cloth in return. Japanese manufacturers are reportedly constructing textile plants in Taiwan, Thailand, Korea, and Indonesia. With over a third of all imported textiles and an even higher percentage of manmade blends coming from Japanese controlled companies, an agreement with Japan is essential. There is good reason to believe that other countries would follow suit if control arrangements were reached with Japan.

Can anyone seriously say that we should have no import restrictions out of consideration for the needs of developing countries? Japan is no second-rate industrial nation. In the free world, it is second only to the United States in its gross national product, and has the highest growth rate of any nation. Just imagine—the Japanese Government is scheduling a 12-percent annual growth rate for the years ahead. Let us stop subsidizing that incredibly expanding economy at the expense of our own textile industry.

It is high time we decided to act out of consideration for the needs of our own people. The Labor Department estimates that 100,000 textile jobs a year will be lost if the current import trend continues. There are 27,000 textile workers in Rhode Island. This does not even include the supervisory positions—just the workers. Nor does it include textile related industry such as companies that make equipment for textile mills. Of those 27,000 workers, 80 percent to 85 percent are in my district. I am concerned about their jobs and intend to do everything in my power to make sure that they still have them 5 or 10 or 25 years from now.

The discussions with Japan which Secretary Stans has initiated, as I said, must be regarded as a crucial matter. Either we get voluntary controls or Congress must pass a quota system. That is what the situation calls for; that is what Chairman MILLS promised in no uncertain terms; and that is the set of alternatives Japan should contemplate.

Again, I commend Mr. MILLS for the firm position which he has taken on this matter, to his honor and to the hope of the rest of us who have the welfare of the textile industry at heart.

POLITICAL CHECKS PROPOSED FOR REGULATORY AGENCY HEADS

(Mr. NELSEN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. NELSEN. Mr. Speaker, I am today introducing legislation which I believe will help erase the shadowy figure of politics from the doorsteps of Federal regulatory agencies.

This measure is sponsored in the Senate by Senator GEORGE MURPHY, of California, with whom I had the pleasure of serving as a member of the Commission on Political Activity of Government Personnel during the 90th Congress. The Commission, you may recall, invesitgated and made recommendations concerning the Hatch Act and other Federal restrictions on the political activity of Federal employees.

Briefly, the bill being introduced today would prohibit political activity or campaigning by members of major Federal regulatory agencies and the Civil Service Commission. It would do so by amending sections 7323, 7324, and 7325 of title 5, United States Code.

Mr. Speaker, Federal regulatory agencies exercise vast powers on behalf of the American public. They oversee the licensing and operations of privately run industries in which the public interest is also vested, such as the broadcast industry, the power industry and so forth. No taint of politics can be permitted to touch these quasi-judicial bodies, which are intended to function with strictest impartiality and devotion to the public interest.

At the present time, however, the top political appointees of these agencies are not subject to the same restraints on their political activity as are lesser Federal employees in these agencies. While there is no present indication of political impropriety, this matter is nonetheless an oversight that should be corrected by law.

Therefore, this measure would put political activity and campaigning off limits to the following Federal units: The Atomic Energy Commission, the Board of Governors of the Federal Reserve System, the Civil Aeronautics Board, the Civil Service Commission, the Federal Communications Commission, the Federal Home Loan Bank Board, the Federal Maritime Commission, the Federal Power Commission, the Federal Trade Commission, the Interstate Commerce Commission, the National Labor Relations Board, and the Securities and Exchange Commission.

It would also broaden the range of penalties that could be imposed for violations, to be enforced by the Civil Service Commission except where violations involve a Civil Service Commissioner. In latter cases, the Justice Department would act as the enforcement agency.

Mr. Speaker, I have long been active in the fight to curb improper political conduct within the Federal Establishment and to improve the Federal merit system for employees. The proposal offered today is a step toward these goals.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. VANIK for 15 minutes, today, to

revise and extend his remarks and include extraneous matter.

Mr. HECHLER of West Virginia, for 15 minutes, today, to revise and extend his remarks and include extraneous matter.

