By Mr. FRASER:

H.J. Res. 1018. Joint resolution proposing an amendment to the Constitution of the United States relative to equal rights for men and women; to the Committee on the Judiciary.

By Mr. ROSENTHAL:

H.J. Res. 1019. Joint resolution proposing an amendment to the Constitution of the United States to grant to citizens of the United States who have attained the age of 18 the right to vote; to the Committee on the Judiciary.

By Mr. HELSTOSKI:

H. Con. Res. 458. Concurrent resolution to express the sense of Congress against the persecution of persons by Soviet Russia because of their religion; to the Committee on Foreign Affairs.

By Mr. STEIGER of Wisconsin:

H. Con. Res. 459. Concurrent resolution protesting the treatment of American servicemen held prisoner by the Government of North Vietnam and backing the administration in its efforts on behalf of these servicemen held captive by the North Vietnamese Government; to the Committee on Foreign Affairs.

By Mr. BROYHILL of Virginia:

H. Res. 731. Resolution for appointment of select committee to investigate alleged "Pinkville Massacre"; to the Committee on Rules.

By Mr. WIGGINS:

H. Res. 732. Resolution proposing an amendment to rule XV, Rules of the House of Representatives relating to calls of the roll and House; to the Committee on Rules.

By Mr. ZABLOCKI:

H. Res. 733. Resolution concerning U.S. policies on chemical and biological warfare; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ANDERSON of California:

H.R. 15035. A bill for the relief of Boyd L. Schultz; to the Committee on the Judiciary.

By Mr. MATHIAS:

H.R. 15036. A bill for the relief of Maria Buhmann; 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:

344. By the SPEAKER: Petition of the City Council, City and County of Honolulu, Hawaii, relative to funding for cancer research; to the Committee on Appropriations.

345. Also, petition of the Club 100, Honolulu, Hawaii, relative to repeal of subtitle II of the Internal Security Act of 1950 (The Emergency Detention Act); to the Committee on Internal Security.

346. Also, petition of Henry Stoner, York, Pa., relative to taxation of oil production; to the Committee on Ways and Means.

SENATE—*Monday, December 1, 1969*

The Senate met at 10 o'clock a.m. and was called to order by the Acting President pro tempore (Mr. METCALF).

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

"Not alone for mighty empire, stretching far o'er land and sea;
Not alone for bounteous harvests, lift we up our hearts to Thee.
Standing in the living present, memory and hope between,
Lord, we would with deep thanksgiving, praise Thee most for things unseen."

—WILLIAM P. MERRILL.

As we praise Thee, Lord, for things unseen, we ask Thy presence with us in the daily duties which are seen. Make us apt and able for this day. When we are weak, make us strong. When we have fear, give us courage. When we are lonely, be our companion. And enable us so to work and live that we may be used by Thee for the making of a better Nation and the establishment of Thy kingdom among all men. Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, November 26, 1969, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Leonard, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

LIMITATION ON STATEMENTS DURING TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that statements in relation to the transaction of routine morning business be limited to 3 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

WAIVER OF CALL OF THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the call of the legislative calendar, under rule VIII, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

AMERICAN INVOLVEMENT IN THE PHILIPPINES

Mr. FULBRIGHT. Mr. President, Senator SYMINGTON's subcommittee recently completed a series of hearings concerning American involvement in the Philippines. Although substantial portions of those hearings were deleted by the Department of Defense for security purposes, there still is a tremendous amount of new information now being made public for the first time.

Ward Just, of the Washington Post, did a brief summary of some of the more interesting parts of the subcommittee hearings, and it was published in the Washington Post of Sunday, November 30.

I hope my colleagues will read this article and that it will encourage other members of the press to take a more careful look at the published hearings of the Symington subcommittee.

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

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

OUR AFFAIR WITH THE PHILIPPINES

(By Ward Just)

In the fall of 1966, to a certain amount of fanfare in the United States, the Philippines sent a detachment of 2,200 men to South Vietnam to fight the war. The unit was known as PHILCAG—Philippines Civic Action Group—and was cited by the Johnson administration as yet another example of the support the American position had from "the free world" on the rim of Asia. At the time, President Johnson expressed his "deep satisfaction" and *that of the American people* at the evidence of Filipino support. President Ferdinand Marcos, addressing a Joint Session of Congress in Washington, proposed an American defensive shield for non-Communist Asia. He told the Congress: "Our object must be to hold the line in Vietnam and at least to roll back Communist power behind the 17th parallel."

To anyone who looked closely at it (and there were a few who did), the Marcos position seemed a speck contradictory. If he felt so strongly about rolling back Communist power, why was he committing only 2,200 troops to South Vietnam, and noncombatants at that? Why were Americans not using Clark Air Base to fly bombing missions against South Vietnam?

Well, now we have some of the answers from Senator Symington's Subcommittee on United States Security Agreements and Commitments Abroad, whose report on the Philippines was made public last week (reports on Thailand, Taiwan, and Laos will follow). It is an extraordinary document, mined with wonderful ironies and absurdities all of which combine to throw the United States into a lover's embrace with a country whose people probably don't want us around at all, and a government whose principal preoccupation is cash. And PHILCAG? The short

answer is that the Johnson administration bought it lock, stock and barrel for payments totaling about $38 million. But that is only the tip of the iceberg.

The testimony shows that the U.S. is bound to the Phillipines in a cat's cradle of alliance. Some of this is based on the SEATO treaty, some of it bilateral, related to (1) the maintenance of our own bases and (2) the supposed threat from China or the Soviet Union; other parts are based on the internal problems caused by the half-Communist, half-gangster apparatus of the Huks; still others appear to be obligations relating to PHILCAG. It is extremely difficult to sort out which threat relates to which commitment, and vice versa. Is the air base at Mactan (maintained at $4 million a year, it has six sorties a day by U.S. aircraft, but is used by Philippine commercial airlines) kept as an auxiliary in case of Communist attack, as a payoff for Clark and Subic Bay, as a quid pro quo for PHILCAG, or merely because it is there? Similarly, the Huks. There was this exchange between Senator Symington and Lt. Gen. Robert H. Warren, Deputy Assistant Secretary of Defense for military assistance and sales:

Warren: (The U.S. aid) is also to help the Filipino forces to physically protect American forces (in the Philippines).

Symington: From whom?

Warren: Internally, sir; to maintain internal security and stability and, thereby, make our own activities over there more secure.

Symington: In other words we are paying the Philippine government to protect us from the Philippine people who do not agree with the policies of the government or who do not like Americans?

Warren: To a degree, yes, sir.

That U.S. aid included payment for a battalion of Philippine troops whose casualties in pursuit of the dreaded Huks have been less than a dozen, and many of those in nonwar-related activities.

The Americans had supplied the Marcos government with a squadron of 22 F–5 fighter aircraft (cost: $15 million), and the rationale for that was that the Philippines would then be able to defend itself against attack. There was this exchange between Symington and Lt. Gen. Francis G. Gideon, commander of the American 13th Air Force at Clark Air Base:

Symington: . . . Who would attack the Philippines from the air?

Gideon: The current principal threats are the Chicom air force and the U.S.S.R.

Symington: Where would the Soviet planes come from . . . ?

Gideon: Well, there are five or six bases . . .

Symington: What type plane would they use? They would have to use Bears or Bisons (two types of Soviet long-range aircraft).

Gideon: Yes, sir.

Symington: That is a pretty theoretical danger. That plane is comparable to the old B–36. I imagine that danger scares you all pretty bad. What would you do as they went by places like Okinawa? Wave at them?

What emerges from this hearing is that the United States is paying the Philippines for the privilege of defending it against attack. Apart from the $38 million for PHILCAG, there is $22.5 million a year for military assistance, and beyond that the very considerable boost to the Philippine economy from the American bases—air force bases at Clark, Mactan, and John Hay, and naval bases at Subic, Sangley and San Miguel, among others. In all, there are 20 American military stations in the Philippines, which pump an estimated $150 million a year into the economy. This is what has resulted from a treaty in 1947 which said that the two countries would act to meet outside threats "in accordance with its constitutional processes." By 1964, the language had escalated to a point where an attack on the Philippines would be considered by the United States as an attack upon itself and, as such, "instantly repelled." The bases grew along with the language, each keeping pace with the other and none of it reviewed by the Congress—which should have.

That would seem to be the point of PHILCAG. As Senator Fulbright put it: "My own feeling is that all we did was go out and hire the soldiers in order to support our then-administration's view that so many people were in sympathy with our war in Vietnam, and we paid a very high price for it." What is not generally understood about the Symington hearings is that an extraordinary amount of spadework has been needed to pry out what facts there are about our commitment to the Philippines. As it is, there are about two dozen blank pages in the report with only the word [deleted] to indicate what they contain. In fact, they are investigative summaries of theft, assault, murder and homicide around the American bases.

The Philippine commitment acquired a momentum of its own, of a depth and variety out of all proportion to the need—as the military witnesses before the committee candidly conceded. State Department officials with a stake in past policy, military officials with their hardware to deploy—all of them collaborated in the lover's embrace which costs the taxpayer upwards of—what?—$30 million a year, $50 million?

And what of PHILCAG?

An American official with wide experience in South Vietnam was queried on the matter the other day, and replied, "Oh yes, PHILCAG. They operated in Tay Ninh Province. They, ah, built one Potemkin village, which was largely to impress VIPs. They were very active in the PX. I think they built some roads . . ."

The official might have added that in three years, the unit lost 8 killed and 17 wounded in an area considered hostile. Only recently, apparently anticipating the Symington Committee report, President Marcos announced that the unit was being withdrawn. He also said that there were no American payments for the maintenance of the unit in South Vietnam. Someone ought to look into that. Where did the $38 million go?

THE SONG MY INCIDENT

Mr. FULBRIGHT. Mr. President, Miss Mary McGrory, one of the best commentators in Washington, has written two perceptive and sensitive articles about the massacres of Song My.

One article is entitled "Silence Greets Viet Massacres." The silence is, I believe, temporary, and is due to the revulsion, the horror, with which most Americans regard this ominous reversion to primitive savagery.

I am confident that the vast majority of our people are revolted by this occurrence and will use their influence to bring this tragic conflict to an early termination.

I ask unanimous consent to have the articles printed at this point in the RECORD.

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

SILENCE GREETS VIET MASSACRES

The reaction to reports of mass murder in a Vietnam village by American GIs has been outrage in London, silence in Washington and dismissal in Saigon.

In Britain, the alleged atrocities have created a government crisis and Harold Wilson summoned Ambassador John Freeman home to help him avert a debate on U.S. Vietnam policy in the House of Commons.

The Army announced that Lt. William J. Calley Jr. will face court-martial on charges of killing "109 Oriental human beings, occupants of the village of My Lai." The South Vietnamese government repeated its contention that "no massacre occurred."

The President gave out three Medals of Honor, and chatted with the returned astronauts. The Senate debated the tax bill and the House of Representatives talked about a subway system for the District of Columbia.

Two requests have been made for investigations by military committees of Congress. The public, busy writing letters in support of Vice President Agnew's attack on the press, has not been heard from.

The grisly story is being told in bits and pieces, as GIs around the country stand up to tell what they know about an event that was kept secret by the Army for 20 months.

Last night, a former GI named Paul Meadlo told a CBS audience that he had shot "about 15 or 20 villagers—and babies" under specific orders from Lt. Calley. He felt it was the right thing at the time because he had lost "a damned good buddy, Bobby Wilson," but later felt, after he had stepped on a land mine that God had punished him. It has been on his conscience.

The country's conscience, so far, has not been touched, by these and other recitals. The indignation is all imported. It could be a case of "all passion spent." The last weeks have brought the President's speech, the peace demonstrations, the hardening of attitudes. Is the public resigned, callous or indifferent, to an incident that has been compared in the European press to the Nazi savagery at Lidice? Is it an inability or a refusal to believe that American GIs would kill women and children in cold blood?

Even the bare charges against Lt. Calley do some damage to the President's contention that our continued presence is imperative to avert a "bloodbath." Already the Sept. 26 boast that "we have reversed world public opinion" is eroded.

The Pentagon has withheld comment "to avoid prejudicing the lieutenant's case. But it withheld publication of the incident since March 1968. Its first investigation led to the current Saigon conclusion that it was artillery fire. Its second was precipitated by the personal inquiry of Richard Ridenhour, a Vietnam veteran now studying at California's Claremont College. Neither a participant nor a witness, Ridenhour interviewed other GIs who knew about "Pinkville" and reported his findings in letters to high government officials, including Defense Secretary Melvin R. Laird.

The story was broken by Seymour M. Hersh, a 32-year-old Washington free-lance writer, who was brought up in Chicago's "Front Page" school of newspapering. Hersh, a fast-talking, fast-moving former Pentagon reporter with the Associated Press, was briefly Sen. Eugene McCarthy's campaign press secretary, and is the author of a book about chemical and biological warfare.

Hersh is against the war, but resents a London newspaper's designation of him as a "left-wing nut." He first heard of "Pinkville" through the tip of an old friend in the Pentagon who told him early in October merely that "the Army has a man in court-martial at Fort Benning, and they have accused him of killing 75 Vietnamese civilians."

Hersh was "horrified," dropped work on a book about the Pentagon, "The Ultimate Corporation," and started out on the trail. He got the name of George W. Latimer, Calley's counsel, flew to Salt Lake City to talk to him.

He got no specifics from Latimer, only "a sense of the dimensions of the story." He applied for and got a $1,000 grant from the Philip M. Stern Foundation for investigative journalism and started flying around the country to find sources.

He went to Fort Benning and trudged around for two days before he found Lt. Calley, who in a lengthy talk told him, "I'm for the Army." He wrote his first account on Nov. 13. The next day, Ridenhour called the Los Angeles Times and told them he had much more information. Ridenhour had offered his story to Life and Newsweek which had turned it down. Hersh dashed to Los Angeles to talk to Ridenhour, who gave him the names of the GI's he had interviewed.

Meantime, Hersh also visited hawks on military committees on Capitol Hill—"doves are never told anything." They had heard of Pinkville and believed it, but advised him not to write anything because "it won't do much good for the Army."

Hersh had, from his Pentagon days, no trouble believing that the "Army could know about a case like this and was proceeding to do nothing about it."

"They were shipping nerve gas around like it was going out of style, running it through the countryside without telling people, at night, through cities. I thought it was an unspeakable act."

Hersh thinks that the country is suffering a delayed reaction to the horrors now unfolding, partly due to the official denials.

"But this is so clear," he says, "we're doing exactly the things we went into the war to stop."

WHERE OUR CONSCIENCE DIED

Song My has revealed the full devastation of the war. Song My has told us not only what Americans have done to Vietnam but what Vietnam has done to Americans. The country's conscience, apparently, died in that Asian village with the old men, the women and the children.

The reaction to the reports of mass murder by American soldiers has been not horror at what happened, but rage at the messengers who are bringing the news.

The South Vietnamese government, anxious to save the American presence, says it never happened. And, until today, the American government, anxious to save the war, had said nothing.

An administration which fulminated at length against even the prospect of violence on Pennsylvania Avenue during the recent peace march, seemed reluctant to comment about slaughter in Song My.

Before today, the one expression from an administration official was given behind closed doors. Secretary of Defense Melvin R. Laird, testifying in secret session before the Senate Foreign Relations Committee, said he was "shocked and sick" at the allegations, long suppressed by the Army.

In the Senate, two members rose up, one to inveigh against the Army for bringing charges against an officer for "a mistake in judgment . . . under pressure of combat"; the other to condemn the CBS's television network for bringing to the home screen a young ex-GI who said he thought he had shot 15 or 20 people under orders from his lieutenant.

The interviewer, Mike Wallace, was inundated by abusive phone calls. Of 110, all but two berated him for "giving that boy a hard time." The network received many messages, a typical one saying, "Agnew was right. Wallace is pimping for the protestors."

Americans, who once united to protest against the Nazis, do not want to hear about atrocities committed by Americans, who like themselves, have become moral casualties of the war.

The war first was presented to them by a previous administration as necessary to avert another Munich, by this one as a struggle for survival. The country has suffered three assassinations, countless riots. And now, it seems the moral standards of a small, fanatical, underdeveloped country have been adopted as our own.

After all, it is said, look what the Communists did at Hue. They destroyed 3,000 "Oriental human beings," to borrow from the terms of the indictment of Lt. Calley. The death toll at Song My is not known, but surely less and the blame reduced proportionately. The quantitative standard is almost certain to prevail in a war where the only known measure for progress, and oft-proclaimed, imminent success was the body count. They were "gooks" to the young soldier who helped shoot them, and Communist gooks besides, even the babies, presumably.

The President understands that Americans do not want to hear bad things about other Americans who are helping to save a gallant little nation from a savage invader. The day after the shame of Song My was proclaimed by the court-martial announcement, President Nixon held a levee for the press. America was abandoning germ warfare and would never strike first with lethal chemical weapons.

He not only told Americans what he had done but what they should think about it. "By the examples we set today, we hope to contribute to an atmosphere of peace and understanding between nations and among men," he said.

The image of a high-minded humanitarian nation was thus restored, by an action delayed 44 years, which the White House says is in no way related to the sick story of Song My.

Once before the administration overcame a report that laid bare the brutalization of Americans by the war. In September it was revealed that Marines had been tortured in the brig of Camp Pendleton, a Marine base that abuts the summer White House in San Clemente.

Four days later, Henry Cabot Lodge stood up and made a 49-minute speech about the inhumane treatment accorded American prisoners by their North Vietnamese captors, blanketing a simultaneous admission by the commandant of Pendleton that there had been mistreatment.

Since then, Americans have been conditioned to equate support of the war with patriotism and protest with president-breaking.

Song My cannot be so easily bypassed. It is here to stay, a reminder to America that it is really not different from any other country.

A distraught young Wilmington, Del., church worker called this newspaper to say that, after reading the transcript of the GI interview, he thought the only way he could register his revulsion, guilt and frustration was to renounce his citizenship.

"I read this sign on cars that say 'America, love it or leave it.' How can I love it when it does these things?"

SHIRER AND THE MUNICH SYNDROME

Mr. FULBRIGHT. Mr. President, in the Saturday Review of November 8, 1969, appeared a most interesting and perceptive article by Mr. David Schoenbrun, entitled "Shirer and the Munich Syndrome." I believe that the Members of this body will be interested in what one of the best informed commentators in this country has to say about this subject. I ask unanimous consent that it be printed at this point in the RECORD.

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

SHIRER AND THE MUNICH SYNDROME

(By David Schoenbrun)

Once upon a time, in the golden summer of 1925, France reigned supreme in the world, supreme in arms and arts and joy of living. The nightmare of the German threat had receded, with Germany forbidden by the Versailles Treaty to build warplanes, tanks, heavy guns, submarines or battleships, and saddled with reparations. Britain, the island empire, saw her colonies clamoring for independence. Russia was still staggering from the shock of the Bolshevik Revolution and years of civil war. The United States, weak, unarmed, isolationist, had turned its back on the League of Nations. France was a great power on the continent of Europe and in the world, with an empire sprawling over four and one half million miles of Africa, the Near East, and Asia, containing a population of 100 million and vast wealth in raw materials.

France's military power was matched and surpassed by the brilliance of her culture, which radiated around the world like a beacon, drawing the most creative talents to Paris from all corners of the earth. In Tokyo Seritzawa wrote a best-seller entitled *I Want to Die in Paris*, while Nagai composed his modern Japanese classic, *Tales of France*. Chinese scholars and young revolutionaries came to study in Paris, capital of two masters of philosophy, Lu and Man—the Chinese pronunciation of the names Rousseau and Montesquieu. Picasso, a Spaniard, and Modigliani, an Italian, followed in the path of Van Gogh the Dutchman to make the Ecole de Paris the greatest since the Renaissance.

Above all, fleeing the arid régimes of Harding and Coolidge, Americans flocked to Paris. From the Right Bank haunts of Hemingway and Fitzgerald—the Ritz and Harry's New York Bar—to the Luxembourg Garden home of Gertrude Stein on the Left Bank and Isadora Duncan's Montparnasse studio with its all-night parties, one could orbit through an extraordinary galaxy of stars; James Joyce, John Dos Passos, John Steinbeck, E. E. Cummings, W. B. Yeats, Kay Boyle, Ezra Pound, Djuna Barnes, Glenway Wescott, and Eugene Jolas, editor of *transition*, which proclaimed "revolution of the word." Sinclair Lewis, Santayana, and Sherwood Anderson joined with Valéry, Claudel, and Gide to discuss the works of Marcel Proust, who had died in 1922 and whose novels, finished just before his death, were published posthumously, the last in 1951. Even funerals were inspiring events; one of the greatest cortèges in history was offered as a hero's tribute to Anatole France when he died in 1924.

Among the great, the near-great, and the to-be-great who lived, loved, and worked in that golden age of Paris was a quiet, sober, earnest young man who arrived, new diploma in hand, to seek a job on the Paris *Herald*. His name was William L. Shirer. He did more listening than talking, and painstakingly recorded everything he heard, saw, or read. Decades later his voluminous diaries would bring him fame and fortune and provide historians with invaluable source material, as Shirer himself developed from journalist to historian of twentieth-century Germany and France.

In *The Rise and Fall of the Third Reich* Shirer compiled a monumental history of the Nazi nightmare. He seemed to have been everywhere when anything important was happening. He deepened and broadened his eye-witness record by burrowing through mountains of archives, secret reports, and captured Nazi documents. Perhaps less brilliant and less creative than his contemporaries of the Twenties, Shirer offered total recall, dogged perseverance, and massive research in place of word-paintings and poetry.

But Shirer's contribution to an understanding of our time may yet prove no less valuable and enduring than the creative efforts of more gifted men. His reputation as a contemporary historian, launched by his study of the Third Reich, has now been solidly confirmed by an equally massive work on France, *The Collapse of the Third Republic*. Modestly subtitled "An Inquiry Into the Fall of France in 1940," it is in fact much more than an "inquiry." It is a typical Shirer

monument of personal observation over more than thirty years, drawn from his inexhaustible diaries plus ten years of concentrated research in Paris. Shirer plowed through archives public and secret, conducted hundreds of interviews with the actors, principal and minor, in the rise and fall of the Third Republic of France, from the dazzling zenith of the 1920s to the degradation of the Thirties. Shirer describes in detail the almost unbelievable process of deterioration from June 1925 to the day in June 1940 when Hitler danced a jig on the Chaillot Heights overlooking the Eiffel Tower:

When, in 1925, fresh out of college, I had first come to live and work in Paris in the midst of a summer as lovely as the one just fifteen years later which would see its fall, France was the greatest power on the continent of Europe. Her hegemony, though frowned upon by her two principal allies, Great Britain and the United States, was acknowledged by all the nations. Her army, far superior to any other, stood watch on the Rhine . . . No other country on the Continent could challenge France's supremacy . . . Supreme in Europe, powerful in the world—such was the France in those days of the mid-Twenties. But that was not all. Paris again bloomed as the cultural capital of the world. . . . To all appearances France, despite her terrible blood-letting and the destruction of her richest *départements* in the north and northeast, had made a remarkable comeback. . . . Production, which had fallen in 1919 to 57 per cent of the 1913 level, had begun to mount. By 1923 it had risen to 88 per cent, surpassing the prewar level the next year and soaring to 126 per cent in 1926. The country was prosperous, the people relaxed, the Continent at last at peace . . . All of Europe relaxed in the new spirit of Locarno. Everywhere, and above all in France, there was a growing confidence in the League and even a feeling that its new member, Germany, was at last mending its ways, won over finally to the merits of democracy and a durable peace . . . A troublesome ultranationalist agitator in Bavaria, named Adolf Hitler, who had thundered that France, like Carthage, must be destroyed, had been imprisoned and then silenced by the government, and his party banned . . . From 1926, the year after I arrived, until the worldwide depression began to be seriously felt in 1931, there was a period of five years that later was remembered by French historians and memoirists as one of the happiest times of the Third Republic. Not since Napoleon, and before him Louis XIV, had France enjoyed such well-being. And in the last golden years of the 1920s the well-being was more equitably distributed than before. Even a young foreigner like myself felt he was living in as much of a paradise as coud be found on this imperfect earth. Civilization seemed to have reached a shining peak here.

Having painted the picture of a French Garden of Eden, Shirer goes on to look deeply beneath the surface bloom to find the snakes that would poison the political and economic health of France. The Bolshevik Revolution in Russia spawned the French Communist Party in 1920, so frightening the French upper and middle classes that the bourgeoisie began to regard French workers as more dangerous than the Germans. Political conflicts between Right and Left weakened the political structure, and Cabinets began to fall on an average of every ninety days. There was no French government in office when Hitler came to power, and none when the Nazis marched into the Rhineland. The political paralysis that was to freeze French action in all crises began in the golden decade.

France's wartime allies, Britain and America, opposed French demands for war reparations as excessive. Then the United States poured limitless loans into Germany while demanding the repayment of war debts by France, although the war had devastated France, not Germany. America, it seems, loves defeated enemies but cannot tolerate successful friends. The war had cost France 134 billion gold francs in goods and property, while one out of ten Frenchmen had been killed at the front. Shirer points out that "the youth, on whom the future of any nation depends, had been decimated most. Three out of ten of them between eighteen and twenty-eight had been snuffed out." Shirer enumerates the losses:

The intellectuals, so vital to the life of a country, had suffered the next heaviest casualties. Twenty-three out of every hundred men who had belonged to the liberal professions had perished in the trenches. Of 4,266,000 men wounded, a million and a half remained permanently maimed . . . Nearly a million and a half war dead, more than two million fewer births—this was the price of victory . . . France emerged from the conflict with a population of 39 millions. It faced a Germany with 63 million. And soon the Germans would be increasing in number at twice the rate of the French.

Shirer conducts an autopsy on the death of France with surgical precision, cutting through the beautiful body to expose the cancers within: the senility of the generals; the blind greed of the middle classes, who refused to pay taxes and sent their capital for investment abroad; the betrayal of France by the British, who negotiated with Hitler and Mussolini behind France's back and would not support any action to stop the Nazi aggressor. Perhaps the most important data in this exhaustive history is Shirer's description and analysis of the defeatism and appeasement that blinded and paralyzed the British and the French, who could have stopped Hitler in the Rhineland and later in the Sudetenland without even firing a shot. The story of Munich is well known, but Shirer brings to it a mass of new source materials and a gift for narrative that surmounts even the density of the documentation.

History can be a valuable guide to the present and the future, but it is not automatically reliable. Its lessons are no more enlightening than the wisdom of those who interpret them. History can be a trap as well as a guide, particularly the history of this period that has so marked the men who lived through it to become the leaders of the Western world in the Fifties and Sixties. They all suffer a deep-rooted Munich syndrome. It could be argued that the United States would never have become involved in Vietnam if men like Truman, Acheson, Dulles, Rusk, Johnson, and Nixon had not in their youth been so traumatized by the appeasement of Hitler that they vowed they would never make that mistake.

A generation of American historians, political scientists, and political leaders have remembered Munich and heeded the warning of Santayana that he who does not know history is condemned to relive it. This aphorism is true enough, but it is not an excuse for failing to distinguish between circumstances of the past and of the present. Another aphorism might be coined, the opposite of Santayana's, yet equally true: he who looks constantly backward will fall on his face.

That some leaders have been guilty of applying past lessons to a different set of present events is every day revealed. Rusk confused Ho Chi Minh, who sought national independence for a subject people in a small, weak country, with Hitler, head of a powerful nation seeking dominion over Europe. Even more recently we had a fresh and startling example of a man marked by the past, when Speaker of the House John W. McCormack urged Congress to vote for a huge military appropriations bill. McCormack said: "I wonder how many of you realize how close we came to losing World War II? I don't want to take a chance again."

The New York Times commented October 5 on McCormack's statement:

"Such references to the nation's tragic unpreparedness at the time of Pearl Harbor makes a strong, emotional appeal to those older Americans whose ideas on defense were formed—and fixed—by World War II experience. But they do not offer a rationale for judging security requirements in the 1970s. . . . In their common search for a more secure America in a peaceful world, ordinary citizens and their representatives in Congress have an obligation to cast off the simplistic illusions of a bygone era and come to grips with the complex realities of a more perilous age".

Shirer's history teaches us that isolationism is a defeatist policy and that dictators who seek vast dominion cannot be appeased out of their ambitions. But this does not mean that every adversary is Hitler, or that all revolutions are identical, or that the alternative to total isolationism is total interventionism. Surely there must be something in between—an enlightened internationalism, an understanding of common destinies and also of the limitations of national power that impose priorities even on the mightiest.

Shirer's studies of the rise and fall of the Third Republic and the Third Reich together give us new insights into one of the most tragic periods of man's history. These stories are interesting in and of themselves, but they are not sure charts to the future unless the future exactly replays the past—a very rare occurrence. Among the few constants in human affairs are man's capacity for self-destruction and the fallibility of experts. If there is any lesson to be drawn from the history of French decline from the peak to the pit in only fifteen years, it might be found in the contrasting rise in Germany and Japan, now that they have divested themselves of empires and the ambition for world dominion. The will to dominate has destroyed all great powers throughout history.

PUBLIC RELATIONS IN THE DEPARTMENT OF DEFENSE

Mr. FULBRIGHT. Mr. President, last week, the Vice President gave us his critical view of a "small group of men" who—in Mr. AGNEW'S world—unbeknownst to most of us, help shape public opinion by deciding "what 40 to 50 million Americans will learn of the day's events in the Nation and in the world." Today, and for the next few days, I want to discuss another group of men who are working to shape public opinion. This group is perhaps not as small as that attacked by the Vice President—it is made up of approximately 2,800 men—but it is a group that is even lesser known to the public since its members are never seen or heard directly.

What is more important, however, is that this group of publicists is made up of Government employees and military men on active duty using Government equipment and facilities and all financed with taxpayers' money.

I am speaking of the vast apparatus that has quietly grown up over the past years to handle public relations and public information—and thus shape favorable public opinion toward the Department of Defense and the individual military services.

It is a group that obediently serves the administration aims and thus may not concern the Vice President, whose quest for objectivity appears to be directed at

administration critics rather than supporters. But its existence should concern all those interested in preserving our democratic system and the traditions of the free press.

Ten years ago, Congress for the last time placed a limitation on the amount which the Department of Defense could spend on public relations and public information. The limit at that time was set at $2,755,000—a substantial sum nonetheless which could be used to promote what was then a $43 billion defense establishment.

In the years intervening between fiscal 1959 and this past fiscal year, the overall defense budget has almost doubled to more than $76 billion, including supplementals.

During that same time, the Defense Department public relations funds lacking any legislative restraint by limitation, had soared by last year to at least $27,953,000, according to figures supplied me by the Office of Secretary of Defense and the three military services. That represents a tenfold increase over 10 years ago and provides Defense with a fund of taxpayers' money that compares favorably to advertising budgets of large corporations in business to sell products to the public.

I would like to note that I believe the figures supplied me are conservative—they often leave out the cost of using military aircraft and many overhead costs to that activity; not only military aircraft but also aircraft carriers, destroyers, and many other extremely important investments of the Defense Department—and thus it would be fair to suggest the real total figure—if these other facilities were included—would be much larger.

It is one thing for the Defense Department to have employees available to provide—quickly and responsively—factual information both to the public and the press—upon request.

It is quite another when that Department and the individual military services use taxpayers' money to generate and promote public support for military weapons and military programs.

Some of us in the Senate who this year and in the past questioned one aspect or another of military spending have oftentimes been amazed at the rapidity with which the Pentagon can respond to get out its side of the story. And those of us sensitive to the feelings of constituents are frequently surprised at the widespread and sometimes adverse response from home that is quickly generated by something we have said that is critical of some weapons system or Pentagon policy.

In the past I have been satisfied to chalk these happenings up to promotional activities of the public relations men of defense-oriented corporations, the veterans groups, and what I thought until recently was a handful of Pentagon press men.

The disclosure during the recent ABM debate of the Starbird memorandum—drawn up by Pentagon officials—which depicted an ambitious, coordinated public relations program to promote that weapons system caused me to take a closer look at just what the Department of Defense was doing in this field.

The results of my inquiry convince me that the Senate and the public have little knowledge of the extent to which the Pentagon has been staffed and armed to promote itself through shaping public opinion using a varied arsenal of public relations weapons.

It also convinced me that an effort should be made to remove the public relations—as against public information—capability and reinstate the dollar limitation that was dropped ten years ago.

But before moving to take such a step on the upcoming Defense appropriations bill, I thought it only reasonable to lay before my colleagues and the public the facts I have been able to gather and thus stimulate public discussion well before the proposed legislation comes to the floor.

Vice President AGNEW's remarks only served to reconfirm my fears that an administration that actively desires to use the tremendous power and prestige of its high office to control the media in our free society can do great damage to our traditions. He spoke as part of an administration effort to stifle dissent. I am speaking of an administration program designed actively to promote support. And based on a recent book on the television aspects of last year's election, neither this President nor this administration can be considered unsophisticated in the use of the media.

Today I shall discuss the public relations activities of the Office of the Secretary of Defense. In the coming days I will deal with the individual services—each of which has its own substantial public relations program. Finally, I shall discuss what I hope to see done in this area—both through legislation and public discussion.

As of September 1, 1969, 200 military and civilian employees worked for the Assistant Secretary of Defense for Public Affairs or on OSD public affairs matters. Their activities cost $3,697,000 for fiscal 1969.

I ask unanimous consent to have printed in the RECORD a letter which I received from Mr. Daniel Z. Henkin, Assistant Secretary of Defense, Public Affairs, and its attached memorandum dealing with public information principles, signed by the Secretary of Defense, Melvin R. Laird.

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

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., September 3, 1969.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of July 21 asking for information concerning the activities of my office.

The primary assigned responsibility of my office and the information offices of the Military Departments is to provide the American people with maximum information about the Department of Defense consistent with national security.

This primary responsibility was re-emphasized on March 4 in a memorandum from Secretary Laird, a copy of which is attached. The Secretary stated his intentions that the Department would conduct its activities in an open manner, that nothing would be classified solely to prevent criticism of the Department, and that propaganda has no place in DoD public information programs.

I wholeheartedly support the Secretary in these affirmations.

Another aspect of my responsibility involves the inter-relationships of the Office of the Secretary of Defense (OSD), Military Departments, the Joint Staff, and the Unified and Specified Commands, and, of course, close coordination is essential with the White House and State Department in national security public affairs matters. Some activities common to the Armed Forces are consolidated in my office; others are decentralized with broad policy guidance provided by my office. Our objective is to insure that public information efforts complement, but do not duplicate, each other to the maximum extent possible.

This office also is charged with the responsibility to provide public affairs policy guidance to the Unified and Specified Commands, to conduct seat-of-government coordination, and to perform public affairs functions for the JCS, which has no public affairs organization.

This office will continue to review its functions and organizational structure with the goal of enhancing our operational efficiency while achieving economies. I have effected a seven percent reduction in manpower spaces allocated to OASD(PA) since 1 July 1969. These reductions are reflected in the appropriate Tabs. Additional reductions are planned, such as the transfer of the Defense Industry Bulletin with three spaces to the Defense Supply Agency effective 1 October.

In direct response to your letter, the following paragraphs follow the sequence of the specific questions asked:

1. The approximate basic overall cost for FY 69, as provided by the Office of the Assistant Secretary of Defense (Administration), which is responsible for fiscal matters relating to my office and other OSD activities is as follows:

a. Civilian personnel	$1,340,900
b. Military personnel	2,091,000
c. Travel	83,800
d. Central service account	133,800
e. Printing defense industry bulletin	47,500
Total	3,697,000

2. Number of personnel (30 June 1969), (1 Sept 1969):

a. Military, officers	95	86
b. Military, enlisted	24	23
c. Civilian	95	91
Total	214	200

3. The answers to the questions in paragraph 3 of your letter are attached as Enclosure 1, tabbed to correspond to your subparagraphs.

I understand the Assistant Secretary of Defense for Manpower and Reserve Affairs has responded to your questions regarding the Office of Information for the Armed Forces, for which he is responsible.

I would be pleased to discuss with you or members of your staff any particular matters related to my responsibilities. If I can be of further assistance, please let me know.

Sincerely,

DANIEL Z. HENKIN.

THE SECRETARY OF DEFENSE,
Washington, D.C., March 4, 1969.

Memorandum for Secretaries of the Military Departments, Chairman of the Joint Chiefs of Staff, Director of Defense Research and Engineering, Assistant Secretaries of Defense, Assistants to the Secretary of Defense, Directors of the Defense Agencies.

Subject: Public Information Principles.

To assure that the American people are fully informed about matters of national de-

fense, I intend that the Department of Defense shall conduct its activities in an open manner, consistent with the need for security. This means that unclassified information, other than that exempted by the Freedom of Information Act, must be readily accessible to the public and the press. Because of the importance I attach to this matter, I want to state certain principles which I expect to be followed in the conduct of public affairs activities of this Department.

1. Our first concern must be the security of the United States and the safety of our Armed Forces. Therefore, information which would adversely affect the security of our country or endanger our men should not be disclosed.

2. The provisions of the Freedom of Information Act (5 USC 552) will be supported in both letter and spirit.

3. No information will be classified solely because disclosure might result in criticism of the Department of Defense. To avoid abuse of classified procedures, we must adhere strictly to the criteria set forth in Executive Order 10–501.

4. Our obligation to provide the public with accurate, timely information on major Department of Defense programs will require, in some instances, detailed public information planning and coordination within the Department and with other government agencies. However, I want to emphasize that the sole purpose of such planning and coordination will be to expedite the flow of information to the public. *Propaganda has no place in Department of Defense public information programs.*

Therefore, I direct that each addressee review all pertinent directives, policies and public information plans to insure prompt and complete compliance with these principles. Those which do not meet the foregoing criteria will be revised or rescinded.

The Assistant Secretary of Defense (Public Affairs) is responsible for advising and assisting me in the fulfillment of these public information principles throughout the Department of Defense.

MELVIN R. LAIRD.

Mr. FULBRIGHT. Mr. President, in scope these public affairs activities range from:

First. A special office of seven persons responsible for coordinating Southeast Asian public affairs activity and briefing the Washington press and other groups on the Vietnam war;

Second. To another office which sponsored—with the State Department and USIA—tours of foreign journalists in the United States;

Third. To another which serves as a contact point for all media requests for film and videotape and, conversely, the distribution point for release of service-generated material to the media. On this point I would note that according to information supplied me, official film produced by the military departments and released last year to the media totaled 35,420 feet and was included in 284 separate news-film stories.

One Pentagon service intrigued me. According to information supplied, the Audio-Visual News Branch of the Office of Public Affairs produces something called Spotmaster, which is described as similar to Dial-the-Weather—and provides the latest Defense Department news release in audio form to anyone dialing Oxford 5–6201, a Pentagon number in Washington.

I ask unanimous consent to have printed in the RECORD the brief summaries provided me on other activities carried on through the Office of Secretary of Defense.

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

TAB A TO ENCL 1 (SPECIAL ASSISTANT FOR SOUTHEAT ASIA)

As originally established, the Office of the Special Assistant for Southeast Asia is responsible for providing policy advice to the Assistant Secretary of Defense (Public Affairs) on public affairs matters concerning and related to Southeast Asia. In performing this function, it is essential for the members of the SEA staff to maintain expertise on all aspects of the Vietnam war and to establish close coordination with the Chief of Information at Headquarters Military Assistance Command, Vietnam to be fully aware of public affairs actions taken by that headquarters. In addition, close liaison is maintained with the State Department and White House to insure close coordination on public affairs matters concerning SEA. Each agency informs the others concerning public affairs aspects of activities properly in their particular area of responsibility.

In addition to the coordinating and policy considerations, the office also is responsible for providing briefings on the current Vietnam situation and historical aspects of the Vietnam war to press correspondents and to various groups qualified to receive DoD briefings on an unclassified basis. Background material is provided to the press on a continuing basis on request to permit them to adequately report and/or interpret the current situation in Vietnam.

As a result of a recent reorganization in the Office of the Assistant Secretary of Defense (Public Affairs), the Office of the Special Assistant for Southeast Asia was assigned full responsibility for replying to all press queries concerning SEA. This included responsibility for casualty reporting. This function was previously executed by the Director for Defense Information who coordinated all releases with the Special Assistant for Southeast Asia. The transfer of responsibilities not only improved coordination and consolidated related responsibilities but resulted in the elimination of three officer spaces and one enlisted space.

Personnel currently authorized for the Office of the Special Assistant for Southeast Asia are:

Officers, 3.

Enlisted, 2.

Civilian, 2—1 Secretary, 1 Clerk/Information Specialist, Casualty Section.

TAB B TO ENCL 1 (MEDIA ACCREDITATION AND TOURS STAFF)

On 1 August this staff was disbanded as a separate entity. Certain activities have been abolished, and others divided between the Directorates for Defense Information and Community Relations. The following is a description of the activities prior to the change.

Conducts, in coordination with the White House, State Department, and USIA, tours to the U.S. for members of foreign news media. DoD is withdrawing from this program after one more tour, which was already in the planning stage before the decision was made to withdraw.

Conducts military phase of programming for certain foreign visitors to the U.S. under sponsorship of State Department. Assists individual representatives of news media, foreign and domestic, in accomplishing sponsored or unsponsored travel to U.S. military installations or facilities world-wide. Approves travel in military carriers of news media representatives and other non-DoD personnel for public affairs purposes. Plans, implements and controls Joint Civilian Orientation Conference and high-level NATO conferences.

Detailed Reports on Tours conducted in past three years are attached:

Tab B1—Foreign Journalist Tours.

Tab B2—U.S.-based Foreign Journalists Tour.

Tab B3—NATO Television Tours.

Tab B4—Western European Union Parliamentarians' Tour.

Tab B5—Joint Civilian Orientation Conference.

TAB B1 (INTER-AGENCY FOREIGN JOURNALISTS PROGRAM)

DoD is withdrawing from this program after one more tour, which was already in the planning stage before the decision was made to withdraw.

The program was jointly sponsored by the White House, the Department of State, the Department of Defense and the United States Information Agency. Each tour involved twenty journalists who were invited for a 30-day program designed by the sponsoring agencies. In the past three years newsmen from three areas have participated: Europe, Africa and East Asia and the Pacific.

The purpose of this program was to increase mutual understanding between the people of the United States and the people of other countries. By combining the resources of four government agencies, the mutual information objectives of each was advanced at a cost considerably lower than that required for an equal number of international visitors sponsored in other ways.

Further details of the tours carried out in the past three years are included in the attached document. The name of each participant is included with his affiliation. The costs to DoD for each tour is also included. The costs were for commercial travel for the journalists from their homes to the U.S. and back, and per diem for the DoD escort. Travel within the U.S. was by military aircraft on MAC assigned missions.

TAB B2 (U.S.-BASED FOREIGN JOURNALISTS PROGRAM)

This program is jointly sponsored by the Department of Defense and the United States Information Agency. Foreign journalists who are stationed in Washington and New York are invited to participate in a ten-day program designed to familiarize them with significant aspects of the United States' Defense programs and operations that are not ordinarily available to them. Transportation and escorts are provided by Defense. All other expenses are paid by the journalists themselves. The program content is about 80 per cent military. In the past three years one of these projects was undertaken. Nine newsmen from New York and nine from Washington, representing press, radio and television services to 15 countries participated.

Selection of the journalists and the programming are administered jointly by Defense and USIA's Foreign Correspondents Centers in New York and Washington. The purpose of these tours is to promote a broader and more objective reporting of the United States.

19–28 AUGUST 1967—FOREIGN JOURNALISTS TOUR OF ALASKA

Cost to DoD: $500.00—Staff per diem only. Travel was by military aircraft on MAC assigned missions.

Participants: Peter Barnett—Australian Broadcasting Corporation—Australia.

Mehmet Biber—Aksam Gazetesi—Turkey.

Jeffrey Blyth—London Daily Mail—England.

Maarten Bolle—Het Vrije Volk—Netherlands and Het Volk—Belgium.

Eric Britter—London Times—England.

Dong-Won Cho—Donghwa News Agency—Korea.

Santiago Ferrari—La Nacion—Argentina.

Joaquin Frances—EFE News Agency—Spain.

Jean Paul Freyss—Agence France Presse—France.
Heiner Gautschy—Swiss Broadcasting—Switzerland.
Bjorn Heimar—Aftenposten—Norway.
Hans J. Hoefer—Deutsche Presse Agentur—Germany.
Hiroshi Ishizuka—Kyodo News Service—Japan.
Li Chiang-kwang—Central News Agency of China—China.
Henk Ohnesorge—Springer Foreign News Service—Germany.
Pasi Rutanen—Finnish Broadcasting—Finland.
George Venizelos—Akropolis—Greece.

INTER-AGENCY FOREIGN JOURNALISTS TOURS—ATTACHMENT COST AND LIST OF PARTICIPANTS

September–October 1966—Asian Journalists Tour: Cost to DOD: $18,733.65.

PARTICIPANTS

Robert MacDonald—Chief of Staff, Brisbane Sunday Mail—Australia.
Reginald Gordon Heyzer—Features subeditor, Ceylon Observer—Ceylon.
John Kingston Stone—Associate Editor—Fiji Times & Herald, Ltd. (Suva).
William Hui—Chief Editorial Writer, Sing Tao Daily News—Hong Kong.
Narayan Damodar Prabhu—News Editor, Press Trust of India—Bombay.
V. P. Ramchandran—Special Correspondent, United News Of India—New Delhi.
Akira Nagata—Associate Foreign Editor, Japan Economic Press.
Jeon Young-Hak—Assistant Managing Editor, Korean Herald—Seoul.
Kim Buyng-Dae—Editor Reference & Research Dep., Pusan Ilbo—Korea.
S. J. Tilak—Representative, Penang Daily & Straits Echo—Malaysia.
Ramesh Nath Pendey—Publisher & Editor, Naya Sandesh—Nepal.
Lindsay Reid Shelton—Duty Editor, New Zealand Broadcasting Company.
Chosei Kiyoshi Kabira—Exec. Producer, News Director, Ryuku Broad. Corp.
Tesoro G. deGuzman—Military reporter, Daily Mirror—Philippines.
Jason S. Cheng—Assoc. Managing Editor, Taiwan Daily News.
Keon Siew Tong—Acting Head, News Section Broad. Division—Singapore.
Watt Kachapanand—Chief Technical Div. & Asst. Chief News Div.—Thailand.
Amnuey Sukcharoen—Assistant Editor, Bangkok World.
Nguyen Viet Khanh—Editor in Chief, Vietnam Press.
Tran Tu Huyen, Wire Service Editor, Quyet Tien—Vietnam.

October–November 1966—European Journalists Tour: Cost to DOD: $9,466.38.

PARTICIPANTS

Raimund Ernst Heller—Senior News Editor, Austrian Television.
Walter P. M. Cabus—Chief Foreign Editor, Het Volk—Belgium.
David Carey Spurgeon—Science & Educ. Reporter, Toronto Globe & Mail.
Alexander Michael Efthyvoulos—Correspondent, Assoc. Press—Cyprus.
Borge Mors—Foreign Editor, Aalborg Stiftstidende—Denmark.
Pentii Olavi Heimolainen—Senior Reporter, Uusi Suomi—Finland.
Jacques Amalric—Journalist, Le Monde—France.
Freiherr Dr. Volker Von Hagen—Chief Political & Current Events, Second German Television—Germany.
Robert James Finigan—Senior Producer, Current Affairs, British Broadcasting Corporation—England.
Charalambos Bousbourellis—Political/Diplomatic Correspondent, To Vima—Greece.
Arni Gunnarsson—Radio Reporter, State Radio—Reykjavik, Iceland.
Timothy Patrick Coogan—Deputy Editor, Evening Press—Ireland.
Dr. Orazio Mazzoni—Chief City Editor, Il Mattino—Italy.
Emile Jacques Burggraff—Reporter/Editorialist, Luxembourger Wort.
Johannes W. Martinot—Editor in Chief, Algemeen Nederlands—Netherlands.
Jahn Otto Johansen—Foreign Editor, Television Branch, Norweigan Broadcasting Service—Norway.
Fernando Manuel Pereira Moutinho—International News Commentator, Empresa Nacional de Publicidade—Portugal.
Rafael Herrera Mulero—Special Assignments Reporter, El Alcazar, Spain.
Clas Johnson—Political Editor, Conservative Press News Service—Sweden.
Francois Landgraf—Foreign Editor, Gazette de Lausanne, Switzerland.
Mehmet Ali Birand—Asst. Foreign News Editor, Milliyet—Turkey.
Stevan Tatic—Editor & International Affairs Commentator, Vecernje Novosti—Yugoslavia.

April–May 1967—East Asia and Pacific Journalists Tour: Cost to DOD: $16,272.86

Participants: Brian Francis Johns—Editorial & Special Writer, Sydney Morning Herald.
Michael Jean Maurice Anglade—Editor in Chief, Depeche de Tahiti.
Wong Sek-Yeung—Chief Reporter and Photo Editor, Overseas Chinese Daily News—Hong Kong.
Albert V. Korompis—Managing Editor, Armed Forces Daily Mail—Indonesia.
Amir Daud—Freelance Journalist—Indonesia.
Ryoichi Amano—Editorial Writer, Mainichi Press—Japan.
Yuichiro Hayashi—Staff Writer, Foreign News, Kyodo News Agency—Japan.
Han Nae-bok—Editorial Writer, Korea Times.
Chung To-hyun—Political-Economic Editor, Shina Ilbo—Korea.
Jeffrey Francis—News Editor, Malay Mail—Malaysia.
Musa Scully—Senior Staff Reporter, Eastern Sun—Malaysia.
Desmond James Fitzgerald—Chief Parliamentary Reporter, Evening Post, New Zealand.
Minoru Matayoshi—Editor, Weekly Okinawa Times.
Peary G. Aleonar—Editor, Cebu Advocate—Philippines.
Lawrence Ng—Columnist, Manila Chronicle—Philippines.
Andrew Shen—Reporter, Central News Agency—Republic of China.
Uthai Xunhachandana—Chief News Division, Thai Radio—Thailand.
Prasong Wittaya—Bureau Manager, United Press International—Thailand.
Le Van Hung—Managing Editor, Saigon Daily News.
Vu Thuy Hoang—Foreign News Editor, Chinh Luan—Vietnam.

November–December 1967—European Journalists Tour: Cost to DOD: $11,052.30.

Participants: Harald Brainin—Foreign Editor, Kurier—Austria.
Jacques Franck—Foreign Affairs Editor, La Libre Belgique, Belgium.
Francis Unwin—Foreign Affairs Editor, Le Soir—Belgium.
Ole Smith—Foreign Policy Editor, Aktuelt—Denmark.
Bent Norgaard—Military Aviation Writer, Berlingske Tidende—Denmark.
Carl Fredrik Sandelin—Foreign News Editor, Suomen Tietotoimisto—Finland.
Claude Bonjean—Chief Foreign News Service, Radio Luxembourg—France.
Klaus Boelling—Editor in Chief, Norddeutscher Rundfunk—Germany.
Armin Halle—Commentator & Correspondent, Sueddeutsche Zeitung—Germany.
Michael Whinery Wall—Script Writer & Interviewer, Granada Television Network, Limited—England.
Patrick Kenneth Wheare—Deputy Editor, Oxford Mail—England.
Franco Biancacci—Foreign Affairs Journalist, Radiotelevisione Italiana.
Johannes W. Martinot—Editor in Chief, Algemeen Nederlands Persbureau—Netherlands.
Herman A. Wigbold—Chief, News Department, Vara Television—Netherlands.
Ivan Kristoffersen—Sub-Editor & Editor, News Service Dep., Nordlys—Norway.
Jose Mensurado—Commentator & Producer, Radio Televisao Portuguesa—Portugal.
Manuel Bueno Montoya—Chief Editor, Special Projects, Pueblo—Spain.
Nils Ake Malmstroem—Chief Parliamentary Staff, Tidningarnas Telegrambyra—Sweden.
Claude Monnier—Chief Foreign Service, Journal de Geneve—Switzerland.
Vilko Tezak—Foreign Affairs Specialist, Vecernji List—Yugoslavia.

March–April 1968—East Asia and Pacific Journalists Tour: Cost to DOD: $17,364.33.

Participants: Mark Day—Senior Political Writer, The News—Australia.
Herschel Hurst—Chief Canberra Bureau, Sun News Pictorial—Australia.
Comet K. M. Shih—Diplomatic Reporter, United Daily News—China.
Devakar Prasad—Roving Reporter, Radio Fiji.
Koo Tim Shing—Reporter, South China Morning Post—Hong Kong.
Fahmi Mu'thi—Managing Editor, Djakarta Times—Indonesia.
Lt. Colonel R. Sugiarso Surojo—Managing Editor, Harian Angkatan Bersendjata—Indonesia.
Yoshika Hidaka—Staff Writer, Foreign News Division, Japan Broadcasting Corporation—Japan.
Naoki Ogino—Political Reporter, Yomiuri Shimbun—Japan.
Cho Kyu-Ha—Political Reporter, Dong A Ilbo—Korea.
Cho Young-Kou—Chief News Room, Korean Broadcasting System—Korea.
Chang Chin Hwa—Staff Reporter, China Press—Malaysia.
Francis Desmond Early—Parliamentary Reporter, Auckland Star—New Zealand.
Michael Bryant Forbes—Assistant Editor, Christchurch Star—New Zealand.
Kenzo Inafuku—Managing News Division, Ryukyu Broadcasting Corporation—Okinawa.
Harry A. Gasser—Reporter and Production Director, Radio Station DZHP—Philippines.
Manolo B. Jara—News Editor, Evening News—Philippines.
Liew Yung Ho—Deputy Editor in Chief, Nanyang Siang Pao—Singapore.
Danai Sriyaphai—Chief Home Broadcasting Division, Radio Thailand.
Samuel Krishniah—Managing Editor, Bangkok World.

August–September 1968—East Asia and Pacific Journalists Tour: Cost to DOD: $17,193.92.

Participants: Jonathan J. Gaul—Political Correspondent, The Canberra Times—Australia.
Brian White—Editor, Macquarie News Service—Australia.
George Yeh—Military & Foreign Affairs Reporter, Independence Evening Post—China.
John Carter—News Editor, Fiji Times.
Ho Chang Pong—Head Public Affairs Department, Hong Kong Television.
Aristides Katoppo—Editorial Writer, Sinar Harapan—Indonesia.
Gunawan Mohamad—Staff Writer, Kami—Indonesia.
Masahiro Kameda—Foreign News Reporter, Sankei Shimbun—Japan.
Kaname Matsumoto—Assistant Make-up Editor, Tokyo Shimbun.
Chu Young-Kwan—Editorial Writer, Seoul Shinmun—Korea.
Yim Sei-Chang—Foreign News Editor, Hankuk Munhwa Broadcasting Corp.—Korea.

Felix Abishegenaden—News Editor, Straits Times Press—Malaysia.

John Samuel Guiney—Senior Journalist, The Evening Post—New Zealand.

Seiko Matayoshi—Chief of Political & Economic Desk & Editorial Writer, Ryukyu Shimpo, Okinawa.

Antonio R. Tecson—Head Motion Picture/News Department DZTM–TV Philippines.

Alberto K. Corvera—News Editor, Philippines Herald.

Wong Szu—Editor in Chief, Sin Chew Jit Poh—Singapore.

Major Sonthi Promekanond—Chief, Programming & News Analysis Station 909, Thailand.

Nguyen Dinh Tu—Assistant Editor, Chinh Luan Daily News—Vietnam.

October–November 1968—African Journalists Tour: Cost to DOD: $9,955.52.

Participants: Daniel Mongoue—Editor in Chief & Director, La Semaine Camerounaise—Cameroon.

Joaquim Da Silva—Program Director and Journalist, Radio Central Africa—Central African Republic.

Maurice Bosquet—Reporter & Editor, Radion Tchad—Chad.

Kifle Selassie Beseat—Co-Editor, Addis Soir—Ethiopia.

Yacob Wolde-Mariam—Editor, Voice of Ethiopia.

Mohammadou N'Jie—Information Officer, Government of Gambia.

Sam Burndam—Foreign News Editor, Ghanaian Times—Ghana.

Eugene Forson—Foreign News Editor, Ghana News Agency.

Fode Cisse—Director-General Guinean National Broadcasting Co.—Guinea.

Emmanuel Sika—Radio Journalist, Ivorian Radio Service—Ivory Coast.

Pius George Okoth—Reporter, East African Standard—Kenya.

Percy Mangoaela—Assistant Program Director, Radio Lesotho—Lesotho.

Afroman Canada—Assistant Editor, Liberian Star—Liberia.

Rashad Bashir El Huni—Editor-Director, Al Hakika & Libyan Times—Libya.

Emile Rakotonirainy—Managing Director & Director of Publication Madagascar Press—Malagasy Republic.

Fabala Diallo—Director, Mali National News Agency—Mali.

James Percy McGraw—Head of News, Mauritius Broadcasting Company—Mauritius.

Mehdi Bennouna—Director General, Maghreb Arabe Presse—Morocco.

Benedict Eke—News Editor, Morning Post—Nigeria.

Djibril Ba—Editor of News Programs, Radio Senegal.

Ismail Mohamed Aly—Director, Somali National News Agency—Somalia.

Kouassi Georges Hegbor—Journalist, Togo-Presse—Togo.

Tahar Bourkhis—Political Editor, L'Action—Tunisia.

Moncef Dlimi—Editor in Chief, Radio & Television News—Tunisia.

John Bagenda-Mpima—Senior Reporter, The People—Uganda.

Paul Yugbare—Press Attache to the President of Upper Volta.

Naphital Misheck Nyalugwe—Head of News, Radio Zambia.

Guy Sitbon—Staff Writer, Jeune Afrique.

March–April 1969—European Journalists Tour: Cost to DOD: $10,024.22.

Participants: Emil Portisch—Managing Editor, Chief Foreign Affairs Editor, Suedost Tagespost—Austria.

Henri Van Moll—Foreign Editor, De Standaard—Belgium.

Pierre C. O'Neil—Parliamentary Correspondent, Le Devoir—Canada.

Frank Osvald Stein—Columnist, Information; Commentator, TV Avisen—Denmark.

Ronald S. Payne—Diplomatic Correspondent & Senior Roving Correspondent, Sunday Telegraph—England.

Peter M. O. Strafford—Brussels Correspondent, The Times—England.

Simo P. Nortamo—Sunday Edition Editor, Helsingin Sanomat—Finland.

Georges Bortoli—Head Foreign News Department, Television, Office de Radiodiffusion Television Francaise—France.

Bodo Pipping—Editor, Foreign Desk, Die Welt—Germany.

Eyjolfur Konrad Jonsson—Editor, Morgunbladid—Iceland.

Arthur J. Noonan—Political Correspondent, Irish Independent—Ireland.

Fernand Rau—Chief Economic Department, Luxemburger Wort.

Harry Hagedorn—Director News Feature Programs, Nederlandse Televisie Stichting—Netherlands.

Finn Fostervoll—Foreign Affairs Commentator, Arbeiderbladet—Norway.

Francisco Mata—Editor, Seculo Ilustrado—Portugal.

Antonio Sanchez-Gijon—Head International Affairs Section, Madrid—Spain.

Henry Christensson—Foreign News Editor, Sveriges Radio/TV—Sweden.

Jonas Magnus Faxen—Foreign News Editor, Sveriges Radio—Sweden.

Hans Lang—Chief Foreign Editor, Radio der Deutschen und Taetoromanischen Schweiz—Switzerland.

Predrag S. Vukovic—Foreign Editor, Borba—Yugoslavia.

NATO Television Tour

From October 1–16, 1966, a one-time North Atlantic Treaty Organization Television Tour was conducted under the joint sponsorship of the U.S. Department of Defense and NATO. Tour participants included 15 European network television correspondents and a five member NATO television film team, for a total of 20. The purpose of the tour was to allow the correspondents from NATO member countries to obtain greater understanding and documentation of the United States commitment to NATO, under the theme: "This is U.S.A.—Your NATO Partner." The tour included visits to four military installations and the Pentagon, as well as New York City and Cleveland.

The Department of Defense was responsible for programming the tour and for providing air transportation within the United States. Cost to DOD: $765.00.

Participants: Henry Sandoz—Director, Film Crew—NATO.

Jacques Curtis—Senior Cameraman—NATO.

Ruggero Dentici—Cameraman—NATO.

Jean Louis Richet—Sound Engineer—NATO.

Bernard Henri Dartigues—Cameraman—NATO.

Keith Kyle—Reporter—British Broadcasting Corporation BBC.

Barry Sales—Director—BBC.

Max Sannet—Cameraman—BBC.

Don Martin—Sound Recorder—BBC.

Jacques Riffiet—Correspondent-Radio Television—Belge RTB.

Jacques Chapus—Correspondent—Tele Lux.

Christian Detter—Cameraman—Tele Lux.

Gaston Detter—Cameraman—Tele Lux.

Carl Erik Goosman—Reporter-Director—Denmark Radio/TV.

Paolo Bolis—Correspondent—Radio Audizioni Italiane RAI.

Umerto Romano—Cameraman—RAI.

Luigi Tassoni—Soundman—RAI.

Ehrenfried Klauer—Commentator-Director—Zweites Deutsches Fernsehen ZDF.

Helmer Hosch—Cameraman—ZDF.

Fritz Adam—Soundman—ZDF.

North Atlantic Assembly (NATO Parliamentarians) Tours

The North Atlantic Assembly (formerly known as the NATO Parliamentarians) conducts a biennial tour of military installations in the United States. Tour members are also members of the legislative bodies of NATO member nations. At the request of Congress and in coordination with the Department of State, the Department of Defense provides support for these tours. Defense support consists of complete programming of the tours, military airlift for the tour, funding for a limited number of official receptions and dinners, and provision of a Department of Defense escort officer (the Department of State provides three escort officers and the North Atlantic Assembly Secretariat provides one).

September 6–18, 1966—NATO Parliamentarians' Conference: Cost to DOD: $2,194.11.

Participants: Andre Dua—Senator—Social Christian Party—Belgium.

Raoul Hicguet—Socialist Party—Belgium.

Jean-Eudes Dube—Liberal Party—Canada.

James McNulty—Liberal Party—Canada.

Eric Stefanson—Progressive Conservative Party—Canada.

Orla Moller—Social Democrat Party—Denmark.

H. C. Toft—Conservative Party—Denmark.

Coude du Foresto—France.

M. Y. Guena—UNR/UDT Party—France.

Josef Felder—Social Democratic Party—Germany.

Hans Karl Filbinger—C.D.U. Party—Germany.

Hermann Schmidt—Social Democratic Party—Germany.

Athanasius C. Tsaldaris—National Radical Union—Greece.

Jean G. Zighdis—Central Union—Greece.

Girolamo Messeri—Christian Democrat Party—Italy.

Pietro Micara—Christian Democrat Party—Italy.

J. A. W. Burger—Labour Party—Netherlands.

Dr. N. G. Geelkerken—Anti-Revolutionary Party—Netherlands.

Th. E. Westerterp—Catholic People's Party—Netherlands.

Nils Nonsvald—Labour Party—Norway.

Otto Lyng—Conservative Party—Norway.

Alberto Henriques de Araujo—Portugal.

Fernando Alberto De Oliveira—Portugal.

Kasim Gulek—Independent Party—Turkey.

Ronald Brown, M.P.—Labour Party—United Kingdom.

Victor Goodhew, M.P.—Conservative Party—United Kingdom.

Sir Fitzroy MacLean, C.B.E.—Conservative Party—United Kingdom.

September 4–14, 1968—North Atlantic Assembly: Cost to DOD: $2,235.86.

Participants: Joseph Ph. A. Chabert—Social Christian Party—Belgium.

Fernand Marcel Parmentier—Liberty and Progress Party—Belgium.

Francis A. A. J. Tanghe—Belgium.

Mr. Van Ackere—Belgium.

Helge Neisen—Denmark.

Marcel Fortier—France.

Professor Georges Portmann—France.

Senator Billiemaz—France.

Detlef Haase—Federal Republic of Germany.

Dr. Bruno Merk—Federal Republic of Germany.

Dr. Friedrich Zimmermann—Federal Republic of Germany.

Georges Wagner—Luxembourg.

Fernandus A. A. M. Fievez—Catholic Popular Party—Netherlands.

Gerard Koudijs—Libert Party—Netherlands.

Colonel W. Wierda—Labour Party—Netherlands.

Egil Endresen—Conservative—Norway.

Kare Stokkeland—Conservative—Norway.

Carlos Monteiro Do Amaral Netto— Portugal.

Manuel de Sousa Menezes—Portugal.

Philip Goodhart—United Kingodm.

Albert James Murray—Labour Party—United Kingdom.

WESTERN EUROPEAN UNION PARLIAMENTARIANS TOUR

Periodic tours of selected military installations in the U.S. are conducted for key members of the Western European Union (WEU) Assembly, representing the United Kingdom, France, Germany, Italy, Belgium, Luxembourg and the Netherlands. These tours are conducted in response to requests by the WEU, and are coordinated with and supported by the Department of State. Parliamentarians participating in the tours are equivalent in rank to U.S. Senators and Congressmen.

The last Western European Union Parliamentarians Tour was conducted from March 24 to April 7, 1968, in response to a request from the Space and Defense Committees of the WEU to inspect various modern equipment items of all services and to visit specific military installations. Cost to DOD: $1,117.50.

Participants: Frans J. Goedhart—Vice Chairman of the Committee on Defense Questions and Armaments—Netherlands.

Ronald Brown—Vice-Chairman of the Committee on Scientific, Technological and Aerospace Questions—United Kingdom.

Andre Beauguitte—Deputy—Independent Republican—France.

Jean-Louis Tinaud—Senator—Independent—France.

Heinrich Draeger—Christian Democrat Union—Germany.

Gerhard Flamig—S.D.P.—Germany.

Franz Lenze—Christian Democrat Union—Germany.

Frankie L. Hansen—Deputy—Socialist Workers Party—Luxembourg.

Douglas Dodds-Parker—Conservative—United Kingdom.

G. Huigens—Counsellor WEU.

TAB C TO ENCL 1 (SPECIAL PROJECT OFFICERS)

The "Special Projects Office" is composed of three senior civilian employees assigned to specific and diverse activities. They do not function as a single working unit on "projects," but are utilized on individual bases as special assistants on detailed assignments by the ASD(PA) and his two Deputies.

Basically, these men work in high levels in the Department on activities which the ASD(PA) and his deputies must give close cognizance but which, because of the many demands on their time, cannot always have their personal attention.

Some typical activities of these officers are:

Reviewing DoD-proposed legislation and providing information and assistance as requested to Congressional inquiries and Committees.

Monitoring public affairs activities relative to Federal involvement in civil disturbances.

Concluding arrangements with sponsors when the Secretary of Defense or Deputy Secretary of Defense accept official invitations.

Acting for the ASD(PA) in high level audio-visual matters to include obtaining prisoners of war visual materials, maintaining contact with senior personnel of the networks and wire services, and arranging audio requirements for events such as the Presidential Inaugural and the Eisenhower funeral.

TAB D TO ENCL 1 (DIRECTORATE FOR DEFENSE INFORMATION)

As of August 1, 1969, there were 57 military and civilian professional and clerical personnel assigned to the Directorate for Defense Information, OASD(PA). Included in this figure are four civilian information officers and one civilian information assistant assigned to the Defense News Branch and six military information officers and two civilian information assistants assigned to the Armed Forces News Branch.

In FY 1969 the Press Division issued 1,604 releases pertaining to the Military Departments and the Office of the Secretary of Defense and Defense Agencies and responded to some 10,000 formal queries and approximately 25,000 informal questions (or queries) from news media representatives and from Members of Congress.

In addition to the above, the Press Division handles approximately 200 interviews a year, processes and releases approximately 300 speeches, a considerable volume of testimony before the Congress and handles approximately 1800 coordination actions per year on releases for other government agencies as well as agencies within the Defense Department.

TAB E TO ENCL 1 (MAGAZINE AND BOOK BRANCH)

One of the changes mentioned in the covering letter was to delegate to the Military Departments most of the activities of the Magazine and Book Branch, along with the associated manpower spaces. This change was made as experience has proved that the majority of magazine articles and books are concerned with only one Service.

The mission of the Magazine and Book Branch is to help magazine and book media representatives and free lance writers obtain information about the Department of Defense in accordance with the provisions of the Freedom of Information Act (5 USC 552). Specifically this includes assisting media representatives in gathering historical data; arranging interviews with key Defense officials about plans, policies, programs and operations of the Department of Defense; arranging briefings on these same subjects; advising and arranging for access to classified files for scholarly research, and responding to inquiries. The branch also provides policy guidance to the Military Departments on magazine and book matters, coordinates those matters that involve more than one service and acts as initial point of contact at the seat of government with all national media representatives.

Attached is a list of some of the authors we assisted during the last three years, indicating name of book and the publishing house. The support provided falls into the following specific categories:

(a) When requested, providing any and all types of unclassified facts about military events that have or are presently occurring.

(b) At the request of media representatives arranging interviews with knowledgeable Defense officials who discuss "on going" policies, programs, and activities of the Department of Defense.

(c) As requested, arranging for access to both classified (Executive Order 10816 implemented by Paragraph X, B, DOD Directive 5200.1) and unclassified files by authors and researchers who are developing chronologies of official historical events.

(d) Providing publishers and editors of encyclopedias, almanacs and yearbooks factual data about the Department of Defense.

TAB F TO ENCL 1 (AUDIO-VISUAL DIVISION)

The Audio-Visual Division, in its present organizational structure, was authorized by Deputy Secretary of Defense Cyrus Vance on March 14, 1966. On May 1, this Division was formed and assumed all of the functions previously handled by the four Military Services in relation to working with the national media.

The Audio-Visual Division develops audio-visual public information policy to be followed by the Military Departments, and serves as the single contact point for all requests from the media and for the release of all Service-generated material to the media.

The Military Departments complement and support the Department of Defense by:

1. Providing guidance to and supervising the activities of subordinate elements.

2. Supervising and cordinating the acquisition of material for intra-departmental use.

3. Providing staff advice and assistance to the Service Secretary and Chief of Staff.

4. Reviewing, evaluating and recommending Service positions on projects and materials.

The 1966 consolidation improved the flow of information to the public by decreasing duplication, reducing costs and generally simplifying operations in this field.

Descriptions of the activities of the Technical Services Staff, Audio-Visual News Branch, Audio-Visual Motion Picture Production Branch, and the Television Production Branch are contained in Tab F1.

Costs of Audio-Visual operations in salaries are contained elsewhere in the Public Affairs report; however, Tab F2 lists those funds required for operation wherein services, equipment or expendable supplies are required.

Tab F3 lists completed films, newsfilms, video tapes, tapes and still photos either released to the public or cleared for public release.

TAB F1 (MOTION PICTURE PRODUCTIONS BRANCH)

The Motion Picture Productions Branch has two main activities. It receives and staffs requests for Department of Defense assistance when such requests are submitted by motion picture producers, and it is the action agency when the Military Departments requests that films and video tapes they have produced be approved for public release.

The Branch also is responsible for producing films for the Office of Public Affairs. During the period July 1968 through June 1969 no productions were undertaken.

A List of Selected Films is published by this Branch. A new one has been prepared and publication is pending. It is estimated that 5,000 copies of this catalogue will cost approximately $500. These funds come from the general DoD printing budget.

TAB F1 (RADIO-TELEVISION PRODUCTION BRANCH)

The Radio-Television Production Branch produces no materials for public release. Activities are limited to assistance to the commercial media in the production of documentary or entertainment television programs. Assistance involves authorization of and arrangements for (1) access to military facilities and/or personnel for research and photographic purposes, and (2) access to military film depositories for the selection and purchase of stock footage pertinent to the subject being covered. All photography is accomplished by commercial film crews at the company's expense, and all stock footage is purchased by the company at rates established by DOD Instruction 7230.7, "User Charges."

Details of assistance granted in the past were included in our earlier report to Senator Fulbright on July 9, 1969.

TAB F1 (AUDIO-VISUAL NEWS BRANCH)

Responsible for the preparation of all newsfilm and photo releases issued by the Department of Defense; provides assistance to radio, television and newsfilm representatives in arranging coverage of major news events; assists in arranging media interviews with key Defense officials.

Assistance provided varies in scope from providing military stock footage to the complex task for coordinating efforts involved with television news production. In addition, static facilities are provided for television, radio and motion picture media in the coverage of news conferences, speeches and special events. The Branch also prepares and distributes still photo releases issued by the Department of Defense in Washington; provides

pictorial coverage of special events; researches archives for photographic illustrations; and assists commercial photographic agencies and services in covering news events.

Maintains a small photographic studio and laboratory, plus sound recording facilities to service internal requirements (DoD and other Government agencies) and non-government audio-visual agencies, as appropriate.

The photo laboratory, consisting of one civilian and one serviceman, performs a myriad of assignments. These two men document the activities of the Office of the Secretary of Defense, when such activities are not covered by the media, and operate a small laboratory to provide the photo material for release. In addition, these photographers cover special feature stories on military activities within the Washington area for release to the public.

In the pursuit of these efforts 740 assignments were accomplished during the last fiscal year. These assignments produced 24,500 photo prints for distribution to various media.

TAB F2 (MISCELLANEOUS CONTRACTS)

DEPARTMENT OF DEFENSE NEWSFILM CONTRACT (V-SERIES)

A contract to process, screen, edit and distribute to national TV-news-film media military sound-on-film stories occurring in Southeast Asia. Cost for FY 69: $87,386.48.

These production costs cover only the Stateside expenditures necessary for transport of film, film processing, editing, release printing, and necessary management details to accomplish the foregoing.

The input of sync-sound newsfilm is generated by five Service-supported camera teams in Vietnam. These teams are under the direct supervision of MACV and indirectly of OASD(PA). These teams were approved by Deputy Secretary Vance on 12 November 1965 and established by April-June 1966. The purpose of these teams is to document, for release to national television, the feature aspects of the military participation in Southeast Asia often ignored or bypassed by national media film crews because of the pressure of hard news events. They are not in competition with the civilian media. Rather, they supplement the coverage by major networks. The high usage of the material produced by these teams is indicative of the effectiveness of their efforts.

MOTION PICTURE FILM PROCESSING

Motion picture news film exposed by DoD cameraman requiring urgent handling is processed under a contract arrangement with the Department of Agriculture. Cost for FY 69: $3,061.64.

ARMY PHOTOGRAPHIC AGENCY

This Agency provides multiple services which include tape coverage of network newscasts from which Defense Department excerpts can be extracted, reproduced and shown to interested Defense agencies. Extensive use is made of this facility. Cost for FY 69: $43,265.40.

MAIL EARLY FOR CHRISTMAS PROJECT

This project produces a professional package of spot announcements, film clips and color slides sent to over 5,000 radio and 600 television stations urging the public to mail Christmas packages and cards to servicemen overseas in time for delivery prior to Christmas Day. The program is conducted in conjunction with the Post Office Department. Contract cost: $9,642.55. These funds do not come out of OASD(PA) budget. They are a part of the general printing fund maintained by OSD.

TAB H TO ENCL 1 (PROJECTS DIVISION)

1. AERIAL EVENTS

a. The Projects Division schedules and coordinates all appearances by the aerial demonstration teams: Thunderbirds (Air Force), Blue Angels (Navy), and Golden Knights (Army). This includes review of liability insurance policies required by the sponsor to protect the Government and insuring that sponsors pay associated costs such as per diem costs for team members. The teams performed a total of 289 times throughout the country during FY 1969.

b. All flyovers in the public domain are authorized by this office to insure compliance with policy. There were 217 of these during FY 1969.

c. This Division also authorized static display of aircraft in 102 air shows and fairs during FY 1969.

2. SURFACE EVENTS

This Division authorized military support (musical and troop) for approximately 4,800 events in the Washington area and approximately 1,400 national events elsewhere during FY 1969. While a complete listing of these would be difficult to compile, a list of some of the major events during this period is attached together with military participations authorized (Tab H 1).

3. DEFENSE INDUSTRY BULLETIN

This publication provides logistical information on Department of Defense for agencies of the Department as well as subscribers in industry upon request. Of the 25,000 copies printed each month, 15,309 are sent to outside subscribers with the remainder being distributed within the Department. The cost of the publication is approximately $47,500 annually and is budgeted with the overall Defense printing costs. A proposal to transfer this publication to the Defense Supply Agency is currently being staffed.

4. SPEAKERS BUREAU

The Projects Division received a total of 894 requests for DOD speakers during FY 1969 and provided 492.

a. These requests were filled by asking agencies within the Office of the Secretary of Defense, Office of the Joint Chiefs of Staff, the Defense Agencies, the Unified and Specified Commands, and the Military Services to fill specific requests.

b. An effort is made to fill speakers requests with speakers stationed nearby to minimize travel costs except for forums which are national in scope. It would be virtually impossible to estimate the cost of speakers' travel. In many cases the sponsor provides transportation, housing and meals. Where travel costs are paid by the government they are paid from travel funds available to the agency providing the speaker.

c. Attached are copies of schedules of major speaking engagements by DOD speakers during FY 1969 (Tab H 2).

Note: Except for speakers, all of the units committed to programs are assigned to one of the Services. Also, the Services provided many of the speakers to fill requests received by this Directorate.

TAB 1 TO ENCL 1 (ORGANIZATIONS DIVISION)

The Organizations Division performs that portion of the Directorate mission of maintaining liaison and serving as the single office of public information liaison between DoD components and national organizations and groups. The Division has contact with about 500 organizations ranging all the way from an action once a year to almost daily contact with defense oriented groups such as the major veterans organizations.

Much of the activity of this Division consists of responding to verbal and written queries for information from or on behalf of organizations. During FY 1969, 6,284 items of routine correspondence were handled. In addition 355 written queries from the White House and members of Congress on behalf of organizations were answered. This correspondence covered a wide range of defense subjects, examples of which are:

1. Requests for statements by the President or the Secretary of Defense for conventions, meetings, and commemoration of anniversaries and other special events.

2. Requests for the President or the Secretary of Defense to address or attend conventions and meetings.

3. Requests for information on obtaining ceremonial rifles and surplus uniforms by veterans organizations.

4. Requests from veterans and civic groups concerning procedure for obtaining surplus equipment for monumental purposes.

5. Queries from groups of all types on flag usage.

6. Requests for information on sending gifts and providing other support for our troops in Vietnam.

7. Requests for speakers, musical support and briefings for meetings of organizations and groups.

8. Requests for information from organizations and groups on DoD programs and activities of current interest, such as ROTC, all volunteer force and Project 100,000.

This Division mails Department of Defense material of interest to outside organizations to a total of 287 organizations which have indicated an interest in receipt of this material. These organizations are queried annually to determine if they desire to continue receiving such material. Material mailed consists of significant speeches by the Secretary of Defense and other high officials. It also includes items of current interest such as the annual Secretary of Defense posture statement, announcement of award of the Medal of Honor, casualty reports and fact sheets on support of our troops overseas. Mailing of material is done on a selective basis to those organizations having particular interest in specific material. For example a speech on ROTC would be mailed to veterans groups and other defense oriented organizations and to educational organizations.

The Division provides briefings and tours in the Pentagon on request from organizations. These briefings cover a wide variety of defense subjects as requested. During FY 1969 over 5,000 persons attended briefings arranged and coordinated by the Division.

Specific examples of assistance provided to organizations of various types during FY 1969 include the following:

1. Support for the Senate Youth Program sponsored jointly by the United States Senate and the William Randolph Hearst Foundation. This included providing military officers as escorts for the participants, providing a half day briefing at the Pentagon on the organization and functions of DoD, arranging visits to the Tomb of the Unknown Soldiers and the Kennedy Grave, and providing patriotic programs by military musical groups for banquets for the group.

2. Coordinating the visit of the new national commander of the Veterans of Foreign Wars to the Pacific including Vietnam. Assistance included arranging military briefings as desired. All travel and accomodations were arranged by and paid for by the organization.

3. Providing Pentagon military briefings for a series of groups of business executives attending seminars sponsored by the Brookings Institution on Federal Government operations.

4. Providing a Pentagon briefing for the Voice of Democracy winners in the annual briefing sponsored by the Veterans of Foreign Wars.

5. Providing Pentagon briefings for the American Legion Boys Nation and the American Legion Auxiliary Girls Nation.

6. Providing convention support for the American Legion national convention. This included bands, marching units and color guards from the Services for the convention parade; providing General Westmoreland, Army Chief of Staff, as a convention speaker; coordinating Air Force briefings for the organization's National Security Commission (done on a rotational basis among the Serv-

ices each year); and providing briefings for the National Security Commission as requested on other military subjects of particular interest at the time.

7. Arranged for a group from the Young Presidents Organization to attend Brass Strike exercise at Fort Bragg at their expense.

8. Arranged for the Secretary of Defense to address the National Security Industrial Association's annual dinner.

9. Provided DoD briefings for groups sponsored by the Presidential Classroom for Young Americans.

10. Assisted the American Legion, the Veterans of Foreign Wars, United States Jaycees and Lions International in establishing a veterans assistance program.

11. Provided the DoD portion of the D.C. Urban Service Corps program, Widening Horizons, which is designed to provide summer orientation activities for school children of the District of Columbia. This consisted of a weekly visit to a military installation in the Washington area for an average of 300 children.

Note: As noted in the activities of the Projects Division there will undoubtedly be duplication in the reports submitted by the Services. In addition to troop and speaker support the Organizations Division queries the Service concerned to provide information concerning that Service to answer queries from organizations.

TAB J TO ENCL 1 (DIRECTORATE FOR PLANS AND PROGRAMS)

The Directorate for Plans and Programs is divided organizationally into three groups whose activities are described below:

1. Director's Group—Acts as the principal assistant and advisor to the ASD(PA) in the area of planning and programming worldwide public affairs activities. Proposes new or revised public affairs policies when required. Supervises and directs other members of the Directorate and monitors and controls all correspondence to and from the Directorate.

2. Programs and Studies Group—Formulates broad and continuing public affairs program and policy guidance applicable to DoD components and insures that such guidance is fully coordinated with other appropriate government agencies. Maintains liaison with appropriate elements of OSD, JCS, Military Departments, and other agencies of the government to develop information about planned activities with public affairs implimations and to determine—or formulate when none exists—government policy on public affairs matters involving DoD and the Military Services. Monitors currency of OSD public affairs issuances and prepares changes or new issuances as appropriate. Assists unified and specified command public affairs officers by keeping them informed of all seat-of-government matters that may affect public affairs in their areas. Assists unified and specified commanders on manning requirements in their public affairs offices. Arranges OSD conferences of unified and specified command public affairs officers in Washington, and monitors annual staff visits to the commands by OASD(PA) staff team.

3. Plans Group—Maintains liaison with public affairs offices in the unified and specified commands and monitors their implementation of policies and guidances issued by the ASD(PA). Reviews public affairs portions of contingence, field exercise, and operation plans of the unified and specified commands and formulates or approves guidance after securing complete and careful coordination with State and other interested government agencies. Stays abreast of developments within assigned command areas by reviewing all State and Defense message traffic referring to the area; identifies potential public affairs problems and develops and coordinates courses of action to solve them; insures that other OASD(PA) and Service information offices are provided copies of such traffic in a timely fashion. Participates in staff visits to unified and specified commands. Monitors the operation of the Defense Information School. Serves as point of contact for respective single-Service matters and develops ASD(PA) position on single-Service public affairs problems.

The planning function in this Directorate is not normally accomplished by the formal preparation of plans. It is more a matter of developing, in conjunction with other DoD elements and other agencies of the government, public affairs courses of action in connection with the situations—actual or potential—that may require some action to be taken. A large part of the activity consists of telephone and cable traffic and direct, personal liaison with State Department public affairs officers and officials of the USIA. Only two actual public affairs plans have been produced in the past year:

1. Civil Disturbance Public Affairs Plan, 31 October 1968.

2. Public Affairs Plan for NATO's 20th Anniversary Year, 4 April 1968.

[From the Washington Star, Nov. 12, 1969]

DEFENSE CHIEFS CARRY MESSAGE TO CITIZENRY

(By Orr Kelly)

While President Nixon has been seeking support for his efforts to end the Vietnam war, high ranking Pentagon officers have been out giving the word to the "silent majority."

In an almost steady stream, they have been speaking to Rotary Clubs, to Reserve Officers meetings, at ship launchings and almost anywhere a responsive audience might be expected to gather.

Frequently they have taken a tough line—using language more forceful then that of the President and even outdoing Vice President Spiro T. Agnew on occasion according to a spot check of speeches delivered over the last two months.

Speaking to the Association of the U.S. Army here on Oct. 15, for example, General Earle G. Wheeler, chairman of the Joint Chiefs of staff, referred caustically to "groups of interminably vocal youngsters, strangers alike to soap and reason . . ."

GENERAL FATIGUED

"For my part, I must confess to a bit of fatigue on this score when new words are produced, most often by the 'academic-journalistic complex,' which describe vaccilation as being flexible and nervousness as being compassionate."

But the occasion which Wheeler spoke clearly implies a distinction between various forms of dissent. He was speaking in honor of Cyrus R. Vance, former U.S. negotiater in Paris and now a prominent critic of American policy in Vietnam.

By far the most prolific speechmaker is Gen. Lewis Walt, assistant commandant of the Marine Corps, who delivers a slightly modified version of the same basic speech and average of better then twice a week to such groups as the Rotary Club of Pensacola, Fla., (Oct. 21) and the Florida State convention of the American Red Cross (Oct. 10).

"In the past year, over 10,000 Americans have been killed in Vietnam," he told the Red Cross. "Those who dissent may not have fired the rifle or thrown the grenade. But they must bear a part of the responsibility for the losses of those gallant Americans.

'BACKBONE' HAILED

"Our young Americans in Vietnam may not be a part of our nation's loose tongue—but they certainly have proven themselves to be a vital part of our strong backbone."

In his Pensacola speech, he phrased it slightly differently:

"There is an old saying that 'talk is cheap.' Well, this past year over 10,000 Americans have been killed in Vietnam. That loss is the price of irresponsible talk and I can tell you that it isn't cheap."

On Nov. 6, speaking to the Annapolis Rotary Club, Walt, who commanded the Marines in Vietnam for two years, reflected the themes of the President's speech three days before—and added to it.

"Those who are in positions of authority know the potential cost of a premature pull-out," he said. "They know that the blood of millions of Vietnamese would be on their hands . . ."

"Our premature, withdrawal from Vietnam would become a major victory for the forces of international communism."

On Oct. 14, Gen. Leonard F. Chapman Jr., commandant of the Marine Corps, spoke to the Rotary Club of Memphis.

He drew a line between the "doves—gentle people who have never seen war, or terror," and the "anti-everything organizations who . . . have waved the flag of the enemy, burned our own flag, practiced violence, and preached their own war as a means to destroy our present society."

In general, the professional military men tend to see the threat of communism as somewhat more menacing than many political leaders.

Speaking at the launching of a destroyer named for his father, Adm. John S. McCain Jr., commander of the Pacific command, said Sept. 6 at the Philadelphia Navy Yard:

"What we do here today is related to a subject that should be of direct concern to every American. That topic is the threat of aggressive communism as it affects the peace of the world in American national security.

THREAT RAISED

"We must be aware of the continuing threat which our country faces from the ambitions, goals and activities of the Communist world. This is a real threat and a stark truth that we must recognize if there is to be peace."

The message that all the speeches have been trying to convey was probably summed up by Walt in his talk to the Annapolis Rotarians:

"The fact of the matter is that all is being done to bring the war to a just and honorable conclusion. A conclusion which will let the South Vietnamese decide their own future—a conclusion which will allow us to withdraw our troops—a conclusion which will bring home all our prisoners of war.

"We need your support in our effort. We need your patience. We need your perseverance. We need to hear your voices speak out on behalf of our President."

Mr. FULBRIGHT. There are three public relations programs which I believe deserve special concern.

The Defense Department has extraordinary resources that permit it with ease to transport and entertain visitors at various installations around the country. By going out into the community, picking local leadership personnel, flying them to military facilities and briefing them on specific, chosen activities, the Defense Department is able to propagandize, and influence attitudes toward their activities.

Each service has its own civilian tour program, but the most prestigious of them is the Joint Civilian Orientation Conference—an 8-day cross country tour for 70 civilians—run by the Office of Secretary of Defense.

I ask unanimous consent to have printed in the RECORD the Department's description of this program; its recorded costs—although I note transportation charges for the past 2 years have been dropped since military transportation is

used; and the list of participants during the last 3 years.

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

THE JOINT CIVILIAN ORIENTATION CONFERENCE

The Joint Civilian Orientation Conference is an annual program of the Secretary of Defense which serves as a report to the nation on how the mission of the Department of Defense is being discharged, and responds to the desire and need of the American people to be informed about how the Department of Defense is operated. The Conference makes it possible for key professional men to study the accomplishments and problems of the Armed Forces, with the objectives of making as much information as possible available to Americans. Once a year, a group of approximately 70 business, industrial and professional men are invited to visit representative military installations during this eight-day travelling conference.

The participants are selected from all geographical areas of the country and from a broad spectrum of occupations. They are briefed, shown training demonstrations, and engage in discussions with men from all ranks of the Armed Forces. The Joint Civilian Orientation Conference accomplishes the following objectives: it opens the Department of Defense to public inspection; it responds to the desire of key Americans to maintain an interest in and understanding of their federal government; it provides members of the Armed Forces and private citizens an opportunity to know and understand each other better; it offers a medium for the exchange of ideas; and it helps to explain the disposition of the Defense dollar.

Cost tabulations and lists of participants, by conference, are attached. Participants pay all their own expenses, including food, lodging and entertainment.

JOINT CIVILIAN ORIENTATION CONFERENCE—COST TABULATIONS

October 12–19, 1967, JCOC 37—Cost to DoD:

Per Diem	$ 1,200
Commercial airline charter	19,157
Total cost	20,357

April 24-May 2, 1968, JCOC 38—Cost to DoD: $1,264.98 Per Diem.

May 14-May 22, 1969, JCOC 39—Cost to DoD: $2,110.15 Per Diem.

Total Cost for Three-Year Period: $23,732.13.

LIST OF PARTICIPANTS, JOINT CIVILIAN ORIENTATION CONFERENCE 37, OCTOBER 12–19, 1967

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Mr. FULBRIGHT. A good number of the conference members, from their job titles alone, would appear to be already familiar with Defense activities and no doubt assist in influencing the views of their fellow participants.

A second program which I believe needs to be singled out is the speakers, particularly military men, supplied by the Defense Department to public meetings. Again, because of the transportation facilities available to them, the military services can provide speakers easily if they so desire—and those speakers can have great influence in promoting a military point of view. At this point as an example I ask unanimous consent to have printed in the RECORD a list of the extensive speaking tours made by Gen. William C. Westmoreland beginning August 7, 1968, and running through May of this year, which totaled 59 separate engagements. This is quite a schedule for a professional soldier whose mission was to act as Chief of Staff of the Army. I also would like to insert a recent story in the Washington Star which describes the organization and direction of this speechmaking.

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

SPEECHES MADE BY GENERAL WESTMORELAND AUGUST 1968–MAY 1969

Army War College, Carlisle Barracks, Pa., August 7, 1968.

Command Chaplains Conference, Ft. McNair, D.C., August 12, 1968.

VFW Convention, Detroit, Mich., August 19, 1968.

AMVETS Convention, New Orleans, La., August 24, 1968.

American Legion, New Orleans, La., September 10, 1968.

Conference of American Armies, Rio de Janeiro, Brazil, September 22, 1968.

Naval War College, Newport, R.I., October 3, 1968.

Judge Advocate Generals Conference, Charlottesville, Va., October 7, 1968.

National Guard Association Annual Meeting, Hot Springs, Ark., October 10, 1968.

Industrial Advisory Council, Washington, D.C., October 12, 1968.

Army Scientific Advisory Panel, Rock Island, Ill., October 21, 1968.

Harvard Business Club, Washington, D.C., October 23, 1968.

Marine Corps Command and Staff College, Washington, D.C., October 24, 1968.

AUSA, Washington, D.C., October 29, 1968.

Army Aviation Association of America, Washington, D.C., November 1, 1968.

Army War College, Carlisle, Pa., November 4, 1968.

Armed Forces Staff College, Norfolk, Va., November 7, 1968.

Army Officers, serving outside of DA in a Joint Assignment, Washington, D.C., November 9, 1968.

Veterans Day Homecoming, Spartanburg, S.C., November 11, 1968.

Veterans Day Homecoming, Columbia, S.C., November 11, 1968.

United Daughters of the Confederacy, Richmond, Va., November 13, 1968.

Society of the Cincinnati, Richmond, Va., November 16, 1968.

American Ordnance Association, Cleveland, Ohio, November 18, 1968.

Holland Society of New York, New York, N.Y., November 19, 1968.

Army Advisory Panel or ROTC Affairs, Washington, D.C. (Pentagon), November 21, 1968.

Union League, Philadelphia, Pa., November 26, 1968.

Army Commanders Conference, Washington, D.C. (Pentagon), December 2–4, 1968.

Order of Lafayette, New York, N.Y., December 9, 1968.

National War College & Industrial College of the Armed Forces, Ft. McNair, D.C., December 19, 1968.

Franklin Award, National Printing Week, New York, N.Y., January 14, 1969.

Chamber of Commerce, Midland, Tex., January 25, 1969.

Chamber of Commerce, San Francisco, Calif., January 27, 1969.

Chamber of Commerce, Nashville, Tenn., February 13, 1969.

Rotary Club, Portland, Oreg., January 28, 1969.

American Association of School Administrators, Atlantic City, N.J., February 15, 1969.

Army Scientific Advisory Panel Edgewood Arsenal, Md., February 17, 1969.

Reserve Officers Association Mid-Winter Council Meeting, Army Section, Washington, D.C., February 20, 1969.

Freedom Studies Center, Boston, Va., February 27, 1969.

University Club of New York, New York, March 8, 1969.

Army War College, Carlisle, Pa., March 11, 1969.

Peninsula Chapter of AUSA, Fort Eustis, Va., March 18, 1969.

Washington Citadel Club, Washington, D.C., March 21, 1969.

Joint Meeting, Fort Sheridan-Chicago AUSA & Chicago Association of Commerce & Industry, Chicago, Ill., March 24, 1969.

AUSA, Reno, Nev., March 25 1969.

Nevada Legislature, Carson City, Nev., March 26, 1969.

State National Guard Association Albu querque, N. Mex., March 29, 1969.

Kansas State University, Manhattan, Kans., April 9, 1969.

PROJECT CONCERN, Worcester, Mass., April 13, 1969.

"Old Guard" Luncheon, Ft. Myer, Va., April 17, 1969.

Vietnam Veterans Dinner, Auburn, N.Y., April 18, 1969.

Military Government Association, Philadelphia, Pa., April 26, 1969.

Air War College, Montgomery, Ala., April 29, 1969.

Armed Forces Day Parade Activities, New York, N.Y., May 16, 1969.

Valley Forge Military Academy, Valley Forge, Pa., May 18, 1969.

Armed Forces Staff College, Norfolk, Va., May 21, 1969.

BSA National Meeting, Boston, Mass., May 22, 1969.

Norwich University, ROTC Graduation, Northfield, Vt., May 24, 1969.

Order of Lafayette, New York, N.Y., May 24, 1969.

Mr. FULBRIGHT. In the same category as speechmaking, but handled in a slightly different form are the films produced by the various Defense agencies and made available to the public. These have a propaganda value of their own and are so used. A recent issue of the Armed Force Journal carried an item saying the Air Force has available for distribution a 30-minute film on the C–5A. For years they have been making available for public showing films on Vietnam and communism, which in order to support the administration or the Military Establishment's point of view at the time usually distort key facts. This is not something new with this administration. It is something that had been going on with a high degree of development prior to this administration. I ask unanimous consent to place in the RECORD at the end of this statement a list of Armed Forces films available to the public.

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

LIST OF AVAILABLE FILMS

AMERICA'S CRITICS ABROAD

(AFIF–137, MD–6962eh, 20 minutes)

This film—a dramatic, amusing series of vignettes—shows how U.S. personnel overseas can counter criticism of, and answer questions about, the United States. Supplemented by Film Information Guide.

GERMANY, POSTWAR

(AFIF–104, MD–6962da, 25 minutes)

This forceful documentary contrasts the prosperity and freedom in the Federal Republic of Germany since 1945 with the drabness of Soviet-controlled East Germany. 1960.

GERMANY, YOUR LEGAL STATUS IN THE FEDERAL REPUBLIC OF

(AFIF–92, MD–6962co, 50 minutes)

Concerns the rights, obligations, and conduct of members of a foreign force in the Federal Republic of Germany. 1959.

KOREA: BATTLEGROUND FOR LIBERTY

(AFIF–106, MD–6962dc, 50 minutes—color)

A preview of the duty they may expect in the Land of the Morning Calm is offered U.S. servicemen en route to Korea. Supplemented by Film Information Guide. 1961.

LATIN AMERICA

(AFIF–113, MD–6962dj, 25 minutes)

Examines the exotic and turbulent lands south of our border—and the dynamic changes taking place in them. Reviews the geographical, economic, and political factors that affect the lives of the 200 million citizens of the 20 countries. Shows the role of the United States in developing these nations, and Communist infiltration attempts. 1961.

SPAIN, YOU IN

(AFIF, MD–6962cq, 27 minutes)

This filmed tour of colorful Spain acquaints viewers with the country and its people. Major Air Force and Navy bases are visited for a look into homes, shops, and recreation facilities. 1960.

TAIWAN: ISLAND OF FREEDOM

(AFIF–103, MD–6962ca, 28 minutes—color)

This portrait of Taiwan, narrated by Glenn Ford, presents the people and their way of life and shows the importance of the Republic of China as a bulwark of freedom in Asia. Supplemented by Film Information Guide. 1960.

THAILAND

(AFIF–162, MD–6962fg, 20 minutes)

Produced to orient members of the Armed Forces on the modern history, military forces, treaty agreements, economic problems, and geographic areas of Thailand. Also depicts Communist attempts against the freedom of Thailand, and the military help this country receives from members of the SEATO organization. Supplemented by Film Information Guide. 1967.

AGGRESSION, THE ANATOMY OF

(AFIF–108, MD–6962de, 28 minutes)

Shows specific examples of Communist aggression since World War II and measures by the United States to counter these moves. 1961.

COMMUNIST EUROPE

(AFIF–107, MD–6962dd, 18 minutes)

Examines Communist countries of Europe—Poland, Czechoslovakia, Hungary, Rumania, Albania, Bulgaria, East Germany, and Yugoslavia—and shows their similarities and differences, 1961.

COMMUNIST TARGET—YOUTH

(AFIF–116, MD–6962dm, 31 minutes)

Lt. Gen. Joseph F. Carroll, Director, Defense Intelligence Agency, narrates this film, which concerns the Red design for youth, both within and beyond Soviet borders. Shows Communist training techniques, which start at an early age. 1962.

RED CHINA

(AFIF–133, MD–6962ed, 21 minutes)

The film is the sequel to AFIF–97, also titled "Red China." It provides a more recent look at Communist China—its economy, culture, position as a new atomic power, and relations with the Soviet Union, through scenes photographed by a camera team from India. Supplemented by Film Information Guide. 1965.

RED CHINESE BATTLE PLAN

(AFIF–158, 20 minutes)

This timely documentary film traces the history of China from ancient days to modern times. Particular stress is placed on the sequence of events and the techniques of the Communist takeover of mainland China. Supplemented by Film Information Guide 1967.

ROAD TO THE WALL

(AFIF–119, MD–6962dp, 33 minutes)

James Cagney narrates this documentary on modern communism. The film traces the bloody events that brought communism to power in Russia and other countries, suppressing liberty with a wall of communism. 1962.

U.S.S.R., A STUDY OF THE

(AFIF–105, MD–6962db, 30 minutes)

Explores the Soviet Union in depth—its history and expansion, culture and philosophy, and advances in science and education. 1960.

ASIA: THE CRUCIAL ARENA

(AFIF–161, MD–6962ff, 20 minutes)

Explores U.S. policy in Asia. Supplemented by Film Information Guide. 1966.

BERLIN DUTY

(AFMR–631, 10 minutes)

Shows American and other NATO forces going about their duties of protecting the security of Berlin. A parade of American, British, and French units signifies the determination of the West not to yield to Soviet pressures. 1964.

CHALLENGE OF IDEAS, THE

(AFIF–98, MD–6962cu, 31 minutes)

The ideological struggle between the Free World and the Communist bloc is discussed by the late Edward R. Murrow, narrator, with Lowell Thomas, Helen Hayes, and others. 1961.

COMMUNISM

(AFIF–165, MD–6962fj, 30 minutes)

The purpose of this film is to present a *basic orientation* as to the origins, objectives, strengths, and weaknesses of the system we know as communism. Supplemented by Film Information Guide. 1967.

FREEDOM'S FRONTIER

(AFMR–671, MD–7281gb, 7 minutes)

A look at Korea today—our military posture and the troops who still man the demilitarized zone that separates North and South Korea. 1966.

JUNK NAVY

(AFMR–652, MD–7281fl, 10 minutes)

The story of the junk patrol of the coastal waters off Vietnam by U.S. Navy advisers and Vietnamese crews. 1966.

KOREAN ARMISTICE

(AFIF–96, MD–6962cs, 23 minutes)

Explains the Korean armistice terms, showing in detail what is required of us and the responsibilities of the U.N. Command. The film will help those who serve in Korea understand our mission there and give all Service people a clear picture of a unique situation. 1961.

LINE IS DRAWN, THE

(AFMR–642, MD–7281ey, 20 minutes)

This inspiring story of Capt. James P. Spruill, USA, who was killed while on duty in Vietnam, is based on his letters home. It covers his experiences in Vietnam and his view of the issues at stake there. Supplemented by Film Information Guide. 1965.

MONTAGNARD

(AFMR–638, MD–7281 eu, 10 minutes)

Provides a glimpse of Vietnam's mountain people and shows their role in the current struggle. American efforts to enlist them as fighters are depicted as the story unfolds. 1965.

NATION BUILDS UNDER FIRE, A

(AFIF–160, MD–6962fe, 32 minutes)

Report on the nonmilitary struggle in South Vietnam—to build a modern, democratic nation even while resisting aggression. Narrated by John Wayne. Supplemented by Film Information Guide. 1966.

RED NIGHTMARE

(AFIF–142, MD–6962em, 25 minutes)

An adaptation of the film, "Freedom and You," this deals with the nightmare situation of an American citizen who finds himself in a Communist village and is rudely awakened to his civic responsibilities. 1965.

THIRD CHALLENGE: UNCONVENTIONAL WARFARE, THE

(AFIF–123, MD–6962dt, 45 minutes—color)

Insurgency and America's capability to counter it are examined closely in this hard-hitting film which also touches on our capability of waging nuclear and conventional warfare. 1963.

UNIQUE WAR, THE

(AFIF–153, MD–6962ex, 30 minutes)

Deals with a unique aspect of the war in Vietnam—the necessity for the forces defending South Vietnam to win the support of the people of the countryside as a part of their tactical operations. Supplemented by Film Information Guide. 1966.

WAR AND ADVICE

(AFMR–624, MD–7281eg, 20 minutes)

Concerns the guerrilla warfare in Vietnam and the role of the U.S. forces engaged with Vietnamese troops as observers and instructors. Supplemented by Film Information Guide. 1964.

WHY VIETNAM

(AFIF–149, MD–6962et, 32 minutes)

Outlines U.S. policy with respect to Vietnam as stated to the Nation and world by the President. Shows how our commitment has expanded—from providing supplies to military advisers to combat forces—in response to the growing challenge of the Communists. Supplemented by Film Information Guide. 1965.

KEEPING INFORMED

(AFIF–112, MD–6962di, 20 minutes)

This brief story of how our Armed Forces have been kept informed includes the early views of Tom Paine and General Washington and traces the history of troop information from its beginning in the Civil War to the present time. 1962.

MILITARY ASSISTANCE IN CIVIL DISASTERS

(AFIF–89, MD–6962cl, 30 minutes)

Shows how the military acts when disaster strikes a civilian community—in this case, Cummings City. Briefly reviews the role of the Army, Navy, Air Force, and Marine Corps in natural disasters. 1958.

NOT FOR CONQUEST

(AFMR–660, MD–7281fg, 10 minutes)

This film gives an overview of the role the Department of Defense plays in acting as a power for peace. The general makeup of all Service components in terms of their readiness to respond to any worldwide situation is graphically shown. 1967.

ONE FORCE

(AFIF–136, MD–6962eg, 20 minutes)

Shows how men and women in the military Services with different ethnic origins are welded into one force dedicated to the defense and security of the Nation. Supplemented by Film Information Guide. 1964.

PARTNERS IN FREEDOM

(AFIF–135, MD–6962ef, 22 minutes)

Shows members of the U.S. Armed Forces doing their jobs in many parts of the world during 1963. Includes shots of Operation Big Lift, the fleets at sea, mercy missions, and scenes in Vietnam, Korea, and Berlin. Supplemented by Film Information Guide. 1964.

UNITED STATES STRIKE COMMAND, THE

(AFIF–164, MD–6962fi, 20 minutes—color)

Stresses the importance to the Nation's defense structure of the United States Strike Command (USSTRICOM). Supplemented by Film Information Guide. 1967.

ARCHITECTS OF PEACE

(AFIF–109, MD–6962df, 28 minutes)

Examines the role of the Department of State, particularly its growing scope and impact in international diplomacy. Opening with a statetment by Secretary of State Dean Rusk, the film shows how State Department offices and diplomats around the world are working toward a peaceful settlement of international issues. 1961.

SOUTHEAST ASIA, BACKGROUND

(AFIF–121, MD–6962dr, 28 minutes)

Against the background of events since World War II, the film portrays the present military and political situation of Thailand, Laos, and South Vietnam. 1962.

SOUTHEAST ASIA, OUTLOOK

(AFIF–169, 20 minutes)

A capsule look at the nations that form the Southeast Asia complex; their problems, their aspirations, and their hopes for the future. Supplemented by Film Information Guide, 1967.

Mr. FULBRIGHT. Mr. President, finally, I would like to discuss what I consider the most disturbing of the Office of Secretary of Defense's public affairs programs—the V-series newsfilms.

The Defense Department has had five service-supported camera crews in Vietnam since 1966 whose job—according to the Department—"is to document, for release to national television, the feature aspects of the military participation in Southeast Asia often ignored or bypassed by national media film crews because of the pressure of hard news events. They are not in competition with the civilian media. Rather, they supplement the coverage by major networks. The high usage of the material produced by these teams is indicative of the effectiveness of their efforts."

What justification or legal authority is there for the Defense Department to go into the business of putting out newsfilm on the "feature aspects of the military participation in Southeast Asia"?

Why should MACV have control over five military camera crews in Vietnam—a number I am told that equals that of at least one major network—to put out film stories for home consumption that "supplement the coverage by major networks?"

Just how much usage is "high usage?"

I ask these questions here and at the same time I have forwarded them by letter to the Secretary of Defense. Perhaps Vice President Agnew, who last week appealed to the networks to put on different commentators, has not felt the necessity to complann about the TV coverage from Vietnam because he knows that at least a portion of it was emanating directly from administration sources in Vietnam. In all fairness I should note that this program was begun under the previous administration. I bring it to the special attention of the public today, however, because it complements so well the thrust of the Vice President's recent remarks.

What sort of stories are being produced by Defense Department film crews in Vietnam that are "ignored or bypassed" by the network film crews? How accurately do they present the Vietnam story?

According to information I received, some 118 were turned out last year. I have summaries of three of these which I ask unanimous consent to have printed in the RECORD. As I view them, all have a propaganda rather than a journalistic thrust.

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

THAI MEDICAL COMPANY TRAINS FOR VIETNAM DUTY

(Official U.S. Army Film Released by the Department of Defense)

July 1, 1969

Footage: 129' 16mm Color Master

Time: 3:35

Since mid-April of this year, A Company of the Royal Thai Army Volunteer Force (RTAVF) Division Medical Battalion has been training to replace a sister company presently on operations with Thailand's "Black Panther" Division in the Republic of Vietnam.

During a field training exercise held June 4–6, 1969, the company supported an RTAVF infantry battalion engaged in simulated combat near Kanchanaburi, Thailand, approximately 125 miles northeast of Bangkok.

The medical unit's mission during the exercise was to provide emergency medical treatment to all types of simulated casualties.

Most of the 78 men of the medical company had little or no prior medical training before April. The non-commissioned officers, four doctors and American advisors are teaching the enlisted men to be medical assistants, operating room specialists, medical aidmen and litter bearers.

As the "casualties" are brought in from the battle area of the exercise, the medical personnel examine the patients and determine the extent of the wounds. Those who need immediate life-saving treatment receive it at the field installation. They are eventually transferred to a mobile or fixed field hospital further to the rear.

Medical Civic Action Program (MEDCAP) training is also undertaken by the unit.

In areas around Kanchanaburi, civilians needing or desiring medical attention look forward to the visit of the MEDCAP team.

The doctor with the team diagnoses and treats many illnesses and injuries during the short visit to the village.

Medicines are distributed by medical assistants who are part of the MEDCAP team.

This training, along with the combat preparedness the unit has undergone for the past few months, will qualify the men for Vietnam duty later this year.

SEQUENCES

Footage and video

7 (a) Jeep ambulance brings simulated casualties to field clearing station.

16 (b) Medics carry "casualty" into hospital on stretcher.
26 (c) Medics in clearing station examine and treat "casualties."
19 (d) "Patient" evacuated by ambulance to rear hospital.
10 (e) Civilian woman brings child for treatment by MEDCAP team.
2 (f) Patients await turn to be examined by doctor.
12 (g) Doctor examining child.
3 (h) Women waiting to see doctor.
3 (i) Doctor examining women.
3 (j) Patients waiting to see doctor.
9 (k) Old man examined by doctor.
8 (l) Doctor examining old woman.
11 (m) Medical assistants preparing prescriptions.

Note to editors: Please credit Department of Defense in title or commentary.

This motion film released to NBC–TV is for duplication and distribution to interested TV and newsreel pool members. It is to be forwarded within 72 hours to: Deluxe Laboratories, 850 Tenth Ave., New York City 10019, telephone CIrcle 7–3320, where it will be available to non-pool members and other authorized agencies which make satisfactory financial arrangements with Deluxe Laboratories. The original release film must not be cut in any manner.

U.S. ARMY'S 2ND BRIGADE, 9TH INFANTRY DIVISION, CONDUCTS OPERATION IN MEKONG DELTA OF SOUTH VIETNAM

(Official U.S. Army Film Released by the Department of Defense)

June 25, 1969
Footage: 72' 16mm Color Master
Time: 2:00

It was recently announced that the U.S. Army's 2nd Brigade, 9th Infantry Division, would be one of the first American units to leave South Vietnam as a result of the 25,000-man troop redeployment ordered by President Nixon.

This film shows a unit of the 2nd Brigade conducting a typical operation last month in the Mekong Delta region south of Saigon.

The unit is part of the Mobile Riverine Force which operated aboard U.S. Navy river assault boats in the waterways of the delta. Sometimes, they utilize helicopters instead of boats during their rapid movements.

Once the 9th Division soldiers are put into an area, they patrol and search for any sign of the enemy.

During this operation, the patrol discovered a wounded Vietnamese man who turned out to be an executive officer of a Viet Cong battalion which was operating in the area.

The enemy soldier was treated for his wounds and was evacuated to a rear area for further medical attention and interrogation.

When the 9th Infantry Division's brigade is pulled out of the Mekong Delta in July, the ARVN (Army of the Republic of Vietnam) will assume the area of responsibility vacated by the American unit.

SEQUENCES

Footage and Video

5 (a) Troops on river assault boats.
2 (b) Assault boat moving down river.
3 (c) Man steering boat.
2 (d) Troops on patrol.
4 (e) Soldier crossing footbridge.
4 (f) Patrol moving through wooded area.
3 (g) Man on radio looking at map.
3 (h) Troop-carrying helicopters in flight.
7 (i) Helicopter gunner firing machine-gun.
7 (j) Helicopters landing in landing zone.
2 (k) Troops on ground as helicopters leave.
9 (l) Patrol moving through woods.
3 (m) Patrol leader talking on radio.
2 (n) Patrol continuing through wooded area.
2 (o) Wounded VC found.
2 (p) Prisoner being treated for wounds.
1 (q) American looking through prisoner's effects.
11 (r) Prisoner being carried on stretcher.

Note to editors: Please credit Department of Defense in title or commentary.

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U.S. ARMY HOSPITAL IN SOUTH VIETNAM TREATS PRISONERS OF WAR

(Official U.S. Army Film Released by the Department of Defense)

June 20, 1969
Footage: 96' 16mm Color Master
Time: 2:40

The U.S. Army's 74th Field Hospital at Long Binh, South Vietnam, has a unique group of patients. They are wounded or injured Viet Cong and North Vietnamese soldiers who have been captured or detained by the Allied Forces throughout the III and IV Corps Tactical Zones of South Vietnam.

The hospital, averaging approximately 200 patients per day, provides medical treatment for the many types of wounds the prisoners have sustained, such as gunshot, shrapnel, and burn injuries. These enemy prisoners of war are completely recovered before they are transferred to ARVN (Army of the Republic of Vietnam) prisoner of war compounds.

More than 200 major and 400 minor surgical operations have been performed by the hospital staff. Many of these were of a life-saving nature.

The patients, while convalescing, help the other prisoners in the hospital by giving haircuts and assisting in the serving of the food to the bed-ridden.

During their free time, the prisoners relax by playing games such as checkers or cards.

When they are completely recovered from their wounds or injuries, the prisoners are transferred to the control of the government of Vietnam at the III Corps ARVN Prisoner of War Camp at Bien Hoa.

SEQUENCES

Footage and video

12 (a) Medic putting bandage on patient's leg.
4 (b) Doctor stitching up wound on patient's head.
9 (c) Medic removing cast from patient.
11 (d) Newly arrived patient being scrubbed down with soap.
21 (e) Young prisoner being x-rayed for shoulder injury.
10 (f) Patient giving another patient a haircut.
9 (g) Patients unloading food from truck.
7 (h) Patients in ward playing checkers.
13 (i) Patients playing cards on bed in ward.

Note to editors: Please credit Department of Defense in title or commentary.

This motion film released to CBS–TV is for duplication and distribution to interested TV and newsreel pool members. It is to be forwarded within 72 hours to: DeLuxe Laboratories, 850 Tenth Ave., New York City 10019, telephone CIrcle 7–3220, where it will be available to non-pool members and other authorized agencies which make satisfactory financial arrangements with DeLuxe Laboratories. The original release film must not be cut in any manner.

Mr. FULBRIGHT. Mr. President, two in particular stress the medical attention being paid to prisoners we take among Vietcong. Another promotes the Thais. I am asking the Secretary for the release data on all the V-series films.

The cost for fiscal 1969 of the contract to process, screen, edit, and distribute to national TV newsfilm media sound and film stories was $87,386.48. I will seek to strike this entire program, including the money to support the five camera crews in Vietnam from the military appropriations budget.

There is enough administration propaganda on Vietnam being provided the American public through speeches and statements without providing this additional outlet in the guise of "objective" newsfilm stories.

This concludes my first statement on this subject. Tomorrow I will discuss the public relations activities of the Navy as each department has its own fully recognized public relations program.

AMENDMENT OF THE ATOMIC ENERGY ACT OF 1954, AS AMENDED

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 548, S. 3169.

The PRESIDING OFFICER (Mr. McINTYRE in the chair). The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 3169) to amend the Atomic Energy Act of 1954, as amended, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 3169

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. Subsection 153h. of the Atomic Energy Act of 1954, as amended, is amended to read as follows:

"h. The provisions of this section shall apply to any patent the application for which shall have been filed before September 1, 1974."

SEC. 2. Section 222 of the Atomic Energy Act of 1954, as amended, is amended by striking out "imprisonment for not more than five years" and inserting in lieu thereof "imprisonment for not more than ten years".

SEC. 3. (a) Section 222 of the Atomic Energy Act of 1954, as amended, is amended by striking out "death or imprisonment for life (but the penalty of death or imprisonment for life may be imposed only upon recommendation of the jury), or by a fine of not more than $20,000 or by imprisonment for not more than twenty years, or both" and inserting in lieu thereof "imprisonment for life, or by imprisonment for any term of years or a fine of not more than $20,000 or both".

(b) Sections 224, 225, and 226 of the Atomic Energy Act of 1954, as amended, are each amended by striking out "death or imprisonment for life (but the penalty of death or imprisonment for life may be imposed only upon recommendation of the jury), or by a fine of not more than $20,000 or imprisonment for not more than twenty years, or both" and inserting in lieu thereof "imprisonment for life, or by imprisonment for any term of years or a fine of not more than $20,000 or both".

SEC. 4. Chapter 18 of the Atomic Energy

Act of 1954, as amended, is amended by adding at the end thereof the following new section:

"SEC. 234. CIVIL MONETARY PENALTIES FOR VIOLATIONS OF LICENSING REQUIREMENTS.—

"a. Any person who (1) violates and licensing provision of section 53, 57, 62, 63, 81, 82, 101, 103, 104, 107, or 109 or any rule, regulation, or order issued thereunder, or any term, condition, or limitation of any license issued thereunder, or (2) commits any violation for which a license may be revoked under section 186, shall be subject to a civil penalty, to be imposed by the Commission, of not to exceed $5,000 for each such violation: *Provided,* That in no event shall the total penalty payable by any person exceed $25,000 for all violations by such person occurring within any period of thirty consecutive days. If any violation is a continuing one, each day of such violation shall constitute a separate violation for the purpose of computing the applicable civil penalty. The Commission shall have the power to compromise, mitigate, or remit such penalties.

"b. Whenever the Commission has reason to believe that a person has become subject to the imposition of a civil penalty under the provisions of this section, it shall notify such person in writing (1) setting forth the date, facts, and nature of each act or omission with which the person is charged, (2) specifically identifying the particular provision or provisions of the section, rule, regulation, order, or license involved in the violation, and (3) advising of each penalty which the Commission proposes to impose and its amount. Such written notice shall be sent by registered or certified mail by the Commission to the last known address of such person. The person so notified shall be granted an opportunity to show in writing, within such reasonable period as the Commission shall by regulation prescribe, why such penalty should not be imposed. The notice shall also advise such person that upon failure to pay the civil penalty subsequently determined by the Commission, if any, the penalty may be collected by civil action.

"c. On the request of the Commission, the Attorney General is authorized to institute a civil action to collect a penalty imposed pursuant to this section. The Attorney General shall have the exclusive power to compromise, mitigate, or remit such civil penalties as are referred to him for collection."

SEC. 5. Subsection 221 c. of the Atomic Energy Act of 1954, as amended, is amended to read as follows:

"c. No action shall be brought against any individual or person for any violation under this Act unless and until the Attorney General of the United States has advised the Commisison with respect to such action and no such action shall be commenced except by the Attorney General of the United States: *Provided, however,* That no action shall be brought under section 222, 223, 224, 225 or 226 except by the express direction of the Attorney General: *And provided further,* That nothing in this subsection shall be construed as applying to administrative action taken by the Commission."

SEC. 6. Section 223 of the Atomic Energy Act of 1954, as amended, is amended by adding the word "criminal" before the word "penalty".

SEC. 7. The amendments contained in sections 2 and 3 of this Act shall apply only to offenses under sections 222, 224, 225, and 226 which are committed on or after the date of enactment of this Act. Nothing in section 2 or 3 of this Act shall affect penalties authorized under existing law for offenses under section 222, 224, 225, or 226 of the Atomic Energy Act of 1954, as amended, committed prior to the date of enactment of this Act.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 91-553), explaining the purposes of the measure.

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

SUMMARY OF THE BILL

Section 1 of the bill would amend section 153 h. of the Atomic Energy Act of 1954, as amended, by extending for an additional 5 years the Atomic Energy Commission's authority to require the licensing of atomic energy patents. The amendment would extend the authority to September 1, 1974.

Section 2 of the bill would amend section 222 of the act to increase the maximum criminal penalties for unauthorized diversion of special nuclear material and related offenses to imprisonment for 10 years and a fine of $10,000, when the offense is committed without intent to injure the United States or secure an advantage to any foreign nation. The maximum penalty currently provided for such a violation is imprisonment for 5 years and a fine of $10,000.

Section 3 of the bill would amend sections 222, 224, 225, and 226 of the act by deleting authority to impose the death penalty and by further deleting the requirement for a recommendation by the jury for imposition of life imprisonment before such penalty could be imposed. Section 3 also would amend these sections of the act to eliminate any question as to possible limitations on the authority of the courts to impose a prison term for a fixed term of years less than life imprisonment.

Section 4 of the bill would add a new section 234 to the act to confer upon the Atomic Energy Commission statutory authority to levy civil monetary penalties on persons who violate certain licensing provisions of the act or any rule, regulation, order, or license issued thereunder.

Sections 5 and 6 of the bill are essentially technical amendments necessitated primarily by revisions in the act to be made by certain of the foregoing sections. Specifically, section 5 would amend section 221 c. of the act to make clear that "action" as stated in that section does not include administrative action initiated by the Commission, including such actions under the proposed new section 234. Section 6 would amend section 223 of the act by adding the word "criminal" before the word "penalty" to clarify that the penalties referred to in the latter section do not include civil monetary penalties imposed under proposed new section 234.

Section 7 of the bill is in the nature of a "saving" provision, and provides that the amendments in sections 2 and 3 of the bill apply only to offenses committed on or after the date of enactment of this bill; and further that the penalties authorized under sections 222, 224, 225, and 226 of the present law shall continue to apply to offenses committed before that date.

A more complete explanation of the provisions of this bill is contained in the portions of this report entitled "Committee Comments" and "Section-by-Section Analysis."

BACKGROUND

On January 10, 1969, the Atomic Energy Commission transmitted to the Congress proposed legislation to amend various sections of the Atomic Energy Act of 1954, as amended, to delete the death penalty as potential punishment for certain offenses under the act and to remove the prerequisite of a jury recommendation for imposition of life imprisonment for such offenses. The proposed legislation further provided for an increase in the maximum punishment for unauthorized diversion of special nuclear materials and related offenses where such offenses are committed without the intent to injure the United States or to secure an advantage to any foreign nation. The proposed bill was introduced on March 27, 1969, by Chairman Chet Holifield (by request) as H.R. 9644 and on April 18, 1960, by Vice Chairman John O. Pastore (by request) as S. 1879.

On January 17, 1969, the AEC transmitted to the Congress proposed legislation to authorize the Commission to levy civil monetary penalties for violations of regulations, orders, and license conditions by licensees. The proposed legislation further proposed to clarify section 221 c. of the act by providing that this section does not require the approval of the Attorney General prior to the initiation of administrative actions by the Commission, not only with respect to the imposition of civil penalties but also for any other enforcement action the Commission is now authorized to take. The proposed bill was introduced on March 27, 1969, by Chairman Holifield (by request) as H.R. 9648 and on April 18, 1969, by Vice Chairman Pastore (by request) as S. 1882.

On April 18, 1969, Senator Pastore also introduced S. 1878, a bill identical to S. 3958 introduced by Senator Pastore in the 90th Congress on August 1, 1968, but on which no final action was taken by the Joint Committee during that Congress. The bill would amend sections 222, 224, 225, and 226 of the act to delete the capital punishment penalty and the requirement for a specific recommendation by the jury before the maximum penalty prescribed may be imposed on an offender (the life imprisonment penalty presently provided in these sections would be retained); amend section 222 to increase the criminal penalties which could be imposed for unauthorized diversion of special nuclear material and for certain related offenses in the absence of intent to injure the United States or to secure an advantage to any foreign nation; and amend the act to confer on the AEC authority to impose civil monetary penalties in addition to the AEC's present authority to modify, suspend, or revoke a license for violations of health and safety regulatory requirements.

On June 12, 1969, the AEC transmitted to the Congress proposed legislation to extend until September 1, 1974, the compulsory patent licensing authority of the Commission set forth in section 153 of the act. Presently section 153 covers patents the applications for which were filed prior to September 1, 1969. The proposed bill was introduced on July 9, 1969, by Chairman Holifield (by request), for himself and Representative Price of Illinois, as H.R. 12697.

Hearings concerning the foregoing legislative proposals were held by the full Joint Committee on September 12, 1969, as summarized in the next section of this report.

On September 12, the committee met in executive session to consider various aspects of the proposed legislation. On November 18, 1969, the committee convened again in executive session at which time it voted to incorporate the foregoing bills, with certain amendments, in "clean bills" which were introduced by November 20, 1969, by Chairman Holifield (for himself, Representative Price of Illinois, and Representative Hosmer) as H.R. 14925 and on November 21, 1969, by Vice Chairman Pastore as S. 3169. On November 24, 1969, the committee voted to approve the reporting of the "clean bills" favorably without amendment and adopted this committee report.

HEARINGS

The full committee held a hearing on the various measures referred to above on September 12, 1969. Joseph F. Hennessey, General Counsel of the Atomic Energy Commission, was the principal executive branch witness and provided the committee with the views of the Commission on the various provisions of the several bills before the committee.

The views of the Department of Justice on all of the bills under consideration dealing with criminal and civil penalties were re-

ceived in writing and made a part of the hearing record. Written comments on certain of the bills also were received from the Washington office of the American Civil Liberties Union and from the Yankee Atomic Electric Co. of Boston, Mass. These two were included in the hearing record.

The foregoing hearings together with related background materials were published by the Joint Committee under the title "AEC Omnibus Legislation, 1969."

COMMITTEE COMMENTS

It has been the standard practice of the Atomic Energy Commission to recommend bills to the Congress from time to time in order to effectuate necessary clarifying or corrective amendments to the Atomic Energy Act of 1954 as well as to maintain a current statutory framework for a rapidly evolving program. In the interest of efficiency, such recommendations generally have been incorporated into "omnibus" bills for consolidated Joint Committee and congressional consideration. In this way, the Congress is able to assure that the legislative framework for the national energy program keeps pace with the times.

The committee believes that the amendments proposed in this bill are in keeping with the objectives set forth above, and accordingly recommends enactment of the bill in the form reported by the committee. Comments concerning the rationale as to each section of the bill are set forth below.

Section 1. Extension of compulsory patent licensing authority

Section 153 of the Atomic Energy Act of 1954, as amended, authorizes the Commission, after giving the patent owner an opportunity for a hearing, to declare any patent filed before September 1, 1969, to be affected with the public interest if, among other things, (1) the invention covered by the patent is of "primary importance" in the production or utilization of special nuclear material or atomic energy and (2) the licensing of such invention is of "primary importance" to effectuate the policies and purposes of the act. After such a determination has been made, the Commission may use the invention in performing any of its powers under the act. It may also issue a non-exclusive license to a particular applicant if it finds that his proposed use is of "primary importance to the conduct of an activity by such person authorized under this act." In either event the owner of the patent is entitled to a reasonable royalty fee for any use of his invention licensed pursuant to the act.

The authority to compel the licensing of certain patents was included in the Atomic Energy Act of 1954 because, in the words of then President Eisenhower, "considerations of fairness require some mechanism to assure that the limited number of companies which as Government contractors now have access to the program, cannot build a patent monopoly which would exclude others desiring to enter the field." The authority was initially limited to those patents for which applications were filed prior to September 1, 1959. However, in 1959, and again in 1964, section 153 was extended for additional 5-year periods by the Congress.

Although the Commission has not exercised this power to date, it believes that the reasons which justifies the extension of section 153 in 1959 and 1964 are still valid. The Joint Committee shares this view. Although the atomic energy industrial base is broader than it was in earlier years, it is still relatively limited. Moreover, certain fields of atomic energy appear to be concentrated in relatively few companies. In addition, important new developments in atomic energy—for example, those associated with the high priority national breeder reactor program—are only now emerging from the research phase. For these reasons, and for the additional reason that the mere existence of the authority may have a salutary effect, the committee recommends extension of this authority for an additional 5 years. The conditions and procedures surrounding the exercise of this authority are so restricted that it could only be used in comparatively rare and compelling cases. However, the committee believes that the availability of such authority for invocation in such rare cases affords a desirable degree of insurance for the growth of the industry unimpeded by restrictive or overly costly uses of fundamental technology.

As noted above, existing law provides for the applicability of the compulsory patent licensing authority to all patents the applications for which were filed prior to September 1, 1969. Due to a delay in receiving the new administration's views as to whether this authority should be extended for an additional 5 years, and due also to the press of other committee business in the time since such views were received, congressional extension of section 153 from September 1, 1969, to September 1, 1974, will not occur until after September 1, 1969. This initially raised a question in minds of the committee members as to whether enactment of extension legislation after, rather than before, September 1, 1969, would affect section 153's applicability to patent applications filed in the interim between September 1 and the enactment of the amendment recommended herewith. However, since the amendment provides that the compulsory patent licensing authority shall apply to any patent the application for which shall have been filed prior to September 1, 1974, it is clear that there will be no exception for patents for which applications may be filed between September 1, 1969, and the effective date of the extension amendment. The General Counsel of the Atomic Energy Commission has expressed a similar view in a legal opinion provided to the committee at its request (set forth in an appendix hereto).

Section 2. Increased criminal penalties for unauthorized diversion of special nuclear material

Section 222 of the Atomic Energy Act provides criminal sanctions for violations of section 57 (prohibiting possession of or dealing in special nuclear material without a general or specific license issued by the Commission), section 92 (prohibiting the unauthorized possession, manufacture, or transfer of an atomic weapon), and section 101 (requiring a Commission license for the possession, manufacture, or transfer of a production or utilization facility). Section 222 also provides criminal sanctions for anyone unlawfully interfering with the Commission's recapture of special nuclear material or entry into any plant or facility under section 108, which authorizes the Commission, when a state of war or national emergency exists, to order the recapture of special nuclear material or the operation of any licensed facility and to enter any plant or facility to carry out these orders. In the absence of intent to injure the United States or secure an advantage to any foreign nation, the maximum penalty for a violation of section 222 is imprisonment for 5 years and a fine of $10,000.

One of the most significant crimes punishable under section 222 is unauthorized diversion of special nuclear material, which, as noted above, is a violation of section 57. Special nuclear material, as defined in section 11aa. of the act, is the principal ingredient in nuclear and thermonuclear weapons. However, if a willful diversion of this material were committed by a person in this country under circumstances where the Government was unable to prove that the person charged specifically intended to injure the United States or to secure an advantage to any foreign nation, the maximum penalty which could be imposed under present section 222 would be a fine of $10,000 and imprisonment for 5 years. Thus, a thief, a terrorist, an insurrectionist, or a criminal group might commit such a diversion and, in the absence of proof of the requisite intent, would be subject to a maximum penalty under section 222 of imprisonment for 5 years and a $10,000 fine. For example, if the diversion were made for financially rewarding criminal purposes rather than out of political motivation, or if the unlawful sale were to the agent of an undisclosed principal and the unidentified principal was a foreign nation, the specific intent to injure the United States or secure an advantage to a foreign power might be found to be lacking.

Section 2 of the bill reported favorably herewith would amend section 222 to increase from 5 to 10 years the maximum imprisonment for such willful violations of the section. No increase in the maximum fine appears necessary. Because of the intrinsic value of special nuclear material, imprisonment would seem to be a more suitable deterrent than a fine.

The 1967 report of the Ad Hoc Advisory Panel on Safeguarding Special Nuclear Material appointed by the Atomic Energy Commission pointed up the weakness of the act in this regard and recommended that it be amended to increase the penalties for unauthorized diversion of such material. The Panel noted that the maximum penalties presently provided for "* * * may not be a sufficient deterrent to illicit transactions involving materials valued in excess of millions of dollars * * *" and observed, "The threat of detection and more severe criminal penalties should help deter organizations and individuals from attempting to divert materials to unauthorized uses."

The recommendations of this panel and of the executive branch for an increase in such penalties seem particularly cogent at this time because the growth of the nuclear industry, with all of its benefits to the public and the economy of the Nation, has necessarily resulted in an increase in the number of people knowledgeable in the field, the overall accessibility of special nuclear material, and the commercial market therefor. While most of the uranium moving in commerce generally is enriched only in the range of about 2 to 4 percent, and therefore is far below what is required for military purposes, and while all nuclear materials in the private segment of the economy having strategic importance are subject to comprehensive AEC safeguard sand accountability protection, the committee believes that the overall safeguards system can be further strengthened by increasing the penalty which would be available in the event of a conviction involving the diversion of special nuclear material. The increase in the maximum penalty for a violation of section 222 recommended herewith should serve to increase the deterrent effect on the potential diverter. The committee would also note in passing that increased maximum penalties for unauthorized diversion of these materials would make them more nearly comparable to those for crimes of similar gravity, such as theft of Government property (10 years' imprisonment and a $10,000 fine) and theft of property in interstate commerce (10 years' imprisonment and a $5,000 fine).

Section 3. Modification of criminal provisions relating to capital punishment and life imprisonment

The purpose of section 3 of the bill is to correct certain shortcomings in sections 222, 224a., 225, and 226 of the Atomic Energy Act of 1954 brought to light by the April 8, 1968, decision of the U.S. Supreme Court in *United States* v. *Jackson*, 390 U.S. 570. It was there held that the death penalty provision of the Federal Kidnaping Act is unconstitutional because in permitting imposition of the death penalty only upon defendants who

assert their right to be tried by a jury, it discourages assertion of, and thereby imposes an impermissible burden upon the exercise of, a constitutional right. That decision was followed on June 17, 1968, in *Pope* v. *United States*, 392 U.S. 651, which held a similar provision of the Federal Bank Robbery Act unconstitutional.

These decisions would appear to hold significant implications for, and raise very substantial questions about, somewhat similar provisions in the sections of the Atomic Energy Act of 1954 referenced above. The criminal offenses covered by section 222 are set forth in the immediately preceding section of this report. Sections 224a., 225, and 226 provide criminal penalties, respectively, for the unlawful communication of restricted data, the unlawful acquisition of restricted data, and removal or concealment of or tampering with restricted data. These sections provide that where there is a violation thereof with intent to injure the United States or to secure an advantage to a foreign nation, there may be imposed punishment by a fine or not more than $20,000 or imprisonment for not more than 20 years, or both, or, upon the recommendation of a jury, life imprisonment or death.

These penalty provisions of the Atomic Energy Act and the death penalty provision of the Federal Kidnaping Act operate in the same manner; therefore, the effect of the *Jackson* decision on the former would appear to be similar to its effect on the latter. Indeed, in certain respects the decision has more far-reaching effects on the Atomic Energy Act inasmuch as both the life imprisonment penalty and the death penalty provided for therein are contingent upon a jury recommendation, whereas only the death penalty provision of the Federal Kidnaping Act was affected by the *Jackson* decision. Both the Department of Justice and the Atomic Energy Commission have advised the Joint Committee that the provisions for death and life imprisonment in the Atomic Energy Act are very likely unconstitutional in their present form. This leaves as the maximum punishment for violations of these sections of the act, including transmitting highly sensitive restricted data to a foreign power, a fine of $20,000 or 20 years' imprisonment, or both.

H.R. 9644 and S. 1879, the legislation submitted to the Congress by the AEC, and S. 1878, the bill introduced by Senator Pastore, propose amendments to sections 222, 224a, 225, and 226 of the act which would have the effect of retaining the life imprisonment penalty in the affected sections, but delete the requirement for a specific recommendation by the jury before the maximum penalty prescribed may be imposed upon an offender. The bills would delete the capital punishment penalty presently provided for in these sections. In recommending abolition of the death penalty under the Atomic Energy Act, the AEC expressed the view that "a maximum penalty of life imprisonment is sufficiently severe, in view of the trend of opinion away from the use of capital punishment, doubt whether the death penalty serves as a substantial deterrent, the very small number of executions for any crimes in the United States during the past decade, and the views of some legal scholars and penologists that capital punishment has a harmful effect upon the administration of justice." Senator Pastore voiced substantially similar views when he originally introduced his measure in the 90th Congress.

The Department of Justice, in commenting on these bills, expressed no objection to deletion of the capital punishment provisions from the Atomic Energy Act. The Department did call the committee's attention to the fact that the National Commission on Reform of Federal Criminal Laws is currently performing an exhaustive study under its mandate "to make recommendations for revision and recodification of the criminal laws of the United States, including * * * changes in the penalty structure * * *," and on the basis of this development suggested that the committee might wish to defer final action on this legislation to await the report of that Commission.

However, the Joint Committee does not believe that necessary corrections to sections of the Atomic Energy Act dealing with penalties for offenses committed with intent to injure the United States or with intent to secure an advantage to a foreign nation should await the report of this Commission. The committee does not know with certainty when the Commission's study will be completed, and in any event cannot be sure what if any reforms in Federal criminal law will eventuate as a result of it. Nor does the committee believe that it should await the possible enactment of legislation presently pending before other appropriate committees of the Congress which would abolish the death penalty for Federal crimes generally. Final congressional action on such measures may itself be deferred pending completion of the aforementioned Commission study.

Moreover, the fact that an adequate penalty currently exists under section 794 of title 18, United States Code (a section of the Espionage and Sabotage Act of 1954) for certain serious crimes otherwise punishable under the relevant—and presently partially defective—sections of the Atomic Energy Act does not convince the committee that further delay in effecting corrections to these sections of the act is warranted. 18 U.S.C. section 794 prohibits the gathering or delivery of defense information to aid a foreign government, and carries substantial criminal sanctions for violation thereof. However, it is not at all clear to the committee that all of the various—and very serious—offense punishable under the sections of the Atomic Energy Act in question are covered under the Espionage and Sabotage Act. It would appear, therefore, that a hiatus in the more severe criminal sanctions against certain acts specifically intended to injure the United States or to aid a foreign power in an area vital to the national security would continue to exist if the relevant enforcement provisions of the Atomic Energy Act are not corrected at this time.

For these reasons, the committee has concluded that it should not delay in recommending necessary corrective amendments to the relevant sections of the Atomic Energy Act. To this end, the committee has included section 3 in the bill reported herewith. Section 3 of the bill would amend sections 222, 224, 225, and 226 of the act by striking out the provision authorizing the imposition of the death penalty for offenses committed with intent to injure the United States or to secure an advantage to a foreign nation. The bill would have the effect of substituting life imprisonment as the maximum penalty which may be imposed under these sections; however, the bill would delete from these sections the present requirement for a recommendation by the jury as a prerequisite to the imposition of the life imprisonment penalty (as well as the death penalty). The committee believes these recommended modifications in the law reflect both the changing mores of the Nation and recent interpretation of our constitutional law.

Statistics available for recent years evidence a decline in the number of executions carried out in the United States, notwithstanding the considerable number of persons inhabiting the "death rows" of the Nation's prisons. State chief executives are more frequently commuting death sentences to life imprisonment. A number of States have legislatively abolished the taking of human life as a price society may exact for violation of its tenets. Legislation which would abolish the death penalty for all Federal crimes is now pending before the Congress. A number of reasons explain this trend, most significant of which is the realization that the death penalty has been unsuccessful in its primary function: that of a deterrent to the commission of offenses for which it may be imposed.

The committee further recommends, in accordance with the recommendations of the AEC and the Department of Justice, that the sections in question be amended to provide the courts with greater flexibility in cases where they believe the facts warrant imposition of a sentence less than life imprisonment. Presently these sections authorize, as an alternative to imposition of the more extreme penalties, imposition of a fine of not more than $20,000 or imprisonment for not more than 20 years, or both. The committee bill proposes to delete the reference to imprisonment for 20 years and to substitute therefor authority to impose a sentence for any term of years; the authority to impose a fine of not more than $20,000 in lieu of or in addition to such prison term would be retained. The committee believes this change will afford the courts greater flexibility in sentencing and eliminate any question as to possible limitations on the authority to impose imprisonment for a fixed term of years.

Section 4. Civil monetary penalties

Section 4 of the bill reported herewith would amend the Atomic Energy Act by adding a new section 234 authorizing the Atomic Energy Commission to levy civil monetary penalties on persons who violate the licensing provisions of the act or any rule, regulation, order, or license issued thereunder. Substantially the same remedial authority has been conferred by statute upon other regulatory agencies, such as the Federal Communications Commission, the Federal Aviation Agency, and the Federal Trade Commission, to assist them in carrying out their regulatory functions. Such authority is civil only and would not bar criminal prosecution where appropriate.

Presently, the AEC in the exercise of its regulatory responsibilities has authority to suspend, modify, and revoke licenses and to issue "cease and desist" orders. The Commission also is empowered under section 232 of the act to enforce these orders and obtain any other appropriate relief by injunctions from Federal district courts if necessary. However, application of these enforcement remedies may not always be in the public interest. In some instances, for example, the revocation of a license or suspension thereof may be too harsh a penalty under the circumstances. Moreover, in certain cases suspension may penalize the licensee's employees through loss of income without having any significant impact on the licensee itself. At the present time, the AEC in such cases essentially must choose between issuing a revocation or suspension order, on the one hand, or, on the other, issuing a cease and desist order. The latter normally directs a licensee to refrain from specified objectionable conduct under threat of imposition of an authorized penalty, but does not itself impose any penalty. As noted, injunctions may also be sought in appropriate cases, but here again the enforcement action may be out of proportion to the infraction.

For these reasons the committee is of the view that the authority to impose civil penalties would materially assist the Commission in carrying out its program to protect public health and safety and assure the common defense and security. Conferring on the AEC the authority to impose civil monetary penalties, in addition to the Commission's existing authority to impose more severe sanctions either in lieu of or in addition to such monetary penalties, should afford the Commission ample flexibility to deal with infractions of varying severity.

Thus, for example, the Commission could, among other things, levy a civil monetary penalty where suspension or revocation of a license is not required, without depriving a licensee of his means of livelihood or without requiring cessation of an authorized activity which might be of material benefit to the public.

However, the committee would hasten to add that in recommending this legislation not the slightest suggestion is intended that serious violations of the Atomic Energy Act or of rules, regulations, orders, or licenses issued thereunder are to be penalized by a mere civil penalty. The committee particularly does not mean to suggest this where the violation is one that seriously threatens the health or safety of an employee or a member of the public. The measure is primarily intended for application in circumstances where utilization of the other and generally stronger regulatory tools available to the Commission would be tantamount to swatting a fly with a sledge hammer. The committee would note in this connection that the AEC has had relatively few cases involving violations of regulations or license conditions by AEC licensees which have been significant. As a matter of fact, the safety record established under the regulatory program of the AEC continues to be outstanding. In the nuclear reactor field, the AEC has licensed the operation of 114 reactors of all types since the beginning of the regulatory program in 1954. These 114 power, research, and testing reactors have accumulated a total of over 820 reactor years of operation without a radiation fatality or serious radiation exposure.

The record of safety in the handling of the various atomic energy materials has also been good. For example, in 1968 the Commission's Division of Compliance performed 2,016 inspection of materials licensees. Of the violations found in these inspections, it was necessary to issue notices of violation in only 40 cases and orders in only two. Of the latter, one ordered the licensee to cease and desist from further use of special nuclear material and to decontaminate its facilities. The second ordered a licensee to cease and desist operations which had not been authorized under the license in two areas of its plant. In all, AEC licensees in 1968 experienced a total of 20 radiation incidents of the four general types defined in part 20 of the Commission's regulations; only 12 of these involved exposure of personnel, all of whom were employees. It is apparent from this record that industry appreciates the need for careful compliance with the AEC's safety requirements.

During its consideration of this legislation the committee had before it two somewhat different legislative proposals on civil monetary penalties—that submitted by the AEC (H.R. 9648, S. 1882) and that introduced by Senator Pastore (S. 1878). The committee has drawn from what it considered to be the best features of both of these proposals in formulating the proposed new section 234 entitled "Civil Monetary Penalties for Violations of Licensing Requirements" reflected in section 4 of the bill reported favorably by the committee.

Specifically, this section would authorize the Commission to impose on any person civil penalties of not to exceed $5,000 for each single violation of any licensing provision of section 53, 57, 62, 63, 81, 82, 101, 103, 104, 107, or 109 of the Atomic Energy Act, as amended, or of any rule, regulation, order, or license issued under such sections. The section fixes a $25,000 limitation on the total monetary penalty which could be imposed on a person for violations occurring within any period of 30 consecutive days. The section further provides that if a violation is a continuing one, each day of such violation shall constitute a separate violation for the purpose of computing the applicable civil penalty. Procedural safeguards, including requirements that written notice be given by the AEC to the alleged violator of each act or omission with which he is charged and that an opportunity be provided for such person to show in writing why the proposed penalty should not be imposed, are specifically spelled out in the proposed legislation. In addition, basic authority provided in section 161 of the Atomic Energy Act and in the Administrative Procedure Act would permit the Commission to provide a full administrative hearing to any person charged with violation if such person so requested. The Commission assured the committee during public testimony that it would always provide such a full administrative hearing, if requested, prior to determining that a civil penalty should be imposed.

Should the Commission, following the completion of such procedures, determine that a penalty should be imposed, and should the violator fail to pay the amount assessed, the matter would be referred to the Attorney General. The Attorney General would be authorized, but not required, to institute a civil action in a court of competent jurisdiction to collect the penalty. While the bill would confer on the Commission the power of compromise, mitigation, and remission of penalties, such power would reside exclusively with the Attorney General under the bill with respect to such civil penalties as are referred by the AEC to him for collection.

Several points concerning the bill as reported are worthy of special note. For one thing, this new authority of the AEC to impose civil monetary penalties would not be confined to AEC licensees. Any person, whether or not an AEC licensee, would be subject to such a penalty if he committed a violation of the type covered by this legislation. ("Person" is defined by section 11 s. of the act to include virtually every individual or entity other than the AEC.) The committee believes that the authority to impose civil penalties on persons not possessing an AEC license, as well as on licensees, is necessary if the legislation is to achieve its full purpose. Otherwise it would be possible, for example, for a person who neglected to obtain a license, or who once had a license but allowed it to expire, to be immune to any penalty under the legislation. Of course, such person might be liable to criminal penalties authorized under the Atomic Energy Act, but in some circumstances those penalties might not be fully appropriate under all the relevant facts.

The committee also deemed it desirable to establish an overall maximum on the amount of the penalty which could be imposed for violations occurring within any 30-day timespan. While the legislation proposed by the AEC would have fixed a ceiling of not to exceed $10,000 for continuing violations occurring within any period of 30 consecutive days, no maximum was proposed on the penalties which could be imposed for a series of individual violations within such timespan. It occurred to the committee that in a particular case the continuing violation of one person could be considerably more serious than several violations by another person, yet the latter could be subject to a greater penalty than the former, since only the continuing violation would be subject to the proposed $10,000 maximum penalty. On the other hand, while S. 1878, Senator Pastore's bill, would have set an overall maximum of $7,500 on the amount of penalties which could be imposed, the committee agreed that in some cases—for example, involving an individual or firm with substantial financial resources—imposition of a penalty of this limited amount might have little significant impact on the violator.

For these reasons the committee has recommended a limitation on liability, but has fixed such limit at the more substantial sum of $25,000. Moreover, in recognition of the generally more serious nature of a continuing violation of licensing requirements, the bill as reported contains a provision providing that each day of such violation shall constitute a separate violation for the purpose of computing the applicable civil penalty.

The committee also has accepted the recommendation of the AEC and Justice Department that the legislation provide discretion to the Department, after the matter has been referred to it by the Commission, to determine whether a civil action should be instituted, since that Department would have basic responsibility for that action. S. 1878 proposed imposition of a duty on the Department in this regard.

As noted in the next section of the report, a related amendment to section 221 c. of the act is recommended in order to make it clear that approval of the Attorney General is not required prior to the initiation of administrative action by the Commission, not only with respect to the imposition of civil penalties, but also with respect to other regulatory enforcement action the Commission is presently authorized to bring.

Sections 5 and 6. Miscellaneous technical amendments

Sections 5 and 6 of the bill are essentially technical amendments to the Atomic Energy Act necessitated primarily by revisions in the act to be made by certain of the proposed amendments described above. Sections 5 and 6 would amend section 221 c. and 223 of the act, respectively, as indicated below.

Section 221 c. of the act presently provides:

"No action shall be brought against any individual or person for any violation under this Act unless and until the Attorney General of the United States has advised the Commission with respect to such action and no such action shall be commenced except by the Attorney General of the United States. * * *"

Section 5 of the bill would add a clarifying provision to section 221 c. to make it clear that the section does not require the approval of the Attorney General prior to the initiation of administrative action by the Commission. The proviso would apply not only to actions instituted under the new civil penalties authority contained in proposed section 234, but also to any other enforcement action the Commission is now authorized to take. The legislative history of the act indicates that "action" within the purview of section 221 c. means "court action" and does not apply to administrative action by the Commission. The proposed amendment to section 221 c. will prevent any possible misinterpretation of the scope of the Commission's authority to take appropriate administrative action. The AEC supports this amendment and the Justice Department voiced no objection to its enactment.

Section 6 of the bill would amend section 223 of the act by adding the word "criminal" before the word "penalty" to make it absolutely clear that the penalties referred to in the latter section do not include civil monetary penalties imposed under proposed new section 234. Section 223 of the act authorizes the imposition of penalties on persons who willfully violate, attempt to violate, or conspire to violate any provision of the act for which no penalty is specifically provided by the act, or any regulation or order prescribed or issued under certain specified sections of the act. Section 223 further provides that any person convicted thereunder shall be punished by a fine of not more than $5,000 or by imprisonment for not more than 2 years, or both, except that whoever commits such an offense with intent to injure the

United States or with intent to secure an advantage to any foreign nation shall be punished by a fine of not more than $20,000 or by imprisonment for not more than 20 years, or both.

Clearly the violations covered by section 223, and the penalties therefor prescribed by that section are punitive, i.e., criminal in nature. However, the section does not specifically characterize the penalties as "criminal"; the section simply refers to violations "for which no penalty is specifically provided. * * *" Heretofore there has been no need to distinguish between criminal and civil penalties under the act, because the only type of penalty that could be imposed was criminal in nature; utilization by the Commission of its authority to revoke, suspend, or modify a license is considered to be remedial in nature and not punitive. However, with conferral upon the AEC by section 4 of the bill of authority to impose civil monetary penalties, the need to make such a distinction arises. Insertion of the word "criminal" before the word "penalty" in section 223 will achieve this distinction and remove any possible suggestion that the penalties there referred to include civil penalties provided under the proposed new section 234.

Section 7. Effect of amendments to sections 222, 224, 225, and 226 on prior violations

Section 7 of the bill is in the nature of a "savings" provision, and specifically provides and emphasizes that the penalties presently provided under sections 222, 224, 225 and 226 of the act shall in no way be affected by the amendments thereto provided for in sections 2 and 3 of the bill insofar as offenses thereunder which occurred prior to the effective date of such amendments are concerned. The amended penalty provisions apply only to offenses committed on or after that date. The purpose of section 7 is twofold: first, it eliminates any suggestion that the revised criminal penalties in sections 222, 224, 225, and 226 are to have any retroactive effect upon offenses covered by those sections and committed prior to the effective date of the amendments but prosecuted thereafter; and second, it eliminates any possible suggestion that the existing penalties cannot be imposed, even after the effective date of the amendments thereto, for offenses committed prior to the effective date of such amendments. In the latter regard, it is the committee's intent that insofar as the various criminal penalties provided under existing sections 222, 224, 225, and 226 are free from constitutional or other defect, they shall be fully applicable in their present form to any person convicted of an offense for which those sections authorize penalties committed prior to the date of revision by the amendment reported herewith.

ORDER FOR SENATE TO CONVENE AT 10 A.M. TUESDAY THROUGH SATURDAY OF THIS WEEK

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate convene at 10 a.m. on Tuesday, Wednesday, Thursday, Friday, and Saturday of this week.

The PRESIDING OFFICER. Is there objection?

Mr. SCOTT. I have no objection.

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

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that I may proceed for 20 minutes.

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

SENATE RESOLUTION 292—SUBMISSION OF A SENATE RESOLUTION RELATING TO SUBSTANTIAL REDUCTION OF U.S. FORCES PERMANENTLY STATIONED IN EUROPE

Mr. MANSFIELD. Mr. President, at this time this country has 429 major bases overseas and 2,297 lesser bases. These bases cover 4,000 square miles and are located in 30 countries. Stationed on these bases are 1,750,000 servicemen, families, and foreign employees, and the cost for maintaining these bases is approximately $4.8 billion a year.

Mr. President, I would like to discuss one area in which we have a large number of bases and an extraordinarily large number of troops, namely, Western Europe.

On January 19, 1967, I submitted Senate Resolution 49 which expressed the sense of the Senate that "a substantial resolution of U.S. forces permanently stationed in Europe can be made without adversely affecting either our resolve or ability to meet our commitment under the North Atlantic Treaty." I wish to introduce an identical resolution again today and ask unanimous consent that its text be printed in the RECORD at the conclusion of my remarks and that the resolution be referred to both the Committee on Foreign Relations and the Armed Services Committee.

The PRESIDING OFFICER. The resolution will be received and referred to the Committee on Foreign Relations and the Armed Services Committee; and, without objection, the resolution will be printed in the RECORD.

(See exhibit 1.)

Mr. MANSFIELD. Mr. President, we have had several hundred thousand men in uniform stationed in Europe since 1951 when President Truman, responding to the then existing situation and to a Senate sense resolution of that day, announced the first substantial post-World War II increase in U.S. forces there. When Senate Resolution 49 was introduced 2 years ago there were about 372,000 military personnel in Europe, including Turkey, Spain, and the 6th Fleet in the Mediterranean; this force was accompanied by some 240,000 dependents, a grand total of 612,000. There are now about 315,000 men—a good reduction—and they are accompanied by 235,000 dependents—not a good enough reduction—and 14,000 civilians employed by the U.S. Government. Thus, there are over 550,000 Americans in Europe today who are either in military service or associated with the military, and maintained wholly or largely by the Government of the United States.

We now have, overall, about 3.5 million men under arms. Of this total, about 1.2 million are stationed outside the United States, according to figures provided by the Department of Defense. In addition to those in Europe, there is a force of about 479,500 in Vietnam.

May I say, parenthetically, that as of last Thursday, this is 4,500 in excess of the 60,000 announced withdrawal by the President of the United States, a withdrawal which was to be met by December 15, 1969. Thus, I congratulate the President for going beyond the 60,000 mark. I hope that this is a continuation of a policy which, perhaps, may not be announced but which will be continued in effect, to the end that more and more troops can be withdrawn as appropriately as possible from Vietnam and all of Southeast Asia.

There are 129,000 in the fleets abroad, 58,000 in Korea, 45,000 in Thailand, 42,000 on Okinawa, another 40,000 in Japan, 28,000 in the Philippines, 24,000 in Latin America, 10,000 in North Africa and the Middle East, and another 10,000 in Canada, Greenland, and Iceland.

This commitment of men abroad obviously represents an enormous cost to the people of the United States. It is reflected in a military budget of some $80 billion and in the tax rates. It is also reflected in a balance-of-payments deficit which amounted to $1.3 billion in the first quarter of this year.

Our net foreign exchange gap with Germany alone is now running at about $965 million per annum. This is the highest figure to date. In 1968, the figure was $887.4 million. It had been between $700 and $800 million in the period 1963 through 1967, and under $700 million in the years before 1963.

In the past, part of this exchange gap has been covered through various agreements with the West German Government. In fiscal years 1962 through 1965 these so-called offset agreements consisted simply of commitments by the West German Government to procure military equipment in the United States. The agreement for fiscal years 1966 and 1967 provided for military procurement plus the prepayment of a West German debt. The fiscal year 1968 agreement provided for military procurement plus purchase of special medium-term U.S. Treasury securities by the West German Government. In fiscal year 1969 the agreement provided for military procurement plus the purchase of special U.S. Treasury securities by the West German Government, plus additional purchases of U.S. Treasury securities by West German banks plus an agreement by Lufthansa to finance purchases of aircraft.

I have had the Library of Congress draw up a table showing the terms of these so-called offset agreements between the United States and West Germany in fiscal years 1962 through 1969 and ask unanimous consent that it be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 2.)

Mr. MANSFIELD. Mr. President, agreement was reached with the West German Government on July 9 covering fiscal years 1970 and 1971. The agreement provides for an inflow of foreign exchange in the amount of $1.52 billion over the next 2 years. In addition to military procurement in the United States, the agreement provides for a West German Government loan, plus retention in the United States for 2 years of interest earned by West Germany on U.S. Treasury deposits, plus the purchase by West Germany of U.S. Export-Import Bank and Marshall plan loans, plus West German civil procurement in the United States, plus payment to a fund in the

United States for encouraging German investment plus advance transfers for debt repayment by the West German Government to the United States. A concessional interest rate of 3.5 percent will apply to the West German Government loan and to certain deposits in the U.S. Treasury for military procurement. I ask unanimous consent that the text of a press release issued by the Department of State on July 9, giving the terms of the agreement, be printed in the RECORD at this point.

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

PRESS STATEMENT

The U.S. and German delegations announced today the conclusion of a new agreement for offsetting foreign exchange costs of American forces in Germany for U.S. Fiscal Years 1970 and 1971. The delegations have been conferring in Washington this week on the third and concluding round of their talks.

The agreement provides for an inflow of foreign exchange to the U.S. in the amount of 1.52 billion dollars. These inflows will be achieved by $925 million of procurement of U.S. goods and services (61% of total agreement) and $595 million of financial measures (39% of total).

Details are as follows:

[In millions of dollars]

Military procurement in the United States	800.00
Federal Republic of Germany loan to the U.S. (repayable after ten years)	250.00
Purchase by Federal Republic of Germany of loans held in portfolio of Eximbank and of outstanding Marshall Plan loans	118.75
Civil procurement in the United States by Federal Republic of Germany	125.00
Creation of fund in U.S. by Federal Republic of Germany to encourage German investment in United States	150.00
Advance transfers by the Federal Republic of Germany for debt repayment to the United States	43.75
Retention in the United States of interest earned by the Federal Republic of Germany on U.S. Treasury deposits	32.50
Total	1,520.00

It was agreed that the interest rate which would apply to the inter-government loan and to certain Federal Republic of Germany deposits in the U.S. Treasury for procurement would be 3.5 percent.

The Export-Import Bank and Marshall Plan loans purchased by the Federal Republic of Germany would bear, on the average, a rate of interest at four percent with respect to certain loans and five percent with respect to others.

The U.S. delegation was led by Deputy Under Secretary of State Nathaniel Samuels; the German delegation was headed by State Secretary Guenther Harkort of the Foreign Office.

Mr. MANSFIELD. Mr. President, I would like to make several comments on the agreement. Before doing so, I should note that the Department of State apparently believes that this agreement represents a considerable improvement over previous agreements. To be sure, the amount of the military procurement is greater than last year, or the previous years. The borrowing by the United States is for a longer period than in the past and a concessional rate will apply to the West German Government's loan. The total amount is higher than ever before and the agreement is for 2 years instead of only one.

In those respects there has been "improvement." It would be well to bear in mind, however, that there is another side of the coin. While the amount of foreign exchange inflow involved is higher, so is the foreign exchange gap because it becomes more expensive every year to keep our forces in Germany. With the reevaluation of the Germany mark, moreover, this expense stated in dollars will increase again, and, possibly, more drastically than in the past. Furthermore, the agreement represents only about 80 percent of the foreign exchange outflow from the United States to Germany in the coming 2 fiscal years. And, while the West German Government loan to the United States will carry a concessional interest rate of 3.5 percent, nevertheless it represents an obligation of the United States which must be renewed or redeemed; the interest will result in some annual capital outflow and the capital of the loan itself must be regarded as, eventually, a large item of outflow. Finally, since the agreement is for a 2-year period, it may imply a commitment on our part to retain substantially the present level of U.S. forces in Germany for the next 2 years whether or not that should prove desirable or in accord with our national needs now or a year from now. In fact, the new West German Chancellor said in an interview in the November 14 issue of Time magazine that there was "an understanding on both sides," when agreement was reached on an offset arrangement for the next 2 years, that there would be no "substantial changes" in the level of U.S. forces during this period.

No matter how the current agreement is regarded, there is no escaping the fact that the assignment of U.S. military forces in Germany and Europe is a voracious consumer of U.S. resources, a source of inflation and, in present circumstances, a factor in the reduction in the international strength of the dollar.

It is a cliche to say that the United States is a rich and powerful country. After the long drain of Vietnam, however, it may be wise to take another look at that glib assertion. In terms of surplus for necessary national purposes at home and abroad, we are beginning to scrape the bottom of the barrel.

Other nations have come to realize that if they are to accomplish the essential tasks at home, it may be necessary to concentrate on only the essential tasks abroad. In my judgment, it is long past time for us to face the facts of our situation and reach the same conclusion. In this connection, I welcome the President's July 9 order to reduce the number of military men based abroad by 14,900—also his most recent order of a day or so ago in which approximately another 14,000, almost all in the Pacific area, will be reduced insofar as our Armed Forces are concerned—although in my judgment it is regrettable that the reduction is so limited and that the forces committed to NATO have been completely exempted from this cut in military forces overseas.

On April 15, I had printed in the RECORD the defense policy statement made by the Canadian Prime Minister on April 3. In that statement, Prime Minister Trudeau said:

NATO itself is continuously reassessing the role it plays in the light of changing world conditions. Perhaps the major development affecting NATO in Europe since the organization was founded is the magnificent recovery of the economic strength of Western Europe. There has been a very great change in the ability of European countries themselves to provide necessary conventional defense forces and armaments to be deployed by the alliance in Europe.

It was, therefore, in our view entirely appropriate for Canada to review and re-examine the necessity in present circumstances for maintaining Canadian forces in Western Europe. Canadian forces are now committed to NATO until the end of the present year. The Canadian force commitment for deployment with NATO in Europe beyond this period will be discussed with our allies at the Defense Planning Committee meeting in May. The Canadian Government intends, in consultation with Canada's allies, to take early steps to bring about a planned and phased reduction of the size of the Canadian forces in Europe.

According to press reports, which I understand to be accurate, the present plan is to reduce the number of the Canadian contingent of about 10,000 in Western Germany to about 4,000. This is a small reduction in numbers but a large reduction in percentage and would seem to represent, in effect, a change in the Canadian estimate of the situation in Europe, as well as a revision of policy on the part of the Canadian Government. I would hope this Nation would study the Canadian action most carefully. To me, it seems an adjustment which looks to the future instead of to the past.

Last year at this time, we, too, appeared to be on the verge of moving in the same direction. There was widespread support in the Senate for a proposal by the distinguished Senator from Missouri (Mr. SYMINGTON) which would have had the effect of lowering substantially the level of our forces in Europe. Most regrettably, there was the occupation of Czechoslovakia on August 20 by 400,000 Soviet and other Warsaw Pact forces. The time was one of extreme uncertainty, with various obscure troop movements in Eastern Europe. It was far from clear that the relatively bloodless coup in Czechoslovakia would mark the culmination of this activity. There was fear that the difficulties in Eastern Europe might spread throughout Europe.

As I stated at that time, a substantial reduction in U.S. Forces in Europe in those circumstances could have been subject to misinterpretation in the East, and brought grave uncertainty in the West. I added, however, that, in my judgment, it remained desirable to undertake a gradual reduction in U.S. forces if and when the situation in Eastern Europe offered reasonable assurance that developments there were not going to spill over into Western Europe. It seems to me that that time has now arrived. The Soviet Union faces serious problems in Czechoslovakia and elsewhere in Eastern Europe. If that were not enough, there is a difficult situation to the East

on the Soviet-Chinese border. Soviet troops in Czechoslovakia, moreover, have been cut from several hundred thousand to about 70,000. While it is regrettable that the internal political life of that enlightened nation is again dictated by a foreign power, certain realities as they bear upon our military presence in Europe must be faced. What transpired in Czechoslovakia was not controllable in any fashion by NATO and bears no direct relationship to the question of the size of American forces assigned in Europe to that organization. Had there been only one or two divisions or, for that matter, seven or eight or 18 divisions of Americans in Western Germany, instead of four or five, would they have had any different effect on the situation as it developed in Czechoslovakia last year? I can find no basis for any such contention. Events within Eastern Europe are, as they have been since the Hungarian interlude made apparent for all to see more than a decade ago, beyond the direct reach of the North Atlantic Treaty and the military structure of NATO.

Nevertheless, it will be argued, as it is always argued, that the time is not right to make a substantial reduction of our forces in Europe. But it seems that the time is never right. I am aware of the recent press reports, for example, implying that NATO may be on the point of making a proposal to the Soviet Union and its Warsaw Pact allies for negotiations on reducing conventional forces in Europe. I would like to point out, however, that NATO has been studying the subject of balanced force reductions for years. My understanding is that there is still no agreed NATO proposal for balanced force reductions and it is not planned that there will be one until at least early in the summer. Even then, there is no reason to assume that discussions, much less full negotiations, will begin, for there has been no indication, direct or indirect, that the Soviet Union is interested in such discussions.

It will also be argued, as it is always argued, that bringing a substantial number of forces back from Europe will not affect our defense budget because we cannot reduce the number of men under arms. But it is also argued that it is not possible to reduce the number of men under arms because of the need to meet our NATO and other overseas commitments. This endless circle leading, in the end, to fiscal exhaustion can and must be broken.

I am not now advocating, and I have not in the past advocated, that all U.S. troops be removed from Europe. Our vital interest in what transpires in Europe remains and a U.S. presence should remain. In this day and age an armed attack on Western Europe will certainly involve us almost from the outset. It is to our interest, therefore, that we are present before the outset. That need can be met, in my judgment, and should be met with a much smaller military force.

At the same time, a substantial reduction of our forces in Europe would have certain immediately beneficial effects on this Nation. In the first place, the balance of payments should soon reflect a sharp decrease in outflow for military purposes, even as it becomes possible to bring about a reduction in the National military budget. In the second place, a reduction in U.S. forces in Western Europe might provide some impetus for Western Europeans to develop their own defense efforts in line with their needs and to work together more closely in doing so. Integrated defense is supposed to be what NATO is all about. To the extent that we have continued to overparticipate in the defense of Europe, it follows that there has been far less interest in bearing the burdens of that defense among the Europeans themselves.

Finally, a substantial reduction of American forces would help to correct what I regard as a distorted relationship between Europe and the United States. The Soviet Union maintains half a million soldiers in Eastern Europe. While the Russians may ascribe this presence to a threat from the West, the fact is that the Soviet presence is also a significant factor in maintaining communist governments in power, as Czechoslovakia has so clearly illustrated. The democracies have no need of U.S. forces in order to maintain themselves within the nations of Western Europe; yet, that most significant political fact is disguised by our military presence in such great magnitude.

In my judgment, it is not a desirable situation for a foreign power either in Eastern Europe or Western Europe to keep somewhere in the neighborhood of a million men in these two camps, a quarter of a century after the events which initially put them there. Both contingents are somewhat anachronistic, to say the least. Yet the continuing presence of the one has become the principal basis for the continuing presence of the other. The persistence of the anachronism leads not only to a distortion of political relationships, but to a distortion of economic relationships. Indeed, the annual offset negotiation with the West German Government is a case very much in point. West Germany is, in effect, becoming a major banker for this Nation in order that we may pay for the continued maintenance of U.S. forces in Germany at this Nation's expense.

In short, the presence of American forces in Europe in such large numbers, in my judgment, has vestiges, if not of empire in a 19th century sense, then of military occupation and of the costly cold war and of the one-time complete preeminence of the dollar in international finance. Yet the age of empire, the era of occupation, the period of the cold war and one-sided financial preeminence are of the past. The persistence of these vestiges in present policies involves, in my judgment, a wasteful and dangerous use of our available fiscal resources. It acts to debilitate this Nation's capacity, both at home and abroad, to deal with the urgent problems of the contemporary era.

EXHIBIT 1

S. RES. 292

Whereas the foreign policy and military strength of the United States are dedicated to the protection of our national security, the preservation of the liberties of the American people, and the maintenance of world peace; and

Whereas the United States, in implementing these principles, has maintained large contingents of American Armed Forces in Europe, together with air and naval units, for twenty years; and

Whereas the security of the United States and its citizens remains interwoven with the security of other nations signatory to the North Atlantic Treaty as it was when the treaty was signed, but the condition of our European allies, both economically and militarily, has appreciably improved since large contingents of forces were deployed; and

Whereas the means and capacity of all members of the North Atlantic Treaty Organization to provide forces to resist aggression has significantly improved since the original United States deployment; and

Whereas the commitment by all members of the North Atlantic Treaty is based upon the full cooperation of all treaty partners in contributing materials and men on a fair and equitable basis, but such contributions have not been forthcoming from all other members of the organization; and

Whereas relations between Eastern Europe and Western Europe were tense when the large contingents of United States forces were deployed in Europe but this situation has now undergone substantial change and relations between the two parts of Europe are now characterized by an increasing two-way flow of trade, people and other peaceful exchange; and

Whereas the present policy of maintaining large contingents of United States forces and their dependents on the European Continent also contributes further to the fiscal and monetary problems of the United States: Now, therefore, be it

Resolved, That—

(1) it is the sense of the Senate that, with changes and improvements in the techniques of modern warfare and because of the vast increase in capacity of the United States to wage war and to move military forces and equipment by air, a substantial reduction of United States forces permanently stationed in Europe can be made without adversely affecting either our resolve or ability to meet our commitment under the North Atlantic Treaty;

(2) S. Res. 99, adopted in the Senate April 4, 1951, is amended to contain the provisions of this resolution and, where the resolutions may conflict, the present resolution is controlling as to the sense of the Senate.

Terms of offset agreements between the United States and Western Germany, fiscal 1962–1969

[In millions of dollars]

Fiscal years and terms agreed by Western Germany:	*Agreed target payments*
1962–1963, Military procurement by West Germany from the United States	1,375
1964–1965, Military procurement by West Germany from the United States	1,375
1966–1967, Military procurement by West Germany from the United States plus prepayment of West German debt to the United States in the amount of $192 million	1,350
1968, Military procurement by West Germany from the United States	100
1968, Purchase by West Germany of special U.S. Treasury securities	500
Total	600

Terms of offset agreements between the United States and Western Germany, fiscal 1962–1969—Continued

[In millions of dollars]

Fiscal years and terms agreed by Western Germany—Con.	*Agreed target payments*
1968, West Germany agreed that the Bundesbank would continue its practice of not converting dollars into gold.	
1969, Military procurement by West Germany from the United States	100
1969, Purchase by West Germany of special U.S. Treasury securities	500
1969, Purchase of U.S. Treasury securities by West German banks	125
Total	725
1969, Lufthansa agreed to finance $60 million purchase of aircraft in West Germany rather than U.S. market.	

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

Mr. MANSFIELD. I yield.

Mr. PROXMIRE. I think the speech which has just been delivered by the distinguished majority leader is of very great significance. I support it wholeheartedly. There is no question in my mind, from having given speeches similar to the one just given in my own State and elsewhere in this country, that there is overwhelming support for that position.

As I understand the argument of the distinguished majority leader, he is not asking that we withdraw entirely from Europe, or anything of the kind; he is asking that we withdraw some of our troops from Europe and recommending that some of the affluent countries there, which have enjoyed a tremendous increase in their standard of living and personal income, provide the necessary military manpower themselves.

When you look at the overall situation, and recognize that Western Europe has in fact, in the aggregate, more manpower than the Soviet Union, more skilled personnel, far greater production and economic resources, and far greater military resources, there is no reason why, a generation after World War II, as the Senator from Montana has stated so well, we should have to have our troops stationed there. Of course, we all recognize we are going to continue to provide a nuclear umbrella and naval and air support. But the Senator has stated well the answer to the argument we run into again and again by those who say that Europe is paying for these troops by buying obligations of the U.S. Treasury. As the Senator has stated, they shave the interest a little—3½ percent interest—but the U.S. taxpayer is still paying the cost and the interest. The German taxpayer is not paying it.

The President of the United States has announced some very modest troop reductions. However, they are so modest, when we recognize our enormous commitment in Europe, that I hope the distinguished majority leader's very logical and convincing position can be taken up by this body and, at long last, pressed to a reasonably early conclusion. As I have stated, a substantial majority of Senators have, in the past, supported the notion of our withdrawing troops from Europe. I hope that the speech given by the majority leader this morning is a real signal that we can move ahead and, within the next few months, act to begin a withdrawal.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. PROXMIRE. I ask unanimous consent to have 1 additional minute, to make one final point.

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

Mr. PROXMIRE. I think the country is in general agreement that we should Vietnamize the Vietnam conflict, that it is time that we withdraw. Almost all of us agree with that. The only dispute is in the timing. At the same time, I think it is time that we provide for Europeanization of the defense of Europe. As I say, Europe has the manpower, the resources, and the ability to do it. Why should not Europe defend itself, with our assistance, but certainly without the commitment of 300,000 American troops and hundreds of thousands of additional personnel?

I thank the majority leader for a most significant statement.

Mr. GORE and Mr. SCOTT addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SCOTT. Mr. President, once again the majority leader has focused the attention of the Senate on an issue of grave importance to the well-being of the Nation. It is also characteristic of the thoughtful and considerate manner in which he functions that he has introduced his resolution in sufficient time to enable the Senate to give to the matter the careful and unhurried consideration it demands.

This time factor is important, perhaps critical. If I were confronted with the necessity of voting on this issue today, or within the next weeks, I would have to cast my vote in the negative. I fully share the concern of my esteemed colleague for the impact which the cost of maintaining our troops overseas has on our domestic programs and on our balance-of-payments position. I also understand that if the fabric of our national security is to be durable, it must be woven from a pattern which involves much more than the threads of U.S. forces deployed around the world. Because the issues involved are so complex, affecting not only our national security but in many important respects the well-being of the individual citizen, I believe it important that this body recognize at the outset that time will be required to consider this subject in its proper perspective and in all of its ramifications.

One obvious factor is the recently inaugurated negotiation with the U.S.S.R. in Helsinki. We do not know where those negotiations will lead but they could have an important impact on our security and that of our allies in Western Europe. Another factor of considerable importance is the psychological impact of the presence of our troops in Western Europe—and of a debate in this body on the reduction of such forces—on our allies as well as on the Soviets. Twenty-five years after World War II this body is moved to discuss whether the danger of aggression in Europe has not substantially receded; 25 years after World War I the world was engaged in World War II. The mind immediately jumps to the question as to how significant is the role of American troops in this contrast. Again, the significance must be measured in terms of the individual well-being of our citizens as well as in broader terms of national security.

One last thought. No one in this Chamber, nor I, would trust in the Nation at large, will think for one moment that either the distinguished majority leader or I are influenced by partisan considerations in this matter. I think that it is important to mention that in conducting his election campaign the President placed much emphasis on the importance he attaches to negotiating with the Soviets with a view to reducing the tensions that beset the world and in some measure are the cause of U.S. troop deployments abroad. It is logical and fair to assume that in electing President Nixon the people were in some measure motivated by the conviction that he is the right man to conduct those negotiations. The negotiations, or what we hope are the preliminaries to negotiations are underway. This is not the time for this body, with its very considerable responsibilities in the field of foreign relations, to send its own signals abroad or to take other steps which hinder or complicate the task of the President in this crucial role.

Mr. MANSFIELD. Mr. President, will the Senator yield at that point?

Mr. SCOTT. I am happy to yield.

Mr. MANSFIELD. Mr. President, I am delighted that the distinguished Republican leader not only had the opportunity to listen to my remarks, such as they were, but also to spend some time reading the speech which had been prepared. I compliment him on the temperate tone which he has used and the understanding which he has indicated.

He is correct when he says this is not a partisan matter. He is correct when he says that the present President, Mr. Nixon, has placed a great deal of emphasis on our relations with Western Europe. But I think we ought also to point out that the man who was the first commander of NATO, and who was the last Republican President prior to Mr. Nixon, General Eisenhower, was one of those who advocated, even while he was in office, and certainly most emphatically after he left office voluntarily, that there should be a substantial reduction of U.S. forces in Europe. He felt that we had too many divisions there, and too many dependents, that it was too much of a strain on our resources, and that it conveyed the wrong impression and the wrong image as far as we were concerned.

I would point out to my distinguished friend across the aisle that it was a sense of the Senate resolution which sent four additional U.S. divisions to Europe in 1951. What I have introduced today on my own behalf—though I hope some other Senators will join with me—is another sense of the Senate resolution, indicating just how the Senate now feels about this matter. If a sense of the Senate resolution was good enough to get them in, I think it is good enough to get

them out. A sense of the Senate resolution places on the President the responsibility for defining just what "a substantial reduction" means. This gives him a great deal of flexibility which he does not possess at the present time, and which, I think, would place him in a stronger bargaining position with our allies, so that he may get them to do what they have promised to do time and time again, but which none of them—not a single one; not a single ally other than Canada—has done in living up to the commitments which they promised to undertake.

There is Western Europe, on the front line. Why should they not take the primary responsibility in their own area to look after their own defense? Most of those countries are better off economically and financially than we are. They can afford it. We are paying the West Germans to allow us to maintain our forces in West Germany, and we are doing it through the sale of bonds at a special concessional rate of 3.5 percent. They should be paying us for what we are doing over there. This is one of the basic reasons why we have such difficulties in the balance of payments and in the gold outflow, both of which have had a deleterious effect on the economic affairs of this Nation.

Mr. SCOTT. Mr. President, I yield myself 2 additional minutes.

I thank the distinguished majority leader. I think we both want to make clear that this is not a discussion in which one Senator proposes that troops be withdrawn from Europe, and another Senator opposes it. This is a resolution to consider the desirability of withdrawal of some troops, to which my reply is simply a statement that I hope we will, and I am glad that there is time in which we may, consider all of the arguments pro and con before we come to a conclusion. I state further that if I had to vote now, my vote would be negative. If I were able to vote later, and certain other developments had occurred, I would hope it could be an affirmative vote.

My reason for the comment I made is grounded primarily upon the talks in Helsinki. That is because I do not want it to appear to world opinion or to those people in Helsinki who are watching these SALT talks that we in the Senate are at this moment proposing action which might itself be the subject of negotiation. That is what I am getting at.

I agree with the distinguished majority leader that other nations ought to be doing more. We are paying heavily and through the nose for having kept our commitments and obligations and responsibilities in accordance with the very Senate resolution the majority leader refers to, which pertains to the sending of four divisions to Europe.

I wish it were possible for other nations to see their responsibilities in the same light. I suppose they feel relatively safe and entirely smug in allowing the United States to carry a major part of the burden. This is not true of all the nations. However, I am pleading for the Senate to consider the matter in such an atmosphere of time and reasoned deliberation as not to interfere with the negotiations in Helsinki.

Mr. MANSFIELD. Mr. President, I certainly have no desire, and never have had any desire, to interfere with the negotiations in Helsinki—negotiations that are at long last underway.

I do not see any connection at all between balanced force reductions and what is going on in Helsinki.

It is a little difficult for me to comprehend the situation which affects our relations with Germany vis-a-vis our five divisions stationed there.

I intended to submit the resolution some months ago. I did not do so because of the West German elections. Then I thought that with the change in government, the new government ought to have an opportunity to get its feet wet, so to speak, in administering affairs in West Germany.

Then there was the meeting of the NATO Deputy Foreign Ministers. I held back again on account of that. Then, after I had released the facts in the press, I found there was going to be a meeting of the NATO Foreign Defense and Finance Ministers. It seems to me that there is something going on in NATO every other week or so but not a great deal is being accomplished in bringing about the integration of forces, or balanced force reductions or any other similar achievement.

I commend the Republican leader for the stand he has taken. I understand it perfectly.

The distinguished Senator is correct in stating that the matter should be given serious consideration. And it will be given serious consideration by the two committees most concerned.

However, when I talk about the gold outflow and our balance of payments, what I am really getting at—and it is sometimes difficult for people to think that a politician is concerned with this—is a matter of principle when we get right down to it.

Over 500,000 military personnel and dependents, over a quarter of century after the war is over, are still in Western Europe. They were sent there to help these countries recover and to help them against a possible invasion from the east. These countries now tell us that they are getting along well with the Soviet Union and Eastern Europe.

West Germany is carrying on contracts with the Soviet Union and Eastern Europe and as far away as China. However, when someone raises the question of a reduction in forces, they create a straw man, a bogeyman, and tell us how difficult it is and how much they need us.

Canada is reducing its forces by 60 percent. French forces are out entirely. They told us 3 years ahead of time. We would not believe them.

Great Britain has done away with conscription. The Low Countries and other countries are reducing conscription.

We have not done away with conscription. We have not reduced our forces to any great extent. We have kept our commitments, our pledges, and our promises.

I think it is about time that our allies did the same.

Mr. GRIFFIN. Mr. President, I wish to associate myself with the remarks of the distinguished minority leader (Mr. SCOTT). The distinguished majority leader (Mr. MANSFIELD) has focused this morning upon a subject which is central to the security of the United States and, indeed, of the entire free world.

I join with the distinguished majority leader to the extent of welcoming a review of the question whether the level of United States forces in Europe should be reduced.

Along with the majority leader, I have had the opportunity to serve as a member of the Canadian-United States Interparliamentary Group, and to hear representatives of the Canadian Government explain their attitude and position with respect to troop levels in Europe.

It seems to me, as we approach this subject, that we must be very conscious of the fact that the level of our troop strength in particular is a vital element in maintaining a credible NATO deterrent.

While I can support the majority leader in his insistence upon an appropriate balance insofar as our troop commitments are concerned, I underscore the importance of making sure that we do not weaken NATO and that we do not take steps which would weaken our ability to negotiate with the Soviet Union.

I interpret and understand the remarks of the majority leader as indicating no intention on his part to cast doubt upon our commitment to the defense of NATO Europe or that the review contemplated by his resolution would do so.

As I understand it, the concern of the distinguished majority leader relates to the appropriate level of U.S. forces in Europe, and is not directed at NATO itself or at the security system which has been so important in helping to provide two decades of relative peace in Europe.

I stress this point because as we enter an "era of negotiation," and particularly as we undertake very serious talks with the U.S.S.R. on strategic arms limitation, I believe it is essential to make clear that in this day and age we recognize that the security of Western Europe is inseparable from the security of the United States.

Mr. MANSFIELD. Mr. President, I agree with the last statement made by the distinguished acting Republican leader, that our security is intermingled, that it is integrated. However, I point out that these countries should assume a good deal more of the share of the burden in defense of their own area.

I appreciate the remarks made by the acting Republican leader.

Mr. PROXMIRE subsequently said: Mr. President, I wish to make a brief statement in support of the statement of the distinguished majority leader in connection with withdrawing some of our troops from Western Europe. I think we should recognize the enormous cost of having these troops in Europe. The cost is billions and billions of dollars a year, at a time when we are debating at great length cutting back on our educational expenditures, and spending to meet hunger and health needs. The administration is recommending cutbacks in these areas. Billions spent on our troops in Europe represents an area

where we could save an immense amount of money and provide a salutary result. Once we withdraw our troops, Europe will know we mean business, and until that time they will not provide the troops they can and should provide.

Mr. DOMINICK subsequently said: Mr. President, I wish to associate myself with the Senator from Wisconsin and the Senator from Montana in connection with the withdrawal of our troops from Western Europe. I do not often find myself in agreement totally with these two Senators, but I am in agreement with them on this point. I have been making speeches on this matter for the past 4 or 5 years.

It seems to me incomprehensible that 25 years after World War II we have over 315,000 troops in Europe, while at the same time our allies fail to meet their obligation. We are doing this at the same time we are having trouble in our balance of payments.

Mr. PEARSON subsequently said: Mr. President, today, for the third time in as many years, a resolution has been introduced expressing the sense of the Senate that a substantial reduction in the size of the American military commitment to NATO is now justifiable and desirable. As on previous occasions, I join as a cosponsor of this resolution which Senator MANSFIELD has introduced and I want to associate myself with the remarks of the distinguished majority leader and to salute him for the leadership he has demonstrated on this issue.

This resolution would replace Senate Resolution 99 adopted in 1951, which expressed the sense of the Senate that given the conditions then prevailing it was necessary to substantially expand the size of the U.S. commitment to NATO. The resolution introduced today asserts the proposition that current conditions are so different from conditions of the early 1950's that such a large contingent is no longer necessary or desirable. The contrasts between the early 1950's and the late 1960's are considerable.

At that time the threat of a direct Soviet conventional force assault against Western Europe was a distinct possibility. Today this is highly unlikely.

At that time the possibility of internal communistic revolution was very real in several Western European countries but today such a prospect is most improbable.

At that time the economies of the Western European nations were weak and unstable and only just beginning to emerge from the chaos and destruction of World War II. Today, these economies are strong and expanding.

At that time there was a need for a large American presence to help ease the way for the emergence of the German Federal Republic as a stable, acceptable partner in the European community. Today, most of the difficulties and uncertainties associated with the West German role in Western Europe have been removed.

Mr. President, no one suggests that East-West relations have become so cordial that we need no longer give serious attention to the defense of Western Europe, but on the other hand few seriously believe that a large scale of conventional war in Western Europe is likely. Certainly there is little evidence that Western Europeans themselves hold such a view.

But if a large-scale conventional conflict in Europe is unlikely the prospects for local and limited skirmishes remain high. Thus the primary function of NATO conventional forces is to contain limited Soviet actions such as a new move against the communication lines of Berlin or a probing border incident. If NATO forces are not of a size and effectiveness to meet such contingencies then we will be trapped into the type of situation where our options will be so restricted that we will be forced to engage in nuclear brinksmanship. In other words, it is absolutely essential that the American nuclear defensive umbrella over Europe be supplemented by a credible conventional force, thus maintaining a symmetry of defensive power.

Given this function of NATO conventional forces, the key question then is whether or not an American force of the present size is necessary. I believe that the answer is definitely in the negative. We should remember that today's ground force level is substantially the same as that which was established in the early 1950's—at a time when major conventional warfare had to be considered a distinct possibility and at a time when Western European countries were not economically strong enough to maintain a credible conventional deterrent.

When we built up the American contingent in the early 1950's political leadership on both sides of the Atlantic assumed that this would be temporary. For a number of years now the real question has been when and how a reduction should take place rather than whether or not a reduction should occur.

Unfortunately, we never seem to get beyond this general proposition. Whenever it is suggested that a phased reduction should be initiated, advocates of the status quo always respond by saying this is not the time.

Each year we find some reason to delay the initiation of serious discussions designed to pave the way for a reduction. Today, the Czechoslovakian situation is cited as the reason why we cannot initiate such discussions. Certainly the invasion of Czechoslovakia last August is dramatic evidence of the determination of the present Soviet leadership to keep its Eastern European satellites in line. The Brezhnev doctrine, which says that the Soviet Union has the right to interfere with the internal affairs of the Eastern European countries, is not a mere paper construction but a harsh reality; the Soviet leadership is quite willing to use brute force to suffocate the faintest breath of independence.

However, the fact that the Warsaw Pact armies were ordered into Czechoslovakia does not signal an increased likelihood that the Kremlin leaders will order these same armies into Western Europe. It would not, of course, have been advisable for the United States to announce a troop reduction at the time of the invasion. However, when all things are considered, the Czech situation does not really alter the question of whether or not the American conventional force in Western Europe should be maintained at its present level.

Those who endorse the resolution introduced today do not suggest that we should immediately reduce the American force but we do believe that this Government should immediately notify the Western European capitals of our determination to bring about such a reduction at the earliest possible date. We must stop putting off the date for making such a declaration of intention hoping that next year or the year after or the year after that will somehow be more auspicious.

Actually there are a number of reasons why this aftermath period of the Czechoslovakian invasion is an appropriate time for the U.S. Senate to adopt this resolution. The Czech incident had the effect of jarring the Western European powers out of their complacency. Prior to last August most observers were talking about the decline of NATO and many were predicting its ultimate demise. Today, NATO has a new sense of purpose, a new unity, a renewed strength. Thus planned reductions in the manpower commitments by Belgium, the Netherlands, West Germany, and Britain have been canceled and other steps have been taken to add to NATO's military strength.

Thus, hopefully there is a new sense of responsibility and determination among the nations of Western Europe to more effectively provide for their own defense. It may well be then that this is precisely the time that we should begin to seriously plan for a reduction in our commitment.

Given the fact that the defense of Europe rests ultimately on the American nuclear deterrent and unless we were to have a situation where the West Europeans are to abdicate all their responsibility to NATO the difference between an American ground force of, say, two divisions and the present five- to six-division force is not of great military significance. However, it has taken on exaggerated psychological significance. In the minds of many, too many, a reduction of the American force would be seen as a wavering in our pledge to defend Western Europe and a sign of our desire to withdraw from the Atlantic community.

Mr. President, I reject the argument that these psychological-political factors are sufficient to require the maintenance of such a large U.S. force in Western Europe. If the credibility of our pledge to defend Western Europe and to participate fully in the Atlantic community is not yet established it never will be. In short, I suggest that America is being asked to pay too high a price to prove what should already be obvious.

Mr. President, one of the most troublesome burdens of our troop commitment to NATO is that it continues to be a major cause of our balance-of-payments deficit. During the 9-year period from fiscal 1961 through fiscal 1969—estimated—the net dollar drain associated with the maintenance of the American force in Western Europe totaled $6.7 billion. During this period our total

worldwide balance of payments was $22.3 billion. Thus over the past 9 years our commitment to NATO has caused about 30 percent of our balance-of-payment deficit. And the net dollar drain associated with our Western European commitment has been increasing rather than decreasing. For example, for the 4 years from fiscal 1962 through fiscal 1965 the average net dollar drain was just over $500 million, but for the 4 years from fiscal 1966 through fiscal 1969 the yearly average was $800 million.

If the deficit were of no serious economic concern then this would be no problem. But, of course, this is not the case, for in recent years our balance-of-payments deficit has become a problem of pressing importance not only for us but for the West's entire international financial structure.

Mr. President, withdrawing American troops from Europe will not necessarily result in a saving to the U.S. taxpayer. This would occur only if the units in question were deactivated. And whether or not they, or their equivalents should be deactivated must be treated as a separate question. However, it is quite clear that so long as we maintain this large commitment to NATO we will find it extremely difficult to reduce our overall troop levels.

Mr. President. our defense effort costs us the equivalent of over $350 per capita per year. And defense expenditures run from 9 to 10 percent of our gross national product. In contrast, the defense expenditures of our NATO partners run less—in some cases considerably less—than 5 percent of the respective gross national products. On a per capita basis, our defense burden is 5 to 7 times as great as theirs.

I do not in any way suggest that they should be matching our expenditures proportionately. I do suggest that they are quite capable of providing effective replacements for the American forces which should be withdrawn.

In conclusion, I would assert once again that we must break out of that line of argument which equates discussion of troop reduction with a signal that the United States intends to turn its back on Europe; a line of argument which has given an aura of permanence to that which initially was to have been temporary. Considering our own needs and problems and in view of the economic capacity of the West Europeans to carry their rightful share of the burden for their own defense, I submit that the troop reduction must be reopened. We must reconsider the attitudes of the 1950's which, unfortunately, have become our blinders in the 1960's.

ALLEGED KILLING OF CIVILIANS IN VIETNAM

Mr. PACKWOOD. Mr. President, the alleged massacre of South Vietnamese civilians by our soldiers has only served to heighten our fears and our apprehensions about our involvement in a controversial war. The massacre, indeed if it did occur, is a sad commentary on our times. Today we are searching for world peace. But it is instances such as this which undermine the very faith and confidence of our own people—not to mention peoples of the rest of the world. The report is most untimely because it comes almost 2 years after the event is alleged to have occurred. The military is digging its own grave with this kind of coverup system.

I think it is time that General Westmoreland laid the cards on the table. What is the military policy on combat field operations? Do we send our soldiers out with orders to bring back no captives or with as many captives as possible? Do we take the word of the South Vietnamese Government and do they take ours without any questions asked? General Westmoreland should state succinctly our present policy and he should likewise say if and how that policy has changed during the years of our involvement in Vietnam.

I want to emphasize that I am not prejudging the individuals accused of committing these alleged atrocities. Under our system of law, they are innocent until proven guilty. But is this an isolated incident?

If there are other events where the facts may prove to be less than pleasant to the military, that is no reason to keep them from the American people. The American citizen, already tired of this war, is growing weary. Weary from a war where the policy is often misunderstood because of instances such as this.

MESSAGE FROM THE HOUSE— ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Acting President pro tempore:

H.R. 9906. An act for the relief of J. Burdette Shaft and John S. and Betty Gingas; and

H.R. 14020. An act to amend the Second Liberty Bond Act to increase the maximum interest rate permitted on U.S. savings bonds.

COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

The ACTING PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT ON APPROVAL OF LOAN TO THE CHUGACH ELECTRIC ASSOCIATION, INC.

A letter from the Administrator, Rural Electrification Administration, U.S. Department of Agriculture, transmitting, pursuant to law, a report on the approval of a loan to the Chugach Electric Association, Inc., of Anchorage, Alaska, for the financing of certain transmission facilities and the completion of previously loaned generation facilities (with an accompanying report); to the Committee on Appropriations.

REPORT ON PROPOSED MILITARY CONSTRUCTION, AIR NATIONAL GUARD

A letter from the Deputy Assistant Secretary of Defense (Installations and Housing), transmitting, pursuant to law, a report on the location, nature, and estimated cost of certain facilities projects proposed to be undertaken for the Air National Guard (with an accompanying report); to the Committee on Armed Services.

REPORTS OF COMPTOLLER GENERAL

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the questionable need for overtime at selected installations of the Army, Navy, and Air Force dated November 28, 1969 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on an examination of financial statements of the Federal National Mortgage Association for fiscal year 1968, Department of Housing and Urban Development, dated November 26, 1969, (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on a survey of the Nike X anti-ballistic-missile development program which indicates a need for management improvements, Department of the Army, dated November 28, 1969 (with an accompanying report); to the Committee on Government Operations.

ADMISSION INTO THE UNITED STATE OF CERTAIN DEFECTOR ALIENS

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

RECOMMENDATIONS AND RESOLUTIONS ADOPTED BY THE NORTH ATLANTIC ASSEMBLY

A letter from the Secretary General, North Atlantic Assembly, transmitting, for the information of the Senate, a copy of the texts of the various resolutions and recommendations adopted by the Assembly at the conclusion of its 15th annual session (with an accompanying document); to the Committee on Foreign Relations.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the ACTING PRESIDENT pro tempore:

A resolution adopted by the Kalamazoo County Board of Supervisors, Kalamazoo, Mich., praying for the enactment of legislation relating to the sharing of Federal revenues; to the Committee on Finance.

A resolution adopted by the Texas Municipal League, Austin, Tex., remonstrating against any limitation on the tax exempt status of interest paid on municipal bonds; to the Committee on Finance.

A resolution adopted by the Legion of Estonian Liberation, Inc., New York, N.Y., relating to the strengthening of Voice of America broadcasts in the Estonian, Latvian, and Lithuanian languages; to the Committee on Foreign Relations.

A concurrent resolution of the New Hampshire General Court; to the Committee on the Judiciary:

"Concurrent resolution requesting Congress to convene a constitutional convention for the purpose of amending the constitution to make adequate provisions for federal-state revenue sharing

"Whereas, all levels of government jointly bear the responsibility to safeguard the quality of American life; and

"Whereas, state and local communities have and must retain primary responsibility for providing a major portion of domestic public services and facilities. To fulfill these commitments the states and their political subdivisions must have access to an equitable share of national fiscal resources which

Congress now commands an influence through the federal tax system; and

"Whereas, the federalization of the federal income tax will increase local government initiative and effectiveness by helping states, cities and counties to finance their own programs and set their own priorities with respect to solving unique and crucial local problems; now therefore be it

"Resolved, that the House of Representatives and the Senate of the State of New Hampshire in General Court convened, in accordance with Article V of the United States Constitution, hereby apply to Congress for the calling of a constitutional convention for the purpose of amending the Constitution to make adequate provision for federal-state revenue sharing; be it further

"Resolved, that signed copies of this resolution be certified by the Secretary of State and sent to the President of the United States Senate and the Speaker of the United States House of Representatives.

"ARTHUR TUFTS,
"President of the Senate.
"MARSHALL COBLEIGH,
"Speaker of the House of Representatives.

"CONCORD, N.H., *July 15, 1969.*

"I Robert L. Stark, Secretary of State of the State of New Hampshire, do hereby certify that the above Concurrent Resolution was passed by the General Court of the State of New Hampshire on June 27th nineteen hundred and sixty-nine.

"ROBERT L. STARK,
"Secretary of State."

A resolution adopted by the Club 100, Honolulu, Hawaii, praying for repeal of subtitle II of the Internal Security Act of 1950; to the Committee on the Judiciary.

A petition, signed by LeRoy Elvis, and sundry other citizens, of Conway S.C., protesting the prohibition of prayer and Bible reading in the public schools; to the Committee on the Judiciary.

A resolution adopted by the Board of Selectment, Ipswich, Mass., remonstrating against the issuance of a license to permit the dredging away of the sandbar at Sandy Point, Mass.; to the Committee on Public Works.

BILLS INTRODUCED

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

By Mr. ERVIN:

S. 3188. A bill to provide for compliance with constitutional requirements in the trials of persons who are charged with having committed certain offenses while subject to trial by court-martial, who have not been tried for such offenses, and who are no longer subject to trial by court-martial; and

S. 3189. A bill to provide for compliance with constitutional requirements in the trials of persons who, while accompanying the Armed Forces outside the United States, commit certain offenses against the United States; to the Committee on the Judiciary.

(The remarks of Mr. ERVIN when he introduced the bills appear later in the RECORD under the appropriate heading.)

By Mr. DOMINICK:

S. 3190. A bill providing for the Secretary of Health, Education, and Welfare, after consultation with the Surgeon General, to report annually to the Congress concerning the health consequences of using marihuana; to the Committee on Labor and Public Welfare.

(The remarks of Mr. DOMINICK when he introduced the bill appear later in the RECORD under the appropriate heading.)

By Mr. CRANSTON (for himself and Mr. MURPHY):

S. 3191. A bill to withdraw various lands in the counties of Mono and Inyo, Calif., from appropriations under the public land law, release certain lands in the counties of Mono and Inyo from withdrawal, acquire various lands owned by the city of Los Angeles, Calif., grant to the city of Los Angeles various land and water rights, modify the act of March 4, 1931, Executive Order No. 5843 (dated April 28, 1932) and Executive Order No. 6206 (dated July 19, 1933) and repeal the act of June 23, 1936, and for other purposes; to the Committee on Interior and Insular Affairs.

(The remarks of Mr. CRANSTON when he introduced the bill appear later in the RECORD under the appropriate heading.)

By Mr. MURPHY (for himself and Mr. CRANSTON):

S. 3192. A bill to designate the navigation lock on the Sacramento deepwater ship channel in the State of California as the William G. Stone navigation lock; to the Committee on Public Works.

(The remarks of Mr. MURPHY when he introduced the bill appear later in the RECORD under the appropriate heading.)

By Mr. BAYH:

S. 3193. A bill for the relief of Graeme Ronald Houghton; to the Committee on the Judiciary.

S. 3188 AND S. 3189—INTRODUCTION OF BILLS RELATING TO THE TRIAL OF FORMER SERVICEMEN, U.S. EMPLOYEES STATIONED OVERSEAS, AND MILITARY DEPENDENTS

Mr. ERVIN. Mr. President. Recent disclosures of the alleged killing of Vietnamese civilians by American forces in the village of My Lai have brought to public attention once more a serious problem of jurisdiction which has existed since 1955. At present, there is no apparent jurisdiction in any American court, either State, Federal, or military, to try offenses committed by former U.S. servicemen while they were in military status.

This gap in jurisdiction stems from the Supreme Court case of *Toth* v. *Quarles*, 350 U.S. 11, decided in 1955. In that case, the Supreme Court ruled that section 3(a) of the Uniform Code of Military Justice was unconstitutional because it gave court-martial jurisdiction over persons who were not at the time of trial subject to military jurisdiction.

This problem has concerned the Constitutional Rights Subcommittee for over a decade. My distinguished predecessor as chairman of the Constitutional Rights Subcommittee, the late Senator Thomas Hennings of Missouri, introduced a bill in 1957 designed to give jurisdiction to Federal district courts over these cases. In the years since then, I have in turn introduced similar legislation, most recently in the 90th Congress.

In the past the proposals have been referred to the Judiciary Committee, and to the Constitutional Rights Subcommittee. The Subcommittee has wrestled with this exceedingly difficult constitutional problem all these years without success. Together with the Department of Defense, the Department of Justice, and the Department of State, we have tried to fashion a satisfactory legislative solution. The problem was considered by the subcommittee in its hearings on military justice in 1962 and again in 1966. Because of the many unresolved problems inherent in this issue, and because there has not in past years been any pressing circumstance which might require enactment of the legislation, I did not reintroduce the proposed legislation in this Congress.

Now it is again apparent that the issue is very critical. The My Lai incident poses this problem in glaring terms. I have written the Department of Defense, and will today write to the Departments of Justice and State, to obtain their present thinking on the issue. In the meantime, I believe it is essential that the Congress have before it once again one proposed solution to this gap in jurisdiction. For that reason, I introduce for appropriate reference the two bills which have been before the Constitutional Rights Subcommittee in past years. These bills confer jurisdiction on Federal district courts over two classes of persons—former servicemen accused of offenses committed before they were released from service, and civilians who are dependents of servicemen, or who are defense employees, stationed with the military overseas. This proposal follows a suggestion made by Justice Black in his opinion in the Toth case. The bills are identical to those which were last introduced in the 90th Congress, with but one exception. I have omitted the limitation which made the legislation effective only as to offenses committed after the enactment of the bills. Whether the legislation, if enacted, should or properly could be made retroactive to cover prior offenses is only one of the many very difficult questions which must be resolved.

I hasten to state, as I have each time I introduced this legislation in the past, that I am not committed to them either in form or approach. This is a most difficult and controversial problem, as the subcommittee long ago discovered. The issue is made no easier by the disclosures of the past few days.

For the guidance of the Senate, I ask unanimous consent that the bills, plus explanatory matter relating to them, excerpted from the subcommittee's hearings in 1966, be printed in full in the RECORD at this point.

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

The bills (S. 3188) to provide for compliance with constitutional requirements in the trials of persons who are charged with having committed certain offenses while subject to trial by court-martial, who have not been tried for such offenses, and who are no longer subject to trial by court-martial; and (S. 3189) to provide for compliance with constitutional requirements in the trials of persons who, while accompanying the armed forces outside the United States, commit certain offenses against the United States, introduced by Mr. ERVIN, were received, read twice by their titles, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

S. 3188

A bill to provide for compliance with constitutional requirements in the trials of persons who are charged with having committed certain offenses while subject to trial by court-martial, who have not been tried for such offenses, and who are no longer subject to trial by court-martial

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 803 (article 3) of title 10, United States Code, is amended to read as follows:

"(a) Subject to section 843 of this title (article 43), any person not subject to trial by court-martial who is charged with having committed, while in a status in which he was subject to trial by court-martial, an offense against this chapter punishable by confinement for five years or more, and who, while in such status, was not tried for such offense may be tried upon indictment for such offense—

"(1) in the United States district court for any judicial district in which any act or omission constituting an element of such offense was committed, if such offense was committed in the United States, or

"(2) in the United States district court for the judicial district in which such person is found or into which he is first brought, if such offense was committed outside the United States or on the high seas. No person may be tried in any district court for any such offense if (1) the offense is one for which such person could not be tried by court-martial without his consent if he were in a status subject to trial by court-martial, or (2) such person has been previously tried in a State court for substantially the same offense. For the purpose of all proceedings for or ancillary to the trial of any person for any such offense in any district court of the United States, such offense shall be considered to be an offense prohibited by and punishable under the provisions of title 18, United States Code.

S. 3189

A bill to provide for compliance with constitutional requirements in the trials of persons who, while accompanying the armed forces outside the United States, commit certain offenses against the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 10, United States Code, is amended by adding after chapter 47 a new chapter as follows:

"CHAPTER 48.—TRIAL OF CERTAIN PERSONS WHO ACCOMPANY THE ARMED FORCES OUTSIDE THE UNITED STATES

"Sec.

"951. Persons subject to trial; jurisdiction of United States district courts; offenses for which persons may be tried.

"952. Statute of limitations; maximum punishment; general provisions.

"§ 951. Persons subject to trial; jurisdiction of United States district courts; offenses for which persons may be tried

"(a) Any citizen, national, or other person owing allegiance to the United States who commits any offense referred to in subsection (b) of this section while serving with, employed by, or accompanying the armed forces outside the United States shall be guilty of an offense against the United States and shall be tried for such offense in the United States district court for the judicial district in which such person is found or into which he is first brought.

"(b) The offenses for which any person described in subsection (a) of this section may be tried in a United States district court are those offenses specified in—

"(1) sections 877 through 881 of this title (articles 77–81) insofar as such sections relate to offenses referred to in clauses (2) through (5) of this subsection;

"(2) section 882 of this title (article 82);

"(3) sections 907 through 911 of this title (articles 107–111);

"(4) sections 913, 914, and 916 of this title (articles 113, 114, and 116); and

"(5) section 934 of this title (article 134) to the extent of crimes and offenses not capital.

"§ 952. Statute of limitations; maximum punishment; general provisions

"(a) An indictment may be found at any time without limitation with respect to any offense referred to in section 951(b) of this title for which the death penalty may be imposed. Except as provided in section 843(f) of this title (article 43(f)), no person shall be prosecuted, tried, or punished under this chapter for any offense, not capital, unless the indictment is found or the information is instituted within three years next after such offense shall have been committed. No person may be tried under this chapter for any offense if such person has been tried for substantially the same offense in a foreign country pursuant to a treaty or agreement to which the United States is a party.

"(b) The maximum punishment which may be imposed in the case of any person tried for an offense pursuant to this chapter shall be the same as that applicable to persons subject to trial by courts-martial for the same offense, but the provisions of chapter 47 of this title relating to the forfeiture of pay and allowances shall not be applicable in the case of any person tried under authority of this chapter.

"(c) Any offense for which a person is indicted and tried under authority of this chapter shall, for the purpose of all proceedings for or ancillary to the trial of such person, be considered to be an offense prohibited by and punishable under the provisions of title 18, United States Code.

"(d) Nothing in this chapter shall be construed as depriving courts-martial, military commissions, provost courts, or other military tribunals of concurrent jurisdiction with respect to offenders or offenses that by statute or law of war may be tried by courts-martial, military commissions, provost courts, or military tribunals.

"(e) As used in this chapter, the term 'outside the United States' means outside the several States, Commonwealth of Puerto Rico, Virgin Islands, Canal Zone, and the special maritime and territorial jurisdiction of the United States."

SEC. 2. (a) The table of chapters at the beginning of title 10, United States Code, is amended by inserting immediately below

"47. Uniform Code of Military Justice.. 801"

the following:

"48. Trial of Certain Persons Who Accompany the Armed Forces Outside the United States..... 951"

(b) The table of chapters preceding chapter 31 of title 10, United States Code, is amended by inserting immediately below

"47. Uniform Code of Military Justice.. 801"

the following

"48. Trial of Certain Persons Who Accompany the Armed Forces Outside the United States..... 951"

The material presented by Mr. ERVIN is as follows:

S. 761 (BILL NO. 1)

SUMMARY OF BILLS

S. 761 would provide that persons who are charged with having committed certain offenses while subject to trial by courts-martial, but who were not tried for such offense by a court-martial and who are no longer subject to such jurisdiction, may be tried upon indictment in the U.S. district court into which he is first brought, if the offense was committed outside the United States, or in any U.S. district court in which an element of the offense was committed, if the offense was committed within the United States. This jurisdiction is authorized for crimes punishable by the uniform code of military justice by confinement for 5 years or more. Persons who have been tried for the offense in a State court, or whose consent would have been needed for trial by court-martial, are not subject to this bill.

Reason the bill is proposed

Prior to the enactment of the uniform code of military justice, there was no American forum for the trial of ex-servicemen who committed crimes while in uniform which were not discovered until after the serviceman had left the service. The uniform code, in article 3, closed this jurisdictional gap by granting courts-martial jurisdiction. However, in the case of *Toth* v. *Quarles,* 350 U.S. 11, the Supreme Court said that this provision was unconstitutional. Accordingly, there is no American tribunal available for such cases.

The Supreme Court, in the *Toth* case, did not preclude congressional authorization of jurisdiction to a Federal court. Accordingly, S. 761 gives such jurisdiction to the Federal district courts. At the present time, of course, various Status of Forces treaties give to foreign countries the right to try Americans for crimes committed while in military status, in certain instances. However, this might require extradition in the case of ex-servicemen, and would subject them to criminal procedure which might not contain adequate safeguards for their rights, and, in any case, which would be unfamiliar to them.

Departmental views

The Department states that it is opposed to S. 761 because the enactment of such legislation would create burdensome administrative problems. The Department recommends that action be delayed on this proposal pending further study by various concerned Executive offices.

[S. 761, 89TH CONG., 1ST SESS.]

A bill to provide for complaince with constitutional requirements in the trials of persons who are charged with having committed certain offenses while subject to trial by court-martial, who have not been tried for such offenses, and who are no longer subject to trial by court-martial

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 803 (article 3) of title 10, United States Code, is amended to read as follows:

(a) Subject to section 843 of this title (article 43), any person not subject to trial by court-martial who is charged with having committed, while in a status in which he was subject to trial by court-martial, an offense against this chapter punishable by confinement for five years or more, and who, while in such status, was not tried for such offense may be tried upon indictment for such offense—

"(1) in the United States district court for any judicial district in which any act or omission constituting an element of such offense was committed, if such offense was committed in the United States, or

"(2) in the United States district court for the judicial district in which such person is found or into which he is first brought, if such offense was committed outside the United States or on the high seas. No person may be tried in any district court for any such offense if (1) the offense is one for which such person could not be tried by court-martial without his consent if he were in a status subject to trial by court-martial, or (2) such person has been previously tried in a State court for substantially the same offense. For the purpose

of all proceedings for or ancillary to the trial of any person for any such offense in any district court of the United States, such offense shall be considered to be an offense prohibited by and punishable under the provisions of title 18, United States Code."

SEC. 2. The amendments made by the first section of this Act shall be effective with respect to any offense committed on or after the date of enactment of this Act.

The memorandum accompanying Senate bill 761 is as follows:

Proposed bill to provide an American forum, subject to the U.S. Constitution, for trial of serious offenses by persons who have been separated from the armed services

Background memorandum: Under the articles of war no American forum existed to prosecute offenses against those articles by a serviceman who was discharged before charges had been preferred against him. As a result, World War II produced several incidents where persons who allegedly had committed serious crimes were immune from trial because they had been discharged and were no longer subject to trial by court-martial and also were not subject to trial in any American civil court. Congress attempted to close this jurisdictional loophole by enacting article 3 of the Uniform Code of Military Justice; but the Supreme Court, in the famous case of *Toth* v. *Quarles*, 350 U.S. 11, held this provision unconstitutional. In light of the *Toth* case, courts-martial lack jurisdiction to try a serviceman for predischarge violations of the Uniform Code, however serious they may be (unless the ex-serviceman later reenlists); and so frequently there is no American court which can try the accused for his crime. Of course, if the crime was committed overseas in a foreign country and if the accused either has remained there or can be extradited to that country, prosecution may still be possible; but in that event the ex-serviceman is brought to trial in a foreign court, which is not subject to the U.S. Constitution and may not furnish some of the procedural safeguards with which we are familiar.

In light of these circumstances and of the fact that the Supreme Court did not say in the *Toth* case that jurisdiction could not be granted to prosecute persons like Toth in a Federal civil court, the best solution would appear to be through amendment of article 3 to authorize trial in Federal district courts of ex-servicemen whose crimes were committed while they were in the Armed Forces and who would not otherwise be subject to trial for the offense in a State or Federal court. In this manner the jurisdictional hole can be plugged; but trial can take place in an American tribunal, where every constitutional safeguard will be present. Furthermore, in instances where the alleged crime occurred overseas, there will be considerably less occasion to deliver or extradite the ex-serviceman to a foreign court for trial, since an American court would also have the power to try for the same misconduct. On the other hand, under present laws trial by an American court is impossible; and therefore foreign prosecution is the only alternative to condoning the crime.

The armed services have been interested in the problem and legislation was studied after the *Toth* decision to help meet the problem created there. (See subcommittee hearings at 852, 910, 946.) However, somewhere along the line action apparently has bogged down.