Mr. STEIGER of Wisconsin (at the request of Mr. WIGGINS), for 45 minutes today to revise and extend his remarks and include extraneous matter.

Mr. MILLER of California, for 1 hour, on Monday, August 11, 1969, to revise and extend his remarks and include extraneous matter.

(The following Members (at the request of Mr. GAYDOS), to revise and extend their remarks and include extraneous matter:)

Mr. FARBSTEIN, for 20 minutes, today.

Mr. GONZALEZ, for 10 minutes, today.

Mr. FALLON, for 15 minutes, today.

EXTENSIONS OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. HALL and to include extraneous matter.

Mr. GRAY in two instances and to include extraneous matter.

Mr. GROSS, to revise and extend his remarks made during reservation of objection to request of Mr. PERKINS today.

Mr. HARSHA, to revise and extend remarks made in colloquy with the gentleman from Kentucky (Mr. PERKINS).

Mr. MILLS, to include tables, charts, extraneous matter, two committee amendments to be offered to H.R. 13270 tomorrow, and an explanation of the two amendments with his remarks made today in the Committee of the Whole.

(The following Members (at the request of Mr. WIGGINS) and to include extraneous matter:)

Mr. CRAMER.
Mr. WYATT.
Mr. ASHBROOK.
Mr. ARENDS.
Mr. BROCK.
Mr. COLLIER in four instances.
Mr. HOGAN in two instances.
Mr. STEIGER of Wisconsin.
Mr. WYMAN in two instances.
Mr. HOSMER in two instances.
Mr. MICHEL.
Mr. NELSEN.
Mr. REIFEL.
Mr. BYRNES of Wisconsin.
Mr. BOW.
Mr. FINDLEY.
Mr. UTT.
Mr. COUGHLIN.
Mrs. MAY.
Mr. WIGGINS.
Mr. HUNT.

Mr. FULTON of Pennsylvania in three instances.

(The following Members (at the request of Mr. GAYDOS) and to include extraneous matter:)

Mrs. CHISHOLM.
Mr. BARING.

Mr. BOLAND in two instances.

Mr. RODINO in two instances.

Mr. TEAGUE of Texas in eight instances.

Mr. BROWN of California in four instances.

Mr. GONZALEZ in two instances.

Mr. RARICK in three instances.

Mr. PICKLE.
Mr. MURPHY of New York.
Mr. LONG of Maryland.
Mr. LOWENSTEIN in eight instances.
Mr. HUNGATE in two instances.
Mr. MATSUNAGA in two instances.

Mr. JOHNSON of California in four instances.

Mr. THOMPSON of New Jersey in two instances.

Mr. HANNA in two instances.
Mr. MIKVA in two instances.
Mr. OTTINGER.
Mr. SLACK in three instances.
Mr. ANDERSON of California.
Mr. RIVERS in two instances.
Mr. TUNNEY in two instances.
Mr. HOWARD.
Mr. OBEY in eight instances.
Mr. PODELL.
Mr. FRASER.

ENROLLED BILLS SIGNED

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 1632. An act for the relief of Romeo de la Torre Sanano and his sister, Julieta de la Torre Sanano; and

H.R. 2336. An act for the relief of Adela Kaczmarski.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 714. An act to designate the Ventana Wilderness, Los Padres National Forest, in the State of California.

ADJOURNMENT

Mr. GAYDOS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 2 minutes p.m.), under its previous order, the House adjourned until tomorrow, Thursday, August 7, 1969, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1030. A letter from the Secretary of Labor, transmitting a draft of proposed legislation to provide a comprehensive program for assuring safe and healthful working conditions for working men and women by creating a National Occupational Safety and Health Board to be appointed by the President for the purpose of setting mandatory safety and health standards; by authorizing enforcement of the standards developed under the act; by assisting and encouraging the States in their efforts to assure safe and healthful working conditions; by providing for research, information, education, and training in the field of occupational safety and health; and for other purposes; to the Committee on Education and Labor.

1031. A letter from the Comptroller General of the United States, transmitting a report on the cessation of unauthorized payments of proficiency pay and variable reenlistment bonuses to candidates in officer training programs, Department of Defense; to the Committee on Government Operations.

1032. A letter from the Executive Director, Federal Communications Commission, transmitting a report on the backlog of pending applications and hearing cases in the Federal Communications Commission as of June 30, 1969, pursuant to the provisions of section 5(e) of the Communications Act, as amended; to the Committee on Interstate and Foreign Commerce.

1033. A letter from the Chairman, Federal Power Commission, transmitting a copy of the publication, "Hydroelectric Plant Construction Cost and Annual Production Expenses, 1966–67"; to the Committee on Interstate and Foreign Commerce.

1034. A letter from the Administrator of Veterans' Affairs, transmitting a draft of proposed legislation to amend section 902 of title 38, United States Code, to eliminate certain duplications in Federal benefits now payable for the same, or similar, purpose; to the Committee on Veterans' Affairs.

1035. A letter from the Administrator of Veterans' Affairs, transmitting a draft of proposed legislation to repeal the savings provision of Public Law 90–493 protecting veterans entitled to disability compensation for arrested tuberculosis; to the Committee on Veterans' Affairs.

1036. A letter from the Administrator of Veterans' Affairs, transmitting a draft of proposed legislation to include railroad retirement benefits as income of veterans for Veterans' Administration pension; to the Committee on Veterans' Affairs.

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. HAYS: Committee on House Administration. House Resolution 508. Resolution providing funds for the Select Committee on the House Restaurant (Rept. No. 91–428). Ordered to be printed.

Mr. DAWSON: Committee on Government Operations. Report on Federal involvement in construction in hazardous geologic areas (seventh report) (Rept. No. 91–429). Referred to the Committee of the Whole House on the State of the Union.

Mr. RIVERS: Committee on Armed Services: H.R. 10420. A bill to permit certain real property in the State of Maryland to be used for public purposes generally; with amendment (Rept. No. 91–451). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. SANDMAN: Committee on the Judiciary. S. 267. An act for the relief of Lt. Col. Samuel J. Cole, U.S. Army (retired); with amendment (Rept. No. 91–430). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary: S. 499. An act for the relief of Ludger J. Cossette; with amendment (Rept. No. 91–431). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary: S. 620. An act for the relief of Richard Vigil (Rept. No. 91–432). Referred to the Committee of the Whole House.

Mr. DONOHUE: Committee on the Judici-

ary. S. 632. An act for the relief of Raymond C. Melvin; with amendment (Rept. No. 91–433). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. S. 882. An act for the relief of Capt. William O. Hanle (Rept. No. 91–434). Referred to the Committee of the Whole House.

Mr. SMITH of New York: Committee on the Judiciary. House Resolution 498. Resolution to refer the bill (H.R. 4498) entitled "A bill for the relief of Branka Mardessich and Sonia S. Silvani" to the Chief Commissioner of the Court of Claims pursuant to sections 1492 and 2509 of title 28, United States Code (Rept. No. 91–435). Referred to the Committee of the Whole House.

Mr. FLOWERS: Committee on the Judiciary. H.R. 2260. A bill to confer jurisdiction on the U.S. District Court for the Western District of Wisconsin to hear, determine, and render judgment on the claim of Emma Zimmerli against the United States; with amendment (Rept. No. 91–436). Referred to the Committee of the Whole House.

Mr. SANDMAN: Committee on the Judiciary. H.R. 2407. A bill for the relief of Elbert C. Moore; with amendment (Rept. No. 91–437). Referred to the Committee of the Whole House.

Mr. FLOWERS: Committee on the Judiciary. H.R. 2458. A bill for the relief of Frank J. Enright (Rept. No. 91–438). Referred to the Committee of the Whole House.