To implement this proposal, it would seem desirable to:

(a) Amend article 3(a) of the Uniform Code to provide that, subject to the provisions of article 43 (which is the statute of limitations), any person charged with having committed, while in a status in which he was subject to the code, an offense against the Uniform Code, which, under the code and the regulations prescribed by the President and in effect at the time of the alleged offense, would be punishable by confinement of 5 years or more and for which that person cannot otherwise be tried in the courts of the United States or any State or territory thereof or the District of Columbia, shall be subject to trial for that offense in a Federal district court. If the offense occurred within the United States, then venue to try the offense shall be in any district where there occurred any of the acts or omissions complained of. If the acts or omissions all occurred on the high seas or outside the United States, then venue shall lie in the district where the defendant first comes or is brought back to the United States (the intent here being to conform the venue requirements under this article to the general venue requirements of the United States Code.) Trial by a State court for substantially the same act or omission which it is proposed to try under this article shall preclude trial under this article by a Federal district court. (This is designed to clarify that a person who already has been tried by a State court cannot be tried under this article in a Federal district court; this may be especially important because of the wide scope of art. 134.)

S. 762 (BILL NO. 2)

SUMMARY OF BILL

S. 762 would provide that any person serving with, employed by or accompanying the Armed Forces outside the United States, who commits certain specified offenses, shall be tried in the U.S. district court where he is found or first brought. The statute of limitations for offenses not involving the death penalty shall be 3 years. The maximum appropriate sentence is that authorized by the Uniform Code of Military Justice for the same offense. The provisions of title 18, United States Code, shall apply with respect to the proceedings of such trial.

Reason the bill is proposed

With the end of World War II, the United States, for the first time, stationed large forces on the soil of foreign countries for an extended period of time. Accompanying these forces are large numbers of civilians, whether as employees or dependents of the armed forces. With minor exceptions, there is no American tribunal available to try offenses committed overseas by members of this large American civilian community. To provide such a forum, article 2(11) of the Uniform Code authorized trial by courts-martial offenses committed by these persons. However, the Supreme Court in a number of decisions, notably that of *Kinsella* v. *Singleton*, 361 U.S. 234, ruled that the forum for such trial cannot be a court-martial.

To close this jurisdictional gap, S. 762 confers jurisdiction upon Federal district courts for such trials. It incorporates the maximum punishments set forth in the Uniform Code, and the procedural rules generally applicable in Federal criminal trials.

Departmental views

The Department states that it is opposed to S. 762 because the enactment of this legislation would create burdensome administrative problems. The Department recommends that action be delayed on this proposal pending further study by various concerned Executive offices.

(SEC. 762, 89TH CONG., 1ST SESS.)

A bill to provide for compliance with constitutional requirements in the trials of persons who, while accompanying the armed forces outside the United States, commit certain offenses against the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 10, United States Code, is amended by adding after chapter 47 a new chapter as follows:

"CHAPTER 48.—TRIAL OF CERTAIN PERSONS WHO ACCOMPANY THE ARMED FORCES OUTSIDE THE UNITED STATES

"Sec.

"951. Persons subject to trial; jurisdiction of United States district courts; offenses for which persons may be tried.

"952. Statute of limitations; maximum punishment; general provisions.

"§ 951. Persons subject to trial; jurisdiction of United States district courts; offenses for which persons may be tried.

"(a) Any citizen, national, or other person owing allegiance to the United States who commits any offense referred to in subsection (b) of this section while serving with, employed by, or accompanying the armed forces outside the United States shall be guilty of an offense against the United States and shall be tried for such offense in the United States district court for the judicial district in which such person is found or into which he is first brought.

"(b) The offenses for which any person described in subsection (a) of this section may be tried in a United States district court are those offenses specified in—

"(1) sections 877 through 881 of this title (articles 77–81) insofar as such sections relate to offenses referred to in clauses (2) through (5) of this subsection;

"(2) section 882 of this title (article 82);

"(3) sections 907 through 911 of this title (articles 107–111);

"(4) sections 913, 914, and 916 of this title (articles 113, 114, and 116); and

"(5) section 934 of this title (article 134) to the extent of crimes and offenses not capital.

"§ 952. Statute of limitations; maximum punishment; general provisions

"(a) An indictment may be found at any time without limitation with respect to any offense referred to in section 951(b) of this title for which the death penalty may be imposed. Except as provided in section 843(f) of this title (article 43(f)), no person shall be prosecuted, tried, or punished under this chapter for any offense, not capital, unless the indictment is found or the information is instituted within three years next after such offense shall have been committed. No person may be tried under this chapter for any offense if such person has been tried for substantially the same offense in a foreign country pursuant to a treaty or agreement to which the United States is a party.

"(b) The maximum punishment which may be imposed in the case of any person tried for an offense pursuant to this chapter shall be the same as that applicable to persons subject to trial by courts-martial for the same offense, but the provisions of chapter 47 of this title relating to the forfeiture of pay and allowances shall not be applicable in the case of any person tried under authority of this chapter.

"(c) Any offense for which a person is indicted and tried under authority of this chapter shall, for the purpose of all proceedings for or ancillary to the trial of such person, be considered to be an offense prohibited by and punishable under the provisions of title 18, United States Code.

"(d) Nothing in this chapter shall be construed as depriving court-martial, military commissions, provost courts, or other military tribunals of concurrent jurisdiction with respect to offenders or offenses that by statute or law of war may be tried by courts-martial, military commissions, provost courts, or military tribunals.

"(e) As used in this chapter, the term 'outside the United States' means outside the several States, Commonwealth of Puerto Rico, Virgin Islands, Canal Zone, and the special maritime and territorial jurisdiction of the United States."

SEC. 2. (a) The table of chapters at the beginning of title 10, United States Codes, is amended by inserting immediately below "47. Uniform Code of Military Justice-- 801" the following:

"48. Trial of Certain Persons Who Accompany the Armed Forces Outside the United States---------- 951"

(b) The table of chapters preceding chapter 31 of title 10, United States Code, is amended by inserting immediately below. "47. Uniform Code of Military Justice-- 801" the following:

"48. Trial of Certain Persons Who Accompany the Armed Forces Outside the United States---------- 591"

The memorandum accompanying Senate Bill 762 is as follows:

Proposed bill to provide an American forum, with full constitutional safeguards, to try persons accompanying the Armed forces outside the United States.

Background memorandum: Until the present century, the United States had no large forces operating overseas, and so, with a few exceptions, American civil courts were available to try any crimes that might be committed by civilians who were employed by, serving with, or otherwise accompanying the Armed Forces. On the other hand, the United States now maintains large military contingents overseas, where no American civil courts are available to try American civilian dependents or employees who may commit serious crimes. In a few instances, provisions of the Federal Crimnial Code could be invoked as a basis for prosecuting the conduct of Americans outside the country; but, generally speaking, Federal criminal statutes were not intended to apply extraterritorially.

In order to provide an American forum for trial of civilian employees and dependents with our Armed Forces overseas, Congress enacted article 2(11) of the Uniform Code of Military Justice, which subjected to the code 'all persons serving with, employed by, or accompanying the Armed Forces without the continental limits of the United States and without certain territories.' Thus, civilian employees and dependents of the Armed Forces overseas were made subject to trial by court-martial. Ultimately, article 2 (11) was invalidated by the Supreme Court, with the result that, in most instances, there is now no American court, either military or civil, that has jurisdiction to try serious crimes committed by American civilian employees or dependents overseas. Therefore, the only courts which can prosecute those offenses are foreign courts, which are not subject to the U.S. Constitution and may not provide the safeguards available in American courts. There is no indication that the foreign courts are anxious in most instances to try crimes committed by American civilian employees or dependents overseas, but the only alternative is to let the crime go completely unpunished.

The relationship of the conduct of civilian employees and dependents to the maintenance of discipline and morale in the armed services is great enough to give considerable support to the argument made by several dissenters in the Supreme Court that article 2(11) was constitutional under Congress' power to 'make Rules for the Government and Regulation of the land and naval Forces.' Because of this relationship it seems important to provide a forum for trial of crimes committed by civilian employees and dependents overseas. If this forum is a foreign court, the civilian accused loses the benefit of the safeguards provided by the U.S. Constitution. The Supreme Court has held that this forum cannot be a court-martial. *Kinsella* v. *Singleton*, 361 U.S. 234; *Grisham* v. *Hogan*, 361 U.S. 278; *McElroy* v. *Guagliardo*, 361 U.S. 281. Therefore, virtually by a process of elimination, the Federal district courts seem to be the proper forum for the trial of such misconduct.

Prior to its hearings in 1962, the Subcommittee on Constitutional Rights was informed that the Department of Defense had prepared draft legislation to deal with this problem (hearings 848–51, 910, 946). However, this draft legislation has apparently bogged down somewhere between the Pentagon and the Department of Justice.

If jurisdiction is to be given the Federal district courts with respect to serious crimes committed overseas by civilian dependents and employees, it would seem desirable to apply the usual venue provisions governing Federal trials of offenses committed outside the United States or on the high seas. Also, since a serviceman cannot be prosecuted in a court-martial after trial by a foreign court in a country which is a party to the NATO Status of Forces Agreement, the civilian employee or dependent should receive the same protection and not be subject to trial in a Federal civil court after trial in a foreign court. Articles 107–132 of the Uniform Code of Military Justice prohibit certain acts which might be committed by a civilian employee or dependent and perhaps with disastrous consequences; in article 134 of the code there is a prohibition of 'crimes and offenses not capital' which serves to incorporate by reference the Federal Criminal Code. Accordingly, it would seem to suffice to make a civilian employee or dependent punishable in an American district court if he committed an act or is guilty of an omission for which a member of the Armed Forces, who did the same thing could be punished under articles 107–132 of the Uniform Code or under the 'crimes and offenses' provision of article 134.

To implement this proposal it seems necessary to:

(a) Amend article 2(11)—or enact a separate article—to provide that all persons serving with, employed by, or accompanying the Armed Forces without the United States, the Canal Zone, Puerto Rico, and the Virgin Islands' shall be subject to trial by a Federal district court for all acts or omissions which, on the part of a member of the Armed Forces would constitute a violation of articles 107 through 132 or 'crimes and offences not capital' within the meaning of article 134.

(b) Provide that the statute of limitations which would apply to the prosecution of a member of the armed forces under article 43 shall apply to misconduct by a civilian prosecuted in a Federal district court under this article and the maximum punishment authorized shall be that which would be authorized for the same act or omission if committed at the same time by a member of the Armed Forces.

(c) Provide that venue shall be the same as for offenses committed outside the United States under the venue provisions of the Criminal Code (18 U.S.C. 8231–8243 and especially 18 U.S.C. 8238).

(d) Provide that it shall be a defense to prosecution if the defendant has been tried for the same act or omission by the courts of a foreign country and with respect to acts or omissions which allegedly took place within the boundaries of that foreign country.

S. 3190—INTRODUCTION OF MARIHUANA AND HEALTH REPORTING ACT

Mr. DOMINICK. Mr. President, a total of $10.7 million in Federal money was marked primarily for marihuana research projects active during the 3 fiscal years 1968–70.

Nevertheless, whether we speak of it as pot, grass, weed, Mary Jane, hashish, Acapulco Gold, or by some other name, no drug is more at the focal point of controversy in the country—from a legal standpoint or from a health standpoint.

It is the latter issue—health effect—and related questions of rehabilitation and education which have been the subject of investigations by your Subcommittee on Alcoholism and Narcotics. The investigation is broad, covering alcoholism, narcotics, and all the dangerous drugs. It is not complete.

As regards marihuana, however, evidence to date resoundingly leads to one conclusion.

There is a great public need for an authoritative report on the health consequences of using marihuana. Substantial unknowns and potential health risks are evident, but depend on a number of variables.

Today, I am introducing the Marihuana and Health Reporting Act, legislation patterned after the law requiring annual reports on the health consequences of smoking cigarettes. My bill would require the Secretary of Health, Education, and Welfare, after consultation with the Surgeon General, to report annually on recent research developments concerning the health consequences of using marihuana. Because I believe this is a matter of prime urgency, a preliminary report would be required by March 31, 1970.

My bill is limited to marihuana for two reasons: First, the phenomenal surge in usage as compared to other drugs, and second, unlike other drugs, marihuana has no known use in modern medicine.

Before turning to the results of our investigation thus far, I ask unanimous consent that the Marihuana and Health Reporting Act and a list of the 67 federally financed marihuana research projects be printed at the conclusion of my remarks.

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

(See exhibits 1 and 2.)

EXTENT OF USE

Mr. DOMINICK. Mr. President, estimates of the number of people in the United States who have used marihuana at least once range from a "conservative" figure of 5 million to as high as 20 million. Current information received from the Nixon administration is that 8 to 10 million have at least experimented with the drug.

The sheer numbers are surprising, but so is the age and social background of the users.

High school and college use was discussed by the Director of the National Institute of Mental Health as follows:

In recent years there is clear evidence that there has been a dramatic and continuing increase in the use of marihuana, particularly among urban and suburban middle-class youth. It is estimated that nationwide, 20 to 40 percent of high-school and college students have tried marihuana at least once. In the past year or two, use has begun to spread to junior high school and grade school students. It is believed that large numbers of middle-class adults are also involved in marihuana smoking.

Of all those who have tried marihuana, about 65 percent are experimenting, trying the drug from one to ten times, and then discontinuing its use. Some 25 percent are social users, smoking marihuana on occasion when it is available, usually in a group context. Ten percent can be considered chronic users who devote significant portions of their time to obtaining and using the drug.

One of the field hearings of our subcommittee this fall was in Colorado. The subcommittee was told by Stanley Johnson, district attorney for Boulder, home of the University of Colorado:

Narcotics traffic, particularly involving marihuana and hashish, is the single greatest criminal activity in the Boulder area. . . . It is believed that approximately 50% of the high school students in the County of Boulder have either used or experimented with marihuana, while approximately 60% of university students have done so.

Many have assumed marihuana is solely a problem with "those students" in high schools and colleges. Actually, it extends into the age spectrum in both directions.

A teacher at Gove Junior High School in Denver, Mrs. Nancy Raddatz, testified:

We found that our kids had a great deal of knowledge, much more than what the teacher and I had concerning this. Lots of the kids knew people who had taken LSD. Some of the kids themselves experimented with it. They certainly experimented with marihuana. This is junior high level.

Lt. Jerry Kennedy, director of the Prevention Bureau of the Delinquency Control Division at the Denver Police Department, reported:

Twelve and thirteen-year old boys and girls are reported to my Bureau every week as drug users. Sometimes their parents bring them in to us, along with the kid's hashish pipe or the pot he got in the mail.

Just days ago, Life magazine carried pictures of a group of middle-aged business and professional people in Boston "lighting up" after dinner, and a "garden pot party" at a fashionable location in New Orleans. A newspaper series this year by Cal Queal, of the Denver Post, contained comments from several people who had tried marihuana—among them, a lawyer, a clergyman, a housewife, a newspaperman.

Uninformed use or experimentation is, most unfortunately, permeating through our society.

MARIHUANA—PILLAR OF UNCERTAINTY

For a drug that has been with man for thousands of years, surprisingly little is known about its nature and effect.

The principal active ingredient consists of a number of compounds called tetrahydrocannabinols—THC. The pharmacologic potency of any mixture of marihuana—from mild forms to the purest and most concentrated extract called hashish—depends upon the amount of THC which it contains.

To listen to some of the public debate today, one would be inclined to believe there is just one form of marihuana passing from hand to hand in all its purity and simplicity.

View it as good fortune or ill, marihuana does not come labeled "Made in United States of America" with the THC content carefully marked across the bottom.

Look at some of the variables which affect potency:

Location where grown.

Growing conditions such as temperature, humidity, and soil composition.

Methods of cultivation.

Methods of preparation for use.

Methods of storage.

But there are also variables in reaction, dependent on the user. The Director of the National Institute of Mental Health reported after a survey of high school and college use that 50 percent of those who tried marihuana experienced no effects. His explanation:

This finding *may* be a function of at least four factors: (1) the agent may not have been potent, (2) frequently effects are seen only after repeated use, (3) the expectation of the user has a significant effect on what he experiences, (4) the social setting in which use takes place has an effect on the response.

The information submitted to our subcommittee by NIMH lists the following as one of the few proven facts about marihuana:

Individuals react very differently to this drug, which is why you hear stories of extreme reactions, and stories of no reactions.

Let me dwell for a moment on one particular factor, the location where marihuana is grown. Evidence before the subcommittee indicates marihuana grown within the United States is generally of the relatively mild type. But this homegrown pot is not the stuff being circulated for use.

President Nixon's Task Force on Narcotics, Marihuana, and Dangerous Drugs concluded in June 1969, that most of the marihuana sold and consumed in the United States is grown in Mexico. How much THC did it contain? We do not know, but we do know it is characterized as high potency.

This was amplified in our subcommittee hearings this fall when Wayland Speer, the regional director of the Bureau of Narcotics and Dangerous Drugs for a 5-State area—Arizona, Colorado, New Mexico, Utah, and Wyoming—testified:

We have had a few large seizures from the Midwest, uncultivated marihuana harvested in Iowa and Nebraska. That is a small part of it. The main traffic, is 99% of the marihuana in this country, comes from Mexico.

A medical doctor, Gerald Starkey, Jr., medical coordinator, Denver Department of Health and Hospitals, put it this way:

Where the confusion lies is in the testing of different plants grown in different endemic areas with different soil and climate conditions . . .

Today, hashish, is plentiful in our metropolitan city and in potency ranges up to 40 times as potent as our locally grown marihuana. . . . Comparing a drug like hashish to locally grown marihuana is like comparing a firecracker to a stick of dynamite! Intoxicants as strong as hashish can and do cause panic reactions, acute anxiety states, and in those who have a borderline mental problem it can cause a frank psychosis. There are many questions unanswered about the drug we call marihuana.

Mr. President, as if there were not already enough variables facing the user, I must report there is another. Marihuana not only will vary in its own potency, it may be fixed in an unrecognizable fashion with even more dangerous drugs, as shown by this exchange:

Senator DOMINICK. Dr. Starkey, how does a young person who is being asked to experiment with drugs know what kind of marihuana is going to be given to him?

Dr. STARKEY. The young person doesn't know whether he is getting DMT (a dangerous hallucinogen) mixed with marihuana or is getting hashish or a local grass.

According to the American Medical Association:

The strength of marihuana sold in this country varies widely. It is almost always "cut" with tobacco or some other substance. Sometimes other more potent drugs are added. It is impossible to know exactly what is being sold under the name of marihuana; there is no quality control in the illegal drug business. This, plus uncertainty about one's own psychological reaction to it, makes marihuana experimentation risky.

In fact, there are so many variables affecting potency and reaction that marihuana research was severely hampered until synthetic THC was discovered in 1966. In other words, a consistent and precise quality of the natural drug was unavailable even to scientists.

I want to emphasize we have been listening in our hearings to people who have approached the drug problem from all sides, including users. We have visited Synanon in California, and listened to former users now in Cenikor, a nonprofit organization for rehabilitation of drugs abusers. The following exchange of Senator HUGHES with one user is representative of the responses we have had:

Senator HUGHES. What would you say to any young adult or young person who is tempted at this point to smoke their first marihuana cigarette?

Mr. LEVY. I would say, "Don't do it."

Personal experiences vary, but with odds like those noted above, one must ask whether the casual experimenter as well as the regular user, is taking an unnecessary and substantial health risk.

CONTRADICTIONS—OR ARE THEY?

Later in this statement, I will comment on what I call "the health unknowns" about marihuana. First, it is appropriate to review what we know about marihuana and health, and some of the conflicting statements that have been made.

What we know would not take long, for it is my considered judgment the "unknowns" far exceed the "knows."

As mentioned before, we know potency varies with THC content, and reaction varies with the user.

We know a small, low potency dose may produce a mild euphoria.

We know a relatively high potency dose may produce severe reactions, sometimes a psychotic-like one similar to those associated with LSD use.

Between these two extremes, there is a vast range of unknowns.

We know marihuana does not cause physical—as distinguished from psychological—dependence, nor does withdrawal cause physical sickness.

More information about known physical effects is set out in four excellent items produced by the National Institute of Mental Health, and I ask unanimous consent they be printed in the

RECORD at the conclusion of my remarks. They are as follows: First, a March 1969 pamphlet entitled "Marihuana—Some Questions and Answers"; second, a poster entitled "A Pot Primer for Parents"; third, a poster entitled "When Are They Going to Legalize Pot"; and fourth, a 60-second TV spot entitled "The Truth About Marihuana."

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

(See exhibits 3, 4, 5, and 6.)

Mr. DOMINICK. Mr. President, marihuana is designated in medicine, but not in law, as a hallucinogen. Whether it is "mild" depends on the mix of all the factors I have described, and perhaps more.

When one is aware of these variables, but only then, is it more readily understood how seemingly contradictory "findings" are announced here and there around the country on the impact of marihuana use on health.

Unless the research took place since 1966 with synthetic THC, the researchers may well have been working on differing samples. On the other hand, their conclusions may be the result of an honest difference of opinion as to interpretation.

Three brief examples illustrate what I mean.

First, an Associated Press story carried in a Fort Collins, Colo., newspaper, June 6, 1969, was emblazoned with the headline "Science Foundation Reports Marihuana Not Harmful." The article then describes testimony of Dr. Phillip Handler, board chairman of the National Science Foundation, before a House appropriations subcommittee.

Contrast this to testimony we received in Los Angeles from Dr. Joel Fort, author of the widely distributed article "Pot—A Rational Approach." Dr. Fort is an effective advocate for a considerably different approach to marihuana than we have in present law, and he has been doing research on this drug for 13 years. Yet, even he stated:

> Now I would add that marihuana can sometimes produce an acute psychotic reaction. I have seen that myself. It is one of the reasons why I stress that no drug, including marihuana, is totally harmless.

Our subcommittee also received testimony from Dr. Henry Brill, chairman of the American Medical Association Committee on Alcoholism and Drug Dependence. That committee, along with AMA's Council on Mental Health and the Committee on Problems of Drug Dependence of the National Research Council, National Academy of Sciencies, reviewed available information and in 1968 concluded in a joint statement:

> Cannabis (marihuana) is a dangerous drug and as such, is a public health concern.

Second, the subcommittee received conflicting evidence as to other effects of marihuana—for example, any change in ability to drive an automobile or impairment of reflexes.

Research material from the Director of NIMH reads:

> The muscular incoordination and the distortion of space and time preception commonly associated with marihuana use are potentially hazardous *since the drug adversely affects one's ability to drive an automobile or perform other skilled tasks.*

While he testified he personally would recommend against driving an automobile, Dr. Fort informed our subcommittee of a University of Washington Medical School study which concluded that even "the sophisticated marihuana user, the person who had used it at least occasionally over a period of time, had no impairment whatsoever with the driving ability." In his own right, Dr. Fort testified, "The occasional use of marihuana—does not produce any measurable impairment of the individual functioning."

Third, a definite interpretation problem arose in a case cited by the President's Task Force:

> Recently a group of some 1500 psychiatrists, psychiatric residents, internists, general practitioners and psychologists in the Los Angeles area reported that they had seen almost 1900 "adverse reactions" to marihuana. It is difficult to interpret this finding since "adverse reaction" was poorly defined, and there has been no follow-up to define just what the reactions to the drug were. However, there have been reports of increased numbers of hospitalizations following the use of marihuana.

With the present situation, is it any wonder Americans are confused about marihuana?

THE HEALTH UNKNOWNS

Frankly, I believe our position today is wrapped up in a capsule by the testimony of Dr. Robert Weiland, special education department, of Colorado's Jefferson County school system. After describing a drug information program conducted in a school, he stated:

> One of the parents came to me after this had started and said, "I had a beautiful relationship with my daughter until you people put on that seminar. Now she is questioning me and my attitudes toward marihuana."
>
> Now parents feel very uncomfortable when kids challenge, and they challenge in an area where parents really aren't sure of themselves.

The fact of the matter is while there are some things we know about marihuana—and this information is available to parents—there is a great deal of uncertainty, a myriad of "unknowns."

If I may be allowed a pun on a pun: To put it mildly, the health consequences of using marihuana are not cut and dried by a long shot.

I want to emphasize in the strongest sense the following caution issued by the National Institute of Mental Health this year:

> Statements being reported by students that the use of marihuana is "medically safe" are not supported by scientific evidence. It is hoped that research now underway may add to the little currently known about the effects of the use of marihuana.

To that, add these statements from the same source:

> To be honest, scientists still don't know everything about the specific effects of marihuana . . .
>
> Today, research scientists are studying marihuana's effects on the brain, the nervous system, on chromosomes, and on various organs of the body. They're trying to find out why different people have different reactions to it. . . . Maybe it will turn out that there's no reason for it to be illegal. But nobody can be sure until all the facts are in. And until they are, it's a pretty bum risk.

Dr. James Goddard, former Commissioner of the Food and Drug Administration, appeared before the subcommittee. He lists the following health unknowns of marihuana:

> Does it affect the reproductive processes?
>
> Does it affect human chromosomes?
>
> Does long-term usage have harmful effects?
>
> What type of treatment will be most effective in rehabilitating chronic users?
>
> What conditions favor continuation of marihuana use as opposed to moving to hard drugs?

I have already placed in the CONGRESSIONAL RECORD the summary provided to me by the Library of Congress of federally financed research projects concerning marihuana. Some of those projects included marihuana only as a part of a larger study.

It is interesting to note, however, the testimony last month before a House Committee of the Surgeon General-designate, Dr. Jesse Steinfeld, on behalf of Dr. Egeberg, Assistant Secretary of HEW for Health and Scientific Affairs.

> With respect specifically to marihuana, NIMH activities have been substantially expanded with the past few years in recognition of the rapidly increasing seriousness of the marihuana problem. This increase is reflected in the amount of funds obligated by NIMH for research grants and contracts in this field. In FY 1967, NIMH obligated $786,000 for marihuana research grants and contracts. Comparable figures for 1968 and 1969 respectively were $1,239,000 and $1,330,000.
>
> In FY 1970, if funds are available, the Institute proposes to obligate $2,550,000 to support grant and contract studies of marihuana, which means that there will have been a more than three-fold increase for support of these studies in the last four years. In addition, of course, the Institute conducts its own intramural research programs on marihuana.

Mr. President, there is no question but that more research—extensive and intensive—is imperative.

Witness these comments from citizens seeking definitive answers about the drug.

From Dr. Walter Armistead, a high school principal:

> Medical research has been challenged and found wanting, in the area of definitive findings concerning marihuana.

From Dr. E. P. Sylvester, a botanist at Iowa State University:

> We've got to have some good, scientific information on marihuana.

CONCLUSION

Mr. President, there is a desperate need to bring a sense of order to the marihuana debate.

As one of our witnesses so aptly noted regarding the many studies underway about marihuana:

> Most of us know only that they exist, but don't know which one is in favor and which one is against this, that or the other thing.

He is not alone, members of our subcommittee probably share the same feeling. I do.

There is a compelling need for factual, scientific information.

A regular compilation and judgment on the state of health knowledge from private and publicly financed research is an absolute necessity.

Proposals have been made in the Congress for a Presidential Commission on Marihuana or some form of committee to study the problems for 1 or 2 years and make recommendations. How do you convince 8 to 12 million people to stop using marihuana and wait for 2 years for a decision? The one-shot approach is not adequate.

I keep remembering this statement before a House committee by Dr. Yolles, Director of NIMH:

There are few fields in which there have been so many competent and thorough investigations by committees and commissions over the years as there have been in the area of narcotics and dangerous drugs.

I see no need to establish another committee or commission to study marihuana.

In contrast to establishment of another commission, I would favor provisions to direct NIMH to conduct research and make a basic determination on marihuana.

Medicine, as lawyers are fond of noting, is not an exact science. Opinions differ and research moves forward.

What I am asking for is an authoritative decision—regularly updated—or whether marihuana can be given a clean bill of health.

The Secretary of HEW and Surgeon General would be required to give us a report on the current state of knowledge in 4 months—March 31, 1970.

Each of us must feel a deep sense of responsibility when we read about:

First. A Virginia youth now serving a 20-year sentence for marihuana violations. It was reported he went to a medical school library to read about the drug, and "finally convinced it wouldn't harm his body or his head, Frank tried marihuana and liked it."

Second. A 19-year-old Colorado youth now serving an indeterminate sentence for marihuana possession who concluded, "I know—the kids know—that marihuana's OK."

In my judgment, the evidence before our subcommittee points up too many variables, too many unknowns, too many risks.

We do not need a "scare the bejeebers out of them" approach. We need cold, hard scientific facts.

Until we get more facts, do not play Russian roulette with your health.

A word to the citizen about to try marihuana—whether he or she contemplates a once-only experiment or regular use—I am reminded of a current vogue expression: "Think About It."

The bill (S. 3190) providing for the Secretary of Health, Education, and Welfare, after consultation with the Surgeon General, to report annually to Congress concerning the health consequences of using marihuana, introduced by Mr. DOMINICK, was received, read twice by its title, referred to the Committee on Labor and Public Welfare, and ordered to be printed in the RECORD, as follows:

EXHIBIT 1

S. 3190

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress finds that the use of marihuana is increasing in the United States, especially among the young people thereof, and that there is need for a better understanding of the health consequences of using marihuana. The Congress further finds that, notwithstanding the various studies carried out, and research engaged in, with respect to the use of marihuana, there is a lack of an authoritative source for obtaining information involving the health consequences of using marihuana.

SEC. 2. The Secretary of Health, Education, and Welfare, after consultation with the Surgeon General and other appropriate individuals, shall transmit a report to the Congress on or before January 31, 1971, and annually thereafter, concerning (1) current information on the health consequences of using marihuana, and (2) such recommendations for legislative and administrative action as he may deem appropriate. A preliminary report shall be transmitted to the Congress by the Secretary concerning such information and recommendations on or before March 31, 1970.

SEC. 3. This Act may be cited as the "Marihuana and Health Reporting Act".

EXHIBIT 2

MARIHUANA RESEARCH SUPPORTED BY VARIOUS NIMH PROGRAMS, ACTIVE DURING FISCAL YEARS 1968, 1969, AND 1970

(Fiscal information)

SECTION I: CENTER FOR STUDIES OF NARCOTIC AND DRUG ABUSE

A. Surveys of drug use; psycho-sociological research

Total Thru 69, $1,564,000.
Only 69, $536,000.
Only 70, $70,000.

B. Legal aspects of drug use

Total Thru 69, $8,000.
Only 69, —.
Only 70, —.

C. Drug effects; human studies

Total Thru 69, $21,000.
Only 69, $4,000.
Only 70, $21,000.

D. Experimental animal studies; chemical and biochemical research

Total Thru 69, $1,035,000.
Only 69, $270,000.
Only 70, $255,000.

E. Determination of drugs in body fluids

Total Thru 69, $370,000.
Only 69, $48,000.
Only 70, $39,000.

F. Prevention and education

Total Thru 69, $510,000.
Only 69, —.
Only 70, —.

G. Grants approved June 1969 council—to be paid in FY 70

1. Surveys and psycho-sociological research: FY 70, $284,000.
2. Experimental animal studies; chemical and biochemical research: FY 70, $64,000.
3. Prevention and education: FY 70, $39,000.

SECTION II: PSYCHOPHARMACOLOGY RESEARCH BRANCH

A. Clinical research

Total Thru 69, $1,739,000.
Only 69, $240,000.
Only 70, $255,000.

B. Experimental animal and biochemical research

Total Thru 69, $2,116,000.
Only 69, $486,000.
Only 70, —.

SECTION III: APPLIED RESEARCH BRANCH

Total Thru 69, $97,000.

SECTION IV: ADDICTION RESEARCH CENTER—LEXINGTON, KY.

Total Thru 69 (Approx), $150,000.
Only 69 (Approx), $50,000.
Only 70 (Approx), $50,000.

SECTION V: COMPLETED RESEARCH—PRIOR TO 1968

Total Thru 69, $28,000.

SECTION VI: TRAINING GRANTS

Total Thru 69, $1,843,000.
Only 69, $233,000.
Only 70, $204,000.

TOTAL MONEYS: MARIHUANA RESEARCH

Total Thru 69, $9,481,000.
Only 69, $1,867,000.
Only 70, $1,281,000.

SECTION I. CENTER FOR STUDIES OF NARCOTIC & DRUG ABUSE

A. Surveys; psycho-sociological studies

RO1–MH–12286 (3/66–2/68); Blum, Richard H., Stanford Univ., Stanford, Calif., Drug Use Among College Students, Total Pd, $98,000.

Completed research. See 2-volume book for research results: Blum, Richard H., & Associates. *Society and drugs. Social & cultural observations.* (Drugs I) 400 p. *Students and drugs, College and high school observations.* (Drugs II) 399p. San Francisco: Jossey-Bass, 1969.

Determined by survey methods, the patterns of drug use & abuse among West Coast college and high school students. Info on their socioeconomic background, religious & political participation, etc.

RO1–MH–13484 (2/67–7/69); Cohen, Nathan E., USLA, Inst of Govt & Pub Affairs, Los Angeles, Calif., Survey of Hallucinogenic Drug Abuse, Total Pd, $142,000, FY 69, $3,000.

To determine the prevalence of continuing LSD use in a sample of 300 persons out of a known population of 1400 persons in Los Angeles area who were given LSD by several physicians prior to 1962 for either research or therapeutic purposes. To distinguish continuers (of LSD use) from non-continuers. For continuers, patterns of use, motivations, & effects to be explored in detail. Detailed info on LSD & marihuana use; some info on other drugs of abuse including tobacco and alcohol.

RO3–MH–14130 (5/67–7/68); Pearlman, Samuel, Brooklyn Coll of the City of N.Y., Brooklyn, N.Y., Patterns of Student Drug Use and Abuse in Urban Universities, Total Pd, $4,000.

Students of 5 NYC universities will be given a questionnaire to study current patterns of student drug use, prevalence of drug abuse, and attitudes about drug use.

RO3–MH–14157 (1/68–12/68) (Continued as MH–17196); Grupp, Stanley E., Ill. State Univ., Normal, Ill., Marihuana Use and Emergent Drug Use Patterns, Total Pd, $4,000.

To study conditions necessary for sustaining a marihuana-use pattern as opposed to those necessary for the movement from marihuana use to hard drug use.

RO1–MH–14464 (5/68–4/71); Cohen, Melvin, Hillside, Hosp., Glen Oaks, N.Y., Drug Use in Psychiatric Patients, Pd Thru FY 69, $173, FY 69, $99,000, FY 70, $56,000.

Longitudinal study to determine the relationship of social, psychological, and psychiatric factors to the frequent use of potentially habituating drugs among a middle class psychiatric population (under age 26) and their siblings.

RO1–MH–14943 (6/66–8/69); Speck, Ross V., Hahnemann Med Coll., Philadelphia, Pa., Psychosocial Networks of Young Drug Users, Pd Thru FY 69, $163,000, FY 69, $57,000.

To study the social network of the adolescent "dangerous drug" user, including the pattern of contagion to their peers.

RO1–MH–15080 (6/67–8/68); Hollander, Charles, US Natl Student Assn., Washington, D.C., Regional College Studies of Student Drug Use, Total Pd, $61,000.

NSA to hold 3 regional conferences to study campus drug abuse and evaluate ways in which the university might respond to the rising incidence of campus drug abuse.

RO1–MH–15436 (5/68–9/69); Meyers, Frederick H., Univ of Calif Med Ctr., San Fran-

cisco, Calif., Drug Practices in the Haight-Ashbury Sub-Culture, Total Pd, $37,000.

To define patterns of drug use in Haight-Ashbury subculture and relate these to social, demographic, etc. variables; evaluate techniques of treatment.

RO3-MH-15659 (1/68-9/69); Goode, Erich B., Res Fdn of State Univ of N.Y., Albany, N.Y., A Sociological Study of Marihuana Users, Total Pd, $4,000.

Sociological study of 200 US urban resident marihuana users, studying initiation to use, motivation, communication, possible community, and use of other drugs.

RO1-MH-15737 (6/68-5/70); Wallerstein, Robert S., Pittel, Stephen M., Mt Zion Hosp & Med Ctr., San Francisco, Calif., Psychosocial Factors in Drug Abuse, Total Pd, $251,000, FY 69, $124,000.

To study and describe the social and psychological characteristics of the drug-based "hippie" community of San Francisco's Haight-Ashbury area.

RO3-MH-15805 (5/68-4/69); Goldstein, Joel W., Carnegie-Mellon Univ., Pittsburgh, Pa., Extent and Patterns of College Student Drug Use, Total Pd, $5,000.

A campus survey of drug usage, using a mailed questionnaire. Focus on what types of students use which drugs, under what conditions & with what perceived effects. Will measure students' drug information & misinformation. Pilot study for future research into personality differences between users & non-users and the conditions of beginning use and terminating use among students.

R01-MH-16054 (6/68-8/70); Kirk, Jerome R., Univ. of Calif., Irvine, Calif., Adolescent Users of Psychedelic Drugs, Pd Thru FY 69, $70,000, FY 70, $14,000.

To study the careers and role changes of a group of adolescent users of psychedelic drugs.

R01-MH-16161 (6/68-5/70); Holmes, Douglas, Assoc YM-YWHAs of Greater N.Y., New York, N.Y., Drug Use in Matched Groups of Hippies and Non-Hippies, Total Pd, $150,000, FY 69, $72,000.

To study the nature of drug use and of drug users among members of community centers and among a matched group of hippies in the metropolitan NYC area.

R01-MH-16224 (6/68-8/69); Steffenhagen, Ronald A., Univ. of Vt., Burlington, Vt., Group Therapy and Student Use, Total Pd, $74,000.

To study the personality and social characteristics of college student drug users as compared to non-users. University sponsored group therapy for student drug users at their request will provide good climate for data collection.

1 R01-MH-16536-01 (6/69-5/70); Rossi, Peter H., Johns Hopkins Univ., Baltimore, Md., National Survey of Drug Use on College Campuses, Total Pd, $113,000, FY 69, $113,000.

Nation-wide survey to make estimates of the prevalence of usage of psychoactive drugs and alcohol in the college and university population of the US; to investigate the personal and social concomitants of such use; to investigate the role of institutional factors (e.g. type of school, law enforcement policies, etc.).

1 R01-MH-16755-01 (6/69-5/70); McGlothlin, Wm. H., Univ. of Calif.—Dept. of Psychol., Los Angeles, Calif., Drug Use and Social Policy: Especially re Cannabis, Total Pd, $62,000, FY 69, $62,000.

A systematic and critical evaluation of the worldwide literature on cannabis, with special emphasis on the effects of use on the individual and society. Foreign language material to be translated or abstracted, depending on quality. Material to be rated on adequacy of scientific methodology and objectivity, as well as having content coded by topic.

R03-MH-17196 (5/69-4/70); Grupp, Stanley E., Ill. State Univ., Normal, Ill., Marihuana Use and Emergent Drug-Use Patterns, Total Pd, $6,000, FY 69, $6,000.

A continuation of MH-14157. A study of the conditions necessary and sufficient for movement from a marihuana use pattern to a hard drug use pattern. Subjects will now include bohemnians as well as college students, prison inmates, and persons from lower socio-economic strata.

PH-43-67-660 (8/67-2/69); Am Inst for Scientific Communications, Albertson, N.Y., Investigate Psychoactive Drug Use Among High School Students, Total, $63,000.

To develop a survey instrument & methodology for gathering data on drug use among the high school student population; to explore preventive education approaches; to gather data based on a probability sample of all high school students in a given community using methodology developed.

PH-43-68-664 (6/66-7/68); Friends of Psychiatric Res Inc., Baltimore, Md., Pilot Study on Illegal Drug Abuse in Maryland, Total Pd, $119,000.

To assess the feasibility of collecting data on drug abuse from various community agencies, other than police, and once collected, to interpret these data and evaluate their potential usefulness in helping community agencies (training schools, correctional, social, health, & educational agencies) to understand the various dimensions of the drug abuse problem.

PH-43-68-754 (FY68); Brotman, Richard, New York Med Coll., New York, N.Y., To Prepare a Position Paper on Marihuana, Total Pd, $18,000.

To produce a manuscript on marihuana. Includes cannabis and its history; the American experience with marihuana; and research strategies (public health, law, macrosociology, deviance, personality, economics).

B. Legal aspects

RO3-MH-14274 (6/67-8/68); Stone, Christopher D., Law Center, Univ of Southern Calif., Los Angeles, Calif., Legal Significance of Hallucinogenic Drug Research, Total Pd, $4,000.

To review existing knowledge about the hallucinogens and to survey the legal controls now in effect; explore alternative types of legal control systems.

RO3-MH-15714 (1/68-6/68); Maxwell, Richard, Univ of Calif., Los Angeles, Calif., Review of Marihuana Law Enforcement, Total Pd, $4,000.

Completed. See following publication: Kaplan, John. Project. Marihuana laws: An empirical study of enforcement and administration in Los Angeles County. *UCLA Law Review*, 15(5): 1499-1586, Sept. 1968.

C. Drug effects: Human studies

RO1-MH-15842 (6/68-8/70); Jones, Reese T. Langley Porter Neuropsychiatric Inst., San Francisco, Calif., Effects of Marihuana on Perception aid Cognition, Pd Thru FY 69, $17,000, FY 70, $21,000.

To study the effects of cannabis sativa on perceptual and cognitive functioning in human subjects.

RO3-MH-16810 (6/69-5/70); Tart, Chas. T., Univ. of Calif., Davis, Calif., Reported Quantities of Marihuana Intoxication, Total Pd, $4,000, FY 69, $4,000.

Using a 220 item questionnaire (already mailed out), investigator to study subjective effects of marihuana intoxication; to relate the patterns of effects reported to respondents various background factors such as use of other psychedelic drugs, length of marihuana use, educational level, etc.

D. Experimental animal studies; chemical and biochemical research

RO1-MH-4230 (9/60-8/71); Boyd, Eugene S., Univ. of Rochester—Sch. of Med., Rochester, N.Y., Neuropharmacological Effects of a Tetrahydrocannabinol, Pd. Thru FY 69, $253,000. Fy 69, $56,000, FY 70, $38,000.

Effects of 3 tetrahydrocannabinols to be compared with the effects of other psychotropic agents on 4 learned patterns of behavior in the white rat; elucidating mechanisms whereby THC derivatives produce their effects in the central nervous system.

RO1-MH-12608 (3/67-2/69); Miras, Constandings J., Univ. of Athens, Athens, Greece, Marihuana C14 Metbolism in Animals. Total Pd., $27,000.

To analyze existing supply of marihuana C14 by THC to separate and isolate working quantities of THC-C14; attempt to improve the specific activtiy of this material by improvement in growing methods; to investigate uniformity of the radioactive tag in the THC molecule.

RO1-MH-13180 (3/67-4/72); Mechoulam, Raphael, Hebrew Univ., Jerusalem, Israel, Marihuana Constituents. Pd. Thru FY 69, $73,000, FY 69, $23,000, FY 70, $33,000.

To study the chemical constituents of marihuana, to synthesize them, and to study their psychopharmacological activity. Essentially chemical research.

RO1-MH-14112 (6/67-8/70); Pickens, Roy W., Univ of Minn., Minneapolis, Minn., Behavioral Dependence on Non-narcotic Drugs, Thru FY 69, $87,000, FY 69, $41,000, FY 70, $41,000.

To develop procedures for evaluating behavioral dependence liability of non-narcotic drugs, and to explore environmental factors controlling the probability of such behavioral dependence in infrahuman subjects. Ss: male albino rats; monkeys. Drugs: LSD, THC, chlordiazepoxide, amphetamines, barbiturates, chlorpromazine.

RO1-MH-16051 (6/68-8/70); Burstein, Sumner H., Worcester Fdn for Exp Bio Inc., Shrewsbury, Mass., Metabolism of Marihuana-I H^{3}THC, Pd Thru FY 69, $22,000, FY 70, $25,000.

To study the metabolic transformations THC undergoes in vivo.

RO3-MH-16488 (3/69-2/70); Schlant, Robert C., Emory Univ., Atlanta, Ga., Effects of Marihuana and LSD Upon the Heart, Total Pd, $4,000, FY 69, $4,000.

To determine the effects of marihuana upon the heart & circulatory system of anesthetized dogs by studying the effects of inhaled crude marihuana smoke of known THC content; the effects of the IV injection of TCH will also be examined. To examine the effects of LSD upon the contractility and myocardial function in anesthetized dogs.

RO3-MH-16655 (3/69-2/70); Geber, William F., Med Coll of Ga., Augusta, Ga., Teratogenic Potential of Marihuana, Total Pd, $5,000, FY 69, $5,000.

To inject pregnant rats, hamsters, mice & rabbits with marihuana resin. After 5 days the animals will be sacrificed & their fetuses will be examined for possible malformations. It is also proposed to examine the fetuses of animals that have received marihuana extract over a period of 3 successive days.

RO1-MH-16663 (6/69-5/70); Best, Jay Boyd, Colorado State Univ., Fort Collins, Colo., Mechanism Action of Marihuana, Total Pd, $41,000. FY 69, $41,000.

A study of 1) the kinetics of absorption, transport, distribution & final disposition of THC following its inhalation as a vapor—to include ultracentrifugation of natural particles & the effects of THC on binding, & 2) the effect of THC upon experimentally induced aggressive behavior in animals. (Developing techniques for measuring the rate of THC absorption & distribution & some of the behavioral effects of marihuana administered by inhalation.)

RO1-MH-16990 (6/69-5/72); Pace, Henry B., Univ of Miss, University, Miss., Reproductive-Developmental Toxiocology of Marihuana, Pd. Thru FY 69, $52,000, FY 69, $52,000. FY 70, $67,000.

To examine the effects of marihuana preparations & synthetic cannabinols, administered repeatedly prior to or during the gestation period, on the mammalian reproductive processes. Possible effects of interest: altered fertility of either sex, failure of nor-

mal prenatal & postnatal development or reduced viability of the offspring, altered neurological or behavioral characteristics of the offspring. Effect on various aspects of reproduction through as many as 4 successive generations.

RO1–MH–17001 (6/69–5/74); Harris, Louis S., Univ of N Car., Chapel Hill, N.C. PHARMACOLOGY of (—)–Δ8 & 9–TRANS–THC, Pd Thru FY 69, $48,000, FY 69, $48,000, FY 70, $51,000.

To study the effects on 2 of the active marihuana principles on the CNS, the cardiovascular system & on the biochemical interactions with various enzyme systems & biogenic amines. Effects on spontaneous motor activity, interaction with reserpine & barbiturates, tests for amphetamine-like properies & a battery of behavioral procedures, etc.

PH–43–68–1307 (6/68–6/69); Univ. of Miss., Sch of Pharm., University, Miss., Cultivation and Extraction of Cannabis Sativa L., Pd Thru FY 69, $115,000.

To grow and harvest marihuana; extract "red oil"; study effects of environment, age of plants and harvesting procedures upon quantity of resins and quality of active components in resin; develop suitable analytic procedures for components of resin.

PH–43–68–1338 (6/68–5/69); Battelle Memorial Inst., Columbus, Ohio, Bioanalytical Studies of Cannabis Smoking (using smoking machine), Pd Thru FY 69, $107,000.

Using a smoking machine, determine what compounds of the cannabinoid class gets into the system of the marihuana user; metabolic study of cannabinoid compounds in marihuana and marihuana smoke; bioassay procedure.

PH–43–68–1339 (6/68–11/68); A D Little, Cambridge, Mass., Synthesis of THC (To produce Δ^8 & Δ^9 THC). Pd Thru FY 69, $65,-000.

To produce between 2.5 and 3 kilograms each of Δ^8 and Δ^9 THC.

PH–43–68–1340 (6/68–9/68); A D Little, Cambridge, Mass., Synthesis Methods of (To examine method), Pd Thru FY 69, $10,000.

To examine the method of synthesis of Δ^8 and Δ^9 trans-tetrahydrocannabinols as published by Petrzilka and compare it with approach for preparation of large quantities of THC compounds.

PH–43–68–1451 (6/68–6/69); Research Triangle Inst., Research Triangle, N.C., Preparation of a Representative "Red Oil" Fraction From Marihuana, Pd Thru FY 69, $19,000.

Extraction of "red oil" from plant material available from FBN; "red oil" to be freed from as much non-cannabinol types of materials as possible without destroying the THC content. Experience to be used as guide for extracting freshly grown material.

PH–43–68–1452 (6/68–6/69); Research Triangle Inst., Research Triangle Park, N.C., Synthesis of Radiolabelled Compounds (—)-Δ8 & (—)-Δ9 *trans*-THC, Pd Thru FY 69, $85,000.

To conduct the exploratory examination of the Petrzailka method of synthesizing THC; prepare radiolabeled compounds: carbon-14 labeled Δ8 THC and Δ9 THC; Titium labeled Δ8 THC and Δ9 THC; anticipated yield: 1 to 5 grams; components purified.

PH–43–68–1454 (6/68–6/69); Research Triangle Inst., Research Triangle Park, N.C., Isolation of Cannabinol Diacetate From Stored Marihuana, Pd Thru FY 69, $22,000.

To extract cannabinol and purify it as its crystalline acetate.

E. Determination of drugs in body fluids

RO1–MH–12959 (6/67–5/70); McIssac, William M. Tex Res Inst of Ment Sci., Houston, Texas, Drug Abuse, Total Pd, $143,000, FY 69, $48,000.

To develop methods for rapid detection of narcotics, barbiturates, amphetamines, phenothiazines, marihuana and hallcucinogens in biologic fluids using TLC and gas chromatography.

RO1–MH–13748 (1/67–12/70); Jaffe, Jerome H., Univ. of Chi., Chicago, Ill., Mechanisms of Tolerance and Physical Dependence, Total Pd, $44,000.

Studies on development of tolerance to and physical dependence on chronically administered drugs. Drugs: Opiates, barbiturates, scopolamine, cannabis, BOL, methsergide, nitrous oxide, etc. Ss: cats, rabbits, mice, rats, monkeys.

RO1–MH–14321 (6/67–11/71); Craig, John C., Sch. of Pharmacy, Univ. of Calif., San Francisco, Calif., Microgram Identification of Psychotropic Drugs (Particularly hallucinogens), Pd Thru FY 69, $112,000, FY 70, $39,000.

To develop methods for the identification of microgram quantities of psychotropic drugs (in particular, hallucinogenic drugs of abuse) by a combination of techniques using TLC, gas-liquid chromatography, infrared spectroscopy, and mass spectometry.

PH–43–64–931 (3/67–2/68); Hine Laboratories, San Francisco, Calif., Provide for Continuation of Study of Methods for Determining Narcotic Usage (marihuana, heroin, codein, etc.), Pd Thru FY 69, $71,000.

Compare existing methods for determining narcotic and drug abuse; pilot study on marihuana to identify in urine; evaluate length of time during which the urine and pupil tests remain positive (heroin & codein).

F. Prevention & education

PH–43–68–1322 (5/68–5/69); Grey Advertising Inc., New York, N.Y., Public Education Campaign on Drug Abuse, Pd Thru FY 69, $287,000.

To plan & develop a nat'l advertising campaign on drug abuse. To develop TV & radio commercials, newspaper & posted ads, brochures, etc. To provide consultation to NIMH in use of mass media for public educ in narcotics & drug abuse.

PH–43–68–1376 (6/68–11/68); National Education Assn., Washington, D.C., Insert for Inclusion in NEA Journal, Pd Thru FY 69, $23,000.

Completed. See the following publication: Students and drug abuse. *Today's Education* (NEA Journal), 58(3):35–50, March 1969. Circulation approx 1,400,000—teachers, principals, counselors, etc.

PH–43–68–1471 (6/68–6/69); American Assn for Hlth., Phy Ed & Recreation, Washington, D.C., Drug Abuse Education Development Program, Pd Thru FY 69, $200,000.

To develop guidelines for teacher education workshops on drug abuse & to develop "insturctional units"—materials to be used in Jr & Sr High school classrooms. Materials to be ready by Fall 1969.

G. Grants approved June '69 council to be funded in FY 1970

1. Surveys and Psycho-Sociological Research

RO1–MH–17383 (7/69–6/70); Myers, Peter L., Encounter, Inc., New York, N.Y., A Study of the Pre-Addict Personality, FY 70, $47,000.

To evaluate the efficacy of the Encounter program (similar to Daytop & Synanon) in dealing with the young middle class drug abuser. To investigate (1) the difference in social & personality characteristics between the pre-addict and the young non-drug user; (2) to discover the background & personality characteristics which predict whether a non-heroin user will succeed in this type program; (3) to determine what happens to people who leave the program. Detailed interviews with young drug and non-drug users; MMPI, etc; follow-up to determine long-term efficacy of treatment methods employed.

RO1–MH–17589 (7/69–6/71); Elinson, Jack, Columbia Univ., New York, N.Y. A Study of Teen-Age Drug Behavior, FY 70, $128,000.

To collect data, thru use of self-administered questionnaires, on the drug using behavior & attitudes of jr & sr high school students in order to devise more effective methods of intervention & education in drug abuse. Both longitudinal & trend data. Major areas covered in survey: 1) perception of drugs & their affects; 2) personal experience with drugs; 3) health; 4) family life; & 5) personal characteristics. Emphasis on relationship between drug use and achievement. (N=40,000)

ROI–MH–17642 (9/69–8/75); Manheimer, Dean I., Langley Porter Neuropsychiat Inst., San Francisco, Calif., Drug Use Related to College and Career Achievement, FY 70, $103,-000.

To study the relation of drug use during college to objective indicators of academic & career achievement & to subjective feeling of self-fulfillment using personal interviews & questionnaires. Involves 3 samples of men; 1) longitudinal panel of men graduating in 1971, N=1600; 2) a longitudinal sample entering as freshmen in 1970, N=1250; & 3) a cross-section who entered as freshmen in 1967, incl. drop-outs & transfers, N=1800.

RO3–MH–17647 (7/69–6/70); Rozynko, Vitali V., Mendocino State Hosp., Talmage, Calif., Typology of Drug Users, FY 70, $6,000.

To provide typology of drug abusers, will interview & administer psychological tests to a sample of 200 M admissions to the Mendocino State Hosp Drug Abuse Treatment Prgm, isolate discrete variables, both from the interviews & the test scores; then use multivariate techniques to perform cluster analyses in an attempt to discover meaningful dimensions of drug abuse. Population includes many methedrine users.

2. Exp. Animal Studies; Chem and Biochem Research

RO1–MH–15864 (7/69–6/70); Forney, Robt B., Indiana Univ Fdn., Bloomington, Ind., Isolation and Toxicology of THC, FY 70, $30,000.

Natural THC will be extracted from marihuana. The purified product will be compared to synthetic THC. More rapid & specific extraction procedures will be sought. The CNS effects will be further explored. Absorption, distribution, excretion & metabolism of THC & derivatives will be studied in animals (dogs, rats, mice). Human paid volunteers to be used to study effects of marihuana alone & in combination with other drugs.

RO1–MH–17478 (9/68–8/72); De Ropp, Robt S., Univ. of San Francisco, San Francisco, Calif., Effects of Smoke on Cannabis Sative on Mice, FY 70, $34,000.

Study of the effect of smoking marihuana on the behavior, emzymes and biogenic amine brain levels in mice as well as the carcinogenic & teratogenic effects. Specific measurements will be made of the amount of smoke necessary to produce discernible behavioral changes, the nature of the changes producd by either fraction, the incidence of cancer, effects on longevity, fetal absorption, abnormal fetal development, relative activities of certain brain enzymes and changes in brain serotonin of catecholamine levels.

Prevention and Education

RO1–MH–17527 (7/69–6/70); Drucker, Paula K., Westchester Reg Educ Ctr., White Plains, N.Y., Study of Drug Use and Abuse, FY 70, $39,000.

To initiate and test newly developed health education materials (with particular emphasis on drugs) in 4 Westchester high schools, representing a range of SESs. Student leaders and teachers, who will lead the drug educ classes will receive a weekend of sensitivity training before classes begin. Classes of ½ hr of formal presentation of material, with 1 hr of small grp discussion will be led by trained leaders. Initial target grp will be 100 10th grade students who will attend these sessions once a week for 20 weeks. Methods of presentation will vary (students alone; teachers alone; students and teachers interacting) and the effects of the varying methods will be evaluated. 2nd test group will be 7th graders.

SECTION II: PSYCHOPHARMACOLOGY RESEARCH BRANCH

Clinical research

RO1–MH–3030 PY–C (4/59–5/73); Hollister, Leo E., Stanford Univ., Stanford, Calif., Improved Clinical Screening of Phrenotropic Drugs, Pd Thru FY 69, $727,000; FY 69+$94; FY 70, $103,000.

See publications: Hollister, Leo E., Richards, Richard K., and Gillespie, H. K. Comparison of THC and synhexyl in Man. *Clinical Pharmacology and Therapeutics,* 9(6):783–792, Nov–Dec 1968. Hollister, Leo E. Steroids and moods: Correlations in schizophrenics and subjects treated with LSD, mescaline, THC, and synhexyl. *Journal of Clinical Pharmacology,* 9(1):24–30, Jan–Feb 1969.

R10–MH–4669 PY–C (1/61–2/72); Gershon, Samuel, NY Univ Med Ctr., New York, N.Y., Controlled Drug Evaluations, Pd Thru FY 69, $1,012,000, FY 69, $146,000, FY 70, $152,000.

See publication: Hekimian, Leon J., and Gershon, Samuel. Characteristics of drug abusers admitted to a psychiatric hospital. *JAMA,* 205(3):125–130, July 15, 1968.

B. Experimental animal and biochemical research

R10–MH–10990 PY–P (4/65–11/69); Irwin, Samuel, Univ of Oregon Med Sch., Portland, Oreg., Pre-Clinical Drug Evaluation and Methods Development, Total pd, $304,000.

Part of grant: Research program in psychopharmacology—Chronic studies with drugs that are abused. To investigate the similarities and differences in behavioral effects of several members (short and long-acting) of each class of drugs abused, using observational procedures. For cannabis class, THC to be studied.

R10–MH–11468 PY–P (6/65–5/70); Bass, Allan D., Vanderbilt Univ Sch of Med., Nashville, Tenn., Psychopharmacology Research Center, Pd Thru FY 69, $1,095,000, FY 69, $261,000.

Drug metabolism and biochemical pharmacology. Relationship between the CNS stimulating agents and catecholamines storage, secretion and metabolism. Recently undertaken study of actions of tetrahydrocannabinol.

R01–MH–11752 PY–P (6/65–8/69); (Formerly MH–3229), Weiss, Bernard, Univ of Rochester, Rochester, N.Y., Effects of Psychopharmacologic Agents on Behavior, Pd Thru FY 69, $303,000, FY 69, $75,000 more recommended.

To relate specific behavioral processes to specific neuropharmacological actions and to provide the basis of such correlations. (Monkeys) Part of research: studies on the effect of THC isomers (added to cigarettes) on various behavioral parameter in monkeys.

RO1–MH–11846 PY–P (6/66–8/69); Domino, Edward F., Univ of Mich., Ann Arbor, Mich., Michigan Neuropsychopharmacology Research Program, Pd Thru FY 69, $240,000, FY 69, $83,000.

Effects of psychoactive drugs & neurotransmitter mechanisms. Interactions of cholinergic, adrenergic, serotonergic & histaminergic systems in the rain in regard to arousal-sleep, self-stimulation and escape behavior. Interaction of marihuana & its derivatives being investigated on these phenomena.

RO1–MH–13186 PY–P (9/66–8/72); Freedman, Daniel X., Univ of Chi., Chicago, Ill., Psychogenic Procedures and Brain Neurohumors, Pd Thru FY 69, $174,000, FY 69, $67,000, (Formerly MH–3363).

Psychopharmacology of LSD & various forms of stress, & the effects of LSD on the "binding", metabolism & turnover of brain amines, particularly 5–HT & NE. Effects of the active THC isomer from marihuana on brain amine levels. See following publication: Holtzman, David, Lovell, Richard A., Jaffe, Jerome H., & Freedman, Daniel X. 1–Δ9–tetrahydrocannabinol: Neurochemical and behavioral effects in the mouse. *Science,* 163 (3874):1464–1467, March 28, 1969.

SECTION III: APPLIED RESEARCH BRANCH

MH–10903 (AP–S) (9/65–8/68); Hoffman, Martin, Mt Zion Hosp & Med Ctr., San Francisco, Calif., Identity and Information Control in Social Deviants, Total Pd, $97,000.

To study 2 types of deviant persons—marihuana smokers & homosexuals. Emphasis on those who lead conventional lives (not extremists). Techniques, informational control, & attitudes of deviant career to be analyzed. Life-style & deviant subculture to be described & analyzed.

SECTION IV: ADDICTION RESEARCH CENTER—LEXINGTON, KY.

M–AR–2; Isbell, Harris, NIMH Addiction Res Ctr., Lexington, Ky., Acute and Chronic Intoxication with Drugs Other Than Analgesics, Barbiturates, and Alcohol (LSD, Marihuana) Approx.

See publications: Isbell, H., Gorodetzsky, C. W., Jasinski, D., Claussen, U., Spulak, F., & Korte, F. Effects of (−) 9-trans-tetrahydrocannabinol in man. *Psychopharmacologia (Berl.)* 11(2):184–188, June 1967, Isbell, H., Jasinski, D. R., & Garodetzky, C. W. Studies on tetrahydrocannabinol I. Method of assay in human subjects and results with crude extracts, purified tetrahydrocannabinols and synthetic compounds. In: *Bulletin, Problems of Drug Dependence,* Wash., DC, 1967. App. 4, pp. 4832–4846.

SECTION V: COMPLETED RESEARCH—PRIOR TO 1968

RO1–MH–10105 (9/64–8/66; Dolby, Lloyd J., Univ of Oregon, Eugene, Oreg., The Synthesis of Tetrahydrocannabinol, Total Pd, $28,000.

A biogenetic-type synthesis of THC starting with citronellal. Dolby examined the reaction conditions that were successful for the synthesis THC but did not obtain adequate samples for biological testing and as another lab had completed this type research, Dolby switched to the study of indole alkaloids.

SECTION VI: TRAINING GRANTS

TO1–6177 (PI) (56–6/70); Cameron, John L., Chestnut Lodge Res Inst., Rockville, Md., Psychiatry—Psychotherapy of the Psychoses, Pd Thru 69, $308,000, FY 69, $32,000, FY 70, —.

Hospital is increasingly dealing with a younger age group whose illnesses may be described as a serious character disorder or marked disabling psychoneurosis. Dabbling with drugs (including marihuana LSD, & hashish) is one of the problems.

TO1–6300 (PT) (57–6/73); Offenkrantz, Wm C., Univ of Chicago, Chicago, Ill., Psychiatry (Basic Residency Training), Pd Thru 69, $1,535,000, FY 69, $201,000, FY 70, $204,000.

Drug Abuse Prgm under Dr. Jerome Jaffe, basic actions in animals, toxicology and drug detection. Neurochemical & Psychopharmacological Prgm under Daniel X. Freedman. Behavioral lab under Dr. James Appel—behavioral pharmacology of LSD and marihuana. Studies of the aversive control of behavior and the role of punishment in conditioning procedures. Dr. Richard Lovell in charge of Neurochem Lab—study of psychoactive drugs & brain amines.

EXHIBIT 3

[Public Health Service Publication No. 1829]

MARIHUANA—SOME QUESTIONS AND ANSWERS

WHAT IS MARIHUANA?

Marihuana is a drug found in the flowering tops and leaves of the Indian hemp plant, *cannabis sativa.* The plant grows in mild climates in countries around the world, especially in Mexico, Africa, India, and the Middle East. It also grows in the United States, where the drug is known as pot, tea, grass, weed, Mary Jane, and by other names.

For use as a drug, the leaves and flowers of the plant are dried and crushed or chopped into small pieces. This green product is usually rolled and smoked in short cigarettes or in pipes, or it can be taken in food. The cigarettes are commonly known as reefers, joints, and sticks. The smoke from marihuana is harsh, and smells like burnt rope or dried grasses. Its sweetish odor is easily recognized.

The strength of the drug differs from place to place, depending on where and how it is grown, how it is prepared for use, and how it is stored. The marihuana available in the United States is much weaker than the kind grown in Asia, Africa, or the Near East.

WHAT IS ITS USE?

Although it has been known to man for nearly 5,000 years, marihuana is one of the least understood of all natural drugs. In China, very early in history, it was given to relieve pain during surgery and, in India, as a medicine. Unlike other drugs, it has no known use in modern medicine. It is used mainly for its intoxicating effects. According to a United Nations survey, it has been most widely used in Asia and Africa.

Traffic in and use of drugs from the cannabis plant is now legally restricted in nearly every civilized country in the world, including countries where marihuana is used in religious ceremonies or as a native medicine.

HOW WIDELY IS IT USED IN THE UNITED STATES?

The use of marihuana as an intoxicating drug was introduced in the United States in 1920. In 1937, its general use was outlawed by the Federal Marihuana Tax Act, followed by strict laws and enforcement in every State. In the mid-1960's, authorities reported a sharp increase in the use of marihuana. Arrests on marihuana charges have more than doubled since 1960, according to the President's Commission on Crime.

The exact extent of marihuana use in the United States is not known. Some health authorities believe that 4 to 5 million Americans may have used the drug at least once in their lives. Other estimates are as high as 20 million. Research studies are underway to determine more precisely just how widely the drug is used.

HOW DOES THE DRUG WORK?

When smoked, marihuana quickly enters the bloodstream and acts on the brain and nervous system. It affects the user's mood and thinking. Its pathway into the brain is not yet understood. Some scientists report that the drug accumulates in the liver. Because it may cause hallucinations when taken in very large doses, it is classed as a mild "hallucinogen." Just how the drug works in the body and how it produces its effects has not yet been discovered by medical science.

WHAT ARE ITS PHYSICAL EFFECTS?

The long-term physical effects of taking marihuana are not yet known. The kind of research needed to learn the results of chronic use has not yet been done.

The more obvious physical reactions include rapid heart beat, lowering of body temperature, and sometimes reddening of the eyes. The drug also changes blood sugar levels, stimulates the appetite, and dehydrates the body. Users may get talkative, loud, unsteady, or drowsy, and find it hard to coordinate their movements.

WHAT ARE ITS OTHER EFFECTS?

The drug's effects on the emotions and senses vary widely, depending on the amount and strength of the marihuana used. The social setting in which it is taken and what the user expects also influence his reaction to the drug.

Usually, when it is smoked, marihuana's effect is felt quickly, in about 15 minutes. Its effects can last from 2 to 4 hours. The range of effects can vary from depression to a feeling of excitement. Some users, however, experience no change of mood at all. The sense

of time and distance of many users frequently becomes distorted. A minute may seem like an hour. Something near may seem far away.

HOW DOES MARIHUANA AFFECT JUDGMENT?

A person using marihuana finds it harder to make decisions that require clear thinking. And he finds himself more easily open to other people's suggestions. Doing any task that takes good reflexes and thinking is affected by the drug. For this reason it is dangerous to drive while under the influence of the drug.

WHAT ARE THE LATEST FINDINGS ABOUT THE DRUG?

Working with man-made tetrahydrocannabinol, one of the active ingredients of marihuana, a leading scientist recently found that high dosages of the drug brought on severe reactions in every person tested. The National Institute of Mental Health study also showed that psychotic reactions sometimes occur, for unknown reasons, in some individuals who take smaller amounts.

The scientist observed that a dose equal to one cigarette of the United States type can make the smoker feel excited, gay, or silly. After an amount equal to four, the user notices changes in what he can perceive. He reports that colors seem brighter, his sense of hearing keener. After a dose equal to 10 cigarettes, other reactions set in. He experiences visual hallucinations (seeing things that are not there), illusions (seeing or imagining shapes in objects that are not there), or delusions (beliefs not based in reality). His mood may swing from great joy to extreme anxiety. He may become deeply depressed, or have feelings of uneasiness, panic, or fear.

IS MARIHUANA ADDICTING?

Authorities now think in terms of drug "dependence" rather than "addiction." Marihuana, which is not a narcotic, does not cause physical dependence as do heroin and other narcotics. This means that the body does not become dependent on continuing use of the drug. The body probably does not develop a tolerance to the drug, either, which would make larger and larger doses necessary to get the same effects. Withdrawal from marihuana does not produce physical sickness.

A number of scientists think the drug can cause psychological dependence, however, if its users take it regularly. All researchers agree that more knowledge of the physical, personal, and social consequence of marihuana use is needed before more factual statements can be made.

DOES IT LEAD TO USE OF NARCOTICS?

A 1967 study of narcotic addicts from city areas showed that more than 80 percent had previously used marihuana. Of the much larger number of persons who use marihuana, scientists agree that few go on to use morphine and heroin. No direct cause-and-effect link between the use of marihuana and narcotics has been found. Researchers point out, however, a person predisposed to abuse one drug may be likely to abuse other, stronger drugs. Also, users of one illicit drug may be exposed to a variety of them through contacts with drug sellers and other users.

WHAT ARE THE LAWS DEALING WITH MARIHUANA?

Under Federal law, to have, give or sell marihuana in the United States is a felony, which is a serious crime. Federal and many State laws deal with the drug as severely as if it were a narcotic.

The Federal penalty for possessing the drug is 2 to 10 years imprisonment for the first offense, 5 to 20 years for the second offense, and 10 to 40 years for further offenses. Fines of up to $20,000 for the first or subsequent offenses may be imposed. State laws also control the illicit use of these drugs. For transfer or sale of the drug, the first offense may bring a 5- to 20-year sentence and a fine of up to $20,000; two or more offenses, 10 to 40 years in prison. If a person over 18 sells to a minor under 18 years of age, he is subject to a fine of up to $20,000 and/or 10 to 40 years in prison for the first offense, with no suspension of sentence, probation, or parole.

WHAT ARE THE SPECIAL RISKS FOR YOUNG USERS?

Breaking the laws dealing with marihuana can have serious effects on the lives of young people. They may find their education interrupted and their future shadowed or altered by having a police record. An arrest or conviction for a felony can complicate their life and plans at many turns. For example, in many States, a person with a police record must meet special conditions to obtain or renew a driver's license. Conviction can prevent a person from being able to enter a profession such as medicine, law, or teaching. It can make it difficult for him to get a responsible position in business or industry. Special hearings are necessary before he can hold a government job. Before a student tries marihuana, he should be aware of the social and legal facts about getting involved with the drug.

Other risks are pointed out by experts on human growth and development. They say that a more subtle result of drug abuse on the young person is its effect on his personality growth and development. For young people to experiment with drugs at a time when they are going through a period of many changes in their transition to adulthood is a seriously questionable practice.

"It can be especially disturbing to a young person who is already having enough of a task getting adjusted to life and establishing his values," says an NIMH scientist engaged in studies of young marihuana users.

Another reason for caution: Statements being reported by students that the use of marihuana is "medically safe," are not supported by scientific evidence. It is hoped that research now underway may add to the little currently known about the effects of the use of marihuana.

WHY IS SO LITTLE KNOWN ABOUT THE DRUG?

Medical science does not yet know enough about the effects of marihuana use because its active ingredient—*tetrahydrocannabinol*—was produced in pure form only recently. In the summer of 1966 the chemical, first synthesized by an NIMH-supported scientist in Israel, was made available for research purposes. Now for the first time researchers can accurately measure the drug's effects and study its short- and long-term action on the body.

WHAT RESEARCH IS BEING DONE?

The National Institute of Mental Health, an agency of the Public Health Service, is responsible for supporting and conducting research to learn more about marihuana and to present this knowledge to the public.

The program of the NIMH Center for Studies of Narcotic and Drug Abuse includes surveys of how people get the drug, how widely students and others use it, and what effects different amounts and periods of use have upon people, physically and psychologically. With NIMH support, scientists are now studying the special drug qualities of marihuana, and its physical effects on the body.

The NIMH Addiction Research Center in Lexington, Kentucky, plans research to discover exactly how marihuana affects memory, perception (or awareness), mood, and physical movement. Other studies are planned to learn more about the drug's long-range effects on the body and mind.

EXHIBIT 4

A POT PRIMER FOR PARENTS

Know enough basic facts about marihuana to talk to your son and daughter about it.

As a parent, you're concerned. You read that college, high school, even junior students smoke marihuana. What about your own son or daughter? Have they tried it? Would they tell you? Do you just keep quiet and hope—do you talk?

Your youngsters may joke about grass, tea, joint, roach, head—words that mean something different to you. They seem to know more about drugs than you do—that's their side of the generation gap. But not all their "facts" may be facts.

Can you talk frankly to your child about pot?

As frankly as about other important matters, with tact and mutual respect. It may be easier to start by discussing marihuana experiences he's heard of from his friends. You won't want to come across as accusing or angry—it's as risky to assume he does "turn on" as to assume he doesn't. Keep it simple, direct. And make sure your concern for him, and what happens to him, shows.

Who uses pot, and why?

More boys than girls. Girls are likelier to try if their boyfriends smoke it. A majority of young people have not tried it, and have enough self-assurance to resist trying it. A number have tried it once or twice out of curiosity or boredom. A smaller number "turn on" just on weekends. A small percentage become "heads"—their lives centered around marihuana or other drugs, with very little interest in anything else.

What proven facts about marihuana can you tell him?

1. Individuals react very differently to this drug, which is why you hear stories of extreme reactions, and stories of no reaction.

2. Reactions vary according to setting, expectation, pattern of use, and the strength of the marihuana (which varies greatly).

3. Because of all these variables, little has been proven conclusively about specific effects of marihuana on the mind and body. This does not mean there *are* no ill effects, but that they cannot be catalogued and predicted exactly.

4. Involvement with this drug during the years while the young personality is finding and shaping itself, and learning how to deal with life's problems, is an intangible danger to try to measure, but of deep importance. That's a hard fact for the young to understand.

5. The possession of marihuana is illegal under local laws. In many states, it is a felony, equivalent to the possession of heroin. The laws provide severe penalties. Even being in the company of someone who possesses marihuana may make your child liable for arrest.

Easy answers to hard questions.

There aren't any. If your children ask, "What about parents' drinking and smoking?" a partial answer is that *your* body and personality have matured. Once anyone becomes dependent on any drug, including alcohol and cigarettes, it can be difficult to stop. Even if you're convinced they're harmful.

"Why do adults say marihuana leads to stronger drugs when that hasn't happened to my friends?" A teen-ager's experience is limited; it *has* happened. While marihuana itself does not lead to other drug use, association with "dealers" and drug users may be the first step to experimenting with LSD, speed and even heroin. And these drugs are far more than a stronger form of pot.

"What about the people who say pot is OK?" To be honest, scientists still don't know everything about the specific effects of marihuana. But certainly, the "authorities" your children quote, know even less. No expert is saying today that pot should be legal.

It boils down to this. Marihuana is a risk nobody *has* to take. Least of all somebody you care about.

For more detailed facts about marihuana and other drugs, write for free booklets to: National Institute of Mental Health, Box 1080, Washington, D.C. 20013.

EXHIBIT 5

WHEN ARE THEY GOING TO LEGALIZE POT?

A lot of people these days are going around saying it's only a matter of months until Acapulco Gold is available over the counter in menthol and king-size lengths.

Which is an indication of how little people know about marihuana. The real fact of the matter is that marihuana is a drug. Like all drugs, it affects the human body and the human brain. Like all drugs, it has side effects.

Today, research scientists are studying marihuana's effects on the brain, the nervous system, on chromosomes, and on various organs of the body. They're trying to find out why different people have different reactions to it.

They're studying its effects after one or two cigarettes, and they're trying to find out what happens with long term use.

Maybe it will turn out that there's no reason for it to be illegal. But nobody can be sure until all the facts are in. And until they all are, it's a pretty bum risk.

For more facts about drugs, write for free drug booklets to: National Institute of Mental Health, Box 1080, Washington, D.C. 20013.

EXHIBIT 6

THE TRUTH ABOUT MARIHUANA

(Marihuana: 60 Secs.)

Open on hands: Anncr: (VO).

They roll a "joint": Why doesn't anyone tell the truth about marihuana?

Man: (VO).

Smoke pot. . . . and you wind up hooked on heroin!

Young, Hip Man: (VO).

Man, it's cleaner than alcohol!

Woman: (VO).

It's the first step right into the psycho ward.

Man: (young) (VO).

There's just no reason to keep it illegal!

Anncr: (VO).

Today, not one of those statements is true. Because to date, not one is based upon scientific fact. Millions of dollars are being spent this year on research to get these facts.

Hand takes it out of frame, smoke enters frame.

But there's one fact you should know now, possession of marihuana in the United States is a felony. Don't treat that fact lightly! Conviction, even with a suspended sentence, can, in some states, prevent you from getting a driver's license, furthering your education, landing a government job, or working in a profession.

Pan to license, pan to employment application, pan to doctor's license, pan to "joint," still burning, move in on smoke, N.I.M.H. logo.

With marihuana, some things that may be important to you in the future, can go up in smoke.

And that is the truth!

S. 3191—INTRODUCTION OF A BILL RELATING TO STATUS OF CERTAIN LANDS IN CALIFORNIA

Mr. CRANSTON. Mr. President, on behalf of myself and my colleague, the senior Senator from California (Mr. MURPHY), I introduce for appropriate reference a bill to affect the status of various lands in Inyo and Mono Counties in the State of California. This bill has evolved through discussions among the appropriate Federal agencies, the city of Los Angeles, and the counties of Inyo and Mono. It represents, I believe, a satisfactory resolution to needed changes in the pattern of land use in the Owens Valley area.

The best summary of this somewhat complicated legislative proposal is a statement prepared by the staff at the Los Angeles Water and Power Commission. I ask unanimous consent that the statement be printed at this point in the RECORD.

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

The bill (S. 3191) to withdraw various lands in the counties of Mono and Inyo, Calif., from appropriations under the public land law, release certain lands in the counties of Mono and Inyo from withdrawal, acquire various lands owned by the city of Los Angeles, Calif., grant to the city of Los Angeles various land and water rights, modify the act of March 4, 1931, Executive Order No. 5843, dated April 28, 1932—and Executive Order No. 6206—dated July 19, 1933—and repeal the act of June 23, 1936, and for other purposes, introduced by Mr. CRANSTON (for himself and Mr. MURPHY), was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

The statement, presented by Mr. CRANSTON, is as follows:

INTRODUCTION OF INYO-MONO PUBLIC LAND LEGISLATION

The purpose of this bill is to provide for the use and control of public land in Mono and Inyo Counties, California, so as to achieve maximum public benefits through multiple use of the lands and at the same time protect the water supply of Los Angeles residents. This area supplies more than two-thirds of the water needs of the approximately three million citizens of the City of Los Angeles.

There can be no question that the public lands involved in the bill are a great national resource for recreational uses. Passage of this bill will enhance their development.

The public lands involved in this bill are in the Owens River watershed and the Mono Basin watershed, and it is not the intent of this bill to affect any lands or water rights other than in these watersheds.

The Owens River watershed is formed by the elongated Owens Valley on the east side of the Sierra Nevada mountains. It is about 120 miles long, from 15 to 30 miles wide and is a hydrologically closed basin with internal drainage to Owens Lake, which as a result is highly saline. The Owens River rises in Mono County near the divide between the Owens River and Mono Basin watersheds to the north. It flows southerly through Long Valley, where Lake Crowley has been created by the City of Los Angeles Long Valley dam onto the valley floor and is fed by tributary streams from the Sierra Nevada mountains to the west and, to a lesser extent, the Inyo and White Mountains to the east.

The Mono Basin watershed is also a closed basin hydrologically, draining into the saline Mono Lake. The Inyo National Forest encloses much of the area.

In 1904, it was apparent that the water supply of the Los Angeles River would not sustain the growth of Los Angeles. Surveys showed that other water resources in Southern California already were committed. The concept that water of the Owens River, then flowing into the highly saline Owens Lake and evaporating, could be diverted to Los Angeles was investigated and found to be feasible. The Water Department of the City then acquired land and water rights in the southerly end of the valley above Owens Lake, which would permit the diversion.

The Congress, in support of the City's diversion of water, adopted an Act approved by President Theodore Roosevelt on June 30, 1906, by which the necessary rights-of-way for the project were granted the City of Los Angeles. A 240-mile, 440-cubic feet-per-second capacity aqueduct was constructed between 1908 and 1913.

For a few years, the aqueduct served its purpose well. By 1920 the mean annual diversion reached the level of 260 cfs. However, the population in Los Angeles was increasing at a rate beyond expectations. At the same time, increasing diversions upstream and a period of drought in the early '20s combined to reduce the flow of the Owens River available to the aqueduct.

To ensure future capacity operation of the aqueduct system, it became essential that rights to Owens River waters be expanded by purchases of additional private lands in the Owens River watershed. By the end of 1934, approximately 234,000 acres of land had been purchased by the Department of Water and Power through negotiation with the owners. No lands were taken by condemnation. These lands constituted most of the patented lands in the Owens River watershed.

In 1930, the Department of Water and Power began an extension of the City's aqueduct system into the Mono Basin watershed and acquired by purchase 59,000 acres of privately-owned land and the water rights which would be affected by the diversion. This extension was completed in 1940.

Many of the public lands affected by this bill lay between the lands purchased by the Department of Water and Power on the valley floor of the Owens River watershed and the U.S. Forest Reserve in the surrounding mountains. While the lands were not suited for farming, the public lands were open for entry, and the possibility that entry could be made on them was a threat to the water supply of the City.

Congress recognized this possibility and enacted legislation, approved March 4, 1931, withdrawing from entry 367,637.87 acres of public land along the sides of the Owens Valley between the City-owned lands and the lands of the Inyo National Forest. On April 28, 1932, Executive Order No. 5843 withdrew from entry 261,025 acres of public land north of Mono Lake and east to Chalfant Valley. On July 16, 1933, Executive Order No. 6206 withdrew from entry 209,505 acres of public land below and around Owens Lake. On June 23, 1936, an Act of Congress was approved (Public Law 769–74) which granted land and rights-of-way in Mono County to the City for water supply and electrical generation purposes.

The above Acts and Executive Orders evidence the support the United States has given in protecting the water supply of the City. The Department of Water and Power of the City now has an investment of more than $200,000,000 in its water and power system in the area.

This bill will affect the some 838,168 acres of public land which has been withdrawn above. It will release from withdrawal for the protection of the water supply of the City approximately 603,000 acres of public land and make them available for classification under the land laws of the United States. It will authorize conveyances of City-owned land to the United States and public land to the City which appear desirable to agencies of the United States, to the Counties of Inyo and Mono, California, and to the City. It will modify the Act of March 4, 1931, Executive Orders 5843 and 6206 and will repeal the Act of June 23, 1936.

The rest of the land, approximately 226,000 acres, will remain withdrawn. The bill constitutes a contract between the United States and the City wherein it is agreed that as long as the City maintains in each County works and facilities used for the supply of water or electric energy for municipal purposes, these lands will not be patented to others. This provision will preclude the possibility that littoral or riparian rights may arise under state law in the event these lands

were to pass into private ownership. In consideration of this agreement, and of the other rights and interests granted under the bill, the City will pay $100,000 and grant City-owned lands to the United States.

Of the lands to be withdrawn as part of the agreement, 9,843 acres are littoral to Mono Lake and Owens Lake. The bill grants the City the right to raise and lower the surface and underground water levels in these lands. As to the remainder, the bill grants the City the right to vary the underground water table by taking or failing to take water from either of the two watersheds. In addition, since the ground water table under approximately 325,000 acres of the land to be released from withdrawal will be affected by the amount of water diverted by the City, the right to vary the underground water table in these lands is granted. This will prevent possible claims of damage should some of these lands be patented to private owners.

The City also is granted the right to spread water on the withdrawn lands. During abnormal runoffs the available water exceeds aqueduct capacity. With this right the City may spread the excess waters on these lands as well as its own land and thus recharge underground basins. Water thus stored is available for use during drought. Easements to enter the withdrawn lands to control the flow also are granted; however, no right is granted to pump water on the withdrawn public land.

Easements for structures and improvements of the City in existence at the time the bill is approved both on lands in the forest and in the withdrawn lands are granted, and in addition, the bill provides the City may select easements for future structures and improvements for the period of ten years. The total of these easements may not exceed 5,000 acres. Provision is made for payment of just compensation if use of a selected easement should cause physical damage to any structure or improvement which is lawfully in place at the time the easement is selected. No future easements are granted in forest land, and any easements which may be required in the national forest will be obtained under the land laws.

Uses of the public land and uses of the forest lands by the City will be subject to such conditions as are reasonable and necessary in the judgment of the Secretary of the Interior or the Secretary of Agriculture, respectively, to protect the interests of the United States in the management of the public land or national forests.

As stated above, lands will be conveyed to the City by this Act, and the City will convey lands to the United States. The lands to be conveyed to the United States include land desired by the Bureau of Land Management and the U.S. Forest Service. For instance, the 1,673, acre Moffitt Ranch owned by the City is desired by the Bureau for inclusion in the Alabama Hills recreational development. Parcels of 485 acres on Tuttle Creek and 366 acres on Lone Pine Creek are desired for campground development. The Forest Service wishes to acquire 520 acres at Horseshoe Meadows for its Trail Peak ski development.

In addition, lands are to be conveyed to the United States for the benefit of the towns in the Counties of Mono and Inyo. As part of its land acquisition program, the City purchased most of the land around the towns in both watersheds, and it is proposed that, as part of the benefits accruing under the bill, the City convey to the United States parcels of land outside Lone Pine, Independence and Big Pine in Inyo County and Lee Vining in Mono County for disposal by the United States for the orderly growth and development of these Counties.

Most of the lands to be conveyed to the City are in two categories: (1) isolated parcels of land surrounded by City-owned lands and (2) lands underlying reservoirs of the City. Conveyance of the first category of lands will simplify management of the public lands, and conveyance of the second category will aid the City in management of its reservoirs.

The bill provides that future exchanges of land between the United States and the City may be made if desired.

Lands to be withdrawn will be available for mining under the mining laws according to regulations to be established by the Secretary of the Interior. Also, under appropriate regulations, the Secretary may pemit hunting, fishing, camping and other recreational uses, stock watering and stock grazing upon the lands, provided, if lands are to be used for residential purposes, the consent of the City is obtained.

Any private rights hereafter acquired in the withdrawn lands are to be subject to the rights granted the City under this bill, but it is provided that any rights granted shall not affect any existing right nor any valid claim previously initiated.

All interests granted to the City of Los Angeles with the exception of the lands granted in fee, are to be held for purposes of municipal water and power supply of the City. Assignment of rights is prohibited except with consent of the chief officer of the Federal Department controlling the public lands concerned. All interests, other than lands granted in fee, are to terminate if the City does not, for a continuous period of one year, maintain works for a municipal water or electric supply in this area.

The bill specifically disclaims any intent to interfere with the laws of the State of California regarding land and water rights or with any right, power or privilege of the State of California in its sovereign capacity or in its proprietary capacity.

The bill provides for the repeal of the Act of June 23, 1936, entitled "An act authorizing and directing the Secretary of the Interior to sell to the city of Los Angeles, Calif., certain public lands in California; and granting rights-of-way over public lands and reserve lands to the city of Los Angeles, in Mono County in the State of California." It also provides that upon acceptance of the Act by the City, as passed by the Congress, the Act of March 4, 1931, referred to above, shall not apply to lands released from withdrawal for the protection of the water supply of the City by the bill.

In conclusion, this bill provides benefits of value to the United States, to the counties in which those public lands are located and to the City. It will provide the City with all that it needs to protect its operations in the area from adverse and speculative claims which might arise as a result of some future private acquisition of public lands. The contract in this bill merely prohibits the United States from disposing of the public lands withdrawn by the bill. Recreational uses, mining uses and stock grazing and stock watering uses will be permitted. It will simplify management of the public lands, and the United States will acquire City-owned lands which can be developed into recreational areas. It also will make available land in which the towns in the Counties of Inyo and Mono, California, may grow.

S. 3192—INTRODUCTION OF A BILL TO HAVE AN UNNAMED LOCK IN THE PORT OF SACRAMENTO PROJECT DESIGNATED AS THE WILLIAM G. STONE NAVIGATION LOCK

Mr. MURPHY. Mr. President, today, in behalf of my distinguished colleague, Senator CRANSTON, and myself, I introduce proposed legislation to have an unnamed lock in the Port of Sacramento project designated as the William G. Stone navigation lock.

The appropriateness of such a designation was recognized recently in resolutions, which were almost identical except for the names of the groups taking the action, which were passed by the board of supervisors of the county of Sacramento, the board of supervisors of the county of Yolo, and the port commission of the Sacramento-Yolo Port District.

Since the text of these resolutions is so close, I would like to read one of them into the RECORD. It is as follows:

Whereas, death has taken William G. Stone who served as the first Port Director of the Port of Sacramento for a period of over sixteen years; and

Whereas, William G. Stone spent the greater part of his working life actively working for the creation of the Port of Sacramento; and

Whereas, William G. Stone was held in exceptionally high esteem by all who knew him for his integrity and dedication; and

Whereas, the said Port of Sacramento project includes a navigation lock which does not bear an official name;

Now, therefore, be it resolved that the Board of Supervisors of the County of Sacramento, State of California, wishing to memorialize the efforts of William G. Stone, does respectfully urge that the lock be officially named the William G. Stone Navigation Lock.

I ask unanimous consent, Mr. President, that a news item and an editorial published in the Sacramento Bee following Mr. Stone's death be printed in the RECORD at this point.

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

The bill (S. 3192) to designate the navigation lock on the Sacramento deepwater ship channel in the State of California as the William G. Stone navigation lock, introduced by Mr. MURPHY (for himself and Mr. CRANSTON), was received, read twice by its title, and referred to the Committee on Public Works.

The article and editorial, presented by Mr. MURPHY, are as follows:

RETIRED PORT DIRECTOR STONE DIES AT 84 AFTER HEART ATTACK

William G. Stone, the man regarded as responsible perhaps more than anyone for the Port of Sacramento, died late yesterday in the Sutter General Hospital.

Stone, who was 84, entered the hospital Saturday after he suffered a mild heart attack. A member of his family said he had a previous attack last month.

A native of Potomac, Ill., Stone had been a resident of Sacramento for 63 years and he had more than 60 years experience in the transportation industry.

He came to California as a youth in 1903 and began his career loading oranges aboard freight cars in a Southern California packing house.

He worked for the Southern Pacific Co., was chief inspector for the Transcontinental Freight Bureau in Sacramento and for 20 years he served as traffic manager for the Thomson-Diggs Co., a wholesale hardware concern.

For 16 years, Stone was manager of the Sacramento Chamber of Commerce's Transportation and Industrial Department and the last 15 years of his active career were spent as director of the Port of Sacramento.

PORT OPENED IN 1963

He began crusading for construction of the port in 1932 shortly after he was hired by

the Chamber of Commerce and he never stopped his efforts in its behalf until he saw the port opened for the first oceangoing vessel in 1963. He retired shortly thereafter.

The Sacramento-Yolo Port District was created in 1947 after six years of effort in which the Chamber of Commerce, under Stone's guidance, raised $100,000 for research and promotional purposes.

It was largely through Stone's efforts that congressional committees were convinced of the future of the port and voted funds to begin construction of the port of the Sacramento Deep Water Channel.

REVIVED PROJECT

During the Korean War, the port's detractors insisted the project was dead, but Stone was determined and each year for four years he kept knocking on doors of congressmen until he succeded in reviving funding for the project.

In 1955, a token appropriation of $500,000 was made and construction of the deep water channel resumed in 1956.

Stone's credentials in the transportation industry were voluminous. He was a charter member of many transportation organizations, served as a Western regional director of the National Rivers and Harbors Congress, and often was called upon for advice in transportation and maritime matters.

ELDER IN CHURCH

He and his wife Myrtle, a school teacher who died last year, were active in the affairs of the Westminster Presbyterian Church of which he was an elder.

He held membership in the Sacramento Rotary Club, the Sacramento Chapter of Delta Nu Alpha transportation fraternity and the Sacramento Valley Transportation Club of which he was a charter member. He also was a member of the Sacramento Camellia Society and a charter member of the American Camellia Society.

He is survived by a son, William H., of San Mateo; a daughter, Mrs. Carolyn Howe of Sacramento; three grandchildren, Mrs. Marilyn Whitney and Gordon and Ronald Howe, all of Sacramento, and two great-grandchildren.

Funeral services will be conducted Friday at 2 p.m. in the Andrews and Greilich Chapel, 3939 Fruitridge Road, and private entombment in East Lawn Cemetery will follow. The family requests any remembrances be sent to the Westminister Presbyterian Church memorial fund.

SACRAMENTO'S DEBT TO "BILL" STONE

In every civic undertaking there always has to be a so-called "spark plug" who ignites the community effort and keeps it going.

Many contributed to the completion of the highly successful Sacramento deep Water Channel.

But the driving force behind it was W. G. "Bill" Stone who served as director of the Sacramento-Yolo Port District for 15 years before his retirement and who now is dead at the age of 84 after a long and fruitful career of dedicated public and civic service.

It was Stone, as manager of the Sacramento Chamber of Commerce's Transportation and Industrial Department, who began pushing the project in 1932.

He never rested in his efforts to bring oceangoing ships to Sacramento, despite discouraging setbacks in obtaining funds from the federal government. He finally saw his dream realized in 1963.

His combination of energy and enthusiasm which went with a "soft sell" approach convinced many a skeptic of the need for the facility.

And before Bill retired he had the foresight to recruit a team to carry on the port's successful operation.

Truly, Stone earned the title of "Mr. Port" as he was called affectionately by his coworkers and his many friends.

ADDITIONAL COSPONSORS OF BILLS

S. 2004

Mr. DOMINICK. Mr. President, I ask unanimous consent that, at the next printing, the name of the Senator from Oklahoma (Mr. BELLMON) be added as a cosponsor of S. 2004, to amend the Communications Act of 1934 to establish orderly procedures for the consideration of applications for renewal of broadcast licenses.

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

S. 3055

Mr. FULBRIGHT. Mr. President, I ask unanimous consent that, at the next printing, the name of the Senator from Michigan (Mr. HART) be added as a cosponsor of S. 3055, to authorize the use of excess Government-owned foreign currencies to finance the establishment abroad of binational foundations for educational and scientific purposes.

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

S. 3147

Mr. PROXMIRE. Mr. President, I ask unanimous consent that, at the next printing, the name of the Senator from Washington (Mr. JACKSON) be added as a cosponsor of S. 3147, to amend the act relating to indemnity payments to dairy farmers.

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

SENATE RESOLUTION 292—SUBMISSION OF A RESOLUTION RELATING TO TROOP DEPLOYMENT IN EUROPE

Mr. MANSFIELD submitted a resolution (S. Res. 292) to express the sense of the Senate with respect to troop deployment in Europe, which, by unanimous consent was referred to the Committees on Armed Services and Foreign Relations, jointly.

(The remarks of Mr. MANSFIELD when he submitted the resolution appear earlier in the RECORD under the appropriate heading.

TAX REFORM ACT OF 1969—AMENDMENTS

AMENDMENT NO. 316

Mr. CURTIS submitted amendments, intended to be proposed by him, to the bill (H.R. 13270) to reform the income tax laws, which were ordered to lie on the table and to be printed.

AMENDMENT NO. 318

Mr. ALLOTT submitted an amendment, intended to be proposed by him, to House bill 13270, supra, which was ordered to lie on the table and to be printed.

(The remarks of Mr. ALLOTT when he submitted the amendment appear later in the RECORD under the appropriate heading.)

AMENDMENT NO. 319

Mr. INOUYE. Mr. President, I submit an amendment, intended to be proposed by me, to H.R. 13270, and I ask that it be printed.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. INOUYE. Mr. President, today I am submitting an amendment to H.R. 13270 which will delete section 515 of the Senate Finance Committee version of the Tax Reform Act.

Section 515 of the Senate bill would have the following effects: First, lump sum distributions to employees would be taxed at ordinary income rates upon distribution in an amount equal to employer contributions after 1969; second, employers' contributions after 1969 toward the purchase of the employers' securities would be taxed at ordinary income rates upon distribution to the employee in an amount equal to the cost basis of contributions; and third, it establishes a special 5-year "forward" averaging method for the ordinary income part of a lump-sum distribution. I believe that these provisions would destroy valuable incentives upon which our business firms and their employees rely, and I urge that the Senate strike out this entire section of the bill.

Under present law, an employer who establishes a qualified employee pension, profit-sharing, stock bonus, or annuity plan is permitted to deduct his contributions to the trust. Moreover, income earned by the trust is exempt from tax if the employee trust is exempt. Upon retirement the employee who receives annual benefit payments is taxed at ordinary income rates. The exception to this rule is the payment of the benefits in a lump-sum distribution from the plan, in which case the payment is taxed as a long-term capital gain. I am particularly concerned that this highly successful feature of profit-sharing plans will be adversely affected by the changes in section 515.

The Finance Committee decided during its deliberations to deny such favorable capital gains treatment to lump-sum distributions on the grounds that they are in reality deferred compensation at more favorable tax rates than other compensation received for similar services. It was noted in the committee report that taxpayers with adjusted gross incomes in excess of $50,000 gain more and that there have been a number of distributions of over $800,000.

It cannot be denied that there probably are individuals who receive large distributions at favorable rates. However, it must be noted that tax-exempt profit-sharing plans are not inequitable. All profits are distributed on a nondiscriminatory basis—from janitor to president—because of the regulations which govern qualification as a tax-exempt profit-sharing plan. Furthermore, a survey made in 1968 showed that 90 percent of the lump-sum distributions made involved distributions of less than $30,000 and that almost 70 percent fell in the range of from $500 to $10,000. Far from being a device for the rich, lump-sum

distributions affect millions of members in all income groups.

Since 1942, when the provision giving long-term capital gains treatment to lump-sum distributions was added to the code, over 80,000 companies have adopted deferred tax-qualified profit-sharing programs, covering over 5 million employees. Over 10,000 of these plans were established in 1968 alone. Clearly profit-sharing plans are popular with both employers and employees, and their continued growth is a clear affirmation of their success.

It has been alleged that distributions are actually deferred compensation and ought to be treated as ordinary income. However, this is not usually the case. Most corporations consider profit sharing as additional incentive and make their distributions in addition to ordinary compensation and benefits. Article II, section 1 of the Constitution and bylaws of the Council of Profit-Sharing Industries makes it clear that its concept of profit sharing is a procedure for payment in addition to prevailing rates of pay.

Lump-sum distributions from qualifying profit-sharing plans are further distinguished from simple "deferred compensation," or ordinary income, by the fact that it is risk capital. After the employer makes his contribution, it is the employee alone who is affected by changes in the investment of the contribution. Thus any number of factors, including inflation and bad stock or bond markets, could severely reduce the amount an employee would ultimately receive. Since the individual employee has no direct control over the investment of the funds, it would be erroneous to call it deferred compensation. Rather, the contributions have been invested in a manner that would ordinarily yield capital gains treatment.

Furthermore, the proposed change is defective because the distributions represent "bunched income" which has accumulated over a period of years, perhaps an entire working lifetime. The committee's answer is a complex amendment permitting averaging the gross "ordinary income" less the amount received during the year as compensation and less the capital gains. This method ignores the fact that averaging could push an elderly employee into a tax bracket higher than the level at which the contributions were originally made.

Apart from the claims of equity, there is another compelling reason why we should not tamper with the tax treatment of profit-sharing plans. Three decades ago a subcommittee of the Committee on Finance found that profit sharing contributes to harmonious labor-management relations and to labor peace and contentment. This astute observation is no less true today. Profit sharing enables employees to share in the fruits of the corporations for which they work. Where equity participation is not possible because the business is a partnership or close corporation, profit sharing gives employees a valuable and substantive stake in the soundness of the business. Through profit sharing an employee is afforded an opportunity to share in the benefits of ownership and to accumulate funds for his retirement or his beneficiaries. It is, I believe, an intelligent response of the free-enterprise system to demands for participation in the profits of one's business.

I fear that any changes in the status of employer contributions may retard the further growth of plans. Taxation of lump-sum distributions at ordinary rates may diminish the attractiveness of these plans and discourage further participation in them. I believe that profit sharing is a valuable financial incentive that must be preserved. I urge my colleagues who share my interest in the continued viability of profit-sharing plans to join me in this amendment to strike out section 515 of the tax reform bill.

AMENDMENT NO. 320

Mr. MURPHY submitted an amendment, intended to be proposed by him, to House bill 13270, supra, which was ordered to lie on the table and to be printed.

AMENDMENT NO. 321

Mr. MILLER (for himself, Mr. MUNDT, Mr. PEARSON, Mr. DOLE, Mr. ALLEN, Mr. METCALF, Mr. MCGEE, and Mr. HUGHES) submitted amendments intended to be proposed by them, to House bill 13270, supra, which were ordered to lie on the table and to be printed.

AMENDMENT NO. 322

Mr. GRIFFIN submitted an amendment, intended to be proposed by him, to House bill 13270, supra, which was ordered to lie on the table and to be printed.

AMENDMENT NO. 323

Mr. CURTIS submitted amendments, intended to be proposed by him, to House bill 13270, supra, which were ordered to lie on the table and to be printed.

AMENDMENTS NOS. 324 THROUGH 326

Mr. HARTKE submitted three amendments, intended to be proposed by him, to House bill 13270, supra, which were ordered to lie on the table and to be printed.

AMENDMENT NO. 327

Mr. FANNIN submitted an amendment, intended to be proposed by him, to House bill 13270, supra, which was ordered to lie on the table and to be printed.

AMENDMENT NO. 328

Mr. PROXMIRE submitted an amendment, intended to be proposed by him, to House bill 13270, supra, which was ordered to lie on the table and to be printed.

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1970—AMENDMENT

AMENDMENT NO. 317

Mr. ALLEN. Mr. President, I submit at this time an amendment intended to be proposed by me to the appropriation bill for the Departments of Labor and Health, Education, and Welfare. This amendment provides for the appropriation of $2,500,000 to fund the State advisory councils on vocational education.

It was not my privilege to serve in the U.S. Senate when the 1968 Vocational Education Amendments were approved. However, I have studied the language of that act, and I am tremendously interested in the provisions that created a National Advisory Council on Vocational Education and advisory councils in all the 50 States.

The State councils are broadly representative of the various interests in vocational education. Included among the membership are persons familiar with the vocational education needs and problems of management and labor; persons representing State industrial and economic development agencies; representatives of community and junior colleges and area vocational schools; persons familiar with the administration of State and local vocational education programs; persons from educational agencies and school boards; representatives from manpower and vocational education agencies, and persons who have special knowledge in educating the disadvantaged and the handicapped; and persons representative of the general public.

The purpose of the State council is to advise the State board for vocational education on policy matters in developing a comprehensive plan for vocational education; to evaluate vocational education programs, services, and activities assisted under the 1968 act; and to prepare and submit to the Commissioner of Education, and the National Advisory Council, an annual evaluation report. This report is to be accompanied by comments from the State board on the evaluation, and may contain recommended changes as may be warranted by the evaluations.

I think it is highly desirable that these State councils become involved in matters pertaining to vocational education. Those who serve as members can greatly assist by bringing to vocational education the information, advice, and counsel that is necessary in order for this program to serve the career and occupational needs of all citizens. Likewise, these councils can promote the economic and industrial potential of all the States through orderly planning for meeting the manpower needs of the economy. These councils are an excellent device for citizen participation in the process of education.

Because of their importance, and because of their potential for improving and expanding vocational-technical education, I am convinced that these councils should, at the very least, be funded at the minimum level. As a matter of fact, the language is apparently mandatory for it states, in regard to funding of State councils, that—

Such amount shall not exceed $150,000 and *shall not be less than $50,000.*

In the bill approved by the House of Representatives, H.R. 13111, the funds for State advisory councils were approved at the level of $1,680,000 as recommended by the Budget Bureau. My amendment would increase the House approved measure by $820,000. This will enable the State councils to be funded at the minimum level of $50,000 per State.

Mr. President, if the Congress is at all serious about the purposes and duties of these State councils, we must provide funds for them to perform their duties and accept their important responsibilities. It would seem the better part of wisdom to fund these councils at least at the minimum level, or not at all. How can we honestly expect the councils to be responsible when we do not provide the necessary resources?

In terms of the total budget, $820,000 is a small percentage; in terms of the potential for achieving much good, I believe that the Senate could not make an appropriation that is any more important. The State advisory councils should be made fully operational, not half operational as would be the case under the appropriation bill approved in the other body.

The PRESIDING OFFICER. The amendment will be received and printed, and will be appropriately referred.

The amendment (No. 317) was referred to the Committee on Appropriations.

ADDITIONAL COSPONSORS OF AMENDMENT

AMENDMENT NO. 313

Mr. DOMINICK. Mr. President, on behalf of myself, Mr. RIBICOFF, Mr. GOODELL, and Mr. HARTKE, I ask unanimous consent that, at the next printing of amendment No. 313 to H.R. 13270, to reform the income tax laws, and for other purposes, which I submitted last Wednesday, the names of the Senator from Colorado (Mr. ALLOTT), the Senator from Nevada (Mr. BIBLE), the Senator from Alaska (Mr. GRAVEL), the Senator from Pennsylvania (Mr. SCHWEIKER), and the Senator from Washington (Mr. JACKSON), be added as cosponsors.

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

ORDER OF BUSINESS

The PRESIDING OFFICER. Pursuant to the order of Wednesday, November 26, 1969, the transaction of morning business is limited to 1 hour. That time has expired.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the time be extended for 15 minutes.

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

THE BOXCAR SHORTAGE

Mr. CURTIS. Mr. President, I regret that it is necessary for me to rise once more and call the attention of Congress and the country to the failure of the Interstate Commerce Commission.

Last week I pointed out that there was an estimated 40 million bushels of grain on the ground in Nebraska alone. It is placed on the ground because the elevators are filled. The elevators remain full because no boxcars are available.

The midwestern and western railroads build considerable numbers of boxcars. They are loaded with the products of our area and sent east and south. They are not returned promptly. Another railroad will find it cheaper to pay the daily charge for someone else's boxcars, and a shipper will find it to his advantage to keep the car because it is cheaper to pay the daily charge than to build boxcars or to build storage.

About 2 years ago, Congress passed an act and was informed at that time that that act, which was signed by President Johnson, would give the Interstate Commerce Commission the tools necessary to regulate boxcars and see that justice is done to the agricultural areas of our country.

Were the members of the Interstate Commerce Commission kidding us at that time in causing Congress to believe that the legislation enacted would enable them to compel offending railroads to return cars? Or are they deliberately failing to do the job now?

Mr. President, why should we have an Interstate Commerce Commission if it has neither the will nor the courage to regulate in the public interest?

Today I was informed that 70 percent of the boxcars owned by the Burlington Railroad are not in their possession on their lines. Why does not the Interstate Commerce Commission act?