Mr. SANDMAN: Committee on the Judiciary. H.R. 2477. A bill for the relief of John N. Green, U.S. Navy (Rept. No. 91–439). Referred to the Committee of the Whole House.

Mr. RAILSBACK: Committee on the Judiciary. H.R. 2963. A bill for the relief of Mrs. Barbara K. Diamond (Rept. No. 91–440). Referred to the Committee of the Whole House.

Mr. RAILSBACK: H.R. 4634. A bill for the relief of Lawrence Brink and Violet Nitschke. (Rept. No. 91–441). Referred to the Committee of the Whole House.

Mr. SMITH of New York: Committee on the Judiciary. H.R. 5000. A bill for the relief of Pedro Irizarry Guido (Rept. No. 91–442). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. H.R. 7567. A bill for the relief of Bert N. Adams and Emma Adams; with amendment (Rept. No. 91–443). Referred to the Committee of the Whole House.

Mr. SMITH of New York: Committee on the Judiciary. H.R. 10356. A bill for the Relief of Mrs. Iris O. Hicks (Rept. No. 91–444). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. H.R. 11060. A bill for the relief of Victor L. Ashley; with amendment (Rept. No. 91–445). Referred to the Committee of the Whole House.

Mr. RAILSBACK: Committee on the Judiciary. H.R. 11503. A bill for the relief of Wylo Pleasant, doing business as Pleasant Western Lumber Co. (now known as Pleasant's Logging & Milling, Inc.) (Rept. No. 91–446). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. H.R. 11500. A bill for the relief of Mr. and Mrs. John F. Fuentes without amendment (Rept. No. 91–447). Referred to the Committee of the Whole House.

Mr. SMITH of New York: Committee on the Judiciary. H.R. 12089. A bill for the relief of Rose Minutillo. (Rept. No. 91–448). Referred to the Committee of the Whole House.

Mr. SMITH of New York: Committee on the Judiciary. H.R. 11890. A bill for the relief of T. Sgt. Peter Elias Gianutsos, U.S. Air Force (retired); with amendment (Rept. No. 91–449). Referred to the Committee of the Whole House.

Mr. SANDMAN: Committee on the Judiciary. H.R. 11968. A bill for the relief of Maj. Louis A. Deering, U.S. Army; with amendment (Rept. No. 91–450). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ADAMS (for himself, Mr. BINGHAM, Mr. BLANTON, Mr. BUTTON, Mr. CULVER, Mr. CUNNINGHAM, Mr. DINGELL, Mr. ECKHARDT, Mr. FRIEDEL, Mr. HOWARD, Mr. MIKVA, Mr. MOLLOHAN, Mr. MOORHEAD, Mr. MOSS, Mr. RONAN, Mr. TIERNAN, Mr. VAN DEERLIN, and Mr. VIGORITO):

H.R. 13352. A bill to provide for the modernization of railroad passenger equipment in order to meet the needs of the commerce of the United States, of the postal service, and of the national defense, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. ROTH:

H.R. 13353. A bill to establish a system of general support grants to State and local governments, to allow partial Federal income tax credit for State and local income tax payments, to authorize Federal collection of State income taxes, to enlarge the Federal estate tax credit for State death tax payments, and to permit States or local taxing authorities to tax property located in Federal areas; to the Committee on Ways and Means.

By Mr. ADDABBO:

H.R. 13354. A bill to provide more efficient and convenient passport services to citizens of the United States of America; to the Committee on Foreign Affairs.

By Mr. ANDERSON of California (for himself, Mr. BROWN of California, Mr. EDWARDS of California, Mr. HANNA, Mr. HASTINGS, Mr. OLSEN, Mr. POLLOCK, Mr. REUSS, Mr. SNYDER, Mr. WHITEHURST, and Mr. WYATT):

H.R. 13355. A bill to provide for public disclosure by Members of the House of Representatives, Members of the U.S. Senate, justices and judges of the U.S. courts, and policymaking officials of the executive branch as designated by the Civil Service Commission, but including the President, Vice President, and Cabinet members; and by candidates for the House of Representatives and the Senate, the Presidency, and the Vice-Presidency; and to give the House Committee on Standards of Official Conduct, the Senate Select Committee on Standards and Conduct, the Director of the Administrative Office of the U.S. Courts, and the Attorney General of the United States appropriate jurisdiction; to the Committee on the Judiciary.