THE FOOD STAMP PROGRAM

Mr. MILLER. Mr. President, over the weekend, on national television and in the national press, the junior Senator from South Dakota undertook to assail the President of the United States and other administration officials for opposing a Senate-passed bill containing his amendment to increase the authorization for the food stamp program to $1.25 billion for fiscal 1970, to $2 billion for fiscal 1971, to $2.5 billion for fiscal 1972. This compares to a $610 million appropriation already made for this program for fiscal 1970—more than double the $280 million appropriated for fiscal 1969.

The administration, by its support of the $610 million appropriation for fiscal 1970, is clearly on record in support of very large increases in the food stamp program—to the extent that such increases can be well administered and financed. But it has made it clear that where additional increases cannot be well administered because of the limitations on trained personnel needed to administer a greatly expanded program, or where the fight against inflation would be seriously set back by spending more money than the Treasury would have available, further expansion of the program must be held to $610 million for the current fiscal year, which, as I have pointed out, is more than double the amount for the last fiscal year.

The unreasonableness of the criticism of the President and his administration on this point is highlighted by the recent rollcall vote on the so-called Allen amendment which would have increased the personal exemption, for income tax purposes, from $600 to $1,200, at an estimated cost of $18 billion to the Treasury. This would also have meant that wealthy taxpayers in a 70 percent income tax bracket would have received an $840 tax break for each exemption; whereas taxpayers in a 20-percent tax bracket would have received only a $240 tax break for each exemption.

It is significant, I believe, that the junior Senator from South Dakota and several other members of the Senate who voted for, were paired for, or positioned for the amendment to increase the authorization for the food stamp program to $2.5 billion by 1972 also voted for the Allen amendment. In other words, they put an $18 billion income tax reduction, with the inflation and high interest rates this would promote through budget deficits, on the same level of priority as feeding the hungry.

There has been a lot of talk around Washington about the need to establish priorities, and this does not mean establishing equal priorities, but putting first things first. Negative criticism of the President and his administration should not be permitted to draw the public's attention away from rollcall votes of the critics which would preclude the spending for programs they advocate.

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

Mr. MILLER. I yield.

Mr. DOLE. Mr. President, I did not hear all the remarks of the Senator, and he may have pointed out there will be a White House Conference on Food, Nutrition and Health starting tomorrow. It appears there may be an effort on the part of some to deliberately undercut the purpose of this conference. I speak specifically of John R. Kramer, Executive Director of the National Council on Hunger and Malnutrition in the United States. He appeared before our Committee on Agriculture and Forestry earlier this year. I asked him, frankly, if his statement had been prepared by the Democratic National Committee, because it was nothing more than an indictment of this administration, which at that time had been in power only 5 or 6 months.

I would hope that Mr. Kramer and others who find it so easy to criticize would recognize just what progress has been made by this administration in a few short months.

I hope even more we never reach the point that malnutrition becomes a partisan political matter.

I certainly share the view of the Senator from Iowa that the President and the administration are on the right track.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MILLER. Mr. President, I ask unanimous consent that the morning hour be extended for an additional 10 minutes.

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

Only the Senator's time has expired. The time for the transaction of morning business has been extended to 11:15 a.m.

Mr. MILLER. I ask unanimous consent that only my time be extended for an additional 3 minutes.

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

Mr. DOLE. There are those, Mr. Kra-

mer and others, who have attacked Members of the other body and members of the House Committee on Agriculture, Republicans and Democrats. I believe there are Members of the House and the Senate who are concerned about hunger now and have been for many years. They are concerned about malnutrition but the problem will not be solved by making it a partisan political issue or by making irresponsible statements.

I am not certain whether yesterday's "Face the Nation" program was timed to undercut the White House Conference on Food, Nutrition, and Health, but point out that months ago CBS had a documentary on hunger in America. After the documentary they set out to prove that it was accurate, because many inaccuracies were discovered.

Mr. MILLER. I thank the Senator from Kansas for his comments. I share his concern that the subject of hunger and malnutrition not be placed in the partisan political arena.

The point I was trying to develop in my comments was that negative criticism of the President by critics whose rollcall votes in the Senate would strap the Treasury so that it could not pay for those programs is not well taken.

If there is a discussion in the White House conference about funding of an expanded program to feed the hungry, I think it had better be in a responsible frame, making clear that this is a first priority and that taking money out of the Treasury through amendments to the tax bill is not the way to handle this kind of priority. Once that is gotten across to the people, perhaps such criticism will be placed in proper perspective.

Mr. DOLE. The chairman of the White House conference is Dr. Jean Mayer, considered by almost everyone to be the leading nutritionist in America. He has a great record, and he is not involved in any partisanship, as has been charged by Mr. Kramer. Dr. Mayer is concerned about the problem, and in trying to solve it and to emphasize what needs to be done in America.

I am inclined to believe that on the CBS program yesterday there may have been an effort, wittingly or unwittingly, to undercut the real purpose of this conference, when considering who the panelists were, the questions, and who the guest was, and to me this is unfortunate.

Mr. MILLER. That program, which I did not see, seems to fit into the pattern of criticism voiced on national television by the junior Senator from South Dakota, which I think is most unfortunate at this time, just as this conference is going to get underway. If we want to keep this matter in a nonpartisan political framework I think criticism at the very beginning of the White House conference is not timely at all, and, of course, it is very irresponsible to level such criticism when the critics themselves have been voting for amendments to the tax bill to cut out the programs they say they advocate.

Mr. DOLE. Mr. President, yesterday our colleague, the junior Senator from South Dakota (Mr. McGOVERN), attacked the record of President Nixon in dealing with hunger and malnutrition. He accused the administration of "double talk" and "double action." And he accused the administration of blocking hunger legislation in the House of Representatives.

These charges are not true. In fact, the Nixon administration has launched the most far-reaching attack on the problems of hunger and malnutrition in our country's history. The President has accepted the responsibility of eliminating hunger in America for all time. He has proposed major amendments to the food stamp program that will allow that program to provide participants with a nutritionally adequate diet at a cost they can afford. President Nixon has proposed that free food stamps should be available for the very poorest families. The President has gone further and authorized his Secretary of Agriculture to begin a pilot free stamp program in Jasper and Beaufort Counties in South Carolina.

These reforms are not being blocked by the administration. They are being blocked, if at all by a Democrat-controlled Congress.

When fully implemented the President's food stamp program will cost $2.5 billion per year. It will combine with the new assistance available to the poor under the President's family assistance plan as part of the most extensive and basic attack on hard-core hunger and poverty ever proposed.

The record of the present administration in the war on hunger and malnutrition is one we can be proud of. It should not be subject to unfair and misdirected attacks.

The President has made a full commitment to eliminate these serious threats to the health of the Nation. As far back as last June, after very serious and thorough study, the administration proposed legislation to transform the food stamp program into an enlarged and effective weapon against poverty-induced hunger and malnutrition. The budget request for the 1969–70 fiscal year was sharply increased to over $600 million. When fully implemented over the country, this proposal envisioned a program costing about $2.5 billion annually.

Senator McGOVERN's bill, which recently passed the Senate, is simply an enlargement of the administration's bill. Its basic purpose is to provide authority to make major modifications in the present food stamp program. The same purpose and concepts are embodied in the administration's bill. It should not therefore be construed that the administration is less interested in eliminating hunger and malnutrition than is Senator McGOVERN. It does not help, in the final analysis to attack every measure to help the poor simply on the basis that it is inadequate. Rather it is time we got together on a constructive effort to pass the legislation and vote the funds that are needed.

The Senator from South Dakota criticizes the President for not supporting a $2.5 billion food stamp program. The President has proposed such a program. The Senator's own legislation would authorize expenditures of only $2.5 billion on a food stamp program that would cost nearly $6 billion with only two-thirds of the eligible families participating. Is this intended to be a 6-month food stamp program? I just do not know.

The administration has proposed a $2.5 billion food stamp program that will combine with family assistance to attack not only hunger, but the root of hunger—that is poverty. As additional resources become available, family assistance will provide a vehicle for expanding this attack with cash assistance that will not only meet the needs of the poor, but do so with a measure of dignity.

THE PASTORE BROADCASTING BILL

Mr. KENNEDY. Mr. President, S. 2004, popularly known as the Pastore bill, now before the Subcommittee on Communications of the Committee on Commerce, presents one of the most difficult and sensitive problems before any committee of the 91st Congress. The purpose and effect of the bill and its potential for radically changing the nature of the broadcasting industry in the United States are matters on which that subcommittee will be focusing during the coming weeks and months. Whether or not a bill is reported by the subcommittee and then by the committee, the questions involved deserve the attention of every Member of the Senate. A great deal of light is thrown on these questions in an exchange of articles published in the current issue of the New Republic. Prof. Louis L. Jaffe, a professor of law at Harvard and one of the most eminent administrative law experts in the Nation, has written a piece entitled "We Need the Pastore Bill." A response entitled "No, We Don't" has been written by one of the most imaginative, energetic, and intelligent men ever to serve as a member of the Federal Communications Commission, Nicholas Johnson. Since I believe that the articles are worthwhile reading for all Senators and for Members of the House, as well, I ask unanimous consent that they be printed in the RECORD.

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

[From the New Republic, Dec. 6, 1969]

WE NEED THE PASTORE BILL

(By Louis L. Jaffe)

The critics of the Federal Communications Commission have been checkmated by Spiro Agnew. Now that he has appropriated their concepts and their terminology—for example, that irrelevance, "the public's airwaves"—they may be compelled to consider the implications of their thinking. For years they have refused to face the problems involved in their demand for government regulation of the *quality* of broadcasting. They have simply ignored the arguments against it and the procedural proposals for implementing it.

The most recent example is their hosannas for the fatuous decision of an FCC rump (three out of seven commissioners voting affirmative and one negative) in the Boston WHDH case and their outraged denunciations of the Pastore bill.

In WHDH the Commission, overturning its practice of decades—a practice upon which the economics of the broadcasting industry has been built—decided that a broadcaster's license would be up for grabs every three years! It is true that the Communication

Act of 1934 as it was drafted would support such a reading—licenses are renewable every three years. But the understanding of Congress manifested in many ways and the consistent practice of the Commission has been that if a licensee behaved itself it would be renewed. In WHDH there was no finding that the licensee had misbehaved or that its programs were deficient; simply a determination that a competing applicant was preferable because WHDH was owned by a newspaper and it was not. The objective of diversifying the media is absolutely sound, and in an initial contest for a license there is a valid basis for preferring an independent to a newspaper-owned applicant. (WHDH could have been decided on the basis that it was in fact an initial licensing proceeding. The Commission has since indicated that the case is a special one not to be taken broadly. Arguably, this makes the Pastore bill unnecessary.) But to license a newspaper-owned broadcaster and then after the investment is made to forfeit it to a newcomer is inexcusable. It is inequitable and functionally unsound. The obvious riposte was the Pastore bill, which provides that if a licensee has fulfilled its obligations it is entitled to be renewed.

Yet *The New York Times* and *The New Republic* ("Pastore's Pet," October 25, 1969) have denounced the Pastore bill. They have resorted to the amazing analogy of an election for public office. An officer must run for reelection, they ask, why not a broadcaster? And why not the *New York Times* or *The New Republic*? Scribners? the theaters? the moving picture houses? Oh, but the broadcasters are using the "public airwaves." Well, *The New Republic* is using the public's mail with its second-class mailing privilege. However, the whole argument is irrelevant. The function of broadcasting is communication and the question is whether a communication industry financed by private capital can be run on a three-year basis. Once the question is asked it appears to be almost rhetorical.

We may have to face the irony that *what we now need is precisely something like the Pastore bill.* That bill forbids the Commission to consider new applicants unless it first finds that the present licensee has failed to measure up to its responsibilities; the Commission is required to pinpoint the licensee's failures. Without such a bill, the licensee must compete with new applicants, so that he can be defeated on a merely comparative basis. His rival may freely improvise what is needed to establish that his future performance will be superior. Thus, the Commission would have an easy opening for censoring the licensee and keeping him in constant terror.

But there still remains the question whether whatever the sanctions, the *quality* of broadcasting can and should be controlled by government. For example, Thomas Hoving, chairman of the National Citizens Committee for Broadcasting, has agreed WHDH as an entré for improving the quality of television. It may be possible to isolate cases of particularly outrageous exploitation of sex and violence. A trial examiner of the FCC has indeed recently refused to recommend the renewal of a Los Angeles station. That station day after day has shown motion pictures of the most nauseating character deliberately beamed to the whole family. Yet we are all aware of the basic difficulties of judgment in this area, and of the near impossibility of developing objective standards, particularly of positive quality. And Mr. Agnew's performance should help those who to date have chosen to ignore the problem, to face up to it. Do they really want the bureaucrats of the FCC judging programs?

Is there then no role for government in the improvement of broadcasting? Possibly not a great role but there is a role, and it is better to understand what it may be, rather than to demand what is dangerous or impossible.

Spiro Agnew and FCC Commissioner Nicholas Johnson are agreed on one thing—the high degree of control in the broadcasting industry. Much of this is unavoidable as long as the networks serve significant and valuable functions in newsgathering and expensive entertainment formats. But there are possible ways of reducing network power and of reducing multiple ownerships of the broadcast licenses. We can encourage CATV—the present policy of the FCC is moving in that direction—and of other technical innovations. CATV may solve the scarcity problem; it brings signals into the home by cable rather than over the air and thus could expand enormously the number of channels available. We can maintain competition in these developing areas. We can, in short, seek to promote more competition and more voices in the communications industry.

What about programming responsibility? We cannot do much about quality but we can lay down rules requiring stated minimum amounts of public service programming. Professor Hyman Goldin is proposing a requirement of a certain amount per week, in prime time, of public service programs by the networks. A recent proposal suggests that advertising during children's programs be severely limited. More generally, maximum advertising standards could be established and perhaps the FCC could devise and police a more general definition of excessive commercialism.

This does not exhaust the potentialities of useful government control. But beyond government regulation, we can subject broadcasters to continuous surveillance and criticism. We can encourage the local publics to participate in renewal proceedings, as indeed some of them, particularly the blacks, are now doing. But ultimately there is a limit. We have committed broadcasting to an industry financed by advertising. It is, then, an essentially popular, mass-audience medium. CATV, public and educational broadcasting can provide something for elite audiences as commercial broadcasting does now in its news, sports, occasional public service programs and sometimes high-level entertainment (*vide, Midsummer Night's* Dream, Vladimir Horowitz). It is encouraging that recently public and educational television is substantially increasing its appeal; polls show that four out of every 10 households watch it. Anthony Lewis recently noted that even in England—half commercial, half public TV—programming is becoming more and more "popular." As long as the masses support TV by taxes or advertising revenue, it is idle to expect it to be much different from what it is today. We should strive for improvement and for diversification within the limits of the possible.

NO, WE DON'T

(By Nicholas Johnson)

Few men have contributed as much scholarship and creativity to the field of administrative law as my friend and former colleague in this vineyard, Professor Louis L. Jaffe. It is, therefore, with considerable hesitation that I respond to *The New Republic's* request that I "answer" his article.

There is much in Professor's Jaffe's argument with which I agree. I agree that there is a "role for government in the improvement of broadcasting"; that "the objective of diversifying the media is absolutely sound"; that "there are possible ways of reducing network power and of reducing multiple ownerships of the broadcast licenses." I agree that "we can encourage CATV . . . [and] promote more competition and more voices." I of course agree that "we should strive for improvement and for diversification within the limits of the possible." I agree that "we cannot do much about quality," that we do not "want the bureaucrats of the FCC judging programs," but that "we can lay down rules requiring stated minimum amounts of public service programming"—including network "prime time . . . public service programs." I agree that "public and educational broadcasting can provide something" in addition to commercial fare. I agree that "maximum advertising standards could be established," and that "advertising during children's programs [should] be severely limited." I agree that "local publics" should be permitted (he says "encouraged") to participate in renewal proceedings."

I most emphatically disagree, however, that *"what we now need is precisely something like the Pastore Bill."* Let's begin with a few basics.

Virtually every country in the world treats broadcasting as an activity possessed of unique public responsibilities. In many places—Scandinavia among them—all stations are owned and programmed by an agency of government or a public corporation. Other countries have supplemented their public broadcasting facilities with the competition of privately owned, commercial stations (subject to government regulation). Japan is an example. When England supplemented its world-famous BBC service with "Independent Television," the new stations continued to be publicly owned. They are merely programmed, during portions of the week, by various programming companies licensed for fixed terms by the Independent Television Authority (ITA). (Unlike the Federal Communications Commission, the ITA has been quite freely encouraging competition by refusing to renew some companies' authority.)

These special responsibilities of broadcasters are based upon a number of considerations. (1) Only one broadcast signal can operate on a given frequency, at a fixed time and place; some rules are necessary. (2) Presumably the rules could have been evolved by courts (as we regulate the use of air space for buildings and other purposes); but it has been generally conceded that administrative regulation of some kind seems to have worked better. (3) There tends to be a much greater demand for broadcast stations than the supply. This is due in part to the technological limits upon the number of stations in a given advertising market, and the resultant opportunity for monopoly or oligopoly profits. (4) Most countries have concluded that it is inappropriate to permit the "homesteading" of this public resource through ownership from use. They have, instead, utilized public licensing when private use is permitted at all. (5) They also recognize the awesome potential of such a powerful instrument of enlightenment or propaganda to do a nation's people good or ill. They recognize that in any country in which public opinion is relevant to public policy the power of those who control the mass media is far greater than that of elected officials. (6) Most countries have not limited profits, or exacted significant fees, for the use of frequencies. They have, instead, established some minimal standards of fair play and insisted that the public be repaid through public service programming; service above and beyond what profit-maximizing in the marketplace would produce.

Such concerns and standards have their analog in the history of broadcast regulation in the United States. During the debates on the Radio Act of 1927, and the Communications Act of 1934, fears were often expressed that (as Congressman Johnson put it in 1927) "American thought and American politics will be largely at the mercy of those who operate these stations." A six-month license term was originally specified.

Later (as the industry gained political power) this was extended to one year and then three years. (Recently the industry has been urging—and former FCC Chairman Hyde supported—a five year term.) Even the National Association of Broadcasters acknowledged in the early years that: "It is the manifest duty of the licensing authority in passing upon applications for licenses or the renewal thereof, to determine whether or not the applicant is rendering or can render an adequate public service. Such service necessarily includes broadcasting of a considerable proportion of programs devoted to education, religion, labor, agricultural, and similar activities concerned with human betterment." The FCC was established as the people's representative to see to it that the licensees would, indeed, "render adequate public service."

For a variety of reasons the system hasn't worked. As in so many other instances of government "regulation" of an industry, the FCC has performed as the ally of the broadcasters in every light skirmish with the public. The FCC once decided that a radio station with more than 30 minutes of commercials per hour was serving the public interest. It approved the renewal of a station that quite candidly reported it proposed to program no news, and no public affairs. It first refused public participation, and then ignored protests about racist programming from a station in Mississippi—only to be roundly reversed, repeatedly, by the United States Court of Appeals. Seldom has the FCC found even the most exclusive monopoly control of the mass media to violate the public interest—notwithstanding the vigorous protests of the Antitrust Division of the United States Department of Justice. It examined the record of a station guilty of bilking advertisers out of $6000 in fraudulent transactions—while on a one-year, probationary status for similar offenses earlier—and found that the station had, nonetheless, "minimally met the public interest standard." And recently the Commission showed its reluctance to enforce even its technical and business standards, when it refused to consider license revocation for a licensee who had been charged with not paying his employees, stealing news, ordering his engineer to make fraudulent entries in the station's logbook, operating with an improperly licensed engineer and 87 other technical violations over a three-year period. Despite the questions raised about technical operation, the extent of licensee control, and financial qualifications, the Commission decided to keep the licensee in business.

The broadcasters, meanwhile, look at this record of FCC performance and are concerned that the standards have been too onerous. They certainly have never, to my knowledge, complained that the kind of intellectually corrupt decisions just mentioned are as much of a disservice to the industry as to the public—as I believe to be the case. The industry has for decades deluded itself into believing, as National Association of Broadcasters Chairman Willard Walbridge put it on "Face the Nation" the other day, that "the public says that the programming is fine . . . that they like broadcasting pretty much he way it is."

This refusal to face facts has been, in my judgment, the greatest single handicap broadcasters confront. It is a blind spot that has been created and purveyed to the great profit of the broadcasting subgovernment in Washington (*Broadcasting* magazine's full page ads and collection of downtown real estate; the NAB's rising dues, lobbying funds, handsome expense accounts, and new multi-million-dollar building). But it has led the broadcasters themselves—jovial, prosperous, martini in hand—down a jungle road into the largest ambush from an outraged citizenry ever confronted by an American industry.

I have been warning broadcasters since I came on the Commission in 1966 that they were going to pay a very severe price for ignoring the rising chorus of complaints from their audience. A growing minority of responsible broadcasters have responded. They recognize their obligations, and their problems, and are trying to reform. But an uncomfortably large number still practice haughty, arrogant disregard of public, critics, government, professional standards—everything, indeed, but ever-escalating profits.

Virtually every aspect of television is under attack from some quarter. Television does to your mind what cotton candy does to your body. It attracts your attention, makes you want it, and then leaves you with nothing but an empty feeling and a toothache. The resulting frustration and anger are manifest in many ways. Some people are concerned about the violence on television. (They include the Eisenhower Commission on Violence; the chairman of the Senate Subcommittee on Communications, Senator Pastore; the Surgeon General; and the National Institute of Mental Health—along with thousands of scholars and parents.) Some complain about television's impact upon our moral values, the obscenity, and so forth. Some believe the newsmen are biased—either for the establishment (Abbie Hoffman) or against it (Vice President Agnew). Blacks complain about the failure of the media to serve their needs and interests (picket signs read, "Soul Music Is Not Enough"), and to employ qualified minority group members (the industry's record is one of the worst in American business—the Department of Justice, the Equal Employment Opportunity Commission and the Community Relations Service are all concerned). Mothers are angered by the lack (or impact) of children's programming and commercials. (Action for Children's Television recently picketed WHDH in Boston for cancelling part of "Captain Kangeroo.") Action on Smoking and Health is attempting to enforce the fairness doctrine requirement that stations carry anti-smoking spots—something the FCC refuses to do. (Broadcasters argued to the Supreme Court that the requirement violated their First Amendment "right" to keep information about health hazards from their audience. They did not prevail.) Local groups in Atlanta, Chicago and Seattle protested the loss of classical music from radio. My mail comes from all age groups, all educational and economic levels, all sections of the country, and all positions on the political spectrum. That television needs some improvement, and that the profiteers of the public airwaves are not living up to their responsibilities, are propositions for which Agnew's army and the "effete intellectual snobs" march arm in arm.

What the people have discovered during the past few years is that writing letters—to advertisers, networks, stations, and FCC—while helpful, is not enough. Looking about for alternative remedies—short of bombing the RCA building—they have seized upon "the fairness doctrine" and the license renewal process.

The requirements of the fairness doctrine are loose. It does not require the presentation of any particular spokesman. It only requires that a broadcaster be "fair" in his presentation of all points of view on controversial issues of public importance. If not, any citizen can file a "fairness complaint" with the FCC. The complaint must be acted upon. If it is accepted, the broadcaster—and all others like him—must present the omitted point of view. If rejected, the complaining citizen can appeal to the United States Court of Appeals and ask that the FCC ruling be reversed.

But many complaints are not covered by the fairness doctrine: minimal quantities of local programming, excessive commercialization, failure to carry network documentaries, and so forth. And citizens unwilling to have their legitimate protests treated like junk mail soon found relief in the FCC's licenses renewal process.

In 1927 and 1934 the Congress purposefully provided that an FCC license would only be "for the use . . . but not the ownership" of the assigned frequency. The license would be for a term. After that term the FCC could refuse to renew; it could grant the license to another party. The licensee's relation to the government was to be very much like that of a highway contractor—he is free to bid against others for an extension of the profitable relationship, but he is not entitled to an additional term as of right. The US Court of Appeals has said he must, like a public official, literally "run on his record"—an analogy Professor Jaffe professes to find "amazing."

All that is different today from thirty years ago is that citizens' groups all across the country have dusted off this old legal machinery, found the "push-to-start" button, and have begun to make it work as Congress intended. License renewal challenges are now pending in New York, Los Angeles, Boston—and other cities. It is not, as Professor Jaffe says, that the Commission has recently come up with a whimsical decision "that a broadcaster's license would be up for grabs every three years!" It is rather, as he goes on to explain, "that the Communications Act of 1934 as it was drafted would support such a reading."

The broadcasting industry's response has been to say, in effect, that "all these public rights were acceptable so long as no one knew about them or used them; now that they do we must have some protection." It is rather like a businessman supporting the theory of small claims court until claims are filed against him.

In fact the broadcasting industry, and Professor Jaffe, are premature in their concern. For all the talk, the FCC has yet to transfer a single license from a broadcaster to a protesting group because of poor programming performance. (WHDH is easily distinguishable, as the Commission pointed out in a subsequent opinion, and as Professor Jaffe knows. KHJ has not yet been decided by the Commission. WLBT is still on remand from the court. The other cases are in various stages of development.)

There are 7500 stations in this country. All the licenses in a given state come up for renewal at the same time. With three-year terms, this means roughly 2500 a year. Even if the FCC were to take away two or three licenses a year—something it has yet to do during its 42-year history—we would still be providing rubber stamp renewals to 99.9 percent of the stations. Professor Jaffe poses the question "whether a communication industry financed by private capital can be run on a three-year basis." Given an industry-wide average 100 percent rate of return annually on depreciated tangible investment, and a 99.9 percent (or better) probability of license renewal, I would agree with Professor Jaffe that "once the question is asked it appears to be almost rhetorical." At the least, it is scarcely grounds for Professor Jaffe's concern that the "Commission will have an easy opening for censoring the licensee and keeping him in constant terror." (The Commission has repeatedly made clear its unanimous position that it will not second-guess its licensee's programming content, whether Democrats complain about coverage of the 1968 Convention, or Republicans complain about comments following Persident Nixon November 3 Vietnam speech.)

The Pastore bill is a three sentence bill. It provides, in pertinent part, that ". . . the Commission . . . may not consider the application of any other person for the facilities for which renewal is sought. . . . If the Commission determines . . . that a grant . . . would not be in the public interest . . . applications . . . by other parties may then be accepted. . . ." In short, the Commission would be precluded by law from accepting the assistance of the people with the greatest incentive to evaluate whether "a

grant . . . would not be in the public interest"—namely, those who stand to gain economically by obtaining the station if they can convince the FCC the broadcaster's license should not be renewed.

Let us assume for a moment that there may be a kernel of legitimate concern buried beneath the broadcasting industry's pile of propaganda, irresponsibility, public relations, arrogance, greed, political power, and general confusion. Let us assume that there are responsible broadcasters with a spectacular record of local and public-service programming who are frightened because any disgruntled member of their audience can throw them into a burdensome and expensive hearing. Let's say they believe that during that hearing their performance will be measured against standards that have never been articulated.

In the first place, the outstanding broadcaster has little to fear. He knows the people of his community and they know him. He heads off legitimate complaints before they become serious. He is seeking out representatives from all segments of his audience, including potential protestors, even more than they are looking for him. He knows such an approach is just good, audience-building business—as well as public service. Any group seriously looking for a license to challenge is going to go after the station with the lousiest record in town, not his station. In the second place, there is no reason why the FCC need hold long, useless, harassing hearings. Administrative practice is flexible enough to permit the FCC to draft hearing issues tightly, and to use informal pre-hearing procedures, to enable the frivolous cases to be disposed of quickly. (In fact, the most innovative current development has been the negotiated "settlements" in Texarkana and Rochester between outraged citizens and local broadcasters. Renewal hearings were contemplated, and then dropped, in exchange for concessions by the stations. This innovative means of self help involved little burden on the broadcaster.) Finally, if anyone in or out of the industry is seriously interested in helping to draft standards for the comparative evaluation of stations' license renewal their contribution will be most welcome. So far Commissioner Cox and I have been unable to pick up a single additional vote for the proposition that stations proposing less than one percent public affairs programming ought to be asked why they believe that serves the interests of their local community! We have followed that with our book-length studies; and proposed standards, in the Oklahoma, New York, and now Mid-Atlantic renewals. Some standards were suggested by Professor Jaffe (which we have been using for some time in slightly altered form). As he quite correctly points out, the fact that it is virtually impossible to evaluate quantitatively the quality of a given program does not mean that it is impossible to evaluate the programming performance of a broadcaster.

We can all look forward with Professor Jaffe, to a day when there is greater diversity and competition in the audio and visual programming product. The Public Broadcasting Corporation, subscription television, cable television, direct satellite-to-home broadcasting, common carrier channels, standards for "public access" to the mass media in accordance with the Supreme Court's *Red Lion* decision, FM and UHF station development, more educational stations, community supported stations like Pacifica, home access to audio and video libraries of programs, home video recorders, and tape and disc players—all these developments, and more hold out hope for the future. If the totality of the broadcasters' product were truly offered to the audience as magazines are today—subscriptions, newsstand sales, and libraries—much, if not all, of the need for program performance regulation would vanish. But that day it not yet here. It is not even near. And until it is we are left with the contrast between the intention of the drafters of the 1927 and 1934 Acts and the current practice of the FCC and the broadcasting industry.

The FCC has demonstrated conclusively, for all to see, its inability to serve the public interest without the active participation of public groups. Chief Justice Burger knew this, and said as much is the first *United Church of Christ* case (involving WLBT in Jackson, Mississippi). The broadcasters knew it; they are much more comfortable with their friends at the FCC than when confronting their hostile audience. Senator Pastore and Professor Jaffe ought to know it.

The broadcasting lobbyists, Senator Pastore, Professor Jaffe, and other supporters of S. 2004 ought to know that, after the rhetoric is cut away, the net effect of the Pastore Bill will be to remove from the people the only thin small reed to which they now cling in their self-defense struggle against the combined force of the broadcasting industry and the FCC. They ought to know that its passage will leave a frustrated people with no recourse, except to engage in more violent protests and other actions that serve the interests of no one.

NEW DIRECTIONS IN THE PACIFIC AREA

Mr. MANSFIELD. Mr. President, on November 5 the junior Senator from Washington (Mr. JACKSON) made an important speech in Seattle urging that U.S. policy toward mainland China be put on "a less rigid, more sensible footing."

Senator JACKSON proposes two immediate steps: First, renewal of the invitation to the Peking regime to join in the 25-nation arms control meetings in Geneva; and second, active pressing of Peking for the reopening of the bilateral United States-China ambassadorial talks, either in Warsaw or at another agreed site. Among other agenda items for the renewed talks, Senator JACKSON proposes greater United States-Chinese people-to-people exchanges including reporters, scholars, scientists, and cultural performers.

Senator JACKSON recognizes that we cannot guarantee a favorable response by Peking to these initiatives, but he argues that a less rigid U.S. policy, which while respecting American treaty obligations in the area, leaves open the way for a positive Chinese response, should increase the chances of more normal relations between our two Governments if not in the immediate future, at least over the longer term.

I recommend this address to all Senators.

I ask unanimous consent that it be printed in the RECORD.

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

NEW DIRECTIONS IN THE PACIFIC AREA

(By Senator HENRY M. JACKSON before the Rotary Club of Seattle, Nov. 5, 1969)

I am delighted to be with you this noon and I am honored to share in this program.

Three times in the past generation the United States has found itself involved in costly wars in the Pacific area. If this painful experience has any lesson for us today, it is that peace and stability in that area depend very heavily on what the great powers do, and notably on the coherence and rationality of our own foreign policies.

In the Pacific Northwest, we have always felt close ties to the countries of the Western Pacific. Our economic and cultural relationships have special significance.

At a time when much of our policy in the Pacific is in a state of flux, I am persuaded that we can make a contribution in attempting to think, and think hard, about our policies, and develop new, forward-looking approaches for the years ahead.

I believe it would contribute to peace and stability in the Western Pacific if Communist China, comprising over seven hundred million people, could begin to re-enter the international community and place its international relations on a more normal, stable plane.

Whether the Peking leadership is seeking opportunities to move in this direction remains an open question.

The Peking regime a few weeks ago commemorated its twentieth anniversary. At present the Chinese people appear to have weathered the worst of the Great Proletarian Cultural Revolution. The Red Guard excesses and the chaos that characterized the period from mid-1966 to late 1968 have given way to some modicum of internal order and stability, albeit under military control. While the Peking regime has continuously aided and abetted Hanoi in South Vietnam, there is evidence that the regime's own military policies remain cautious and of a low risk nature: the refrain is constantly reiterated, "We shall not attack unless we are attacked."

Also, there are some indicators of a new preoccupation in Peking with its diplomatic posture. The Chinese have recently entered into discussion with the Soviet Union regarding the border issue that only a few months ago was leading toward a major Sino-Soviet confrontation—and which may yet end up that way. As for its attitude toward the United States, the Mainland government has evidenced some downgrading in its estimate of the nature of the so-called "threat" from America. Hints persist of a revived interest on the part of the Chinese in reopening the bilateral Ambassadorial talks with us, which Peking broke off in February this year.

Meanwhile, there is the continued progress of the Chinese in developing a nuclear-missile capability. The Chinese detonated two nuclear devices in late September—one underground and one above ground. In fact, Peking's decision to develop nuclear weapons may well be proving counterproductive in that it has encouraged some other governments in the area to consider the indigenous development of nuclear weapons and has made public acceptance of such weapons more tolerable. These are not developments which would be welcomed by any leadership in Peking. Time may well see a changing attitude on its part toward arms control arrangements. It is pretty obvious that sometime, somehow, the Mainland Chinese regime will have to join in the negotiations on arms control if it and the rest of the world are going to have peace and security.

In any event, as far as United States policy toward Mainland China is concerned I believe we should get it on a less-rigid, more-sensible footing.

The U.S. Government has already taken a few hesitant steps to ease exchanges between the Chinese and American peoples. But more are possible, and these may in turn contribute to a more substantive exchange between our respective governments. We cannot guarantee that a favorable response will be the case; we cannot predict how Mao Tse-tung or his successors will respond to U.S. overtures. But a new U.S. policy, which while respecting American treaty obligations in the area, leaves open the way for a positive Chinese response, should increase the chances of more normal relations between our two governments if not in the immediate future, at least over the longer term.

I propose that we take two steps immediately:

1. We should renew the invitation to the Peking regime to join in the 25-nation arms control meetings in Geneva. Negotiations on arms control are going to be long and difficult. This isn't the sort of thing that can be negotiated in a month or six months or a year. But we shouldn't have to waste any time talking about the desirability of Mainland China's participation in such efforts.

2. We should press Peking for the reopening of the bilateral U.S.-China Ambassadorial talks, either in Warsaw or at another agreed site. At the reopening of the Ambassadorial talks the United States ought to be prepared to make constructive suggestions for discussion and negotiation. As I see it these suggestions should include:

The start of mutual U.S.-Chinese exchanges of reporters, scholars, scientists and cultural performers.

The regularization of postal and telecommunication problems.

The improvement of trade relations between U.S. and Mainland China, including the mutual reduction of barriers to trade.

The subject of Mainland Chinese participation in the United Nations and other international bodies on terms that would not exclude the Republic of China on Formosa.

The approach I am proposing is in the interest of the United States. But it is also in the interest of Mainland China. It is time that both the Americans and the Mainland Chinese recognized that they have a mutual interest in, and a mutual responsibility for, peace and stability in the Western Pacific area.

Furthermore, I believe this approach would have a broad appeal internationally and would be supported by our allies and others in the Asia-Pacific area. In effect, we would be signaling the United States willingness to explore with Mainland China directly and with greater concreteness than before the possibilities for peace and stability in the Western Pacific.

In recent months, significant steps have been taken to start winding down the Vietnam war and to reduce American casualties. We are all intensely concerned that progress toward peace in Vietnam be continued in the months ahead. The question at issue in the debate over Vietnam is not whether to end the Vietnam war. Everyone I know wants to do that. The question is *how* to do it?

Many Americans are now preoccupied with the problem of getting out of Vietnam. But we have to be concerned with more than that. We have to be concerned with the kind of world we will be living in after we have withdrawn and with the effect of *how* we withdraw on our ability to deal with the problems of the post-Vietnam world.

As I see it, American disengagement from Vietnam must be phased and orderly, or our foreign policy problems will become more difficult and more unmanageable than ever.

A precipitous withdrawal, a disorganized and haphazard retreat in the face of the recalcitrance we have met at the negotiating table in Paris, would have fateful consequences for the future of this nation and of individual liberty. President Nixon described those consequences in his speech this week. Our adversaries would figure they have us on the run, and they would not hesitate to take advantage of it by pushing their luck in other trouble spots in Asia, in the Middle East, and in Europe. A hasty retreat in Vietnam would disconcert and destabilize other countries to which we have made commitments— for example, South Korea, the Philippines, Japan, not to mention our partners in NATO. And a disorderly withdrawal would not bring peace in Vietnam. Fighting, doubtless bloodier than we have yet seen, would go on and on.

The key to peace in Vietnam is a careful, deliberate and phased replacement of U.S. troops by those in the Army of the Republic of Vietnam. If the South Vietnamese are better prepared today to defend themselves, it is because we have secured for them time in which to build a trained and organized and equipped self-defense force with which to meet the challenge from the North.

In spite of our best efforts, of course, we cannot, from the other side of the world, guarantee the future of the people of South Vietnam. What we can and should do is everything possible consistent with our national interest to leave in the hands of the South Vietnamese the capacity to determine their own future, in short, self-determination.

IDAHO NEWSPAPERS ARE NOT SILENT ABOUT OUR VIETNAM POLICY

Mr. CHURCH. Mr. President, on November 3 of this year, the President introduced a new entity into American politics. By invoking the silent majority—a group which would, presumably, disappear in the very act of asserting itself—the President sought acceptance for his policy of "Vietnamizing" the war.

A number of Idaho newspapers have commented editorially on the President's speech. I ask unanimous consent that three highly perceptive editorials from the Idaho press be printed in the RECORD.

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

[From the Emmett (Idaho) Messenger-Index Nov. 6, 1969]

DUNKIRK

An unprecedented publicity buildup extending over several weeks in advance of President Nixon's Vietnam speech Monday night had created a sense of high anticipation throughout the nation and throughout the world. People had come to believe, or half hope and half believe, that the President would come up with some master stroke of genius that would point the way out of the long and weary war.

The President in essence said three things, all of which have been said before.

1. He said all efforts at negotiation—public, private and secret—have been completely fruitless. He indicated little confidence in future negotiations.

2. He said the United States will not make precipitate withdrawal, leaving South Vietnam and the Saigon government defenseless against the blood bath that would be sure to follow.

3. He said the United States will withdraw on an orderly and flexible, but unannounced, timetable as the South Vietnamese become strong enough to defend themselves. The timetable, he indicated, will be controlled in part by the level of enemy activity and by the rapidity with which the South Vietnamese can be trained and equipped to do their own fighting.

That, said President Nixon, is the solution for ending the war. He said it will work.

It was a great speech, both in delivery and in clarification of official U.S. policy.

By implication, it eloquently expressed three additional points.

1. That the United States has no plan and no hope for defeating the Viet Cong and North Vietnam in battle.

2. That the United States has no intention of abandoning or forcing a change in the corrupt Thieu-Ky regime in Saigon.

3. That the process of disengagement might be very slow and costly, running an indeterminate number of years into the future. The President was very careful in references to withdrawal of ground combat forces, with no reference to support troops of naval and air power.

Another major point was expressed by implication more eloquently than ever before and that is the extreme difficulty and complexity of disengaging from a war that the nation cannot win and will not lose.

For all its eloquence, however, the President's speech omitted the overriding, controlling element in the war. That is the viewpoint of the Viet Cong and North Vietnam and the world powers friendly to them.

That viewpoint is that the war is an internal struggle of liberation that eventually will be won, at any cost necessary, and that the United States is the foreign aggressor. The President and his advisers have spoken brilliantly of what the United States will, and will not, do. They have failed miserably in their unspoken analysis of what the enemy will do.

They have underestimated tragically the tenacity of an enemy that will fight endlessly against all odds for what they believe is right and just. They have underestimated the continuing exploitation by Russia and China of an unparalleled opportunity to embarrass and hurt the United States. It is naive indeed to think that Russia will let the South Vietnamese win when and if the United States completes the phased withdrawal promised by the President.

So President Nixon's much-heralded speech in the end will please none except North Vietnam and Russia, who can bide their time until their day will come. It will displease those who persist in the belief that this nation can and should win its war in Vietnam. It will displease those who believe the United States was wrong in ever going to Vietnam in the first place and compounds the wrong every day it remains there.

The very least the President could have done in his speech would be to pledge aid and support for the establishment of a representative government in South Vietnam. The Thieu-Ky regime is the enemy of the South Vietnamese people no less than the Viet Cong, as were the military dictatorships we sponsored and supported before it.

So what indeed will the VC, North Vietnam and Russia do now that the United States is definitely committed to pull out at some unspecified time in the future?

Two immediate options are open to them.

They can sustain and perhaps even intensify the military pressure in the hope that the unceasing cost and highest possible American casualties will spawn really serious disorders in the United States.

Or more probably, they can reduce the level of hostilities, thus hastening the American disengagement while they gather their forces and plan for the takeover of South Vietnam at an appropriate time.

The eventual outcome will be the same. The unknown is when.

When this era is studied in the history books of the future, it will be recorded that the United States destroyed South Vietnam, and perhaps other areas of southeast Asia as well, by sending hundreds of thousands of troops to their defense—by making an American war on the Asian mainland. No more tragic blunder has ever befallen this nation.

As was proved in Indonesia, and as would be proved in Thailand and Malaysia if left to their own devices, these nations could work out their own destinies were it not for the pauperization of spirit imposed by a foreign power assuming their own responsibilities.

President Nixon did not start the Vietnam war, but he and most other Americans supported it from the start. It is the President's personal tragedy, and the nation's tragedy as well, that there is no really satisfactory way to end it.

Americanization of the Vietnam struggle was a mistake from the start, a terrible mistake. It still is. The damage is irrevocable. The wounds cannot begin to heal until it is over and done.

President Nixon should withdraw unconditionally and immediately. It is the only

way to salvage national pride and pave the way for greater world order. The withdrawal should be as rapid as logistics and the physical protection of the last contingents to leave will permit.

[From the Intermountain-Observer, Nov. 8, 1969]

NIXON SPEAKS FROM JOHNSON'S SCRIPT

The failure of Lyndon Johnson as President was a failure to be honest with his constituents. There are complex and elaborate reasons for that failure, but the point is that he did fail in this respect and that as a consequence the nation became divided and severe damage was done.

Richard Nixon is probably acting for different reasons, but he is acting in the same way; he is being less than candid, less than honest, with his constituents. The results cannot be good.

In his much-anticipated speech of November 3, the President fell back on the bankrupt excuses of the Johnson years—the claim that we cannot let people down by being defeated in Vietnam. In point of fact we have been defeated in Vietnam, if defeat is defined as a failure to obtain our objectives; the smart move now is to cut our losses, get out before much more blood is shed.

We agree with the President that a precipitate withdrawal would cause more bloodshed than it would prevent, and so a certain amount of delay is acceptable, provided the delay is not indefinite and the withdrawal continues at a rapid rate. There is little if any excuse to still be in Vietnam when 1971 begins.

We are convinced that President Nixon made up his mind as long ago as last spring to withdraw all our forces step by step. His mistake was that he did not announce this intention to the world. If he now continues this plan, it will appear that he was pushed into it by the Vietnam Moratorium demonstrators, and the reaction will be bad. And if he comes to believe his own rhetoric and fails to withdraw, the meaningless violence will go on and on, and the division in America will become worse and worse.

Mr. Nixon not only read from one of LBJ's old speeches; he also fell back on one of his own worst old vices: he talked out of both sides of his mouth. At one point he could say that he would not break faith with "the silent majority" which supports his policy of letting the war drag on. Yet at another point he could say that the easy political course would have been to withdraw immediately when he first became President. He did not explain how immediate withdrawal and continued war can both be the will of the people—nor did he say why it is dishonorable to follow the popular course in January, but honorable to follow the popular course in November.

For the sake of peace, Mr. Nixon should probably be permitted his secrecy, his doubletalk, and his pretense, just so long as he gets the troops out of the war. But it would be useful if he could and would do something along the way to heal the national split; if he could, for example, more forcefully and in his own name acknowledge the efforts of the Moratorium backers are making for peace. President Nixon pulled the rug out from under his Secretary of Health, Education and Welfare in order to please a pressure group as small as the American Medical Association. Surely he could do the same thing to a lesser man—Spiro Agnew—in order to please a larger and more responsible group—the Moratorium demonstrators.

[From the Lewiston (Idaho) Morning Tribune, Nov. 4, 1969]

A JINGOISTIC UNILATERAL WITHDRAWAL

President Nixon's address to the nation last night on the Vietnam war produced little more than a restatement of his existing plan for ending the conflict on his own time schedule.

There were no breakthroughs, no surprises and no hope for a dramatic and sudden conclusion. But the speech was a masterful and probably successful political performance calculated to invigorate American faith in his role as commander-in-chief, regain control of the nation and snatch the initiative from those who would have peace tomorrow at any price. He may have bought some time.

Domestically, his remarks were a mixture of the responsible and the irresponsible.

The address was responsible to the extent that it laid out coherently what his policy is. It communicated. Some of the speakers who addressed Moratorium Day audiences across the nation Oct. 15 criticized the President for not taking steps he had already taken. The blame for those incidents must be shared by the speakers in question and by Mr. Nixon for failing to make his position clear enough to compromise the credibility of critics who don't do their homework.

After his address of last night there can now be no mistaking the President's position. Agree or not, it is clear what Mr. Nixon intends to do. He should report to the people more often.

But the President courted a rash response in calling for a specific strain of emotional support that can only intensify, rather than quiet, the screaming of political factions and parochial generations against one another.

In one breath he differed with his immoderate vice president in conceding the integrity and national devotion of his critics. Mr. Nixon acknowledged that "honest and patriotic Americans" have differed with administration policy. He even declared his respect for the "idealism" of the young who have led the attack on his war posture.

But in the next breath he urged Americans to be united for peace and "against defeat." He said "only Americans" can defeat and humiliate this nation, not the North Vietnamese or the Viet Cong. And he called for "the silent majority" to help win the peace and avert the defeat by making their sentiments known.

The tone was temperate. The message was inflammatory. It amounted to an invitation to the nuts on the right to meet the nuts on the left in the streets. The President cannot have failed to realize that his remarks amount to urging simultaneous counterdemonstrations against the second Moratorium Nov. 14–15.

It's a free country, and everyone can speak his mind for or against the war, but the juxtaposition of Mr. Nixon's words invite a specific response to a specific opinion on a specific day. The President is not a man who would knowingly foster political street battles, but in asking "the silent majority" to make their sentiments known, he naively set the stage for a Nov. 14–15 conflict.

Since the speech covered no new ground, its style and strategy seem more significant than its reiterated message. But the message, though repetitive, was plain for the first time. And while the hawks are girding for the opportunity to put the peacemakers in their place, the doves should not lose sight of one encouraging aspect of the policy Mr. Nixon enunciated last night more clearly than he has before:

Whether it is fast enough or based on sound reasons, the fact is that the President is ending the war in Vietnam. While there was some vague threats of counterescalation, the President said, virtually, that he will end the war no matter what the other side does. He described a blank wall on the diplomatic front, offered no hope that Hanoi will become more reasonable and still went on to say that he will bring the war to an end "regardless of what happens on the diplomatic front."

He described the operation in jingoistic euphemisms, but what his plan amounts to is turning the war over to the South Vietnamese whether the South Vietnamese want it or not. Only the pace of American withdrawal, not the intention, can be affected by developments at the peace table and on the battlefield.

It is one thing for the doves to complain that Mr. Nixon clings to the domino-theory slogans of the Johnson administration; it is another to contend inaccurately that his approach is the same as Mr. Johnson's.

Clearly his policy is to extract America soon from the war and call it a victory. That differs only semantically and in pace from the dove position of extracting Americans from the war immediately and calling it a sobering experience. Unlike Mr. Johnson, Mr. Nixon is ending the war, albeit at a speed consistent with his own political image and with occasional overtones of the Old Nixon.

Mr. Nixon is steadfastly following a policy of unilateral withdrawal while calling it by other names and pretending to reject that course.

Ending the war is the correct course, it is what his critics wants and it will conclude this bloody business quite soon. Nothing can alter the course if the peace movement can exercise the good sense not to give Mr. Nixon too many Agnewish lumps as he grimly leads this nation to something finer than meddling in the internal affairs of a corrupt land whose most sinister elements never were a real threat to the United States.

YOUNG DETROIT MUSICIAN WINS ACCLAIM IN ITALY

Mr. GRIFFIN. Mr. President, I am pleased to invite attention to the latest chapter in the success story of a remarkable young Detroiter.

Mr. James Frazier, though still not 30 years of age, has won international acclaim for his contributions in the field of fine music.

Two weeks ago, this brilliant young man became the first American to win the coveted Cantelli prize at the La Scala Opera House in Milan, Italy. The prize, which is awarded to promising conductors of symphonic music, was established in the name of a protege of Toscanini, Guido Cantelli, who died in a 1956 airplane crash.

Mr. Frazier's achievement is notable from many standpoints, one of which is that he is an American who happens to be black.

America has good reason to be proud of this young maestro.

I am sure we will be hearing much more of him as time goes on.

Mr. President, an article about Mr. Frazier, written by John Askins, was published in the Detroit Free Press of Sunday, November 23, 1969. I ask unanimous consent that the article be printed in the RECORD.

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

BLACK MAESTRO ENDS LONG TREK TO PODIUM

(By John Askins)

The workers at Milana La Scala called out in Italian, "Good morning, Maestro," and bowed deferentially. It puzzled the handful of American tourists standing around.

Why were the doormen and so forth being so, you know, emotional about this young black guy, they asked each other.

It didn't bother James Frazier though. Hardly anybody knew even who he was in Detroit, his home town; he certainly didn't expect Americans to recognize him now in another country.

Besides, he had just won the Cantelli

Prize the day before, and nothing could get under his skin. And tomorrow night, he would be standing at the La Scala podium, his baton upraised, an expectant hush behind him, and he had a lot to think about. La Scala audiences are among the toughest in the world.

So he smiled and said, "Buon giorno" in his broken Italian and went in to rehearse the orchestra. One thing at a time.

When Frazier made his debut with the Detroit Symphony in 1964, he gave himself five years to get somewhere in the music world.

"If I hadn't made it by the time I was 30," he says now, "I was gonna go back to medical school. I didn't want to be 35, 40, 50 and still, you know, making it."

Last week, at 29½, he won the prestigious Cantelli Prize and the important agents began taking a serious interest in him for the first time. It won't be automatic, but his future looks bright.

"It was just a combination of fortuitous circumstances," he said later in his quiet, polite way. Then he broke into a wide grin. "But I just got in under the wire, didn't I? I'll be 30 in May."

Frazier started his music career at the age of 5 ,when he began taking piano lessons at the Detroit Conservatory.

He performed at school and in churches around Detroit all during his childhood and at 14 took over as choir director at People's Community Church. After graduating from Northwestern High School he enrolled at the University of Michigan, planning to get a degree in music.

But he became discouraged about his future as a serious black musician in the mostly white world of classical music, so he decided to become a physician. He graduated from Wayne State with a chemistry degree, applied to Howard Medical University School and was accepted.

Fortunately, before he left for Howard one of his former music teachers came down from Ann Arbor to hear a performance at People's Community Church featuring the great black singer William Warfield, with Frazier directing the orchestra.

The teacher urged Frazier to reconsider his decision to abandon music and convinced him to enter a conducting competition in Liverpool, England. Frazier didn't win but he received a special award aimed at encouraging him to continue his training.

When he returned to America, the teacher got him accepted at the Interlochen summer music camp, where he worked with an assistant to Eugene Ormandy, conductor of the Philadelphia Symphony Orchestra.

The assistant sent him to Ormandy, who listened to him conduct and then sat down and wrote a letter praising Frazier's ability, a rare gesture.

The award and the letter, coupled with a good deal of persuading by People's Community Church fathers, convinced the Detroit Symphony to give Frazier a chance. But his debut came during the 1964 newspaper strike and attracted little public notice.

Frazier went back to the University of Michigan and got a master's degree in music. He taught for a couple of years, waiting for something to happen. He attempted international competitions from time to time with only modest success.

"I had all these hangups that were bothering me," he explains. "I was very reluctant to go into the Milan competition because I felt, 'Well, maybe I don't have the ability.' But I finally decided it was the hangups that were inhibiting me, and so I put them out of my mind and went to Milan. Fortunately, I won."

But it was more than good luck. There were 42 contestants for the Cantelli Prize, established in the name of a brilliant young composer and conductor, Guido Cantelli, who died in 1956 airplane crash flying from Italy to New York to conduct the New York Philharmonic. Cantelli was a protege of Arturo Toscanini.

Frazier and 11 others were picked as semi-finalists. The semi-final competition required each contestant to rehearse and direct the La Scala orchestra in any one of the eight movements from two Beethoven symphonies.

As one of three who survived that trial, Frazier was put to a two-part test: First, conduct Brahm's "Tragic Overture;" second, conduct any one of four works chosen by the judging committee. Frazier picked Ravel's "Daphnis and Chloe," a personal favorite.

His victory was a combination of talent, exhaustive preparation and careful strategy. He went over the music in advance until he knew every piece by heart. "Just like studying for a test," he explained blithely.

He tried to anticipate parts of the scores that would be likely to cause orchestral problems—and he tried to "psyche" the judges. "I knew they would be looking for someone who could make the audience respond, so I thought I would make my fortes LOUD, for instance."

The orchestra members voted for him 76–9. The orchestra gets only one vote in the judging, but its favorite obviously has a bit of an edge. After a prolonged debate (one of the judges was strongly pro-Italy, and the other two finalists were Italian), Frazier was named Il Vincitore, the winner.

He believes his work with the Brahms symphony made the difference. "A lot of times there were places where the woodwinds had important parts and I made them play contrary to what the score said. The score would say 'soft,' meaning soft for everybody, but a flute can't be soft and be heard against 20 violins playing soft, so you have to tell them to play loud.

"I don't call things like that innovations, just things that are rarely done by a large number of conductors. The average conductor underplays a lot of times."

Frazier is not reluctant to talk about the special problems of a black conductor, but he is not bitter about them—now.

"The big problem is that there's such a schism between the black and white communities. When I was 11 or 12 I was playing in a lot of the churches around Detroit and a lot of Negroes knew it but not many whites.

"At the same time there were white kids who played piano—some not as well, some better probably—and they got more exposure, got chances to play with the symphony when they were 13 or 14, mainly because they were known in the white community. I was an unknown quantity until my early 20s.

"Then I think you have to prove yourself more than the average white conductor. People wonder, 'What kind of a musician is he, is he all talent and emotion?' They refuse to accept the possibility that you may be quite scholarly, because we as a people are not accepted as being intellectually astute.

"The big difficulty is getting your foot in the door so you can prove yourself. It's difficult for white conductors too, but it's more difficult for Negroes, I think."

He says he would like to help create more opportunities for black people in music. "I wouldn't have made it this far without the support of the black community," he declares.

The next step for Frazier will be building a reputation by making a lot of appearances as a guest conductor around the country. With the Cantelli Prize and a top agent, that should be no problem.

As the winner of the competition, Frazier was required to conduct before a live audience at La Scala two days later. How did he feel, just before raising his baton for the opening notes of Beethoven's Seventh?

"Well, my first night in Milano, the orchestra was performing. I knew I would be conducting this orchestra in the competition, so I thought I'd go hear them. I went up in the last gallery and listened."

"So when I walked out on the stage, I thought, 'A week ago tonight I was sitting up there in the last gallery and now here I am on the podium.' And I just felt all of a sudden as if I had grown wings and flown down, somehow, with no time in between.

"I didn't have any fear; those bugs were out of me a long time ago.

"And despite what I call my disappointments, I've had a lot of dreams come true. So I was thinking, 'God, how many people ever live to see their dreams realized?' I sorta think now that even if nothing else ever happens, I wouldn't feel so badily. But maybe I don't mean that, maybe I'm just talking."

That should be the least of his worries. During the La Scala performance, the audience began breaking into applause between movements, which is unheard of. At the end there were nine curtain calls and shouts of "Bis! Bis!", which means "More!"

But Frazier didn't know that much Italian—he thought they would be shouting, "Encore," like Americans, if they wanted more—so there were no encores.

NORTH DAKOTA STATE UNIVERSITY IS NO. 1

Mr. BURDICK. Mr. President, on December 13, the No. 1 small college team in the Nation, the North Dakota State University Bison, will meet the University of Montana in the Camellia Bowl at Sacramento, Calif. The majority leader had something to say about the game as reported in an article by Ed Kolpack of the Forum, published in Fargo, N. Dak.

Mr. President, I ask unanimous consent that the article be printed at this point in my remarks.

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

DEAR SENATOR BURDICK, YOUNG; NDSU IN BOWL GAME TOO

(By Ed Kolpack)

An open letter to Quentin N. Burdick and Milton R. Young, North Dakota senators in Washington:

Gentlemen, the State of North Dakota and North Dakota State University's football team are taking a beating from one of your peers. Mike Mansfield, the senator from Montana, may not be the Democratic whip but he is sure whipping up a lot of propaganda about the Montana Grizzlies.

As you know, the NDSU Bison will play Montana Dec. 13 in the Camellia Bowl at Sacramento, Calif. And you must be aware by this time that NDSU is the No. 1 College Division football team in the nation. Montana is only No. 2.

Last week Mr. Mansfield made the national news wires when he asked for Montana's scores this season so he could tell the whole Senate how great the Grizzlies are.

I didn't notice either of you gentlemen asking for equal time so the Senate would know that the Bison have been unbeaten the last three seasons, have 19 straight victories, won six straight North Central Conference championships and are playing in their fifth bowl game in the last six years. Stuff like that.

I know you fellows have been busy with taxes and the draft and Judge Haynsworth.

But what really hurt was the report Wednesday that Mr. Mansfield had invited President Nixon to the Camellia Bowl. My question, Mr. Young, is this: How come a Democrat senator (from Montana yet) gets to invite a Republican president to a bowl game to be held in a state headed by a Republican governor?

Mr. BURDICK. Now, Mr. Kolpack, you cannot criticize our distinguished majority leader for trying. When you are No. 2, you have to try. Notwithstanding, Mr. MANSFIELD is whistling in the dark, because North Dakota State University has one of the greatest teams of all times, and I predict that the University of Montana will emerge from the Camellia Bowl no better than No. 2, and our beloved MIKE MANSFIELD will have tried in vain.

IMPROVEMENT OF THE ADMINISTRATIVE PROCESS

Mr. KENNEDY. Mr. President, the Administrative Conference of the United States met in October to consider a number of proposals relating to improvement of the administrative process. A brief glance at the recommendations of the conference yields some suggestion of the breadth of its activities, ranging from abolition of the sovereign immunity doctrine to updating the subject indexes in the Code of Federal Regulations.

The Subcommittee on Administrative Practice and Procedure has a specific mandate to consider recommendations of the conference "with a view to determining whether additional legislation is required to provide for the fair, impartial, and effective" operation of the administrative process. The subcommittee will certainly examine these recommendations in light of that mandate. I ask unanimous consent that the full text of the recommendations be printed in the RECORD.

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

RECOMMENDATIONS ADOPTED BY THE ADMINISTRATIVE CONFERENCE OF THE UNITED STATES AT ITS THIRD PLENARY SESSION, OCTOBER 21–22, 1969, WASHINGTON, D.C.

RECOMMENDATION NO. 9—STATUTORY REFORM OF THE SOVEREIGN IMMUNITY DOCTRINE

The technical legal defense of sovereign immunity, which the Government may still use in some instances to block suits against it by its citizens regardless of the merit of their claims, has become in large measure unacceptable. Many years ago the United States by statute accepted legal responsibility for contractual liability and for various types of misconduct by its employees. The "doctrine of sovereign immunity" should be similarly limited where it blocks the right of citizens to challenge in courts the legality of acts of governmental administrators. To this end the Administrative Procedure Act should be amended.

Recommendation

1. Section 702 of title 5, United States Code (formerly section 10(a) of the Administrative Procedure Act), should be amended by adding the following at the end of the section:

"An action in a court of the United States seeking relief other than money damages and stating a claim that an agency or an officer or employee thereof acted or failed to act in an official capacity or under color of legal authority shall not be dismissed nor relief therein denied on the ground that it is against the United States or that the United States is an indispensable party. The United States may be named as a defendant in any such action, and a judgment or decree may be entered against the United States. Nothing herein (1) affects other limitations on judicial review or the power or duty of the court to dismiss any action or deny relief on any other appropriate legal or equitable ground; or (2) confers authority to grant relief if any other statute that grants consent to suit expressly or impliedly forbids the relief which is sought."

2. Section 703 of title 5, United States Code (formerly section 10(b) of the Administrative Procedure Act), should be amended by adding the following sentence after the first full sentence:

"If no special statutory review proceeding is applicable, the action for judicial review may be brought against the United States, the agency by its official title, or the appropriate officer."

RECOMMENDATION NO. 10—JUDICIAL ENFORCEMENT OF ORDERS OF THE NATIONAL LABOR RELATIONS BOARD

Recommendation

The orders of most major independent regulatory agencies normally become enforceable automatically unless challenged in court. The statutory requirement that an order of the NLRB can be made effective only by affirmative action to obtain judicial confirmation of its terms, even when its validity is wholly uncontested, is contrary to efficient law enforcement. The Administrative Conference of 1961–62 urged that NLRB orders be treated, for purposes of judicial review, like those of the other major independent administrative agencies. That recommendation remains as sound today as when it was first made. The present practice burdens the courts with unnecessary proceedings whose only product is delay rather than added protection against ill-founded action. In the absence of any challenge after due notice to the parties, NLRB orders should be enforceable by the U.S. Courts of Appeals without further intermediate steps.

RECOMMENDATION NO. 11—PUBLICATION OF A "GUIDE TO FEDERAL REPORTING REQUIREMENTS."

Popular demand for the official index-digest entitled "Guide to Record Retention Requirements" indicates that a companion piece covering the matter of Federal reporting requirements would serve a public need.

Recommendation

1. Each agency subject to Chapter 35, title 44, United States Code, entitled Coordination of Federal Reporting Services, should make separate digests of and citations to each statutory provision and each regulatory provision relied upon by the agency for the solicitation of information as contemplated by Chapter 35.

2. After consultation with the Bureau of the Budget, the Director of the Federal Register should prescribe the style, coverage, and submission of such digests, and should publish the overall "Guide to Federal Reporting Requirements" in the Federal Register in the same manner used for the publication of the "Guide to Record Retention Requirements."

RECOMMENDATION NO. 12—ANALYTICAL SUBJECT-INDEXES TO SELECTED VOLUMES OF THE CODE OF FEDERAL REGULATIONS

Currently the Code of Federal Regulations is updated annually by the issuance of some 112 revised books. Many of these books are self-indexing. The usefulness of some books may be greatly impaired by the lack of an analytical subject index.

Recommendation

1. Each agency contributing substantially to the CFR should review its materials and (a) determine what books should include an analytical subject index, and (b) arrange for the preparation and publication of requisite indexes.

2. The Office of the Federal Register should review proffered indexes and arrange for the publication of those that appear to be professionally adequate.

RECOMMENDATION NO. 13—ELIMINATION OF DUPLICATIVE HEARINGS IN FAA SAFETY DECERTIFICATION CASES

Recommendation

The Federal Aviation Administrator has authority to revoke or suspend the licenses of aviation personnel and training facilities, airworthiness certificates, and other permits related to the operation of aircraft. Present procedures contemplate a full trial-type hearing, if one is desired by the respondent, before the Administrator issues an order of suspension or revocation. If an appeal is taken from that order, a second full hearing is afforded by the National Transportation Safety Board. This is wasteful of time and personnel, and is unnecessary as a protection of affected parties.

In order to expedite proceedings bearing directly on public safety, without sacrificing the interests of individual respondents, the Federal Aviation Administrator should discontinue providing hearings in the nature of trials in "certificate actions." This will not result in "punishment before trial," since the effective date of a certificate action order is invariably postponed, except in emergency situations, pending the outcome of proceedings before the National Transportation Safety Board.

RECOMMENDATION NO. 14—COMPILATION OF STATISTICS ON ADMINISTRATIVE PROCEEDINGS BY FEDERAL DEPARTMENTS AND AGENCIES

Government agencies which conduct formal or informal rulemaking proceedings or cases of adjudication which directly fix the rights and obligations of private persons (hereafter referred to as "proceedings")[1] owe a special duty to the individuals affected and to the general public to manage their caseloads as efficiently as possible, to eliminate inordinate delays in the conduct of proceedings, and to work continuously toward improving the fairness, effectiveness, and economy of their procedures. The present volume of Federal administrative proceedings is so great that much of the basic information needed in these efforts can be developed in intelligible and useful form only through statistical study. The compilation and publication of comprehensive statistics on Federal agency proceedings, at regular intervals would—

Provide each agency with information concerning its business which would enable it to manage its caseload more effectively.

Augment generally the information concerning its activities which each agency must furnish to the President, the Congress, and the public.

Afford affected parties and their counsel a better understanding of the administrative processes which determine their rights and obligations, and

Provide a basis for specific study of particular agency procedures by the agency itself, by committees of Congress, the Administrative Conference of the United States, the organized bar, research scholars, and other individuals and organizations, public and private, interested in improving the Federal administrative process.

Recommendation

1. To the extent deemed useful to advance the purposes of this recommendation, each Federal administrative agency which conducts proceedings (as defined above) affect-

[1] The agency compilations proposed by this recommendation should not be limited to formal proceedings, or indeed to "proceedings" as that term has been employed in gathering statistics for past conferences or Congressional groups. Rather, agency figures should report all matters directly fixing the rights, privileges, and obligations of private interests, including the routine handling of applications and claims.

ing private persons' rights, privileges or obligations, should prepare annual statistical data pertaining to those proceedings, to be compiled in such manner and presented in such publications as the agency considers appropriate.

2. These statistical compilations should list the kinds of proceedings pending during the year, with a concise yet meaningful description of the nature and purpose of each kind of proceeding and citations for the statutory authority under which the proceedings are conducted, and the sections of the Code of Federal Regulations which set forth the rules of practice governing each kind of proceeding.

3. For the purpose of agency efforts that may be made in cooperation with the Chairman of the Administrative Conference of the United States, to lessen delays in administrative proceedings, the statistical compilation should show the number of days which elapsed during each significant step of the proceedings which were concluded during the year.

4. In designing each agency's compilation, the following information, together with the time-study data referred to in 3 above, should be considered minimal:

a. the number of proceedings of each kind pending at the beginning of the year;

b. the number of new proceedings filed or otherwise commenced during the year;

c. the number of proceedings concluded during the year and the manner of their disposition (i.e., by settlement, dismissal on procedural grounds, decision on the merits without hearing, final decision by agency after hearing, and an examiner's initial decision, etc.);

d. the number of proceedings remaining at the end of the year; and

e. the number of proceedings concluded during the year which were appealed to the courts.

5. Each agency should periodically analyse all of the information thus compiled and should develop improved techniques fitted to its particular needs to reduce delays and expense and otherwise to improve its administrative processes. A copy of this analysis should be submitted to the Administrative Conference of the United States.

6. In presenting its statistical compilation, each agency should summarize this analysis and describe the specific steps it has taken toward the ends referred to in 5 above.

7. Each agency, in its subsequent compilations, should follow a pattern that makes possible a comparison of data with corresponding data for earlier periods, thus reflecting changes in backlogs, volumes, and elapsed times and providing a measure of the agency's experience following the specific actions referred to in 6 above.

RECOMMENDATION NO. 15—CONSIDERATION OF ALTERNATIVES IN LICENSING PROCEDURES

Court decisions, notably *Scenic Hudson Preservation Conference* v. *FPC*,[2] have emphasized that in licensing cases the Federal Power Commission must explore and give proper consideration to possible alternatives to the specific plan proposed by the applicant. This principle may in the future be applied to other licensing agencies. Since the range of possible alternatives in any case can be extensive and in some cases virtually unbounded, ways must be sought to control the scope and duration of licensing proceedings within manageable limits while meeting the requirements of the law.

Recommendation

Each agency which issues licenses, permits, or other forms of authorization, should seek to create procedures fitting its particular circumstances which will assure appropriate consideration of alternatives, where necessary, and at the same time will permit effective administration of that agency's licensing functions.

Because the various agencies must deal in their licensing procedures with many diverse subject matters, the Administrative Conference cannot specify a single rule and procedure for achieving this objective. Procedural techniques which experience has shown useful in analogous situations and which an agency might consider include: (1) guidelines embodying a rule of reason concerning the number and character of alternatives to be considered in particular types of cases; (2) rules providing a point in time beyond which the issues in a proceeding will not be expanded to include additional alternatives except under compelling circumstances; (3) techniques, such as prehearing conferences and the filing of testimony in written form before trial, which tend to promote early identification of interested parties and important alternatives; and (4) placing responsibility upon the party or other person proposing an alternative to the applicant's proposal to make an appropriate threshold showing that the alternative deserves the agency's consideration.

RECOMMENDATION NO. 16—ELIMINATION OF CERTAIN EXEMPTIONS FROM THE APA RULEMAKING REQUIREMENTS

Recommendation

In order to assure that Federal agencies will have the benefit of the information and opinion that can be supplied by persons whom regulations will affect, the Administrative Procedure Act requires that the public must have opportunity to participate in rulemaking proceeding. The procedures to assure this opportunity are not required by law, however, when rules are promulgated in relation to "public property, loans, grants, benefits, or contracts." These types of rules may nevertheless bear heavily upon nongovernmental interests. Exempting them from generally applicable procedural requirements is unwise. The present law should therefore be amended to discontinue the exemptions to strengthen procedures that will make for fair, informed exercise of rulemaking authority in these as in other areas.

Removing these statutory exemptions would not diminish the power of the agencies to omit the prescribed rulemaking procedures whenever their observances were found to be impracticable, unnecessary, or contrary to the public interest. A finding to that effect can be made, and published in the Federal Register, as to an entire subject matter concerning which rules may be promulgated. Each finding of this type should be no broader than essential and should include a statement of underlying reasons rather than a merely conclusory recital.

Wholly without statutory amendment, agencies already have the authority to utilize the generally applicable procedural methods even when formulating rules of the exempt types now under discussion. They are urged to utilize their existing powers to employ the rulemaking procedures provided by the Administrative Procedure Act, whenever appropriate, without awaiting a legislative command to do so.

RECOMMENDATION NO. 17—RECRUITMENT AND SELECTION OF HEARING EXAMINERS; CONTINUING TRAINING FOR GOVERNMENT ATTORNEYS AND HEARING EXAMINERS; CREATION OF A CENTER FOR CONTINUING LEGAL EDUCATION IN GOVERNMENT

Recommendation

A. Recruitment and selection of hearing examiners

1. The Civil Service Commission should enlarge the base of recruitment and the number of qualified candidates available for appointment to hearing examiner positions by recognizing trial experience as one basis for qualification.

2. The Civil Service Commission should depart experimentally from the selective certification system as now practiced in the appointment of hearing examiners. Instead, it should develop a system under which the number of candidates qualified for hearing examiner positions is enlarged through the use of a general register for all agencies, with additional credit for specific relevant professional experience or selective certification for those agencies which demonstrate to the Civil Service Commission's satisfaction a current need for personnel possessing a specific background. The purpose of this experiment should be to permit meaningful comparative evaluation with the system now in effect. A report should be made to the Administrative Conference after three years of experience.

To aid the Civil Service Commission in effectuating the objective of this part of the recommendation, the Chairman of the Administrative Conference should appoint special committees from time to time to evaluate the standards of specific relevant professional experience proposed to the Civil Service Commission by any agency as being required for its work. Present selective certification agreements should continue until new standards have been adopted by the Civil Service Commission.

3. The Civil Service Commission should study and, if practicable, should institute an experimental intern program to supplement the direct appointment of hearing examiners from the Register. Without finally deciding the issue, the Conference urges the Commission to consider anew whether successful interns should automatically be placed in hearing examiner positions.

4. The Veterans Preference Act should be amended to permit the selection of examiners for each vacancy from the top ten available persons then appearing on the Register, determined on the basis of examination and ranking without reference to veterans preference.

B. Continuing Training for Government Attorneys and Examiners

1. Agencies employing attorneys and hearing examiners should encourage their participation in programs of continuing legal education. Budgets should include adequate funds for personnel so that attorneys and examiners may be released for reasonable periods of time to accomplish added training. Agencies should take all suitable steps to assure wide knowledge of training opportunities.

2. Agencies should also explore ways in which they can support the professional training activities of the Federal Trial Examiners Conference, bar associations, foundations, the Civil Service Commission, law schools, the individual agencies with parallel legal interests and other institutions offering appropriate training for attorneys and examiners.

3. The feasibility of short-term exchange assignments of experienced attorneys in higher grades among agencies should be considered, in order to enhance the insight and effectiveness of government lawyers by exposing them to varied aspects of legal problems with which they may deal.

C. Creation of a Center for Continuing Legal Education in Government

1. A center should be established in the Washington area for the continuing legal education of Government lawyers, hearing examiners, and private attorneys practicing before Government agencies. The center should also promote coordinated programs within the Government and with specialized segments of the organized bar; stimulate and engage in the preparation of manuals, research materials, and other publications in support of such continuing legal education; and provide a mechanism for the exchange of information concerning professional problems of Government attorneys.

[2] 354 F. 2d 608 (2d Cir. 1965), *cert denied*, 384 U.S. 941 (1966). See also *Udall* v. *FPC*, 387 U.S. 428 (1967).

The center, under the direction of lawyers, should be oriented toward applied legal problems. The Civil Service Commission should make available to it the benefit of the Commission's experience in establishing and operating Federal Executive Institutes and Centers. The Federal Administrative Justice Center proposed by the American Bar Association in a resolution adopted by the American Bar Association's House of Delegates in January 1969, as an example, would serve the purpose of the present recommendation.

2. The establishment of the Center should not diminish each agency's present responsibility to provide continuing legal education for its own lawyers through "in-house" training programs, but the Center should support and assist all agencies in maintaining these programs at a high level of effectiveness.

ASPIRA

Mr. JAVITS. Mr. President, on Saturday, November 29, 1969, the New York Times published an article entitled "Puerto Rican Hopes Lifted." It describes the work of an organization I have known well for some years—"Aspira." Aspira—the Spanish word for aspire—is a self-help organization of Americans of Puerto Rican descent who have banded together to make sure that their children will aspire to reach for the American dream, and that they will have the education to succeed.

I ask unanimous consent that the article be printed in the RECORD.

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

PUERTO RICAN HOPES LIFTED

(By Alfonso A. Narvaez)

In Puerto Rico el pitirre is a small bird, noted for its ability to soar high over the tallest trees on the island.

But for an increasing number of the 1.5 million Puerto Ricans in the United States mainland it is a symbol used by Aspira, a Puerto Rican self-help organization, to show confidence, self-reliance and the determination to overcome adversity.

Last week, 49 teen-age boys and girls—some black-skinned, with slicked-down hair, others brown-skinned with Afro haircuts, and still others white-skinned with soft flowing hair—stood under the dimmed lights in the main reading room of Philadelphia's Free Library on Girard Avenue and took an oath.

The youths—all Puerto Ricans—were being initiated into seven new Aspira Clubs formed in the high schools there and by their oath were pledging to finish school, continue on to college and return as professionals to their communities to help in leadership roles.

However, for these youngsters, as well as for the thousands of other Puerto Ricans youths who join Aspira (Spanish for aspire) Clubs in New York, Chicago, Newark and San Juan, the main concern today is a search for who they are—for an identity.

For petite 16-year-old Maria Rosa, a senior at William Penn High School in Philadelphia, the Aspira Club means a chance "to learn about my community and race."

"I hope it will help me learn more about myself," she said.

For Robbert Baez, 16 and a junior at Mastbaum High School, Philadelphia, the club would help prepare him for college and "teach me how to deal with people."

Tall and proud, he added, "Maybe I'll get a better understanding of who and what I am."

This search for an identity, with its cultural values, is consuming many Puerto Rican youths in Philadelphia and other parts of the country. Some find it and move ahead. Others don't, and either rebel and lash out at society or lose confidence in themselves and give up.

In 1966, it opened offices in Brooklyn, the Bronx and Manhattan, and this year—with a Ford Foundation grant—in Newark, Chicago and San Juan.

Aspira's organizers found that while Puerto Rican youngsters were making up an increasing proportion of the city's school population only a handful were going on to college.

In 1963 there were more than 14,000 Puerto Rican youngsters enrolled in academic high schools, but only 331 received academic diplomas, the usual prerequisite for colleges. Through Aspira's efforts the number has been constantly increasing.

Louis Nuñez, national executive director, said that although in 1963 only 27 youngsters went on to college through the agency's efforts, last September 901 Aspira students were accepted into colleges throughout the country.

Some of the students who have graduated from college have returned to the agency to work as counselors, passing on some of the benefits they received from the agency.

While much of Aspira's budget comes from Federal sources—such as the Office of Economic Opportunity and Health, Education and Welfare—the organization has been able to build a growing awareness on the part of foundations and corporations of the needs of Puerto Rican youngsters.

A growing proportion of funds have been coming in from corporations on the island and on the mainland. Last year, more than $67,000 was received from corporations.

It is through the clubs with 4,500 members that Aspira has been able to reach Puerto Rican youngsters in the New York City school system. The agency has been able to do a counseling job that, according to Mr. Nuñez, is almost nonexistent in the city's schools.

SENATOR JAVITS: CHAMPION OF THE HUNGRY

Mr. McGOVERN. Mr. President, I ask unanimous consent to have printed in the RECORD an article entitled "Hunger in America," written by the distinguished senior Senator from New York (Mr. JAVITS), to be published in next month's issue of Playboy magazine. The article is without question one of the best that I have read on this problem which so troubles the country's conscience.

It should surprise no one that the article is so comprehensive and heartfelt. Senator JAVITS is among the select few in the country who have pioneered and carried on the fight against letting American citizens go without adequate nutrition. He was one of the original four members of the Subcommittee on Poverty which journeyed to Mississippi several years ago and found, as he writes, "conditions of malnutrition and hunger that were thought to exist only in parts of India, Africa, and Asia." He is also, of course, the ranking minority member of the Select Committee on Nutrition and Human Needs, of which I am chairman, and I can testify personally to his enormous contribution to the crusade against hunger this year. It is my belief that the passage of a strong food assistance bill in the Senate last September would not have been possible without the brilliant leadership of Senator JAVITS.

The New York Senator recounts the full history of the crusade, beginning in Mississippi, picking up steam with the issuance of the "Hunger, U.S.A." and the CBS documentary on hunger, the initial findings of the national nutrition survey, the work of the select committee, and the declaration by the President last May to end hunger in America for all time. The Senator modestly does not mention what I know to be a fact—that he played a key role in convincing the President that the time had come to issue that declaration.

Senator JAVITS also mentions that the Senate took the historic action in September of passing a food stamp reform bill supported by a bipartisan coalition of the select committee but that the House has not yet passed a reform measure. He voices the hope that in the year ahead we will make even greater progress in the battle against poverty and hunger and ill health because there is a "bipartisan determination to surge ahead." I join him in that hope, and I am sure that with his continuing concern and support it is a hope that will come true.

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

HUNGER IN AMERICA

(By U.S. Senator JACOB JAVITS)

(NOTE.—The senior senator from New York describes the feast-and-famine malaise that is abroad in the land and prescribes a cure.)

I first came face to face with the hidden shame of hunger in America when I visited Mississippi in the spring of 1967. I was one of four members of the Senate Subcommittee on Employment, Manpower and Poverty, and we traveled to Jackson to "examine the War on Poverty." We went to Mississippi because we were anxious to see how such Federal programs as Head Start and the one-dollar-per-hour minimum wage for farm workers were faring in the poorest state in the nation.

It frankly never occurred to me nor, I believe, to the other Senators on that trip—the late Senator Robert F. Kennedy and Senators Joseph Clark and George Murphy—that the ravages of American poverty could produce conditions of malnutrition and hunger that were thought to exist only in parts of India, Africa and Asia. Looking back now to that trip made just two and a half years ago, I still find it difficult to understand how we Senators—and the nation at large—could not have been more aware that poverty breeds malnutrition just as surely as poverty breeds unemployment, bad housing, crime and illiteracy.

Had the bread lines of the Thirties been so easily forgotten? Were we so complacent as to assume that simply because the Department of Agriculture offered surplus foods—and food stamps (at a price)—to the poor, the poor automatically received all the nourishment needed to keep body and soul together? Somehow, we had not made the connection between poverty and hunger, and it took the nightmare of Mississippi to awaken us to the reality of millions of people who simply do not get enough to eat—not only in the rural South but also in the urban ghettos of the North, the Indian reservations of the Southwest, the mining towns of Appalachia and in migrant-worker camps throughout the nation.

Even today, two and a half years after that conscience-searing trip to Mississippi, the full facts on hunger in the United States are not yet in. A national nutrition survey is presently under way, but the chief investigator, Dr. Arnold E. Schaefer of the Department of Health, Education, and Welfare, already reports that a disturbing picture of hidden hunger is emerging: "We have found more malnutrition than I ever expected to see in a society described as the best fed in the world."

Dr. Schaefer found, for example, that 92 percent of the children in one preschool Head Start program had such extreme vitamin-A deficiencies that they could go blind at any moment—a condition that could be prevented at the cost of one candy bar per child per year.

Dr. Schaffer produced the startling information that until the fall of 1968, the Department of Agriculture distributed nonfat dry milk lacking vitamins A and D as part of its commodities program for the poor, while at the same time, since 1965, nonfat dry milk fortified with vitamins A and D was shipped to six foreign countries by the same department.

The nutrition survey has already confirmed other reports that goiter, rickets and hookworm infestation, thought to have been eradicated decades ago, are still afflicting the poor. One third of the children examined thus far in the survey are anemic. Ninety-six percent of the children require immediate dental treatment involving an average of five decayed teeth. Ten percent of the children show growth retardation and evidence of the related problem of mental retardation.

These preliminary findings have been reinforced by other medical reports from across the nation—disturbing indications of a direct link between malnutrition, especially insufficient protein, in pregnant women, infants and children and brain damage. It now appears that three quarters of mental retardation is found in big-city slums and rural poverty areas.

In "Hunger, U.S.A.," an exhaustive survey of malnutrition across the country conducted by a distinguished group of private individuals who joined together as the Citizens Board of Inquiry, there is further unsettling documentation of the nutrition needs of the poor. In Baltimore, the hemoglobin level of slum children was found to be lower than that of infants in rural Pakistan. In Seattle, half to three quarters of all poverty infants between 6 and 36 months of age were found to be suffering from nutritional-deficiency anemia. In Boston, one out of five children admitted to the wards of Boston City Hospital has nutritional anemia. In posh Palm Beach County, Florida, 97 percent of migrant-worker families failed to consume minimum recommended amounts of milk or milk products and 63 percent ate no green or yellow vegetables.

What makes these reports even more alarming is the fact that the Federal food-assistance programs still reach only 6,000,000 of the nation's 30,000,000 poor—those citizens earning less than $3000 a year. And the situation appears to be stagnant, at best, because the programs now reach approximately the same number of people reached eight years ago.

These Federal food efforts take two basic forms. There is the commodities-distribution program, which distributes specific food items free to needy families; and there is the food-stamp program, in which needy families buy coupons redeemable at retail stores for food products only, at a value in excess of the purchase price of the coupons. Communities may have either program—food distribution or food stamps—or none at all, but never both.

Under the commodities-distribution program, the Department of Agriculture gives away such foods as corn meal, grits, flour, nonfat dry milk, peanut butter, rice and rolled wheat—all surpluses that have been purchased to help support farm prices. The selection from the 22 basic commodities available varies from month to month, depending on what is in surplus. One of the most flagrant shortcomings of the program, therefore, is that these foods are not chosen for their nutritional value nor to provide a poor family with a balanced diet. Rather—by the Department of Agriculture's own admission—commodities merely supplement the family's diet. Unfortunately, many families look to the commodities program for their sole source of food.

On the other hand, the flaw in the food-stamp program is that many families cannot afford the price of the stamps themselves, even when graduated downward, depending on family income. When this happens, they have no source of emergency rations, because commodities are not available in communities where food stamps are sold.

The hard and undeniable fact is that we have a food-assistance system that fails to reach the vast majority of the desperately poor people who need it and fails to meet the needs of those few who are reached.

Perhaps our awakening to this fact took place in Mississippi because hunger, and the awful conditions of disease, filth and hopelessness connected with it, is easier to spot in the ramshackle shanties of the delta than in the stifling tenements of the big cities. Perhaps it all began in Mississippi because in that state and in other states of the Deep South, there are areas that have allowed themselves to become stereotypes of poverty aggravated by the blatant disinterest of local officials. To be frank, it is easy to kick Mississippi in the pants—to tell it to do something about the awful conditions of human degradation that exist within its borders. But it is quite another thing to take stock of what we see in Mississippi and to come away with a lesson that hunger in that state is simply an extreme version of what we can find within walking distance of the U.S. Capitol—or of your own homes. The challenge, then, based on the lesson of Mississippi, is to look for hunger and root it out wherever we find it, with whatever means and at whatever cost required of the Federal Government to do the job.

The committee learned that the most common hunger situation in Mississippi involved an abandoned middle-aged black mother living in a cramped two-room shack and caring for from four to fifteen children. Sometimes the father traveled North to find work and sent checks home periodically to support the family. Often the children were illegitimate offspring of several fathers; and if some of the older children were daughters, one or two of them may have had two or three children of their own, and no husband in the home. Sometimes an elderly man, usually a grandfather who was unable to work, lived with the family.

The diet of such a family consisted of a breakfast of grits, molasses and biscuits. The adults often ate nothing for lunch, while the children at home were given a piece of bread and some Kool-Aid or water. At night, the family ate boiled beans and corn bread, sometimes supplemented with boiled rice, dry peanut butter or a little can of meat from the Federal commodities program. Usually, there was no electricity nor refrigeration. The surplus commodities were stored in brown-paper bags that were infested with rats and insects.

A few of the shacks had running water, but almost none had toilet facilities. Often there were no outhouses, either; only open sewers and stagnant pools of water surrounded the dwellings. The shacks, worth possibly $35 as firewood, were usually windowless and inundated with the odor of urine that emanated from cracks in the floors and walls. There was usually no table and the little food available was eaten by hand out of a bowl or from a newspaper on the floor. There was also the almost unbearable stench of decomposed food in the cracks of the creaking floor.

Most of the children did not have shoes or adequate clothing to attend school. In one situation brought to the committee's attention, five out of the nine children in a family were too filthy to get near or to touch. They had gone unwashed for so long that their arms and legs were a blue-gray claylike color. Kenneth L. Dean, executive director of the Mississippi Council on Human Relations, who described some of the family circumstances to us, said: "This family is actually too poor to participate in a poverty program. This type of situation represents hunger at its worst."

The adults in these families, Mr. Dean said, often "are of such a destroyed mental, physical and emotional state that they are incapable of caring for either themselves or their offspring. They are barely communicative. Some of these people have been destroyed to the extent that they fluctuate between the human and the subhuman level." Mr. Dean, like other community workers the committee heard in Mississippi, attributed these conditions in large part to the many years in which Negroes were considered by many whites to be "just a shade below the human level."

"It is this kind of past," Mr. Dean testified, "that has produced this middle-aged Negro woman, whose only pleasure is found in those brief moments of free expression in sex relations with a partially destroyed male who also has a pattern of behavior that has developed outside the norms of society. This woman, having her intellectual, emotional and social dimensions of personality denied development, has been reduced to the condition of primitive man and cannot be condemned for failing to appreciate or recognize the social norms of the community."

The hearing in Mississippi also provided me with substantial evidence that the combination of state welfare programs and Federal food programs had made little headway against extreme conditions of deprivation and backwardness. The average monthly welfare benefit to a fatherless family of four in Mississippi, we learned, was between $50 and $60. Out of this, the mother would have to pay all family costs, including rent, utilities (if there were any), medical bills (if a doctor could be found to care for her family), transportation (if any public transit serviced her area) and clothing. Rarely was there enough money left over to provide the family with sufficient food for a full and balanced diet.

Mississippi was—and still is—the only state in the nation to have a Federal food-assistance program in every county. But the severe hardships faced by the poor were, nevertheless, compounded, because most of the counties had switched, or were in the process of switching, from the free commodities to the pay-as-you-go food-stamp program.

This led me to ask one of the key witnesses, Miss Marian Wright, a black lawyer who was working in Mississippi as counsel to the NAACP Legal Defense Fund, this question: "Is there any feeling that counties have switched to food stamps in order to pressure the very Negroes who needed free food the most?" Miss Wright replied: "That's right, Senator Javits. And many people do feel, too, that it's part of an over-all state policy to not respond to the overwhelming need in the delta in order to force these Negroes out because they don't want them here." She said there was a drastic drop in the number of food-assistance recipients as a result of switches from commodities to food stamps. She gave as an example Jones County, in which 17,500 people had been getting commodities but only 4,700 were getting food stamps—a decrease of nearly 13,000—after the county switched programs. The reasons for the sharp drop, she said, were either that needy families could not scrape enough money together to purchase all the stamps, once a month as required, or that state welfare officials had made it extremely difficult, if not impossible, to qualify for eligibility.

Echoing statements the committee was to hear from community representatives across the country, Miss Wright said: "People are not treated with dignity when they go into the welfare office, and they are not allowed to be people, and they are investigated and they are threatened, and this is a terrible kind of thing that has to be stopped."

I came away from that Mississippi hearing with several impressions and conclusions that were to shape my thinking on the hunger problem in the months to come. First of all, needy people were not getting enough to eat, because the Federal food programs were not reaching them. The problem seemed to be a combination of local disinterest and Federal lethargy—a combination that might have been tolerable as just another bureaucratic muddle if people were not starving in the process.

Furthermore, from a practical standpoint, food stamps were beyond the means of destitute families, and those who could afford them usually ran out of food before the end of the month. On the average, six dollars in stamps buys ten dollars worth of food, but the value of a month's supply of stamps never approaches the $120 that the Department of Agriculture says is the minimum a family of four must spend each month to achieve a balanced diet. As far as commodities were concerned, not only did the $22.20 worth of food a month for a family of four fail to provide a balanced diet but commodities, like the food purchased with stamps, did not last a month. Also, the month's supply of commodities was too heavy for most families to carry from distribution centers, so families either had to hire or borrow transportation or do without all the food to which they were entitled.

It was clear, then, that some quick Federal remedies were needed in Mississippi that would also apply to other areas of the nation that faced problems of hunger. There was a dire need for free food stamps for those families that didn't have the money to pay for any. There was also a need to get commodities into those areas where people, for whatever reason, had no food. In other words, the law had to be changed to permit distribution of stamps and commodities at the same time in the same area. Also, Federal authorities had to be authorized to bypass local government when it became clear that people were not getting food because local officials were not cooperating with the Federal programs. Finally, there was a real question as to whether the food-assistance programs would ever meet the nutritional needs of the poor if they continued to be administered by the Department of Agriculture, whose main concern is with farm surpluses, land utilization and supporting farm prices. Obviously, if Mississippi taught us anything, it taught us that the Federal food programs were a matter of life and death—not simply a means of helping the Government dispose of farm surpluses.

If there were any lingering doubts of the seriousness of the conditions in Mississippi, and what it implied for other impoverished areas of the nation, they were dispelled by the report of six prominent doctors, who, after examining children in rural Mississippi, wrote: "We found it hard to believe we were examining American children of the 20th Century." In their report, "Children in Mississippi," they cited case after case of children suffering mental and physical retardation because they came from the wombs of mothers who were unable to provide them with nourishing foods.

The doctors reported "obvious evidence of severe malnutrition, with injury to the body's tissues—its muscles, bones and skin, as well as an associated psychological state of fatigue, listlessness and exhaustion." They related a horror story of anemic, diseased, parasite-ridden children—who cried in pain at the gentle touch of a physician's hand, who moved their arms and legs with agonized effort, of a 70-year old man suffering from crippling arthritis and who were beyond medical assistance because they did not get enough to eat. The doctors reported finding not malnutrition but children suffering and dying from hunger and disease that they said "is exactly what 'starvation' means." In conclusion, they declared: "It is unbelievable to us that a nation as rich as ours, with all its technical and scientific resources, has to permit thousands and thousands of children to go hungry, go sick and die grim and premature deaths."

Even then-Secretary of Agriculture Orville Freeman sent the committee a departmental memo that reported evidence of malnutrition and hunger, of families without jobs who could not buy food stamps because they had no income, and of the need for better certification procedures for food recipients. He said that massive layoffs of cotton fieldworkers, resulting from rapid mechanization by landowners who balked at paying the new one-dollar minimum wage, had resulted in 40,000 to 60,000 people unemployed in the delta.

But Secretary Freeman's response to demands by me and other subcommittee members for immediate remedial action in Mississippi served only to point up the Department of Agriculture's traditional inability to recognize or react to the emergency of unchecked hunger. This became painfully clear at a subcommittee hearing nearly three months after our trip to Mississippi. Responding to some heated and persistent questioning by me, Secretary Freeman doggedly refused to declare an emergency in Mississippi, insisting that this action "would make no difference as such and would not authorize the Secretary of Agriculture to do anything he cannot do now in Mississippi and that is not being done now in Mississippi."

Contrary to the legal opinion of the subcommittee, Secretary Freeman contended that his emergency powers under the law did not permit him to issue free food stamps. He ordered instead that the minimum price of the stamps be reduced in Mississippi from two dollars to 50 cents per person, even though he conceded that some families were so destitute that they would not be able to find money even to pay so low a price—they just had no cash at all.

The tragic implications of the Department of Agriculture's position under Secretary Freeman became clear last March, when the Nixon Administration's new Secretary of Agriculture, Clifford Hardin, simply signed an order for the issuance of free food stamps in two impoverished rural counties in South Carolina. Mr. Hardin, who also has made important strides in initiating food-stamp programs in counties that still offered no food programs and in establishing supplemental feeding programs in areas where food stamps have proved insufficient, shows every sign of not being a traditionalist.

His main problems are the same as those of the department under Secretary Freeman: lack of sufficient funds to bring Federal food programs to all the nation's poor and an unwieldly departmental bureaucracy that gives such priority to management of the nation's food surpluses that the fortifying and distribution of these surpluses to the poor may be suffering in the process.

The Nixon Administration at first seemed content merely to place a high priority on initiatives to get current programs to operate more efficiently. There was an apparent reluctance—even among some of the closest advisors of the President—to spend the large sums needed to get these programs to the poor and to educate them on the basics of a balanced diet. The Nixon budget followed precedent by providing more than three billion dollars for farm price-support programs and only $739,000,000 for family food programs—or, as *The New York Times* so aptly put it—"more than four times as much to make food scarce as to make it available."

But then in May, the President, in a historic humanitarian action, announced that he planned to wage an aggressive campaign against hunger, a campaign that would cost an additional one billion dollars a year.

Under President Nixon's plan, there would be $610,000,000 spent the first year and one billion dollars each year thereafter, to augment and improve the present food-assistance programs. I, and other Senators long concerned with the hunger problem, still had to express doubt that even these additional funds would be adequate to guarantee every poor family, no matter how modest its means, a diet that meets the minimum Federal nutritional standards. The Senate lost little time in following up on the Administration's action by voting to boost the authorization for the food-stamp program to $750,000,000 in the coming fiscal year—more than double last year's $340,000,000 and $140,000,000 more than asked by the Nixon Administration.

But money is only one of the answers to how to establish an effective nationwide food-assistance program. If the Federal Government is to continue using local officials to administer its programs, there must be a major effort to ensure that those officials are concerned with the needs and the problems of the poor and will exercise their authority as contemplated by Federal Law and policy. It is not only in Mississippi that you find local officials who resist these programs more than they administer them.

The CBS television report *Hunger in America*, which did so much to arouse public concern when it was broadcast in May 1968, showed San Antonio, Texas, County Commissioner A. J. Plock being asked about hunger in his community. Plock replied: "Well, why are they not getting enough food? Because the father won't work and I mean won't work. If they won't work, do you expect the taxpayer to raise all the kids? First, let's do something with their daddies and then, yes, take care of the kids." Commissioner Plock is just one of thousands of public officials across the country who feel that way. It is incredible that innocent children are to be held responsible for the "sins" of their fathers.

Referring to the migrant workers who live in squalid shacks rivaling those I saw in Mississippi, one Collier County, Florida, official told the committee: "They're not Collier County people. They're Federal people." Apparently, the fact that these outsiders made it possible for the county to harvest its $40,000,000 citrus crop did not earn them recognition, much less a living wage.

Even in Washington, D.C., I heard food-stamp applicants complain about the difficulty in getting certified. But the complaints at the certification center I visited did not deal with any hostility or abusiveness on the part of officials involved but, rather, with long delays. When I arrived at ten a.m., there were more than 100 applicants waiting to be processed by six clerks—a process that involves a 45-minute interview. Many people were resigned to coming back the next day. There is really no excuse for such delays, especially in Washington, where even now the food-stamp program fails to serve three quarters of 122,000 persons eligible for assistance.

And let there be no mistake that hunger stalks the ghettos of Washington, just as it does in New York City's Harlem, Chicago's West Side, Los Angeles' Watts and Boston's Roxbury. Not the blatant, bizarre sort of hunger that you find in the putrid wastes of rural poverty areas; but it is still the insidious malnutrition that is bred of the hopelessness of poverty amid plenty, the malnutrition that saps the energy and ambition of adults and leaves children listless.

On a tour through tenements in the Columbia Road section of Washington, where one of the nation's worst urban riots raged only a year earlier, after the assassination of the Reverend Martin Luther King, I visited the cramped, stuffy, rat-plagued apartment of Mrs. Florence Spain. She had four children and a disabled husband, and

her only source of income was a $131-a-month welfare check. Out of that $131, Mrs. Spain was supposed to pay $80 a month rent and $40 for food stamps that entitled her to $78 worth of groceries. That left her $11 to pay for her husband's medicines, the electric and gas bills, clothing and shoes for her children and the monthly installment on the 12-inch television set that no one was watching in the living room. That month, however, Mrs. Spain did not have enough cash left over to buy food stamps.

I asked Mrs. Spain what she had for breakfast.

"Had no breakfast," she replied.

I asked what she'd had for lunch.

"Had no lunch," she replied.

"How about dinner?" I asked.

She replied: "Don't know about dinner. Maybe some neck bones, potatoes and grits." She said her childen get lunch at school under the Federal school-lunch program. She told me that the family table hadn't seen beef in eight or nine months, pork chops in a year.

"It's really hard, you know," Mrs. Spain said.

The fight against hunger has presented the Nixon Administration with an opportunity to win a dramatic battle in the War on Poverty. Happily, the Administration appears to have seized the opportunity, and the shame of hunger may yet provide the catalyst for waging a vigorous war on poverty on all fronts.

The Administration has already taken a major step toward reforming the overall welfare system. In his address to the nation last summer, the President began the difficult process of moving away from the present inequitable and degrading system. In his subsequent message to Congress, he charted a course for the Federal Government to adopt minimum welfare standards throughout the nation and to pay a share of the resulting higher payments in states that truly cannot afford them. Clearly, the minimums are only a beginning and are still inadequate to meet the human needs of the nation's poor and the fiscal needs of the states and localities that carry the greatest burdens.

Indeed, the proposed Federal minimum of $1600 annually for a family of four would barely cover the food budgets of the poorest families, leaving little—if anything at all—to cover other such basic costs of shelter, clothing and transportation. The President's plan now favors the states doing the least on their own and penalizes the states, such as New York, that are doing more than their share to help the poor. But with adequate funding by Congress, the President's proposal for establishing national minimum welfare standards would go a long way toward ending the exodus of the poor from rural areas where welfare payments are shockingly low to the cities where assistance is generally maintained at more enlightened levels.

The new Administration has shown itself bold enough to overcome the the vicious and degrading stereotypes of poverty. Its welfare proposal, for example, requires that assistance programs be available to all impoverished families, including those that have a man in the house. No longer would able-bodied men be encouraged or compelled to abandon their families so that their wives and children could qualify for welfare assistance. No longer would families be disqualified from receiving assistance if the head of the house were able to find work and yet were unable to maintain the family at a subsistence level.

Ultimately, there must be an assured minimum income for the poor—either through a reverse income tax or through income maintenance by family allowance—but always with incentives to work, to educate oneself, to lift oneself out of the degradation and hopelessness of poverty. Such a drastic step cannot be taken in a vacuum. There must, at the same time, be an all-out effort to provide adequate and effective vocational training, to provide Federal incentives for improving education in our ghettos and rural poverty areas and to provide sufficient day-care centers so that welfare mothers—nearly 1,000,000 of them without husbands to provide for them—can have the opportunity to work while their children are properly supervised.

Such a multifaceted Federal drive to eliminate poverty should not be hampered by state laws and regulations that might inhibit its effectiveness. For poverty is truly national in scope and no one region should be so blind as to selfishly dispose of its poor as it sees fit, at the expense of other areas of the nation.

Another essential ingredient in the drive to eliminate poverty is to bring adequate health care within the reach of all Americans—including those now on Medicare and Medicaid—through a universal health-insurance system. America's capacity for the cure and prevention of illness and disease has never been greater. Yet, our ability to deliver needed health services at a reasonable cost and to provide for the most basic physical needs has never been more in doubt. This crisis is evidence by skyrocketing health costs, by marked shortages of doctors and other health personnel and by seriously inadequate, obsolete and outmoded health facilities.

In a bill I am preparing for introduction this year, I propose a universal health-insurance system that ultimately would replace Medicare and Medicaid. The medical costs of indigent and dependent persons would be covered by Federal, state and local governments, but the costs of the vast majority of Americans would be financed by employer-employee contributions. There would be freedom of choice among competing plans but participation in a plan would be compulsory. At the very heart of the system would be the requirement that each plan provide complete health care and that each plan submit itself to realistic cost controls overseen by government health agencies. Thus, everyone, regardless of how much he earns or where he lives, would be entitled to adequate medical care.

The ultimate elimination of poverty—and I am convinced that it can be eliminated—will cost billions of dollars. But for a meaningful and productive start, the Bureau of the Budget has estimated that for an additional one and one half billion to two billion dollars a year, all the nation's poor could be quickly reached by the Federal food-assistance programs. This is considerably more than the three quarters of a billion dollars now being spent on food efforts; but it is a fraction of the 80-billion-dollar defense budget and even less than the four billion dollars now set aside for the space program.

What I am suggesting now is that a new set of national priorities is called for—one that balances internal needs with the requirements of its external security.

At the very least, we must move ahead to provide free food stamps to the poorest of our nation's poor and to lower the price of stamps for those who can barely afford them now. There can be no justification in continuing to compel the poor to pay half to three quarters of their income for food, while the average family in our nation pays less than a fifth. Furthermore, the value of the stamps should be increased to permit at least the minimum level of buying that the Department of Agriculture says a family must do to keep all its members well nourished. Also, extra value should be given to stamps that are used to buy special enriched foods. The cost of this program would be under two billion dollars—a small price for our nation to pay to eliminate the hunger in its midst.

To make such a program work efficiently, and in a manner that upholds the human dignity of the recipient, there must be some basic reforms in the food-stamp program. There should be, for example, a computerized system of preparing and mailing the food-stamp coupons, in much the same way that Social Security and welfare checks are now distributed. There simply is no excuse for continuing the demeaning practice of requiring food-stamp recipients to report each month, often at relatively great travel cost, for what must seem to many a dole grudgingly handed out by an insensitive bureaucrat. Also, the use of food stamps should be extended to permit the purchase of such essential nonfood products as soap, toilet tissue and other items for home and personal hygiene.

It is also essential to provide Federal incentives—including demonstration grants—for developing nutrition-education curriculums and techniques to make clear to parents and children alike what goes into a balanced diet. But education is not enough for expectant mothers. They must also have milk, fortified foods and vitamins, to ensure against mental retardation in their offspring. And the supply of these nutrients must be extended to the newborn as well. For school children from poverty areas, there should be a free school-lunch program to replace the pay-as-you-go program that now reaches mostly children in middle-class neighborhoods and affluent suburbs.

It is important to stress that the attack on hunger should not be limited to the Governmental sphere. Food companies, for example, should be stimulated—with Federal subsidies, if necessary—to produce, package and merchandise fortified foods in new forms—fortified soft drinks, for example—to make them especially appealing to the poor.

There is much more, also, that the medical profession can do in fighting the rigors of hunger. One of the most startling and disturbing revelations before the Senator hunger hearings thus far was that there is a shortage of doctors trained to identify and treat malnutrition. Behind this shortage is a failure of the nation's medical schools to make courses on nutrition an integral part of their curriculum or to encourage students to make field studies of malnutrition in surrounding poverty areas.

All these proposals are contained either in my bill—the so-called Health, Nutrition and Human Needs Bill—or in bills of my Senate colleagues.

Last year, the best that Congress could provide was an extra $55,000,000 for the school-lunch program. This year, Congress plans to authorize $750,000,000 for food stamps alone.

I was particularly gratified that, as this issue went to press, the Senate took the initiative in enacting meaningful hunger reform by rejecting the Food Stamp Bill of the Senate Agriculture Committee in favor of a more ambitious bill cosponsored by Senator George McGovern and me. Our bill, which was passed by a comfortable 54-to-40 margin, would permit the issuing of free food stamps to families earning less than $60 a month. It also would permit the simultaneous issuing of food stamps and commodities in communities that are shifting from commodities to food stamps or establishing food stamps as their first food-assistance program.

The McGovern-Javits Bill also gives the Federal Government power to bypass local authorities who refuse to establish a program and run it adequately; at present, there is no national standard. And finally—recognizing that poor families should not have to spend a greater percentage for food than better-off families—the bill establishes that no family would be required to spend more than one quarter of its income on food stamps.

This was a truly historic action by the

Senate—but one that still must be duplicated in the House, where resistance by the tradition-oriented House Agriculture Committee poses a major obstacle.

But there is hope for meaningful action in 1970. There is a bipartisan determination to surge ahead—represented by Senator McGovern, chairman of the so-called Hunger Committee, by me as its ranking Republican member and by the President himself. Most important, the public has been aroused as never before by the specter of starving Americans. A recent national poll attests to this, showing seven out of ten Americans favoring free food stamps for the nation's most impoverished citizens. With this sort of momentum, hunger in the United States may soon be just another conquered American frontier, leading the way toward the final goal of equal rights and equal opportunity for each citizen to his share of the great American dream.

DEATH OF E. M. "TED" DEALEY

Mr. TOWER. Mr. President, it was with deep and sincere regret that I noted the death, the day before Thanksgiving, of E. M. "Ted" Dealey, publisher of the Dallas Morning News; a man who devoted his entire lifetime to development and achievement within his city and of the State of Texas and whose work enabled his newspaper to become known by many as the leading publication in the Southwest.

The first issue of the Dallas Morning News was published October 1, 1885, after George Bannerman Dealey, father of Ted Dealey and for whom Dealey Plaza in Dallas is named, recommended Dallas to Col. A. H. Belo, publisher of the Galveston News, as a site for a second newspaper. Later the publishing corporation which now carries the Belo name, sold the Galveston News and moved its headquarters to Dallas.

In March of 1926, G. B. Dealey and his two sons, Walter A. Dealey and E. M. "Ted" Dealey, announced the Dealey family had purchased the Belo Corp.

Ted followed his father as publisher of the Dallas Morning News. He received a bachelor's degree at the University of Texas, a master's degree at Harvard, and joined the staff of the News as a reporter in 1920. He became a member of the board of directors when the Dealey family purchased the corporation in 1926.

Ted Dealey never forgot that a newspaper's basic responsibility is to inform its readers accurately of the facts and he continued his own reporting efforts even into his last years of life.

Carved in the stone front of the Dallas Morning News building in large enough letters to be read a block or more away, is that statement which stands at once as a pledge to readers and a charge to employees:

Build The News upon the rock of truth and righteousness. Conduct it always upon the lines of fairness and integrity. Acknowledge the right of the people to get from the newspaper both sides of every important question.

Those were the words of G. B. Dealey. His son Ted lived by those words, and he demanded that his newspaper live by them.

His biggest story was probably his reporting of the Japanese surrender aboard the U.S.S. *Missouri* in Tokyo Bay in 1945. His dispatches were later published in a book called "Sunset in the East."

Mr. President, we are living in a time when the foundation of mass communications, the daily newspaper, is facing every increasing competition due to scientific and technological advancement which now makes it possible for millions of Americans to see events instantaneously as they occur from as far away as the moon.

Ted Dealey was born into a world that did not even know of the existence of radio signals. The main communications problem of those days was not how to get the information to the people first, but how to get it to them at all.

In the past several years, problems of economics have forced many newspapers to link themselves together or to resign themselves to either failure or continuing mediocrity. The Dallas Morning News was fortunate to have been located in one of our Nation's fastest growing communities; but the fact that the News has continued to improve itself, has remained a communications leader in the Southwest and has avoided outside financial control is indeed a tribute to the man who has provided it with executive leadership for more than 40 years, Mr. E. M. "Ted" Dealey.

The city of Dallas and the State of Texas will miss him.

Personally, I have lost a friend that I esteemed infinitely as a man.

SEYMOUR MELMAN DESCRIBES A MAJOR MILITARY BUDGET CUT

Mr. McGOVERN. Mr. President, one of the most provocative and incisive minds in the Nation today is that of Prof. Seymour Melman, professor of industrial engineering at Columbia University. He is the author of several important books, including "Our Depleted Society," "The Peace Race," and the forthcoming "Pentagon Capitalism."

Recently, he has described the formula that could be used to reduce our massive military budget from approximately $80 billion to $26 billion. I ask unanimous consent that his article, entitled "How To Cut the Military Budget by $54 Billion," and published in Commonweal magazine for November 28, 1969, be printed in the RECORD.

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

HOW TO CUT THE MILITARY BUDGET BY $54 BILLION

(By Seymour Melman)

In the name of defense, the government of the United States has constructed the most formidable military establishment in the world. It includes 3.5 million uniformed personnel and 1.2 million civilians; 18 army divisions; 35,000 aircraft; 347 warships; over $200 billion in physical assets; 29 million acres of U.S. land; over 2,000 foreign bases and military locations; 10's of thousands of nuclear warheads; and 4,200 deliverable nuclear warheads mounted in vehicles (missiles and planes) of intercontinental range.

The effect of this military power includes a capability for killing any other society many times over. With only 156 Soviet cities with populations of 100,000 or more, the U.S. clearly wields overkill power of staggering, even if unknown, dimension. It is meaningless to determine whether this dimension is two, twenty, two hundred or two thousand.

Nevertheless, the one thing that the Department of Defense cannot deliver is the defense of the United States, in the elemental sense of shielding the nation.

In the nuclear era they can destroy us, we can destroy them and it doesn't matter who moves first.

Furthermore, this destruction can now be carried out by multiple means. There is overkill in nuclear weapons. There is overkill in biological weapons. There is overkill in chemical weapons. A hundred million doses of nerve gas are stockpiled in steel containers in the Army's Chemical Warfare branch outside Denver. Since the Kennedy Administration, the United States has been mass-producing biological warfare materials. There are multiple delivering systems for nuclear warheads: missiles, planes, mines, balloons, rockets, torpedoes and demolition kits; as well as for bacterial and other weapons.

I shall outline here a set of proposals that have been sent to each Member of the Congress. These proposals would reduce the overkill system so that, before any disarmament agreements, there would remain an armed force of 2.3 million, a nuclear delivery system of staggering dimension and naval and other forces of enormous size. Therefore, let no one call the consequence of what I am about to outline "disarmament" or "unilateral disarmament." I shall also outline a series of budget reductions totaling $54 billion. The purpose of the budget reductions is: first, to improve the military security of the United States, for reduction of military tension systems would achieve this effect; and second, to emphasize that this is the essential step for making funds available for serving the requirements of life in this and other societies.

We should appreciate where we stand. Even though the United States has a Gross National Product of $900 billion for 200 million people, $4,500 of GNP per person, we are a depleted society. What is a depleted society?

40.7 percent of the young men examined by the Selective Service in the last recorded year were rejected on grounds of being physically or educationally incompetent. That is a depleted society.

The United States ranks 18th among nations in the world in infant mortality rates. Sweden ranks the lowest at 12/1,000 compared to the United States' 23/1,000. The difference is 40,000 infant fatalities a year. That is a depleted society.

In 1950 there were 105 M.D.'s in private practice for each 100,000 citizens. There are now 98. That is a depleted society.

An average of 25 percent of the nursing posts budgeted in our hospitals stand vacant. That is a depleted society.

Ten million Americans live with hunger as a sustaining condition. That is a depleted society.

The American College of Surgeons warns that half of the emergency ambulances in the United States are operated by morticians. That is a depleted society.

Half of the school buildings in New York City are in violation of the city's own building code. That is a depleted society.

64 percent of the basic metalworking machinery used in American industry is ten years old or over, giving the United States the distinction of operating the oldest stock of metalworking machinery of any major industrial country in the world. That is a depleted society.

The steel industry, the machine tool industry, the civilian electronics industry and the shipbuilding industry are incompetent as producers of ordinary products able to hold their place even in domestic, let alone world, markets. That is a depleted society.

REASONS

Why do we have such depletion with a Gross National Product of $4,500 per person? Because an important part of that $4,500 consists of parasitic rather than productive growth. Productive growth means goods and services that are part of the level of living that can be used for further production. Parasitic growth means goods and services, however well paid for, that are not part of the level of living and cannot be used for further production. Military and allied activity are parasitic economic growth. They absorb a lion's share of the technical brains of this society. Lacking this stock of skilled manpower imposes pervasive shortages on the rest of the productive capability of the American economic system.

We have spent over $1,000 billion for military purposes since the Second World War, but have not purchased security. However, since 1961 we *have* purchased a state management system that has replaced the so-called military-industrial complex. The state management, owing to the energies of Kennedy, Johnson and McNamara, is like the central administrative organization of large multidivision firms. This central office, staffed with about 55,000 persons, operating out of Washington, D.C., dominates the largest network of submanagement and industrial resources in the world. As in most modern corporations, this management does not own the underlying facilities. The state management in the Pentagon exercises control and that is sufficient.

The operations of the state management and its normal institutionalized intensity for extending its decision power explain many things. For instance, although the continued piling up of nuclear and other overkill is militarily irrational and humanly meaningless, it is eminently serviceable to a management striving to sustain or enlarge its industrial sway. No industrial management operates to diminish its decision power, and this is no exception. There is another consideration that tells of tension within the United States. That can be summarized as an issue of economic development or race war.

The under-classes of American society, the impoverished whites, blacks, Spanish Americans, Indians and others now understand that economic underdevelopment need not be their lot. The combination of higher mortality rate and limited life span, high incidence of certain diseases through life, limited education, limited literacy, limited productivity and limited income is called economic underdevelopment everywhere in the world. To change this requires economic development and investment in what economists call human capital. Human capital means investment in the capability and opportunity for productive employment. Allowing for approximately 7½ million economically underdeveloped equivalent family units, each needing an average outlay of $50,000 over a 10 year period, the total requirement for economic development is $375 billion, or an annual average of $37 billion. Such an operation is unfeasible at the present time. Even if the Congress were to vote the funds, the hands and brains needed to carry out the requisite work are occupied elsewhere.

The pressure for more equality along racial and economic lines in the United States can only be met by making economic development possible. Otherwise this pressure leads to a collision course in many facets of life. How are the universities to greatly enlarge admissions? How can they make up for backwardness induced by poor public and secondary schools? With present resources, the admission of blacks and Spanish Americans on a large scale may only be effected by limiting the white admissions. Then we will be on the road to race confrontation even in the universities.

The same pattern prevails elsewhere, 48 percent of white America is in white collar occupations, while only 22 percent of nonwhite Americans is so engaged. In order to equalize economic opportunity, 26 percent of the nonwhites gainfully employed must move into white collar occupations. The workable issue is not how to divide up the present economic pie, but dividing up a larger pie *so that the gain for one need not be the loss for another.* In fact, the gain for one would be a gain for all. In order to have that option, instead of race confrontation, there must be a process of general economic development. However, that is thoroughly checkmated today by the priority given to military and related activity in this society.

Since 1961 the design of U.S. Armed Forces has been oriented to fighting three wars at once: a war (nuclear) in the NATO area, a war in the China area and a lesser military action in Latin America. This war plan does not constitute the defense of the United States. Rather, it is a basis for world-wide political hegemony by wielding military force.

At President Nixon's first press conference he suggested that what the nation needed in the sphere of defense was "sufficiency." Very well—what is "sufficiency?" In my view this should mean: (1) before disarmament is agreed, operation of a strategic deterrent force; (2) guarding the shores of the United States; and (3) capability for participating in international peace-keeping efforts. However, these criteria for military security exclude the following: (1) building up a nuclear first-strike capability against the Soviet Union or any other nation—it is precisely that capability which is being built up by enlarging the present nuclear delivery system as much as tenfold with a multiple warhead program called MIRV (Multiple Independently-Targetable Reentry Vehicles): and (2) the objective of conducting a program of Vietnam type wars. I judge these latter goals as contrary to the security of the United States. It is emphasized that after the substantial reductions recommended here are made, each for reason of merit, the Armed Forces of the United States would still consist of 2.3 million men operating masses of missile aircraft and naval forces of staggering power.

Incremental costs of the Vietnam war. A military expenditure of 20 billion per year pays for the *incremental* cost of the Vietnam war, that includes the additional ammunition, fuel matérial, etc. used up in fighting it. The Congress would instruct the President and the Department of Defense to terminate this war if they reduced the budget by this amount. (*$20,000 mill.*)

Reducing additions to strategic overkill. It is clear that no present or foreseeable research effort will make it possible for the armed forces of the United States, or any other nation, to destroy a person or a community more than once. Nevertheless, the nuclear forces and delivery systems of the United States have been built up with multiples of overkill. With present capability for delivering 11,000 nuclear warheads (of these 4,200 by intercontinental vehicles) and only 156 Soviet cities with populations of 100,000 or more, continuing the buildup of these forces is absurd.

New nuclear weapons production. The proposed budget for the Atomic Energy Commission includes funds for further production of nuclear materials and weapons which should be stopped as being militarily and humanly unreasonable. (*$1,518 mill.*)

Research, development, test and evaluation. A major part of new military research activity is oriented to new strategic weapons delivery systems, which adds to the proliferation of overkill forces. (*$5,000 mill.*)

Poseidon and Minuteman III. These "new generation" intercontinental missiles (with MIRV) would enlarge the U.S. stock of nuclear warheads by a factor of about 10, and perhaps allow for an increased calculated accuracy for a few hundred yards closer to target. This is bound to be perceived through Soviet eyes as an intended first-strike threat to their missile systems. (*$1,000 mill.*)

ABM. The proposed antiballistic missile system has been the subject of exhaustive debate. The technical workability of the system is under grave doubt on the grounds of complexity and the experience with an unsuccessful attempt to build an antiaircraft defense system. Although the antiaircraft system is much simpler, we know from a principal designer of this system (Dr. Jerome Wiesner of MIT) that it has failed. There is the further prospect that the construction of an ABM system will serve to escalate fear among nations and hence drive forward an already irrational arms race. (*$904 mill.*)

Chemical and Biological warfare. Since 1961 the United States has been producing and stockpiling increasing quantities of lethal chemical and biological warfare materials. This mass production means more overkill weapons systems. In addition, the very existence of these materials, in quantities, exposes the people of the United States to grave hazards because of possible accidents in the handling of lethal, self-propagating organisms. (*$350 mill.*)

Advanced Manned Strategic Aircraft. In the face of already existing massive overkill capability, the proposal to build additional and new highspeed bombers seems to be only another example of organizational and industrial empire-building. (*$102 mill.*)

Bomber defense system (SAGE). It has long been understood that the Soviets do not have meaningful long-range bomber capability. When this is coupled with the known defects in functioning of the SAGE-type system, there is no reason for incurring the large cost that operating it would involve, especially as it would add little to the defense of the United States. (*$1,000 mill.*)

Surface to air missiles. Former Pentagon staff have indicated that substantial savings could be made by holding back on major spending for ineffective antiaircraft missiles, and deferring production on apparently inadequate designs. (*$850 mill.*)

Overkill also exists in other than strategic or nuclear forms. The Federal Budget includes many items which add to our overkill capability in conventional wars. These items, some of which I shall enumerate below, must also undergo reductions in order to prevent waste and contain the proliferation of the military.

Vietnam war manpower. The Vietnam war uses about 639,000 soldiers, sailors and airmen, at an annual cost of $10,000 per man. As the Congress instructs the Department of Defense and the President to refrain from operating wars of intervention, these 639,000 men would not be required. (*$6,390 mill.*)

Surplus military manpower. Analysts in the Department of Defense have reported that substantial savings could be made in all the services by a 10 percent cut in "support" forces, which have been unjustifiably large compared with other armies of the world. In addition, manpower savings could be effected by reducing the large category of "transient" personnel. The result of these two reductions is $4.2 billion, using the $10,000 per man year figure. (*$4,200 mill.*)

Tactical aircraft programs. Specialists in the aviation field have indicated that elimination of overly elaborate and impractical electronic systems, and concentration on simpler (hence, more reliable) aircraft would make possible savings on a large scale. (*$1,800 mill.*)

Attack carriers. The United States now operates 15 attack carrier forces. Their justification is based on the 3-wars-at-once pol-

icy. Even a beginning of reasonable economy in the use of these forces permits substantial operating budget reductions. (*$360 mill.*)

Antisubmarine carrier forces. According to Pentagon specialists, these forces are known to have severely limited capability in their military function, casting grave doubt on the worth of continuing them. (*$400 mill.*)

Amphibious forces and Fast Deployment Logistics Ships (FDL). The amphibious forces are grossly overbuilt and presumably oriented to a Western hemisphere interventionist war mission. The FDL's are part of an expanded Vietnam wars program, and could be eliminated without reducing a massive military capability. (*$500 mill.*)

C5–A jet transport. Further production of this plane, which has been specifically designed to transport large numbers of troops for the Pentagon's worldwide policing and Vietnam wars program, should be dropped. (*$500 mill.*)

Military assistance. For some time it has been apparent that the U.S. military assistance program has been a major factor in encouraging and sustaining dictatorial and backward regimes in many countries. This outlay has no demonstrable relation to the defense of the United States. (*$610 mill.*)

New naval ship construction. We are informed in the federal budget for fiscal year 1970 that "The largest single 1970 increase proposed for General Purpose Forces is for a new ship construction program for our naval forces of $2.4 billion total obligational authority." Such enormous expenditures for naval forces are justifiable only in terms of the 3-wars-at-once military perspective. (*$2,400 mill.*)

Economies in training. A former Pentagon staffer (Office of Comptroller) recommended changes in training methods that would reduce costs appreciably. (*$50 mill.*)

Improved buying procedures. A series of straightforward steps can apparently produce major savings in Pentagon buying—by curtailing the expensive pattern of cost-overruns. (*$2,700 mill.*)

U.S. NATO forces. Pentagon staff indicate the feasibility of reducing forces in Europe by 125,000 and their backup by 50,000 men (at 10,000 per man year). (*$1,750 mill.*)

I would like to mention two more areas in which budget reductions should be effected—that is, military construction and the F–14 aircraft.

Military construction. The Budget for FY 1970 schedules diverse projects which require new military construction. Secretary of Defense Laird proposed a reduction of the $1,948 million military construction item by $634 million, leaving $1,314 million. This should be further reduced in order to limit the continued over-expansion of unnecessary military forces within the United States and abroad. (*$1,000 mill.*)

F–14 aircraft. Funds have been budgeted for the Navy's program for constructing a new class of fighter planes to be carried by its major aircraft carriers. These aircraft are of doubtful worth since there is no opposing force with comparable fleets of carriers against which they might operate. In addition, the enlargement of the carrier aircraft force involves a major addition to preparations for further Vietnam-type wars. This alone is the issue with respect to this aircraft (not whether the design is right, or the contractor competent). (*$834 mill.*)

IN CONCLUSION

I have now reviewed many items in the military budget for Fiscal Year 1970. I have shown how each one can be reduced or eliminated in order to sustain our military "sufficiency" without adding to our over-kill forces or continuing wasteful practices. These recommendations make possible savings of *$54,200 million*, leaving a still-immense military budget of $27 billion for a sufficiency U.S. defense force before disarmament. The difference between $27 and $81 billion is the overkill and the Vietnam war program, and the continued expansion of the Pentagon's decision-power. That is the issue.

CENTENNIAL YEAR FOR PURDUE UNIVERSITY

Mr. BAYH. Mr. President, 1969 marks the 100th year of the founding of Purdue University, one of our Nation's largest and finest institutions of higher education. Established as a land-grant college in 1869 by an act of the Indiana legislature, Purdue has grown during the past century until it now enrolls approximately 25,000 students on its home campus and more than 12,000 others at four regional campuses throughout the State.

Today, Purdue University is widely recognized for its major contributions to and leadership in many fields. To mention only a few, it is noted for outstanding educational and research programs in such diverse areas as agriculture, engineering, basic science, industrial management, pharmacology, and home economics.

An excellent description of the significant role played by Purdue University in higher education was published in the October issue of Indiana Business and Industry. In the article, appropriate and deserved credit is paid to Dr. Frederick L. Hovde, president of Purdue for nearly 25 years, and under whose direction the university has made tremendous strides. As a tribute to the truly remarkable achievements made by this fine institution during its 100 years of history, I ask unanimous consent that the article entitled "Purdue—Its Heritage Is Strength, Stability for Indiana," be printed in the RECORD.

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

PURDUE—ITS HERITAGE IS STRENGTH, STABILITY FOR INDIANA

Purdue University's red-brick campus spreads out broadly over the 650 acres of a flat bluff against which the storied Wabash River nestles in its meander west and southward. The geometric ruggedness of its more than 115 principal buildings rises as single symbol of strength and stability from the fertile Hoosier soil.

Strength and stability loom centrally in the 100-year-old heritage of the state's land-grant institution. Founded at West Lafayette by act of the 1869 General Assembly—but really made possible through the largess of Lafayette businessman John Purdue, who gave his land, his money and his name—Purdue University is one of the solid rocks on which Indiana has been able to build, grow and prosper economically, socially and educationally.

Though you could list scores of individual Purdue accomplishments of direct value to the economic and social welfare of the state, nation and world, Purdue's principal product is an intangible one; Brainpower. Its continuing mission is just as intangible: Enlightenment and the preparation of people for life, socially as well as vocationally.

No one articulates the intangibles of a university as well as the man who has spent nearly one quarter of the university's first century as its president. Frederick L. Hovde, a smalltown North Dakotan who played football and studied chemical engineering at the University of Minnesota.

Excelling at both, he won a Rhodes scholarship and earned a master's degree at Oxford—and a small place in athletic history as the first American to make the Oxford rugby team. He already was embarked on a successful and distinguished career as an educator and scientist when in 1945, at age 37, he was picked as Purdue's seventh president.

Since, he has guided the university's growth and expansion through the crowded years of the GI Bill veterans of World War II, through the tumult and change in attitude and methodology wrought by the near-panic of Sputnik, and now through the perilous waters roiled by youthful impatience for social and political change on the campus.

"The purpose of the university," the president said in a recent commencement address, "is to educate. The purpose of the student is to learn. If both achieve their purposes, the result is an 'educated man' in so far as the process of formal instruction can produce such a man." Then, he said, ". . . during the next 25 years, if you pass the tests of experience and professional performance in your work, you may qualify as an educated man . . . (who) must be and is a man capable of the self-discipline required for the lifelong growth, development and refinement of the total being—mind, spirit and body."

The benefactors of the "educated man" defined by President Hovde have been the world generally and Indiana specifically. But there are tangible contributions to be mentioned, including a few obvious and historic ones: Purdue's early steam locomotive testing; development and research in which Purdue scientists transmitted an early, if not the earliest, TV picture; its cooperative work in network analysis with the Hoosier and other midwestern electric utilities; the work of one of its physicists, Dr. Karl Lark-Horovitz, whose research into the properties of germanium crystals led directly to the development of the transistor—and thus changed forever the scope of man's scientific horizons and his ability to investigate them; the generations of work by Purdue agriculturists helped revolutionize farming and gave mankind the technological ability to once and for all defeat world hunger.

The ways in which Purdue contributes usefulness to the world are countless and difficult to measure. Measure—if you can—the contribution of the university which produced the leader of man's first expedition to the moon, Neil A. Armstrong.

At the age of 100, Purdue, now with about 25,000 students at its West Lafayette campus and nearly 13,000 at four regional campuses, having graduated about 100,000 in its first century, finds itself unexcelled in its traditional educational missions.

Witness its School of Agriculture, which is second to none in the nation and which has made invaluable contributions to Hoosier farming and agri-business.

Witness the fact that Purdue still ranks first nationally in numbers of undergraduate engineers it trains.

Witness the fact that nowhere in the world on any given day are as many people involved in the study of the basic sciences as at West Lafayette.

Witness the fact that Purdue's School of Pharmacy and Pharmacal Sciences, the only offering of its kind at a state-supported institution in Indiana, has the largest graduate enrollment in the United States.

Beyond the somewhat philosophical impacts, Puurdue University exerts a tremendous impact on the economy generally. In the 12-county Greater Lafayette region it qualifies as the largest employer, but its dollar impact is a contribution of more than $72 million, including net payroll, student spending, purchase of university supplies and residence hall food, rents and so forth.

Some of the indirect effects of this economic contribution include donations of more than $100,000 annually to the United Fund by university employees. Purdue educational conferences which bring 100,000 persons each year to the Lafayette community, and athletic events which this year will bring nearly 500,000 others to the campus.

And the university's affiliate, the Purdue Research Foundation, has contributions all of its own. One of the top Tippecanoe County property taxpayers, it also has been instrumental in helping to finance utility installations and school buildings and providing land for several West Lafayette recreation areas.

And PRF's development of the Purdue University Industrial Research Park on the north edge of West Lafayette has brought nearly 20 firms employing about 1,500.

Most significant has been a more than 50% growth over the last five years by way of dollars added to the economy—and Purdue officials see a healthy continuing growth rate, all to the good of the Greater Lafayette area if, indeed, not for all of Indiana.

Direct and specific contributions by the university of interest to Indiana business and industry can be cited in this way:

CONTINUING EDUCATION

Many programs have been developed exclusively for business and industry and perhaps the best known are the supervision programs offered by the School of Technology's Department of Industrial Supervision headed by Prof. Thomas F. Hull. The programs are led by industrial educators and are tailored for supervisory personnel of individual industries to develop supervisors who not only know their trade or occupation but how to successfully supervise others at it.

A glance at the university calendar of the Division of Conferences and Continuation Services produces other examples of the university's direct service to business and industry: The annual air pollution control conference, the annual conference of the Industrial Communication Council, workshop for the industrial engineer in practice, the metal fabricating institute, dairy fieldman's conference, industrial coal conference, roofing superintendent conference—and the list goes on.

And this does not include the year-around programs of the Life Insurance Marketing Institute directed by Prof. Hal L. Nutt. LIMI began in the early 1940s as a unique Purdue program and is now nationally known for the education of trained life underwriters.

SCHOOL OF TECHNOLOGY

Founded in 1964, the School of Technology was given the mission of providing two-year—and now four-year graduate directly oriented to the manpower needs of Indiana and Midwest industry. Its programs in the engineering technologies, aviation technology and nursing have gone a long way toward meeting serious trained manpower shortages. An agency established in the school at its founding, the Office of Manpower Studies, directed by Prof. J. P. Lisack, may be the university's most viable link for dialogue between the academic community and Hoosier business and industry. Conducting his surveys with the clock-work efficiency and thoroughness that he learned as an Air Force colonel, Lisack time and again has produced the hard-to-get facts upon which the university can develop undergraduate programs to meet specific industrial manpower needs. Notable among his surveys of business and industry have been those which showed the critical need at all levels for trained data processing manpower, especially in Indiana metropolitan areas where the computers are outstripping the men needed to run them. Lisack also did an interesting study which told the medium-sized business or industry that careful analysis of profitable use should precede any stampede towards computerization.

More recently, the Office of Manpower Studies came up with the figures which dramatically illustrated one of America's real commercial air traffic hang-ups: A critical shortage of qualified air controllers and air traffic specialists and the need for college-level training in this field to insure a continuing supply of highly trained professionals. The result may be a new air traffic controller school at Purdue under the direction of the school's famed Department of Aviation Technology.

Another Lisack study on the need of foundry technicians was the basis for a joint industry-faculty committee which developed a new two-year foundry technology curricula in which graduates are awarded the associate of applied science degree. The program was a classic case of "interface" between representatives of industry and representatives of Purdue to develop curricula relevant to industry manpower needs.

SCHOOL OF INDUSTRIAL MANAGEMENT

Though it's only 11 years old, Purdue's School of Industrial Management, along with its young (7 years old) partner, the Krannert Graduate School of Industrial Administration, is ranked among the best business schools in the country. Frequent visitors from overseas attest to the fact that the school's heavy emphasis on quantitative methods and use of computers has won attention around the world.

Instead of emphasizing specialization in business areas such as accounting, both schools aim at cultivating students' background in broad management and economic concepts to leave them free to rise in the world of business in directions in which their talents and opportunities happen to mesh. The schools combine the case study methods of Harvard with the quantitative methods emphasis of such other schools like M.I.T. Purdue's pairing of management and economics in a business school is rare among American universities.

Along with this broad-base education for future executives, the schools' faculty is making notable contributions to the state and nation in terms of public service and new knowledge from significant research.

Perhaps no service has had more widespread effect than that of Prof. Robert W. Johnson, one of the country's leading experts on consumer credit. Along with his imaginative teaching as a senior professor of finance, Johnson worked with Federal Reserve Board officials in drafting Regulation Z to implement the new "truth in lending" act, which became effective July 1. Then he wrote a booklet, "The Truth About Credit," in easily understood form, to help consumers learn what protections the new law provides for them. Previously, he served five years as reporter-economist in drafting a uniform consumer credit code, being recommended to state legislatures as a solution to a hodgepodge of credit regulations among the states.

In the Krannert School, and earlier in Chicago, Prof. Joseph C. Ullman has made extensive surveys of such labor problems as hiring costs, unemployment and displacement. One study indicated displaced persons more readily accept a different type of job by talking out their problems with workers in the same boat. He's spending this year in Washington helping evaluate programs of the Department of Labor.

Ullman also was a leader among half a dozen Krannert School professors who dug into their own pockets for initial financing of a new Business Opportunity Program for ghetto boys who wouldn't ordinarily go on to college. Now in its second year, BOP gives these boys from working class families special aids, financial and academic, along with special encouragement and counseling. The program now receives financial support from a number of Indiana industries.

As an extension of the BOP venture, the Krannert faculty is moving toward expanded opportunities for graduate study by black students in such areas as industrial relations.

The chronic battle between water pollution and health hazards for humans and wildlife is being tackled in a research project headed by Prof. Andrew B. Whinston. Using engineers' data on stream flow and waste discharge in the west fork of the White River, Whinston will attempt, through mathematical models, to determine optimal arrangements for waste treatment—or even long-distance piping of wastes to better use the self-cleansing capabilities of rivers.

A new study of natural gas regulations directed by Prof. Keith C. Brown will eventually given President Nixon's science advisors guidelines for a new energy policy. And Prof. Eugene E. Cominskey is probing the thickets of reports to stockholders to demonstrate how various accounting procedures can yield a wide disparity in reported earnings. Pressure from independent auditors, he thinks, could narrow the allowable spread and give stockholders more readily comparable figures. Prof. William J. Breen has programmed computers to make investment decisions.

Prof. George Horwich was one of a small group of leading economists called to Washington to brief Treasury Secretary David Kennedy on the interaction of interest rates and funds.

HUMANITIES HELP BRIDGE SOME GAPS

Purdue's rapidly growing School of Humanities, Social Science and Education may be considered by some a deviation away from the traditional agriculture-engineering-science missions, but the humanities are making direct and valuable contributions to the Indiana economy.

For decades, Purdue has been considered a mecca for the study of industrial psychology, and modern industrial personnel practices in Indiana and elsewhere have their bases in work done by Purdue. It is true of other areas, too.

PURDUE'S COMMUNICATION

Research Center aims at helping management bridge communications gaps. Each year, the center, which is part of the Department of Communication, sends out copies of current research bulletins and other publications. The center works with businesses and other organizations on academic research programs, contract, research projects, and consulting assignments, according to Prof. W. Charles Redding, director.

Since it was formed in 1951, "the Communication Research Center has been in the forefront of academic research directly and explicitly concerned with human communication in business and industry in the United States," Redding says.

A new program begun last summer opens Purdue University's libraries to Hoosier businessmen and manufacturers. The program is intended to help the small businessman or manufacturer get the kinds of information that executives of larger firms get from their research staffs or consultants. Engineering, accounting and advertising are examples of the kinds of information which can be provided in response to executives' requests.

The Purdue University Placement Service does a lot more than arrange interviews between students and employers.

Each fall, the placement service conducts a college recruiting workshop. Beginning recruiters learn now to conduct interviews to gauge the worth of a student to their companies. Recruiters even get opportunities to polish their interviewing techniques by practicing with Purdue students.

Engineering—The smooth-running wheels of Indiana industry have been greased and cared for for many years by Purdue engineers. The reason is simple:

Purdue has been teaching engineering for more than 90 years—before the invention of the adding machine, the airplane, the electric lamp, even before the high-speed internal combustion engine.

So it boggles the mind to compare the one student registered in civil engineering in the fall of 1876 with the 7,500 young men and women today seeking degrees in nine diverse engineering disciplines now offered by Purdue.

Ninety years ago one student was awarded a degree in civil engineering—for all practical purposes comparable to a certificate for a 1969 short course. Today, the interests of students range from geosciences to nucleonics, astronautics to soil mechanics, thermodynamics to materials handling, heat transfer to stochastics.

Since a subject like stochastics—a study involving random mathematical probabilities—wasn't even developed as recently as 10 years ago, it is simply not possible to compare Purdue's engineering offerings, even as late as World War II, to today's program of education; nor the graduates of yesteryear with the present.

The problem is, as always, not keeping up with the needs of technologically based society, but staying ahead of them if possible. Thus, research and development—the production of new and useful knowledge—is also a part of the Purdue engineering scheme.

Do you know that Purdue developed a model road numbering system which has been adopted by hundreds of counties and townships across the nation? Probably not, but fire truck and ambulance drivers can quickly reach any intersection in these areas today because of this grid system.

The list of developments is virtually endless—by the time the most recent is reported, another demands attention:

Professors in fluid mechanics are building models of human organs to find out how they work; sanitary engineers are developing a harmless radioactive bombardment to kill pollutants in environmental wastes; highway planners are utilizing plastic foam to prevent frost heave in pavement; engineers are pooling their knowledge with animal scientists to learn the best living conditions for farm stock; other engineers, working side by side with audiologists, are helping the deaf to communicate.

From these random examples, it is evident that an increasing number of contributions from the Schools of Engineering are both people-oriented as well as thing-oriented. This reflects the high regard Purdue holds in producing engineers with a greater awareness of the socio-economic responsibilities involved in practicing their profession.

THE THERMOPHYSICAL

Properties Research Center (TPRC) at Purdue provides data of some 16 thermophysical properties of more than 50,000 different substances. Information is also available from exhaustive publications produced by this center. It is quite possible that refinements and increased efficiency of electric range ovens and surface elements could be traced to data supplied manufacturers by TPRC.

Information on file at TPRC can tell the scientist and engineer what substances are best for shielding spacecraft re-entering the earth's atmosphere, or what materials will keep hotcakes from sticking to the frypan.

Unique in Indiana is the R. W. Herrick Laboratories, where researchers in engineering and life sciences work together. They research the effects of climate and environment on diet, growth rate, fertility and blood chemistry in the study of husbandry, and the engineering application of the machines to environmental control in the home and industry. Psychologists, too, are called upon to investigate the effects of climate control on the health and comfort of humans.

And out of Purdue's School of Industrial Engineering come graduates, research and knowledge of direct use for industry. One of its faculty, Prof. Ruddell Reed, is considered a foremost authority in a field now receiving renewed and important attention from all quarters of the economy—materials handling. Reed's and Purdue's contribution in this specialty are highly sought.

Holding a high priority this year is the study of noise, listed along with water and air pollution as factors directly affecting man's environment, at home as well as at work. The work ranges from basic studies in understanding the mechanisms of sound generation to designing means of reducing the irritating and debilitating noise in everyday life.

Virtually everything that's noisy is of interest to engineers in the Herrick Laboratories—fans, compressors, sump pumps, furnaces, air-conditioners, refrigerators. They are equally interested in devices to dampen sound—mufflers, acoustical materials, shields, insulators. If you have noticed over the years that motors in the home or factory have become less noisy, it isn't because you have become conditioned; engineers have found ways to quiet them.

Research not only spins off services to Indiana and the nation, but serves the double purpose of keep professors at the cutting edge of new knowledge which, in turn, is displayed and demonstrated in the classroom. The oft-repeated phrase, "The best teacher is also a student," is a truism in higher education, because this is what it is all about—particularly at Purdue.

SCHOOL OF HOME ECONOMICS

With the rising costs of food and labor, it's no wonder the check that seems high to the patron barely covers a restaurant manager's overhead these days.

The problem, however, is not insoluble as evidenced by hundreds of successful restaurants and motel-hotel operations in Indiana.

These problems—all involving the customer—have in fact given rise to Purdue University's new approach to educating food-management people, and it's paying off for some Hoosiers.

Said one Holiday Inn representative: "The graduates we have hired have been outstanding and are doing an excellent job." Others concur, saying they need management people who can improve skills and instill a sense of pride in those whom they supervise.

"But then training of food service people is not a one-way street," says Dean Eva L. Goble of Purdue's School of Home Economics. As she points out, "The restaurateurs work closely with Purdue, visiting annually with students, telling them of the complexities of business as well as the opportunities."

The school's Institutional Management Department, where men outnumber women three to one, relies heavily on industry representatives and alumni, who are now in jobs of responsibility, to keep them informed.

And as requests for advice and information from industry have increased, the department now provides a staff member whose responsibility is to offer direction and counsel to schools, hospitals and commercial restaurants.

SCHOOL OF PHARMACY

"The pharmacist has become the last available health professional for many people," Dean Varro E. Tyler, of the Purdue School of Pharmacy and Pharmacal Sciences, says.

"Not only does he prepare and dispense drugs, but he also is a counselor to the public on their safe and effective use He may advise a client to see a physician, and he keeps records of family medication—to see if the patient is taking other drugs which might conflict."

Established in 1884, the Purdue school is entering a new era this fall, with the completion of the new Pharmacy Building scheduled for mid-winter. The new $6.8 million facility, the largest pharmacy facility of its kind in the nation, will provide 148,000 square feet of floor space. In a state which ranks near the top in drug manufacture, Purdue's interest is typical.

During the last 85 years, the Purdue Pharmacy School has achieved an enviable reputation. More than 3,700 students have graduated, and Purdue ranks first in the country in graduate school enrollment, with about 165 students in the graduate program this fall. Approximately 460 undergraduates are enrolled.

With 80 colleges of pharmacy in the U.S. and Canada, 11% of their full time staff members received advanced degrees from Purdue and 15% of the 80 deans are Purdue graduates. For the six Canadian schools, 17% of the staff and 33% of the deans did their advanced work at Purdue.

Not only will the new building permit academic expansion, it will also consolidate under one roof pharmacy activities now conducted in six locations on campus.

"With the new building and its provisions for heretofore unavailable facilities here at Purdue, we expect to gain even greater advances in the fields of scientific education and research," Dean Tyler says. "We expect our graduates to assume an even larger leadership role in research, industry and education."

During the past year, some 15 per cent of all Indiana pharmacists were reached by closed circuit TV programs over the Purdue network to 10 viewing locations throughout the state. Frequent conferences and seminars are another phase of the continuing education program for practicing pharmacists in a field which changes so rapidly that most of the drugs in use today were unknown 10 years ago.

So great were the advances in pharmacy following World War II that Purdue expanded the curriculum to five years, in 1960, to qualify students for a B.S. degree. Freshmen normally enroll in a pre-pharmacy option in the School of Science.

SCHOOL OF SCIENCE

One of the Purdue plusses for business and industry is its School of Science, where no one academic department has all pure scientists or all applied researchers. Each has some primarily interested in basic research and others in applying the research results.

In the Purdue Department of Physics, staff work at opposite ends of the basic-applied spectrum is exemplified by those who examine what happens to atomic particles in the university's new 20 mev particle accelerator and those who investigate the properties of materials.

In the school's Mathematics Division, there are both the pure mathematician and the computer scientist. The IBM 7094 and CDC 6500 together comprise the largest computer capability in the state and are the heart of the Indiana Regional Computer Network, making available the benefits of this huge computer complex to seven other colleges and universities and four local high schools. A more recent link-up was between the 6500 and satellite computers at Purdue's four regional campuses at Hammond, Fort Wayne, Indianapolis and Westville.

Purdue believes that the intermingling of applied and basic scientists in the various departments is a vital factor in shortening the time gap between discovery and application. Dean Felix Haas notes that having both types of scientists in the same department is the ideal situation to profit from discovery.

SCHOOL OF VETERINARY SCIENCE

Indiana's agribusiness complex and the animal agriculture segment are served in many ways, by the Purdue Veterinary School.

Of the school's 326 graduates (the first class was graduated in 1963) 111 practice veterinary medicine in Indiana.

Purdue-graduated doctors of veterinary medicine—

Assist in the prevention and treatment of disease of food-producing animals and are responsible in Indiana for meat inspection at the state and federal level.

Serve urban residents in treating companion animals.

Work in the pharmaceutical industry in both human and animal biological production fields.

Aid in solving disease problems for the large feed-producing concerns in Indiana.

Are employed by municipal zoos in the larger Indiana metropolitan areas.

Regulate livestock movement and control animal disease for the Indiana Animal Health Board and the Federal Animal Health Division.

Those DVM's who go on to earn M.S. and Ph. D. degrees from the Purdue veterinary school conduct animal disease research beneficial to both livestock and companion animals. These people have key research posts with the federal government and such pharmaceutical firms as Eli Lilly, Dow Chemical, Commercial Solvents and Mead-Johnson.

Research at the veterinary school tackles applied problems which relate directly to the consumer or animal owner and is part of the school's continuing program.

And Purdue, through the Agricultural Experiment Station and the veterinary school, operates two animal disease diagnostic laboratories, the main one at West Lafayette and the branch, opened in September, on Purdue's Southern Indiana Forage Farm near Jasper.

PHILANTHROPIC FOUNDATIONS IN THE UNITED STATES

Mr. McINTYRE. Mr. President, one of the vitally important sections of the tax reform bill now under consideration is that portion dealing with the treatment of private foundations and charitable institutions. Though the existence of abuses in the present system cannot be denied, we must, however, exercise extreme caution to insure that these organizations can continue their efforts which have vastly enriched the quality of life throughout our country's history.

A brief and concise explanation of the activities of our Nation's private foundations is set forth in a booklet entitled "Philanthropic Foundations in the United States." I ask unanimous consent that the pamphlet be printed in the RECORD.

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

PHILANTHROPIC FOUNDATIONS IN THE UNITED STATES

PRIVATE GIVING FOR THE PUBLIC WELFARE

The following contributions to the quality of American life have one thing in common. They have all received crucial support from philanthropic foundations.

Thoroughgoing reform of medical education.

Free public libraries.

Scholarship programs to help talented students get a college education.

Control of yellow fever.

Robert H. Goddard's pioneering experiments in rocketry.

A pension system for college and university faculties.

Nationwide drive against loan-shark practices.

Legal aid and defense for the poor.

Greater educational and economic opportunity for Negroes.

Public television and the use of television as an educational tool.

Discovery of the "genetic code" mechanism that shapes all plant and animal cells.

Foundations are nonprofit, nongovernmental organizations set up as corporations or trusts, usually under state laws, to receive and distribute funds for the advancement of human welfare. Their funds typically come from the investment of their principal, or corpus, which consists of the gifts and bequests of their founders. They do not normally solicit contributions from the public. (There are some fund-raising organizations that use the name "foundation," but these are not foundations in the strict sense.)

Foundations are, therefore, instruments whereby private wealth becomes, in effect, a public endowment. The income they earn on their principal funds is given away each year for the support of worthwhile organizations, programs, and projects. Often they spend part of their capital as well. The specific sums given by foundations are known as grants, and most foundations are "grant-making" institutions. A few, however, use their funds for the support of programs of research and service that they themselves administer. These are known as "operating foundations."

While the philanthropic foundation has many special features, it is fundamentally an outgrowth of a deep-seated American tradition which John W. Gardner has called "private initiative for the public good." America has been notable for its reliance on voluntary, nongovernmental efforts to promote the general welfare.

Foundations are one component in the broader philanthropic enterprise. Voluntary contributions provide essential support for the nation's colleges and universities, its hospitals, museums, symphony orchestras, and virtually all religious institutions. Thousands of local agencies throughout the country concerned with recreational programs, care of the elderly, family service, and civic betterment also depend on private funds. The donations of millions of individual citizens sustain the work of such national organizations as the Boy Scouts and Girl Scouts, the 4–H Clubs, the Red Cross, the Y.M.C.A., Y.W.C.A., and Y.M.H.A., as well as organizations devoted to the conquest of disease—the American Heart Association, the American Cancer Society, and others.

In 1968, voluntary giving in the United States totaled $15.8 billion. Of this amount, $12.1 billion, or nearly 77 percent, came from individual givers, and the rest from foundations (9 percent), charitable bequests (8 percent), and business corporations (6 percent).[1]

Governmental expenditures in traditional fields of philanthropy—education, health, and social welfare—are growing, but so is private giving for the public good. In 1968 the American people reached the highest level of contributions ever achieved anywhere in the world. If to this is added the *time* that over 50 million citizens contributed to voluntary agencies in their communities, the record is even more remarkable.

RATIONALE OF PHILANTHROPY

Neither a rising standard of living nor expanded governmental services has reduced the need for private giving. Educational, recreational, and health programs are still not properly supported. The arts are undernourished. Widespread poverty persists. Automation and expanding technology have brought new problems as well as advantages in their wake. Looking beyond their own shores, Americans also want to help the poorer countries in their economic and social development and their struggle to reduce population growth and increase food supply.

But the justification for volutary effort goes beyond the need for adequate financial support. Theoretically it would be possible for government to provide all the funds now supplied by private donors. That approach has been adopted in many parts of the world, particularly in the totalitarian countries. Americans, however, have cherished the values of diversity and pluralism. They have not wanted total governmental control of such fields as education, welfare, health, and the arts. Private effort in these fields makes for greater freedom of choice and healthy competition in ideas and policies. As De Tocqueville pointed out, the reliance on voluntary organizations is one of the most important feature of the American tradition.

Privately supported organizations enhance the public welfare by their broad freedom to innovate. They can readily try out new ideas and adopt improved techniques and standards that become models for other institutions, governmental and private. For instance, several foundations led the way in providing better education for both the disadvantaged and the academically talented. Organizations financed with private funds frequently help governmental agencies improve their performance. Hundreds of private colleges and universities, for example, are providing in-service training for public school teachers in their areas; and in many cities voluntary, nonprofit agencies have been set up to assist municipal departments and agencies—the schools and public health, welfare, and police departments—to provide comprehensive attacks on the social problems of blighted neighborhoods.

In addition, leaders from the private sector often serve on independent study groups, financed by foundations and appointed to make recommendations on subjects of vital importance to the public. Recent examples are the Carnegie Commission on Educational Television and the National Commission on Community Health Services, which was supported by four foundations.

LEGAL INCENTIVES

Since the Colonial period, public policy in the United States has supported the conviction that private, as well as governmental, institutions should participate in defining and helping to meet social needs and problems. Thus "public service" in America does not always mean "governmental" service. American society bolsters this principle in two ways.

First, it provides tax incentives to individuals and business organizations to encourage them to contribute funds to private, nonprofit institutions and voluntary agencies. Individual and corporate gifts for charitable, religious, and educational purposes are deductible on tax returns. Inheritance and estate tax laws also encourage giving for philanthropic purposes.

Second, through their elected representatives, Americans have provided legislative incentives for the organization and growth of private, nonprofit institutions serving the public welfare, such as universities, hospitals, foundations, and research organizations. Nonprofit charitable, religious, and educational institutions are granted tax exemption because they serve the common good.

The laws, administrative rulings, and judicial decisions supporting these incentives are based on the principle that private institutions devoted to the public welfare relieve the government of burdens it would otherwise have to assume or, equally important, perform functions that government cannot or should not perform. Professor Milton Katz, of the Harvard Law School, has explained the tax exemption of foundations as follows:

[1] *Giving U.S.A.* (New York: American Association of Fund-Raising Counsel, Inc., 1969), p. 10.

The key to the modern philanthropic foundation is its nature as both a public and a private institution. The public-private amalgam is the key to the performance and promise of the philanthropic foundation. . . .

Some might ascribe the public component in the dual nature of the general philanthropic foundation to its enjoyment of tax exemption. To do so would mistake an effect for a cause. The foundation has been accorded tax exemption in recognition of its public-private nature. Its nature would remain unchanged even if tax exemption were withdrawn. The foundation is public because it devotes all its resources exclusively to educational, scientific, religious, charitable or other public purposes and applies none of its resources to the pecuniary advantage of any person (other than regular compensation for services rendered). It is private in the sense that it is nongovernmental and derives its resources from gifts by private donors (or income from the investment of such gifts). It is a privately organized public institution.[2]

HISTORY AND SCOPE OF FOUNDATIONS

Organized philanthropy has roots going back to pre-Christian times, and the legal basis of philanthropy in the United States can be traced to the English Statute of Charitable Uses, enacted in 1601. However, the pattern of the modern foundation may be attributed primarily to Andrew Carnegie and John D. Rockefeller, who developed the idea at the beginning of the twentieth century. The first major foundation was the General Education Board, established by Mr. Rockefeller in 1902. This was followed by the Carnegie Foundation for the Advancement of Teaching in 1905, Russell Sage Foundation in 1907, Carnegie Corporation of New York in 1911, and the Rockefeller Foundation in 1913.

By 1930 the essential characteristics of this new institution had been fairly well defined. The foundation in its purest form has substantial endowment, its governed by a board of trustees composed of men and women selected for their judgment and vision, has a competent professional staff, and sees its task as that of devising programs of grants addressed to the solution of basic problems. Heavy emphasis is placed on research, experimentation, and demonstration.

From the modest beginnings of the first decade of this century, the number of foundations has now increased to about 22,000, with estimated total assets of $20.5 billion, at market value, and annual expenditures of approximately $1.5 billion. Since foundations are required by law to disburse their income within a reasonable period after it is received and may not accumulate it, the funds spent by foundations represent virtually all of their income and some principal. As has been mentioned, foundation grants account for about 9 percent of voluntary giving in the United States.

Most foundations are small, but 29 have assets exceeding $100 million each. About 250 have resources of over $10 million and are classified as large foundations. Over 1,200 hold assets of $1 million to $10 million.

It is interesting to consider the size of the foundation enterprise in terms of economic yardsticks. The total annual grants of foundations amount to about 2/10 of 1 percent of Gross National Product. They are only 6/10 of 1 percent of the expenditures of government in the United States. According to a recent Securities and Exchange Commission report, foundations own 2.1 percent of common and preferred stock as compared, for example, with 66.5 percent held by individuals. While foundations have been growing in numbers and assets, the population has been increasing apace. So also have the nation's needs in health and education which amounted, to mention only two fields, to about $112 billion (13 percent of Gross National Product) in 1968.[3]

Thus in the perspective of overall public and private investment in the human development of a large and changing society, it is clear that the foundations have modest financial resources. Their importance lies not in their size but in their independence and in certain other advantages they possess as a special kind of institution.

DISTINCTIVE ROLE OF FOUNDATIONS

As independent organizations, foundations have broad freedom of judgment and decision within the limits set by law. They can formulate long-term objectives for their grant-making programs based on thorough studies of community and national problems. They can direct their work toward an intensive examination of the underlying *causes* of these problems in the hope that broad-scale action by other organizations and agencies will result.

The ability of foundations to perform this function rests on the following:

They can be selective, limiting their support to a few problem areas at a time and choosing the persons and institutions within them that show the most promise of making important advances.

They are free to pioneer in new fields and approaches. Through exploratory studies, experiments, and pilot ventures, they can exercise leadership in discovery and innovation.

They have flexibility, because their funds are relatively uncommitted. They do not have large payrolls and operating programs that have a first claim on their income. They can move rapidly into new fields, respond quickly to new needs, and act with precision. They are capable of what Gordon N. Ray, President of John Simon Guggenheim Memorial Foundation, has called "fine tuning." They can leave a given field when it is clear that other sources of support have become available.

They have the ability to persevere. Foundations are often referred to as *organized* philanthropy. More readily than other forms of philanthropy, they can plan their giving on a long-term basis. They can stay with a problem for a long period, placing their grants with utmost care to build on each advance.

These advantages enable well-administered foundations to achieve large results with modest funds. In an increasingly bureaucratic society, foundations can be centers of objective evaluation, of creativity, of flexibility of leadership based on ideas.

TYPES OF FOUNDATIONS

Foundations are such a diverse group of organizations that it is not easy to define the term "foundation." The most widely accepted definition is that followed by *The Foundation Directory*. A philanthropic foundation is defined there as a "nongovernmental, nonprofit organization having a principal fund of its own, managed by its own trustees or directors, and established to maintain or aid social, educational, charitable, religious, or other activities serving the common welfare." [4]

Foundations have traditionally been classified into five principal groups: general purpose, special purpose, company-sponsored, community, and family. These groups overlap to some extent, but they provide a rough framework by which to distinguish organizations that have rather different characteristics.

Most of the larger, well-known foundations are classified as *general purpose*. The approximately 370 foundations of this type operate under broad charters, usually have large endowments, are governed by distinguished boards of trustees, are administered by trained professional staffs, and address themselves to the basic problems of the fields in which they operate. Their interests are national and international. They hold about two-thirds of the assets of all foundations and account for more than half of the total amount of grants. They are also sometimes called "independent foundations," because they are not closely associated with a particular family or company or community. Most of the statements in this booklet about the distinctive purposes and role of foundations are made with the general-purpose or independent foundations in mind. In a sense they are the model or prototype of the modern foundation.

Examples are Carnegie Corporation, the Commonwealth Fund, the Danforth Foundation, the Field Foundation, the Ford Foundation, W. K. Kellogg Foundation, Charles F. Kettering Foundation, Russell Sage Foundation, the Rockefeller Foundation, Alfred P. Sloan Foundation, and Twentieth Century Fund.

Some 500 foundations, with about 10 percent of the assets, are *special purpose*. Many of them were created by will or trust instrument rather than by incorporation. They have very specialized objectives. Welder Wildlife Foundation, Sinton, Texas; Edwards Scholarship Fund, Boston; and Vera Institute of Justice and Milbank Memorial Fund, both of New York, are illustrations of this type. Many of the special-purpose foundations have made notable contributions.

There are about 1,500 *company-sponsored* foundations of significant size. Controlling approximately 6 percent of all foundation assets, they are closely associated with business and industrial corporations. Typically they receive annual appropriations from their sponsoring companies and are not heavily endowed. Often their programs of grants are directed primarily to communities in which the company has plants or offices. United community funds, higher education, hospitals, and more recently urban affairs receive special attention from most of the foundations of this type. Alcoa Foundation, Esso Education Foundation, the Sears-Roebuck Foundation, and United States Steel Foundation are among the larger company-sponsored foundations.

Some general-purpose foundations—Kellogg, Ford, and Lilly, for example—bear names identified with companies but are not company-sponsored foundations. In these cases the names come from the families that endowed them. They receive no contributions from the companies, though they may own company stock.

The *community* foundations are a small but important group. Some of them have exercised remarkable leadership in the improvement of their immediate geographical areas through surveys and experimental projects and in the support of essential community services. There are about 200 foundations in this class, representing some 3 percent of foundation assets. The larger of them are set up as trusts rather than corporations and are in effect clusters of small and medium-sized philanthropies under unified management. They are directed by committees broadly representative of their communities. They are closely associated with local banks and trust companies that handle their investments. Many of their funds are designated for quite specific purposes. The Cleveland Foundation is the oldest and largest of the community foundations; other well-known philanthropies of this type are the Chicago Community Trust, the New York Community Trust, the Permanent Charity

[2] Milton Katz, *The Modern Foundation: Its Dual Character, Public and Private* (New York: The Foundation Center, 1968), p. 10.

[3] *Giving U.S.A.*, pp. 40 and 50.

[4] Marianna O. Lewis, ed., *The Foundation Directory*, 3rd ed. (New York: Published for the Foundation Center by Russell Sage Foundation, 1967), p. 7.

Fund of Boston, and the San Francisco Foundation.

About 15,000 of the 22,000 foundations in the United States are of the *family* type. That is, they receive their funds, either in the form of endowment or annual gifts, from an individual donor or members of his family who continue to be active in the management of the foundation. The great majority of these foundations are very small, operate quite informally, and have no professional staff. They account for about 15 percent of foundation assets. Their grants are typically made to well-established institutions and organizations in which the donors have a personal interest. Mary Reynolds Babcock Foundation, Winston-Salem, North Carolina; Louis W. and Maud Hill Family Foundation, St. Paul, Minnesota; the Kresge Foundation, Detroit, Michigan; Lilly Endowment, Indianapolis, Indiana; Richard King Mellon Foundation, Pittsburgh, Pennsylvania; the Moody Foundation, Galveston, Texas; Charles Stewart Mott Foundation, Flint, Michigan; and Woods Charitable Fund, Chicago, Illinois, and Lincoln, Nebraska, are among the larger family foundations.

Most of the general-purpose or independent foundations began as family foundations, and the line between the two groups is not sharp.

MANAGEMENT OF INDEPENDENT FOUNDATIONS

In view of the importance of the large general-purpose or independent foundations, some additional description of their organization and administration may be useful. As has been mentioned, they are governed by boards of trustees in much the same way as a university. The board is typically composed of leaders, elected for specified terms, from business, law, education, and similar fields. The trustees formulate the policies of a foundation; appoint its staff or at least the senior administrative officer (usually called the president or executive director); decide on the areas in which the foundation will make grants; and meet at regular intervals to review the program and authorize grants. A clearly defined program is essential if the foundation is to work effectively toward the objectives set by the trustees. Under state law the board has overall responsibility for management. It must in addition see that the foundation meets the requirements of federal law.

The trustees are also responsible for the sound investment and protection of the foundation's endowment or capital funds. The aim is to obtain as high a yield from investments as is consistent with safety and growth of principal. The foundation is, after all, a spending institution, and it is the business of the trustees to see that the investment policies provide adequate funds to carry out the program plans. Many foundations expend in grants more than their investment income; they dip into principal.

Often the donor makes his gift to the foundation in the form of stock in a single business of which he is an owner. The trustees will usually try to diversify the investment portfolio over a period of years, disposing of the original stock and investing funds in a broader range of securities.

The professional staff, who are typically experts in the fields in which the foundation works, investigate the grant applications that are received; study the possibilities of other types of grants that would be constructive; and make recommendations to the board. They travel widely, seeking out talented people, promising ideas, and forward-looking organizations in the foundation's fields of interest.

It is the responsibility of the staff to provide the board with all the information required by the trustees to assure themselves that the foundation is meeting the requirements of the law and using its funds efficiently in the public interest.

It is improper, both legally and morally, to use foundation funds to advance the business interests of the founders, trustees, or staff. Under the present laws governing the conduct of tax-exempt institutions, most such abuses can be corrected. In addition, foundation leaders have strongly supported proposed legislation aimed at eliminating the remaining financial abuses and insuring full public disclosure of foundation activities. Thus, foundation spokesmen have urged passage of legislation that would prohibit questionable business dealings between a foundation and its donor or donor-related parties; would require foundations to distribute their investment income within a reasonable period of time; and would prevent the preoccupation of foundations with business interests.

PUBLIC ACCOUNTABILITY

In common with other nonprofit organizations, foundations have both private and public characteristics. They are private in their right to independent initiative and decision-making, but they have legal and moral obligations to act explicitly and solely in the public interest. They are accountable to the public for their performance.

Annual foundation information returns (Form 990–A), filed with the Internal Revenue Service, include data on officers, grants, administrative expenses, income, capital, and investments, and are open to public inspection. Many foundations go far beyond this requirement. They publish comprehensive annual reports on their objectives and operations including detailed financial data, statements of policies, and descriptions of grants. A number of foundations issue reports and announce grants more frequently. Full public disclosure of information is perhaps the best way to assure that foundations are operating in the public interest.

Finally, foundations are open to examination by appropriate governmental authorities. The state attorneys general have supervisory powers, and Congress makes studies of foundations from time to time. Their activities are also subject to the scrutiny of the press. Their performance undergoes continuing evaluation by the academic and community institutions with which they work closely. Thus, colleges and universities, churches, social agencies, hospitals, cultural institutions, professional and research organizations, and a host of other nonprofit bodies are in constant touch with foundations and offer suggestions to them. These institutions are probably the best informed judges of the worth and effectiveness of foundation programs and ideas.

It has been said that 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.

FOUNDATION RECORD

Highlights of the contributions of foundations to human well-being in this century include the following:

They have been instrumental in establishing modern public health institutions and practices and have played a major part in the prevention of hookworm, malaria, yellow fever, and other endemic diseases, not only in the United States but throughout the world.

They took the lead in calling attention to the need for reform in medical education and have followed through by assisting in the development of the finest medical schools and medical research centers in the world. Foundation funds aided in the discovery of insulin, penicillin, and polio vaccines, and are providing continuing support for work on such diseases as cancer, heart disease, and arthritis.

They have helped to advance scientific agriculture. Beginning with demonstration farms to introduce better farming practices, they have subsequently financed work in plant genetics, plant pathology, and other sciences that have vastly increased crop yields. Foundations are also supporting agricultural research and extension in many of the world's less-developed countries, where farming is the main source of income.

Long before governments took official notice of the world population crisis, foundations began laying the groundwork for scientific and policy efforts toward birth control and are now a major source of support for domestic and worldwide biological and demographic research and for action programs aimed at regulating population growth.

In education, they have contributed broadly at all levels, from prekindergarten to postdoctoral study. In the early part of the century, they encouraged the establishment and expansion of elementary schools for children of all races, particularly in the rural South, and helped the nation achieve a system of universal secondary education.

They have strengthened the professional education of teachers, the development of educational testing, and research in child development and educational psychology.

In higher education, foundations have helped develop centers of excellence in all regions of the country. And to strengthen college teaching as a career, they began a system of faculty pensions, have assisted in the raising of salaries, and are financing thousands of graduate fellowships for prospective teachers.

In the post-World War II readjustment of the educational system to a period of exploding knowledge and soaring enrollments, foundations have helped carry out improvements in the recruitment and education of school and college faculty. They have helped improve the use of teachers' time and talent, particularly through the adoption of such modern techniques as instructional television and team teaching.

Individual student opportunity has long been a foundation goal. Foundations have expanded opportunities for the intellectually gifted to make the most of their talents and for those from deprived families to surmount motivational and cultural handicaps that limit their ability to learn.

Besides their efforts to improve the quality of the educational system, foundations have devoted large funds to fellowships and the advancement of knowledge. Individual scholars, university departments, and research agencies have received grants and fellowships for research and training in all branches of learning—not only in the medical and biological sciences but also in the physical and mathematical sciences, the social and behavioral sciences, the humanities, and such professional fields as law, business management, and engineering.

In addition to providing funds to strengthen university departments and schools, foundations support the work of such national organizations as the Social Science Research Council, the National Merit Scholarship Corporation, the Population Council, the Center for Advanced Study in the Behavioral Sciences, the American Council of Learned Societies, the National Bureau of Economic Research, Resources for the Future, and the Brookings Institution.

In the cultural field, foundations have contributed vastly to the growth of libraries and library science. Artistic institutions and groups—fine arts, museums, symphony orchestras, theater and opera companies—have also benefited from foundation support, as have many individual artists. Education in the arts has been aided, both at the profes-

sional level and as an aspect of general education.

Foundations have long been engaged in furthering adult education and in supporting programs to enable citizens to extend their knowledge of public affairs, including international relations.

Noncommercial television has developed as a new cultural resource largely through foundation support.

In social welfare, foundations have made a special impact by stressing ways to prevent social breakdown rather than merely alleviating its consequences. Through social research, social work education, and experiments to test out new ideas and approaches, they have helped public and private agencies to deal more effectively with the acute human problems of deprived urban and rural areas. Much recent state and national legislation concerned with delinquency, job training and counseling, and the attack on poverty at its source has taken account of foundation-supported experiments. Another area of social action spurred by foundation funds is the search for better ways to meet the needs of the nation's growing number of older citizens.

Foundations have pioneered in the advancement of legal rights for both the indigent and the consumer.

They have assisted major national and local civil-rights organizations and sympathetic religious, business, labor, and community groups in the effort to enable racial minorities to acquire social and economic opportunity and dignity in the mainstream of American life.

Finally, foundations have extended the American philanthropic tradition to other countries by helping their peoples develop the knowledge and skills to combat sickness, hunger, and ignorance. They are assisting the world's poorer countries in agriculture, medicine, health, public administration, technical training, family planning, and training in economics, business, and law. At the same time, particularly through grants to American colleges and universities for area studies of Asia, Africa, and Latin America, foundations are helping the United States obtain the knowledge of world affairs essential to its own international responsibilities.

ALLEGED ATROCITIES BY AMERICAN SOLDIERS IN VIETNAM

Mr. MONDALE. Mr. President, a shocked, dismayed, and confused public has been told of an incident at Song My Village in South Vietnam where American soldiers may have deliberately slaughtered innocent civilians—including women, children, and infants.

In the wake of such a revelation, filled with rumors and contradictory statements, we must be extraordinarily careful lest the accused be denied their rights of a firm and impartial trial. We cannot allow American soldiers to become a scapegoat for general rage and frustration over the war itself.

We must also be careful that we do not wrongfully implicate the vast majority of American servicemen for the criminal acts of a relative few. Although I strongly oppose this war and our current policies, I still maintain a great respect for the decency and morality of the American serviceman.

Having stated these warnings, however, I must add my voice to those who are calling for the fullest possible investigation into this and any other similar incident.

It would be easy and not without some truth to blame these acts upon the senseless and horrible war. But responsibility for acts during wartime must still lie with individuals.

Whatever justification we may have for this war—and I happen to believe that very little remains—must be based on principles of justice, morality, decency, and respect for the worth of individuals. Without such principles there can be absolutely no basis for our involvement in any nation at any time. Only a full investigation and just disposition of the charges now being made can affirm these principles and restore some credibility to American policy both at home and abroad.

I ask unanimous consent to have printed in the RECORD a most timely and forthright editorial published in the Minneapolis Tribune, commenting upon this shocking incident.

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

THE MASSACRE IN SONG MY VILLAGE

Although much remains to be learned about the massacre in Song My village in South Vietnam by American soldiers, the evidence so far indicates that a horrible atrocity did occur on March 16, 1968. The latest evidence was the chilling statement of an ex-GI who told of firing into mothers hugging their children and begging to be spared.

Today, as we Americans celebrate another great feat in space and prepare for a traditional holiday in honor of America's bounties and goodness, we must also ponder the meaning of an event little different from the Communist atrocities at Hue. We ask ourselves how could we generous, peace-loving, God-fearing Americans—who recoiled in horror when the Nazis, on June 10, 1942, wiped out the Czech village of Lidice—commit an atrocity of similar proportions? Perhaps some of the answers can be found in the column by Anthony Lewis on today's editorial page.

The events in Song My—if published accounts are accurate—are a betrayal of what America stands for, betrayal of the good works so many thousands of Americans have undertaken in Vietnam. The events, if true, are a violation of the Geneva war conventions, as well as being a war crime under the Charter of the International Military Tribunal by which Nazi war criminals were brought to trial at Nuremberg.

Painful as the disclosures may be to all of us, the investigation of Song My must be pushed through to a conclusion, so that guilt or innocence of Song My participants may be determined, and so that, if guilty is the verdict, all Americans may learn how some Americans have acted in Vietnam. Many journalists and other observers have cited other atrocities by Americans in Vietnam, but never on the scale approaching Song My.

The killing of civilians long has been suspected as a prime cause for the high enemy body count reported weekly by the U.S. command in Vietnam. In any given period, say six months or a year, body count figures have always been much greater than changes in official estimates of enemy troop strength (even allowing for infiltration of fresh troops).

A review of our files shows this Associated Press account of the Song My action on the day it occurred: "SAIGON (AP)—U.S. infantrymen, in a hide-and-seek fight through the rice paddies and sand dunes along the central coast, killed 128 Viet Cong guerrillas today, the U.S. command said. A spokesmen said a company of the 11th Light Infantry Brigade, sweeping into an area that had been bombarded minutes earlier, tangled with guerrillas this morning. . . . A U.S. spokesman reported American casualties as two men killed and 10 wounded."

If the recent accounts of Americans present at Song My are correct, the account of the U.S. command was false. The dead at Song My were women, children and old men who were herded together—not guerrillas running through the rice paddies.

A few days later, the U.S. command reported 3,070 enemy deaths for the week that included Song My, then shortly thereafter "updated" the total to 3,642. How much of this total was made up of old men, women and children? How honest are U.S. military reports of lopsided victories in one-sided battles? Are some of them really more Song Mys?

Some of the public's reaction to Song My may turn into additional criticism of President Nixon's efforts to wind down the war. It should be noted, however, that Song My occurred under President Johnson and Gen. Westmoreland, then commander in Vietnam. His successor, Gen. Abrams, appears to have changed strategy and emphasis away from the kind of policies that may have caused Song My. We hope he has.

We believe America's combat involvement in Vietnam was a mistake. Song My is a tragic and shameful consequence of that mistake. The job is to extricate ourselves from that mistake, a job which now is in the hands of President Nixon. We believe most Americans will support a more rapid withdrawal from Vietnam, and we hope our President makes the decision to do this.

DEPARTMENT OF DEFENSE RESEARCH

Mr. FULBRIGHT. Mr. President, section 203 of the recently passed Military Procurement Authorization Act states:

None of the funds authorized to be appropriated by this Act may be used to carry out any research project or study unless such project or study has a direct and apparent relationship to a specific military function.

This provision was initiated by the distinguished majority leader and adopted by the Senate as a part of my amendment to cut back on several categories of Defense research. Subsequently, the amendment was adopted by the House Committee on Armed Services, so the item was not in dispute in conference.

Both the majority leader and I felt that the enactment of this provision would have a significant impact on the Department of Defense policies in support of non-mission-oriented research, for which some $400 million was spent last year. The purpose of the amendment was to get the Department of Defense out of the business of supporting academic research that is not directly related to military requirements, and break the trend toward greater reliance by university scientists on the largesse of the military. The increasing reliance by scientists for financial aid from the Defense Department is not healthy for the scientists, their universities, or our society. The Senator from Montana has suggested that a reasonable goal for carrying out section 203 would be to reduce Defense funding of academic research to "no more than 25 percent of that funded

by the National Science Foundation by the end of fiscal year 1971." I agree.

But the Department of Defense has different ideas. It has decided to ignore the intent of Congress in enacting this provision. On October 8, following the publication of a news report about a Defense-financed research project to train birds to wage war, I wrote the Defense Department to ask for a report on the action it planned to take in response to section 203, and, specifically, how it viewed the bird project in the light of the intent of that provision.

The reply I received from Dr. John S. Foster, Jr., Director of Defense Research and Engineering, stated:

It has long been DOD policy to support only research which is relevant to military functions and operations. Most of our projects in the research and exploratory development budget categories (from which comes most of our university funding) are, in fact, relevant to *many* military operations. . . . I do not expect, therefore, that implementation of these sections will entail any new type of review or selection.

I ask unanimous consent to have this exchange of letters printed in the RECORD following my remarks.

It is unfortunate that Dr. Foster has chosen to flout the intent of Congress. I had hoped that the Defense Department would take steps to drastically reduce this type of research. It is now up to the Appropriations Committees to insure that the fiscal 1970 Defense research program is in keeping with the intent of section 203. I hope that the chairman of the Senate Committee on Appropriations, the senior Senator from Georgia (Mr. RUSSELL), will have his committee take a very careful look at this program and insure that appropriate reductions are made.

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

DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING,
Washington, D.C., November 3, 1969.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for sending me the Washington Post article of 8 October 1969 concerning the Project Themis research at the University of Mississippi in the area of Biocontrol Systems.

Historically, animals have been used to perform a variety of tasks. For example: dogs and rescue operations in the Swiss Alps; geese for sentry duty (dates back to the Roman Legions); the carrier pigeons and porpoises to assist in undersea operations. More recently pigeons have been trained to cull out defective items from pharmaceutical and electronic small component inspection lines. Dogs have been trained to perform a variety of tasks that have proved helpful to our military personnel in Vietnam. Dogs can detect buried and above ground mines, booby traps and trip wires and warn of the presence of these devices. All of these applications have utilized some unique animal capacity to enhance man's operational capability or to save lives. It is our purpose in this research to extend and exploit such capabilities for use when our forces are exposed to situations such as those they now face. We believe that the potential of utilizing the unique capabilities of certain animals and birds should be investigated if by doing so human lives may be saved. I hope you will agree that this line of applied research has a direct relationship to specific military functions and operations.

We have been giving considerable thought to the implementation of Sections 203 of the House authorization bill and 205 of the Senate authorization bill which require that all Department of Defense research have a "direct and apparent relationship to a specific military function or operation." The research programs of the military departments and Defense agencies are under continual review by elements of DoD and receive, in addition, the critical scrutiny of my office. It has long been DoD policy to support only research which is relevant to military functions and operations. Most of our projects in the research and exploratory development budget categories (from which comes most of our university funding) are, in fact, relevant to *many* military operations. From time to time however, we eliminate support for research fields which are no longer relevant to DoD needs; high energy physics is a recent example. I do not expect, therefore, that implementation of these sections will entail any new type of review or selection. Nevertheless, Secretary Laird, Secretary Packard, and I have been instituting a number of new management approaches which will provide a basis for more coherent and explicit presentations to the Congress about the basis of our budget requests.
quests.

Sincerely,

G. L. TUCKER,
(For John S. Foster, Jr.)

OCTOBER 8, 1969.

Dr. JOHN S. FOSTER, Jr.,
Director, Defense Research and Engineering, Department of Defense, Washington, D.C.

DEAR DR. FOSTER: I noted the enclosed article in this morning's *Washington Post* concerning a contract with the University of Mississippi under Project Themis.

As you know, both the House and the Senate have added a provision to the military procurement bill which requires that all Department of Defense research have a "direct and apparent relationship to a specific military function or operation." I am interested in having your views on how this amendment will be implemented by the Department after it becomes law, along with some estimate of the types of contracts, and the amounts in dollars, that may be cut out in carrying out the intent of the Congress. I would also like to know if in your view the contract described in this article would be possible under the terms of the amendment.

Sincerely yours,

J. W. FULBRIGHT.

FLYING OFF TO COMBAT? BIRDS ALERTED FOR WAR

(By Thomas O'Toole)

Would you believe that war is for the birds?

So much so that hawks and doves might fight side by side or that parrots, ducks, chickens, pigeons and even mynah birds could be drafted to help defend the flag in some future war?

Whatever you might think of the scheme, the Pentagon is all for it. Consider the description of the $600,000 contract the Defense Department has with the Psychology Department of the University of Mississippi:

"This program is based," the contract reads, "on the supposition that birds will eventually replace humans for activities that are dangerous, difficult, expensive or boring."

Among the activities the Pentagon has in mind are "aerial photography, gunnery, steering of missiles, detection of mines and search and destroy operations."

Just how the Pentagon plans to get birds to do all these things is anybody's guess, but it does mean to try.

"Much of the research will relate to complex forms of stimulus control," the contract with the University of Mississippi reads, "for example, visual search, auditory pattern recognition, pursuit and tracking, controlled locomotion and operation of manipulanda while flying."

"This is not a development contract," explains a Pentagon spokesman. "What we're trying to do here is to see if birds can be trained to do certain things."

The Pentagon admits it won't be able to use all birds in its research but it would like to train most species of wild birds for combat flying.

"Especially crows, ravens, jays, hawks and vultures," the contract goes on, including "doves, parrots, mynahs, chickens and pigeons."

The use of warbirds is not a new one, though its past is hardly glorious.

The most serious attempt to use bird-like creatures was in a program called X-Ray, in which bats carrying incendiaries were to be flown into Tokyo during World War II. The idea was to get the bats to roost in the eaves of Tokyo's wooden buildings, where the bombs would go off when the bats flipped upside down to sleep.

"The trouble with that one," said one scientist who worked on Project X-Ray, "was that it almost burned down an Air Force base in New Mexico." X-ray never made it to Japan.

The latest scheme for warbirds came to roost when the Pentagon circulated a letter advertising for ornithologists to work on it.

"I read it, I re-read it, and I read it again," one scientist said, "and I still couldn't believe it. It's insane."

Critics notwithstanding, the Pentagon is going ahead with its bird scheme.

"This program is just getting started," it says. "Hopefully, it will go on for 10 to 20 years."

The project is supported by a three-year "Project Themis" contract, at $200,000 a year. Project Themis is a program aimed at beefing up basic research in universities that have not had strong science programs.

VANDERBILT UNIVERSITY PROJECT OF RECORDING DAILY TELEVISION NEWSCASTS

Mr. BAKER. Mr. President, recently the Vice President of the United States initiated a national debate on the power of network television over the views and opinions of the American people. This debate can and should be a healthy and continuing one and should not be construed as an attempt to impose governmental censorship, directly or indirectly, upon the news media.

Today the Library of Congress keeps on file copies or microfilm of every daily edition of all the great newspapers in the United States. No such record is being kept of what appears nightly to 40 million Americans on the network news. I propose that this enormous vacuum be filled.

On August 5, 1968, Vanderbilt University in Nashville, Tenn., began compiling videotapes of the Monday through Friday 30-minute evening newscasts of the three major television networks. In addition, the university is also taping occasional special programs, such as the Republican and Democratic National Conventions. Vanderbilt began the project at the instigation of Mr. Paul Simpson, an alumnus and resident of Nashville, who became concerned because there is at present no preservation any-

where in the country of these news broadcasts, not even by the networks themselves.

This project was begun after a committee appointed by University Chancellor Alexander Heard realized the widespread impact that these programs have on the American people and determined that the country was losing forever a unique record of the historical events of our time as well as a prime source for research by psychologists, sociologists, political scientists, and economists. The university believes that for a history-making and history-conscious nation the present oversight is an anachronism of almost inconceivable proportions.

In short, Vanderbilt has undertaken this project because the university believes it to be in the pubic interest that a permanent record of this information be maintained. A primary objective of Vanderbilt, which cannot incur the cost of this program indefinitely, is to demonstrate that a national agency could and should take over the task.

To this end, I believe that Congress should direct the Library of Congress to maintain an up-to-date file of tapes of every morning and evening network news show. These tapes could be obtained from the networks and then returned after being copied so that the burden of expense would be borne by the Government and not by the networks. Once master tapes of news broadcasts are secured, the Library of Congress could then produce "subject matter tapes" from them and make them available at cost to libraries and other interested parties around the country. This process would permit a scholarly investigation, for example, of developments with regard to the war in Vietnam or what effects television had on a third party presidential candidate.

As I mentioned, currently every great newspaper in America files editions with the Library of Congress. It is long past time that similar procedures were established for filing the tapes of network news—which is having an ever-increasing impact on American public opinion.

As the Vice President pointed out in his speech, it is through the medium of television that many great issues have been brought before the American people, and it is on the network news that the great debates of our time are being carried out.

Much of the cost of this project can be offset by providing "subject matter tapes" to libraries at cost. The remainder of the burden should be small; and it rightly should be borne by the National Government. We have already allowed too much of this important material to be lost through years of simple neglect.

APPEARANCE OF HON. GEORGE C. WALLACE ON "MEET THE PRESS" PROGRAM

Mr. ALLEN. Mr. President, George C. Wallace, former Governor of Alabama and more recently a formidable candidate for the office of President of the United States, appeared on the nationally televised "Meet the Press" program on Sunday, November 30, 1969.

Mr. President, Governor Wallace enjoys a rare distinction, shared with such notables as Thomas Jefferson, Abraham Lincoln, and Teddy Roosevelt, each of whom led significant new national political party movements in our Nation. The impact of the Wallace departure from traditional two party arrangements can be measured by his initial success in gaining a ballot position in every State of the Union and by the fact that Governor Wallace attracted nearly 10 million votes. Both of these accomplishments are all the more significant in the light of the overwhelming forces arrayed against Governor Wallace some of which are documented in Theodore White's 1968 version of "The Making of the President."

Mr. President, the political history of our Nation is replete with examples clearly indicating that when popular dissatisfaction with existing national party arrangements reaches the magnitude represented by the Wallace movement, then one of the existing parties must either accommodate to the principles of the disaffected or else it will disappear from the scene and share the fate of other once powerful but now almost forgotten national political parties.

Mr. President, the views and opinions on important national issues of one who heads a historic party reappraisal in our Nation deserves the thoughtful consideration of Senators and the public in general. With this object in mind, I ask unanimous consent that a transcript of the "Meet the Press" program be printed in the RECORD.

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

MEET THE PRESS, NOVEMBER 30, 1969

Produced by Lawrence E. Spivak.

Guest: George C. Wallace, former Governor of Alabama.

Moderator: Edwin Newman, NBC News.

Panel: James J. Kilpatrick, Washington Star Syndicate; Robert Semple, Jr., the New York Times; John Chancellor, NBC News; Lawrence E. Spivak, regular panel member.

Mr. NEWMAN. Our guest today on Meet the Press is George C. Wallace, former Governor of Alabama and a Presidential candidate in 1968. Mr. Wallace has just returned from his first visit to South Vietnam and a number of other Asian countries.

Mr. SPIVAK. Governor Wallace, before you left you said this was going to be a "fact-finding trip." What facts did you learn about the war that you hadn't already known before you left?

Mr. WALLACE. I found after talking to Asian and American military leaders and those in the civilian branch of the government that the war is winnable, that this war can be won in Vietnam, and if it is not won in Vietnam, then in my judgment all Southeast Asia is going Communist.

I also found that—to those who say we must get out that there is no way for the American troops to get out unless we do win the war.

Mr. SPIVAK. Governor, as you know the President has begun to withdraw troops and the stories are that that will be escalated as we go along.

Are you in favor of further troop withdrawal based on what you saw and heard there?

Mr. WALLACE. I agree with the President's speech. The President said we would not abandon our allies in Asia. He said if the North Vietnamese escalate the conflict, he would respond in kind, which left some options. Exactly how this plan will be implemented has not been made known to the public.

I did find in Vietnam among the military and those in civilian capacities, those in Governmental capacities, that the war is winnable, that they feel that they can win the war. They worry about political reaction in this country. The Vietnamization of the war, which is a term applied by President Nixon, which means, of course, turning the ground combat over to the Vietnamese. In that part of the world they are thinking about three to five years. In this country I think they are thinking about one year.

But Vietnamization of the war is not going to end the fighting because we are fighting in South Vietnam. There the civilian population has attacked each other every day, and so the North Vietnamese go to bed each night perfectly free from rocketing, assasination attempts. So in withdrawing the troops and the Vietnamization of the war, it means that the war is going to continue to go on.

Mr. SPIVAK. Governor, based on what you saw and heard in South Vietnam and throughout Asia, do you think it is going to be wise or even possible to withdraw all our combat forces by the end of 1970?

Mr. WALLACE. There is going to be no way to withdraw combat forces until the enemy is crushed. They are not going to let you withdraw while they are in force in South Vietnam and while they are heavily armed, so it would take less casualties, observers tell me, to win the war, than to withdraw. If they are still in force, we will withdraw sort of as we did at Dunkirk in World War II and not only suffer the humiliation of a defeat, but at the same time lose our Asian friends, probably Europe would become neutralist, and we would lose the Mid-East.

Mr. SPIVAK. Do I take it then based on what you say that you are against a planned withdrawal by the end of 1970, as things are today?

Mr. WALLACE. No, sir, I am not against a withdrawal——

Mr. SPIVAK. All combat forces by the end of 1970?

Mr. WALLACE. No, sir, I am not against the withdrawal of all combat forces by 1970, but I say before the combat forces can be withdrawn, the enemy must be defeated.

Mr. KILPATRICK. Governor Wallace, we notice that the Post Office Box number of the Wallace Campaign in Montgomery has been changed from P.O. Box 1968 to P.O. Box 1972. What significance should we read into that?

Mr. WALLACE. A member of my staff made that change. I don't know what significance it has other than to say that our movement continues and if necessary will be involved in 1972. I am not sure at this time. It will all depend upon the events that transpire between now and 1972 and whether this Administration carries out the commitments they made to the American people. It depends upon whether or not the war is concluded successfully in Vietnam, the restoration of local democratic institutions of the people of the states, a reduction in taxes on the low and middle income people of our country and the restoration of law and order.

Mr. KILPATRICK. Governor, what is your general appraisal of Mr. Nixon's Administration after its first 11 months in these areas or other areas?

Mr. WALLACE. Mr. Nixon, of course, has been in just about a year, which is not enough time to judge whether or not you would be a candidate in 1972. I do know that this Administration is saying and taking some positions that we took in the campaign in '68. I wish that I had copyrighted, got a patent on

my speeches in 1968. If I had done so, I would be drawing some immense royalties from Mr. Nixon and especially Mr. Agnew.

Mr. KILPATRICK. Do you feel this is an effort on their part especially to curry favor in the South and among the constituency that you had?

Mr. WALLACE. Yes, sir; and I am glad to say that the movement that originated in Alabama is making it possible for them to adopt what they call a "southern strategy." But at the moment it is mostly talk. The next is action. We like the talk, some of the things that have been said. Mr. Agnew says he is against bussing school children, for instance, and yet bussing continues. We find they still talk about the plight of the low and middle income wage earner in the country. Yet high taxes still continue, and inflation continues to spiral upwardly. So, some of the things they say sound all right, but they must replace some of their talk with action, and I hope that that is the case.

Mr. SEMPLE. Governor, back in early September you urged the parents of Alabama to defy school desegregation orders and enroll their children wherever they chose.

That was before the recent Supreme Court decision making instant integration, in effect, the law of the land. How would you address your followers on the subject of the Supreme Court decision at this time?

Mr. WALLACE. Mr. Semple, I did not advocate that anyone disobey the law. I said that the 1968 Appropriations Act in the Congress, Educational Appropriation Act, said that no part of this Act should be implied—gave the right to close any school, to bus any pupil, to bring about racial balance. It violated the 1964 Civil Rights Act.

I said that you should exercise freedom of choice which had been upheld by the federal courts, but of course the federal courts then destroyed freedom of choice. I only advocated that parents take advantage of what the courts had upheld in the past, the right of a parent to choose the school that their child attended. But of course that has been stricken down by the Nixon Administration.

I was against the imposition of even freedom of choice upon the school systems of the states, because I felt it was no concern of the federal government—regarding the policies of any school system in any state. But since they upheld freedom of choice and the people had accepted it so to speak, then they said they didn't choose properly and they struck it down. They closed hundreds of schools, they bussed children across states and counties. The point I am making is that this is disrupting the public school system not only in Alabama but throughout the country, and unless this ceases and unless there is turned back to the people of Alabama and the states the right to control the public school systems of their states, then that will bear upon whether I become a candidate in 1972.

Mr. SEMPLE. Part of my original question was, what options are open to you now, to local and state officials, now that the Supreme Court has stricken all freedom of choice and has forced even this Administration to move much faster?

Mr. WALLACE. Since the President himself, I understood in the campaign, advocated freedom of choice, since Mr. Agnew advocated freedom of choice, then this Administration, to carry out its commitment to the people can support the Constitutional Amendment that has been introduced by Senator Jim Allen and others of Alabama in the Congress. They can support Congressional action to turn back the public school system to the states.

Mr. CHANCELLOR. Governor, I'd like to ask you a couple of questions on Vietnam based on some of the things you have said here. You say that the feeling in this country is that the Vietnamization policy might take only a year or so but that in Vietnam someone told you that three to five years was a sort of an accurate time frame. Were those Vietnamese or Americans who told you that?

Mr. WALLACE. The impression that I received from people in this government, in the military of the United States and of our Asian allies, was that it is going to take longer than one year to Vietnamize the war, and even then they say that would not stop the fighting.

I heard servicemen from the private up say that this war could be won. This war can be won and the only way we are going to get out is to win the war.

In other words, if we withdraw all the combat ground forces then unless the enemy's will to carry on the war has been destroyed, unless his staging areas have been destroyed, unless his source of supply has been destroyed, then he is going to continue his destruction of American and Asian lives, who are our allies. I have found there is no way to get out of Vietnam unless you win the war, and that the war can be won.

Mr. CHANCELLOR. We know you are not a military expert, Governor, but how long do you suppose it would take? If Vietnamization is going to take three to five years, how long would it take to win the war?

Mr. WALLACE. As you say, I am not a military expert, but the military people who talked to me say it could be won in a lot less time than we have been there already, and they feel that—I got the impression that within the next year, if they were allowed to use conventional forces against the source of supply of the enemy, that they could destroy the effectiveness of the North Vietnamese armed forces and destroy the supply of material to the Viet Cong in South Vietnam.

Mr. CHANCELLOR. Does that mean bombing Haiphong? Does that mean going into Cambodia?

Mr. WALLACE. Of course, Cambodia and Laos are part of old French Indochina, and it is all the same war. So I would say you are going to have to destroy the enemy in Cambodia and in Laos because those countries have been unable to keep them out. There are about 40,000 of the North Vietnamese regulars, I understand, in Cambodia and also in Laos.

So I would say, let the military decide that. We have tried every other plan under the sun, but we still have fighting and killing. I was told that the most merciful way to end this war is to destroy the North Vietnamese source of supply, which means less North Vietnamese would be killed and less Americans would be killed.

Mr. CHANCELLOR. Then given these two plans of slow Vietnamization or fast victory, do you believe that the war is going to be an issue in the '72 campaign?

Mr. WALLACE. Do I believe it will be an issue in the '72 campaign? I am sure that this would probably be an issue in the '72 campaign. If Mr. Nixon can win this war with honor and not desert our Asian allies, as he has said, then, of course, that is to his credit.

But if this war ends after having lost 40,000 American servicemen and thousands wounded and maimed and all the treasure we have spent, not counting the lives of our allies, then I am sure it will be an issue in that regard.

Again, let me emphasize what I heard, that if we were to withdraw, we would lose about as many men or just as many withdrawing as we would winning the war. Because as long as they are in force, you cannot withdraw because they will be shooting at the last boatload. How can you get out if they are there in sufficient numbers and force to destroy you when you start to leave?

So if we are going to have anyone killed, I would rather for them to be killed defeating the enemy than running away from the enemy.

Mr. SPIVAK. Governor, you have made it clear that you are for winning the war. What do you mean by "winning the war"?

Mr. WALLACE. Destroying the effectiveness of the North Vietnamese armed forces and destroying their ability to make war, isolating the battlefield, so to speak, and having them unable to carry on an effective, aggressive military campaign against the people of South Vietnam and the American armed forces.

Mr. SPIVAK. You mean actually defeat the enemy on the military field?

Mr. WALLACE. That is correct.

Mr. SPIVAK. Governor, may I take you to Alabama for a minute. When he was in Alabama recently, Vice President Agnew praised Governor Brewer and said that Alabama is—in his words—"fortunate to have him as Governor."

What do you think about the job Governor Brewer has done? You know that job pretty well. What do you think?

Mr. WALLACE. I am sure Governor Brewer is doing a good job. I would say if you are getting around to the point of whether I am going to run for Governor or not, let me say that the people in 1966 in electing my wife did so for the purpose of making it possible for me to run in '68, in order to try to throw the Federal Government off our backs and to get some relief from centralized federal control of our everyday lives. She was elected; I ran. As a consequence of our movement, we find Mr. Agnew coming to Alabama with Postmaster General Blount. We find the Humphrey-Muskie supporters in Alabama, including Dr. Cashion, the head of the Democratic Committee in Alabama, and some politicians in our state and some of our big businessmen in the State, already meeting these diverse elements and groups saying, "We must destroy Governor Wallace's political future; if he runs for governor, we must defeat him."

I didn't realize that this country boy from Alabama was going to have these strong forces arrayed against me in case I decided to become involved, so they have offered a challenge. If I were to run for Governor and win, it would mean that Mr. Nixon and Mr. Agnew must put into action some of the statements they are making. In other words, they could not just continue to talk, they must act. If I lost, they could continue to talk and wouldn't have to act, because our movement would be dead.

And Mr. Nixon cannot win the next presidential race unless he carries our part of the country and he cannot carry our part of the country unless those criteria I mentioned a moment ago: taxes, law, and order, local democratic institutions and a solution to the war in Viet Nam. I pray and hope he is successful in all regards because it would be good for our country.

Mr. SPIVAK. Governor, on the basis of what he has done so far, could you support Governor Brewer for re-election?

Mr. WALLACE. On the basis—it will all depend upon whether I become a candidate.

Mr. SPIVAK. If you had to decide today? If you had to decide, today, and you knew what the governor had done and you knew what the state of the country was, you knew what Nixon had done, what would your decision be?

Mr. WALLACE. Oh, yes, I could decide to support him. I could decide to support any number of people.

Mr. SPIVAK. Would you decide to run yourself as things are today?

Mr. WALLACE. If I decide to run for governor, I am not going to be running against anybody. I am going to be running to carry

on a movement because the people of our state wanted to utilize the governor's office in 1968 to help throw them off our backs, as I said a moment ago. And if we ran again, it would be the people wanting, in my judgment, to use that office to get some relief from centralized control over our lives in Alabama, a reduction of taxes, a conclusion of the war in Viet Nam and a restoration of law and order.

Mr. KILPATRICK. To return to Vietnam for just a moment, Mr. Governor, in his speech of May 14 President Nixon said of Vietnam, "We have ruled out attempting to impose a purely military solution on the battlefield." Do I understand you to say that you want to rule that back in?

Mr. WALLACE. Mr. Nixon made some very strong statements prior to the election which indicated he wanted a military victory, and I think that is one reason that the people of our country got very disenchanted about the war. They couldn't negotiate it to conclusion, and now they have said we are not looking for a military victory. But I think he recouped in his speech of November 3rd when he said, "If they escalate, we will respond."

I say that the only way to get out of Vietnam is to win the war in Vietnam. It can be won with the loss of less lives than to continue this war of attrition that we cannot continue long at.

Mr. KILPATRICK. By that you mean a military solution?

Mr. WALLACE. Yes, a military solution.

Mr. KILPATRICK. And do we understand that this was the recommendation that you gleaned from high-ranking American military officials in South Vietnam?

Mr. WALLACE. Every high-ranking American military official and government official, and Asian, also, that discussed the matter with me—all of them didn't discuss it, so I am going to leave—all of them didn't discuss it in that context.

Mr. KILPATRICK. But those who did, urged a reescalation?

Mr. WALLACE. Those who did—and they were the overwhelming majority of those that I talked to said, this war is winnable. They talk "win" in that part of the world, but they talk "no win" in this part of the world.

Mr. KILPATRICK. Could you identify some of the officers who made that——

Mr. WALLACE. No, sir, I would rather not identify them. As you newsmen say, I would like not to reveal my sources of information, but they talked very frankly to me.

Mr. SEMPLE. Governor, the President seems to be having enough trouble keeping the public behind his plan for gradual disengagement from Vietnam. Do you seriously think that the public would support a reescalation of the war?

Mr. WALLACE. Of course one reason the public has been disenchanged with the war is that we have been there so long. We couldn't negotiate it to conclusion, and they didn't bring it to a military conclusion. So they said, "What are we doing there; we are not going to continue to expend lives and money for a non-winnable war."

When you say escalation, you are going to have escalate to get out, so I'd rather escalate to win than to escalate to get out.

Mr. NEWMAN. About four minutes left, gentlemen.

Mr. SEMPLE. Turning to another subject, Governor, I'd like to ask you about some of the specific criteria by which you would judge the Nixon Administration's performance in office. Take taxes, for example: Do you approve of what he has done on tax reform so far?

Mr. WALLACE. On the tax reform so far?

Mr. SEMPLE. Yes.

Mr. WALLACE. Of course the Tax Reform Bill is very complicated, but in my judgment it is not too much. Each taxpayer should be given a $1,200 exemption instead of a $600, and the multi-billion and multi-million dollar tax exempt foundations ought to be taxed. There are so many inequities in the tax structure that leave the multi-rich free and tax the average businessman and farmer and working man that it is just almost unbearable. There is tax revolt in the air, and I am not satisfied with that, no.

Mr. CHANCELLOR. Governor, what would you have done last year if neither Hubert Humphrey nor Richard Nixon had won a majority of the votes in the Electoral College and the election had gone in the House of Representatives?

Mr. WALLACE. It would never have gone in the House of Representatives in my judgment. We would have settled it in the Electoral College.

Mr. CHANCELLOR. How would you have done that?

Mr. WALLACE. I am not sure exactly how the vote would have gone. I was very much against Mr. Humphrey, but that is a very hypothetical question. I can say that whoever became President under those circumstances would have been a better President.

Mr. CHANCELLOR. Can we infer then, Governor, that had it come to that, you would have thrown your support to Mr. Nixon and not to Mr. Humphrey? You have just about said that.

Mr. WALLACE. You can infer anything you would like to infer under that limited question, but I can say whoever became President would have been a better President.

Mr. CHANCELLOR. Will you be speaking for candidates around the country in the 1970 elections?

Mr. WALLACE. No, sir, I will not be speaking for candidates around the country. I could be a candidate myself, although I am not sure whether that is necessary to continue our movement or not. But if I decide that it is, of course I would be involved myself.

Mr. NEWMAN. Two minutes.

Mr. SPIVAK. I am curious about this. You didn't think it was necessary to take a trip to Vietnam when you were running for President and discussing the issues in 1968.

Mr. WALLACE. Yes, I did think——

Mr. SPIVAK. Well, you didn't go.

Mr. WALLACE. You know my wife was very ill with cancer and died in May of 1968, and then we had to make ballot position in the states. I had planned a trip prior to that, but because of her illness, I was unable to go, and that is the reason that I have made the trip this time. I think anybody in public life, national or statewide, should be interested in closehand observation in our heavy involvement there.

There is another point that I want to make, that we ought to make Japan and the members of the free world help us at least monetarily in this involvement in Southeast Asia, because Japan is getting rich while we are doing the fighting in that part of the world.

Mr. SPIVAK. Governor, it seems pretty clear that our negotiations in Paris on Vietnam and the war are stalemated. If you were President, what would you do today about the Paris negotiations?

Mr. WALLACE. I probably would have a negotiator there, but in my judgment the negotiations are fraudulent. The North Vietnamese never intended to negotiate, and so I wouldn't pay much attention to the negotiations since they have gone this long. I would try to win the war militarily.

Mr. KILPATRICK. In his best selling book, Kevin Phillips says your constituents are mostly Democrats on their way into the Republican Party, and he denies that your party or your movement is a permanent entrant on the national scene. Do you expect your American Independent Party to be a permanent part of the American political scene?

Mr. WALLACE. If this Administration does not comply to the criteria I mentioned a moment ago, it will be permanent.

Mr. NEWMAN. At this point I must interrupt. Our time is up.

Thank you, Mr. Wallace, for being with us today on "Meet the Press."

AN AMERICAN COMBAT PLATOON CALLS FOR PEACE IN VIETNAM

Mr. McGOVERN. Mr. President, in recent weeks we have been subjected to an unprecedented barrage of claims purporting to show that the American people really do support our continued presence in Vietnam. To an unfortunate extent, public debate has focused on the popularity of our present course, or the unpopularity of dissent rather than the merit of our policy.

Not only have claims been made as to the shape of American public opinion, but members of the administration have said again and again that it is the soldiers fighting in Vietnam who are most injured by our efforts to secure peace in that tragic land.

Most recently, an American officer who served in Vietnam has been paraded about Capitol Hill questioning the patriotism of some Senators and indicating that members of the Armed Forces support our continued adventure in Southeast Asia.

I simply wish to read a letter signed by 31 members of an Army airborne platoon, now serving in combat in Vietnam. The members of 3d platoon, Company D, 2d battalion, 502d Regiment, 1st Brigade of the 101st Airborne Division has asked me to read this letter in the Senate, a letter in which they say "We are tired of listening to empty and unfilled promises to end the war." "We want peace," they say, "and we want it now."

This letter, I submit, shows that men in Vietnam as well as Americans at home, understand the futility of our course in Southeast Asia.

The letter arrived with a covering letter from Pfc. Ted Mowrer which I shall first read:

NOVEMBER 6, 1969.

DEAR SENATOR MCGOVERN: I am a member of the platoon that is sending you the enclosed letter. For quite some time I have been wanting to write to one of the Senators who is working to get us out of Viet Nam. But I hesitated, feeling that a letter from only one person would not have the impact and effect that was necessary. Then I decided to write one letter and have members of my platoon sign it. The one we sent you is the result. Not surprisingly, to me at least, everyone in the platoon, excluding the platoon leader, a second lieutenant, has signed it. I feel that probably the whole company, and even a great majority of our battalion, would have signed a similar letter.

I chose you to send the letter to because I know that for a long time you have been trying to convince your fellow senators and the Administration that we should get out of Viet Nam.

We would appreciate it if you could read

our letter in the Senate so that the other senators and the whole nation would know how we feel. Too many rumors are being circulated to the effect that the efforts to get us out of Viet Nam and the peace demonstrations are disappointing the G.I.'s. This is not true and we want America to know that it is not. However, we realize that it may not be possible for you to read the letter in the Senate. Please do what you feel is best.

Please reply as soon as possible and let us know of developments to end the war, and if there is anything else we can do to help.

Thank you very much.

Sincerely,

TED H. MOWRER.

OCTOBER 28, 1969.

Hon. GEORGE MCGOVERN,
Senate Office Building,
Washington, D.C.

OUR DEAR SENATOR MCGOVERN, CONGRESSMEN, AND FELLOW AMERICANS: The third platoon asks you to give audience and consideration to the opinions and attitudes of some front-line G.I.'s here in Viet Nam. We invite you to listen to us who are fighting the war which is causing so much debate in America. We are decidedly and entirely in favor of peace in Viet Nam and systematic and rapid withdrawal of American troops from this country. We support and appreciate the tireless efforts of those who strive so diligently to advance the cause of peace. We were especially heartened by the Moratorium Day observance this month. We are pleased that the force against the war has reached this extent on such a wide base of public opinion. We were not disappointed and disillusioned, as some have claimed, by this demonstration of disenchantment with U.S. policy in Viet Nam and those who perpetuate this policy. We, in fact, would like you to consider this letter as our contribution in observance of the Moratorium.

We are sick of bloodshed, tired of body counts and lists of war dead and casualties. We are tired of listening to empty and unfulfilled promises to end the war. We want peace, and we want it now. America has been in Viet Nam too long; it is time to leave. We hope that President Nixon and our national leaders will hear and consider our plea to end the war.

These are our feelings; now America knows how one group of men feels on the other side of the Pacific. And we are sure there are many more who feel the same way. We want to encourage those of you who are working for peace to continue your efforts. We thank you for what you have done in the past.

Thank you for listening to us.

With hope for peace for all men in the very near future, we are

Peacefully yours,

Third Platoon: Pfc. Ted H. Mowrer, Sp4. John A. von Mertschinsky, Pfc. Kenneth C. McKim, Pfc. John O. Mendey, Jr., Pfc. Carl M. Morris, Pfc. Mark W. Trace, Pfc. Bruce W. Shaw, Sp4. David B. Patterson, Pfc Edward Dickout.

Sp4. James E. Shetler, Pfc. Juan A. Trevino, Pfc. Larry C. Howerd, Pfc. Roger Harris, Pfc. Albert Martell, Jr., Pfc. Ernesto Perez, Pfc. Jaime Lopez, Pfc. Asdrubal Trujillo Diaz, Sp4. Robert D. Winders, Pfc. Fred Seniours, Pfc. Roland W. Blair.

Pfc. Rickey J. Shelton, Sgt. Alberta Cummings, Sp4. Danny W. Witt, Pfc. Gary L. Wagner, Pfc. Curtis Ross, Sgt. Robert J. Boland, Sp4. Daniel J. Pike, Pfc. Gary W. Mendoza, Sp4. Thomas Turling, Sp4. Patrick E. Harmon, Sp4. Ron L. Sanders.

REDUCTION OF FUNDS FOR EDUCATION

Mr. CRANSTON. Mr. President, last spring, the administration recommended an Office of Education budget of $3,180,278,000 for fiscal 1970. That is $437,122,000 less than the amount appropriated by Congress in fiscal 1969. For California, this reduction represents a loss of $101,118,271 or one-third of our Federal share in fiscal 1969.

In July, the House of Representatives spurned the administration's recommendations and restored most of the proposed cuts, when it passed H.R. 13111, the appropriations bill for the Department of Health, Education, and Welfare. That measure is still pending before the Senate Committee on Appropriations.

In the meantime, funds for the Office of Education have been provided by joint resolutions continuing appropriations. The first joint resolution, which expired on October 31, provided funds on the basis of either the appropriation level for fiscal 1969 or the administration's budget recommendations, whichever was lower. Consequently, from July 1 to October 31, education programs for which the administration recommended a lower budget operated at the lower level, and programs for which it made no budget recommendation were, in effect, repealed. On October 28, the House again showed its concern over the low priority assigned to federally assisted education programs. On that day, by an overwhelming vote the House approved House Joint Resolution 966, a second joint resolution continuing appropriations which incorporates the provisions of H.R. 13111, insofar as they relate to the Office of Education. On November 13, the Senate joined the House in its concern when it passed the House measure by a voice vote. It was signed into law on November 14.

Mr. President, one would think that the enactment of this measure would provide immediate relief to school districts which had endured severe financial hardships under the terms of the first joint resolution. However, I am distressed to learn that this is not the case, for, despite the clear intent of Congress, the Bureau of the Budget has directed the Office of Education to limit expenditures to those authorized by the restrictive provisions of the first joint resolution.

I have written President Nixon, urging him to overturn the erroneous decision of the Bureau of the Budget and to implement the will of the Congress. I ask unanimous consent that my letter to him be printed in the RECORD.

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

NOVEMBER 25, 1969.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I am distressed to learn that the Bureau of the Budget has directed the Office of Education not to spend the additional funds provided by P.L. 91–117, the current joint resolution continuing appropriations for the Department of Health, Education, and Welfare and other agencies.

In approving this measure, Congress took the unusual step of incorporating into this legislation the provisions of H.R. 13111, insofar as these relate to the Office of Education. H.R. 13111, which is pending before the Senate Appropriations Committee, substantially increases appropriations for federally assisted education programs over the amounts you recommended last April. Congress was prompted to take this step by the urgent need to provide immediate relief to school districts which have come to depend upon federal funds to meet increasing education costs. These funds are essential both for our children and for the individual property owner who is staggering under the constantly growing burden of supporting our schools.

Despite clear Congressional intent to the contrary, the Bureau of the Budget has taken the position that Office of Education expenditures must be limited to those authorized under the previous joint resolution which expired on October 31. It bases this contention on language contained in Senate Report No. 91–529 which admonishes the Bureau of the Budget to exercise caution in utilizing the authority granted in P.L. 91–117 in order not to jeopardize the integrity of federally assisted education programs as they may be finally approved by Congress.

This language, however, in no way supports the Bureau's position. Had Congress wanted federal aid to education to remain at the low level provided by the previous joint resolution, it merely would have extended that resolution. Congress, however, decided otherwise and took the unusual step of approving a rate of obligation for the Office of Education equal to the amount provided in H.R. 13111 as it passed the House of Representatives in July. It specifically and deliberately chose not to continue funds for federal education programs at the lowest of several rates of obligation, as is normally the practice.

Mr. President, I need not emphasize the importance of federal aid to education. You recognized this much when you stated last fall that "when we talk about cutting the expenses of government—either federal, state, or local—the one area we can't shortchange is education."

The reason for your commitment is readily apparent. You stated it most eloquently when you said: "When I look at American education, I do not see schools, but children, and young men and women—young Americans who deserve the chance to make a life for themselves and ensure the progress of their country. If we fail in this, no success we have is worth the keeping."

Mr. President, the Congress concurs in this judgment. It is precisely for this reason that I urge you to exercise your authority to overturn this arrogant and erroneous decision of the Bureau of the Budget and to implement the will of Congress.

Sincerely,

ALAN CRANSTON.