By Mr. BROWN of Michigan:

H.R. 13356. A bill to equalize the retired pay of members of the uniformed services retired prior to June 1, 1958, whose retired pay is computed on laws enacted on or after October 1, 1949; to the Committee on Armed Services.

By Mr. COLLIER:

H.R. 13357. 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. CRAMER (for himself, Mr. HARSHA, Mr. SCHWENGEL, Mr. DENNEY, Mr. SNYDER, Mr. ZION, Mr. DUNCAN, Mr. GROVER, Mr. CLEVELAND, Mr. HAMMERSCHMIDT, Mr. MCDONALD of Michigan, Mr. MCEWEN, Mr. MILLER of Ohio, Mr. SCHADEBERG, Mr. WYMAN, Mr. STEIGER of Wisconsin, Mr. THOMSON of Wisconsin, Mr. ROBISON, Mr. BRAY, Mr. ESCH, Mr. RUPPE, Mr. SMITH of New York, Mr. CORBETT, Mr. STAFFORD, and Mr. QUILLEN):

H.R. 13358. A bill to amend the Federal Water Pollution Control Act, as amended, to provide adequate financial assistance and to increase the allotment to certain States of construction grants funds; to the Committee on Public Works.

By Mr. DELLENBACK (for himself, Mr. HANSEN of Idaho, and Mr. RUTH):

H.R. 13359. A bill to provide for educational assistance for gifted and talented children; to the Committee on Education and Labor.

By Mr. DINGELL:

H.R. 13360. A bill to establish wildlife, fish, and game conservation and rehabilitation programs on certain lands under the jurisdiction of the Department of the Interior, the Department of Agriculture, the Atomic Energy Commission, and the National Aeronautics and Space Administration, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. FULTON of Tennessee:

H.R. 13361. A bill to assist small business and persons engaged in small business by allowing a deduction, for Federal income tax purposes, for additional investment in depreciable assets, inventory, and accounts receivable; to the Committee on Ways and Means.

By Mr. GUDE:

H.R. 13362. 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. MESKILL:

H.R. 13363. A bill to provide more efficient and convenient passport services to citizens of the United States of America; to the Committee on Foreign Affairs.

By Mr. NELSEN:

H.R. 13364. A bill to place additional restrictions on the political activities of members and commissioners of certain Federal agencies; to the Committee on House Administration.

By Mr. O'NEAL of Georgia:

H.R. 13365. 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. OTTINGER:

H.R. 13366. A bill to provide for the modernization of railroad passenger equipment in order to meet the needs of the commerce of the United States, of the postal service, and of the national defense, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. PODELL:

H.R. 13367. A bill to provide more efficient and convenient passport services to the citizens of the United States of America; to the Committee on Foreign Affairs.

By Mr. RODINO:

H.R. 13368. A bill to provide for the issuance of a special postage stamp to recognize the independence of the Baltic Republics of Lithuania, Latvia, and Estonia; to the Committee on Post Office and Civil Service.

By Mr. TEAGUE of Texas:

H.R. 13369. A bill to extend for 2 additional years the authority to set interest rates necessary to meet the mortgage market for guaranteed and insured home loans to veterans under title 38 of the United States Code, and for other loans; to the Committee on Veterans' Affairs.

By Mr. VANIK:

H.R. 13370. A bill to amend the act of August 13, 1946, relating to Federal participation in the cost of protecting the shores of the United States, its territories, and possessions, to include privately owned property; to the Committee on Public Works.

By Mr. WHITEHURST:

H.R. 13371. A bill to require the Secretary of the Interior to make a comprehensive study of the polar bear, seal, walrus, and cetaceans for the purpose of developing ade-

quate conservation measures; to the Committee on Merchant Marine and Fisheries.