NEED FOR INCREASED FEDERAL FUNDING FOR EDUCATION AND TRAINING OF PERSONNEL

Mr. HATFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD a statement I made today before a subcommittee of the Committee on Appropriations presided over by the Senator from Washington on the need for increased Federal funding for education and the training of teachers as

well as for restoration of cutbacks for the training of medical personnel.

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

VOCATIONAL EDUCATION AND TEACHER TRAINING NEED INCREASED FUNDS

(By Senator MARK HATFIELD)

I know your hearings have been long and arduous and you are anxious to mark up the bill. However, I want to make several points which I hope you will give some weight to in your determination of priorities for extra money in this appropriations bill particularly as it applies to the needs of education.

I supported the continuing resolution to allow the Office of Education to spend an extra billion for education, not because I felt this was the best and most orderly way to conduct the business of the Congress. It is not.

I supported it to point up to the Administration that it was the will of the majority of Congress that these funds be spent. We are making a tragic mistake in not funding these education programs at much higher levels of appropriations. To cut back education in the name of fighting inflation is folly.

I will confine myself to just two areas—the need for doubling the Administration's budget figure on vocational education, and the need to increase the amount for the training of teachers, not only for vocational skills but all down the line. These are neglected areas for federal funding.

We spend much more for remedial and rehabilitation efforts, for welfare and for custodial care in juvenile homes and prisons per person than these preventive programs. For instance, Job Corps (a fine program and I support it) was funded at a level higher than vocational education in 1969, and it cost upwards of $6400 a boy or girl for a maximum of about 35,000 youngsters. Custodial care is around $4800. Yet we are losing young people from the junior and senior high schools (almost a million a year) because we are not educating them for jobs.

Why should there be a doubling of appropriations for vocational education? Let me read you an excerpt from the 1969 National Advisory Council report on Vocational Education.

I concur with the conclusions of this Council. I have seen conditions in the city schools of Washington, D.C. and have talked with Principals (Percy Ellis, Shaw Junior High) struggling against overwhelming odds. We have similar problems in the Northwest, in Seattle and Portland.

I quote:

"The violence that wracks our cities has its roots in unemployment and unequal opportunity. Those who have no jobs in an affluent community lash out in anger and frustration . . . racial unrest, violence and the unemployment of youth have their roots in inadequate education.

"Each year the ranks of the school dropouts increase by three-quarters of a million young men and women. They enter the job market without the skills and attitudes employers require. They and the millions of others who are underemployed—among these the students who are graduates of our high schools, but who are inadequately prepared for anything—these are tragic evidence of the present inadequacy of our educational system."

"The failure of our schools to educate to the level of adequate employability nearly 25% of the young men and women who turn 18 each year is a waste of money, as well as human resources. The Nation supports a galaxy of remedial programs, some of which have cost as much as $12,000 for every man or woman placed on a job. Those who remain unemployed may cost us $4,000 or more per year in welfare support for themselves and their children who will repeat the dreary costly cycle."

"We believe that the reform of American schools the Nation so desperately needs will not come about if the Federal government continues to invest nearly $4 in remedial manpower programs for each $1 it invests in preventive vocational programs."

"(The Government also invests $14 in its universities for every $1 in vocational education.)

"If the Federal Government will substantially support the additional initial cost of educating youth for employment, we believe that the financial, personal and social costs of unemployment can be dramatically reduced."

The Council recommends, Mr. Chairman, that substantial federal funds be allocated to support curriculum development, teacher training and pilot programs in vocational education. I agree with them that no federal investment will bring a higher return on our tax dollars.

The State of Oregon is bestirring itself to make this a reality for the majority of our young people who graduate from high school without job skills and who do not go on to college. I should like to attach a newspaper article for the record which describes a new method of job training in an opportunities skills center outside Portland in which the students from 3 high schools learn a wide variety of trade and technical skills needed to meet the demands of the space age.

Over a three-year period my State needs at least $30 million to carry out its plans for such skills centers, for revamping vocational education in the high schools and for post-secondary education in the community colleges. The Federal Government spends only $2½ million for vocational education to help Oregon meet its need to drastically reform its methods of job training.

Our Superintendent of Public Instruction in Oregon says the figure should be $10 million. (The State itself is spending about $6 million and the localities $4 million for operating expenses and $7.5 million for capital expenditures).

Under the Administration 1970 budget, Oregon would receive $3 million for vocational education. But if the Senate concurs in the House action to allow extra appropriations, Oregon would receive $4.4 million. This would at least come close to meeting half the State's federal funding needs.

Last year Congress authorized for fiscal 1970 over $500 million for basic grants for vocational education (and over $700,000,000 total) which clearly expressed the will of Congress for vocational education spending.

Yet the Administration's total vocational education budget was only $279, requested for 1970—less than the rehabilitative Job Corps budget. The House Appropriations Committee raised this inadequate figure to $357 million. Then on July 31st the House increased the amount to $488 million, which is more nearly in line with the will of Congress, although still underfunded if one considers the overwhelming needs.

In 1968 $265 million was appropriated for vocational education with almost $10 million included for work-study. These funds are necessary for on-the-job training for thousands of youngsters who will stay in school only if they are given an opportunity to work and study at the same time. Funds should be available in this bill for work-study.

Let me quote Dr. Dale Parnell, Oregon's Superintendent of Public Instruction as an added incentive to increase these funds for vocational education:

"We still treat high school kids as if they were all going into one of the 5000 college-degree oriented occupations . . . There are 5000 occupations which require a college degree and 20,000 which do not."

"Most vocational education courses are conducted with federal funds," he said, "and it is never possible to predict how much money will be available. We must take the pressure off the property taxpayer." I agree.

Property taxpayers all across this country are in revolt. We were threatened with at least one school closing in Oregon, and bond issues were repeatedly turned down. I note from the papers that schools are threatened with closings in Pennsylvania, and it has already happened elsewhere. This needs federal attention.

May I urge that you gentlemen be generous with this funding—it is needed in every corner of this Nation.

May I urge, as well that you be generous with funds for teacher training—the Education Professions Development Act—funding which concentrates on the need for training pre-school and elementary and secondary education teachers, as well as vocational education teachers.

We have up to this point in time been most beneficient with our tax dollars with research grants to the colleges and universities and their individual professors.

We need to concentrate more money now on training the teachers in areas of greatest need. I recommend that, instead of allowing only $80 million for these training programs, that you increase the funds. I further urge the committee to add the extra $20 million which Senator George Murphy is recommending for vocational education teacher training. I may also support other amendments as well to raise this teacher training section to higher amounts.

I truly deplore the Administration action in making heavy cutbacks in this Office of Education budget, not only for vocational education and teacher training, but for library books as well. And to do it in the name of "fighting inflation" is heartbreaking when you realize that all our young people will suffer from these cuts, middle income, lower income and especially the poverty stricken.

I do not "wholeheartedly support this priority" of the Administration as Commissioner Allen does. We should be cutting into the military budget. We should have had more than nine votes in this body against the military procurement bill, which authorized $20 billion for weaponry—money which could be diverted, at least part of it, to meet this Nation's education needs.

We have thousands upon thousands of youngsters dropping out of school and into a life of drug addiction and crime, and you cannot convince me that the total answer is more police on the streets and bigger and better jails.

I have Oregon parents, service people living in Southeast Washington whose children are the victims of these "outsiders", the dropouts from schools. It is a major crisis and a city-wide scandal, and the teachers and parents are demanding armed guards in the schools. This is happening all over this country in every major city—even my own city of Portland—and the answer surely is not just police protection. Is not part of the answer to provide decent education for all the young people—dropouts as well?

I believe that this crisis in the city and rural schools is a grave internal threat to this country's security, and we in the Congress are being challenged as never before

to provide the means for local school authorities and leaders to answer that challenge.

In a November 11th Senate speech, I cited evidence in wires and letters from Oregon educators, proving the need for at least double the amounts of federal funding for everything from pre-school training to community college needs to grants and loans for college students. Since property taxpayers are telling State and Federal politicians across the land that they have borne the burden of supporting the schools for too long, we in Congress should pick it up. For the most part, the local communities in Oregon have done a most noble and commendable job.

Lest you believe that I think by granting this extra billion for education's needs in the 1970 budget this will be adequate, let me hasten to say we should, in truth, be funding at levels far beyond it.

There are hints coming from Commissioner Allen that education will see great things in the 1971 budget. I pray that this is so; but we need the money now.

It seems to me that we in the Congress should be preparing ourvelves to vote substantial sums of money for education over and above the $4.2 billion for the Office of Education in 1970.

We should be thinking in terms of persuading the Administration to accept legislation similar to that proposed by the National Education Association. This would provide a basic grant of $100 per school age child, or about $5.25 billion a year, (plus $2 billion more for the poorer areas). This money could be used by the school districts for increasing teachers' salaries, for needed early childhood education, for lowering class size curriculum changes, and so on.

Listen to George Fischer, President of NEA. It carries a warning we and the Administration should heed:

"Voter approval of only 25.7 percent of the money requested in bond issues during the second quarter of 1969 has created a situation where the affluent, in ever-increasing numbers are removing their children to private schools, leaving the middle and lower-income students in the public schools.

"If this practice continues, we will soon have a class society that is inimical to American tradition."

You know well that this is happening in these city schools across the Nation, and it must be stopped if we are to prevent more violence and unrest in this land.

We have taken a lot of pride in our educational system, and we should. Down through the years we have asked the schools to educate, not only an elite, but the great masses. It was a great day in our history when we established the concept of a free basic public education for all.

As Commissioner of Education Allen said in a recent speech: "When we anticipated the need for greater effort to feed our rapidly expanding population, we established a network of State agricultural colleges. When, during World War I, we faced a shortage of skilled labor, we asked our schools to train young people in vocational subjects."

"Then when it appeared that the Soviets might be pulling ahead of us in technology, we established new priorities for training engineers and scientists. On the whole, our educational system has served our Nation well . . ."

I agree with the Commissioner that we need to increase our attention to the education of the poor, particularly the minority groups. We ought also to concentrate our efforts on the needs of the ordinary youngster, 60% of them, who graduate from high school without the necessary skills they need to compete in this world.

We have answered the challenge in the past; we must do it again.

A $4.2 billion budget will not do the job, but perhaps it's all we can hope for with this war-budget right now. I trust you gentlemen will support the higher figure, and use your best persuasive powers to convince a reluctant Administration to spend the extra money.

Mr. Chairman: In his November 14 memorandum to the Heads of Executive Departments and Agencies, President Nixon expressed his concern that certain agencies, specifically the Department of Health, Education, and Welfare, would ". . . commit the government to make expenditures at a rate inconsistent with our . . . efforts . . . to restrict inflation." He also stated that his Administration was committed to do ". . . everything within its power to fight the . . . pressures which are eroding the purchasing power of the American people." Prior to that, on July 11, the President, supported by HEW Secretary Finch, recognized an equally pressing problem as he warned the nation of an "impending . . . major crisis in health care unless something is done about it immediately."

I believe each of these positions is sound, but each must be implemented in an entirely different way. On one hand, we need trained health professionals to respond to our national demand for health care. On the other, we contribute to inflationary tendencies if we appropriate the large sums needed to educate and train these people.

Faced with these problems, I feel that we can best solve the perplexities presented by at least a partial re-alignment and re-evaluation of our expenditures in terms of national priorities. I urge that a particularly high value be assigned to the right of an individual to receive medical attention.

The Administration maintains, and rightly so, that excessive federal spending can only contribute to the cause of inflation. Yet the demand for medical personnel and facilities increases, and the basically inelastic supply of health services forces the cost of such services higher and higher. This increase in prices most dramatically affects our Nation's poor and middle income who find it increasingly difficult to obtain proper medical attention for any more than emergency needs.

It is, then, precisely the inflationary pressures on the economy which have precipitated the imminent crisis in health care. The major question really is this: If the decrease in financial support for our national health programs increases our health crisis, is this more serious than exacerbating inflation? I think it is.

In 1960, for example, the nation boasted 245,000 active non-federal physicians, a ratio of 1 to every 734 population. In 1968, the number of physicians had increased to 285,000, and the ratio had decreased to 1 to every 708 population. The trend is encouraging but with the advent of Medicare and Medicaid, the need for more doctors—particularly in rural areas—is becoming acute.

In 1960, we had a total of 82,000 dentists, or 1 to every 2,195 population. In 1968, the number of dentists had increased to 92,000, and the ratio had dropped to rate of 1 to every 2,186 population.

The inflationary tendency during this period is even more remarkable. In 1960, an average day in a hospital cost $32.23. In 1969, however, this figure has exploded to $70.00 per day, or well over twice the cost of nine years ago. This figure surely substantiates the President's fear of inflation. But it also warns us that the availability of medical services has not kept pace with the increased demand for such services. We cannot neglect this problem.

Since the prime factor in delivering health services to those who need medical attention is health manpower, I find it extremely difficult to understand why, in his budget for Public Law 9490 (The Health Manpower Act of 1968), the President has cut 83 million from the 322 million authorized for fiscal 1970. This Act, incorporating the Health Professions Educational Improvement Program of 1963, provides the matrix for operating grants, construction grants, and loans for medical students which are offered by the Federal Government. If we deny this type of assistance to our medical institutions, we can expect an even greater decrease in the number of medical professionals available, and a concomitant ratio decrease in the number of facilities available to our people.

There are already serious indications that many promising students have become disenchanted with the total elasticity of federal aid to their education. Many who rely on the Federal Government for financial assistance may now find themselves in the untenable position of entering their second, third, or fourth year of medical study without the prospect of sufficient funds to finish their education.

This is not aided by the Administration's proposal to cut 20 million from the health professions student loans. And the high 8.5 percent prime interest rate makes it increasingly difficult for students to obtain commercial loans even at the authorized government-guaranteed rate of 7 percent. The total impact of this action could well be that of forcing a number of students to withdraw from their medical education programs. We simply cannot afford this.

Quite simply, a lack of congressional response to these students' requirements will do more harm to the national health crisis than it will good to brake inflation. In fact, inflation in the coming decade will be increased by it.

This point is dramatically illustrated by Professor John E. Baldwin from the University of Oregon. Professor Baldwin states:

"Without support, we have been faced with the hard financial necessity of dismantling the skilled core of scientific capability and the momentum or productive work we have gathered and attained since 1966. I have had to fire my two most senior research collaborators and turn down requests from new graduate students asking me to serve as their thesis research advisor; my graduate students are continuing experimental work with chemicals paid for through selling selections from our glassware stock. We're living on and dissipating our material and human capital."

Dr. Robert A. Campbell, Associate Professor of Pediatrics at the University of Oregon Medical School, places a moral value on the lack of federal consistency in funding student research:

"I would be most appreciative if you would take the time to make it clear to those whose serve on committees related to health research fields that there are many of us who cannot honorably recruit young people for careers in these fields if periodically their economic livelihood is in jeopardy due to budgetary changes in our federal spending. The kinds or work most of these young people are doing is the slow, painstaking, useless kind of work that Ben Franklin talked about when he said, "There is nothing more useless than a baby.' They are caring for the infant science of human biology and are going to nature it so long as we give them adequate support and recognition for their capabilities and dedication."

I would like to draw the Committee's attention to another section of the Health Manpower Act which, if not properly funded, may place many of our medical institutions in an embarrassing and precarious position. Sec-

tions 771a(1) and 771b(1) require that any institution which received an educational improvement grant in fiscal 1969 *must* increase its first year-new student enrollment by either 2½% or 5 students, whichever is larger, in order to qualify for a continued grant in fiscal 1970. With an increased enrollment, it would seem that the guaranteed federal funding should be increased accordingly. But this is not the case.

Dr. Louis G. Terkla, Dean of the University of Oregon Dental School, cogently points out the disaster which can hit an institution which has fulfilled this requirement:

"These Acts (Health Manpower Act) appropriated construction and educational improvement monies for health professional schools, and awards were made to institutions that agreed to increase their entering class sizes. The University of Oregon Dental School holds such an award, granted in 1966 and continued through 1969. To qualify, we increased our entering freshman class from 80 to 85 students beginning in the fall of 1969. The award provided funds for 12.5 full-time equivalent faculty, some equipment, and $8,000 per year in travel, and for remodeling of the facility to accommodate the additional students. The school was designed for 80 students per class. When the Health Manpower Act of 1968 was passed, it legislated that those schools with an educational improvement grant award must *once again* increase the entering class by 2½% or five students, whichever is larger, in order to qualify for continuation of the award in 1970. However, they can only guarantee an award in 1970 that will be no less than the award in 1969. Discussion with the National Institutes of Health staff has convinced us that we have been forced into the position of enrolling more students without receiving additional money to teach them, to make space for them, and to equip their work stations. Requests for waiver will be looked upon unfavorably and if denied, the institution will lose its grant award for that year. Since our program is geared to the first 5-student increase and we are dependent upon the award to pay the salaries of 12.5 full-time equivalents, our back is to the wall. In effect, it is a form of blackmail—either to increase our enrollment a second time at no extra cost to the government, or lose the financial support that we are now dependent upon. This dilemma is bad enough in terms of dollars, but it is compounded by the fact that additional students must be admitted against a slashed financial aid program.

"Unless the appropriations are increased, the Health Professions Educational Assistance Program has the potential of (1) creating serious fiscal problems for health professional schools, (2) causing deterioration in the quality of educational programs that will be reflected in poorer health care for the public, and (3) defeating the major purposes for which the legislation was created. Frankly, if State funds were available, this institution would retrench and cut its enrollment back to the original 80 students per entering class."

Mr. Chairman, many schools with increased enrollment are relying on the outcome of this appropriations bill. Should we fail to provide the increased funds in deference to military and space programs, which, in terms of expenditures, certainly tend to be more inflationary that the public health programs, we will have done a grave injustice to the problem of medical education in this country.

The most disturbing aspect of a possible decrease in medical funding programs seems to me the reversion to the antedeluvian principle that money will be the final criterion in deciding whether or not an individual will obtain medical attention. If we continue to allow the cost of medical attention to rise by decreasing the number of medical facilities, we shall only exclude the poorer segments of the population from the treatment which is their right, not their privilege.

I most strongly urge each member of this Committee to consider the national exercise of this right as his personal responsibility. I submit that, at this stage of our national development, programs which contribute to the national good should be given the highest priority, and programs which benefit the average citizen peripherally at best, such as military expansion and space exploration, should be subjected to a more realistic scrutiny by members of Congress and by the Administration. I request each member of this Committee to carefully consider the values at stake, and to appropriate a maximum and realistic sum to provide for the continued support of our medical institutions.

At this point, I should like to include in the RECORD several letters received from Oregon medical institutions. I also feel that each of us here will find distinct parallels between the plight faced by the medical schools in my State, and the problem faced throughout the country.

THE RENUNCIATION OF BACTERIOLOGICAL WARFARE: A STEP TOWARD ARMS LIMITATION

Mr. DODD. Mr. President, last week President Nixon announced that this Nation will never engage in germ warfare, that it will unilaterally destroy its stockpile of bacteriological weapons, and that it will henceforth limit its research in this field to defensive measures.

President Nixon must be given credit for a wise decision and for one of the most significant initiatives ever taken by the head of a great power toward reducing the arsenal of weapons of mass destruction.

This was certainly not an easy decision to make.

Other Presidents have wrestled with the same problems. Like all of us, they found the mere prospect of bacteriological warfare repugnant, even as a retaliatory measure. But in the absence of any assurance from the other side that they were prepared to stop stockpiling such weapons and to destroy existing stockpiles, no former President was prepared to take the risk of unilateral renunciation.

President Nixon has now decided to take that risk in the interest of peace.

We can afford to take this risk, because the Soviets know, just as we do, that a deadly epidemic unleased in any major nation might ultimately spread throughout the world.

Furthermore, we can afford to take this risk because we would always reserve the option to reply to such an attack by using other weapons in our arsenal.

It is encouraging that in the President's call for the ratification of the Geneva Protocol on Chemical and Biological Warfare, he has reserved our right to employ nondeadly chemicals, as we are now doing in Vietnam.

In dealing with domestic disturbances, law enforcement authorities in many nations employ tear gas as a minimum force weapon.

If tear gas were not used, if guns and clubs were employed instead, domestic disturbances would result in a greater number of casualties and casualties far more serious than occur in such incidents today.

If tear gas can be used in military situations instead of guns, it is in the interest of humanity to do so. I fail to understand the reasoning of those who, in the name of humanitarianism, want us to renounce military use of nonlethal gases which are used in every modern nation for riot control.

It is my hope that, in response to the President's request, the Committee on Foreign Relations and the Senate as a whole will move to ratify the Geneva protocol as expeditiously as possible. This ratification will be a milestone in America's search for peace.

DENIAL OF TAX-EXEMPT STATUS TO CERTAIN ORGANIZATIONS

Mr. FANNIN. Mr. President, I recently introduced a bill to deny tax-exempt status to organizations which would otherwise be tax exempt where they engage in activities in support of a political party or any candidate for public office or to carry on any voter registration.

Labor organizations have made the claim that no such measure as this is necessary because this area is already covered by the Corrupt Practices Act.

Mr. President, the Congressional Quarterly recently commented on "Loopholes in the Corrupt Practices Act of 1925." The article points out the ineffectiveness of this act in curbing political activities.

I ask unanimous consent that this article be printed in the RECORD.

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

LOOPHOLES IN THE CORRUPT PRACTICES ACT OF 1925

With the exception of some of the introductory material in this report, all the campaign receipts and expenditure figures are based on reports filed in accordance with the Corrupt Practices Act of 1925—a law filled with loopholes.

First, the Corrupt Practices Act does not require reports of contributions or expenditures in either Presidential or Congressional primary campaigns, or in connection with campaigns for a party's Presidential nomination—even though these efforts involve millions of dollars of expenses.

Secondly, though the law requires Senate and House candidates to report all spending made with their "knowledge or consent," most candidates interpret this to cover only their so-called "personal" campaign expenditures. Many candidates report they had absolutely no expenditures whatever, or spent just a few hundred dollars on their campaigns, only a fraction of what any observer knew their real campaign costs were.

Having reported no spending or just nominal sums as their personal spending, the great majority of candidates take refuge in the legal fiction that the committees working in their behalf did so without their "knowledge or consent." Those committees, in turn, are not required to file because the Corrupt Practices Act specifically excludes political committees which work within a single state.

Thirdly, national-level political committees can hide their transfers of campaign money to candidates by simply reporting transfers of gross sums to state committees

which are allied with the national group. The state committees, in turn, transfer the money to individual candidates, but the names of the recipients never appear on the nationally filed reports. This practice is traditional for labor union political funds and has more recently been adopted by groups like the American Medical Political Action Committee.

Fourth, political committees can hide the actual purposes of their reported expenditures by simply listing the purpose as "payment for professional services" or a similarly meaningless phrase.

Fifth, the actual identity of contributors can often be hidden by failing to give full names or giving addresses so incomplete that they make positive identification of the givers impossible.

Even with its loopholes, the Corrupt Practices Act is not enforced. The Act stipulates fines of up to $10,000 and/or two years in prison for willful noncompliance. Yet there has never been a single prosecution for failure to comply with the reporting requirements of the Corrupt Practices Act. The stated policy of the Justice Department, last spelled out by Attorney General Herbert Brownell in 1954 and confirmed by the Justice Department in a 1963 letter to *Congressional Quarterly* (which had inquired about failure to prosecute 54 U.S. House candidates who failed to file any reports whatever in 1962), is "not to institute investigations into possible violations of (the Act) in the absence of a request from the Clerk of the House of Representatives or Secretary of the Senate." Neither the Clerk nor the Secretary (both elected officials of their respective bodies) ever have referred any possible violations to the Justice Department.

In 1966 and again in 1967, President Johnson proposed wide-ranging campaign spending reform bills. An even more comprehensive measure was written in the House Administration Committee. (*For 1966 action, see 1966 Almanac p. 484; for current status, 1967 Weekly Report p. 1155.*)

REGULATION OF THE OCEAN FLOOR

Mr. PELL. Mr. President, I invite the attention of Senators to the lead editorial in this morning's New York Times, entitled "Regulating the Ocean Floor."

The editorial comment points up the current negotiations now underway in the United Nations with respect to developing a legal framework for the exploitation of the seabed and deep ocean floor, and it contains the observation—correctly, I believe—

There is a growing danger that a race for universal riches on or below the ocean floor may precipitate a new era of colonial competition and that unregulated claims to deep seabed territory may compromise territorial rights of all nations to freedom of the sea.

To underscore these very real and interrelated dangers, the Times editorial then outlines the inadequacies of existing international law of the sea, particularly the Geneva Convention on the Continental Shelf, and urges the United States to support the resolution aimed at ascertaining the views of the members of the United Nations with regard to a new international conference on the Continental Shelf question.

In this connection, I am sure that Senators will recall that on Wednesday last I submitted a sense-of-the-Senate resolution calling upon the President to make a formal request to the Secretary General of the United Nations that the Shelf Convention be reopened in accordance with article XIII. I should hope that the resolution would be read in conjunction with the Times editorial, and I ask unanimous consent that it be printed in the RECORD.

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

REGULATING THE OCEAN FLOOR

The United Nations will vote tomorrow on a number of proposals concerning the peaceful uses of the seabed. This is a matter of urgent international concern because rapid technological development is making it possible to exploit an ever-increasing portion of the two-thirds of the earth's surface over which there is no clear national or international jurisdiction.

There is growing danger that a race for mineral riches on or below the ocean floor may precipitate a new era of colonial competition and that uregulated claims to deep seabed territory may compromise traditional rights of all nations to freedom of the sea. There is also a strong feeling among developing countries that the wealth of the sea floor should be shared and not left entirely to the more advanced nations that are best able to extract these untapped resources.

Although American spokesmen have endorsed the broad concept of international control over the deep seabed and the sharing of its benefits, the United States has not come forward with specific proposals to achieve these goals. Despite the urgency of the problem, Washington has supported a go-slow policy in U.N. deliberations on this subject. The current resolution delays development of an international rule of law and it may lead to a *de facto* situation contrary to over-all American interest.

Under the Geneva Convention of 1958 on the continental shelf, coastal states have exclusive rights to the resources of the seabed out to a depth of 200 meters (656 feet) or, beyond that limit, "to where the depth of the superjacent waters admits of the exploitation of the natural resources." Now technology, apparently unanticipated in 1958, now permits exploitation far beyond the 200-meter mark and thus renders the 1958 boundary limitless.

American oil interests, already drilling at 1,300 feet, are well satisfied with this ambiguous situation. But legal experts, such as Columbia University's Louis Henkin, have pointed out that unlimited claims to sovereignty over its offshore seabed by the United States could lead to similar claims by others to the seas above the ocean floor off their coasts. This certainly would not be compatible with American naval and maritime interests, nor with those of American fishermen who drag in foreign waters—off Peru, for example.

It would be appropriate for the United States to support a Maltese resolution which calls on the Secretary General to initiate discussions pointing to a new international conference to update the 1958 Geneva Convention on the continental shelf. In addition, we believe the United States should support any action by the current General Assembly that would speed up the development of at least a minimal international regime to supervise the orderly exploitation of seabed resources beyond whatever national limits may be set.

TESTIMONY OF SGT. ALBERT CHANG

Mr. FONG. Mr. President, Sgt. Albert Chang, one of my constituents, whose home is in Kaneohe, Hawaii, recently appeared before the Senate Government Operations Permanent Subcommittee on Investigations. He testified concerning his experiences in the money changing black market in Vietnam.

Although I was not present to hear his testimony, I am told by the subcommittee that Sergeant Chang's presentation was extremely frank and open and that he was very helpful.

In my opinion, he did a courageous thing in coming from Fort Shafter, Honolulu, where he is at present assigned, to testify in Washington on this matter.

His life has been threatened. I feel it is lamentable, indeed, that for such an act of service to his country he now lives in fear of his life.

Mr. President, Sergeant Chang's action is something of which to be proud and I hope it will win the respect and appreciation of his fellow citizens. I believe his testimony should be brought to public attention; therefore, I ask unanimous consent that it be printed in the RECORD.

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

STATEMENT OF ALBERT CHANG

My name is Albert Chang. I am a Sergeant First Class in the United States Army. I am a photographer presently assigned to the U.S. Army Pacific at Fort Shafter, Hawaii.

I am 47 years old. I am a native of the Island of Maui in Hawaii.

I have been in the Army a total of 24 years. I served as a soldier in World War Two and as a combat photographer in the Korean War and in Vietnam.

My decorations include the Bronze Star, the Army Commendation Medal with four clusters, the Purple Heart, the Good Conduct Medal with five loops, the American Defense Medal, Pacific Asiatic Theater Medal, the World War Two Victory Medal, the Army of Occupation Medal (Korea and Japan), the National Defense Service Medal, Korean Wharang Distinguished Service Medal with Gold Star, Korean Service Medal with five campaign stars, United Nations Service Medal, Vietnamese Campaign Medal with two campaign stars, the Vietnamese Service Medal and the Unit Citation medal with one cluster.

My remarks today relate to my service and work in Vietnam.

I was first assigned to Vietnam in January of 1962. I was a combat photographer with the Pacific Mission of Stars and Stripes. My work took me to all combat areas of Vietnam. I was later to be wounded four times, twice very seriously.

In December 1962, my tour was concluded and I returned to the U.S. Army Pacific headquarters at Fort Shafter.

I volunteered to return to Vietnam and was assigned to Vietnam in July 1964. This time I was working out of the MACV Public Information Office as a combat photographer.

I returned to Hawaii in December of 1964. I was about to complete my 20 years of service and had decided to retire from the Army. I retired in March of 1965.

I worked for National Geographic Magazine as a combat photographer in Vietnam for about six months, from April 1965 to November 1965.

Then I went to work for the Associated Press as a combat photographer in Vietnam.

The dates of my employment with the AP in Vietnam were from November 1965 to August 1968.

The Vietnam offices of the AP are in the Eden Building located on the Le Loi Street near the Rex Hotel in downtown Saigon.

Our offices were on the fourth floor.

On the second floor of the Eden Building was an Indian money changer. He used the name "Dima." I don't think that was his real name.

Dima was about 40 years old, a good looking man, always well dressed. He spoke excellent English and was very courteous to his clients.

His office was tastefully furnished and he made no effort to present himself as something other than what he was. He was a money changer and nothing else. Two other men, whom Dima described as his brothers, worked for him.

"Bank of India" was a nickname that Dima's American customers gave him and his office.

My work required that I be away from Saigon and in combat areas most of the time. However, I would be able to return to Saigon for short periods—usually for a day or two—three or four times a month, sometimes more.

During these brief visits, I observed the Dima operation. I found it distressing.

The Indians were making thousands—possibly millions—of dollars in their money changing transactions while many of my friends were getting shot at and killed in combat. The whole thing was upsetting and I made up my mind to try to do something about it.

My first move was to win the confidence of Dima and his associates. I had a friend—an American newsman who engaged in the black market through Dima—introduce me to him and vouch for my reliability. Dima accepted me and I began signing over checks to him of about $100 or $200, on an average of once a month.

The dates of my transactions with Dima were approximately January 1967 through August 1968.

During that period, I wrote Dima about 18 checks.

I will briefly describe the system of currency manipulation which Dima used.

I would write him a personal check for $100 or $200 to be drawn on my account at the First National City Bank in New York. That is where the AP deposited my payroll checks.

I would leave the payee line blank as per Dima's instructions.

Dima did not vary from that system in all my transactions with him. Nor did I ever hear from other persons doing business with him that he varied from that system.

Dima never seemed concerned about the risk involved in his transactions. He would tell us, "Don't worry about getting caught. I have people who will make certain we are not caught."

The profits I would receive from Dima on my investment would vary. It would depend on what the black market was for piasters on the day I negotiated with him.

During most of my dealings with Dima, the official rate, piasters to U.S. dollars, was 118 to one. That is, had I cashed checks at, say, the Chase Manhattan Bank, Saigon Branch, I would have received 118 piasters for every dollar. That was the legal rate.

However, by cashing my checks with Dima, I would receive anywhere from 135 piasters to the dollar to as much as 190. It all depended on what the black market in dollars was on the day I went to Dima.

Anyway, I would give Dima a $100 or $200 check with the payee line left blank. He would immediately repay me in piasters at the black market rate.

I entered into these transactions with Dima so that I could ultimately expose his operations. I did not profit personally from any of these activities. After Dima would pay me, I would take for myself the piasters which I was entitled to under the official rate of 118 piasters to one dollar and give the remainder to charitable organizations in Saigon. One of the organizations I frequently gave these black market piasters to was the Bo Dap Orphanage in the Gia Dinh sector of Saigon.

Actually, the profit on a $100 or $200 check was not much money no matter how lucrative the market for dollars was that day. I was a smalltime operator.

But there were many of us so-called small time operators—hundreds of them—doing business with Dima. I believed that there were many so-called big time spenders doing business with Dima too.

I would go down to Dima's office some days and talk with him and watch the people come in and change their money with him. Dima was always every evasive with me. It was difficult to pin him down on anything specific. I did conclude, though, that his clientele was large and it included many persons, both civilian contractors and military officers, in high places. It was because of his powerful customers that he felt he was immune from the Vietnamese law.

Because of these conversations with Dima and because I was one of his regular customers, he and I became friendly. He trusted me. So I had achieved my first goal in exposing him. I had won his confidence.

I did not go to the Vietnamese Customs office, which had charge of policing currency violators, or to the U.S. Army CID because I was afraid to. It was common knowledge that Dima was being protected by people in high places—but I didn't know who was protecting him. Therefore, I wasn't sure what authorities I could trust.

Frankly, I was afraid for my life. There was no doubt in my mind that had Dima known I was spying on him—or that I might turn him in—he would have had me murdered. You can have someone killed in Vietnam for as little as $50 and Dima, I felt, was not above having it done. After all, he was the only illegal money changer in Saigon that I knew about who never got raided by Vietnamese Customs. The papers were full of stories about Indian money changers being raided. But never Dima. I do not think this was a coincidence.

I wanted to expose Dima—but I wanted to do it right, to make sure he was put out of business for good. At the same time, I wanted to stay healthy myself. So I waited, hoping that the opportunity would present itself for me to give my evidence and information to authorities who would crack down on him.

In the meantime—this would have been in March of 1968—I was hit in the chest by shrapnel in a battle I was covering at the 25th Div. It was the fourth time I had been wounded in Vietnam and I decided it would, hopefully, be my last. I had been through three wars. I decided to leave war zones for good. But I still wanted to get Dima.

I told him I was returning to Hawaii soon. Dima asked me to check in with him just before I left. He wanted me to do him a favor.

The favor he wanted me to do turned out to be this: He asked me to smuggle about five large envelopes of checks to Hawaii and to mail them from Hawaii. The envelopes were addressed to the Marine Midland Grace T. of New York, Marine Midland Building, 140 Broadway, New York, New York 10015; and to Manfra, Tordella and Brooks, Inc., 44 Whitehall Street, New York, New York 10004.

I said I would take the envelopes to Hawaii and mail them for him. This was the evidence I was waiting for. Once I arrived in Hawaii, I wrote a letter to the Commanding General, Headquarters, MACV, J–1 Division, and included with it the envelopes Dima had given me containing the checks.

I did not sign my name to the letter or put a return address on the envelopes.

In the letter, I explained who Dima was, how his operation worked, and other information about his illegal activities in currency manipulation.

I felt that with this letter and with the checks as evidence, Dima could be arrested and then put out of business.

I did not mail four of the checks to the U.S. Army; however, I kept them for another purpose I will discuss later.

I have since learned that my letter and the checks arrived in Saigon September 14, 1968. I do not know what action was taken because of this information since I have not returned to Vietnam.

I terminated my employment with the AP in August in Saigon shortly before I left for Hawaii.

Upon arriving, I went to work as a photographer with the Honolulu Advertiser, a daily newspaper there.

I stayed with the Advertiser four months. Then I asked the Army to recall me into the service. I felt guilty about not being with the troops at the front lines in Vietnam. The knowledge that they were fighting and I was back in the states—in civilian life—depressed me. I was making a poor adjustment to civilian life and I wanted to be back in the Army.

Added to this was the fact that my son, an Army Captain, was in Vietnam, serving with the 25th Division.

In November of 1968—while with the Advertiser—a handcarried letter from Dima was delivered to me. It was carried by a newspaper friend of mine from Saigon.

In the letter, Dima indicated he knew I had not mailed the envelopes to the New York financial establishments. He urged me to mail the envelopes back to him in Saigon. That was all the letter said.

I did not answer the letter.

Then, in December of 1968, a second letter from Dima arrived. This letter was postmarked Hong Kong and arrived through the regular mail.

In this second letter, Dima indicated he knew I had given detailed information of his activities to the government and that I had also turned over the black market checks to the authorities.

Dima said he would "get me" no matter how long it would take. He did not use the word murder or kill. But there was no doubt that's what he meant. I was worried, of course. I destroyed that letter along with the first letter.

The four checks I had kept from the original envelopes I brought back from Saigon amounted to $4,000.

I took those checks and deposited them in my account. My purpose was to donate that $4,000 to funds at the 25th and 1st Divisions. The funds are for college scholarships for the children of men killed in action.

As a photographer covering the 25th and 1st Divisions, I had done some promotional work for these scholarship funds and I felt great compassion for the children of Americans who had died in this war.

Additionally, I wanted to get back—if that is the right word—at Dima and those people making money from the black market. My taking $4,000 for the scholarship funds from their pockets was a way to punish them, I guess, for their illegal activity.

But later I had second thoughts. I sent the money back to Dima by bank draft. I sent two checks for $2,000 each.

I sent the first check in December of 1968 or January of 1969. The second check was sent in March of 1969. I cannot find the first

cancelled check. But I have the second. I have it here.

I felt bad about having taken this $4,000. It was for a good cause—the scholarship fund. Yet it was a form of stealing—even though it was stealing from a lawbreaker, Dima.

But it was still theft and I had never done anything like that before.

I have not heard from Dima directly since the second letter, the one that arrived in December.

In July of 1969, I was interviewed in Hawaii by Mr. Duffy of the Subcommittee staff. I told him what I have just told the Subcommittee.

Shortly after my interview with Mr. Duffy, I received a telephone call—it was a local call, placed in Honolulu—from an American whose voice I could not identify.

I don't know how this caller got my home phone number since my number is unlisted. Anyway, the caller seemed to be speaking for Dima. He told me basically what Dima had said in the December letter.

He said they would "get me." He did not say murder or kill. But that's what he meant.

In August of this year, CID investigators interviewed me in Hawaii. I told them what I had told Mr. Duffy and what I have told you today.

I have not heard from Dima or anyone else involving these matters since then—except for my conversation with Mr. Duffy.

SENATOR BYRD OF WEST VIRGINIA REVEALS REVERSAL OF U.S. RHODESIAN POLICY

Mr. BYRD of West Virginia. Mr. President, on November 26, 1969, I made a statement for West Virginia radio stations concerning the need for changing this country's foreign policy on Rhodesia.

I ask unanimous consent that the transcript of that statement be printed in the RECORD.

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

RHODESIAN SANCTIONS

Some time ago I said in a speech that the United States needs to review and update its foreign policies in the 1970's in every part of the world. I believe that one of the first subjects for such a review should be our position regarding Rhodesia.

Last month, the people of Rhodesia marked the fourth anniversary of their independence from Great Britain.

Next month will mark the end of the third year of United States' economic sanctions against Rhodesia with no let-up in sight.

The irony of those sanctions—which were supposed to bring the Rhodesian "rebels" to their knees—is that the United States stands virtually alone in honoring the sanctions.

The sanctions—promulgated by the United Nations ostensibly because Rhodesia posed a threat to international peace—actually represent an unsuccessful power play on the part of Great Britain to topple the government of Ian Smith and restore British political prerogatives in Rhodesia.

I think that former Secretary of State Dean Acheson summed up our Rhodesian policy pretty well last year when he said . . . and I quote . . . "the United States is engaged in an international conspiracy, instigated by Britain and blessed by the United Nations, to overthrow the government of a country that has done us no harm and threatens no one."

And so, my fellow West Virginians, I feel that the fact of the matter is that Rhodesia is being made to suffer because it suits the purposes of our ally, Great Britain, and because certain nations take issue with Rhodesia's internal racial policies. In the latter regard, the United States is hardly in a position to throw stones.

The power play against Rhodesia has failed miserably. Rhodesia's economy is healthy today, perhaps even booming. The nation's gross national product in 1965, the year of its independence, was $986 million. This year, it is expected to reach $1.2 billion. Although other UN nations aren't supposed to be trading with Rhodesia, it is reported that foreign goods, from Japanese radios to European cars, are in abundant supply.

In continuing to honor the sanctions against Rhodesia, the United States is, in a manner of speaking, cutting off its own nose. Whereas we used to turn to Rhodesia for a large share of high-grade chromite ore at $25 a ton, we now buy the same ore from Soviet Russia at nearly twice the price. There is reliable evidence to indicate that some of the ore the Russians sell to us at a profit is bought by the Russians themselves from Rhodesia.

It is bad enough from an economic and strategic standpoint that we should have to depend on Russia for this chromite ore which is needed in production of steel and other militarily and industrially vital materials.

It is worse from a moral standpoint to depend on Russia. For if we become a party to punishing Rhodesia because of that country's internal racial policies (which are none of our business), then it is hypocritical for us to continue to trade with the totalitarian Soviet Union which has virtually enslaved entire populations.

It was recently pointed out that there is no such thing as majority rule in other African countries such as Kenya, Zambia, Ethiopia, Somalia, and Tanzania.

Yet, we do not impose economic sanctions against any of those nations. I do not suggest that we have any right to meddle in the internal affairs of those countries. But, by the same token, I do not think that we should continue our single-handed crusade against Rhodesia. It is a crusade that we agreed to in order to please our friends in Britain, even though our British friends continued their trade with North Vietnam notwithstanding the war in which Hanoi has long been engaged against us. We never should have gotten into such a hypocritical position to start with. Now that we stand alone, we should make a speedy reversal of our Rhodesian policy and make certain that we don't get ourselves into such a foolish position again.

ORDER OF BUSINESS

The PRESIDING OFFICER (Mr. ALLEN in the chair). Under the previous order the period for the transaction of routine morning business expires at 11:15 a.m. and the unfinished business is to be laid before the Senate.

Mr. DOLE. Mr. President, I ask unanimous consent that the morning hour be extended for 10 additional minutes.

Mr. BYRD of West Virginia. Mr. President, reserving the right to object, I wonder if we might proceed to lay the unfinished business before the Senate and then yield time to the Senator from the controlled time.

The PRESIDING OFFICER. Does the Senator from Kansas withdraw his request?

Mr. DOLE. I withdraw my request.

TAX REFORM ACT OF 1969

The PRESIDING OFFICER. Under the order of Wednesday, November 26, 1969, the Chair lays before the Senate the unfinished business, which will be stated.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER. Without objection, the Senate will resume the consideration of the bill.

The question is on agreeing to the amendment offered by the Senator from Louisiana (Mr. ELLENDER).

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I yield, on behalf of the Senator from Louisiana (Mr. ELLENDER), 5 minutes to the Senator from Kansas, and it is my understanding that the able minority whip will likewise yield 5 minutes to the Senator.

Mr. GRIFFIN. Mr. President, I wish to ask how much time the Senator from Kansas would like to have.

Mr. DOLE. About 5 minutes.

Mr. BYRD of West Virginia. Mr. President, it was my understanding that the Senator wanted 10 minutes, but I yield 5 minutes.

The PRESIDING OFFICER. The Chair recognizes the Senator from Kansas for not to exceed 10 minutes, the time to be charged equally to both sides.

Mr. DOLE. Mr. President, I ask unanimous consent that I may proceed out of order.

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

PRESERVING THE DIGNITY OF AMERICAN FIGHTING MEN

Mr. DOLE. Mr. President, one of the regrettable developments resulted from the efforts of some individuals who wish to exploit the Mylai tragedy of March 1968, is that it has evolved into an attack on the dignity of the U.S. armed services.

There is an effort by some to imply that violent attacks similar to the isolated incident which took place at Mylai, frequently occur in those areas in Vietnam occupied by U.S. military forces. The Mylai issue has become the latest tool for those strongly opposed to the administration's Vietnam policy and its program to terminate the war. It appears to be the intention of these individuals to represent the Mylai tragedy as a symbol of all present and future acts undertaken by the administration in Vietnam.

Statements given through the news media tell the public that U.S. forces are indiscriminately slaughtering the innocent and guilty alike in conducting their military operations. I consider such statements not only careless but injurious to the character of the American fighting man.

I, in no way, condone or rationalize the willful slaughter of civilian noncombatants, and if the accused in the Mylai

affair are found guilty, they should be dealt with as prescribed by law.

Rather than concern for prosecution and punishment of the guilty there appears to be a calculated attempt to utilize the Mylai affair to insinuate that it represents the norm in the daily conduct of U.S. military operations in Vietnam.

Mr. President, I know this insinuation to be untrue. A member of my staff requested and received a briefing from the Office of the U.S. Army Planning and Operations Division. He was particularly interested in the education and training of U.S. military procedures to assure the proper humane treatment and handling of civilians and prisoners of war in Vietnam. A synopsis of this briefing contained the following highlights:

All U.S. military personnel receive indoctrination as to the aforementioned subject prior to and after their arrival in Vietnam. They are reminded that the Vietcong can capitalize on examples of bad conduct by U.S. military personnel, and that the defeat of the enemy can be enhanced through an understanding and generosity displayed toward the people of South Vietnam.

Every member of the U.S. Forces in Vietnam personally receives instructions as to the treatment of civilians and prisoners of war and in addition, is instructed as to what constitutes a war crime. For example, in regard to prisoners the articles each member of the U.S. Armed Forces receives contain these highlights:

1. In the disarming, searching, and guarding of prisoners of war, military law requires that the prisoners be treated humanely;

2. Injury inflicted upon a captive is a criminal offense;

3. A sick and wounded captive must receive the best treatment available;

4. All suspects, civilians and other persons detained must be protected against violence, insults, and reprisals of any kind.

BASIS OF CURRENT U.S. MILITARY LAW ON WAR CRIMES

Mr. President, in regard to matters pertaining to the definition and investigation of war crimes, current U.S. military legal services are based upon six sources: First, the Geneva conventions of 1949; second, the Hague conventions of 1907; third, the Uniform Code of Military Justice; fourth, FM27–10; fifth, MACV directive 20–4 (0); and sixth, MACV directive 190–3.

It is inconceivable that anyone should regard what took place in the village of Mylai in March of 1968, as in any way representative of the general conduct of American forces in South Vietnam. The general conduct of the American serviceman in Vietnam, participating in an unpopular war and in the face of extreme hardships and frustrations, which have characterized this protracted, bloody conflict, has been notably outstanding.

Mr. President, I wish to make these additional comments concerning developments surrounding the Mylai incident.

There is the possibility that this incident will result in further disunity among the American people, especially if the incident is successfully applied to be representative of American policy in Vietnam. The Mylai incident must not be extended beyond its proper perspective and applied to other areas for partisan or personal pursuits. It is not the function of the Senate of the United States, at this point in the course of events concerning the incident, to provide judgment in any respect. Recent statements by the news media offer continued evidence of a lack of concern for individuals accused of crimes to be afforded a fair trial unprejudiced by prejudgment.

Mr. GRIFFIN. Mr. President, will the Senator from Kansas yield?

Mr. DOLE. I yield.

Mr. GRIFFIN. I wish to commend the Senator from Kansas for his statement, which provides some important and valuable information for the RECORD. It is information of which all of us should be aware.

In particular, I wish to underscore the Senator's comments that the Mylai incident, as it has been reported, is by no means typical of the conduct of U.S. troops.

In May of 1966 I had the opportunity to visit South Vietnam for about a week. I recall a number of instances when I was particularly impressed by the attitude of American troops toward Vietnamese civilians.

For example, I recall being with a Marine outfit and visiting a hospital which the members of this unit had set up in the field.

At great sacrifice to themselves, these marines and doctors who were assigned primarily to care for U.S. troops, were spending their spare time treating Vietnamese civilians, and particularly children who were brought from considerable distances for treatment of injuries and diseases of all kinds.

Finally, it was a moving experience to see the attitude, the kindness, and the humaneness with which our American troops were treating the Vietnamese civilians.

I hope and pray that the news media will put the Mylai incident in perspective; that they will make sure the American people realize this was an isolated incident which is not at all typical of the general conduct of our troops in Vietnam.

Again, I commend the distinguished Senator from Kansas for making what I consider to be a very important statement.

Mr. DOLE. The Senator from Michigan has put his finger on the heart of the matter. The Mylai incident is a rare exception. It is not the norm. The norm is, as the Senator has pointed out, in the good deeds our American soldiers have rendered everywhere in the world, not just in Vietnam. That has been the symbol of the American fighting man for as long as I can remember. For as long as I can remember, it has been the outstanding generosity of the American fighting man which has exemplified his spirit. Thus, I would hope that we would not capitalize on what might be a rare exception in American history.

Let us punish those who are guilty, but let us not prejudge them.

Mr. HANSEN. Mr. President, will the Senator from Kansas yield?

Mr. DOLE. I yield.

Mr. HANSEN. I, too, would like to compliment the distinguished Senator from Kansas for the contribution he has made this morning.

In listening to the radio and television and reading the newspapers, I gathered that there has been worldwide distress and infuriation expressed over this incident, but it is not all directed toward the servicemen who have been involved in it. Part of that distress and infuriation is directed at the news media for the way they have handled the situation.

It does seem to me that there is some reason to agree with those who express indignation over the handling of this incident by the news media, which have been insensitive to the feelings of the viewing and reading public.

Things do happen which none of us condones. Certainly no one in the Army condones this incident.

Every effort will be made, as the distinguished Senator from Kansas has pointed out, to see that whatever the facts are, they will be brought before the court and will be handled according to law.

Mr. DOLE. I thank the Senator from Wyoming. I would only say there are some who feel that the only news is bad news, which is not true, of course.

TRIBUTE TO REPRESENTATIVE RICHARD D. McCARTHY—THE VALUE OF PERSEVERANCE

Mr. PROXMIRE. Mr. President, President Nixon's momentous decision last week to ask the Senate to ratify the 1925 Geneva accord that prohibits its signers from first using poison gas attests to the value of perseverance for the Democratic Representative from New York, RICHARD D. McCARTHY. McCARTHY's untiring efforts to turn this Nation away from the madness of chemical and biological warfare have been, at last, somewhat recognized by President Nixon's announcement.

For those of us who have labored for those things we consider important and in the best interest of this Nation, Congressman McCARTHY's efforts and success are a light at the end of the tunnel. His statement on these recent developments is one we should all pay attention to:

I think this proves that we can achieve necessary change within the American system. It just requires accuracy but basically perseverance.

Bravo to Congressman McCARTHY's perseverance. May we all take a lesson from his experience.

I ask unanimous consent that the article from Sunday's Washington Post be inserted in the RECORD.

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

BAN ON GERM WAR PLEASES OPPONENT

(By Robert A. Hunt)

"I think this proves that we can achieve necessary change within the American system. It just requires accuracy but basically perseverance."

The speaker was Rep. Richard Dean McCarthy, a 42-year-old New York Democrat who, spurred by a "quite horrified" wife, launched a congressional drive last February against germ and gas warfare.

He was jubilant over President Nixon's order last Tuesday to destroy existing stockpiles of bacteriological weapons, as well as over Mr. Nixon's pledge that this country would not engage in germ warfare, will confine research to defensive measures and the President's call for Senate ratification of a 1925 treaty to ban initial use of gas or germs as weapons of war.

McCarthy still harbors reservations that Mr. Nixon didn't rule out tear gas and herbicides that the United States has been using in Vietnam. While feeling the tear gas issue poses a threat to Senate ratification of the protocol, "I don't think it is insoluble."

INTERPRETATION NEEDED

The one-time Buffalo Evening News reporter, in an interview, suggested that some international understanding and uniform interpretation is needed "on just what the Geneva protocol prohibits, because there is ambiguity."

It was this 1925 agreement, which the United States played a major role in shaping but which the Senate never acted upon, that bans first use of "asphyxiating, poisonous or other gases and of bacteriological methods of warfare."

Senate Democratic leaders have pledged action on the protocol in a month.

"I believe the U.S. should not attempt to exclude tear gas from the coverage of the protocol," McCarthy said, "and I don't think we should be destroying food supplies with herbicides."

McCarthy said, however, "I think the issues can be resolved if the proper spirit is shown. We should approach them with a positive frame of mind."

In 1930, McCarthy said, a dozen signatory nations to the protocol said they felt tear gas was covered under the prohibitions.

And in a speech earlier this month at Johns Hopkins University, Baltimore, McCarthy said a GI's letter described how tear gas was used to drive the North Vietnamese into the open where a number then were killed.

CITES TV PROGRAM

How did McCarthy's interest in the chemical and biological warfare—CBW—subject start?

"Last Feb. 4 we were watching an NBC television program devoted to germ and gas warfare," he said. "It showed dead sheep in Utah, experiments with gas, and was pretty horrifying. My wife sent the five kids to bed because she didn't want them to see it. She was quite horrified, turned to me and said: 'You're a congressman. What do you know about this?' I told her I knew nothing but the next day I began to find out."

McCarthy set up plans for an Army briefing on the CBW issue for members of Congress on March 4. He kept on working.

"They refused to admit staff people without a secret clearance on file at the Defense Department," he recalled.

However, McCarthy said: "They told us very little we didn't know already and actually used it as a pitch for more money on CBW."

Then McCarthy drew up a series of questions, sent them off to the Defense and State Departments among others.

"I got them back in April and they were a mass of contradictions," McCarthy said.

At about this point, McCarthy called for U.S. ratification of the Geneva protocol as well as the British convention which bans all germ warfare, more restrictions on transportation, testing and disposal of such materials, and an end to secrecy surrounding the program.

Congress then wrote in requirements that the Defense Department find that open-air testing of gas weapons is necessary in the interests of national security, that governors be given particulars of such tests, plus certain requirements on transporting the deadly articles.

With mail coming in to back up his position, McCarthy made a series of speeches around the country on gern warfare.

TARGET OF CRITICISM

"At first there was a lot of criticism and I was accused of backing unilateral disarmament," he said. "There was some skepticism, including the White House, but I think the President's announcement vindicates our basic approach."

McCarthy's office got an advance indication that a presidential announcement was on the way while he was in London taking part in an international CBW conference.

The official verification came while he and his wife, Gail, were over the Atlantic on the way home.

"The plane captain came looking for me. He had a message saying the President was to submit the protocol to the Senate. My wife and I were ecstatic," he said.

McCarthy, who served in the South Pacific in the Navy from 1945–46 and in the Far East with the Army in 1950–52, also got an added bonus on the timing of the Nixon decision. His germ warfare book, "The Ultimate Folly," was published the next day.

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum, with the time to be equally divided and charged against both sides.

The PRESIDING OFFICER. Is there objection?

The Chair hears none, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER. Who yields time?

Mr. ELLENDER. Mr. President, I yield myself such time as may be necessary to make my opening remarks.

The PRESIDING OFFICER. The Chair recognizes the Senator from Louisiana.

ADDITIONAL COSPONSOR

Mr. ELLENDER. Mr. President, before I proceed, I would like to add, by unanimous consent, the name of the senior Senator from Alaska (Mr. STEVENS) as a cosponsor of the amendment now before the Senate.

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

Mr. ELLENDER. Mr. President, I regret that there are so few Senators present to listen to this important debate. I think it is vital that we permit the law regarding the percentage-depletion allowance to remain as is.

We have been debating one of the broadest reaching tax reform measures in the history of this country.

In order to make certain that we do not make erroneous decisions on issues which are both highly controversial in the political sense and highly significant in an economic sense, we should try to dissect each issue in terms not only of its immediate impact upon the tax take of the U.S. Treasury or upon any particular class of taxpayers, but also in terms of its long-range impact on the American taxpayer and the economic balance of the entire nation.

The first issue before us today is one of crucial importance to the State I represent. It is of no less importance to the Nation as a whole, even to States that do not produce oil and gas, and as such it demands very careful and dispassionate study. The issue is that of the percentage depletion allowance, as it affects the taxability of income from the production of petroleum.

In brief, percentage depletion allows both the landowner and the producer to deduct 27½ percent of gross income from net income before computing Federal Income taxes. Since the deduction cannot exceed 50 percent of net income, however, it can never of itself remove all tax liability. In effect, it does no more than to cause the income from mineral production to be treated like income from capital gains.

In the case of petroleum, the theory is that the deduction returns to the owner the value of the oil in the ground—much as provisions for "depreciation" return to other groups of taxpayers the value of machinery which is used or worn out in the course of a business operation.

In other industries, Mr. President, when we apply depreciation to equipment and to buildings at so much per year, the total depreciation can replace the building or the machine on which the depreciation is taken; and in the case of a God-given resource such as oil, which we cannot replace, the same logic should apply. That is why I wish more Senators who oppose this amendment were present to listen to the discussion. Actually, there is considerable weight of evidence that the 27½-percent rate is too low to achieve the stated purpose and vis-a-vis the landowner should be increased rather than decreased.

As it applies to the producer, percentage depletion works as follows: If the company's gross income from a well during a given calendar year is $100,000 and its production costs are $40,000, it net income is $60,000. The percentage depletion allows him to subtract 27½ percent of the gross income, in this case $27,500, from the $60,000 net income figure. Taxable income would be $32,500 rather than

$60,000. In no event could it fall below 50 percent of the net income—in this case, taxable income could not fall below $30,000.

ECONOMIC INCENTIVE NECESSARY

This economic incentive is geared to help overcome the fact that only one exploratory well in nine finds any oil, and only one in 46 finds a commercially profitable accumulation.

In other words, Mr. President, the operator must drill 10 wells to find one that will produce. Only one of 46 or 47 drillings will repay all costs to the owner. Those are things that should be thought through, particularly, as I shall point out later, when the Department of the Interior states that within the next 10 years we are going to need 5 million more barrels of oil per day than we are now producing.

For at least two major reasons, the tendency will be to find less rather than more productive wells. First, extensive exploration over the past several decades has left fewer and fewer fields to be found in the United States. The gamble or the risk factor involved in finding any production becomes higher and higher. Second, the cost of finding and developing petroleum is becoming greater and greater, not only because of the scarcity of the product, but because of constantly rising costs of labor and machinery.

Only by providing realistic incentives can we hope to prevent what is an increasingly bad situation from becoming an intolerable one in terms of the desirable levels of domestic production and in terms of our long-range need for petroleum reserves.

OTHER MINERALS AFFECTED

It should be remembered that this means of providing a financial incentive as an encouragement to an active search for and production of oil and gas is not peculiar to this mineral. As a matter of fact, income realized from the production of almost all minerals is similarly treated.

The only difference is one of degree. Because of its strategic importance and because it is literally the fuel on which the major portion of our economy runs, petroleum enjoys a slightly preferred status vis-a-vis other minerals to the amount of depletion allowances it is accorded.

I have offered the pending amendment, No. 290, which would preserve the law as it now reads, and as it has read for over 40 years. As I shall try to explain, my amendment seeks to avoid a removal of proper incentives at a time when the interests of the American economy and the American consumer demand more, not less, encouragement to the oil industry in its search for new reserves—both of oil and natural gas.

The committee amendment to H.R. 13270 proposes to reduce the depletion allowance as it affects petroleum from 27½ to 23 percent. Over the strenuous objections of its distinguished chairman, my colleague, Senator RUSSELL LONG, the committee also recommended reduction in the percentage depletion allowances of most if not all other minerals.

Although my amendment merely seeks to preserve the present status of the law as it applies to petroleum, I hope to support and to vote for similar amendments which seek to preserve proper incentives for the continued discovery and development of other minerals upon which this country's economic and strategic posture depends.

LIBERALS VERSUS CONSERVATIVES: A FALSE ISSUE

Unfortunately, this issue, like many others, has become in the minds of too many Senators, a proper battleground on which to wage the fight of liberal versus conservative.

As the Wall Street Journal of September 5 quotes a staff aide of one of my colleagues who wants the depletion allowance substantially reduced:

> The oil industry no longer has Bob Kerr, Sam Rayburn and Lyndon Johnson in Washington to help it. The Senate Liberals are itching to get the oil industry this year.

It is not put in terms of facts and figures, or of long-range consequences on Joe Taxpayer and to the economy as a whole. It is not put in terms of its effects on the balance of payments or of the impact it might have on the strength of the dollar. It is put in terms of who will "get" whom.

In recent years, I have seen this unhealthy factor cloud the minds of lawmakers in such a way that they either consciously refuse to consider, or subconsciously are unable to weigh the real, the truly pertinent factors which ought to be taken into account.

Rather than decide an issue on its merits, too many of us tend to fall into line on one side or the other of a controversy by reason of the "Liberal" or "Conservative" labels which have been ascribed by the press, by the political parties or by an endless number of pressure groups and influence peddlers.

It becomes a political sin for a "liberal" Senator to vote the "conservative" line on any major issue. Similarly, the conservative lawmaker is bound by influences of image and pressure politics to avoid voting "liberal" on issues once that position has been so classified.

In too many instances—and I myself am certainly not guiltless—we become so wrapped up in the entanglements of a particular political philosophy, or sometimes a pseudo-philosophy, that we view proponents of the other point of view with a vicious sort of contempt. This is an attitude not born of an honest difference in interpretation of the same basic facts. Rather, it is born of an increasing inability to talk calmly in terms of facts, or even to agree on what the facts are that should be considered and interpreted.

The result is a narrow-minded attitude which causes us either consciously or subconsciously to view any member pleading his case under the opposing banner as a heretic, a bigot, a Communist, a dunce, or a nobody. Certainly, we say to ourselves, there is no need to listen to the arguments of that other fellow. If he is not in my philosophical "camp" on this issue, his arguments certainly cannot bear much logic; his "facts" must be fabrication; his motives must surely be dangerous.

Of course, as I have said, none of us are free of guilt in this regard. I certainly am not. May I point out, however, as my colleagues well know, I have on several issues become a maverick to my generally conservative philosophy when my observations have shown me that that point of view would result in a vote out of step with the best interests of my constituents and of the country, and in contradiction of the facts. Essentially, I suppose that is what I am looking for today; a handful of colleagues who, for good and sound reasons, will become mavericks to the "liberal" strings which bind them to a false cause—or who at least will not take part in a movement whose cause has been proven erroneous.

Some elements of the press and most active proponents of a reduction in the depletion allowance have created the image that this is a "'liberal" cause and that it is a progressive, constructive, and equitable thing to do. Since big businesses and big taxpayers appear to be the ones who will be immediately hurt, the bill is viewed as a good way to undercut the conservatives.

DANGEROUS CONSEQUENCES IGNORED

The effort to reduce the depletion allowance has become a "sock it to the rich" movement and too few of the proponents seem willing—much less anxious—to consider the possibility that the long-range effects of their holy crusade might be to "sock it to all of us"—the middle class, the poor, the economy as a whole.

They seem to ignore the possibility that in their overzealous efforts to slay the dragon, they might be trampling to death the damsel in distress—that is, the American consumer.

A handful of examples have been cited which describe millionaires who, partly by reason of the depletion allowance, pay little or no Federal income tax. These are the dragons who must be slain.

On the other hand, little or no attention is accorded the long list of repugnant consequences which might result from a substantial limitation of the incentives which provided the oil and gas industry in the form of the depletion allowance.

Of course, no major economic decision, or its repercussions take place in a vacuum. Since there are bound to be effects of some sort in an economy which is geared to rules of supply and demand, we should ask ourselves a basic question: Of what benefits and of what elements of security will we be depriving ourselves—as consumers—by claiming for ourselves—as a government—those dollars which are now being given the oil industry in economic incentives via the depletion allowance?

At the risk of offending some of our more modern thinkers and avant garde economists, I contend that the basic rule still prevails which says that, "You don't get nothin' for nothin'." Let me put the fundamental question another way: What price and what consequences are

we going to pay for trading away to the U.S. Treasury a crucial economic incentive of our most strategic industry in order to "kill a few dragons" and to increase our tax take by a small fraction of 1 percent per year?

The exchange cannot be made without consequences. It will either result in a specific benefit to the Nation or it will backfire and damage the Nation. We had, therefore, better look to the rules of cause and effect, of supply and demand, of action and reaction to make certain what benefits—or injuries—this major change in economic policy might bring.

In this case, it should be made clear that the proposed reduction in the depletion allowance from 27½ percent to 23, 20, 17, or some other figure, would represent a very large relative alteration in the economics of the industry in question.

Reduction of the tax incentive of any industry by as much as 20, 30, or even 45 percent, as one Senator proposes, is bound to have tremendous repercussions, not only within the industry but across the whole Nation—particularly in the case of an industry whose impact is so great on the overall economy.

How will such a change affect the consuming public? Do not the proponents of drastic change have the specific and positive burden of proof that the change will not harm the public? In this case how will it affect the average wage earner, the average farmer, the average commuter, the average traveler, who has to buy gasoline for his automobile two or three times a week?

The $400 to $500 million tax expected to be realized by the reduction from 27½ to 20 percent—or a lesser amount to be realized from a lesser reduction—may prove to be an outrageously expensive tax to collect if its impact, both domestically and internationally ends up costing the American consumer and the overall economy several times that amount in terms of unwanted and even disastrous economic consequences.

AMERICA'S DEPENDENCE ON PETROLEUM

It should be realized that we are dealing here with one of the most crucial of industries. The petroleum industry in one form or another is closer to the American public than any other.

Petroleum, natural gas and their by-products are today and will remain for many years our primary fuel because of their relative low-cost and their great convenience, as compared to other fuels. Petroleum and its by products now provide three-fourths of the energy consumed in this country.

This percentage has been increasing rather than decreasing. It was only 64 percent 15 years ago. Now it is 75 percent.

American industry relies very heavily on petroleum as a direct source of power.

Nine out of 10 American households are heated by oil or gas, or by electricity generated from oil or gas.

Commercial transportation is fueled almost totally by the petroleum industry.

A considerable amount of our electric power, about 30 percent is generated by oil or gas.

Almost all American workers go to work in vehicles which are powered directly or indirectly by oil—82 percent of them in private cars.

These statistics are cited in an effort to impress upon consumer-oriented Senators the fact that they should pay closer attention to the consumer impact of what they propose to do.

It is my contention that some of my liberal colleagues have blinded themselves to the woeful consequences which might, and possibly will, befall the American consumer as a result of disrupting the economic incentives by which the oil industry is able to supply on a reasonable basis vast amounts of a vital product at a reasonable price without undue reliance on foreign sources.

I ask my colleagues to notice that I have mentioned at least three essential elements of the valuable service for which we are paying as a nation when we provide the incentives contained in the depletion allowance. The industry must supply this admittedly vital, essential product in vast amounts, at low cost, mainly from domestic sources.

If any one of these three factors is disrupted or denied, the American consumer and the American economy will suffer greatly, either from lack of energy, from excessive and inflationary costs, from the unreliability of foreign sources in times of crisis, or from the effects of an unfavorable balance of payments.

What if, as a result of the drastically altered tax structure which some Senators propose, the farmer, the workingman, the white collar commuter, the countless numbers of industrial users, the maritime industry, and everyone else ends up paying 3 or 4 or 5 cents more per gallon for gasoline and for diesel fuel? Then they, the proponents, will have done a great disservice to the very people in whose best interests they are pretending to act.

BALANCE OF PAYMENTS

What if, as a result of prejudicial attitudes and of that powerful urge to vote in terms of labels and images rather than facts, the Senate fails to devote proper attention to the long-range question of balance of payments? If the domestic industry loses its incentive and thus its ability to keep domestic production at a high level and at a reasonable price, obviously we will have to turn to imports.

Greatly expanded imports will mean a further imbalance on our trade posture and, eventually, a further disruption in the value of the dollar. All of this bodes great danger to the American laboring man, the American businessman, the American consumer and to the whole competitive posture of our economy in years to come.

Even now we are importing a billion dollars worth of petroleum products a year and the trend, unfortunately, is toward higher levels—at the expense of a healthy balance-of-payments posture.

Again the proponents, in the name of justice and equity and tax reform, will have brought havoc upon the people and the economy in whose behalf they are—in good faith, I am sure—pretending to act.

BURDEN OF PROOF

It seems to me, therefore, that those few Senators who actively propose this change in the law bear toward the rest of us a most serious burden of proof that this change will not result in any such destructive effects on the consumer or the economy, or both.

If such a burden of proof does not properly rest on the shoulders of the proponents of a reduction of the percentage depletion allowance, they have not yet made a credible attempt to support it with convincing facts and figures.

Where are the economic studies from objective sources which offer reasonable assurance that the proposed change will not result in higher prices to the consumer for gasoline, for heating oil, for natural gas?

Where are the economic studies which assure the Senator who is not an expert on this subject that the economy and the dollar could stand the balance-of-payments impact of vastly increased imports which would be necessary if decreased domestic supplies threatened to drive consumer prices up?

Where are the statistical studies which tell that the status of domestic exploration, production and reserves are on a favorable trend vis-a-vis consumption estimates for the next decade or two?

Where are the engineering studies which indicate that we can pipe in natural gas from South America or from the Middle East when our own reserves shrink to the point where it is either unavailable to homeowners or is far more expensive to them than it is today?

Where are the financial studies which assure us that capital investment will not flee the petroleum industry in search of a better return, thereby depriving this vital industry of the $70 billion in capital investments it is expected to require during the next decade to keep pace with consumer demands?

Where are the evidences of an international climate that is predictable enough and stable enough to afford us a guaranteed source of supply from foreign reserves?

LACK OF PROOF

Mr. President, I suggest that no such evidence has been presented to the Senate. No such assurances can possibly be offered because all the answers to the pertinent questions seem to indicate the need for more, not less, encouragement to the industry to beef up its posture relative to the demands which will be made on it by the consumer and by the economy in the years to come.

If the oil industry as a whole were booming beyond control, and if oil and gas reserves were increasing in such a way as to require no encouragement and no incentives to continue a healthy growth, those who seek a reduction in the depletion allowance might have a valid point in suggesting a reduction in the depletion allowance.

DANGEROUS TRENDS OF THE 1960'S

However, statistics of the industry indicate otherwise. For instance, although the industry completed an all-time high of 58,000 wells in 1956, it completed about only half that many, 31,000, last year. Although this particular comparison tends to show the picture in a particularly gloomy light as far as new completions is concerned, I have made it in order to impress on my colleagues the seriousness of what can and most certainly will happen if we remove the proper incentives from those parts of the petroleum industry which explore for oil. If this startling trend is able to take place in spite of the incentives offered, what further backslide can we expect to occur when these incentives are removed?

More realistically, perhaps we should compare total well completions for the decade of the 1950's to total well completions of the 1960's. We see that it is 508,494 during the 1950's and only 407,-325 during the 1960's. This represents a decline of about 20 percent despite the fact that the search and discovery expenditures during this decade have been greater than during the decade of the fifties.

A highly significant factor within these total figures on well completions is the number of so-called rank wildcat wells drilled in an attempt to find new fields. This category does not include "field wildcat" wells which are drilled in the vicinity of known fields. These are dry holes in an area where oil has already been discovered.

During the decade of the fifties there were 71,324 such wells drilled, and during the decade of the sixties that figure slipped to 62,150.

Thus we find a decrease of about 15 percent in that particular kind of exploratory activity which is geared to discovering brandnew areas of production. The same general situation—slightly worse, in fact—is evident when we compare the combined number of rank and field wildcat wells completed during the 1950's—108,455—to those completed in the 1960's—91,925—the latter figure including a recent estimate for 1969. Here we find a decrease in completions of about 18 percent.

Mr. President, I wish Senators would listen to these facts. There are now three Senators in the Chamber—four Senators, including the Presiding Officer.

For the past 9 consecutive years, the domestic crude oil production has exceeded additions to the reserves; and last year natural gas production exceeded additions to the reserves for the first time in our history. In other words, prior to last year annual additions to our reserves were higher than the annual amounts we consumed, but now even gas fields are petering out; that is, the amount annually consumed is greater than the amount of reserves we find from year to year.

This is a frightening trend which must be reversed. Yet there are many among us who charge headlong in support of a tax measure which will tend to accentuate rather than to cure this trend.

CONSUMPTION ESTIMATES

In the light of these developments and as a result of an exhaustive study on the subject, the Department of the Interior has called for stepped-up explorations, increased completions, and expanded reserves to meet the projected consumption estimates of the next decade. The Department expects consumption to increase from the present 13.8 million barrels a day to 19 million barrels a day in 1980—a growth factor of almost 40 percent.

Although these estimates for 1980 call for at least 5 million additional barrels per day, it should be noted that last year existing wells in the United States had the capacity to produce about 3 million more barrels a day than was actually permitted to be produced.

In other words, if we let the wells go their full capacity we could barely meet our present domestic requirements.

In my opinion this is not a secure position in which to be. If our production capacity does no better than to stay 3 million barrels a day ahead of domestic consumption, we will soon not be able to meet our domestic needs from domestic production—even in a time of crisis. It is obvious that if the industry does not expand upon that capacity, we will have to rely on massive imports whether we like it or not.

In effect, the Department of the Interior says that the oil industry needs to discover about 70 billion barrels of new reserves by 1980 in order to maintain a satisfactory posture of reserves versus production. The magnitude of this assignment can be understood only if one stops to realize that since 1960 only about 35 billion barrels have been added to our reserves.

How then can the Congress vote to decrease the tax incentive of the industry by a factor of 20, 30, or 40 percent while the administrative branch is telling the same industry that it must find double the reserves in the next 10 years as it has been able to locate in the past 10?

THE QUESTION OF "EQUITY"

Finally, Mr. President, if the petroleum industry were obviously and indisputably not paying its fair share of taxes as compared to other American industry, there might be legitimate cause for concern—in the name of "equity," let us say. However, it seems that the petroleum industry does, indeed, pay its fair share.

There are, of course, several theories as to how the oil industry's tax burden should be compared to the tax burden of other industries. Proponents of reduction in the depletion allowance take the narrow and self-serving view that we should consider only Federal income taxes and only as a percent of net income.

They contend that other taxes paid by the industry just should not be counted. Exactly what such a narrow, restrictive notion has to do with the concept of equity, I do not know. There are several other broader means of drawing comparisons, which by their very nature are more "equitable."

Under proponents' computations it turns out that the oil industry pays 24 percent of net income in Federal income taxes, as compared to 40 percent for all U.S. industry and 42 percent for all manufacturing industry.

However, as a staff study of the Senate Finance Committee shows, the oil industry's burden jumps to 42.9 percent of net income if we include foreign, severance, property, and production taxes. It seems only "equitable" that these taxes to which the petroleum industry is particularly—and often uniquely—vulnerable should be considered in our comparisons. If we do weigh this total tax load as a percent of net income, the petroleum industry is paying taxes at a rate of at least equal to other American industry.

RETURN ON CAPITAL INVESTMENT: A GOOD GAGE

The same result is apparent if we consider the oil industry's earnings as a percent of net assets, that is, as a percent return on invested capital. Here we find that for the 2-year period 1967–68 the oil industry earned 12.8 percent, and all U.S. manufacturing paid, at the same level, 12.8 percent. Last year, earnings were 12.9 percent, just under the 13.1 percent earned by its capital investment by all U.S. industry. Under still another method, considering all taxes other than motor fuel and excise taxes, we find that in the latest year for which statistics are available, 1966, the oil industry paid an amount equal to 5.8 percent of its gross domestic revenues, compared to the average of only 4.8 percent for all manufacturing industries. In 1965 the figures were 4.8 percent for oil to 4.3 percent for all manufacturing. In 1964 it was 5.4 percent to 4.6 percent, again indicating a heavier tax burden upon the petroleum industry.

So, Mr. President, we find that under four of the five methods logically possible, the oil industry endures a tax burden equal to or heavier than the average for all U.S. manufacturers. The one method which does not show that result is the narrow overly restrictive and totally inequitable concept that we should consider only Federal income taxes only as a percent of net income.

Proponents of this reduction in the depletion allowance speak in terms of tax "equity," which implies a weighing of the broadest possible economic considerations as a means of coming up with a fair result. I certainly do not see this element in proponents' arbitrary plan to weigh only one type of taxation against only the net part of the oil industry's income.

NEED FOR MORE INCENTIVE, NOT LESS

Earlier, Mr. President, I pointed out that the petroleum industry will have to find at least twice as much oil during the next decade as it did in the last decade to maintain a satisfactory ratio of reserves to production. The trends in well drillings, well completions, additions to reserves all seem to indicate that the industry needs more, not less, economic incentives to accomplish this feat.

Mr. President, the overtones and the consequences of a reduction in the depletion allowance run very deep. I urge my

colleagues to support my amendment, which would merely preserve the law as it has existed for many years and protect the consuming public and the economy from the damaging effects of denying the petroleum industry the incentives to do its job properly.

Mr. President, as I pointed out earlier, if the House action is followed—that is, if we change the figure from 27½ percent to 20 percent—the additional tax that would be paid by the oil industry would amount to $400 million to $500 million.

But one thing the proponents of such a change fail to say is that the oil industry is spending $4.3 billion in exploration and development of oil and gas. What would that mean to labor and to the machine maker? The oil workers are paid pretty high wages all over the country. The machines are also produced by workers who get high wages. The loss of income taxes from those who work in the petroleum industry and from those who work in supporting industries which produce the necessary equipment to explore for oil might well equal the $400 or $500 million that the Government would take in additional income taxes.

Let us not forget that our economy today is in bad shape. For the first time in our history we have been importing more than we export. We are going down the scale. If we have to embark on vastly expanded purchases of foreign oils in order to supply the demands of our economy, it will be a great blow to our posture regarding balance of payments.

Today we consume about 13.8 million barrels of oil a day. Of that amount 10.8 million barrels are produced in our country. The rest, about 3 million barrels, is imported.

As the Department of the Interior has estimated, we must find 5 million more barrels per day for the next decade. Where are we going to get it, except from abroad, unless the oil and gas industry is permitted not only to continue to explore but to expand its exploratory activities for these vital resources to our economy? If we looked at the problem from that standpoint, instead of trying to beat down a few people who might get by without paying a fair share of taxes, I think we would be able to debate the issue without so much emotionalism. As to the few in the oil industry who evade taxes, the bill as now drafted will take care of that situation.

As I pointed out in my main statement, the depletion allowance cannot exceed 50 percent of the net income. That is another way by which the producers must pay taxes. In other words, the producer cannot escape taxes altogether.

I am very hopeful that Senators will pay close attention to what I have said, in the hope that the present depletion allowance can be maintained.

Mr. President, I should like to reemphasize this point about production—and these production figures are for various areas throughout the country: In the decade of the 1950's, 71,324 rank wildcat wells were drilled, as against 62,150 for the present decade. The number dropped 15 percent. The number of rank and file wildcat wells completed during the decade of the 1950's was 108,455, as compared to 91,000 for the present decade, or a drop of 18 percent. Similarly, total completions slipped about 20 percent from 508,494 to 407,325.

Mr. President, how can we hope to meet our needs unless the incentive is there to stimulate the production of our own oil in our own country? I repeat, Mr. President, I am very hopeful that the Senate will sustain my amendment.

Mr. LONG. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield for a question.

Mr. LONG. The Senator knows, does he not, that during the past 50 years, from 1919 up to the present day, the price of retail gasoline, excluding the excise taxes that Federal, State and local governments have levied on the product, in terms of constant dollars, has dropped so that it now is less than one-half of what it was 50 years ago. In other words, the price of the product, excluding the excise tax on gasoline sold at the pump, is actually pretty much the same as it was 50 years ago—very nearly the same—although the price of everything else has more than doubled.

Now the price of gasoline could not have been kept that way had there not been adequate incentives for someone to go out and find the gas and oil and develop it so that it would be available to all.

I should also like to direct the Senator's attention to the fact that there is a study available to me—I have it here—made by the Chase Manhattan Bank, of 28 oil companies with a combined gross income of $60,311,000,000 which shows that after they get through paying taxes to the Federal Government, to State and local governments, and to foreign governments, their total tax bill is $14,250,000,000.

Then when one sees how much the shareholders have left after they have paid their taxes, it is $1,870,000,000. So, on gross revenue, these companies are only making about 3 cents on the dollar for the benefit of their shareholders. They are paying out in taxes almost $10 for every dollar that the shareholders are permitted to keep. In the last analysis, a company has not made money just because it shows a figure on its profit and loss statement. The money has not been made until it declares a dividend to get something to the person who owns the company and who hopes to make some profit out of it as a result of the investment.

When one takes 10 times as much in taxes from an industry as it permits the industry to keep after taxes, he should be very grateful to that industry particularly when it has managed to keep the price of its product down when the price of everything else has more than doubled.

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

Mr. ELLENDER. I yield.

Mr. LONG. I congratulate my senior colleague on the very fine presentation he has made here today. In the committee, I voted for the same position the Senator advocates now.

It is unfortunate that some people seek to represent the oil industry as one which is not paying its fair share of taxes, because, as a practical matter, the oil and gas industry pays more taxes at the State and local level, by far, than the average manufacturing industry. If we take into account the production taxes and property taxes that this industry pays, and make the same allowance for other industries, it works out that the oil and gas industry, pays in production taxes, State, and local taxes, and Federal income taxes, all taken together, more than the average for all manufacturing industries. If you add the burden that the product must carry—that is, the excise tax on the product sold at the pump—then the total burden borne by this industry is even more substantial. Although some may wish to discount that factor I do not think that industries in other States would be willing to bear the same type of excise tax that this industry bears in Louisiana, where there is a tax of roughly 9 percent of value on production as well as a rather high excise tax on the product sold at the pump. No one in the electrical business or the heavy machine tool industry, or any other manufacturing industry, wants to carry that kind of a tax burden on his production, which amounts to about 50 percent of the value of the product.

So, if one considers the excise tax burden on the product in addition to the other taxes, he finds that gasoline carries a heavier tax burden—which the manufacturers must add to the cost of their product and pass on to the consumer if they are to make a profit—than that borne by any other products except tobacco and alcohol. With regard to both of those products, as the Senator knows, there is a health or a moral consideration which does not exist with regard to oil and gas products, which are something we must have in order to continue to exist as a nation. It is something we have to have in order to enjoy all the other blessings of this great country of ours.

So here is an essential commodity, one required for our national survival, one of our most important strategic commodities—in many respects the most important—something that is a necessity. The price increase of it over the last 50 years has been kept to one-half the average price increase on all other commodities in terms of constant dollars. In other words, it is selling today for half the price it was selling for 50 years ago, not counting the excise tax added to the product since that time, so that, on balance, as the Senator has so well pointed out, there is no real case for further increasing the tax on this product or this industry.

Mr. ELLENDER. What bothers me more than anything else, I must say to my colleague, is this estimate that was made by the Department of the Interior. We are now consuming about 14 million barrels of oil per day, and 3 million barrels of that come from abroad. The esti-

mate for 1980 is 19 million barrels a day. There is a difference there of 5 million barrels. Where will that oil come from, unless we produce it here or buy it abroad? That is what I am bothered about. If we have to purchase 5 million additional barrels of oil per day in the future to take care of our requirements, just imagine the effect that will have on our balance of payments and the labor situation here in our own country.

As I have pointed out, if the House figures are accepted, the additional tax realized by the Government will be between $400 million and $500 million; and, as I have pointed out, the amount of money spent to develop more oil fields and conduct the necessary research for them, to the companies, is in excess of $4 billion a year. I contend that the income tax to be derived from that expenditure balances off the $400 million or $500 million that we can hope to gain by cutting back the allowance from 27.5 percent to 20 percent. I say it is just shortsightedness. We do not want to become dependent on foreign oil, if we can help it.

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

Mr. ELLENDER. I yield.

Mr. DOLE. While I concur generally in what the Senator from Louisiana has said, I would point out that Kansas is also a great oil-producing State. I believe most of those in the oil industry realize that if we are going to have tax reform, it will be painful to those who are reformed. I believe most of those in the oil industry in my State would probably agree, though reluctantly, that some change in the depletion allowance will occur before this bill is finally enacted.

I would guess, if we look at the entire tax reform package realistically, there are other provisions in the Senate version and in the House version of the bill which are more damaging to the oil industry than raising or lowering the depletion allowance. I am certain that the Senator from Louisiana is aware of that.

There is one specific provision that adds an additional tax on intangible drilling costs, which is much more harmful to the oil industry, or at least I am so informed, than would be keeping the depletion allowance at 23 percent. In fact, if there were some assurance that we could keep the Senate bill at 23 percent on the depletion allowance, and strike out the 5-percent additional tax on special tax privileges, which includes the depletion allowance, I think most people in the oil industry, while they would not be satisfied, would accept what we did.

I hope we can also proceed to look at some of the other provisions in the bill where we might obtain some relief.

Mr. ELLENDER. Well, I expect to, and of course I have, but we are dealing now with the 27.5 percent depletion. As I have stated, I think it ought to be maintained, for the reasons I have stated.

Mr. DOLE. But I do not think it is a conservative or liberal issue. I think it depends on where you live in America.

Mr. ELLENDER. I agree that it is not a liberal or a conservative issue. I regret deeply that the press and some of the activist proponents of a reduction in the allowance have attempted to make it so. This has been done, I suppose, to make it initially impossible for a Senator who considers himself a "liberal" to support my amendment. I agree with the Senator from Kansas that it is a false issue. But, as I have stated, whether we are considering a State that does not produce oil or gas, or one that does, either the consumer of oil and gas will suffer by having to pay higher prices or the whole economy will suffer by having to depend on foreign imports. That is one thing that we must take into consideration.

Mr. DOLE. I thank the Senator from Louisiana.

Mr. PROXMIRE. Mr. President, will the Senator from Delaware yield me 20 minutes?

Mr. WILLIAMS of Delaware. I yield 20 minutes to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I rise to speak in opposition to the Ellender amendment. This is one of the most complex tax bills the Congress has ever drafted. There is no question that much of it is not understood. It is not understood by many of the tax experts. It is not understood fully even by well-informed Members of Congress. It is not understood by economic experts, and it is certainly not widely understood by the millions of American citizens who comprise the general public.

But there is one section of this bill that the general taxpaying public does understand, and understand well.

If we should ask the first hundred people we met on the street in downtown Milwaukee or Wilmington, Del., or Sioux City, Iowa, or even in New Orleans, to name the most notorious loophole—the least justifiable loophole in our tax law, 85 to 90 would promptly say: the oil depletion allowance.

The 27½-percent oil depletion allowance—rightly or wrongly, fairly or unfairly, has become a symbol of privilege and inequity in our tax laws.

Even the magazine recognized as spokesman for big business, Fortune, has called it the most notorious loophole in our tax laws.

Now, of course, there is a difference of opinion on the equity or inequity of this provision and that is what this debate is all about.

But no one can gainsay that this single provision has become the heart of the controversy—the living, breathing symbol of the need for tax reform for a great majority of the American people.

The fact is, Mr. President, if this body should pass the Ellender amendment, if we should knock out the Finance Committee's reduction of the depletion allowance, this bill would be considered a mockery, and I mean just that—mockery—a hypocritical, meaningless mockery by most Americans.

I can hear it now in Union Halls, in Kiwanis meetings, at women's clubs, party rallies, anywhere a Senator meets his constituents—the cry—if we should pass this amendment:

"What do you mean a tax reform bill? Did you Senators not keep the oil depletion allowance right up there at 27½ percent?"

My point is not simply that the passage of this amendment would be an inequitable act. My point is whether you may think the amendment is right or wrong. The American people will not agree that we have passed a tax reform bill if we refuse to reduce the depletion allowance. They would believe that this bill is a phony, a fake, a pretense.

And Mr. President, why should they not believe exactly that? After all what is the taxpayers' revolt?

It was a reaction that began after Treasury Secretary Joe Barr—who had only about 20 days in office—appeared before our Joint Economic Committee last January and told us that there were Americans with immense incomes, incomes over a million dollars a year, who paid no income taxes.

Secretary Barr documented that charge. It shocked the American people. Our taxpayers are recognized as the most honest in the world, and they are hit with what is close to the stiffest income tax in the world.

They pay it because they know this is the price of a free country. They pay it because they believe everyone who earns a significant income must share in the support of this country. They pay it because they generally believe in the principle of ability-to-pay.

So it is not hard to understand that when they see others not paying, they are enraged.

Mr. President, consider that the Ellender amendment, by pushing the depletion allowance back up to 27.5 percent, would reduce the revenues provided in the bill by $175 million. That is $175 million less tax relief or $175 million less for education or for health.

Consider that the lowest tax bracket for individuals who earn a mere $600 a year in taxable income is 14 percent. Yet, the largest oil companies with earnings in the billions of dollars a year paid an average of 7.7 percent in 1968 to the Federal Government, about half the income tax rate of the man struggling at the poverty level.

Mr. President, that is a disgrace. We have heard all the rhetoric about how important the oil industry is to the United States and how vital it is to our national security. Yet, when the facts are examined we find that our present tax handouts to the oil industry are probably the most inefficient way to encourage this new exploration and development we are supposedly trying to encourage.

Mr. President, I will go into that a bit in a few minutes. However, I think it is a fundamental answer to the very strong argument made by the Senators from Louisiana that we need more production and need more oil.

We have had this fantastic tax bonanza which has been granted to the industry. It was supposed to encourage production. That was its excuse. Everyone recognizes this loophole as being notorious. It has been in effect since 1926.

But what have been the production results of this bonanza? Are we getting the kind of oil production we need? No. Why? Because this is not the way in which to do it. Every expert agrees that it is not the right way in which to secure more effective oil exploration.

It is costing us now $10 in tax reduction for every $1 of oil reserves that have been developed because of the depletion allowance.

First, our present tax structure gives greater incentives to explore abroad than here at home. If national security is really a justification, how can we justify that situation, particularly when we erect a barrier to the importation of all this cheap foreign oil we have encouraged our companies to develop. This is probably the most ironic anomalies created by the Federal Government at the behest of a special interest group. On the one hand, the ordinary taxpayer subsidizes the major oil companies by paying taxes that should be paid by the oil industry and, then, on the other hand, rather than let the consumer have the benefit of this cheap oil he has paid for we prevent this oil from reaching him by erecting an import barrier.

Let us examine the extent of these tax benefits enjoyed by the oil industry. After examining the tax structure of the oil industry, one of the Nation's leading economists, estimated that the oil industry enjoyed an absolute subsidy in the form of tax privileges. It would be cheaper he said for the Federal Government to allow the oil industry to completely expense all its costs than to continue the present tax subsidies. For example, the average well in the United States costs about $260,000. This generates the following tax deductions:

Currently expensed capital expenditures	$161,160
Depreciation deductions	32,840
Depletion deductions	83,000
Total	277,000

In other words, those who invest $260,000 in an oil well, get back $277,000 in tax benefits. That means even without making any money from selling the oil, the investor is going to make $17,000 on his investment in the well. Amazing? Yes. Unfair? Yes. Unjustified? Yes, emphatically.

Even assuming for the sake of argument that the oil industry does need special incentives to explore for oil and thus protect our national security, the present system is one of the most inefficient means that could be devised.

The figure I gave a minute ago that it cost $10 in tax benefits for every $1 of proven oil reserves developed is from CONSAD, a report commissioned by the Treasury.

The CONSAD report commissioned by the Treasury Department pointed out that our tax laws were costing the American taxpayer over $10 for every $1 of additional reserves of oil and gas, even at the inflated American price for oil. The CONSAD report which was presented to the Ways and Means Committee and the Finance Committee was the first unbiased economic analysis of our oil tax laws. Although it has been attacked by the oil companies, those who have a pocketbook interest in denying its findings, its conclusions still remain unchallenged.

Mr. President, how can we justify paying the oil companies $10 for every $1 of additional reserves they discover? We cannot. How can we justify using up our expensive domestic oil in the name of national security when there is so much cheap foreign oil available?

That is another argument that always puzzles me. The oil people always argue that we must not bring the oil from abroad, but that we have to use our oil. Now our oil is a limited finite resource. If we use it up, we deplete our supply. We use it up in perpetuity. How can we justify a system imposing an income tax of 14 percent on individuals earning a mere $600 when oil companies who earned over $8 billion in 1968 paid less than 8 percent of their income in Federal income taxes. We cannot. We cannot.

The oil depletion allowance is the most conspicuous example of tax favoritism. It is widely known and widely condemned as an unjustifiable tax loophole benefiting the very wealthy at the expense of the average taxpayer. A cut in the depletion rate for oil and gas to 20 percent is a very moderate proposal.

Mr. President, the Finance Committee's cut in the oil depletion allowance to 23 percent is not enough. It will only raise an additional $175 million a year in revenue. A cut to 20 percent, on the other hand, will raise over $400 million a year.

But even a cut to 20 percent in the oil depletion allowance is but a drop in the bucket. If just the largest oil companies with their gigantic profits paid the same percentage of their income in Federal income taxes as other manufacturing concerns, 43 percent, we would get about $3.5 billion in new revenue.

Mr. President, this puts into perspective the significance of the Ellender amendment that would deny even this slight reduction in the immense tax bonanza, this loophole, this giveaway enjoyed by oil.

Mr. President, let me answer the distinguished Senator from Louisiana who says that we do not have a competent study of how this would affect the capacity of oil companies to earn money.

Merrill Lynch, the biggest brokerage concern in the country, which certainly is not a liberal concern with an ax to grind, has made a careful study of the effect of reducing the oil depletion allowance from 27½ percent to 20 percent. They found that in the case of Sohio, which is one of the big companies, the reduction in profits would be approximately 2 percent. Esso and Texaco would take a reduction of 3 to 4 percent. Atlantic's earnings would fall by 8 percent. That is the firm that paid almost no income taxes for 5 years recently, although they were making over $100 million each year. Gulf's earnings would go down 4¼ percent, Mobil's 4¼ percent, Shell Oil's 7½ percent, and so forth.

Less than 1 year's growth of earnings at recent rates seems to be involved for each company. These companies have been increasing their earnings very sharply, record earnings, each year.

Furthermore, there is no reason to suspect that there is going to be any increase in prices to the consumer by rejecting this amendment and adopting the Williams amendment. That depends entirely on how we handle the oil import program. At present, this matter is being studied by the Rules Committee. We expect recommendations to come from that committee, and the tentative recommendation of that committee is that we modify the oil import program sharply, with the result that it will have a substantial beneficial effect in reducing the price of oil and gas to the consumer, regardless of how we act on the depletion allowance today.

Mr. President, it is interesting to consider the cutback in production which the Senator from Louisiana has charged will follow depletion allowance reduction. He has argued that if the Williams amendment is adopted, it will result in a prompt and serious reduction in production.

I should like to quote not a dispassionate economist but one of the Nation's top oil men, Mr. Emilio G. Collado, the executive vice president of Standard Oil Co. of New Jersey, who has estimated that there will be no effect whatever in oil production by a 20-percent depletion allowance until 1974, and then the cutback will be very small. In fact, in my view, it will be close to insignificant.

Furthermore, there are many other methods, one of which I presented to the Committee on Finance, of providing a far more efficient way to encourage oil production than to rely on the oil depletion allowance, which is costing the general American taxpayers $10 for every $1 of oil reserves brought in.

With respect to the argument of the Senator from Louisiana that the industry is not booming, the fact is that the combined net profit of the 12 largest oil companies in 1968 was a fraction under $5 billion. Each of the 12 companies set new profit records in each of the last 4 years. Think of that Mr. President. Is this an industry that would be hurt by a slight reduction in their net income? Just 4 years ago, the profits of those 12 companies totaled $3.7 billion; so they have enjoyed an increase of $1.3 billion, or 33½ percent, in the last 4 years. I could go into more detail on that, but I think the argument is overwhelming that this is a booming industry and is enjoying enormous profits.

With respect to the argument of the distinguished Senator from Louisiana that we must not reduce the oil depletion allowance when we need reserves, I have indicated one finding by CONSAD, the Treasury Department commissioned study. Let me point out the argument given by the Treasury Department in its report to the Committee on Finance. It had this to say on the percentage depletion:

> Percentage depletion is a relatively inefficient method of encouraging exploration and the resultant discovery of new domestic reserves of liquid petroleum. This is in part due to the low sensitivity of desired reserve

levels to the price subsidy represented by percentage depletion, and in part to the inefficiency of the allowance for this purpose, since over 40% of it paid for foreign production and non-operating interests in domestic production.

It should be remembered that the Treasury Department is the Nixon Treasury, appointed by President Nixon, who has indicated that he favors a high depletion allowance. Nobody can argue that they are biased at the top against the oil industry or against a tax depletion allowance for the oil industry.

I quote further:

The investigations reviewed during the course of the study were in substantial agreement that the current situation was one of economic inefficiency, and that any changes—

Meaning any reduction in the depletion allowance—

were almost certain to be beneficial to the economy in the long run.

This is from the CONSAD report.

Mr. President, I reserve the remainder of my time, and I yield the floor.

The PRESIDING OFFICER (Mr. GRAVEL in the chair). Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 10 minutes.

Mr. President, I hope that the Ellender amendment will be rejected.

For the past 12 months we have heard many wonderful speeches in the Senate about the interest of the Members of the Senate in tax reform, and I have been looking forward to the time when we would have a bill before the Senate dealing with this subject. I have expressed the hope many times that the enthusiasm for tax reform would carry over until such time as we call the roll. Today we are going to start voting, and we will soon know to what extent these speeches will develop into votes.

As the Senator from Wisconsin has pointed out, the question of reducing the depletion allowance is the number one question in the minds of the American people that will determine whether or not we are really going to have some tax reform.

It has been pointed out that the 27½-percent depletion allowance has been in effect for 40 years. It has been in effect for 40 years, but I point out that 40 years ago, when the 27½-percent depletion rate was first approved by Congress, the top rate for corporations and individuals was around 15 percent. Certainly there is a bigger difference in the 27½-percent depletion rate for oil or any mineral when you have a 14-percentage rate than there is when the rates run up as high as 50 percent on corporations and as high as 70 or 77 percent under today's rules for individuals. Certainly this is one inequity which needs to be dealt with.

The argument has been made about the billions that already have been paid in taxes by the oil industry. I call the attention of those who have made that argument to the fact that most of those so-called billions paid by the oil industry are not really paid by the oil industry. They represent collections by the oil industry as taxes on the gasoline that is sold to consumers in the various States. It is a Federal gas tax, and that tax is paid by the consumers of gas and oil, just the same as withholding taxes collected by the oil companies are actually paid by their employees.

I do not give any industry credit for taxes it collects from someone else. But when we consider the tax it pays on its own earned income, as the Senator from Wisconsin pointed out earlier, the average rate falls back to around 8 percent, which is about all they are paying under existing rates.

Certainly at a time when all Americans are being asked to shoulder their proportionate part of the cost of operating the Government it is not unreasonable to expect the oil industry to pay its proportionate part.

I respect the oil industry. It is one of the most respectable industries in the country, and it is also a prosperous one. But I do not think that under the existing tax structure the oil industry is paying its proportionate part of the cost of supporting the Government. Approximately one-half—40 percent, at least—of the cost of operating the Government today, which approaches around $190 billion, goes for the defense of the country. To the extent that any industry or any individual has investments, he owns a fixed percentage of the assets of the country, whether it be an investment in oil or wealth of any other kind. Government revenues goes to support not only the lives of 200 million people but also their property. Billions of dollars are appropriated and paid every year by the American taxpayers to support and protect the industries of the country, including the oil industry. The time is long past when the oil industry should pay its proportionate part of the cost of supporting and defending our Government, both at home and abroad.

The difference in approving the amendment of the Senator from Louisiana (Mr. ELLENDER) and in approving the section of the bill as passed by the House is a little more than $400 million. Under present law the depreciation allowance is 27½ percent. The proposal of the Senator from Louisiana is to keep the present law. The House provision would roll back the percentage to 20 percent. The Committee on Finance changed the amount to 23 percent; however, an effort will be made later to hold the percentage to the 20 percent, as proposed in the House bill.

We are now dealing with the question of whether we shall accept the House provision of 20 percent or retain the 27½ percent in the existing law, a difference which amounts to $400 million.

If we expect to obtain any tax reform at all we shall have to start somewhere, and certainly this is the place to start. In my opinion, if we fail to reject the Ellender amendment and if we fail to reduce the percentage of oil depletion allowance we might just as well tell the American people, flatly, that there will be no tax reform so far as this Congress is concerned. What we do now will set the pattern as to what will happen to many other so-called reform provisions in the bill.

We cannot get away from the fact that when we speak of tax reform we are correcting inequities that some group has been enjoying, and this raises the tax for someone. When we refer to a reduction in the oil depletion allowance as a tax reform proposal it means that we are raising the taxes of the oil industry. That is true of every feature in the bill. When we speak of reforming the existing tax law by eliminating what some of us think are inequities in the tax laws it means that we are taking away benefits which this group or that group may have been enjoying but which we do not think they should have. If we are going to make the tax structure more equitable it means an increase for some and perhaps a reduction for others.

Mr. President, certainly this industry has been enjoying special benefits for a long time. As the former Secretary of the Treasury, Mr. Barr, said there are around 200 people with incomes of $200,000 a year who pay no income taxes. Many of those people would still escape taxes in the amendment which is now before us.

To reduce this depletion rate is a step in the right direction. It will not correct all of the situation, but it will be a major step toward correcting some of those inequities and imposing a tax on those persons who for many years have not been paying any taxes whatever. However, if the amendment of the Senator from Louisiana (Mr. ELLENDER) is agreed to and we retain the existing law we shall not be closing that loophole nor shall we be placing any tax on many of those individuals with incomes of around $1 million a year. Certainly we cannot allow them to continue paying no tax.

I hope the Senate overwhelmingly rejects the amendment of the Senator from Louisiana.

Mr. President, in conclusion, I wish to point out that the action by the House committee in reducing the rate to 20 percent has the support of the Treasury Department of the Nixon administration. In testimony before our committee the Secretary of the Treasury, Mr. Kennedy, said his Department supported the 20-percent provision in the House bill. I hope that, with their support, we can retain the House provision holding the rate to 20 percent and reject the amendment of the Senator from Louisiana.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. ELLENDER. Mr. President, I yield 15 minutes to the Senator from Wyoming.

Mr. HANSEN. Mr. President, the oil and gas industry is today under the most severe political attack in its history. The double-barreled proposals would take away tax incentives and, at the same time, force the domestic industry to lower its price and profit levels to compete with cheaply produced foreign oil—much of it from unfriendly sources. I refer here to the import threat because the questions of national security and domestic self-sufficiency are both dependent on the ability of the domestic industry to maintain an exploration and development program adequate to maintain a reserve sufficient to fill those needs. A cut in percentage depletion or other oil and gas tax incentives will seriously af-

fect the rate of exploration and development as will any substantial increase in imports.

The two issues go hand in hand as do the discovery and development of oil and gas and that is why I mention imports here in connection with the oil and gas depletion allowance.

It seems imperative to me that we have a full realization of the nature of this attack.

Very early in the development of our tax laws it was generally recognized, as it has been ever since, that oil and other minerals in the ground represent a wasting asset. These assets can only be discovered—they cannot be created or manufactured. Our entire economy and our national security depend upon having available to us large and balanced quantities of all of these basic minerals. Realizing that oil, once discovered, inevitably will be depleted, and that the oil taken out of the ground cannot be replaced, it became an early cornerstone of our tax laws to recognize this fact and to provide the depletion allowance.

In recognition of the capital asset used up in production of petroleum, Congress in 1926 replaced earlier methods of computing depletion by establishing a depletion deduction of 27½ percent of the gross sum received from sale of crude petroleum. In no case, however, can depletion exceed 50 percent of net income from the mineral property after all expenses.

In applying this depletion rate, Congress intended, among other things, that it approximate the diminution of the value of the capital assets used up each time a barrel of oil is removed from the ground. In reality, the 27½ percent rate today falls far short of permitting full recovery of the "capital value" of assets exhausted through production of oil.

Now we are told that this basic principle of tax law represents a "loophole" which should be eliminated. Elimination of this feature of our tax laws and of other well-established principles affecting mineral production and operation would not benefit the public since any additional tax revenues would almost certainly be offset by a rise in the cost of gasoline and other basic commodities. Thus, the so-called tax saving would simply be passed on to the consumer and be payable by those who are perhaps the least able to bear this additional tax burden; namely, the average working man, the farmer, and the rancher who must operate an automobile, a pickup, or a truck in connection with his business. The problem, however, is much more basic than a mere shifting of the tax burden. Making such a basic change in our tax laws would have, I submit, far-reaching and serious consequences to our Nation and to our economy as a whole.

The United States is already dependent on foreign oil for 21 percent of its requirements. Domestic producers spent $44 billion over the past 10 years in their efforts to find oil and gas reserves in the United States.

To maintain the Nation's current level of self-sufficiency, the domestic industry must spend twice that amount over the next 10 years.

But if punitive tax measures are adopted, these capital expenditures will not be made in the United States, and these reserves will not be found or this measure of self-sufficiency maintained. Among all of the other consequences of such an approach would be a crushing blow to our already desperate efforts to maintain our balance of payments and a favorable balance of trade. Foreign operations of American oil companies now account for a favorable U.S. balance of $2 billion a year, and this is certainly something we cannot afford to lose, in view of our declining world trade position.

In the face of all of these considerations, it seems almost incredible that the Congress of the United States would seriously be considering taking action which could quite conceivably seriously cripple America's most successful and important basic national industry.

With percentage depletion, the industry has traditionally generated the great bulk of its own capital funds—somewhere around 90 percent. In the past few years, however, the squeeze on earnings and other cash flow in relation to rising capital requirements has forced oil companies to go to other capital markets for an increasing proportion of their funds—last year they went outside for 26 percent of such funds. The question is how long will the oil industry be able to continue this borrowing.

It is true that there has been a recent discovery on the North Slope of Alaska which will do much to shore up potential reserves of the United States, but already some $7.5 billion has been spent to find these existing oil reserves. This does not take into account the recent State lease sale in Alaska just for the right to explore. Oil companies paid more than $900 million for that privilege.

The significant thing about the North Slope discovery, as the Presiding Officer (Mr. GRAVEL) knows, is that in all likelihood the North Slope would never have been explored without the assistance of tax incentives prevalent to the U.S. tax structure. It is going to take billions of dollars to develop the North Slope and to move the oil to markets and most of that money has to come from oil company earnings. It is also important to note that every 10 billion barrels of oil that may be discovered on the North Slope or anywhere else represents only about 2 years demand in the United States. This means we have to find a lot more oil in the North Slope and in a good many other places if we are to avoid the dangerous degree of dependence on other countries for our prime source of energy.

By 1980 the United States will need some 270 billion gallons of oil per year. This is 70 billion gallons more than present requirements of the United States. It is also significant to note that the United States will require some 50 percent more in natural gas reserves.

Since 1956 gas consumption has more than doubled while drilling by producers has declined sharply. Wildcat drilling, geophysical activity, and total wells drilled have dropped 40, 56, and 43 percent respectively.

The Department of Defense has stated:

> U.S. domestic petroleum capability must be available to meet military need in case of the denial of normal foreign sources.

The Interior Department and the Federal Power Commission have warned that discovery and development activities have been inadequate to meet natural gas demands in the immediate future and oil requirement in the near future. These agencies recognize the need to encourage domestic exploration and development of both oil and gas in the interests of national security and the consuming public.

The Department of Defense was, also, emphatic in a statement to the Cabinet Task Force on Oil Imports as to future dependence on foreign oil:

> U.S. domestic petroleum capacity must be available to meet military needs in case normal foreign sources are denied. These denials can take many forms. For example, a denial of a supply source in a normally friendly country, which may not at the time be in sympathy with our cause, can be just as final as the destruction of that source by enemy action.

Our national security is directly related to the United States having unquestioned access to oil sufficient to satisfy its needs. In Southeast Asia today, according to the Department of Defense, about 50 percent of military tonnage consists of petroleum products—we must maintain a capability in the United States to supply our war needs in case foreign sources are denied. The DOD report notes that our interests will best be served by expanding oil development by areas in the following order of priority: First, the continental United States; second, the Western Hemisphere; and, third, other free world areas. Elimination of foreign percentage depletion will bring only temporary Treasury benefits, completely disappearing within 2 or 3 years, will discourage U.S. ownership and development of foreign fields and hurt U.S. balance of payments.

Those who attack depletion allowance also allege that import controls result in higher prices to consumers and argue that the consumer price of petroleum products, primarily motor fuels and home heating oils, could be sharply reduced by eliminating the quota system.

The wide variation in these hypothetical estimates attests to the fact that they are highly speculative but one point none of the advocates of more imports have mentioned is the effect of the Nation's gas supply.

Oil and gas development are inseparately related and a large part of all gas production comes from wells that were drilled primarily in a search for oil. These wells produce both oil and gas.

Therefore, any reduction in tax incentives that undoubtedly will lower the rate of exploration for oil will have the same effect on gas supplies. And while we could import all of our requirements for oil—at the pleasure of the producing countries and the expense of the domestic oil industry—we have not yet arrived at that point in technology to bring in the needed supplies of natural gas.

A Federal Power Commissioner said recently that the Government would soon have to provide added induce-

ments—probably in the form of price increases—for company research for new natural gas supplies.

Rates on natural gas are set by the FPC, and for the past decade, the commission has deliberately reduced prices.

But the problem, as outlined here, is that the Nation is no longer locating enough new reserves to replace its new annual consumption. Last year, for the first time, the Nation's known reserves actually declined by 2 percent, according to a study by the American Gas Association.

FPC Commissioner Lawrence J. O'Connor, Jr. thinks the industry has a supply problem and a serious one. He emphasizes that most customers are not likely to feel the effects of the current reserve decline in the near future. The problem, O'Connor asserts, is to insure the longrun supply of natural gas.

Recently, FPC published a study that concluded that "the supply of natural gas is diminishing to critical levels in relation to demands." By 1973, the report predicted, the ratio of known reserves to annual production will have declined to 10.2 from the current level of 14.6.

At the same time, the report emphasized that ample supplies of gas exist—though the exact locations are unknown—to meet future demand.

Although he avoided directly advocating a price increase, O'Connor spoke of developing a better economic climate for drillers and seemed to rule out any prospect of rate reductions.

Dr. Richard J. Gonzolas, a noted Houston petroleum economist says that proponents of increased crude oil imports are completely overlooking the role of natural gas in the Nation's energy markets and that we cannot continue to supply cheap natural gas unless the customer is willing to take domestic crude oil as well, because the domestic petroleum industry supplies both crude oil and natural gas.

The equivalent energy cost of gas at its current average price of 20 cents per thousand cubic feet is $1.20 a barrel. Combine this with the average of $3 a barrel for domestic crude oil, and we get an average realization by producers supplying domestic petroleum energy of $2.10 a barrel; $3+$1.20÷2. This price is about as cheap as foreign oil can be delivered in the United States. Dr. Gonzolas also says that if domestic crude oil production is cut in half by greater dependence on imported oil, or cut in half by decreased tax incentives, we must correspondingly cut in half natural gas production, because the two are associated in wells. If mass production is cut, this Nation would have to seek alternative methods of acquiring gas such as synthesis from coal or importing it in liquid form. This would cost between 50 and 60 cents a thousand cubic feet compared to current average price of 20 cents a thousand cubic feet. This rise in price of 250 to 300 percent would mean increased prices to all consumers of gas in the Nation. In this case, we are talking about almost every American citizen.

John N. Nassikas, Chairman of the Federal Power Commission, stated before the Senate Interior Committee investigating natural gas supplies in the United States:

> The FPC has pointed out to the President's Task Force on Oil Imports that you really can't separate gas and oil. It is a definite inter-relationship which affects not only discoveries but basically the type of capital commitment, total capital commitment, and incentive for an industry.

In recent testimony before Senator Moss' Subcommittee on Minerals, Materials, and Fuels, Assistant Secretary of Interior for Mineral Resources, Hollis Dole, said that a shortage of natural gas already exists.

According to Dole, the supply-demand situation indicates that there will be "general deficiencies of gas for certain new service around 1972."

Dole said those shortages will affect prospective new customers for industrial-type lower cost service presently and in the future.

Dole warned that the longer term gas outlook is that "serious deficiencies of natural gas supplies will develop after 1975 if current demand trends persist and immediate corrective action is not taken."

He pointed out that concern about air pollution could increase requirements for gas as a substitute fuel. This, and other gas uses, he said, will force up demand through 1975 by about one trillion feet a year.

Dole said:

> The issue, is not that gas supply will falter and then begin a decline within the next decade; it is simply that it cannot grow fast enough under present conditions to satisfy the demands of new customers who will have to turn elsewhere to satisfy their needs.

He warned that the costs associated with new gas exploration will be "substantially higher than those that have led to the current price structure."

DOLE told the subcommittee, however, that there are large additional reserves of gas that can be discovered and developed, given an economic price, and added that a reduction in the depletion allowance would have the immediate result of a substantial reduction in exploration. Any increase in the cost of doing business is going to very definitely have a reflection on the amount of exploratory work, on the amount of money that would be available. There is no question in his mind that the amount of depletion allowance which is set by Congress very definitely has an effect on the development and the exploration for the finding of new deposits of gas.

Gas is ranked as the second largest source of our primary energy needs and now accounts for one-third of total U.S. energy needs. Crude petroleum products are the largest source of our primary energy needs. Together they account for 75 percent of our energy consumption in the United States. It should be obvious from these figures that a dependable domestic source to meet these energy needs is vital to our national security.

Federal Power Commission Chairman John N. Nassikas said that if the depletion allowance is lowered there would automatically be created an increased cost to both independent producers and integrated oil companies in exploring for gas. To the extent of that increased cost there is less operating margin available for further exploration in development unless the price happens to be increased.

Nassikas said:

> It must be emphasized that the Commission's jurisdiction in this area is over rates; the Commission does not have jurisdiction over production. It cannot order producers to sell or look for gas.
>
> Historically, independent producers have been the most aggressive entrepreneurial force in the finding of new gas fields. In 1966, for example, this group found approximately 80 per cent of the new oil and gas fields discovered in the interior oil and gas basins of the United States from the Gulf Coast to the Canadian Border.

But it is a fact that the independent operator as we have known him, and who has been responsible for finding so much oil in the past ,is fast becoming an anchronism because he cannot survive under the harsh economic facts of life of present-day conditions.

It is a fact that almost every country in the world provides direct or indirect incentives, either through its tax laws or otherwise, to encourage and to stimulate the discovery and development of its own natural resources. Almost universally, even in Communist countries, it is considered a matter of overriding national policy to encourage in every way possible the development of oil and other minerals. West Germany is currently making direct cash contributions out of the national treasury to private petroleum companies to stimulate the development of foreign reserves by such companies.

As we pass judgment here today on a matter of such far-reaching consequences, I believe we should consider another very probable effect of any cutback in the depletion rate and that is the tendency toward merger and consolidation in an industry that is still highly competitive.

One of the main reasons the industry is under attack is that, as one of its chief executives puts it, the oil business is probably the world's largest unknown industry. The industry has done too little to tell its story, he said, and has taken public support for granted.

The public has been exposed for years, especially in this part of the country, to a determined and persistent drumbeat by certain columnists, commentators, cartoonists, and news editors. This chorus of criticism has smeared the petroleum industry as a privileged segment of the economy enjoying a bonanza of tax benefits not enjoyed by other business or industry. Its leaders have been caricatured as the greedy oil and gas moguls and possibly a few of them may have been greedy. But by and large, the petroleum industry, a basically American industry, has done a remarkable job in providing the goods and services required by the people of this country and the world. In fact, the great abundance of oil in other parts of the world—the great flood of foreign oil that is now available—has been almost totally discovered and developed by American enterprise, know-how, and capital.

In recent antitrust hearings before a subcommittee of this body, advocates of doing away with oil import controls

pointed to the huge savings that consumers would enjoy from cheaper imported oil. As the name of the committee implies, antitrust and monopoly go hand in hand. I fail to see, because of the nature of the oil industry, how the twin threats of reduced tax incentives and/or additional oil imports can do anything but lessen competition in the industry and force on it further consolidations into a handful of huge utility-type corporations.

The highly technological nature of the oil business makes it one of the most capital intensive industries in the world. One major company, which is probably a typical example, has total assets per employee of $88,000.

Another difficulty—from the viewpoint of public understanding—is that the industry's earnings reach record highs year after year. But the industry plows about half of its earnings back into the business each year in order to meet the rising demand—and also to develop new technology to produce better products at relatively lower prices.

As an example, the net earnings of a typical major oil company average about a cent and a half for each gallon of petroleum products sold. That figure is based on all of the various functions an oil company performs—finding and producing the oil, transporting and storing it, turning it into useful products, and bringing it to the marketplace.

What about the special tax advantages oil is supposed to have? The distortion that has been so widely implanted in the public mind ignores two key elements in the overall tax picture.

First, many oil companies earn a large share of their profits abroad and, quite properly, pay very large income and other taxes to the governments of the countries in which those profits are earned.

This is not unique in oil but also applies to all U.S. international business. To avoid double taxation of income from foreign sources, the U.S. tax law permits foreign income taxes to be taken as a credit against U.S. Federal income taxes, thereby obviously but fairly reducing U.S. taxes.

Second, the distortion ignores the very large State and local taxes that oil companies pay. As an example, in my own State of Wyoming, the fifth largest oil producing State, the 1968 assessed value of oil and gas production was 29.4 percent of the total valuation in the State, and the industry paid 26.5 percent of the total State property taxes and almost a third of the county taxes—in some counties the industry paid as much as one-half of all taxes.

But this is not all. The industry this year will pay a 1 percent severance tax to the State on the value of oil and gas produced that will add another $4 million plus to State revenues—and to the oil companies' cost of doing business.

In addition, Federal royalties, returned to the State from oil production on public lands in Wyoming for 1968, amounted to almost $16 million. This was out of royalties paid to the Federal Government of some $309 million.

Rentals and royalties from oil and gas operations on State and Federal lands account for more than half of the Wyoming common school land income fund and almost all of the funds for the permanent land fund. Both are dedicated to the support of public schools, construction and maintenance of roads, and other public service institutions.

Aside from the obviously adverse impact such tax changes would certainly have on Wyoming, I am convinced that the effects would be serious in numerous other States in which the industry is a major tax contributor and employer. In a State of only 300,000 population, employment of 7,500 is an important factor.

Here we have a unique industry, one that is peculiarly and essentially American and one which has not only powered the technological revolution in America but has been a vital part of it. It is one that has fulfilled its responsibility to the American consumer in furnishing abundant supplies of gasoline, home heating oil and natural gas, and the other petroleum products he wants.

The industry has powered the U.S. defense and military effort and stands ready for any emergency, as it has proved time and again, even to fulfilling the needs of Europe when Middle East oil was denied them.

So it seems to me that we should today be offering some credit to one of the most vital segments of our industrial economy rather than lessening in any way its ability and willingness to continue to serve the American consumer at reasonable prices.

Any reduction in present Federal tax incentives to the oil and gas industry could only add to the critical long-range outlook of the Nation for its vitally essential energy sources.

Mr. ELLENDER. Mr. President, I yield 15 minutes to the distinguished Senator from Kansas (Mr. DOLE).

The PRESIDING OFFICER. The Senator from Louisiana has only 14 minutes.

Mr. WILLIAMS of Delaware. Mr. President, I had agreed to yield 30 minutes of my time to the Senator from Louisiana.

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

Mr. DOLE. Mr. President, I support the Ellender amendment with reservations. The majority of those engaged in the oil industry recognize that meaningful tax reform will and perhaps should result in some reduction of the present depletion allowance.

In addition, there are other features of the tax reform bill which would have graver consequences on the industry. If the intangible drilling cost deduction could be eliminated from the 5-percent minimum tax, most segments of the industry would readily accept the committee's judgment in fixing the depletion rate at 23 percent.

As we consider the pending tax bill, H.R. 13270, as adopted by the House and amended by the Senate Finance Committee, I am hopeful that this body will weigh the many provisions contained therein in light of all the facts and implications which are inherent in any major change in the tax laws which are now on the books. There is more than adequate evidence calling for a real and effective overhaul of the Nation's tax laws as they affect all segments of our economy and society as a whole.

Mr. President, in carrying out this particular review of our tax policies and detailed provisions, I am hopeful and confident that this body, in contrast to the other House in which I served 8 years, will weigh each and every major tax policy before making any drastic change therein.

In this regard, I wish to call to the attention of my colleagues some of the major changes in the pending bill which would adversely affect a vital and indispensable industry to this Nation's economic welfare and national security.

As each Member of the Senate knows, the bill as passed by the House reduced the percentage depletion rate for oil and gas production from 27½ percent to 20 percent. The Senate Finance Committee, by a tie vote of 8 to 8, failed in its effort to amend the House bill to restore the rate to 27½ percent. The Finance Committee, of course, did vote to set the rate for oil and gas production at 23 percent.

Mr. President, my main purpose in calling this action to the attention of my colleagues is an attempt to show each of them the need to look before we leap. I wish to urge each Member to thoroughly consider whatever action this body takes on the basic issue of how this Nation changes existing tax policies affecting the mineral producing industries—particularly the proposed changes with respect to the domestic oil and gas producing industries.

I could spend much of the Senate's time in outlining the need to continue as well as to improve the existing tax provisions that apply to oil and gas producers. However, I feel most of my colleagues have some basic knowledge concerning them.

However, Mr. President, I would like to briefly point out for the record, and for my colleagues in the Senate who are new to this body, as am I, some basics with respect to the origin, need for, and merits of the concept and rate of 27½-percent depletion for oil and gas production.

In 1926, Congress authorized a percentage depletion rate of 27½ percent of gross income—limited to 50 percent of net income—for the petroleum producing industry. This percentage depletion rate has remained unchanged during the past 43 years, although Congress has reviewed and examined this important tax provision many times during this period.

Each time percentage depletion has been considered by the Senate, it has been reaffirmed by a strong majority. In 1958, the vote was 58 to 31 and 63 to 26; in 1959, 54 to 21; 1960, 56 to 30; 1962, 50 to 23 and 57 to 30; 1964, 57 to 35 and 61 to 33.

History has provided us with an abundance of evidence of the practical results of this tax provision as follows:

First, an ample supply of petroleum in peace and war, at reasonable consumer prices.

Second, a broad base for Federal, State, and local taxation.

Third, an industry which has paid its fair share of taxes, Federal, State, and local.

Fourth, an industry which has not

made an unreasonable or inordinate profit.

Percentage depletion for petroleum was adopted as a means of encouraging the search for and development of needed petroleum reserves. It was also designed to serve as a practical method of avoiding the taxation of capital as income.

Due in large part to this tax provision, this Nation has had available ample supplies for our military and peacetime requirements. As a result, we have enjoyed the highest standard of living of any Nation in the world.

The United States is the only major free world power which has within its own borders an adequate national security base in petroleum. Percentage depletion has played a large and important role in making this possible.

Today, with the ever-increasing demand for petroleum to meet our current and future needs, and the ever-increasing expenditures required to replace depleted reserves, it would be shortsighted and folly to adversely change this tax provision which has served our Nation and consuming public so well.

A study of the results of the operation of percentage depletion for petroleum during the past 43 years shows, first, that the chief benefactor of percentage depletion is the consumer of petroleum products; second, that the profits of this important industry are low relative to other industries; and third, that the industry provides a broad base for governmental taxation and pays its fair share of taxes.

Mr. President, I have covered this important matter in very general terms, except to say that thus far the existing mineral tax provisions, which have been in the law for 43 years, have well served the purpose for which each was enacted into law.

However, I must point out that even with these tax policies—which were designed, among other goals to offer an incentive to men to take part in the highly risky business of searching for new oil and gas reserves—this Nation is fast becoming a have-not Nation with respect to petroleum reserves.

To bear out my point, Mr. President, I wish to refer to portions of the recent testimony, before a subcommittee of the Senate Interior and Insular Affairs Committee, of Mr. Robert E. Mead, president of the Independent Petroleum Association of America, in which he declared in part:

> The foreseeable future of the petroleum industry—that is, whether or not it will be able to supply the requirements for both oil and natural gas needed to satisfy our expanding economy—will depend in our opinion on the governmental policies pertaining to the industry.

In the main governmental policies as to oil and gas have been wisely conceived and proven by long experience to be effective in serving the national interest. Federal tax provisions—in effect for more than 40 years—the Federal public land laws—for more than 50 years—State conservation programs—for more than 30 years—and the mandatory oil import program—for more than 10 years—all have a common objective: To maintain an economic climate that will encourage expanding development of domestic petroleum resources. The record of the industry shows that this objective has been attained to date. Increasing domestic supplies have been available to satisfy all consumer needs, with vital reserve capacities for use in times of emergency.

Yet, today, for the first time in our history, we face an uncertain future. But in our view, there is no need for this Nation to become short in petroleum supplies or to become dependent upon increased imports of oil or liquefied natural gas—LNG. U.S. consumers will suffer shortages in supply or become dependent upon insecure foreign sources only if ordained by unwise governmental policies.

The root cause of the threatened shortages in natural gas facing us today is the fact that for more than 10 years there has been insufficient exploratory effort by the petroleum industry.

In considering this matter, it should be kept in mind that the production of oil and the production of natural gas are performed by one industry—namely, the petroleum industry. The complaints which produce large quantities of oil also produce large quantities of natural gas. Those which explore for oil also explore for natural gas. The availability of funds to the industry will affect the level of exploratory activity for both oil and natural gas. Any basic economic factors or governmental tax policies or policy changes, or trends which affect one, also affect the other. The exploration of oil and the exploration for natural gas, therefore, in the main, are inseparable.

An examination of the essential activities in the search for new reserves of petroleum show that since 1956 the activities have markedly declined. During this period, the demand for oil has increased 52 percent; and the demand for natural gas has increased 94 percent.

Facts show that: First, oil and gas geophysical activity is down 56 percent; second, oil and gas leasing are down 22 percent; and third, wildcat drilling is down 40 percent.

The effect of these declines would have been greater, but fortunately they have been offset, but only in part, by advances in scientific and technological methods and increased expenditures in such new provinces as the Continental Shelf.

The sharp decline in the search for new petroleum reserves has been accompanied by a shrinkage in the overall activity of the oil and gas producing industry. First, the total number of active rotary drilling rigs has been more than cut in half. This, however, tells only part of the story. More important than the statistics, equipment has been cannibalized and highly trained employees have left the industry for better opportunities. Today, there is a very critical manpower shortage in the drilling segment of the industry. The decrease in active rigs has been accompanied by fewer total wells drilled, which declined by 40 percent since 1956. It should be recognized that part of these decreases can be attributed to wider well spacing and increased efficiencies in all phases of drilling and production operations.

A third measure of the overall decline is that of employment. For the producing industry as a whole, total employment has suffered a decrease of more than 60,000 workers, or almost 20 percent, since 1956.

Let me conclude as I started, by indicating my support of the Ellender amendment primarily to gain some leverage in the House-Senate conference. As stated there are other provisions in the bill which will adversely affect the oil industry unless appropriate changes are made. I shall offer an amendment at the appropriate time, either for myself or in cooperation with other Senators, to eliminate the 5-percent minimum tax on intangible drilling cost deductions.

I yield back the remainder of my time.

Mr. ELLENDER. Mr. President, I yield 15 minutes to the Senator from Colorado.

Mr. ALLOTT. Mr. President, prior to the final vote on the pending amendment, I want to make a few comments in order to clarify my position on the matter. I recognize the fact that the magic phrase "oil depletion allowance" has been the lightning rod of controversy here in the Congress for many years. It has provided the impetus for hours of debate in congressional committees and on the floor of both the House and the Senate, fed the typewriters of columnists anxious to exploit the inequities of the ever constant specter of tax loopholes, and created tax "experts" of the authors of books and articles appearing in periodicals.

The pending Ellender amendment to retain the present depletion allowance for oil and gas at 27.5 percent places the responsibility squarely upon us to recognize the consequences of reducing this depletion allowance as it pertains to both the oil industry and the Nation's consumer interests.

Mr. President, previous to today our discussions on the wisdom of retaining the present depletion rate for oil and gas have been confined to the ramifications of the specific question involved. Today, however, we all understand that the country and the Congress are caught up in the compelling need for tax reform. It is difficult, under these circumstances, to confine our discussion to this specific issue while the momentum for tax justice is running at high tide.

But I ask my colleagues to pause and reflect for a moment on the overall question now presented.

We all recognize that the oil depletion allowance is only one part of the broad issue of tax incentives for the nation's natural resource industry characterized in the Internal Revenue Code as mineral depletions. The mineral depletion provisions of the Code cover over 100 different minerals found and produced in this country. The reason for these provisions in the Code is a recognition of the fact that these minerals are not inexhaustible and that each and every one of them contributes in various ways to the energy requirements and general economic development of this country.

We cannot overlook the fact that this country is particularly vulnerable to the existence of a healthy and predictable

energy resource industry. Without these resources we cannot continue to provide the kinds of goods and services necessary to sustain our historically unmatched national domestic growth nor can we continue to be sure that we will be master of our own helm in times of international crises.

Mr. President, I need not point out that our present proven reserves of energy resources cannot guarantee fulfillment of our energy demands forever. Back in 1962 the National Fuels and Energy Study Group prepared an excellent report for our Senate Interior and Insular Affairs Committee. This report contained the following statement on page 23:

> The economy of the United States rests upon a small base of energy. National income originating in the energy industries is only about 4% of the total national income.

These figures may be slightly changed today. But the essential fact remains constant: the American people are getting a tremendous bargain from the energy resources of this country.

For a moment, let me briefly review the ways in which the present 27.5-percent depletion allowance has contributed to the need for assuring that our energy resources stay ahead of our energy demands.

First, the present rate of depletion allowance has successfully enabled petroleum producers to meet the rapidly rising demands in times of peace and times of national crisis. I think the present rate of depletion allowance for oil and gas has significantly contributed to the present ratio between proved oil reserves to production.

However, I must point out, that our proved petroleum resources have dropped from a 12-year supply in 1960 to a 10-year supply in 1968. Our oil reserve position has been likened to a checking account. Reserves proved up during the year are the deposits; production, the withdrawals. The difference between the two reflects the changing condition of the bank account or reserve position. For many years prior to 1965 our bank account of reserves grew at a rate in excess of production, which was growing at a rate of about 3.5 percent each year. In 1965, however, we took out more than we added. Since then, our deposits have only been about equal to our withdrawals.

I hasten to point out that the North Slope discovery is not yet sustained by any geological and engineering data to be placed within the proved reserve category. Even if the North Slope reserves should be on the order of 10 billion barrels, this just barely makes up for the deficit at which reserves failed to grow these past 10 years.

Mr. President, I think it is also incumbent upon us to look to the future as well as to the past before arriving at a decision with regard to the merits of the pending Ellender amendment. At the turn of the century petroleum—crude and natural gas—represented only about 6 percent of the total U.S. energy market. Today it represents 75 percent of this market, and the Department of the Interior has estimated that by 1980 there will be a 50-percent increase in our total energy requirements.

Because our economy is based on energy producing resources—with oil and gas supplying three-fourths of that energy—percentage depletion is essential if the industry is to meet the anticipated tremendous future demand for petroleum.

Mr. President, a great deal of discussion has already ensued about the nature of that industry which is going to be called upon to provide more and more of the essential energy resources of this country. A favorite target of columnists and cartoonists, the oil industry is projected upon the national scene as a "fat cat" group of entrepreneurs who are benefiting from an inequitable tax loophole embodied in the phrase "oil depletion allowance."

Authoritative studies, however, demonstrate the fact that the petroleum industry pays its fair share of domestic taxes—exactly the same percentage of its revenue as other industries. In fact, if one uses profit in its generally accepted sense of being net income after all deductions for taxes and the cost of doing business, one can well see that the rate of return on net assets for the petroleum industry is only within the medium range of profits during the 1959 to 1968 decade. According to figures compiled by the First National City Bank of New York, the petroleum producing and refining companies earned 11.5 percent on net assets, which is slightly less than the 12.1 percent average rate on return on net assets earned by all other manufacturing industries during this decade. The 1968 figures, the most recent available, indicate that the petroleum producing and refining companies earned 12.9 percent while all other manufacturing industries earned 13.1 percent on net assets.

Mr. President, these figures dramatize the essential fact that the present 27.5 percent depletion rate has not produced fabulous profits for the petroleum industry. I hope these figures also lay to rest the chronic suspicion which afflicts some people that the present rate is a bonanza for this industry as a whole.

I think it is also important to point out that the price of gasoline, excluding State and Federal taxes, has only increased 2 percent during the decade 1957 to 1967. The price of gasoline to the motorist, exclusive of these taxes, has only increased from 22.11 cents per gallon to 22.55 cents during this time frame. During this same period, State and Federal taxes have increased by 20 percent. Even with these tax increases, during the same 10-year period the price of gasoline to the average motorist has only increased 7.1 percent while retail prices in general have increased 18.5 percent.

I use these figures, Mr. President, to demonstrate what I believe will be the true repercussions of inequitably reducing the oil depletion allowance. In light of the history of the matter of providing low-cost consumer fuel, and in light of the future requirements for finding new reserves, I believe that the impact of a change will be to increase the cost of gasoline to the consumer and decrease the amount which investors in oil companies are willing to provide for new reserve discovery.

In light of this, it may well be that those who argue most ardently for depletion of the present rate in accordance, for example, with that recommended by the Senate Finance Committee, will be most disappointed in the results. It seems to me, Mr. President, that we must weigh very carefully the consequences of this action. At the present time the oil industry realizes, according to Treasury Department estimates, about $1.4 billion from its Federal income tax bill through the operation of the 27.5-percent depletion provision. We must recognize the fact that the greatest proportion of this amount, plus another $4 billion each year, is reinvested by the oil and gas companies in search for and in development of new reserves. The development of new reserves is, of course, exploration.

In conclusion, Mr. President, we cannot consider this reduction of the present oil depletion allowance in a vacuum. Every one of us knows that the Senate Finance Committee recommended other changes in the basic impact of the Federal tax law upon the oil industry. One of the most important of these is the so-called 5-percent minimum tax which is added on in addition to the regular individual income tax or regular corporation income tax. Under the committee provision, explained on page 113 of the Senate Finance Committee report, individuals and corporations are to total their tax preference income, subtract an exemption of $30,000, and apply a 5-percent rate to find the minimum tax. Included in this, of course, is the mineral depletion allowance including the present percentage for oil and gas depletion. Standing alone, therefore, the present rate would be effectively reduced if the 5-percent minimum add-on tax as contained in the Senate bill is enacted by Congress.

As Senators know, the Finance Committee recommendation to reduce the present rate of depletion to 23 percent is estimated to increase Federal revenues by $155 million. However, the minimum tax on preference income is estimated to generate Federal revenues of $650 million in 1970 and up to $700 million over the long run. This particular provision substantially affects the effective depletion rate and intangible and drilling costs within the petroleum industry and may very well be more onerous over the long haul than the specific issue of the rate of repletion allowance.

Mr. President, I have tried to review carefully the economic realities of the situation, because I am deeply concerned that the present question before us may otherwise be determined on the basis of emotion rather than reason on this important issue.

For these reasons, Mr. President, I have previously advised my constituents in Colorado that I would support the present rate of depletion allowance for oil and gas. I believe the Ellender amendment, taken in light of the economic realities which confront the oil and gas industry, should be favorably adopted at this time.

I think, considering the alternatives, in view of the profit situation, the increased prices in the cost of gasoline and fuel to the American people, and the need for an increase in exploration for the future, which can come only out of profits in the oil industry, we would be well advised to agree to the amendment.

The PRESIDING OFFICER. Who yields time?

AMENDMENT NO. 318

Mr. ALLOTT. Mr. President, on another matter, I send to the desk for printing an amendment to the pending bill.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

THE ORGANIZED CRIME CONTROL ACT OF 1969

Mr. McCLELLAN. Mr. President, on November 20, the Subcommittee on Criminal Laws and Procedures completed its consideration of S. 30, the Organized Crime Control Act of 1969, and reported the bill favorably to the Judiciary Committee. This action was the culmination of a year of detailed study, hearings, and consultations, and resulted from one of the most thoroughly bipartisan efforts in which I have had the pleasure of participating.

The process began early this year, when I introduced S. 30, and continued through the introduction of four other bills—S. 1861, S. 2022, S. 2122, and S. 2292—aimed at organized crime that now appear, with revisions, in various titles of S. 30 as reported by the subcommittee. Senators EASTLAND (S. 2022), MUNDT (S. 2022), ERVIN (S. 30 and S. 2122), HRUSKA (S. 30, S. 1623, S. 1861, S. 2022, S. 2122, and S. 2292), and TYDINGS (S. 975 and S. 976), and the late Senator Dirksen (S. 2022), joined me in introducing some of these measures or introduced other bills that are now reflected in S. 30 as reworked by the subcommittee. Hearings on the bills were begun in March, and gradually the various bills were worked into S. 30 to form a comprehensive and unified measure against organized crime.

President Nixon added impetus to the effort to develop effective organized crime legislation by his message to the Congress of April 23, in which he called for prompt congressional action and stated:

> As a matter of national "public policy," I must warn our citizens that the threat of organized crime cannot be ignored or tolerated any longer. It will not be eliminated by loud voices and good intentions. It will be eliminated by carefully conceived, well-funded and well-executed action plans. . . . Success also will require the help of Congress. (H.R. Doc. No. 91–105, 91st Cong., 1st Sess. 2 (1969).)

The subcommittee held further hearings, obtained the views of experts and interested organizations, and worked very closely with the Department of Justice. The Department made a great many valuable suggestions which have been incorporated in the bill, and the Department now supports each title of S. 30 as reworked and reported by the subcommittee.

Mr. President, I am convinced that this painstaking and thorough process has produced a bill which guarantees protection of individual rights. At the same time, the bill promises to implement almost every significant organized crime recommendation made by the President's Crime Commission, the National Counsel on Crime and Delinquency, and others. Thus, Mr. President, I am confident that S. 30 will make a major contribution to the effectiveness of the Federal effort against organized crime. It may still be, of course, possible to improve or augment the provisions of S. 30, and I look forward to its thorough examination by the Judiciary Committee and on the floor. I only say now that we should turn our best efforts to the consideration of this bill—let us begin our consideration of it promptly and conclude it as rapidly as mature judgment permits—and let us give our approval to a truly effective legislation program designed to combat the organized crime menace.

Mr. President, I hope that the Judiciary Committee will be able to act on S. 30 soon, and that the bill will be before the Senate in the near future. In view of the fact that the bill will be coming up for a full committee vote soon, I was most gratified to learn that the national executive board of the National Chamber of Commerce, at their meeting on November 13, 1969, endorsed in principle several of the major provisions of S. 30.

I am particularly pleased to have the support of the national chamber for the principles embodied in S. 30 in view of the extensive research they have recently completed in the area of organized crime. Earlier this year the chamber published for public distribution a "Deskbook on Organized Crime." This concise but exhaustive study on organized crime was designed to alert the businessman to the growing exploitation of legitimate business by organized crime. Although directed at the businessman, the handbook discusses all phases of organized crime from loan sharking to bankruptcy fraud as well as the connection of organized crime to street crime. A reading of the handbook will indicate its thoroughness and the expertise of the numerous individuals and organizations who contributed to its publication. As chairman of the subcommittee, I hope that we can live up to public expectation reflected in action by organizations such as the chamber and have a bill ready for floor action before Christmas.

I ask unanimous consent to have the resolution expressing the chamber's endorsement printed at this point in the RECORD.

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

COMBATING ORGANIZED CRIME

To strengthen Federal efforts to combat organized crime, the National Chamber supports legislation providing for:

1. Extension of the grand jury system allowing the issuance of a presentment or report on misfeasance, non-feasance or corruption of public officials or their institutions.

2. Increasing investigatory and prosecutorial tools by implementing a Federal immunity provision, allowing taking depositions of witnesses, permitting introduction into evidence of declaration of co-conspirators, and codifying existing civil contempt proceedings.

3. Improving the system for protecting witnesses through Federal financial and other assistance.

4. Strengthening the Federal Government's authority to eliminate organized crime's economic power base by combating interstate gambling operations and the infiltration of legitimate business; and by creating a Federal study commission to examine the extent and effects of gambling upon society and the economy.

Support of the foregoing principles is with the understanding that such legislation will provide appropriate protection to the rights of the individual under the Constitution, and that specific provisions of any bill that deals with the Internal Revenue code will be referred to appropriate Chamber committees.

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

Mr. McCLELLAN. I yield.

Mr. MANSFIELD. Mr. President, that is good news which the distinguished senior Senator from Arkansas has just announced to the Senate, that his subcommittee has reported to the full committee a bill on the control of crime and that, hopefully, action will be taken shortly.

May I express the hope that at the same time proposed legislation covering the control of narcotics and the control of pornographic material, which I understand also has been reported by a Judiciary Subcommittee, is ready for the consideration of the full committee.

If the committee could report the proposed legislation having to do with pornography, with the control of narcotics, and with the control of crime, I think we should make every effort to pass it before Christmas, to get it on the books as soon as possible, so that we can face up to the difficulty which confronts this Nation in those three areas which, unfortunately, are not getting any better with the passage of time.

I commend the distinguished Senator for his action in regard to the crime control bill.

Mr. McCLELLAN. I thank the distinguished majority leader.

I might say that S. 30, the bill to which I have referred, includes five other bills that were introduced and which have been inserted in this bill as new titles.

Mr. MANSFIELD. Do they concern narcotics and pornography?

Mr. McCLELLAN. No. Those are in other areas. Those are separate bills. They are in addition to the narcotics and pornography bills.

I may say, further, that in S. 30, into which we have worked the other bills by adding new titles, we cover substantially the recommendations of the President's Commission on Crime. We follow many of those recommendations substantially.

This bill should have and I think does have the backing of the Justice Department and many organizations throughout the country. I think it is a bill that can be passed in a day or two. I do not think there are any tremendous complications in it. Once we get it to the floor, I think we can act on it promptly.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the House had passed, without amendment, the

joint resolution (S.J. Res. 143) extending the duration of copyright protection in certain cases.

The message also announced that the House had passed a joint resolution (H.J. Res. 1017) making further continuing appropriations for the fiscal year 1970, and for other purposes, in which it requested the concurrence of the Senate.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 14159) making appropriations for public works for water, pollution control, and power development, including the Corps of Engineers—Civil, the Panama Canal, the Federal Water Pollution Control Administration, the Bureau of Reclamation, power agencies of the Department of the Interior, the Tennessee Valley Authority, the Atomic Energy Commission, and related independent agencies and commission for the fiscal year ending June 30, 1970, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. KIRWAN, Mr. EVINS of Tennessee, Mr. BOLAND, Mr. WHITTEN, Mr. ANDREWS of Alabama, Mr. MAHON, Mr. RHODES, Mr. DAVIS of Wisconsin, Mr. ROBISON, and Mr. CEDERBERG were appointed managers on the part of the House at the conference.

HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H.J. Res. 1017) making further continuing appropriations for the fiscal year 1970, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER (Mr. DOLE in the chair). Who yields time?

Mr. ELLENDER. Mr. President, I suggest the absence of a quorum, and I ask unanimous consent that the time be equally divided between both sides.

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

The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. ELLENDER. I yield 15 minutes to the distinguished Senator from Alaska (Mr. STEVENS).

Mr. STEVENS. I thank the Senator.

Mr. President, the matter before the Senate today is extremely important not only to the economy and the security of the United States, but also to my State. I am sure that anyone who is familiar with current magazine and newspaper articles realizes that the north slope development in Alaska is one of tremendous importance insofar as the future of oil and gas production in the United States is concerned.

I am pleased to have my name added as a cosponsor of the pending amendment which provides for returning the depletion allowance to 27½ percent. I do so in the real hope that this amendment will be adopted.

To me, the depletion allowance is part of the economic fabric of the oil industry, and without the depletion allowance at its present rate, the discoveries that have been made in Alaska may well be reduced in their importance. I say this because the pricing of the petroleum product on the American scene today reflects the 27½ percent depletion allowance.

If the 27½-percent oil depletion allowance is to be reduced, the amount of tax free cash that can flow into this development on the north slope would be drastically reduced, and it is my understanding this will amount to at least $600 million a year. That means the oil industry is going to have to go out into a tight money market and borrow the money, and when it borrows the money, the cost is going to be passed on to the consumer of petroleum products in this country. I do not see how the reduction of the depletion allowance could do anything other than increase the cost of gasoline to the American consumer. It will not decrease the needs for petroleum products from my State. That need will remain; and it will increase.

I think that at the time Alaskan petroleum enters the U.S. market in quantities sufficient to have an impact, and that has not occurred yet, there will be a reduction in the price to consumers. But that reduction in the price to consumers will not occur if we reduce the depletion allowance.

The Tax Reform Act of 1969 is, by its own terms, a reform measure designed to correct inequities in our present income tax laws. Its main targets are the so-called "loopholes." A loophole, to me, is a special tax benefit originally enacted to provide relief or incentive to a class of taxpayers who Congress felt were being treated unfairly under the income tax laws, but which is now being used by another class of taxpayers to escape paying their fair share of taxes contrary to Congress' intention. Under this definition, the depletion allowance is not a loophole. It was enacted in 1926 to recognize the fact that normal cost deduction methods work to the substantial disadvantage of depletable resource industries. That fact is still a fact. And, the depletion allowance is not now being used by an unintended class of taxpayers for the purpose of escaping fair taxation. It is still being used by the same industry for the same purpose Congress originally intended. It has been an integral part of the economic fabric of the petroleum industry for over 40 years. It is imperative that we recognize that a reduction of the depletion allowance is not a correction of a tax loophole; it is a change in our national policy toward the petroleum industry, a change that will have far-reaching effects both on our economy and our national security.

This amendment deals with a policy decision, not a tax decision. It is apparent that, before voting on this amendment, we must examine the industry which this policy decision affects. We need to answer two questions here: First, what will our future needs from the petroleum industry be, and, second, how would the lowering of the depletion allowance affect the ability of this industry to meet those needs.

I would like to point just a few things as far as the so-called "oil play" in Alaska is concerned. One of them is that the recent sale brought in $900 million to the State. That was deemed to be the value of the privilege to explore for oil on these State lands.

In bidding this amount, the industries involved were both U.S. oil industry companies and international companies such as British Petroleum were involved in the bidding.

However, the reduction in the depletion allowance, either the version of the committee in the Senate which reported the bill, or the House version of 20 percent, would reduce the amount of cash available to domestic companies, U.S. companies, to compete with the companies involved in the world play as far as future exploration in my State is concerned.

If these companies had not had the money to explore in my State, there would be more of Alaskan oil potential moving to international companies. I welcome them in Alaska, but I do not see why we should give them the upper hand, so to speak, by making it easier for them to compete.

The depletion allowance is the thing that makes it possible for our domestic companies to compete with Federal tax free cash in the development and exploration of our oil potential of Alaska.

I would like to refer to a couple of items in connection with Alaskan development. According to the American Petroleum Institute, the productive capacity of the United States as of January 1, 1969, was 12.005 million barrels a day—a decline of 234,000 barrels per day over the previous estimate made a year before. Over the next 6 years, the United States will require an additional 400,000 to 600,000 barrels per day every year, or 2.4 to 3.6 million barrels per day in increased productive capacity by 1975. If this rate of increase continues to 1980, our productive capacity would have to be double what it is now in order to meet the demand. Stated another way, proven reserves aggregating 55 to 60 billion barrels must be discovered in the next 10 years. My study indicates it will require $70 billion in exploration and production costs to find and produce that much oil.

This fantastic sum of money must come from either or both of two sources: return on capital within the oil industry and the money market. Look first at the second source, the money market. Capital is attracted into one industry in preference to another because the security of the investment and the rate of return are greater. The risk of an investment in oil exploration is known to be high. Only one well in 50 is successful. With this high risk factor, the oil industry's rate of return to investors has not been as good as the average for other industries in recent years. Already, the money market is tight, with corpo-

rate and government borrowing both reaching the 8 percent level. We will be fortunate to hold this rate where it is.

But, Mr. President, think what is going to happen if we force the oil industry out into the money market to find money to develop even the vast potential of the north slope.

Additionally, the power industries, of which the petroleum industry is the major segment, are all capital intensive industries and thus are all in competition in the money market. The outlook for raising much of this $70 billion figure from the money market is not at all hopeful, particularly if this Congress changes the economic fabric of this industry at the very time when more incentives, not less, are needed to generate the capital for this vast exploration and production task.

That leaves us with the first source I mentioned—return of invested capital. In the past, the depletion allowance has been the tool by which the oil industry retained an adequate amount of its capital for continuing the necessary exploration and development programs to supply this nation's petroleum needs. A reduction in the depletion allowance will simultaneously reduce the amount of capital the industry can generate internally and reduce the overall return on invested capital, thus worsening the industry's already unfavorable opportunities to raise capital from the money market.

The effects of this inability to raise capital that would plague the oil industry are easy to see. The amount of exploration that will be carried out would have to be curtailed.

We are dealing with an industry with a delicate balance. The inability to raise sufficient capital to continue exploration at a rate great enough to ensure the finding of adequate new reserves has an acceleration factor in it. As reserves are brought into production, they return capital which is used to find new reserves. If this capital is not obtained, then the reserves decline, leaving less oil to be brought into production which in turn produces less capital and so forth. Eventually, we have no reserves and no capital. This is precisely what happens when an industry does not set aside adequate funds to replace depreciating assets. As the assets' productivity declines, there is even less ability to replace them and the industry collapses until the services it once provided can no longer be supplied without direct government assistance. The $10 billion Urban Mass Transit Act is an example of the type of action that can become necessary when policies prevent the proper retention of capital in an industry.

Proponents of the reduced depletion allowance point out that U.S. producers would not need to bring these additional reserves into production if we adjusted our import quota program to allow sufficient imports to take up the slack. Because less capital is required to produce oil in foreign countries, the loss of capital in the domestic industry would not result in failure of the industry to provide the necessary oil for our society to continue functioning.

I see three very serious problems with this policy. First, with so much of our oil supply subject to the whims of international politics, our foreign policy and national security could be seriously impaired. It is estimated that as much as 58 percent of our oil could be coming from foreign sources by 1980 if the import quota program were eliminated. If just half that supply is jeopardized either by conflict in the Middle East or by a civil war in Latin America—certainly very possible military action would protect our security. Is this what the proponents of the cut in the depletion allowance really want? Our flexible foreign policy concepts would be seriously affected insofar as oil producing nations were concerned. Another Vietnam-type situation is a definite possibility. Expropriation of any further American oil producing properties in foreign countries could only produce an undesirable and precipitous action on our part if we do not retain the present balance in our domestic producing capability vis-a-vis foreign imports. Clearly, this is not a desirable position in which to place our Nation.

There is an answer, and the answer is to develop the Alaskan oil and gas potential as rapidly as possible, but how can it be developed when at the very time it is in its infancy, Congress wants to change the depletion allowance and the administration wants to change the oil import quota. By the time we get through with both of these matters, the price of Alaskan oil to the consumer is going to be outside the range consumers can afford, or we will have to find a way for a subsidy for the development of this resource in my State. I do not think that is contemplated seriously by anyone in Congress.

The second serious consequence of the change in the depletion allowance is the effect on our already deteriorating balance of trade and balance-of-payments position. Because of the necessity to develop lower cost foreign oil reserves, an increasing amount of the capital recovered under the reduced depletion allowance would flow out of our economy to foreign treasuries. A significant portion of every dollar spent for power or fuel in this country would go out of our economy. The petroleum industry has invested an average of $4.5 billion annually over the past 10 years to discover and develop domestic reserves. If the depletion allowance is reduced, a proportionate amount of this money will go into foreign investment. This will occur because those will be the reserves developed by an industry which must seek the lowest cost of production to pass it on to the consumer. The United States can hardly afford this additional burden on its already unfavorable balance of payments.

The third serious consequence relates to my earlier discussion concerning capital. Assume that a sudden loss of international supply was not recoverable by military action. Domestic producers would then be called upon to accelerate a reduction to make up the difference. This would require either a direct Government subsidy or a dramatic increase in consumer prices to provide the needed capital to rapidly expand production. So the consumer through increased prices will pay for any crash program of development in the oil industry. In other words, if we fool around with the economic fabric of this industry, we will create a boom, then bust, then boom-type economy in the oil industry instead of the continuous even operation we now enjoy.

To me, this is foolish economy, to force the oil industry into a position of reliance upon foreign imports and then get into a position where we know that domestic production will have to be restored if there is any change in the foreign picture so far as production is concerned.

Every person who supports the proposed reduction in depletion allowances must be intellectually honest. This reduction will increase the revenue to the Treasury but it will also drastically affect consumer prices. It will be the consumer who pays for this and the consumer will pay a great deal more than the increased revenues.

Those who support the reduction, I hope, will realize that this change in the depletion allowance will bring about a greater reliance upon foreign sources for our petroleum needs. This is being done despite the fact that in my State we have reserves sufficient to meet the needs, if we can retain the economic tools which have been given to every other deposit of petroleum in this country—and every other deposit has been developed on the basis of the depletion allowance as we have known it over the years. Thus, it is completely astounding to me that, at the time we find the greatest single known deposits in the United States, the depletion allowance is to be reduced so that this discovery cannot be developed in time to meet our needs.

Too many people talk of the depletion allowance in terms of the incentive needed to find reserves. I think it should be referred to more in terms of the incentive needed to prove out the reserves. We know that in my State it will cost $1 billion just to build one pipeline 800 miles long. Ten times that amount of pipe will be needed in gathering pipelines throughout the fields on the north slope.

Where is the money going to come from to build the facilities to take this oil to market? Where will it come from to drill the wells necessary to prove out the reserves? If we reduce the depletion allowance, we will take away the incentive and force the industry in my State to borrow money on the tight capital market. The result will be disastrous and will very drastically affect our State in the future.

And this analysis does not take into account the fact that there simply may not be enough proven reserves left at the time we need to increase production to meet our needs. When we finally recognize that we need a domestic industry, the industry may have to explore for

several years to find the necessary oil. And what do we do in the meantime? Invade some oil-rich country to get what we need?

Mr. President, it is certainly possible that in the future an American President may face that question, if we refuse to examine the proposed reduction of the depletion allowance as a question of policy rather than tax reform.

The depletion allowance has been part of the economic fabric of the oil industry for 43 years. Alaska has been part of that industry for only a few short years. Our production has barely started. Yet just when our production really has the potential to develop, the depletion allowance is to be reduced. The oil industry has indicated, during the several months of hearings on this bill, what the consequences would be if this ill-advised step is taken in the name of tax reform. All of us are under pressure to reduce taxes, to reform taxes, to make everyone pay his fair share of our Government services. This bill provides many reforms to accomplish that end. It is heralded as the largest package of tax amendments since the 1954 code was enacted. But the attack on the depletion allowance is an attack on our national security, our oil and gas system, our capital markets, and, indeed, the foreign policy of this Nation. The reduction of the depletion allowance is not a reform measure, it is a total change in our policy toward the fossil fuel industry. It is an unwise change with dire consequences.

Viewed in that light and considered on its merits, I find it an unsupportable change and urge the Senate to retain the present policy and the present level of depletion allowance which is an integral part of it.

Mr. TOWER. Mr. President, will the Senator from Alaska yield?

Mr. STEVENS. I yield.

Mr. TOWER. I commend the distinguished Senator from Alaska for a very stirring and impressive presentation.

At a time when the United States of America is spending billions of dollars to help develop the underdeveloped areas of the world, I think it would be tragic if we denied the opportunity for development of oil to the great State of Alaska, which has a tremendous potential yet untapped, which should be tapped, and for us to discourage the flow of capital into the State of Alaska for the development of so much in the way of untapped resources, much of which we do not even know about.

I think that the Senator from Alaska has made an extremely good point. It is one that Senators should observe and take to heart.

Mr. STEVENS. I thank the Senator from Texas for his comments.

Mr. DOMINICK. Mr. President, will the Senator from Alaska yield?

Mr. STEVENS. I yield.

Mr. DOMINICK. Let me reiterate what the Senator from Texas has just said, that I think the remarks of the Senator from Alaska are illuminating and indicate once again, as has been proved over and over again, how thoroughly the Senator from Alaska is making sure that the interests of his State and his people are protected in this body.

The Senator has spoken in an extraordinarily effective manner on the problem as it relates between national policy and national concern and I want to congratulate the Senator on a cogent and able speech.

Mr. STEVENS. I thank the Senator from Colorado.

Mr. President, what will happen, if we are compelled to go on to the money market to get the $1 billion or the $1½ billion a year in order to develop the Alaska potential? This does not have anything to do with refinery costs or the total cost of production. We have the ultimate reserves of this country, and they should be developed under the same economic fabric as was the rest of the industry.

Mr. McGEE. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. Mr. President, I yield 5 minutes to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming is recognized for 5 minutes.

Mr. McGEE. Mr. President, the 27.5-percent oil-depletion allowance has become, as one of its most ardent opponents was quoted as saying in Sunday's papers, "the symbol of tax reform." I could not agree more. It has been made the symbol by its opponents in the press, in the Congress, and in other facets of our national life who have fixed upon this one article of our tax laws. Indeed, the oil industry, because of this campaign, is threatened with becoming the scapegoat of tax reform this year. But let me say that a reduction in the oil-depletion allowance is not in itself tax reform. There are just those who would have us believe that. They are many. They have great influence. And they have not mounted this campaign all of a sudden. It has gone on for years, but never has it seemed so likely of success as it does in this unhappy year of 1969. As one of Wyoming's leading newspapers, the Casper Star-Tribune, recently observed:

> The 27.5 depletion allowance for the oil industry has long been a whipping boy for the tax reformers. With the assistance of writers and politicians who have other interests at heart, the industry is made to appear as a robber baron filling his own pockets at the expense of the average taxpayer.

Those of us who are going to stand up today in defense of the 27.5-percent depletion allowance will be termed by some tools of a special interest, Mr. President. I do not doubt that. But in the case of this Senator, I can state unequivocally that the special interest I am serving is the State of Wyoming. My objection to the antidepletion campaign is based on the realistic aspects of the situation; on how it would affect the economy of my State.

To those of us who live in Wyoming, the oil industry is vitally important. It is our heavy industry. It is our answer to the shoe industry in New England, the textile mills of the Southeast, and the timber and fishing industries of the far Northwest. Crude petroleum is our principal product, representing a full three-fourths of Wyoming's mineral industry, providing jobs for 6,877 men at last count, if only crude oil and natural gas production is concerned. If all aspects of the industry, from transportation to refining and marketing are considered, the industry employs nearly 12,000 Wyoming people. And that is a very significant total in a State with little more than 300,000 population.

It is a significant facet in the overall economy of a State which has, over the past decade, suffered some economic reverses which have resulted in a loss of population. We need the work, the dollars, and the activity generated by the oil industry. Last year there was a total of 1,293 wells drilled in Wyoming, and of that total 471 were new field wildcat wells which together added measurably to the known reserves of oil and natural gas in the United States. Most of those wells in Wyoming run deep, Mr. President. Without the 27.5-percent depletion allowance. I think it is fair to predict that fewer, far fewer, of these 15,000-foot wildcats will be drilled. They cost in the neighborhood of three-fourths of a million dollars each.

Generally, one can figure there are nine dry holes drilled for each new commercial well. In fact, in 1968, the dry holes turned up 86.5 percent when all wells are taken into account. Thus, the risk is high, and hardly acceptably without the existence of some economic stimulus. For Wyoming at least, that stimulus has been the oil depletion allowance.

I cannot predict that, given a reduction in the depletion allowance, Wyoming will see only 46 or 57 rotary rigs active on the average day in 1970, in place of the 76 operating rigs in 1968. Nor can I predict that employment in the oil patch will fall by 1,000, 1,500, or 2,000 men. I do not know just what would happen, Mr. President, but at this point I do not care to find out, because Wyoming cannot afford the losses, no matter what they may be. And I would like to add that this interest encompasses primarily the independent company of limited resources which is willing to stake its venture capital on the discovery of a new field which, if proven, adds to the national wealth of the United States and to this country's very security. If the financial encouragement for such activity is to be lessened, it is obvious that wildcatting also will be curtailed, and at the expense of my State.

The national interest itself calls for a strong oil and gas industry. Thirty-two States are involved in the production of oil and gas, an industry which directly employs more than 275,000 Americans and provides the basic fuel for so much of our economy. Yet, in 1968, we produced 4 million barrels per day less petroleum than we consumed. The total of our known reserves of liquid petroleum declined last year. In itself, this is not alarming, perhaps. But it is not a desirable state, either. Our reserves should be maintained in as high a level as possible in the interest of national security. This requires that exploration continue unceasingly, Mr. President, for we are a people who use massive quantities of oil and gas in the course of our normal activities. And we use huge quantities of natural gas as well. Indeed, the position

of the natural gas portion of this industry is less enviable than most of us could guess, for reserves are dwindling here, too, by more than 5 trillion cubic feet last year. And natural gas is not easily imported.

So it is not just in Wyoming's interests that I defend the 27.5-percent depletion allowance, though, if it were, that would be enough. A good case is made, I believe, for leaving this policy of 43 years' duration on the books, Mr. President. Some may profit. But I am convinced that we all do. Certainly, my own State does. I urge acceptance of the Senator from Louisiana's amendment to retain the 27.5-percent depletion allowance. I think the importance of this vital tax provision can be summed up by saying percentage depletion has helped to establish and maintain the United States as the world's greatest producer and user of petroleum products. Reduction in the effectiveness of this time-tested tax provision would weaken the petroleum industry and result in an impairment of our national security and add increased burdens on the consuming public through increased prices.

I understand that the Senate is operating under limited time between now and the agreed-upon time to vote. I hope that Members of the Senate would not jump in a precipitate way into a search for some substitute for the problem by hanging it around a single phrase or a single term, namely "depletion."

I thank the Senator from Louisiana for yielding to me. May I ask if there is any additional time on this question?

Mr. ELLENDER. There is not.

Mr. McGEE. I thank the Senator very much for yielding the time.

Mr. TOWER. Mr. President, will the Senator from Delaware yield me some time?

Mr. WILLIAMS of Delaware. Mr. President, may I inquire about the time situation?

The PRESIDING OFFICER (Mr. MATHIAS in the chair). The Senator from Delaware has all the remaining time from now until the vote at 3 o'clock.

Mr. WILLIAMS of Delaware. I shall yield to my friend from Texas in just a moment, but first I yield myself 3 minutes.

Mr. President, much has been said in the last few minutes about the Ellender amendment. The argument seems to be made that the oil companies have an inherent right to the 27.5-percent depletion allowance because it was something that was passed 40 years ago, something that is sacred and that we should not touch or change.

I call to the attention of my colleagues the fact that during those 40 years on numerous occasions we have raised the tax rates for all other Americans. The corporate rate has moved from 14 percent to 53 percent at the present time, including the surtax. Individual rates go as high as 77 percent, as compared with a top rate of 15 percent 40 years ago.

So I do not think that the oil industry, much as I respect it—and I do respect it—has any inherent right to this special allowance or that it should be regarded as a sacred group which cannot be touched. This industry is paying an average of only about 8 percent as the corporate rate.

It was pointed out that some foreign companies were recent bidders for the oil leases in Alaska. I remind my colleagues that very few foreign companies have any depletion allowance. It is only in this country that the oil companies have had a depletion allowance of 27.5 percent before they compute tax obligation. So I do not see that that is an argument for retaining that depletion allowance. Quite the contrary, it is an argument for putting that industry on more equal footing with all other American industry.

Much has been said in Congress in the last 12 months about tax reform, and nearly every Member of this body has said how much tax reform is needed. Yet every Member of this body knew when he was talking about tax reform that he was talking about raising taxes for some particular group that was getting a special tax advantage. When we get down to the votes it seems everybody is willing to reform every other form of industry except the one in which he or his State is interested.

I think the issue before us on this amendment is very clear: Do we or do we not want tax reform? If we do we are going to have to start voting to change existing tax structure. Certainly this is one industry that is not paying its proportionate part of the cost of operating the Government.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WILLIAMS of Delaware. I yield myself 2 additional minutes.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 2 additional minutes.

Mr. WILLIAMS of Delaware. By all means, the Senate should at least stand by the action of the House, which rolled the depletion allowance back to 20 percent.

Mr. President, I understand that the Senator from Louisiana has used up such time as he had

How much time do I have left?

The PRESIDING OFFICER. The Senator from Delaware has 24 minutes remaining.

Mr. WILLIAMS of Delaware. Mr. President, I shall yield 5 minutes to the Senator from Louisiana and 5 minutes to the Senator from Texas.

Mr. MONTOYA. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I will try to take care of the Senator from New Mexico later, but I will have to withhold for the moment.

The PRESIDING OFFICER. To whom does the Senator from Delaware yield first?

Mr. WILLIAMS of Delaware. I yield 5 minutes to the Senator from Texas, and then I will yield 5 minutes to the Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Texas (Mr. TOWER) is yielded 5 minutes, after which the Senator from Louisiana (Mr. ELLENDER) will be yielded 5 minutes.

Mr. TOWER. I thank the Senator from Delaware. He is very generous with one who believes 180 degrees opposite from what he believes in this matter. It is very kind of him to yield under those circumstances.

I should like to offer my thanks to the distinguished Senator from Louisiana (Mr. ELLENDER) my neighbor to the east, who has offered, I think, a very constructive amendment. The action on this amendment will indicate whether this body is taking rational and economically sound approach to tax reform or whether it is following a "vengence be mine" formula for tax changes. I greatly hope that the amendment is approved, for I have no desire to participate in a vendetta against the oil industry even though it is cloaked in the guise of tax reform.

According to the best estimates of the Treasury Department, lowering the depletion allowance to 20 percent will bring in an additional $360 million of tax revenue. There is ample testimony that such a reduction would force the major oil companies to raise the retail price of gasoline 1 cent per gallon. Last year there were some 84 billion gallons of gasoline sold in the United States. If each of these gallons cost 1 cent more in 1970, the consumer will pay $840 million more for gasoline. If we take away the $360 million of increased tax revenues from the $840 million of increased cost to the consumer, we find that our so-called tax reform results in a net cost increase to the consumer of $480 million.

The man who has to pay extra for his petroleum products will not be interested in whatever fine labels we put on it. All he knows is that as a direct result of this body's action, he will be faced with a higher cost of living. He is not going to be happy about that. If after all the fine words and great promises, he still has less money after necessities, he will be much more inclined to join a "taxpayers' revolt" than he was before the "reform" speeches were made.

We need tax reform, but we need real tax reform, not a sham. That reform must be based on economic realities, not on an effort to strike back at some segment of the economy that has been made the villain in the press and a scapegoat in Congress.

I am just a little tired of this approach. By and large, the American oil man is a risk-taking entrepreneur in the finest tradition of the free enterprise system. If he is successful, it is often because he ventures to go where others have feared to go. He creates jobs and wealth for others in the process.

And there are many oil men who are not successful. The oil business is not an easy road to sure riches. If it were, a great many more people would be out looking for oil.

I think it is time that Congress abandon any negative attitude toward oil men and begin to appreciate the vital contribution they make to this Nation. It is time to quit trying to punish success and begin rewarding intelligence and hard

work, and, I might say also, a venturesome spirit.

If we do not, Mr. President, we may see the problems of the "great natural gas fiasco" repeated on a larger and even more dangerous scale.

Let me take a moment to share the reasons for the "great natural gas fiasco." Some time ago, the Federal Government decided that it would save the American consumer some money by stepping in and regulating the price of natural gas. Without going into great detail, let me simply say that the FPC pricing policy has brought about a situation where—

First. The Northeastern States will experience some shortages of natural gas for this winter and continue to suffer increasing shortages for some time to come.

Second. The price of natural gas, held at an artificially low level over past years, will have to be dramatically increased in order to induce the discovery and production of enough natural gas to meet demand.

Third. At a time when we are exhausting our discovered reserves, Federal Government policy has caused a 10-year slump in drilling of some 32 percent; 32,000 wells were drilled in 1968 versus 47,000 in 1958.

In short, Government intervention designed to assist the consumer in the short run has resulted in net long-term cost increases to the consumer. Paul MacAvoy, a leading economist at MIT, described Federal regulation of natural gas prices as bringing about social benefits of $10 million at a net social cost of $100 million.

Even if we call this arithmetic consumer protection, it still does not add up to good economic commonsense.

And, if we compound this fiasco by reducing an incentive absolutely necessary to induce exploration for petroleum products, it still will not add up, even if we call it tax reform this time.

The oil depletion allowance is an economically justifiable, needed incentive. Let us not act to reduce it at a time when its justification was never greater and the need for it never stronger.

Mr. WILLIAMS of Delaware. Mr. President, I yield 3 minutes to the Senator from New Hampshire.

Mr. McINTYRE. I need 5, at the very least.

The PRESIDING OFFICER. The Senator is recognized for 3 minutes.

Mr. McINTYRE. Mr. President, it is simply amazing what handouts the oil industry has won from our elected governments. They are of three basic types, and each of them serves to reinforce the others.

The first type of handout is the series of production controls established and enforced by our main oil-producing States, such as Texas and Louisiana. The purpose of these controls is simple—to limit the amount of oil produced to keep prices high. They work as follows: Buyers of crude oil estimate each month to State regulatory agencies the amount of oil they plan to buy in the State during the following month. These State agencies then "pro rate" the State's oilfields, curbing their production so that it never exceeds the expected demand. It is through this market control mechanism that our oil-producing States first create and then maintain rigged petroleum prices.

These prices are close to 200 percent higher than the east coast delivered price of totally comparable foreign-produced oil. In a free-market environment one would expect this low-cost foreign oil to capture a large share of our domestic market. In fact, that is what was starting to happen in the 1950's, until oil's secret government won another of its handouts.

This handout, known officially as the mandatory oil import control program, was initiated by President Eisenhower in 1959. It limits the foreign-produced oil imported into the United States to only 12.2 percent of our own domestic production. It has produced rising crude-oil prices at home, even as crude-oil prices abroad have fallen sharply over the last decade. It has cost American consumers more than $6 billion a year.

Moreover, the program has discriminated harshly against New England. There are, at latest count, 284 refineries in the United States. None of these are in New England, and the reason is very simple. There are no indigenous oil supplies in the region and because of import controls enough foreign oil to run a refinery cannot be imported. The main source of oil for a New England refinery would therefore have to be the gulf coast and it is simply too costly to ship high-priced domestic oil that far to be refined.

Because there are no refineries in New England, the major oil companies headquartered elsewhere have the market to themselves. It is the market power of these companies—preserved by the oil import control program and now being expanded into the wholesale end of the industry—which has made New England home heating costs the highest in the country.

And on top of these two handouts there is yet a third—the elaborate system of tax loopholes which allow the oil industry to keep the vast profits made possible in the first place by State prorationing and import controls.

The oil depletion allowance is by far the best known of these many tax loopholes. It permits tax-free treatment of 27.5 percent of an oil company's revenues, up to 50 percent of its net profits. The official purpose of this loophole, which has been in effect for over 40 years, is the encouragement of oil exploration at home. Yet it is applied in full, not only to domestic oil, but to all oil produced by American companies abroad.

This depletion allowance does not stand alone. Oil companies, for example, can "expense" their intangible drilling costs instead of amortizing them over a period of years like most other industries. And they can deduct from their U.S. tax bills the "tax" payments they make to foreign governments, even when these payments are nothing more than royalties which bear no resemblance to the income they actually earn from foreign operations. These and other loopholes too complicated to mention together provide the oil industry with even more tax-free income than does the depletion allowance.

With loopholes like this it is really no wonder that oil companies end up paying Federal income taxes many times lower than those of most corporations. In 1968, for example, the average corporation had a 40-percent tax rate while the average oil company had a 7.7-percent rate. Sinclair actually paid no taxes at all on profits of over $100 million, while Gulf, with profits of almost $1 billion, had a rate less than 1 percent.

State prorationing, import quotas, and tax loopholes—these are the three types of handouts won in the past by the oil industry.

This day has been set aside for the consideration of amendments designed to revise our policies in the third of the three areas I have just discussed, amendments to revise the tax treatment of our domestic oil industry. In my own mind, there is not the slightest doubt that such revision is urgently needed. Any tax system which requires 2.2 million people under the poverty level to pay Federal income taxes, yet allows Atlantic Richfield to earn over $465 million between 1964 and 1967 without paying a single cent in such taxes clearly requires revision.

According to data which the Treasury Department has submitted to Congress, the percentage depletion allowance for oil and gas cost the American taxpayer $1.3 billion in revenues in 1968. And the oil industry received another $300 million benefit last year due to intangible expensing. This $1.6 billion is an awful lot of money.

It is three times what was budgeted in fiscal 1969 for Federal law enforcement; 15 times as much as the cost of running our Federal judicial system; three times the budgeted amount for school lunch and food stamp programs; five times as much as was budgeted for low-rent public housing; and four times the allotment for the Alliance for Progress.

In light of these facts, I think it is imperative that the Senate act today to rectify this situation at least in a small way. At the very least, we must follow the action of the House in reducing the depletion allowance on oil and gas from 27½ to 20 percent and we must put an end to the system by which international oil companies receive credits against U.S. taxes for royalty payments to foreign governments.

The oil companies have told us that if we approve such changes the result will be higher prices for American consumers. Any such price hike would be quite unjustified. More important, it could be prevented by sound governmental action. If our oil import program is revised in such a way that larger amount of cheap foreign oil are allowed into this country, the domestic oil companies will not be able to raise their prices. They will have to hold the line or else be driven out of the market by oil produced abroad.

Recent press reports indicate that a substantial liberalization of the oil import program may be forthcoming in the near future. Mr. President, if this is the

case and if the Senate today acts to revise the tax treatment of the oil industry, American consumers will soon have some much needed relief which is certainly long overdue.

I thank the distinguished Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 13 minutes remaining.

Mr. WILLIAMS of Delaware. I yield 5 minutes to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, the statements made on this floor today in behalf of the pending amendment have been, first, that if we do not agree to the Ellender amendment, and if we do agree to the Williams amendment, it will have an adverse effect on the finding of oil reserves and the production of oil.

Mr. President, we do not have to take the word of the proponents or opponents of the amendment on that matter. We can go to the report commissioned by the Treasury Department, prepared by Consad, and see what their finding is.

Their finding is that the oil depletion allowance is one of the most inefficient ways of encouraging exploration for oil, and that, for every $10 of tax reduction, you get only $1 of crude reserves. That simply is not the efficient way to do it.

In the second place, Mr. Collado, the executive vice president of the Standard Oil Co. of New Jersey, and recognized by everyone as an oil expert, has pointed out that it will be 1974, in his view, before there is any reduction whatsoever in the production of oil because of the reduction in the oil depletion allowance, and even after that, the decrease will be moderate.

In the third place, the argument has been made that to reduce the depletion allowance will reduce the income of the oil companies, and therefore, the Senator from Alaska pointed out, make it harder for them to raise money.

The firm of Merrill Lynch has made a study, and found that the effect on the profits of oil companies will be a decrease of only between 2 and 8 percent, averaging around a 4- or 5-percent reduction in net profits. This is less than their recent average increase in profits for 1 year. They have averaged an increase of 8 to 10 percent in profits each year for the last 4 years. So the adverse effect on profits would be very modest indeed. The effect on the money market would be insignificant.

Finally, the argument has been made that after all, the consumer is going to pay more. Obviously, if production is not going to be reduced, there is no reason why the consumer should pay more for the product. Furthermore, if the profits of the companies are going to be reduced, as Merrill Lynch's study shows they will, that would mean that the difference would not come out of the pockets of the consumers.

Finally, Mr. President, the argument, it seems to me, is well met by recognition that the reserve of oil in this country is supplied by imports of oil. The Shultz committee, appointed by President Nixon, has made a recommendation on the oil import program. They have recommended that, instead of having an oil import quota, we have a tariff. Their recommendations would result in increasing the supply of oil, decreasing the price to the consumer, and compensating for any adverse effect on the supply of oil that could result from a decrease in the depletion allowance.

So on all these scores, on the reduction in the income of the oil companies, the consumer paying more, or the reduced supply, it is clear that this oil depletion allowance reduction could accomplish tax reform and greater equity without any significant adverse effect.

Mr. President, I yield back the remainder of my time.

Mr. ELLENDER. Mr. President, I yield myself 5 minutes.

Mr. President, in his opening remarks earlier today the distinguished Senator from Wisconsin stated that the oil industry stands as a symbol of tax evasion and tax loopholes and that unless Congress acts, no one believes we will be able to close the tax loopholes.

As I pointed out in the main part of my speech this afternoon, tax evasion is not accomplished through the depletion process, because the depletion provision provides that not more than 50 percent of net income can be deducted. In other words the producer pays taxes at about the same rate as others pay on income from capital gains.

Mr. President, I dread what will happen if the depletion allowance is reduced. The Department of the Interior stated that for the next decade, from 1970 to 1980, we must find reserves amounting to 70 billion barrels of oil, despite the fact that during the last 10 years we have been able to find only 35 billion barrels of oil.

The decrease in wildcatting for oil has been enormous. In the decade from 1950 to 1960, the number of wildcat oil wells was 108,455, in contrast to 91,925 for the present decade.

In relation to all of these wildcat wells, there is nothing involved but expenses. They do not really produce oil. They simply seek it.

As I pointed out earlier today, out of every 10 wells discovered, only one is productive. The others are dry holes. And of 46 wells drilled only one finds enough oil to be truly profitable.

I believe sincerely, therefore, that we should keep the depletion allowance at least at the current level in order to provide funds so that companies can finance the discovery of more badly needed oil. As I have said, we are using 14 million barrels of oil per day at the moment. In the next 10 years, we will be using 19 million barrels of oil per day. We have to have reserves with which to meet this challenge.

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

Mr. ELLENDER. I yield.

The PRESIDING OFFICER (Mr. DOLE in the chair). The Senator from New Mexico is recognized.

Mr. MONTOYA. Mr. President, I concur wholeheartedly with the senior Senator from Louisiana. I think we should concern ourselves with all the ramifications that might come about because of the action we take today.

I am personally very concerned about what our action might do to the fiscal structure of the State of New Mexico.

I call to the attention of the Senate what oil and gas production means revenuewise in the State of New Mexico.

We talk about a 27.5-percent depletion allowance. We talk about loopholes. We talk about the bonanza that the oil industry is deriving from the 27.5-percent depletion allowance. However, we in New Mexico are deeply concerned over what the lack of exploration is doing to our revenue structure.

In 1968, the total sales value of oil and gas in New Mexico was $528 million. It is the sixth largest producer of oil and the fourth largest producer of gas.

From this amount we deducted the Federal, State, and Indian royalty which amounted to $52,781,279.

The taxes from the oil and gas production industry are as follows: The oil and gas emergency school tax is $12,090,386. The oil and gas severance tax is $11,853,320. The oil and gas ad valorem tax is $6,780,099. The oil and gas conservation tax was $633,786 .The other ad valorem taxes are $5,750,000. The other excise taxes are $6,250,000.

Mr. President, we then have the other revenue from oil and gas.

The State oil and gas lease rental and bonus amounted to $6,078,678.

The State oil and gas royalty amounted to $26,339,817.

The permanent fund earnings, oil and gas portion—97 percent—amounted to $15,213,198.

The Federal mineral leasing return, oil and gas portion, amounted to $10,201,438.

So, altogether we derived total taxes and other revenue of $101,220,722 for 1968.

We are now building a permanent school fund out of oil and gas royalties and rentals. Our permanent school fund now amounts to $365 million.

The earnings from this permanent school fund are used for administrative expenses in our school systems in the State.

To try to discourage exploration now by virtue of a reduction in the depletion allowance, in my State, at least, would be to discourage further investment in our school fiscal structure.

It is a healthy thing to maintain a 27.5 percent depletion allowance in view of the paucity of the oil reserves we have in this country.

Mr. President, I thank the Senator from Delaware and the Senator from Louisiana for yielding to me.

Mr. WILLIAMS of Delaware. Mr. President, Congress established the oil depletion rate of 27.5 percent 40 years ago. At that time the top rate of corporate tax was 14 percent, and the top rate for individuals was around 15 percent.

Since that time there have been many increases in the tax structures.

This year corporations are paying

around 52.8 percent when we consider the surtax being added to the 48 percent, and the individual is paying as high as 77 percent.

Certainly this industry, which we all respect, is not paying its proportionate part of the cost of operating the Government today.

The average rate paid by the corporations operating in the oil industry is around 8 percent compared with a rate of better than 50 percent for all other American industry.

Certainly, the time is long overdue when this industry, which has been one of the most prosperous industries of our Nation, should pay its proportionate part of the taxes.

Much has been said about the amount of taxes they are already paying. Much of that tax amount is represented by taxes collected by the oil industry from the consumers of gas and gasoline as well as by withholding taxes on the payroll of its employees.

I do not give them credit for those taxes. They are merely acting as the collector, the same as other industries.

It costs us nearly $200 billion a year to run the Government today, 40 percent of which is for the defense of our country. This oil industry should be willing—in fact, should be more than willing—to pay its proportionate part of the cost.

The amendment of the Senator from Louisiana should be rejected. The House bill would reduce the oil depletion allowance to 20 percent. The Ellender amendment would retain the oil depletion allowance at 27.5 percent as is written in the existing law. The difference between the two rates involves an amount of around $400 million.

During the past few months much has been said about tax reform. I believe that practically every Member of the Senate has made a speech for tax reform.

We are going to call the roll now. Let us use our votes to support those speeches which we have been making for the past few months.

Mr. KENNEDY. Mr. President, I oppose the amendment offered by the distinguished Senator from Louisiana. In many respects, the 27½-percent depletion allowance for oil and gas is the single most flagrant loophole in our entire tax system.

Indeed, I believe that one of the most significant achievements of the taxpayers' revolution this year has been its extraordinary success in focusing the spotlight of public opinion on this special tax preference that is available to the oil and gas industries. For the first time in many years, there is a real likelihood that the cause of reform will prevail, and that this notorious tax loophole will be closed.

For too long we have failed to recognize that the Nation's economy is paying an enormous public subsidy to the petroleum industry. The depletion allowance is a tax subsidy that is far out of line with the economic and tax realities of other industries. The value of 27½ percent for the allowance came into the Revenue Code more than 40 years ago, when a Senate-House conference split the difference between the 30-percent figure proposed by one House and the 25-percent figure proposed by the other. The year was 1927, a time when tax rates were far lower than they are today, and the tax benefits were correspondingly smaller.

Extensive economic studies have shown that the existence of the 27½-percent depletion allowance contributes only a marginal amount to the Nation's petroleum reserves. Instead, it encourages excessive drilling and inefficient production methods, and discourages research into other potential fuel sources. The percentage depletion allowance now causes an annual revenue loss of about $1.5 billion. Yet, as the 1968 Treasury study and the recent CONSAD report make clear, this enormous tax subsidy generates only about $150 million dollars' worth of new oil reserves each year, or about $1 of new reserves for each $10 worth of subsidy. Surely, this is a false economy that none of us would maintain in his own private economic decisions.

The facts surrounding the depletion allowance have been amply demonstrated during the current debate. I am confident that a majority of the Senate will agree that current allowances are excessive, and that the cause of reform will prevail.

Mr. EASTLAND. Mr. President, I rise to lend my support to the amendment proposed by the Senator from Louisiana.

The 27½-percent oil depletion allowance is justified in the national interest.

In this day of steadily increasing prices, the cost of oil exploration continues to spiral. In recent years, the tremendous costs faced by those in oil exploration has skyrocketed manyfold. Today, these people are facing almost impossible costs in their businesses, and this trend shows no signs of abating in the coming months. Thus, the petroleum industry faces a future of rising costs in its efforts to search for oil.

Mr. President, I maintain that the oil depletion allowance does not cost—it pays. It pays because the petroleum industry is a vital segment of our economy. Without it, America would indeed face an uncertain and unpredictable future.

The effect of the oil depletion allowance has not been to take funds from the national Treasury. But, it has had the reverse effect—to add to our national income. This is brought about because the allowance enables petroleum exploration to continue and the end result is lower prices to the American consumer.

At a time when our country faces an uncertain economic future because of continuing inflation, it is necessary that we do everything in our power to maintain a strong economy in every aspect. In my opinion, the oil depletion allowance is a very important factor in keeping consumer prices in line—not only petroleum prices, but consumer costs in nearly all segments of our economy.

No one denies that oil is essential to the American defense effort. It is used to keep our country strong in times of peace—and it is indispensable in times of world crisis.

The United States cannot depend solely on foreign sources for oil.

This is a lesson we learned in graphic proportions during World War II, when we faced the problems of gas rationing and the threat of the severe crippling of our war effort because of the German submarine fleet's menace to our shipping lanes.

Today we face an even greater threat. The Middle East, day in and day out, stands on the brink of war. These vital oilfields that contribute so much to world production are in danger of being embroiled in a war that we did not want and a war we cannot stop.

The specter of the Soviet Union is an ever-present threat. The Russians are daily increasing their worldwide naval armada and their fleets ride the high seas around the globe. No one can guarantee that we can control the sealanes against the menace of the Russian submarine fleet.

Yes, Mr. President, petroleum is vital to America in many ways.

This Nation's economy depends upon petroleum in plentiful supply. In reality, our livelihood and our standard of living depend largely upon a ready supply of petroleum.

I strongly and vigorously advocate that the Senate meet the challenge today. I think it is in the interest of this country—and it is best for the American people—that we continue the oil depletion allowance in its present form.

It is necessary, I maintain, for the oil industry to continue to furnish a supply of oil for the safety, the protection and the well-being of the American people.

Mr. MONTOYA. Mr. President, I rise in support of Senator ELLENDER'S amendment which would delete the provision in the committee amendment which reduces the oil depletion allowance from 27½ percent under present law to 23 percent.

Mr. President, much has been said during the past few months—and much has been said here today—about the need to reduce the oil depletion allowance in order to symbolically demonstrate to taxpayers of this Nation that this Congress truly meant to provide for tax reform. Somehow, the advocates of tax reform have equivocated tax reform with a reduction in the oil depletion allowance. This is greatly disturbing to me. It is disturbing to me because I, too, have long advocated tax reform. I have been one of those voices calling for a lessening of the tax burden on the low and moderate income wage earners. I, too, have proposed several measures which would help to better distribute the tax burden among rich and poor alike. But, I cannot agree with those of my colleagues who would cut the oil depletion allowance just for the sake of whatever symbolic value such action would produce.

Mr. President, permit me if I may to recount for my colleagues what the oil and gas industry means for my own State of New Mexico and why I oppose any efforts to cut the depletion allowance. In 1968, for example, New Mexico ranked as the sixth largest oil producing State in the Nation, producing 349,000 barrels of oil daily. Also in 1968, New Mexico ranked as the fourth largest gas producing State in the Nation, producing over 3 billion cubic feet per day.

What has this industry meant to my home State of New Mexico? For 1968 it has meant the payment of taxes from the industry to the State of New Mexico in the amount of over $43 million. It has meant nearly $58 million in other revenue to the State of New Mexico for a total revenue of over $101 million. Mr. President, I ask unanimous consent to have inserted in the RECORD at this point a table giving a breakdown of these statistics, as well as additional data.

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

PRODUCTION OF OIL AND GAS IN NEW MEXICO

INTRODUCTION

Production of oil and gas in New Mexico has played a very important part in its economic development for the past 40 years, and will continue to be a major factor for many years to come.

This booklet is for the purpose of helping those who are interested in the future of New Mexico to better understand the oil and gas production business, how it operates, its relative position in the whole energy picture of the world and nation, its internal economics, and its economic meaning to New Mexico.

Better communication of governmental and economic affairs is necessary for the continuing advancement of our society. We, the people of the oil and gas business, are a part of and actively interested in all phases of the social structure and we wish to meet our full responsibility at all times.

The New Mexico Oil and Gas Association was formed more than 40 years ago to play a part in the overall communications picture. It serves as a liaison between the oil and gas producers and all levels of government. The officers and staff of the Association welcome anyone to visit and discuss any matter with us.

What, who is the oil and gas production industry?

The industry is people working and participating in the production of the world's leading energy source which is in the backbone of our modern industrial civilization. There are over 700 oil and gas operators in New Mexico alone. Over 10,000 New Mexico residents are employed in some phase of the industry. There are the royalty owners—that is, those people who own the land from which oil and gas is produced. The State and Federal Governments own the land from which 75% of our oil and gas is produced, so the government is a very real part of the industry. There are innumerable oil company stockholders, many of them living in New Mexico.

Enclosed for your convenience is a copy of the Oil and Gas Map of North America (not printed in RECORD) which shows how New Mexico fits into the big picture. This, together with the New Mexico oil and gas statistical sheets attached will, we hope, help you understand the industry and what New Mexico means to it and what it means to New Mexico.

Santa Fe., N. Mex., May 1969.

THE WORLD ENERGY PICTURE

The rapid advancement of civilization is based mainly on utilization of energy for transportation, power and heat.

Availability of fuels to supply this energy is a paramount consideration in any broad economic study. World energy consumption has doubled in the last 17 years and is expected to double again in the next ten.

Oil is the world's primary fuel with 41% of the market—coal is second with 37% and natural gas is next at 16%.

Known world reserves of what are called "fossil fuels" are sufficient to meet mankind's requirements for generations to come. Coal leads the list, with shale oil, tar sand, oil and natural gas following. However, sufficiency is not enough to guarantee sales. Competitive economic factors determine which kind of fuel will be used.

Other energy sources will enter the picture in the years to come. Atomic energy is most often mentioned but it appears that it will be several years before it fills even one percent of the world's energy needs. Water power to produce electricity is an important feature of the grand proposals to redistribute the earth's fresh water resources. Solar energy, geothermal, and even the energy of the wind may have an important place in the future.

Conventional oil—that is the oil found and produced in a liquid state—now leads as the world energy source; however, these oil reserves do have a limit. There are vast deposits of shale oil and tar sands which are not nearly as easy to recover but as the needs demand, and technology advances, these sources may be tapped.

All things considered, the experts agree that mankind's energy requirements for the foreseeable future can be met, and this is all that can be planned on. We cannot plan or worry about energy a hundred years from now any more than the people of Abraham Lincoln's time could have foreseen or planned energy requirements or sources of today.

Peace and free trade among nations will be important factors in continued economic progress which depends on sea transportation of oil. Highly industrialized Western Europe is heavily dependent on imported petroleum. North America is also an area that consumes more than it produces.

NEW MEXICO OIL AND GAS

New Mexico is an oil and gas exporting state. Approximately 4% of the nation's crude oil and 5½% of the nation's gas is produced in New Mexico.

History

Discovery of good oil and gas pools in Lea and Eddy Counties firmly established the production business in New Mexico by the early thirties. By that time, oil pipelines from the east extended into the State, and El Paso Natural Gas Company was operating a gas line to El Paso, Mexico and Arizona.

Exploration and development of New Mexico's oil and gas resources progressed steadily through about 1957 when a peak was reached. Activity has declined since then, as can be seen on the well drilling table enclosed.

Gross sales value of oi land gas levelled off in about 1961 for a spell, but resumed its normal increase pattern again by 1964. Maintenance of this increase pattern is partly due to the increase in waterflooding secondary recovery operations, and also higher natural gas sales.

From the earlier years, production of New Mexico's oil and gas resources has been done on an orderly, conservation-minded basis. The Oil Conservation Commission was formed in the middle thirties to administer one of the earliest and finest conservation laws in the nation. The Commission controls all phases of the industry. Permission is required to drill a well, to produce oil and gas, and any other action concerning production of oil and gas. Cooperation between the industry and the Commission has always been excellent.

The future of the oil and gas production industry for New Mexico is a matter of opinion. There are those who are pessimistic and say there are no more good pools to be found, that the peak has been reached—it's downhill from here on. They point to the experience of other States, and when they had their peak years—Texas, 1956—Oklahoma, 1927—Kansas, 1956—California, 1953—Pennsylvania 1891.

But we tend to agree with those who are more optimistic. Demand will stay high, waterflooding will increase, new discoveries will be made, prices will improve.

All in all, it seems safe to say that the total dollar volume of New Mexico's oil and gas production will remain level, or maybe a little better than level for at least the next 15–20 years, provided that the economic climate of the State so allows.

OIL AND GAS PRODUCTION ECONOMICS

The first step is to find the oil and gas deposits. Every year, innumerable millions of dollars are spent on geological and geophysical exploration. Some ten thousand exploratory wells are drilled in the United States annually. This is very expensive work, but it together with improved methods of ultimate economical recovery of known sources are the only ways for the producer to replace depleting stocks. Petroleum deposits are the result of geological phenomena which occurred millions of years ago—and they are scarce and scattered on this earth. Even with modern theories and methods, they are very difficult to pin point. Exploration investment is a necessary part of the oil and gas production business.

In the world-wide petroleum source-consumer picture, we observe that the known locations of substantial petroleum deposits are generally far from the concentrated consumer centers, so the oil must be moved great distances to be used. Transportation is a main factor and economic consideration in the petroleum energy business.

The basic factor in oil pricing, of course, is what the consumer market will bear within the general economy and competing energy sources. Therefore, local exploration, production and transportation costs must be held within the general oil price structure and allow a profit margin. The oil operator seeks the areas where his costs will be lowest because he has no control over crude oil prices.

Considering the United States and New Mexico and the above basic oil pricing factors, please observe on the oil and gas map of North America that the two main producing areas of the country are the Gulf Coast and the great arc shaped Mid-Continent producing area extending from Kansas to New Mexico. Most of the oil from the Gulf Coast-Mid-Continent area is transported to consumers in the northeast of the nation. New Mexico's oil fields, obviously are farthest from the eastern consumer area.

Particular elements of oil production costs cannot be meaningfully compared, one area to another, because it is only the total that is meaningful. Depth of the source, distance from market, exploration costs, labor availability and wages, volume of the product, taxation, regulation, and many other segments of cost are all variable and must be considered as a whole. For instance, an oil field located near a huge refining center will have a low transportation cost element and may well be able to carry a higher tax burden than an oil field located several hundred miles away.

Nationwide, field prices for oil have remained practically level for the past ten years. Yet, during this period costs in almost all phases of the business have risen. The producer has had to initiate automation and economize in every way possible to make ends meet.

Many independent oil producers and smaller companies have not been able to maintain a competitive position and have sold their business to the large companies whose volumes enable them to keep unit costs down.

But still, industry-wide, the cost-price squeeze is at a critical point today.

The economic situation of the oil business today is so critical that localized cost factors definitely have an effect on the future of oil and gas exploration and production in any area. Investments for exploration and development will gravitate where combined production costs are lowest, and can be expected with some confidence to stay that way.

Those interested in a continuing prosperous oil and gas production business in New Mexico must keep the basic economic realities explained herein in mind. New Mexico

does not have a sufficiently large volume of oil or gas to affect the overall price structure. New Mexico's production costs must be kept down to assure that exploring for and producing oil and gas will continue to be a profitable venture.

There are already economic drawbacks in New Mexico's oil production—specifically: Many of the State's good oil pools have yielded as much oil as can reasonably be pumped from them, so the expensive secondary recovery process of waterflooding is being used to recover as much of the remaining oil as possible. Also, disposal of salt water which is produced with oil is a growing problem—installation of safe water disposal systems is an added cost of production. Taxation has also increased—in 1963 the Oil and Gas Emergency School tax was increased 50%—this increase was absorbed by the producer. The average field price for New Mexico crude oil did not go up with the tax increase.

Participation in New Mexico governmental economy, summary, calendar year 1968

Total sales value, oil and gas	$528,427,160
Less Federal, State and Indian royalty	52,781,279
Industry owned value	475,645,881

TAXES FROM OIL AND GAS PRODUCTION INDUSTRY

Oil and gas emergency school tax	$12,090,386
Oil and gas severance tax	11,853,320
Oil and gas ad valorem tax	6,780,099
Oil and gas conservation tax	663,786
Other ad valorem tax—estimate	5,750,000
Other excise tax—estimate	6,250,000
Total	43,387,591

These taxes amount to 9.1% of Industry owned value.

OTHER REVENUE FROM OIL AND GAS

State oil and gas lease rental and bonus	6,078,678
State oil and gas royalty	26,339,817
Permanent fund earnings, oil and gas portion (97%)	15,213,198
Federal mineral leasing return, oil and gas portion	10,201,438
Total	57,833,131
Total taxes and other revenue	101,220,722

NOTE.—The above items are detailed in the following paragraphs.

PARTICIPATION IN NEW MEXICO GOVERNMENTAL ECONOMY

In calendar year 1968, total New Mexico crude oil and natural gas sales at the wellhead amounted to over $528 million. Of this figure, $376 million was for oil and $152 million for gas. This is big business. It amounts to about $1.4 million gross sales per day.

In addition to this, over $80 million was spent last year in New Mexico just drilling wells, plus untold millions in pipeline and other construction, and related business. Some ten thousand employees in New Mexico work in some phase of oil and gas production, processing and transportation, for an annual payroll of more than $60 million.

How does the Government of New Mexico share in this money? What is the direct financial benefit to the State of New Mexico, the schools, counties and municipalities? The direct financial benefits come in two categories: 1. Public land oil and gas leases. 2. Taxation.

Public land oil and gas leases

State lands, general: During territorial times, and upon statehood, Congress granted four sections of each township in New Mexico to the State's Common Schools, plus specific acreage to the universities and other institutions. These lands, (over 11 million acres) are held in trust by the Commissioner of Public Lands, and administered by him. Any income from these lands is credited to the "beneficiary" i.e., the Common Schools, or State Institutions. Recurring income, like rental, is credited to the current funds of the beneficiaries. Non-recurring income, sales or royalties is credited to the permanent Fund, which is invested by the State Investment Council and only the earnings on these investments are transferred to the current funds of the beneficiaries. For a detailed explanation of New Mexico's beneficiary lands, see the Annual Report of the Commissioner of Public Lands, 1967–1968.

The largest source of income from State Lands has been from oil and gas. The State Land Office offers oil and gas leases monthly for competitive bid. The competitive bid is called a "bonus". After the initial bonus payment to the State, a fixed rental sum is paid annually.

State oil and gas lease bonuses and rentals: These monies are paid by the lessee direct to the State Land Office and transferred to the beneficiaries for current use. In 1968 receipts from this source amounted to $6,078,678.

State oil and gas royalties: Approximately 40% of the oil and gas production in New Mexico is from State oil and gas leases. The State's one-eighth share of this production is paid directly to the State in cash—one-eighth of the sales value. These receipts are not for current use but are deposited to in the State Permanent Fund where they can never be diminished. In 1968, these State oil and gas royalty payments amounted to $26,339,817.

State Permanent Fund: This fund, which belongs to the beneficiary schools and institutions, now amounts to about a third of a billion dollars, 97% of which came from oil and gas royalties. The State Investment Council invests these funds, and the earnings from the investments are credited to the beneficiaries for current expenses. This fund assures a good, steady source of income for the schools and institutions forever. Last year, the oil and gas portion of these earnings was $15,213,198.

Federal Lands: Approximately 36% of the oil and gas production in New Mexico is produced from lands owned by the United States. The Federal Government receives its one-eighth share of the sales value of oil and gas in cash in addition to lease rentals. The Federal law provides 37½% of these monies to be transferred to the State. The money is used for public schools, free textbooks, and $100,000 per year for the New Mexico Institute of Mining and Technology. In 1968, receipts from this source are calculated at $10,201,438.

Taxation

There are four production taxes paid on the full sales value of all oil and gas not owned by the State or Federal Government (one-eighth royalty on State and Federal leases). The only deduction allowed is the cost of trucking oil from an isolated area. This trucking deduction encourages production, sales and resulting royalties and taxes as soon as possible after drilling a productive well.

The taxes on production are collected by the Oil and Gas Accounting Commission. New Mexico has a modern, efficient system of collecting oil and gas taxes and State Royalty. The laws on all taxes applying to production are uniform. They are all reported and paid, along with State Royalty, on one form monthly to the Oil and Gas Accounting Commission. This system is so efficient that tax collection and administration costs are less than ½ of one percent of receipts. The four production taxes are explained as follows:

Oil and Gas Emergency School Tax rate is 2.55% of full value. Proceeds are deposited in the State General Fund. Collections during 1968 were $12,090,386.

Oil and gas severance tax rate is 2.5% of full value. This money is used partly to pay severance tax bonds for public works, the balance to the general fund. Receipts during 1968 were $11,853,320.

Oil and gas ad valorem tax is shared by the State, counties and school districts. Oil and gas production is placed on the tax roll at 50% of its wellhead sales value. The local levy rate, which varies in each taxing district is applied. 1968 tax payments totaled $6,780,099.

Oil and gas conservation tax is used to support the Oil Conservation Commission which regulates all phases of the production of New Mexico's oil and gas resources. The rate is 14/100% of full value. During 1968 it brought in $663,786.

Other taxes of a direct nature on the oil and gas production business are impossible to figure exactly but estimates are shown below:

Ad valorem taxes paid on all pipelines, oil and gas wells, equipment, tanks, pumps, building materials and supply inventories, refineries, processing plants, buildings, and other corporate and locally assessed properties. At least $5,750,000.

State excise taxes on the general business of the industry—gross receipts and compensating tax on purchases and contracts for exploration, drilling, construction, field services, legal fees, engineering, and oil and gas manufacturer's privilege tax. At least $6,250,000.

Top 10 oil producing States, 1968

[In thousands of barrels daily]

1.	Texas	3,124
2.	Louisiana	2,225
3.	California	1,027
4.	Oklahoma	617
5.	Wyoming	390
6.	New Mexico	349
7.	Kansas	260
8.	Alaska	182
9.	Illinois	159
10.	Mississippi	161

Top 10 gas producing States, 1968

[In millions of cubic feet per day]

1.	Texas	20,611
2.	Louisiana	17,523
3.	Oklahoma	3,825
4.	New Mexico	3,100
5.	Kansas	2,372
6.	California	1,870
7.	Wyoming	666
8.	West Virginia	581

Top 10 gas producting States, 1968—Con.

[In millions of cubic feet per day]

9.	Mississippi	371
10.	Arkansas	352

NEW MEXICO'S OIL AND GAS WELLS

	Number of wells	Increase	Percent increase
Year:			
1952	7,769	962	14
1953	8,959	1,190	15
1954	10,249	1,290	14
1955	11,617	1,368	13
1956	13,208	1,591	14
1957	15,199	1,991	15
1958	17,020	1,821	12
1959	18,751	1,731	10
1960	20,333	1,582	8
1961	21,786	1,453	7
1962	23,069	1,283	6
1963	24,126	1,057	5
1964	25,222	1,096	5
1965	26,010	788	3
1966	26,737	727	3
1967	27,534	797	3
1968	28,057	523	2

OIL AND GAS WELL DRILLING IN NEW MEXICO

	Total wells drilled	Productive wells	Dry holes	Percent dry	Total footage	Average depth	Estimated cost at $13.50 per foot
Year:							
1952	1,053	844	209	19	5,833,000	5,539	$78,745,500
1953	1,418	1,175	243	17	8,017,000	5,653	108,229,500
1954	1,126	888	238	21	6,161,000	5,471	83,173,500
1955	1,663	1,423	240	14	7,046,000	4,236	95,121,000
1956	1,904	1,535	369	19	8,458,000	4,442	114,183,000
1957	2,129	1,821	408	19	9,980,000	4,687	134,730,000
1958	1,910	1,530	380	19	8,869,000	4,644	119,731,500
1959	2,077	1,663	441	21	8,684,000	4,181	117,234,000
1960	1,850	1,449	401	21	9,226,000	4,897	124,551,000
Year—Continued							
1961	1,820	1,359	461	25	9,367,000	5,147	$126,454,500
1962	1,666	1,213	453	27	8,585,000	5,153	115,897,500
1963	1,282	896	386	30	6,795,000	5,300	91,732,500
1964	1,501	1,098	403	26	8,167,000	5,442	110,254,500
1965	1,137	823	314	27	6,726,000	5,916	90,801,000
1966	1,255	921	334	26	6,582,000	5,244	88,857,000
1967	1,115	875	240	21	6,025,000	5,403	81,337,500
1968	992	753	239	24	6,361,308	6,412	86,562,000

NEW MEXICO'S MARKETED OIL AND GAS AND SALES VALUE

	Marketed barrels oil	Sales value oil	Marketed gas (thousand cubic feet)	Sales value gas	Total sales value, oil and gas
Year:					
1951	53,173,406	$129,381,870	289,992,113	$12,244,305	$141,626,175
1952	62,847,937	144,002,463	352,783,341	17,680,987	161,683,450
1953	72,312,378	185,816,883	479,317,280	25,718,975	211,535,858
1954	74,910,729	205,145,184	461,204,716	38,345,605	243,490,789
1955	82,365,307	226,410,987	520,209,292	45,458,159	271,869,146
1956	88,037,229	240,781,633	640,536,825	54,814,643	295,596,276
1957	98,852,355	279,664,935	678,129,131	64,731,277	344,396,212
1958	98,192,662	290,558,505	714,708,700	66,682,729	357,241,234
1959	104,764,795	299,627,314	716,949,645	78,864,460	378,491,774
1960	107,388,303	$307,130,547	792,540,990	$87,179,508	$394,310,055
1961	112,433,677	321,560,316	757,068,265	84,866,584	406,426,900
1962	110,993,100	316,330,465	772,490,255	88,640,356	404,970,824
1963	108,348,800	308,794,158	758,874,359	87,830,679	396,624,837
1964	111,641,370	318,177,928	814,858,129	97,339,109	415,517,048
1965	115,421,900	328,952,596	887,780,440	110,103,878	439,056,474
1966	118,982,000	339,098,805	939,110,556	119,388,154	458,486,959
1967	123,582,095	358,388,076	1,055,972,174	134,828,111	493,024,483
1968 (est.)	127,680,322	376,473,289	1,138,185,814	151,953,865	528,427,160

NEW MEXICO REVENUE FROM PUBLIC LAND OIL AND GAS LEASES

	State oil and gas lease rental and bonus	State royalty	Oil and gas permanent fund earnings	Federal mineral leasing return	Total
Year:					
1951	$5,459,514	$5,870,135	$985,818	$1,783,050	$14,098,517
1952	8,364,722	6,766,425	1,299,640	2,600,080	19,030,867
1953	8,099,801	8,597,363	1,399,805	2,386,474	20,483,443
1954	10,532,610	11,354,200	1,662,792	3,074,355	26,623,957
1955	8,379,902	12,318,606	1,636,945	3,485,991	25,821,444
1956	10,548,442	13,765,359	2,501,315	3,701,443	30,516,559
1957	9,009,455	16,307,480	2,764,490	4,635,573	32,716,998
1958	8,461,342	16,983,162	3,279,503	5,540,823	34,264,830
1959	7,871,462	16,283,622	3,791,435	5,546,493	33,493,012
1960	$6,525,532	$15,752,473	$4,489,160	$6,601,640	$33,368,805
1961	5,731,124	17,087,015	5,647,218	7,287,149	35,752,506
1962	5,623,868	17,328,726	6,779,976	8,497,442	38,230,012
1963	6,410,045	17,666,014	7,891,918	8,003,982	39,971,959
1964	7,677,169	19,132,604	8,751,912	8,199,386	43,761,071
1965	7,752,672	21,010,633	10,554,727	9,113,154	48,431,186
1966	7,551,795	21,494,819	11,414,614	9,368,289	49,829,517
1967	4,981,513	23,612,316	12,825,849	10,838,179	52,257,857
1968 (cal.)	6,078,678	26,339,817	15,213,198	10,201,438	57,833,131

NEW MEXICO REVENUE FROM OIL AND GAS PRODUCTION INDUSTRY TAXES

	Oil and gas emergency school tax	Oil and gas severance tax	Oil and gas ad valorem tax	Oil and gas conservation tax	Other ad valorem tax (estimated)	Other excise tax (estimated)	Total
Year:							
1951	$2,235,662	$2,406,152	$1,577,421	$135,723	$1,500,000	$2,000,000	$9,854,958
1952	2,548,232	4,711,495	1,873,702	167,804	1,750,000	2,250,000	13,301,233
1953	3,333,526	4,235,380	2,451,122	197,179	2,000,000	2,500,000	14,717,207
1954	3,832,878	5,345,824	3,043,757	289,571	2,250,000	2,750,000	17,512,030
1955	4,271,419	5,993,223	3,517,642	286,492	2,500,000	3,000,000	19,568,776
1956	4,613,815	6,451,284	4,196,851	467,646	2,750,000	3,250,000	21,729,596
1957	5,366,921	7,167,564	4,425,932	506,091	3,000,000	3,500,000	23,966,508
1958	5,557,410	8,172,662	4,586,092	561,767	3,250,000	3,750,000	25,877,931
1959	5,591,351	8,222,575	4,692,324	459,236	3,500,000	4,000,000	26,465,486
1960	5,606,044	8,218,655	4,984,000	505,649	3,750,000	4,250,000	27,314,348
1961	6,059,039	8,984,920	5,017,675	502,988	4,000,000	4,500,000	29,064,622
1962	6,186,606	9,153,125	5,038,462	512,552	4,250,000	4,750,000	29,890,745
1963	6,121,225	9,044,584	4,958,011	506,204	4,500,000	5,000,000	30,130,024
1964	9,524,609	9,344,715	5,100,336	523,818	4,750,000	5,250,000	34,493,478
1965	10,208,297	10,006,860	5,141,943	559,686	5,000,000	5,500,000	36,416,786
1966	10,522,646	10,319,327	5,340,018	577,794	5,250,000	5,750,000	37,759,785
1967	11,336,328	11,114,661	6,159,221	622,246	5,500,000	6,000,000	40,732,456
1968 (cal.)	12,090,386	11,853,320	6,780,099	663,786	5,750,000	6,250,000	43,387,591

NEW MEXICO'S OIL AND GAS PRODUCTION

Ownership of land from which produced:	Percent
State	40
Federal	36
Fee	20
Indian	5
County from which produced:	
Lea	59
San Juan	15
Eddy	14
Rio Arriba	5
Chaves	4
Roosevelt	3

[From the Oil & Gas Journal, Apr. 8, 1968]

U.S. RESERVES WILL CONTINUE TO MELT AWAY—UNLESS

Implications of the latest API report on this nation's hydrocarbon reserves are grim but clear. Demand for crude oil and natural gas gradually is creeping up on the domestic industry's ability to supply them.

It is important that this message comes through loud and clear to that group of economists and politicians which contends that the oil industry operates from an economic sanctuary.

The figures, detailed beginning on Page 34 of this issue of the Journal, mean that at present rates of use, known oil reserves will last for 10.3 years. This is a drop from 11.1 years for this ratio since last year. The figure for natural gas is 15.9 years against 16.4 a year ago.

None, of course, contends that this country will run out of oil in 10 years or natural gas in 16. More oil and gas will be

discovered. Development drilling plus new or improved technology will allow the industry to produce more than currently figured from fields already discovered.

Under present trends, however, the expected discoveries won't radically change the picture. The new supply will be gobbled up by the steady and substantial growth in demand. Only a dramatic turnaround in exploration will give the nation a larger margin of safety in reserves.

The current low state of domestic exploration offers slight hope of any early turnaround.

Figures again tell that story quickly. Active rotary rigs in the U.S. slightly exceeded 1,000 in late March. Average for rigs working in 1967 was 1,134 units. This is less than half of the 2,429 working 10 years ago.

Reason for this inactivity is plain. Operators are just drilling less. Only 33,558 wells were completed in 1967 against 55,024 in 1957. And well completions are headed still lower in the first quarter of this year.

The domestic industry must start drilling at a much higher rate if it is to find the new reserves needed for the nation's security.

What's the answer? Operators simply need more incentives to take the risks of hunting for oil in a country where oil is tougher to find. Several factors would help provide these incentives. Among them:

Higher prices. Average price for crude last year was $2.91/bbl against $3.09 a decade ago. Gas prices are under tight controls. Cost of everything the producer buys has gone up but his prices have not.

Chance to produce at rates that will provide the operator a quicker payout on his initial investment.

Preservation of such incentives as percentage depletion, expensing of certain exploration costs, and stable controls on crude imports.

Unless incentives for drilling are maintained and increased, domestic reserves will continue to melt under the pressure of demand. That's the message the industry must get across to friends and critics alike.

Mr. MONTOYA. Mr. President, in New Mexico, where we have a meager tax base every tax dollar counts. This is especially true when it comes to the financing of our children's education. We have in New Mexico what we refer to as the permanent fund. This fund is presently approaching $365 million and is growing at the rate of $2.5 million each month, according to the New Mexico State Investment Council. Over 95 percent of the fund is derived from oil and gas royalties produced on State-owned lands. Of the earnings from the permanent fund, the schools of New Mexico receive approximately 80 percent. Thus, every dollar contributed by the oil and gas industry in New Mexico represents funds that the citizens of New Mexico will not have to pay by way of taxes to support the schools of our State. And we all know about the financial crisis that our schools find themselves in these days. To take away this one source of operating capital from our State's schools would mean a further deterioration of the quality of education our children would receive or an added tax burden for our citizens.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a letter I received from the New Mexico State Investment Council, dated May 12, 1969, bringing these details to my attention.