H.R. 13372. A bill to require that certain salacious advertisements not otherwise barred from the mails be mailed by registered mail at first-class mail rates, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. AYRES (for himself, Mr. GERALD R. FORD, Mr. ESCH, and Mr. STEIGER of Wisconsin):

H.R. 13373. A bill to provide a comprehensive program for assuring safe and healthful working conditions for working men and women by creating a National Occupational Safety and Health Board to be appointed by the President for the purpose of setting mandatory safety and health standards; by authorizing enforcement of the standards developed under the act; by assisting and encouraging the States in their efforts to assure safe and healthful working conditions; by providing for research, information, education, and training in the field of occupational safety and health; and for other purposes; to the Committee on Education and Labor.

By Mr. DON H. CLAUSEN (for himself, Mr. MCKNEALLY, Mr. HARVEY, Mr. ADAIR, Mr. HASTINGS, Mr. WYDLER, Mr. WILLIAMS, Mr. CONABLE, Mr. KING, Mr. MARTIN, Mr. BEALL of Maryland, Mr. CHAMBERLAIN, Mr. BIESTER, Mr. JOHNSON of Pennsylvania, Mr. CEDERBERG, Mr. MESKILL, Mr. BLACKBURN, Mr. WEICKER, Mr. MYERS, Mr. COUGHLIN, Mr. CUNNINGHAM, Mr. HORTON, and Mr. MORSE):

H.R. 13374. A bill to amend the Federal Water Pollution Control Act, as amended, to provide adequate financial assistance and to increase the allotment to certain States of construction grant funds; to the Committee on Public Works.

By Mr. GALLAGHER:

H.R. 13375. A bill to provide for the establishment of a national cemetery within the Manassas National Battlefield Park, Va.; to the Committee on Interior and Insular Affairs.

H.R. 13376. A bill to provide that Interstate Route No. 80 shall be known as the 80th Division Memorial Highway; to the Committee on Public Works.

By Mr. GONZALEZ:

H.R. 13377. A bill to provide for the modernization of railroad passenger equipment in order to meet the needs of the commerce of the United States, of the postal service, and of the national defense, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. HOWARD:

H.R. 13378. A bill to repeal a portion of the act of July 15, 1968, relating to entrance, admission, and recreation user fees in connection with the national parks and other Federal areas; to the Committee on Interior and Insular Affairs.

By Mr. LOWENSTEIN (for himself, Mr. STEIGER of Wisconsin, Mr. ADDABBO, Mrs. CHISHOLM, Mr. CLAY, Mr. CONYERS, Mr. COWGER, Mr. EDWARDS of California, Mr. FINDLEY, Mr. HALPERN, Mr. LUKENS, Mr. REES, Mr. RYAN, Mr. TAFT, and Mr. UDALL):

H.R. 13379. A bill to supply manpower needs of the Armed Forces of the United States through a voluntary system of enlistments, to further improve, upgrade, and strengthen the Armed Forces, and for other purposes; to the Committee on Rules.

By Mr. TUNNEY:

H.R. 13380. A bill to authorize the U.S. Commissioner of Education to make grants to elementary and secondary schools and other educational institutions for the conduct of special educational programs and activities concerning the use of drugs, and for other related educational purposes; to the Committee on Education and Labor.

By Mr. ADDABBO (for himself, Mr. BIAGGI, Mr. DELANEY, Mr. DULSKI, Mr. FARBSTEIN, Mr. GILBERT, Mr. HALPERN, Mr. MCKNEALLY, Mr. POWELL, Mr. WOLFF, and Mr. WYDLER):

H. Con. Res. 314. Concurrent resolution expressing the sense of Congress relating to films and broadcasts which defame, stereotype, ridicule, demean, or degrade ethnic, racial, and religious groups; to the Committee on Interstate and Foreign Commerce.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BIAGGI:

H.R. 13381. A bill for the relief of Marguerita R. deBarrera and Carlos Barrera; to the Committee on the Judiciary.

By Mr. FLYNT:

H.R. 13382. A bill for the relief of Albert G. Harris, Jr.; to the Committee on the Judiciary.

By Mr. GUDE:

H.R. 13383. A bill for the relief of Mrs. Marcella Coslovich Fabretto; to the Committee on the Judiciary.

By Mr. MCKNEALLY:

H.R. 13384. A bill for the relief of Tommaso Prestigiacomo; to the Committee on the Judiciary.

By Mr. TUNNEY:

H.R. 13385. A bill for the relief of Marilyn Lund; to the Committee on the Judiciary.

By Mr. YATRON:

H.R. 13386. A bill for the relief of the estate of Edwin G. Griffith; 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:

205. By the SPEAKER: Petition of Earle Ray Esgate, Gibson, Ga., relative to redress of grievances; to the Committee on the Judiciary.

206. Also, petition of Clarence Mertion, Sr., Washington, D.C., relative to redress of grievances; to the Committee on the Judiciary.

EXTENSIONS OF REMARKS

AFTER APOLLO, WHAT NEXT IN SPACE?

HON. OLIN E. TEAGUE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 6, 1969

Mr. TEAGUE of Texas. Mr. Speaker, Lt. Gen. Ira C. Eaker, U.S. Air Force, retired, has written a thoughtful and interesting discussion of the future of our national space program. Because of General Eaker's outstanding background in this area, I am including this article in the RECORD for the benefit of my colleagues and the general public:

AFTER APOLLO, WHAT NEXT IN SPACE?

(By Ira C. Eaker)

The great success of the Apollo 11 mission has provided many answers in space but it has also raised some questions which the decision makers in Washington must soon answer.

The critics who for the past seven years have carped, "Why go to the moon?" now have their answer. There can no longer be any doubt that the lunar program will be worth its cost many times over.

Those who were certain that there was no necessity to put men on the moon, instrumented probes could do as well, also have been discredited completely. Compare the world-wide propaganda differential between Russia's Luna 15 and U.S. Apollo 11 which arrived at the moon the same weeek.

It is now clear also that man in space can do many useful things which unmanned satellites cannot accomplish. For example, Apollo 11 would have crashed on the moon's surface as did Luna 15, had not Neil Armstrong taken over from the computerized controls and piloted it to a safe landing area.

Some have expressed surprise that the Russians made little apparent effort to win the moon race. Their resources like ours are not unlimited. They chose instead to put their major effort into space weapons development. This also accounts for the fact that they have repeatedly refused our overtures for joint space programs. So long as their space effort is militarily oriented there is no prospect for cooperative ventures in space between the U.S. and the USSR. Their leaders will never consider admitting our scientists to their laboratories and test centers.

The question now of major concern in the space program is what follows the Apollo series. Some space enthusiasts want at once to head for Mars. The manned exploration of Mars has not been fully cost estimated but it will be several times the $24 billions spent on the whole Apollo program.

One thing is certain, it would be national folly to abandon space after Apollo or to discontinue space effort for a few years and use the funds thus saved for welfare programs, as some now advocate.

If the tremendous NASA facilities are closed and the great scientific teams are disbanded, even for a year, they can never be reopened or reassembled at present momentum and efficiency.

There is a sound space program which can follow Apollo and at a cost the U.S. can afford.

First, we must find out more about what man can profitably do in space. This calls for a space station in which men live and work for a time, returning to earth at intervals and being replaced by fresh crews.

The NASA space station must include some experiments in defense capability, formerly programed for the Air Force MOL (Manned Orbital Laboratory), now cancelled. This will help to determine what the USSR has learned in its military space effort, reveal their capability and suggest how to deal with it.

Next, NASA must continue experiments in development of rocket engines of much greater thrust, including nuclear power for space vessels. Research studies on manned probes of Mars can be continued without hardware procurement.

Unmanned satellite development for communications and weather, which have been continuing programs, overshadowed by Apollo, must also be continued.