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

STATE INVESTMENT COUNCIL,
Santa Fe, N. Mex., May 12, 1969.

Hon. JOSEPH M. MONTOYA,
Senate Office Building,
Washington, D.C.

DEAR JOE: The State Investment Council of New Mexico, trustees of the Permanent Fund, believes the current attack on the federal tax structure applicable to oil and gas production is not justified on the basis of the industry's contributions to New Mexico and the nation.

The Permanent Fund of New Mexico is approaching $365 million and is growing at the rate of $2.5 million each month. More than 95 percent of the Fund is derived from oil and gas royalties produced on State-owned lands. The Common Schools of New Mexico receive about 80 percent of the earnings from the Permanent Fund. Nineteen other institutions or agencies receive the 20 percent balance. In this period of increased tax pressures, it is important to remember that every dollar earned by our Permanent Fund represents $1.00 less which must be raised by New Mexico taxpayers.

At a time when many major oil companies are turning away from New Mexico and spending exploration dollars in Alaska, in offshore and in foreign countries, the Council submits that it would be inadvisable to disturb a tax structure of 40 years standing and thereby discourage the future development of New Mexico's dwindling and sometimes marginal deposits of oil and gas.

At its regular meeting on May 9, the State Investment Council authorized me to ask you to diligently resist proposed changes in the tax laws affecting the oil and gas industry. These laws, especially in the area of the 27½ percent depletion and the intangible write off provision, have encouraged a vigorous oil and gas industry in New Mexico and elsewhere in the nation. They need to be preserved.

Enclosed is a copy of an Analysis Of The Relationship Of The Permanent Fund To The General Finances Of The State which I recently prepared for the Investment Council. Information on page 5 of this report shows the importance of a vigorous oil and gas industry in New Mexico.

Respectfully,

ED HARTMAN,
Chairman, Investment Council.

Mr. MONTOYA. Mr. President, for the above reasons, Mr. President, I support the amendment being offered by my good friend from Louisiana, Senator ELLENDER, that would maintain the oil depletion allowance at the present 27½ percent.

I am for tax reform, Mr. President, but I do not agree that a cut in the depletion allowance would be in the best interests of our national security and national interests when all things are balanced out. Rather, I would propose that we reduce Federal expenditures in order to offset tax losses that will come as a result of other tax reforms. For example, let us cut the billions of dollars that might be appropriated for an unproven ABM system. Let us bring an end to the conflict in Vietnam and make expenditure reductions there. Let us make our Federal structure a more efficient one and abolish overlapping jurisdiction among Federal agencies and thus abolish waste. There are so many obvious areas where reductions can be made Mr. President, without doing harm to an industry that contributed so much to States such as New Mexico and thus to the welfare of this country.

I urge my colleagues to support the Ellender amendment.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

All time having expired, the question is on agreeing to the amendment of the Senator from Louisiana. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

Mr. ALLOTT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. ALLOTT. Will the Chair please state the question?

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana.

Mr. ALLOTT. And a "yea" vote is for the retention of the 27.5 percent depletion allowance?

The PRESIDING OFFICER. That is correct.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. GRAVEL (after having voted in the affirmative). On this vote I have a pair with the Senator from Missouri (Mr. SYMINGTON). If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from South Carolina (Mr. HOLLINGS), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

On this vote, the Senator from New Mexico (Mr. ANDERSON) is paired with the Senator from Illinois (Mr. SMITH). If present and voting, the Senator from New Mexico would vote "yea," and the Senator from Illinois would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) and the Senators from Illinois (Mr. PERCY and Mr. SMITH) are necessarily absent.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from South Dakota (Mr. MUNDT) and the Senator from Illinois (Mr. PERCY) would each vote "nay."

On this vote, the Senator from Illinois (Mr. SMITH) is paired with the Senator from New Mexico (Mr. ANDERSON). If present and voting, the Senator from Illinois would vote "nay," and the Senator from New Mexico would vote "yea."

The result was announced—yeas 30, nays 62, as follows:

[No. 161 Leg.]

YEAS—30

Allott	Ellender	McGee
Bellmon	Fannin	Montoya
Bennett	Fulbright	Murphy
Bible	Gurney	Pearson
Burdick	Hansen	Stennis
Cotton	Harris	Stevens
Curtis	Hruska	Thurmond
Dole	Long	Tower
Dominick	Mansfield	Yarborough
Eastland	McClellan	Young, N. Dak.

NAYS—62

Aiken	Hart	Nelson
Allen	Hartke	Packwood
Baker	Hatfield	Pastore
Bayh	Holland	Pell
Boggs	Hughes	Prouty
Brooke	Inouye	Proxmire
Byrd, Va.	Jackson	Randolph
Byrd, W. Va.	Javits	Ribicoff
Cannon	Jordan, N.C.	Russell
Case	Jordan, Idaho	Saxbe
Church	Kennedy	Schweiker
Cook	Magnuson	Scott
Cooper	Mathias	Smith, Maine
Cranston	McCarthy	Sparkman
Dodd	McGovern	Spong
Eagleton	McIntyre	Talmadge
Ervin	Metcalf	Tydings
Fong	Miller	Williams, N.J.
Goodell	Mondale	Williams, Del.
Gore	Moss	Young, Ohio
Griffin	Muskie	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Gravel, for.

NOT VOTING—7

Anderson	Mundt	Symington
Goldwater	Percy	
Hollings	Smith, Ill.	

So Mr. ELLENDER's amendment (No. 290) was rejected.

AMENDMENT NO. 291

The PRESIDING OFFICER. The Senate will now turn to the consideration of amendment No. 291 offered by the Senator from Delaware (Mr. WILLIAMS). Under the previous agreement, the time of 1 hour is to be equally divided.

The clerk will state the amendment.

The assistant legislative clerk read as follows:

On page 335, line 10 of the committee amendment strike out "23 percent" and insert "20 percent".

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes.

Mr. RUSSELL. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. BYRD of West Virginia. Mr. President, I ask that all staff personnel be asked to take seats or to leave the Chamber.

Mr. YOUNG of Ohio. Mr. President, a point of order. Attachés are standing around. Does the Senator from West Virginia mean that his request will be in order all afternoon?

I ask that the Chamber be cleared of all clerical personnel for the remainder of the day.

Mr. LONG. Mr. President, I must object to that request. I do not know precisely who is on the floor but I would venture the assertion that there is not one Member in the Chamber, including me, who can tell everybody everything contained in this 500-page bill. We are more in need of technical assistance on this bill than on any other bill that will come before the Senate this year.

Some Senators have some of their committee assistants here. They are very much needed to help on this matter because they have expertise in this field beyond that which Senators have. We must have help from the joint committee as well as our staff committee. I have one assistant here. However, any Senator who has an amendment which he regards important might very well need assistance which the rules intended when they state a Senator can have his assistant here.

I do not know of anyone from the committee staff or the joint committee who is on the floor and who is not needed. I would assume that any Senator who has an assistant here has him here because he is needed. If the assistant of any Senator is here merely because he wants to see what is going on or to observe, I do wish he would take a seat in the gallery.

We have an unusually large number of assistants here because they are needed. I believe that most conversation has not been by staff members but by Senators, and in most cases I am sure it has been because Senators said something to them.

The PRESIDING OFFICER. It is the responsibility of the Chair to maintain decorum in the Chamber. All staff personnel not immediately needed will leave the Chamber and those who are needed may remain. This policy will be observed for the remainder of the day.

Mr. YOUNG of Ohio. Mr. President, of course, any assistants of the chairman of the Committee on Finance who is handling the bill and any assistants from his committee that he feels should be on the floor would be excepted. Of course, I did not mean to include them in my request. All assistants who are here out of curiosity should be seated or leave the Chamber.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 5 minutes.

Mr. WILLIAMS of Delaware. Mr. President, for the information of the Senate, the pending amendment is offered on behalf of the Senator from Vermont (Mr. AIKEN), the Senator from Maine (Mrs. SMITH), the Senator from Wisconsin (Mr. PROXMIRE), and myself. The purpose of the amendment is to strike from the committee bill the 23-percent depletion allowance and to go back to the House figure, which is 20 percent. The House of Representatives cut the depletion allowance from 27.5 percent to 20 percent and by so doing, raised revenue by about $400 million.

The same argument made for defeat of the Ellender amendment could be made in support of this amendment. Personally, I see no need to repeat all of the argument, and therefore I shall withhold the remainder of my time. Perhaps we can proceed to vote quickly.

Mr. YOUNG of Ohio. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. Mr. President, I yield 3 minutes to the Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio is recognized for 3 minutes.

Mr. YOUNG of Ohio. Mr. President, I strongly support the pending amendment. Meaningful income tax reform is of the utmost necessity. Of course, that means plugging tax loopholes such as the notorious oil depletion allowance of 27.5 percent, which was enacted many years ago.

Mr. President, 20 years ago, as a member of the taxwriting Ways and Means Committee of the House of Representatives, I remember distinctly that we were debating in committee a proposed reduction of the oil depletion allowance. That was 20 years ago, when the average family in this country was not so heavily burdened with income taxes as it is at the present time. At that time, Jere Cooper, a Representative from Tennessee, who was later chairman of the Ways and Means Committee, and one of the most outstanding Members of Congress of that day, proposed to reduce the 27.5 percent oil depletion allowance to 20 percent.

I was one of the minority on the committee who joined with him in that proposal and voted in committee to reduce the 27½ percent depletion allowance on oil and gas production. Our efforts in committee failed. A Democratic colleague on the Ways and Means Committee who opposed us—I recall distinctly that he was from the State of California—at at time stated, in denouncing our proposal, that there would be a man on the moon before the committee would vote to cut that depletion allowance.

Well, Mr. President, 2 days after Neil Armstrong walked on the moon, the Ways and Means Committee of the House of Representatives recommended reducing the oil depletion allowance from 27½ to 20 percent.

Very definitely, Mr. President, I believe that the amendment offered by the Senator from Delaware is a much-needed amendment and should be carried today. The oil depletion allowance would then be reduced to 20 percent. Personally, as a Member of this body several years ago, I voted to reduce the oil depletion allowance to 15 percent, which I still believe to be a more realistic figure.

Very definitely, the thing for us to do today is to adopt the pending amendment and then place this section of the tax reform bill back in the same form in which it came to us from the House of Representatives.

Mr. President, what we need in this country today is real tax reform. It happens that as an owner of some thousands of shares of stock in Atlantic Richfield Oil Co., Tenneco, Inc., Occidental Oil, Continental Oil, and other oil producing companies, I am in a position to know that in one recent year, at a time when American families with incomes of from $4,000 to $12,000 a year were bearing a tremendously heavy tax burden, an oil company, of which I am a stockholder paid no income taxes whatever.

The Atlantic Richfield Co. is one of the great oil producing companies in America. It paid approximately 6 percent of its net earnings to the Federal Government in income taxes in 1967.

Like other owners of oil stocks, almost invariably, especially in recent months, my stock dividend was accompanied with an admonition and an urgent request to write my Congressman and tell him to retain the 27.5-percent oil depletion allowance.

Well, Mr. President, I am not about to do that. I am going to vote for the amendment of the Senator from Delaware. I hope that the majority of Senators will also vote in favor of this meritorious and much-needed amendment.

Mr. RIBICOFF. Mr. President, will the Senator from Delaware yield to me for the purpose of asking him a few questions?

Mr. WILLIAMS of Delaware. I yield.

Mr. RIBICOFF. Let me say first, that I do not believe there is another Senator in this Chamber who is more aware of the intricacies of this complicated bill than the distinguished Senator from Delaware (Mr. WILLIAMS).

I would be willing to state that almost any bill or amendment recommended by him would probably be as fair as any tax bill that this body could come up with on final passage.

It seems to me that we have a reform tax bill with one tax loophole in it which has become the symbol of all tax loopholes; namely, the oil depletion allowance; is that not correct?

Mr. WILLIAMS of Delaware. That is correct. That was the reason the House made it No. 1 on their agenda with which to deal. I think they dealt with it fairly when they reduced the rate to 20 percent.

Mr. RIBICOFF. No matter what we come up with finally, if we do not make a substantial reduction in the oil depletion allowance, so far as the American public is concerned, the Finance Committee and this Congress will really not have acted on tax reform; is that not correct?

Mr. WILLIAMS of Delaware. There is no question about it. Former Secretary of the Treasury Barr pointed out that there were a number of people with sizable incomes in excess of $200,000 who paid no income taxes whatever. I think there were 21 of them with incomes in excess of $1 million who paid no tax. Many of them were escaping taxes through the particular provision of law, which allowed the 27½ percent depletion for oil and gas.

Unless Congress does deal with this rate the oil industry will not be paying its proportionate part of the taxes.

Mr. RIBICOFF. Last year, the Treasury Department authorized what is called the Consad study. That study claims that oil depletion and other related loopholes constitute a substantial subsidy to the oil industry. When one studies that study, "substantial" is hardly the word, because the study indicates that the subsidy to the oil industry amounts to $1½ billion to $2 billion annually. Is that correct?

Mr. WILLIAMS of Delaware. That is correct as to the depletion allowance, yes.

Mr. RIBICOFF. I wonder if the Senator from Delaware would verify some statistics I have noted. Without the surtax the corporate tax rate is 48 percent, is it not?

Mr. WILLIAMS of Delaware. That is correct.

Mr. RIBICOFF. But am I not correct in stating that the petroleum industry has an effective tax rate of 21.1 percent?

Mr. WILLIAMS of Delaware. Yes. As to many companies, the rate drops as low as 8 percent.

Mr. RIBICOFF. Along that line, one of the most interesting studies has been made by the knowledgeable Senator from Wisconsin (Mr. PROXMIRE). I should like to list his statistics, which I have checked. They show that Atlantic Richfield paid no income taxes from 1964 to 1967 on earnings of around $467 million.

Consider other top-flight companies. In 1967 Standard Oil of California paid 1.2 percent; Texaco, 1.9 percent; Mobil, 4.5 percent; Gulf, 7.8 percent; and Standard Oil Co. of New Jersey, 7.9 percent of net income.

When we consider that the statistics indicate that the overall industry average in the United States was 37.5 percent, it means that American industry of all kinds is taking on the burden of supporting the great expenditures made by the Government of the country, but the oil industry certainly is not bearing its fair share.

Mr. WILLIAMS of Delaware. That is the point I was making earlier today. The oil industry is a respected industry. It is an industry that is essential to our economy, but we have many other equally essential industries. With the corporate tax rate having moved from about 14 percent 40 years ago to 52.8 percent and the individual tax rate having advanced from 15 percent to 77 percent, in the last 44 years an oil depletion rate of 27½ percent means that the oil industry is not paying its proportionate part of the cost of operating the Government under today's conditions. I should think the oil industry would be well-advised to support the proposal we have before us now so that it could be removed from the criticism that it is not paying its share.

This is not punitive legislation. It is introduced only for the purpose of creating some equity in our tax structure, so as to distribute the tax load in order that the oil industry may pay its proportionate part.

Mr. RIBICOFF. The Internal Revenue Service says that, on the average, 97 percent of corporate net income is taxable. However, the petroleum industry is taxed on only 48 percent of its net income. In fact, the depletion allowance alone accounts for seven-eighths of this reduction, is that true?

Mr. WILLIAMS of Delaware. That is correct.

Mr. RIBICOFF. I wish to ask the Senator from Delaware if it is not true that this depletion allowance allows a company to write off the cost of a producing well on the average of between 10 and 20 times.

Mr. WILLIAMS of Delaware. There is no limit to the number of times the cost of a well can be recovered. If it costs $120,000 and the company has an annual production income of $1 million the company would get a tax credit of $275,000 year after year. It is true that some of the wells are dry holes, but the companies are allowed to write them off, and that, too, is a deduction. So we are not talking about a case of allowing the companies to write off exploration costs, nor are we proposing to close off writing off the cost of drilling a well; but I do not see why an oil company should be permitted to write it off 15 or 20 times.

Mr. RIBICOFF. It has been pointed out that the action by the Finance Committee will add $175 million to overall revenues. I wonder if the Senator from Delaware would inform the Senator from Connecticut as to the additional amount that would be added to our revenues if the 20 percent depletion allowance were adopted.

Mr. WILLIAMS of Delaware. About $170 million more—that is by reducing the rate from 23 to 20 percent.

Mr. RIBICOFF. In other words, is it fair to expect the oil industry to make this small contribution to the overall burden of operating the Government of the United States?

Mr. WILLIAMS of Delaware. I think the oil industry, with its large earnings, can certainly pay these additional taxes without being disrupted at all. Certainly it is going to mean higher taxes for the industry. When we speak of tax reform—and we have all been speaking of it—we must remember that tax reform means raising taxes for some particular group that has not been paying its proportionate part. We cannot escape that fact. There are going to be some higher taxes for the oil industry. That is true of every other feature of this bill, whether it is the banking industry, foundations, capital gains, or whatever else is spoken of in this bill. When we correct an inequity in the law we are changing it to produce additional revenue.

In all these areas the committee bill proposes to raise $6 billion annually. Certainly the $400 million proposed in this particular section for the oil industry is not at all unreasonable from an industry that is as prosperous as this particular industry is.

The American people expect us to deal with this subject. I hope the amendment will be approved.

Mr. RIBICOFF. Mr. President, may I conclude with this comment? I do not know what the result of the vote will be. In my 7 years on the Finance Committee, I have been filled with admiration for the consistent fight that the distinguished Senator from Delaware and the distinguished Senator from Tennessee have made at each opportunity to try to close this loophole.

As one studies the whole problem of taxes, however, I am convinced that without major reform in the oil depletion al-

lowance, not only the Senate, but the oil industry itself, will be doing itself inestimable harm. My prediction is that unless there is substantial reform of this major loophole, the oil industry will become a political football. The oil industry will stand naked as the one industry that has received special treatment by the Congress of the United States.

When we try to close some of the loopholes in the present tax bill, it is my belief that the Finance Committee has treated most generously, of all the industries, the oil industry.

We have the symbol of tax loopholes right here before us. To try to close this loophole even partially, by providing a depletion allowance of 20 percent, still leaves the oil industry with a very substantial bonanza. I believe the Senator from Delaware is being more than fair in trying to reduce the oil depletion allowance to 20 percent, which still leaves the oil industry with a substantial boon and windfall.

The amendment of the Senator from Delaware deserves support. I shall vote for it. I hope a majority of the Senate will support the fight of the Senator from Delaware.

The PRESIDING OFFICER. Who yields time?

Mr. LONG. Mr. President, I yield myself 5 minutes.

Mr. McGEE. Mr. President, will the Senator yield briefly to me?

Mr. LONG. I yield.

Mr. McGEE. Mr. President, I had something to say extensively earlier today on the oil depletion question. I strongly oppose the pending amendment.

Mr. President, the point has been made here today that the oil and gas industry will suffer a reduction in its depletion allowance. The industry, and those States such as Wyoming which are highly dependent upon it, are going to have to live with this decision. It will cost them, as I am sure it will end up costing the American people in more ways than one. But let us not compound the effect by going any further along this course. The Finance Committee, in its wisdom, recommended a depletion allowance of 23 percent instead of 27.5 percent, which I had hoped to maintain.

To go beyond the committee recommendation would be an error. It would not gravely injure the largest companies, the biggest operators, maybe, but it would do grievous harm to the independent companies of relatively small means and to the operators who produce about 16 percent of the U.S. crude output from stripper wells.

The House has voted a depletion allowance of only 20 percent. So the matter is going to be considered further, no matter what we do here today. The Senate has voted once today to stand behind the Finance Committee, and I would suggest that we now do so again.

Mr. LONG. Mr. President, the vote on keeping the depletion allowance at 27½ percent was close in the committee. But that was not the case with respect to the proposal to place the depletion allowance at 20 percent with respect to oil companies. The vote was rather overwhelmingly opposed to that.

The reason for the overwhelming rejection was that the committee felt that this mineral, being a strategic mineral, could well be placed in the category of other minerals in section 613 of the Internal Revenue Code. Under that section there are listed, at 23 percent, silver, uranium, manganese, mercury, nickel, platinum, zinc, and others, 39 in number, which are regarded as being strategic minerals and which, it was felt in years gone by, were not as strategic and essential to this country as oil, being the fuel needed to move all our economy in wartime and in peace.

A chart which I have had prepared is at the rear of the Chamber. It shows in red what the profits of the petroleum industry have been since 1960, on an investment basis. That completely disallows depletion and all other costs. It is simply based on how much is made in an industry. It shows that the petroleum industry is no more profitable on an average than all others in this country.

Reference was made to other industries carrying a much heavier tax burden than the oil industry. I ask that the chart to which I have just referred be removed, and that the other chart be shown.

Mr. President, the chart gives an indication of whether other industries are supporting the petroleum industry or not. The computation shows how much, on a per dollar of gross revenue basis, the petroleum industry pays in taxes in relation to mining and manufacturing and all business corporations.

The fact is that while the oil industry is a relatively low-tax payer with regard to Federal income tax, on other taxes the oil industry is a high-tax payer, particularly taxes at the State and local level. Production taxes, revenue taxes, and property taxes on this industry are much higher than on others, particularly since this industry has difficulty locating in places where taxes are low. The wells must be located where the oil may be found, and the refineries where conditions are favorable for the refining of oil.

That does not include the excise tax on the product, which is about a 50-percent tax on the product itself. So this product, at the consumer level, is the most heavily taxed product there is in the American economy, with the exception of cigarettes and alcohol, both of which have an adverse connotation either with regard to health or in some other respect.

It might be well to see how this industry has managed to bear these taxes, which are heavier than for any other, considering how the price of this product actually compares with that of others. I ask that the aides turn over to the next chart.

Mr. RIBICOFF. Mr. President, will the distinguished chairman yield for a question before the chart is changed?

Mr. LONG. I yield.

Mr. RIBICOFF. Would the staff please put the last chart back on the stand?

I wonder if the distinguished chairman would inform the Senate where the figure in the third column, the 6.03, comes from. I have difficulty determining where that figure comes from.

Mr. LONG. I have here, and I ask unanimous consent that it be printed in the RECORD, excerpts from a study showing the amounts of taxes that are paid in production taxes, property taxes, and State income taxes, industry by industry, relating that to the revenues of those industries.

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

[From the Tax Burden on the Domestic Oil and Gas Industry, 1964–66, by the Petroleum, Industry Research Foundation, Inc.]

DETERMINATION OF THE TAX BURDEN

In order to ascertain the tax burden on the domestic oil and gas industry we had to develop two sets of data, neither of which is readily available from official sources: the industry's total gross domestic revenues and its total tax payments by type of tax. To obtain the revenue data we had to seek special cooperation from the oil industry, since most companies publish only world-wide gross revenue data which in a number of cases vary considerably from domestic revenues. We obtained the cooperation of twenty-seven large companies which together account for nearly 65% of total domestic crude oil production, 85% of domestic refining operations and over 80% of U.S. foreign oil revenues. At our request these companies reported their revenues by foreign and domestic source to the Tulsa office of the international public accounting firm, Arthur Young & Company. This was done in order to maintain the confidentiality of each reporting company's figures. Arthur Young & Company submitted to us and composite summary of the twenty-seven companies' foreign and domestic revenues. This composite figure was used in our computation of the oil industry's domestic tax burden, as described below.

The required tax data was obtained from the 10–K forms which publicly owned corporations are required to file annually with the Securities and Exchange Commission. We collected this data for the same twenty-seven companies for which we had received the composite gross domestic revenue data.

For comparative purposes we obtained similar data on gross revenues and total tax payments for all U.S. mining and manufacturing corporations and for all U.S. business corporations (excluding oil in both cases) from the Internal Revenue Service publication, *Statistics of Income—Corporate Income Tax Returns for the Fiscal Years 1963–64 and 1964–65.*

To measure the relative tax burden on oil and on other industries we computed ratios of total domestic tax payments to total domestic gross revenue. The use of this particular ratio avoids the problems of comparability normally encountered when comparing one industry with another. The concept of gross revenues differs less from industry to industry than that of net income or other bases. The relating of taxes to gross revenues rather than net income (before income tax) permits us to ignore the inter-industrial differences in the treatment of inventories and depreciation which have a varying impact on net income. The use of gross revenues therefore provides the most reliable yardstick available to measure the tax burden on a comparable inter-industry basis.

All types of domestic taxes—federal, state and local (with the exception of excise and sales taxes which are treated separately)—were taken into account in computing our tax burden. These taxes were considered collectively on the assumption that regardless of whether, when and to what extent they are shifted forward in the form of higher prices or backward in the form of lower royalties or other payments, initially they represent a burden on the tax paying firm, much like any other cost item.

Thus, our procedure ignores the question of the ultimate incidence of the tax—what part is shifted by the initial tax payer and to whom it is shifted. This omission is deliberate in view of the very limited and contradictory knowledge in economic theory of the incidence of tax shifting. For our purposes we may assume that while business firms generally attempt to shift all taxes—primarily by incorporating them in their prices—companies are invariably restricted in this endeavor by competitive factors as well as the response of consumers to price changes. Furthermore, tax shifting depends in part also on the type of tax paid. For instance, unit taxes are more easily shifted than income taxes. Since, as we shall see, unit taxes tend to play a relatively larger part and income taxes a correspondingly smaller part in the oil industry than in other industries, the degree of shifting may possibly be somewhat larger in the oil industry than in U.S. industry in general. However, we have no statistical or other factual evidence of this behavior.

FINDINGS OF THIS STUDY

The total domestic tax payments of the twenty-seven U.S. oil companies listed in Appendix, page 32, amounted to $1.92 billion in 1966, $1.57 billion in 1965 and $1.31 billion in 1964, as the following table indicates.

TABLE 1.—DOMESTIC TAXES OF THE 27 PETROLEUM COMPANIES

[In millions of dollars]

Taxes	1966	1965	1964
Federal income	658	433	263
State income	58	46	34
Severance and production	354	331	297
Property and ad valorem	433	398	354
Payroll	185	141	133
Pipeline [1]	41	50	45
Miscellaneous	193	174	183
Total	1,922	1,573	1,309

[1] Only the taxes and revenues of the pipeline companies owned by but not consolidated on the income statements of these 27 oil companies were included.

When we expand the domestic tax payments of these twenty-seven companies to the entire oil industry on the basis of the companies composite share in total U.S. crude oil production and refinery runs, we arrive at the following estimates:

DOMESTIC TAXES OF THE U.S. OIL AND GAS INDUSTRY

[In millions of dollars]

	1966	1965	1964
Federal income taxes	775	510	310
All other taxes (except excise and sales)	1,685	1,520	1,445
Total domestic tax payments	2,460	2,030	1,725

As can be seen, federal income taxes have taken an increasingly larger share of the oil industry's total tax payments. In 1964 federal income tax payments of the twenty-seven companies amounted to 20% of their total tax payments; in 1965 and again in 1966 the share of federal income taxes increased to 27% and 34% respectively.

TABLE II.—SHARE OF DOMESTIC OIL COMPANY TAXES, 27 COMPANIES

[In percent]

Taxes	1966	1965	1964
Federal income	34.2	27.5	20.1
State income	3.0	2.9	2.6
Severance and production	18.4	21.1	22.7
Property and ad valorem	22.6	25.3	27.1
Payroll	9.6	9.0	10.1
Pipeline	2.1	3.2	3.4
Miscellaneous	10.1	11.0	14.0
Total	100.0	100.0	100.0

The distribution of taxes in the petroleum industry, as shown in Table II, differs distinctly from that of U.S. industry in general. Approximately half of the total U.S. corporate tax payments and nearly 60% of the total tax payments of U.S. mining and manufacturing industries were federal income tax payments for the fiscal periods 1964 and 1965, compared with the aforementioned 20% and 27% for our twenty-seven major oil companies. It is this relatively lower effective federal income tax rate in the petroleum sector than in U.S. industry in general that has given rise to the question of the equity of the oil industry's tax burden. However, as was pointed out, all taxes initially are a burden on the tax payer. Hence, the fact that taxes paid to state and local authorities are proportionately larger for the oil industry than for other industry cannot be ignored in answering the question about the industry's tax equity.

The bulk of these other taxes was levied on the production of oil and gas in the form of severance and production taxes, mainly at the state level, and local taxes, consisting mainly of property taxes levied by communities and counties on oil refineries, terminals, bulk plants, inventories as well as on oil and gas deposits in the ground. In fact, severance, production and property taxes have accounted for nearly 46% of the total tax payments of the twenty-seven oil companies for the three-year period. This places the oil industry among the largest industrial tax payers on the state and local level.

The difference in the tax distribution pattern between oil and other industries is due to a number of special factors, including two provisions in the federal income tax statutes applicable to mineral industries only, namely percentage depletion and the treatment of intangible drilling and development expenditures. Percentage depletion is designed to enable oil and gas producers to recover the value of their depleting deposits by allowing a deduction up to 27.5% of the gross value of production (restricted by the 50% net income limitation); producers also have the option of either capitalizing or writing off immediately the bulk of their drilling expenditures.

Both these factors tend to reduce the petroleum industry's federal income tax burden as defined in this study. However, they apply only to the producing sector of the industry. It is this sector which also bears most of the industry's severance, production and property taxes. Therefore, a determination of whether the petroleum industry pays an equitable* share of taxes must take into account these other taxes too. Having determined the total domestic tax payments of the twenty-seven companies, we can now proceed to establish their tax burden by relating the tax payments to the companies' overall economic performance, or, more precisely, by computing a ratio between tax payments and gross revenues, as shown in Table III.

*The term "equitable" is used in this context to imply an equal total tax burden for all businesses in relation to their economic performance.

TABLE III—THE DOMESTIC TAX BURDEN**—27 MAJOR OIL COMPANIES

[Dollars in millions]

	1966	1965	1964
Domestic gross revenues	$31,885	$29,957	$27,130
Total domestic taxes	$1,922	$1,573	$1,309
Tax burden: tax/revenue ratio (percent)	6.03	5.43	4.82

**Includes the nonconsolidated pipeline revenues and taxes of these 27 companies.

Thus, in 1966 for each dollar of domestic revenue these twenty-seven companies paid out 6.03¢ in domestic taxes. The average for the three-year period 1964–66 was 5.5¢ per dollar of revenue (exclusive of excise and sales taxes). Of interest is the steady increase in the tax burden during the three years. The principal reason for this is the increase in federal taxes, as shown in Tables I and II. These taxes have increased much more rapidly than domestic gross revenues.

Our final step in seeking to determine the equity of the oil industry's tax burden is to compare it with the tax burden on all mining and manufacturing corporations* and on all business corporations* in general. Since the data for the fiscal period 1965/1966 is not yet available in workable form from the Internal Revenue Service, our computations will be restricted to the fiscal periods 1963/64 and 1964/65. This corresponds approximately to our petroleum industry for the years 1964 and 1965.

Mr. RIBICOFF. But this is not the burden of Federal taxation. The Senator is taking into account the tax burden levied by a municipality or a State for property taxes, or whatever other taxes there are, but there is no indication of what the Federal income tax burden might be in relation to earnings, in comparison with any other industry in this Nation.

Mr. LONG. This relates the tax the industry pays both the State and local governments on production or property taxes, as well as the income tax it pays the Federal Government.

The PRESIDING OFFICER (Mr. COOK in the chair). The Senator's 5 minutes have expired.

Mr. LONG. I yield myself 5 additional minutes.

This does not include the burden that the product bears, on the product itself—the excise tax—which, as I say, is the highest of any product. It is a 50-percent tax, roughly, at the pump, which is higher than the taxes on anything except alcohol and tobacco.

So when one talks about an industry carrying its fair share, this industry carries a heavier overall tax burden, if you add its property taxes, its production taxes, on the State and local level, and its Federal income tax—than the average for mining and manufacturing and other corporate business. I shall be happy to provide for the RECORD the figures which I supplied on May 16 on this issue.

I ask unanimous consent to include a tabulation from that speech in the RECORD at this point.

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

*Exclusive of petroleum as well as other industries—For details see Appendix, page 23.

TABLE 1.—SELECTED BALANCE SHEET AND INCOME STATEMENT ITEMS, BY MAJOR INDUSTRY

[Amounts in thousands of dollars]

Item	Major industry													
			Mining						Manufacturing					
	All industries	Agriculture, forestry, and fisheries	Total mining	Metal mining	Coal mining	Crude petroleum and natural gas	Nonmetallic minerals (except fuels) mining	Contract construction	Total manufacturing	Food and kindred products	Tobacco manufactures	Textile mill products	Apparel and other fabricated textile products	Lumber and wood products except furniture
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1. Number of returns, total	1,475,859	28,098	15,039	901	2,367	8,034	3,737	112,470	188,863	18,941	105	5,851	17,579	8,811
2. With net income	945,775	16,677	7,363	277	1,063	3,663	2,360	70,470	134,683	13,069	101	4,260	12,970	5,874
3 Without net income	530,084	11,421	7,676	624	1,304	4,371	1,377	42,000	54,180	5,872	----------	1,591	4,609	2,937
4 Total receipts	1,332,442,658	8,962,642	15,095,315	3,143,124	3,436,928	5,751,433	2,763,830	64,749,496	578,680,223	86,267,396	6,978,370	19,430,331	20,243,388	10,563,351
5 Business receipts	1,249,067,218	8,543,543	14,344,848	2,981,876	3,281,289	5,433,774	2,647,909	63,551,388	565,116,210	85,252,853	6,941,191	19,154,371	20,065,441	10,104,820
6 Net long-term capital gain reduced by net short-term capital loss	6,100,504	105,037	152,928	32,442	41,480	58,402	20,604	123,650	2,027,303	123,126	421	24,523	9,934	272,950
7 Net gain, noncapital assets	3,141,660	15,878	30,696	544	6,332	17,533	6,287	61,792	258,635	29,660	1,691	7,201	3,562	18,402
8 Dividends, domestic corporations	4,520,874	17,064	89,758	39,657	23,018	22,607	4,476	24,193	1,189,292	46,714	2,451	12,335	10,328	5,091
9 Dividends, foreign corporations	1,702,331	599	29,932	27,430	55	1,439	1,008	13,387	1,428,297	79,389	5,409	7,429	1,543	2,016
10 Receipts not specified above	67,910,071	280,521	447,153	61,175	83,754	217,678	83,546	975,086	8,660,486	735,654	27,207	224,472	152,580	160,072
11 Total deductions	1,250,538,318	8,657,674	13,385,693	2,592,812	3,334,352	4,835,138	2,623,391	63,299,721	535,232,102	83,023,497	6,175,853	18,372,401	19,527,866	10,130,651
12 Cost of sales and operations	885,178,916	6,159,526	8,488,619	1,788,428	2,421,181	2,685,179	1,593,831	53,363,454	396,578,368	65,660,030	3,635,890	15,103,615	15,474,252	7,778,165
13 Amortization	215,997	717	11,172	8,118	1,038	484	1,532	6,214	83,057	6,224	444	715	1,277	350
14 Depreciation	37,918,333	327,985	953,737	157,196	217,735	362,459	216,347	1,154,306	16,401,277	1,574,591	71,653	501,249	160,392	335,590
15 Depletion	5,215,912	13,083	1,056,800	219,098	82,756	643,274	111,672	15,369	3,302,372	11,494	----------	13,283	343	276,814
16 Pension, profit sharing, stock bonus, annuity plans	8,324,771	18,365	66,375	16,056	10,195	23,965	16,159	205,598	4,833,308	312,018	54,681	101,226	68,225	38,262
17 Other employee benefit plans	4,593,177	11,569	105,794	7,031	83,187	6,453	9,123	217,379	3,028,212	244,246	14,587	44,424	101,255	15,157
18 Net loss, noncapital assets	1,129,322	9,462	26,239	5,374	1,242	17,775	1,848	15,959	166,438	41,432	7	8,720	13,512	3,110
19 Deductions not specified above	307,961,890	2,116,967	2,676,957	391,511	517,018	1,095,549	672,879	8,321,442	110,839,070	15,173,462	2,398,591	2,599,169	3,708,610	1,683,203
20 Total receipts less total deductions	81,904,340	304,968	1,709,622	550,312	102,576	916,295	140,439	1,449,775	43,448,121	3,243,899	802,517	1,057,930	715,522	432,700
21 Net income (less deficit)	81,218,022	306,856	1,723,534	557,525	101,532	924,841	139,636	1,467,844	44,526,763	3,346,047	806,917	1,058,849	714,975	441,834
22 Net income	88,764,164	486,569	2,113,572	633,433	158,512	1,126,820	194,807	2,043,126	46,402,490	3,626,234	809,730	1,144,746	808,997	551,275
23 Deficit	7,546,142	179,713	390,038	75,908	56,980	201,979	55,171	575,282	1,875,727	280,187	----------	85,897	94,022	109,441
24 Income subject to tax	77,992,067	335,800	1,819,512	497,863	121,784	1,063,475	136,390	1,657,565	43,845,695	3,452,797	806,944	1,098,214	701,960	519,090
Income tax:														
25 Number of returns	719,878	10,533	5,164	135	844	2,494	1,691	50,482	107,840	10,216	100	3,662	9,788	4,760
26 Amount	34,836,995	124,423	845,123	232,568	57,965	496,799	57,791	638,192	20,233,929	1,596,427	387,114	509,262	305,203	176,235
27 Investment credit	2,018,757	8,837	32,979	9,468	7,343	8,096	8,072	44,038	1,153,239	94,312	5,123	43,965	9,020	19,621
28 Foreign tax credit	2,830,242	12,590	564,998	130,232	227	429,495	5,044	17,334	1,959,450	123,102	5,714	5,012	3,532	5,416
29 Net income (less deficit) after tax (21 minus 26 plus 27)	48,399,784	191,270	911,390	334,425	50,910	436,138	89,917	873,690	25,446,073	1,843,932	424,926	593,552	418,792	285,220
30 Net income after tax	55,949,650	371,147	1,301,547	410,333	107,902	638,222	145,090	1,449,286	27,322,837	1,124,272	427,739	679,518	512,817	394,768
Distributions to stockholders:														
31 Cash and property except own stock	27,882,546	94,825	1,099,647	255,578	59,985	707,180	76,904	199,534	12,875,585	934,420	281,569	205,894	134,685	123,950
32 Corporation's own stock	2,741,574	11,998	79,371	44,137	4,625	26,207	4,402	46,472	1,196,572	49,255	96	35,701	15,193	31,260
33 Total assets	1,877,003,506	7,647,343	18,434,235	4,668,488	2,748,372	7,688,902	3,328,473	29,568,889	410,721,409	35,985,565	5,383,772	12,318,811	8,694,464	7,672,520
34 Inventories	144,569,526	1,013,595	928,589	377,899	82,045	236,965	231,680	3,788,637	88,002,515	8,177,684	3,267,889	3,419,917	3,246,460	1,567,979

TABLE 1.—SELECTED BALANCE SHEET AND INCOME ITEMS, BY MAJOR INDUSTRY—Continued

[Amounts in thousands of dollars]

Item	Major industry: Manufacturing — Furniture and fixtures (15)	Paper and allied products (16)	Printing, publishing and allied industries (17)	Chemicals and allied products (18)	Petroleum refining and related industries (19)	Rubber and miscellaneous plastics products (20)	Leather and leather products (21)	Stone, clay, and glass products (22)	Primary metal industries (23)	Fabricated metal products, except machinery and transportation equipment (24)	Machinery, except electrical (25)	Electrical machinery, equipment, and supplies (26)	Motor vehicles and motor vehicle equipment (27)	Transportation equipment, except motor vehicles (28)
1 Number of returns, total	6,838	3,379	23,319	10,569	1,121	4,869	2,963	8,530	5,422	21,295	20,878	8,847	2,174	2,849
2 With net income	4,626	2,637	15,823	7,040	782	3,151	2,310	5,521	4,404	16,654	16,381	5,659	1,632	1,772
3 Without net income	2,212	742	7,496	3,529	339	1,718	653	3,009	1,018	4,641	4,497	3,188	542	1,077
4 Total receipts	7,699,073	16,943,667	21,398,995	44,524,072	55,908,569	11,542,533	5,668,631	13,712,696	42,456,230	32,595,654	46,517,121	41,094,737	50,848,200	25,389,232
5 Business receipts	7,607,805	16,557,252	20,672,622	43,436,350	52,120,124	11,339,317	5,612,256	13,388,514	41,774,221	32,143,762	44,870,791	40,489,491	49,985,158	25,100,056
6 Net long-term capital gain reduced by net short-term capital loss	14,122	170,980	60,099	84,355	446,024	14,481	4,212	28,072	60,947	58,482	508,170	44,532	39,828	23,503
7 Net gain, noncapita assets	1,399	5,457	14,207	21,038	46,652	5,724	2,969	10,074	5,253	15,402	26,323	9,235	12,965	6,292
8 Dividends, domestic corporations	2,521	24,621	58,916	99,054	600,817	15,023	7,274	28,502	160,866	15,467	35,943	13,541	28,575	10,017
9 Dividends, foreign corporations	280	19,331	16,955	181,416	456,927	22,130	338	51,256	56,102	45,018	72,918	79,329	279,604	8,094
10 Receipts not specified above	72,946	166,026	576,196	701,859	2,238,025	145,858	41,582	206,551	397,841	317,523	1,002,976	458,609	502,071	241,170
11 Total deductions	7,274,917	15,549,122	19,480,485	39,452,210	52,299,775	10,793,167	5,417,758	12,745,437	38,972,008	30,173,130	41,466,350	37,876,990	45,503,700	24,021,919
12 Cost of sales and operations	5,539,165	11,256,473	13,262,477	25,903,967	34,878,848	6,616,058	4,289,160	8,802,236	29,930,886	22,953,115	29,222,227	28,211,348	36,361,450	19,354,851
13 Amortization	729	3,069	3,272	9,687	6,692	650	222	2,541	5,571	5,354	7,197	16,546	5,210	2,917
14 Depreciation	113,118	761,288	526,033	1,880,960	2,223,886	362,563	62,639	695,365	1,832,948	727,551	1,406,356	914,674	1,211,591	519,556
15 Depletion	33	62,928	3,011	128,707	2,410,274	1,239	1,996	85,285	282,133	3,323	3,599	442	1,630	13,500
16 Pens on, profit sharing, stock bonus, annuity plans	40,056	107,984	177,578	481,203	334,289	113,747	27,288	116,047	434,827	262,700	501,962	359,318	688,015	414,449
17 Other employee benefit plans	31,552	70,106	80,700	160,022	127,383	61,550	21,391	79,842	354,481	151,951	315,481	213,533	695,162	165,425
18 Net loss, noncapital assets	1,031	5,842	5,841	5,475	5,398	2,870	380	15,995	10,317	11,761	6,266	6,082	14,963	4,935
19 Deduct ons not specified above	1,549,233	3,281,432	5,421,573	10,882,189	12,313,005	2,634,490	1,014,682	2,948,486	6,120,845	6,057,375	10,003,262	8,155,047	6,525,679	3,546,286
20 Total receipts less total deductions	424,156	1,394,545	1,918,510	5,071,862	3,608,749	749,366	250,873	967,532	3,484,222	2,422,524	5,050,771	3,217,747	5,344,500	1,367,313
21 Net income (less deficit)	421,673	1,411,430	1,922,446	5,282,170	3,729,720	798,745	249,091	1,006,166	3,489,027	2,452,424	5,274,062	3,278,311	5,523,168	1,369,092
22 Net income	473,055	1,454,383	2,027,573	5,374,658	3,763,110	851,928	265,677	1,126,571	3,553,399	2,578,256	5,396,263	3,466,761	5,589,421	1,441,745
23 Deficit	51,382	42,953	105,127	92,488	33,390	53,183	16,586	120,405	64,372	125,832	122,201	188,450	66,253	72,653
24 Income subject to tax	448,830	1,404,972	1,838,597	5,179,796	3,099,921	805,250	237,993	1,069,448	3,255,874	2,417,196	5,195,146	3,367,399	5,510,020	1,404,965
Income tax:														
25 Number of returns	3,540	2,190	12,134	5,867	727	2,683	1,778	4,447	3,731	13,584	13,550	4,382	1,314	1,413
26 Amount	200,182	627,346	835,991	2,452,540	1,384,183	373,945	106,840	493,515	1,535,336	1,093,699	2,324,864	1,591,354	2,632,386	665,350
27 Investment credit	7,185	57,741	37,043	155,415	131,151	28,690	3,775	39,946	143,992	54,944	79,842	67,716	99,217	42,024
28 Foreign tax credit	373	24,682	16,859	234,030	679,040	36,577	355	49,634	124,421	45,748	182,071	106,262	258,650	11,629
29 Net income (less deficit) after tax (21 minus 26 plus 27)	228,676	841,825	1,123,498	2,985,045	2,476,688	453,490	146,026	552,597	2,097,683	1,413,669	3,029,040	1,754,673	2,989,999	745,766
30 Net income after tax	280,058	884,851	1,228,631	3,077,687	2,510,138	506,686	162,664	673,119	2,162,098	1,539,568	3,151,256	1,943,155	3,056,253	818,441
Distribution to stockholders:														
31 Cash and property except own stock	55,695	412,319	394,056	1,726,739	2,382,808	199,445	51,460	345,496	932,505	423,444	948,282	739,518	1,882,642	290,200
32 Corporation's own stock	24,426	37,105	112,055	123,064	281,333	12,222	13,896	15,104	49,640	89,657	113,725	108,728	16,259	20,109
33 Total assets	3,882,828	15,016,539	14,885,980	36,997,303	59,951,235	8,256,231	2,788,174	12,812,884	37,099,433	19,248,215	34,477,714	26,711,487	38,690,513	16,156,576
34 Inventories	1,191,627	2,081,953	1,804,481	6,608,058	4,258,308	2,030,210	891,815	1,918,446	7,358,183	5,274,891	10,209,525	8,114,827	6,561,148	6,346,884

Mr. RIBICOFF. What confuses me is the fact that in 1965, the latest figure available, I note Federal income taxes, as a percentage of net income, were 37.5 percent for all industry, and 21.1 percent for petroleum. So, basically, it becomes very obvious that when it comes as a percentage of net income, the petroleum industry is nowhere near the national average, which causes great confusion, because here we are talking about Federal income taxes. We are trying to reform our income tax laws, and yet we have this question of the petroleum industry carrying this large burden of State and local taxes. But certainly, when it comes to the Federal Government, they are not carrying anywhere near the burden of taxes that other American industries are carrying.

Mr. LONG. If you are talking about the Federal Government alone, the Senator's statement would be correct, unless one wishes to give that industry some recognition for the fact that it is carrying a heavier overall tax burden than any industry with the exception of alcohol and tobacco. There is also a 50-percent tax on the product when delivered to the consumer. If the Senator thinks the consumer is paying all of that tax, then I suggest that the Senator contact any industry in his State and ask if that industry would be happy to accept a 50-percent tax burden on its product.

Mr. RIBICOFF. May I say to the distinguished Senator, the difference is this: When you and I go to the gasoline pump and pay our bill, we might pay 10 or 11 or 12 cents a gallon tax on the gasoline for filling up our tank, but we pay it, and not the major oil companies.

That is not the case with other businesses. So, basically, when we talk about the tax burden, it is the consumer that is paying this tax burden, and not the producers of oil.

Mr. LONG. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 20 minutes remaining.

Mr. LONG. Mr. President, every industry is going to pass along every tax to the consumer if it can, because if it does not pass the tax along, it is not making money. So even the income tax is one it is going to pass along, if it can, to the consumer, as part of the price of its product.

But if the Senator wants to revert to the chart I have previously shown him, after we take all these facts into consideration, we find this industry is not making as much net profit as the average, or at least not more than the average, for all manufacturing, and it is going to be making less as a result of these major increases in taxes the committee has voted. The Senator should bear in mind that the committee has not only voted to reduce the depletion allowance to 23 percent, but has put a 5-percent tax on benefits from the depletion, and also a 5-percent tax on the intangible drilling costs.

Mr. RIBICOFF. Will the Senator yield at that point?

Mr. LONG. I yield.

Mr. RIBICOFF. That 5 percent, however, is a burden not only put upon the oil industry, but is an additional tax that will be placed on every individual or corporation having a tax sheltered income of any kind. So we are not picking out the oil industry for that 5-percent additional burden.

Mr. LONG. If you want to call it a tax shelter. But the point is that most industries have the benefit of depreciation. You buy a piece of equipment, and depreciate it over the life of the equipment and are able to replace it when it is fully depreciated. But with regard to one seeking oil and gas, when he drills for it, the chances are 42 to 1 that it will not be a very good oil well, and the chances are 9 to 1 that he will not find anything worth producing. So it is an entirely different problem than simply depreciating something one manufactures.

The fact of the matter is that the CONSAD report, which Mr. Stanley Surrey wanted made. We have heard a lot of discussion about the conclusion of this report—that percentage depletion is an inefficient way of encouraging people to produce.

The fact of the matter is that the CONSAD report is rated by economists who understand the oil industry as being so erroneous that there is really not much point in getting into it.

I have here a memorandum from one of the experts over in the Department of the Interior, who said that in his judgment, there were 70 editorial mistakes in that report. I do not have time to go into all the fallacious and unrealistic assumptions in that report. For example, just to show how completely unreliable that CONSAD report is, they proceed on the assumption that we will find more reserves by making it unprofitable for someone to find reserves. The reverse side of that coin would be that if it were not profitable for someone to go out and find the oil and gas, he would do it even though he were losing money, which is pretty ridiculous, on the face of it.

I ask unanimous consent that the initial criticism of that report, together with the Proxmire comment and the response to it, be printed in the RECORD at this point, so that one can read both the criticism and the response, and the response to the response, and see who they think is correct.

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

ANALYSIS AND COMMENT RELATING TO THE CONSAD REPORT ON THE INFLUENCE OF U.S. PETROLEUM TAXATION ON THE LEVEL OF RESERVES, APRIL 25, 1969

(By the Mid-Continent Oil and Gas Association, Washington, D.C.)

SUMMARY

The conclusions of the CONSAD report can be given no credence because:

I. The mathematical formula (an "economic model") from which the conclusions are drawn is conceptually inappropriate for the purpose.

II. CONSAD, itself, issues repeated warnings about the pitfalls of its model-building. The combined impact of these cautions is a clear signal that CONSAD should have rejected this model, as it did two other models—and as it did *this* one for natural gas.

III. The quality of the data used in the formula is questionable, as is the method of manipulation.

IV. There are factual errors in the report.

V. The study proceeds from a number of doubtful premises about the economics of the petroleum industry.

I. Inappropriateness of the CONSAD formula

The CONSAD study employed mathematical methods to predict the change in petroleum reserves that would result from elimination of percentage depletion. A fundamental error was made by using a formula that cannot answer this question. It was assumed that *production would not change* in the event of an increase in petroleum taxation, and the formula was designed to determine the level of reserves that would be required to accommodate the assumed fixed level of production.

Once it made the assumption that output is fixed regardless of profitability, it was inevitable that CONSAD would find that there would be little change in the desired level of reserves, since the required level of reserves is technologically determined by the level of production. It is indisputable, owing to the nature of petroleum deposits, that any given level of production requires a supporting amount of reserves which is a multiple of production—as CONSAD acknowledges on page 7.3 of the report. (To produce one barrel of oil annually, there must be about ten barrels of supporting reserves in the ground.)

CONSAD actually ignored the *real* problem, which is how the long-run level of output would change in reaction to a decrease in profitability resulting from increased taxation. Instead, CONSAD indefensibly assumed that the desired level of production is independent of the level of profitability of the industry.

Indeed, the CONSAD model makes no provision for unprofitability (except at a zero price of crude oil). The mathematical model is so formulated that it tells us that the industry would find and develop reserves even if price were less than cost. Any model which states that businessmen desire to invest when price is less than cost is indefensible because no firm desires to invest at a loss.

II. CONSAD cautions

CONSAD raised such an extended and serious list of objections to its own procedures that the reader should be convinced of the mathematical formula's lack of merit without further independent inquiry.

The formula was developed for use in describing the behavior of individual firms in manufacturing. CONSAD questioned whether the formula would be reliable if extended to the petroleum industry—see page 6.31.

CONSAD also questioned whether the historical data employed can be used to predict the future—see pages 6.12 and 6.13. In the report, it was said that "If the quantity of reserves necessary to support a certain level of output has changed during the period of the study, it will cause errors" in the estimates—page 6.13. (In fact, the ratio of proved reserves to production actually *has* declined steadily since 1960.)

CONSAD warns that reliable economic models require reliable data. In addition to the problem of finding reliable figures, it was recognized that there are massive problems in using the data. Perhaps the best example is finding costs, "the most ambiguous area in the data in this study"—page 6.16. Computing industry finding costs involves multiple difficulties, e.g., (a) the impossibility of determining from industry data when the exploration dollars for a given year's discoveries were actually spent; (b) the difficulty of estimating how much has been found until a number of years after discovery; and (c) the random variability of the amount spent per barrel found from year to year.

III. Statistical problems

The CONSAD report points out that there are "many missing links" in the quantitative data available for making a reliable economic study—page B.1. It nevertheless

proceeded with the study on the basis of estimated data and often relied on doubtful stand-in data to estimate the effects of important items for which it could not obtain direct information. Moreover, the data were used to predict the effect of a change in industry taxation for which there is no historical precedent. Such an extrapolation beyond the range of historical experience violates fundamental statistical principles.

IV. Incorrect information

The report contains factually incorrect statements. Some involve data—even matters as basic as the current level of U.S. crude oil production. Others refer to petroleum tax provisions which do not exist.

If a research company is so unfamiliar with the petroleum industry as to err on basic data and tax provisions, it is unlikely to have sufficient knowledge of the industry to be able to develop accurate complex mathematical models for analyzing industry behavior.

V. Doubtful petroleum economics

Some of the premises of the CONSAD study are, in our opinion, based on unreliable assumptions about the economics of the industry. A notable example of these propositions asserts that Canadian crude reserves can "substitute" for United States reserves. However, the amount of crude oil imports from Canada is limited by agreement between the two governments. Since crude oil imports from Canada are controlled, Canadian reserves—like overseas reserves—are not substitutes for U.S. reserves. Thus, CONSAD should not have aggregated Canadian and U.S. reserves in its economic model. And drawing conclusions from this model entailed the error of assuming that changes in the U.S. tax law would have the same effect on Canadian reserves as on domestic reserves.

CONCLUSION

No useful conclusions can be drawn from the CONSAD study because the mathematical model and the data are defective and because some of the basic premises are not appropriate. Indeed, it was predestined that CONSAD's exercise would be futile because CONSAD assumed that production would not change in the event of an increase in petroleum taxation.

Furthermore, we firmly believe that *no* aggregative mathematical model of the oil industry—no matter how sophisticated—can be used as a guide to estimating the effects of eliminating percentage depletion. Two of the most important reasons for this are:

(1) Part of the period upon which such a model must be based (the 1950's and 1960's) was one of industry readjustment to excess capacity, a readjustment now well on the way to completion.

Sound statistical theory holds that projection of a past period assumes that any changes that occurred in the base period will be repeated in the future. Since further significant adjustment to excess capacity is not likely, the 1950's and 1960's cannot be used as a base period for forecasting the future.

(2) The largest year-to-year crude oil price change since 1950 was +30¢ per barrel (1956 to 1957). Elimination of percentage depletion would be equivalent to a price reduction of about 75¢ per barrel. Thus, any prediction of the results of such a tax change based on a model reflecting the 1950's and 1960's would require extrapolation far beyond the limits of the base period data.

Sound statistical theory holds that such extrapolation is invalid because there is simply no historical basis for evaluating how firms would react to changes so far beyond the range of experience.

CONSAD admitted the existence of these problems, but it proceeded undeterred.

Our criticism is not so much that CONSAD's exercise predictably proved futile, as that CONSAD drew serious public policy conclusions from its mathematical model despite the obvious and admitted statistical problems involved in constructing any such model. The model used is especially subject to criticism because it is based on the improper assumption that industry exploration and development expenditures are not dependent on an adequate rate of return.

INTRODUCTION AND CONCLUSIONS

This paper is a review of the recently released CONSAD Research Corporation Report on *The Economic Factors Affecting the Level of Domestic Petroleum Reserves*. This report has been widely quoted as concluding that elimination of percentage depletion would cause the firms in the industry to reduce the total desired level of proved crude oil reserves by only 3%, while elimination of percentage depletion and the right to deduct intangible drilling costs in the year of drilling would, together, reduce the desired level of reserves by only 7%.

The CONSAD conclusions are based on an economic model which is inappropriate for evaluating the effect of a tax increase on desired reserve holdings. This model was estimated and applied using old and doubtful data and generally questionable techniques. Furthermore, the study contains a number of statements which can be shown to be factually incorrect, as well as a number of questionable statements on the economics of the petroleum industry. In fact, the study is not even internally consistent in several places. Given these various problems, documented in detail below, the CONSAD conclusions can be given no credence.

CONSAD set out to evaluate three models:

(1) A so-called "neoclassical" model purporting to relate the desired level of reserves in the long run to production, price, and cost;

(2) An industry "behavioral simulation" attempting to relate exploration and development expenditures to some general measure of industry performance such as rate of return; and

(3) An individual firm simulation model attempting to determine mathematically how an integrated or non-integrated producer might react to changes in petroleum taxation.

The second model "could not be developed" (3.5)[1] because of CONSAD's inability to find a "significant relationship between the rate-of-return measures and expenditures for exploration and development". (6.51) "Consequently the development of a model of this type was determined to be infeasible at this time." (6.52)

The third model was developed, and we are told at the beginning of the report that the results are "mutually supportive" (3.5) of the results of the first model. Later in the report, however, CONSAD admits the "lack of quantitative significance of the firm model" which is "due in part to the lack of data on which to base it." (6.53) "The outputs of this model cannot serve as quantitative estimates of the effects of tax policy changes on total reserve levels . . ." (6.52) If this model cannot provide quantitative estimates, it is clear that CONSAD has no basis for alleging that it supports the results of the first model.

In short, the whole CONSAD result depends on the theoretical and statistical viability of the (first) model which attempts to relate the desired level of reserves to price, cost, and output. This report's purpose is to appraise this model. We shall, in turn, discuss:

(1) The theoretical invalidity and general non-applicability of the so-called neoclassical model, and CONSAD's failure to consider the relevant policy questions;

(2) The warnings which CONSAD itself issues about the difficulties of formulating such a model for the petroleum industry;

(3) Problems in CONSAD's statistical analysis;

(4) Apparent factual errors in the CONSAD report; and

(5) Certain doubtful propositions which CONSAD develops about the economics of the industry.

The general conclusion of our appraisal is that CONSAD analysis is conceptually unsatisfactory and statistically unsound. Thus, as is made abundantly clear in numerous statements in the report itself, it simply cannot provide reliable predictions of the likely reaction of petroleum firms to a substantial and unprecedented change in the basic economics of the industry. Consequently, it cannot serve as even a "base point" in the formulation or reformulation of public policy in this vitally important area.

I. THE "NEOCLASSICAL" MODEL

The source of CONSAD's conclusions, the Reserve-Reaction Forecasting or Neoclassical model, is based on arguments that were developed by Professor Dale W. Jorgenson of the University of California (Berkeley). Jorgenson's research, as reported in a series of recent papers, centered upon his attempt to apply what he has called a "neoclassical" approach to the problem of forecasting *short-term* changes in the level of investment spending. In the CONSAD report, one part of Jorgenson's model is used for the rather different problem of predicting the volume of petroleum reserves that petroleum producers will want to hold in the *long run* under different conditions.

This chapter first examines the model and its applicability to petroleum production. In the second part, emphasis is placed on those aspects of the model that are especially inappropriate in the CONSAD application. The final part covers published academic criticism of those of Jorgenson's assumptions which are both common and critical to the CONSAD analysis.

A. CONSAD's question

The question which CONSAD seeks to answer is this: If petroleum taxes were raised, how much reserves would the industry desire to hold at various levels of output, *assuming that those levels of output would be produced*. Specifically, in drawing its conclusions, CONSAD asked how much reserves the industry would have liked to hold in order to produce a particular level of output (the level produced in 1966): (1) with present taxation and (2) with increased taxation.

This question is almost trivial, and CONSAD itself provides an adequate answer on the very page on which it presents its basic model:

"There is a definite technological relationship (represented by the MER[2]) between the stocks held and the level of production. This limits the amount that can be produced from a given level of stocks, and requires a producer to maintain certain levels of stock to meet certain levels of production. Due to the MER, no more than a certain percentage of the total reserves can be produced during a year. (7.3)"

Thus, the level of reserves required for a given output is technologically determined. *Assuming that the output will be produced come what may*, the answer to CONSAD's question is a function of the technology of the industry. As will be shown below (p. 32), U.S. crude reserves in 1968 were ten times production. Allowing for some excess capacity, this is the answer to CONSAD's question.

It is not surprising that CONSAD found little responsiveness of desired levels of reserve to price changes, since it assumed that the 1966 level of output *would* be produced—profitable or not. With output fixed, the level of reserves *should* remain un-

Footnotes at end of article.

changed. Thus, CONSAD's question is basically trivial and is not the question that is relevant for public policy.

The question of real public policy significance is one having two parts. First, what quantity of output would firms want to produce at various prices? And second, what level of reserves is implied by those levels of output? Put this way, the question allows for the possibility of a zero answer if production becomes unprofitable. Put CONSAD's way, a level of output (and by implication, effort to add to reserves) is assumed *regardless of profitability;* and the elaborate CONSAD procedure merely attempts to determine the amount of reserves compatible with the output—something already technologically determined.

B. The basic model

In its simplest terms, the CONSAD argument is that the amount of "desired reserves" which petroleum producers will want to hold in long-run equilibrium is equal to the expected level of production multiplied by the ratio of the price of output to the cost of reserves.

Desired Reserves equals production times Price of Output divided by Cost of Reserves times Technological Constant.[3]

The problem with this formulation can be seen by asking what happens to desired reserves if price falls so much relative to cost that the industry becomes unprofitable. If expected production remains constant, as CONSAD *assumes,* the formula indicates that desired reserves would decline and that firms in the industry would want to abandon (draw down without replacement) some, *but not all,* of their reserves. This is clearly an unrealistic result; for as long as investment is unprofitable, firms will not want to hold *any* reserves in the long run. But this theoretically inappropriate formula tells us that firms in the industry would want to develop and hold some amount of reserves at any price greater than zero—even if that price were less than cost. Only if price is *zero* can this multiplicative formula give a zero reserve answer. But any rational description of long-run economic behavior must indicate zero net investment *whenever investment is unprofitable,* not simply when price is zero. (Price less than cost is no mere academic issue here, since the price which CONSAD uses to arrive at its final conclusion *is* below cost, based on its cost data.)

Probably the main reason why the CONSAD model gives this irrational answer is that it is *incomplete.* It considers only one of the many relationships that would determine the long-run equilibrium of an industry; and, in particular, it does not explain the level of production of the industry. However, it is the level of production of the industry which determines the desired level of reserves. If the industry becomes unprofitable, firms would cease to produce and therefore would cease to invest in new reserves. The CONSAD model is unable to account for this possibility.

The formulation actually used in the CONSAD analysis is somewhat more complex than the basic relationship discussed above, but it is still subject to the same fundamental criticism. The CONSAD model requires a number of highly restrictive and unrealistic assumptions some of which are discussed below.

C. Specific objections to the CONSAD model

Specific objections to the CONSAD model as it is applied to the petroleum industry relate to the formulation of the model and to the various assumptions. The assumptions which are most objectionable include (1) the "Production Function" on which the model is based; (2) the assumption of perfect extensibility beyond the range of available observations; (3) the assumption of perfect knowledge; and (4) the assumption that aggregation problems are minimal.

(1) The "Production Function" on which the Model is Based

The basic CONSAD model rests on the assumption that competitive firms will want to add to their holdings of capital (in this case, reserves) as long as the value of the output attributable to an additional unit of capital is greater than the cost of acquiring the unit. According to economic theory, the same relationship must hold for all factors of production (land, labor, capital, etc.), so that in long-run competitive equilibrium, the value of output attributable to the last unit of each factor will be equal to the cost of its acquisition.

With this as a basis, the CONSAD "neoclassical" approach assumes that we can determine the amount of capital that an industry will want to hold simply by determining how the value of the output attributable to additional units of capital varies with the amount held. This, in turn, is determined by manipulating what economists generally refer to as a "production function," a device which describes the technologically feasible alternative combinations of factor inputs which will result in various levels of output.

In an analysis such as CONSAD's, the specification of the production function is a matter of critical importance. In fact, the choice of a production function really determines the results that will be "found." For this reason, it is notable that the choice of a production function in the CONSAD analysis is essentially arbitrary with absolutely no basis in industry characteristics or technology. Thus, we are told:

"The exact relationship to be expected depends on the form of the production function which applies to the industry, and on this there is comparatively little evidence. Due to lack of strong evidence to the contrary, a first-degree constant elasticity of substitution production function was assumed . . . (7.7)"

With no evidence supposedly available, a particular function was simply *"assumed."* Actually however, the production function which is used for most of the computations involves a further—but no less arbitrary—assumption:

"It should be noted that although the assumption of a CES (constant elasticity of substitution) production function is common in the literature, and is reasonable on its face, the explicit assumption of constant returns (to scale) is not supported (nor made suspect) by any empirical evidence. Consequently it seemed appropriate to calibrate a CES function of degree greater than one . . . (7.7)"

Again, with no empirical evidence, it *"seemed appropriate."* In our opinion, there *is* convincing evidence on the nature of the production function for oil and gas; and an understanding of the inappropriateness of CONSAD's arbitrarily assumed production function is vital in evaluating CONSAD's work.

CONSAD's production function assumes that labor can be substituted for capital (in this case oil reserves) to produce a particular level of output. To us, this is not a realistic description of the oil industry. With a given state of technology, the ultimate recoverable output of a field cannot be increased by applying more labor to it. With MER production, the only way to get more output of oil is to find more oil pools. Labor is not a substitute for oil in producing oil. As CONSAD itself tells us, the required amount of reserves for a given annual output is fixed by MER, which is technologically determined (see the quote from (7.3) on page 4 above).

Thus, the appropriate production function for petroleum is one allowing no substitution between labor and capital. The proper formulation of the equation explaining desired reserves should be:

Desired Reserves = Production x Technological Constant. Since labor cannot be substituted for capital, CONSAD's assumption that production will remain constant *requires* that reserves remain constant. This formulation indicates clearly the triviality of CONSAD's question.

Another questionable property of CONSAD's production function is the assumption of increasing returns to scale—i.e., as more labor *and* capital are used to increase the scale of operations, progressively larger increments in output result. The implication is that the minerals industry uses the best deposits *last.* On the contrary, to the extent to which the quality of deposits is known (and the very significant problem of uncertainty is ignored in the CONSAD analysis), the minerals industry would logically use the best deposits first; that is, the production function would show decreasing returns to scale.

(2) The Assumption of Perfect Extensibility

Another fundamental problem with the CONSAD analysis is the assumption that relationships observed over a particular range of historical data necessarily will hold outside that range at some point in the future. This is the assumption that allows CONSAD to predict the effect of eliminating the percentage depletion allowance (equivalent to 75 to 80¢ per barrel before taxes) on the basis of the observed reactions to changes in price that were no larger than 30¢ during the sample period.

In discussing this point CONSAD observes that—

Since some of the possible tax policy changes evaluated are of greater magnitude than any past changes, it may well be that the adjustment of the industry to changes of this magnitude may not be completed for a period of years. (3.2)

In truth, when projecting beyond the range for which there is information and when using the projected results for public policy recommendations, the speed of adjustment—while important—is probably the *least* important concern. In fact, the dangers of extrapolation are so basic, one is led to wonder why "speed of adjustment" is stressed, while the truly significant problems are not discussed.

As soon as we attempt to go beyond the range of the available data, the *statistical* validity of any results declines precipitously. Beyond the range of observed variation there is absolutely no way to guarantee that the observed relationships will continue to hold. In fact, if one is to predict the petroleum industry's response to a change in (effective) price that is 2½ times greater than any observed in the past, he must first refute a presumption that the actual response would be totally different. In this case, predictions from a statistical model alone are not sufficient. Clearly, little information is available to support the validity of the fitted equation or even its general form, once one ventures outside the range of sample data. These problems cannot be dismissed merely with a reference to possible delays in adjustment. Given the limited range of observations and given the presumption that the industry response would be quantitatively and qualitatively quite different, the more logical reaction would have been to dismiss the results.

(3) Perfect Knowledge

The assumption of perfect knowledge or complete certainty is fairly common in econometric analyses. The reason is generally one of convenience rather than "common sense or casual observation." For a small manufacturing firm renting capital *services* in a perfectly competitive capital market, the assumption may be tolerable, especially when

Footnotes at end of article.

compared to the other assumptions that are required for econometric studies. However, such an assumption is totally inappropriate where investment means searching for petroleum.

Over the years, the fundamental uncertainty of petroleum exploration has been amply documented in the public record. Additional evidence can be drawn from the record of lease bid ranges (as originally proposed by Professor James W. McKie in 1960). Lease bids in particular auctions reflect different companies' valuations of the same properties. Since in the typical sale, each company is free to explore and study the property in question, complete certainty would suggest that the variation in bids would be small. However, as illustrated by the results in the table below, taken from public records, it is not uncommon for the winning bid in a patricular sale to be many times the low bid and even double or triple the second highest. These wide variations in bids from companies with similar access to pre-bids information make it clear that the actual circumstances of oil and gas exploration are anything but perfectly certain as assumed in the CONSAD report.

LEASE BID RANGES, SELECTED AUCTIONS

	Companies	Bid per acre	Percentage of winning bid
Navajo Sale No. 90, Window Rock, Ariz. (1968)	Pan Am	$250.13	100
	Gulf	123.72	49
	Corine Grace	31.84	13
	Humble	31.10	12
	Kerr McGee	26.66	11
	Depco	17.03	7
	George Hunker	12.19	5
	Champlin	10.10	4
	Union of California	7.25	3
Corpus Christi Bay, Nueces County (1968)	King Resources	100.10	100
	J. B. Clark	61.42	61
	Tenneco	53.11	53
	Atlantic	40.31	40
Lafourche Parish (1966)	Texaco	216.68	100
	Union of California	117.00	54
	Union Prod. Co	60.49	28

(4) The Assumption that Aggregation Problems are Minimal

Another fundamental problem is the assumption that the activities of thousands of petroleum producers can be lumped together, explained, and predicted in a simple three-variable model based on industry aggregate data.

One aspect of the problem is that the basic "neoclassical" or "desired capital" model is really applicable only for an individual firm. The importance of this particular problem is difficult to judge; but it may be worth noting that after a series of attempts to apply his version of the neoclassical model to aggregate investment expenditures, Jorgenson's most recent work deals with individual firms.

Another aspect of the aggregation problem noted by CONSAD is that: "In dealing with average figures for a number of firms, *little information is usually available about the* distribution. (6.5)" In truth, however, there is enough information in the case of the petroleum industry to make questionable any conclusions that are drawn from an analysis of aggregate industry data. Evidence in the distribution of most of the factors which CONSAD lumps together is readily available from public sources, e.g., U.S. and Canadian reserves. Moreover, a convincing demonstration of the significance of CONSAD's problem is provided by the econometric work of Professor Edward Erickson. Erickson's study (cited by the Treasury but not by CONSAD) shows that petroleum prices and the volume of exploration activity are closely related but only when the econometrician gives proper recognition to regional differences in exploration condtions and differences in the size or type of firms undertaking the exploration. Failure to take account of regional and firm differences in reserves, prices, access to capital, etc., would have restricted the usefulness of the CONSAD analysis even if the model had been somehow appropriate.

D. Academic criticism of the "neoclassical" model

Before examining CONSAD's own reservations about its work, it will be of interest to inquire into what other economists have said about the "neoclassical" approach.

Jorgenson's "neoclassical" approach to investment forecasting has been the subject of considerable critical comment in the professional economic literature. Since the CONSAD formulation is too recent to have received comment and since many of the principal assumptions are the same in both, it is important to take note of the published views of some prominent economists on Jorgenson's studies.

First, on the lack of realism and the general restrictiveness of Jorgenson's assumptions, Professor Roger F. Miller of the University of Wisconsin has observed:

"I strongly doubt that the prominent neoclassicists, were they alive and well read today, would find much interest in a model which assumes away uncertainty with regard to the future, lags in adjustment, difficulties in aggregation and composition, discontinuities, etc.[4]"

A more detailed listing of Jorgenson's assumptions, is provided by Professor James Tobin of Yale University. Citation of Tobin's list is appropriate not only because the assumptions are unrealistic but also because the complete list is never presented in the basic CONSAD document:

"In Jorgenson's world of perfect competition and perfect knowledge . . .

"(Jorgenson's firm) purchases capital *services* at a market rental, just as it purchases labor at a market wage. There is a perfect market in capital goods; capital is homogeneous in quality regardless of its vintage, and capital evaporates exponentially, so that future depreciation is also independent of vintage. Thus, any surviving capital can always be sold at the prevailing price of new capital." [5]

Additional questions relate to the assumption of equilibrium and to the restrictions which this places on the types of problems that can be addressed. This point was best expressed by Professor Zvi Griliches of the University of Chicago:

"In the Jorgenson model, one cannot answer the question of what happens to the rate of investment if the rate of interest or other prices *shift* to a new permanent level in one move or if a change occurs in depreciation rules. A discontinuous jump to a new accumulation path is not admissible." [6]

Note, however, that it is just such a shift in tax policy which is the problem addressed by CONSAD.

Professor Griliches has asked further:

"Are the desired capital change variables significant because they are largely equal to the change in sales or output, or does the specific 'neoclassical' deflation of these changes by the elaborate 'user' cost of capital concept really do the trick?" [7]

Professor Griliches never answers these questions, but the recent publications of Professor Eisner of Northwestern University provide some indications:

"In most critical instances, it will be found that empirical tests contradict Jorgenson's assumptions and with them the deductively derived conclusions." [8]

These criticisms of the "Neoclassical" model of investment behavior are in the literature. Surely CONSAD should have taken them into consideration and stated its reasons for believing that these criticisms do not vitiate the appropriateness of the CONSAD model.

II. CONSAD CAUTIONS

CONSAD goes to great length to point out the multiple problems associated with attempting to set up any mathematical model describing the response of petroleum exploration to changes in economic factors affecting the industry. Our only basic quarrel with these cautionary passages in the report is that the authors did not take them to heart. Rather, they elected to move ahead undeterred and use the mathematical derivation described in the prior chapter as a basis for drawing major public policy conclusions about an industry whose continued growth is vital to the military and economic security of the nation.

CONSAD expresses three general reservations about mathematical evaluation of the responsiveness of petroleum exploration to increased taxation:

"(1) Whether investment analysis developed for manufacturing firms can validly be applied to petroleum;

"(2) Whether appropriate quantitative estimates of a Jorgenson-type 'neoclassical' model are feasible, based on historical data; and

"(3) Whether the data used for the four principal variables in the total industry formula (reserves, price, cost, and production) were reliable and appropriate."

A. Applicability to Petroleum of Investment Analysis Developed for Manufacturing Firms

CONSAD warns that—

"Investment analysis, as developed for manufacturing is best applied with caution to the oil industry. (6.3)"

CONSAD lists three reasons for this caution: (1) the industry is assumed to be "neither growing very rapidly nor declining;" (2) the theory applies to "a single firm;" and (3) "the oil industry does not invest in quite the same way as other industries do." (6.3 and 6.5)

(1) Static Industry

CONSAD states:

"The oil industry, and particularly its exploration sector, has so far as it is possible to tell from the sparse financial data available, been passing from a period of high and increasing demand and high profits to a period of more stable demand and lower profits. (6.3)"

Where there has been a change in a fundamental factor during the base period for an historical economic model, use of that model to forecast the future implicitly assumes that the change will continue as it did in the base period. Hence, the model will give invalid results if the change has, in fact, been a transition which is complete. We agree with CONSAD that—

"The immediate past may well have been a period of readjustment for the industry . . . ; and extrapolation from this period may thus not be entirely relevant to the future of the industry. (6.4–6.5)"

Footnotes at end of article.

We shall address this point in more detail later.

(2) Individual Firm Decisions

CONSAD then states:

"The behavior of an entire industry is more difficult to explain than that of a single firm, particularly since. . . . Industry aggregate data may obscure some of the underlying behavior of the individual firms. (6.5 and 6.7)"

This reservation about the validity of attempting to estimate the reaction to a petroleum tax increase by observing past industry aggregates rather than by examining the economics of individual firm investment decisions was what led CONSAD to attempt to develop the individual firm simulation model mentioned in the Introduction to this report—a model which "lacked quantitative significance" once it was completed.

(3) Capital Investment Process

CONSAD argues that the process of capital formation in oil differs from manufacturing in that a good part of the investment base is immediately deductible for tax purposes (the losses are literally sunk capital):

"This may be be taken to indicate that capital has been relatively more free to move in and out of exploration and can, therefore, be sensitive to expected profit; or it may suggest that, since it is easier to 'pull out,' there is less need to be sensitive to small fluctuations in expected profits as measured by realized profits in the previous period. (6.6)"

We read this to say that petroleum explorers will probably not react quickly to small changes in profits, but that they can—and will—react significantly if a profit change persists. This reaction will either be to pull out or to increase expenditures, as the case may be. The lag between profit change and reaction will be long; but the reaction will occur if the profit change proves to be other than transitory. The length of the lag will also be difficult to predict because industry reactions are the sum of individual reactions; and various firms will undoubtedly react differently to a given change.

How could a research organization which can so accurately appraise the process of petroleum capital formation in qualitative terms permit itself to fall into the trap of believing quantitative results which are, on their face, patently unreasonable?

B. Quantitative reliability of models based on historical data

CONSAD also lists three reasons for caution on this point: (1) rational businessmen base decisions on "expectations of future values" which may not be accurately represented by historical observations; (2) historical observations "may represent transient, rather than equilibrium, conditions;" and (3) historical observations may be distorted by technological change during the base period. (6.12–6.13). The second of these is the same as the first caution in (A) above.

(1) Expectations

CONSAD states:

"First, and perhaps most important, rational operators are basing decisions not on past values of variables but on their expectations of future values. (6.12)"

Of course, past experience is relevant in estimating future expectations. However, in trying to develop quantitative results, one must explicitly consider just how these expectations might be formed. (6.12) . . . Obtaining data on current expectations is fraught with problems, and obtaining historical data on expectations was essentially impossible. (7.12)

CONSAD recognizes that one must consider how expectations might be formed and that it was impossible to obtain any historical data on expectations. Yet CONSAD proceeded with estimating the "neoclassical" model. How? By using "some variable for which data was available and which might reasonably be assumed to reflect the expectations which existed at the time . . ." (7.12) The result was that producers' expectations were represented by: first-order exponentially weighted moving averages of costs (7.20); second-order exponential moving averages of production (7.25); and actual prices.

The matter of explorers' expectations is of critical importance in any model which seeks to predict the effect of eliminating the percentage depletion allowance. The allowance is worth 75 to 80¢ per barrel before taxes; and the largest year-to-year price change since 1950 was +30¢ (that change was largely eroded within two years). Thus:

"One of the objectives of the study was to predict the effects of changes which exceeded the range of the calibration data. (7.8)"

How explorers will react to a 75¢ equivalent price decrease is impossible to predict from their reactions to very small price changes. The effect on their expectations for the future of the industry could be catastrophic, especially since the change would come via repeal of a tax provision which originated a half century ago during the formative years of the corporate income tax.

(2) Transient Conditions in the Base Period

CONSAD observes that there will be problems in utilizing the base period data if they reflect transient conditions rather than equilibrium. We have seen that this is crucially important in evaluating the reliability of a mathematical model of reactions to increased petroleum taxes.

In the first place, as CONSAD recognizes, the industry was reacting to excess capacity during the base years:

"There is clear evidence that excess capacity existed during the entire period studied . . . (7.10)"

Surely a base period when firms in the industry were reacting to substantial excess capacity is of dubious value for forecasting industry reactions in long-run equilibrium.

Next, CONSAD is impressed by industry structural changes as firms reacted to excess capacity, particularly after the first Suez crisis of 1956–1957: "The industry structure and pattern of expenditures changed in 1957 or thereabouts, with one pattern being exhibited prior to this time, and a second totally different pattern . . . exhibited after 1957. (6.25)"

This change "will make it hazardous to use the past behavior of the total industry (over the last twenty years) to judge possible behavior of the industry in the future. (6.24–6.25)"

Rather, "It is the more recent years which should be most closely modeled because of the apparent period of adjustment during the 1950's and because the later years are the only period indicating any sensitivity of expenditures to rate of return. (6.46)"

Having recognized the "hazards" and the need for restricting the model to "later years," CONSAD proceeded to base its "neoclassical" model on the period 1951–1965. Not only does this model carry the figures back into a period CONSAD itself rejects, it cuts off 1966 and 1967.

(3) Technological Change

CONSAD states: "The final major problem in this approach, . . . is the question of the stability of technology during the period studied. If, in fact, the quantity of reserves technologically necessary to support a certain level of output has changed during the period of the study, it will cause errors in the quantitative relationships estimated. (6.13)"

There can be no question that the ratio of reserves to production has, in fact, changed. Chart A [not printed in the RECORD] shows that the ratio may have trended up slightly until 1960 and then began a persistent decline.

Early in the report, CONSAD itself quotes a 1968 Department of the Interior statement that the ratio had dropped to 10.4:1 (2.7). However, this point is ignored in estimating the model, where the use of 12:1 is qualified only by the following remark:

"While there is evidence that such a change occurred, there exists some evidence as to the direction and magnitude of that change, thus making it possible to at least estimate its effect on the relationships. (6.13)"

CONSAD clearly knew of the technological change, witness its own reference to the Department of the Interior study:

"This large increase in well productivity . . . implies that the reserves needed to support a given level of production on a technological basis have declined by 36% since the period 1944 to 1948. The economic significance of this point is stated in a Department of the Interior report: (2.7)"

Then, quoting Interior:

"In view of this fact, it no longer appears necessary to maintain a ratio of proved reserves to production in the vicinity of 12 to 1 to insure the producibility of reserves at required rates. (2.7)"

In short, even though it called the reader's attention to the fact that errors "will" be caused by a reduction in the ratio, CONSAD apparently made no modification of its results to reflect the technological change.

There are other examples of technological change which occurred during the base period and which cannot be expected to continue at the same pace, e.g., a rapid increase in the use of fluid injection for secondary recovery and fracturing of certain formations to increase recoverable reserves.

C. Reliability of petroleum data

CONSAD warns us of serious limitations in the data used to calibrate the model. We use two of these as examples.

(1) Finding Costs

"Finding" costs as used in the study are actually finding *and* development costs. According to CONSAD:

"The definition of finding cost is perhaps the most ambiguous area in the data in this study. (6.16)"

There are three reasons for this (6.17):

(a) How to measure what is found;

(b) "Relatively poor data available on actual costs of exploration and development activity"; and

(c) "Discovery is . . . a random event."

The problem is this: First, one does not know how much he has found with any degree of certainty for many years after the discovery. This is a particularly serious problem when the measure of discoveries proved reserves, since reserves only appear in these data when they are actually put in the working inventory. The time lag can be quite long. Furthermore, it is impossible to determine from aggregate industry data when the exploration dollars for a given year's discoveries were actually spent. And the amount spent per barrel found will vary considerably from year to year on a purely random basis as discoveries vary.

CONSAD finally relied on total expenditures for exploration and development divided by gross annual additions to proved reserves of oil and gas (gas converted to liquid equivalent on something like a value basis). This measure is also sometimes used in the industry. However, the measure is used *only* as a rough measure of capital requirements, not as a precise input to a mathematical model—and certainly not as a precise measure of the cost of new discoveries. Very little of the money spent in a given year is associated with the oil actually found in that year, and gross additions are *not* "discoveries," as mis-labeled by CONSAD (A.37). Gross additions are composed of extensions, revisions, and conservative first-year estimates of new discoveries. The proportions of these components change over time (see Chart B) [Not printed in the RECORD] and the new discovery component is quite small.

(2) Price

CONSAD states:

"Because of the unique nature of petroleum and natural gas reserves, the appropriate measure of price is particularly difficult to determine. (7.14)"

Why?

"A price decline would be expected to lead in the long run to *lower* reserve stocks."* (7:15)"

"In the short run, however, it might result in a cutback in production which would *increase* reserve stocks above planned levels, since the planned depletion of reserves would not occur. (Italics added.) (7.15)"

In other words, observing the historical relationship between price and reserves can lead to an exactly opposite conclusion from that appropriate to a long-run model, since history is composed of a series of short-runs.

(3) Summary on Data

There were also problems with all other data used to calibrate the model. (At various points in the report, three different methods were used to estimate lifting costs—see 6.34; 8.3; and 9.13.) Using finding costs and price as examples, finding costs were "ambiguous;" and an appropriate price was "particularly difficult to determine." Yet CONSAD was not deterred from applying the "neoclassical" model to oil—even though data problems caused it to reject the other two models. And CONSAD even rejected a "neoclassical" model for natural gas because of data problems.

III. STATISTICAL PROBLEMS

This chapter deals with statistical aspects of the CONSAD report. Attention is directed to the quality of the statistical analysis including the appropriateness of the data inputs and the success of the statistical manipulations.

A. Data

As with most parts of the analysis, a critical discussion of the data inputs can best begin with CONSAD's own qualifications and cautions. Thus, in a section on problems of data collection, CONSAD states that—

"Throughout this study there have been substantial difficulties in obtaining data which would have broadened the analysis undertaken. *There are so many missing links in the quantitative evidence available that it is difficult to know which to rank first.* (B.1)"

To overcome these "missing links" CONSAD has tailored its analysis to fit the data which are available, even when this does violence to the underlying logic:

"The purpose of this study required that the investment hypotheses chosen meet two criteria—first, that data be available to calibrate it, and, second, that it include as determining variables the magnitude which would change with changes in tax provisions. (6.3)"

Both criteria are necessary, but neither should be allowed to take precedence over logic where the analysis is to form the basis for public policy.

More specific examples of this tailoring include the following:

"The approach taken here is somewhat different for two reasons. One is that the data for most of the variables of interest is available only on an annual basis. The other is that the primary objective of the study is an estimation of the long run effects of certain policy changes, and in view of the paucity of the data available, it seems advisable not to attempt the estimation of an excessive number of parameters. (7.4–7.5)"

And—

"The choice of a single-equation model over a multiple-equation model was based on the paucity of data available for model calibration . . . (7.9)"

A second technique employed to compensate for "missing links in the quantitative evidence" is the use of "proxy" variables—variables which stand in for the quantities actually desired. For example well head price plus the after-tax value of percentage depletion was used as a proxy for price minus income tax. Objections could be raised to each of CONSAD's proxy variables. An obvious and not atypical example, however, is the interest rate which forms one element in the important "user" cost formulation. Without explanation, CONSAD uses what purports to be the Aaa corporate bond rate (4.5% *before* taxes for 1966—actual average was 5.13%, now 7.5%). Apparently the rationale for this is that the Aaa rate is used by Robert M. Coen, the source of CONSAD's "user" cost formulation. But if this is the case, it is important to take note of the comments presented by Coen:

"Choosing an appropriate measure of 'the interest rate' raises many problems regarding the definition and measure of the cost of funds to firms. (Miller and Modigliani) have found that for the electric utility industry the Aaa bond yield is far superior to a weighted average yield on bonds and equities in predicting both the level of, and magnitude of changes in, the cost of funds. Whether or not this is also true in the manufacturing sector is unknown, since research in this important area is just beginning." [9]

If we are to be expected to accept the Aaa corporate bond rate as a reasonable reflection of what petroleum producers expect for their cost of capital, something more convincing is needed than a reference to Modigliani and Miller's admittedly distinguished work with electric utilities, particularly when one considers that only six companies in the oil industry have the Aaa rating. Of course, no one borrows for exploration (unless the loan is secured by other income or assets). Hence, the cost of capital for exploration must be the long-run return to equity in the United States (say, 10% *after* taxes) plus a substantial risk premium to compensate for exploration uncertainties. CONSAD, itself, uses 9% after taxes elsewhere in the report (4.30).

B. Problems of estimation

It is characteristic of the model which CONSAD attempts to estimate, that once the particular form is specified, the regression analysis is not terribly important. The reason, quite simply, is that the values of the coefficients are so constrained that whatever values are indicated in the regression analysis are of marginal significance. With this as background, one could probably ignore the regression analysis on the ground that it is unimportant, were it not for the fact that the analysis itself contains some fundamental and important errors.

The principal problem in the multiple regression analysis is the problem of interrelated independent variables, or as it is called by the econometricians, "multicollinearity." This problem is described by CONSAD as follows:

"For the model here, the question is whether any of the independent variables in the capital stock equation are in fact dependent on the other variables in the system. It might be proposed for example, that the observed production values are functions of price, or that the current cost of new capital stock is a function of the existing quantity of capital stock. If this is true, then the single-equation model will produce biased estimates of the parameters. (7.10)"

CONSAD devotes considerable effort to arguing that the independent variables in their regression, price/cost and production, are not highly correlated. At no point, however, do they provide the only suitable evidence, *the set of correlation coefficients.*

Our computation and analysis of these coefficients using the basic CONSAD data shows that the two independent variables, the price/cost ratio and lagged production, *are* highly correlated. In a situation such as this, the statistical validity of any multiple regression results accordingly must be highly suspect.

Just how suspect CONSAD's results may be can be seen if we attempt to duplicate their results using U.S. data instead of aggregated U.S. and Canadian data. Using CONSAD's data sources and model, a series of regressions was computed to relate U.S. prove reserves to the price/cost ratio and to U.S. production. As in the CONSAD analysis, the two independent variables were highly correlated, but the effect of the multicollinearity in this case was to leave the coefficient for the production variable in the multiple regression analysis statistically insignificant. This kind of result is only to be expected where multicollinearity is a problem.

C. Problems of application

The principal problem with CONSAD's application of the model is the problem of extensibility. As explained above it is simply not legitimate to use historical data to predict how firms might react to a fundamental and unprecedented change in the basic economics of the industry—especially when the base period is atypical and when serious public policy matters are at issue.

Other problems of application suggest the pervasiveness of the theoretical and statistical problems. In this regard, it must be considered curious that in estimating and applying the model, lifting costs are never mentioned except where they are used to calculate income taxes.[10] If this version of the neoclassical model permits us to disregard labor and other costs even though these *must* affect the profitability of the industry, this point should be noted and explained. Jorgenson's original formulation had a separate equation for labor inputs—not used by CONSAD.

Equally curious is CONSAD's use of a formula to measure the cost of reserves that was designed to measure the cost of the annual services of a machine. Since this approach leads CONSAD to compare the price of a *full* barrel of reserves with the cost of only a *fraction* of a barrel, some explanation is required as to how the formula is applicable. Unfortunately, none is offered.

D. General appraisal

Given the problems with the data inputs and given the problem of multicollinearity, the general appraisal can be brief. The essential point is that made by Professor Eisner when confronted with similar evidence in earlier Jorgenson models.

All in all, there appears to be scant *empirical* support for the usefulness of "the neoclassical model of capital accumulation." [11]

IV. APPARENTLY INCORRECT INFORMATION

In our opinion, the following statements are factually incorrect:

CONSAD statement 1: the United States is a net importer of foreign oil . . . the quantity is restricted to 12.2% of domestic demand . . . (4.4)

Fact: 1968 Domestic Demand, 13,016 MB/D.

Fact: 1968 Total Imports . . . 2,857 MB/D.

Total Imports divided by Domestic Demand equals 21.9%.

CONSAD statement 2: import restrictions . . . effectively limit crude imports to 12.2% of domestic crude production. (6.15)

Fact: 1968 Domestic Crude Production, 8,648 MB/D.

Fact: 1968 Crude Imports . . . 1,273 MB/D.

Crude Imports divided by Domestic Production equals 14.7%.

CONSAD statement 3: The IOCC estimate . . . is the only available estimate of oil originally in place in known fields . . . 346.2 billion barrels [1962] . . . (4.18)

Fact: The Department of the Interior has estimated 387 billion barrels for 1965.

Footnotes at end of article.

CONSAD statement 4: The current output of crude oil is approximately 7 million barrels a day. (4.22)

Fact: 1968 production: 8.65 million barrels per day.

CONSAD statement 5: The ratio of reserves to production has remained consistently in the region of 12:1. (4.23)

Fact: 1–1–1968 Reserves equals 31.4 billion barrels.

1968 Crude Production equals 3.17 billion barrels.

Reserves divided by Production equals 9.9 billion barrels.

The ratio of proved reserves to production has remained virtually constant at 1:12 (sic) for 20 years. (5.12)

Fact: (See Chart A, page 22) [Not printed in RECORD.]

CONSAD statement 6: Crude oil and natural gas are bound together. (4.24)

Fact: 76% of U.S. gas reserves are in non-associated reservoirs (part of the remaining 24% is from non-dissolved gas caps over oil deposits).

CONSAD statement 7: Depletion is calculated for each property separately, or in certain cases, on specified aggregations. (4.38)

The small producer . . . has not the benefit of property aggregation to spread his deductions and avoid the net income limitation. (8.9)

Fact: Since 1963, aggregation has been prohibited (except within an individual lease), regardless of the size of the producer.

CONSAD statement 8: Alternatively, a recent provision (1956) permits capitalized and accumulated intangible costs to be deferred and expensed over the five years following the discovery of the well. This may allow the net income limitation to be avoided altogether. (4.40)

Fact: We know of no such provision.

CONSAD statement 9: Foreign . . . depletion . . . amounted to a total of $655,000,000 in 1960. . . . This represents 23% of all depletion claimed. (5.19)

Fact: Most of this "claimed" depletion was not effective because foreign tax credits prevented payment of U.S. tax on foreign production.

CONSAD statement 10: There are no direct import restrictions on natural gas. (6.16)

Fact: Federal Power Commission approval is required for all such imports.

CONSAD statement 11: Since assets result from past expenditures, an initial estimate of the assets committed to crude oil production activity was obtained by summing three years' expenditures for exploration and development (the past two years' and the present year's). . . . using [this base] . . . a rate of return was computed. (6.34)

Fact: Present cash flow comes from sale of reserves developed over a period of many years, not just the last three. Thus, the rates of return on Chart 6.5 are far too high.

CONSAD statement 12: Some firms operating abroad pay up to approximately 70% in royalties. The standard domestic royalty is ⅛ although many are higher. (8.9)

Fact: In general, royalties in foreign producing countries are approximately the same as in the United States.

CONSAD statement 13: The integrated major producers . . . [may have] economic power . . . great enough to enable them to force independent producers to bear the burden of the increased taxes, by reducing field prices and thus increasing the profitability of refining operations.

Fact: Even if it had the economic power (which no producer does), an integrated company would hardly do this. Why? The action would reduce only the cost of that fraction of its crude which is purchased. However, a crude price cut would reduce the cost of *all* crude refined by its nonintegrated competitors, thereby leaving the integrated company at a competitive disadvantage in refining.

If a research company is so unfamiliar with the petroleum industry as to err on basic data and tax provisions, can it possibly have sufficient knowledge of the industry to be able to develop accurate complex mathematical models for analyzing industry behavior?

V. DOUBTFUL PETROLEUM ECONOMICS

The CONSAD report takes a number of positions on key petroleum economics issues which we believe to be wholly inadequate. These positions lead us to wonder whether the authors have relied on the intensive direct appraisal which should be a prerequisite to suggestions of public policy changes in any industry.

Ten examples of what are, in our view, serious misconceptions about the economics of the industry are:

(1) The substitutability which CONSAD assumes to exist between United States and Canadian reserves.

(2) The allegedly adverse resource allocation effects of petroleum taxation.

(3) The supposed insensitivity of exploratory activity to rate of return. CONSAD concluded on the basis of a defective measure of rate of return (see page 34 above) that there is no relationship between rate of return and exploration, except a weak relationship for larger companies during the period 1957–1965, (6.51).

(4) The adequacy of A.P.I. proved reserves data for use in evaluating exploratory results (see page 24 above).

(5) The picture of an industry operating as a monolith or as two groups (large and small companies) rather than as a large number of individual firms making individual decisions in reaction to price and cost.

(6) The picture of an industry "satisfied" with a modest return reflecting lackadaisical operation rather than an industry pursuing vigorous technological improvement programs designed to improve profits. A realistic picture of the actual situation is provided in the National Petroleum Council Volume, *Impact of New Technology on the U.S. Petroleum Industry 1946–1965.*

(7) The industry's supposed ability to *"double"* the recoverability of oil in place (4.18). The Department of the Interior predicts only a one-fourth increase between 1965 and 1980, and that is very likely optimistic.

(8) The concept of wildcat "success" used in the report. CONSAD correctly states that "discovery value on a successful well is many times higher than actual outlays made for that particular well" (4.37) but then takes the position that one wildcat in ten is "successful"—whereas the number is more like one in fifty.

(9) The attempt to apply overseas development patterns to United States reservoirs in order to determine how many excess wells have been drilled here.

(10) The conflicting statements on the alleged economic power of large producers who are said to control a "large share of production" (2.5) and are then said to operate in an industry "which is not highly concentrated" and where the top five producers account for only "20% of the output." (4.3)

In order to illustrate the problems involved with these CONSAD positions, we shall discuss our objections to the first two in some detail.

A. Substitutability of U.S. and Canadian reserves

In estimating its "neoclassical" model, CONSAD combined United States and Canadian reserves. CONSAD's stated rationale for this surprising treatment of the data is:

"Examination of the United States-only reserve/production ratio indicates that it has been gradually declining, while the Canada-only ratio has been rising. (6.14)"

From this, CONSAD reasons:

"For both of these to be due to rational decisions on the part of firms, either the expectation must be that Canadian production will be rising much more rapidly than United States production, or the firms involved consider the United States and Canada as a single market. (6.14)"

CONSAD concludes that the "latter seems intuitively more plausible." (6.14) Notwithstanding CONSAD's intuition, the truth most likely is that the rise in Canadian reserves reflects normal variations in success, which is highly random in the petroleum industry, as CONSAD recognizes elsewhere. (6.17) CONSAD also recognizes elsewhere that the decline in the United States ratio reflects technological change. (2.7)

CONSAD acknowledges that foreign oil cannot ordinarily be considered a substitute for domestic oil in the United States because foreign imports are restricted. (6.15) However, "Canadian (and Mexican) crude is exempt from allocation and licensing requirements of the Oil Import Program and, consequently, can serve as a substitute for domestic reserves for the individual producer. (6.15–6.16)."

This comment is typical of the misconceptions about the economics of an industry which can arise from a cursory examination of its institutional constraints. The premise is technically correct, but the conclusion does not follow.

It has long been common knowledge that the amount of Canadian oil exports to the United States is limited by agreement between the two governments. Prime Minister Trudeau recently described this agreement:

"We have a continental oil policy of sorts that was set up in the past . . . essentially it means that Canadian oil producers sell to Western Canada and sell to the United States an amount roughly equivalent to the amount of oil that Eastern Canada purchases overseas and notably from the Venezuelan producers. It's a deal between the American Government and the Canadian Government which is cost-saving and for both parties. (*New York Times,* March 26, 1969, p. 14)"

Canadian exports to the United States are, in fact, controlled. Hence, Canadian reserves are not substitutes for U.S. reserves; and CONSAD's mathematical conclusions accordingly derive from inappropriately combined reserve data.

The importance of non-substitutability becomes apparent when CONSAD tries to decide how much of a change in reserves to allocate to each country:

"The relative decline in each country would depend on whether the tax changes implemented in Canada were the same as those implemented in the United States. (8.11)"

What CONSAD does not say is that tax treatment is *already* materially different in the two countries; hence, Canadian and United States reserves cannot be perfect substitutes. Indeed, how could CONSAD validly compute the effect of a U.S. tax change on total reserves in the two countries when U.S. tax treatment does not apply in Canada? When tax treatment differs to start with, one cannot possibly have the "same" changes in the two jurisdictions.

B. Un-neutrality of the corporate income tax

In its study, CONSAD takes the position that percentage depletion is an economically wasteful tax subsidy which leads to a misallocation of resources by encouraging overinvestment in oil. CONSAD gives only five lines of text to the extensive discussion in the economics literature of the non-neutrality of a flat-rate corporate income tax, e.g., the work of Professor McDonald "who holds that a standard rate of corporation tax is not necessarily neutral in its effects on resource allocation and that . . . the depletion

allowance may be found to be a neutralizing rather than a non-neutralizing factor. (5.33)"

In our opinion, taxation of petroleum exploration and production at the standard rate would cause an un-neutral and eccnomically wasteful shift of resources away from this industry—an industry vital to the economic and military security of the nation. Tax provisions which counter the non-neutral effects of a flat-rate corporate income tax on a vital industry are not "tax subsidies"; they are justifiable provisions which prevent what would otherwise be economic inequities.[12]

Why do we believe that application of the standard corporate income tax rate to petroleum would cause an un-neutral mis-allocation of resources? A flat-rate corporation income tax changes the relative attractiveness of different investments depending on risk and uncertainty, asset lives, and leveraging power. Investments in oil and gas exploration are characterized by high uncertainty, long asset lives, and low leveraging power. Thus, in the absence of mitigating provisions one would expect that imposition of a flat-rate corporate income tax would divert resources away from petroleum exploration to other industries or to liquid investments.

Consider the following example of the un-neutral effect of a corporation income tax levied at the same rate on two industries, "A" and "B." A is more uncertain than B, and we assume that investors demand twice as much cash generation to invest in A as in B, where the expected return is, say 10 percent in the absence of an income tax. This extra profit requirement in the event of success in A is compensation for the greater likelihood of failure in A. In each industry, we assume $100, 10-year investments yielding a constant annual cash flow which is reinvested in that industry.

The following tabulation summarizes the effect of a 50 percent corporate income tax on the relative attractiveness of the two investments (first two columns):

CUMULATIVE CASH ON HAND AFTER 10 YEARS[1]

	No tax	With 50 percent income tax	With 50 percent income tax and percentage depletion at 50 percent of net income for A
A	$518	$250	$311
B	$259	$170	$170
Ratio A to B	2.0	1.5	1.8

[1] Includes earnings on project cash flow assuming it is reinvested in the same industry at the same rate of return.

The flat-rate income tax reduces the ratio of A to B from 2.0 to 1.5, thereby making A relatively much less attractive than B. Investors would, therefore, place their funds in B rather than A *because of the flat-rate tax.*

Since this mal-allocation of resources results from the tax, it is appropriate to correct it through the tax. The third column shows what would happen if A were entitled to percentage depletion at 50% of net income. The relative deterioration in its position would be mitigated, with the ratio at 1.8. Complete restoration of the original relative profit position could be achieved by also permitting A to accelerate the write-off of part of its $100 investment.

A third possible use of funds is liquidity. If returns are not high enough relative to liquidity, investors need not invest in uncertain projects at all. The following tabulation compares "A" with liquidity, e.g., leaving the $100 in a safe deposit box:

CUMULATIVE CASH ON HAND AFTER 10 YEARS[1]

	No tax	With 50 percent income tax	With 50 percent income tax and percentage depletion for A at 50 percent of net income
A	$518	$250	$311
Liquidity	$100	$100	$100
Ratio A, to liquidity	5.2	2.5	3.1

Note: In this case, a substantial accelerated depreciation allowance would be required to reestablish the pretax ratio of 5.2.

[1] Includes earnings on project cash flow assuming it is reinvested in the same industry at the same rate of return.

It is apparent that the outcomes in the real world will vary with project lives, required relative profit ratios, leveraging power of the industries, etc. A recent extensive study using typical manufacturing and petroleum examples has shown that with *both* percentage depletion and the expensing of intangibles allowed to petroleum, the present corporate income tax results in roughly equivalent after-tax and pre-tax ratios.[13] Hence, these petroleum tax provisions tend to offset the otherwise un-neutral effects of a flat-rate corporate income tax.

Why does the flat-rate corporation income tax discriminate in this way against high-return investments? What matters in project profitability evaluation is the net cash which flows from operations (that is, gross receipts less operating exepnses). *The flat-rate corporate income tax reduces this cash flow by a greater perecntage in the case of the project with the higher cash flow.* The following tabulation shows the effect of a 50% corporate income tax on the annual cash flows required to achieve the stated profitability levels of A and B in the absence of a tax:

	A	B
Annual cash flow without tax	$22.3	$16.3
Less, annual depreciation	10.0	10.0
Taxable income	12.3	6.3
Tax, at 50 percent	6.2	3.2
Annual cash flow after tax	16.1	13.1
Percentage change in annual cash flow	−28	−19

Note.—These −28 and −19 percent tax-induced changes are minimal indications of the discriminatory effect of the tax, since the loss of future (compounded) earnings on the reinvested funds would also be larger for A.

FOOTNOTES

[1] Figures in parenthesis in this report are page numbers in the CONSAD report, which uses chapter-by-chapter pagination.

[2] MER is the maximum efficient rate at which a field can be produced.

[3] See the equation on page 7.3. The technological constant is omitted in the text, we believe inadvertently. It appears earlier and later.

[4] Roger F. Miller, "Comment on Jorgenson" in Robert Ferber, ed., *Determinants of Investment Behavior* New York: NBER, c. 1967, p. 164.

[5] James Tobin, "Comment on Crockett-Friend and Jorgenson," in Robert Ferber, ed., *op. cit.*, p. 156.

[6] Zvi Griliches, "Comment on Crockett-Friend and Jorgenson," in Robert Ferber, *op. cit.* p. 161.

[7] Zvi Griliches, "The Brookings Model Volume: A Review Article" *The Review of Economics and Statistics,* Vol. 1, (May 1968), p. 216.

[8] Robert Eisner and M. I. Nadri "Investment Behavior and Neo-Classical Theory" *The Review of Economics and Statistics,* Vol. L, (August 1968), p. 370.

[9] Robert M. Coen, "Effects of Tax Policy on Investment in Manufacturing," *American Economic Review,* May, 1968, p. 204.

[10] "Lifting costs" are current well operating expenses, e.g., labor, maintenance, power, etc.

[11] Eisner, *op. cit.*, p. 375.

[12] Percentage depletion is not, of course, a subsidy in any event because it is not a direct cash payment from the U.S. Treasury.

[13] See Robert F. Rooney, *Tax Treatment and Regulation of the Domestic Crude Oil Industry,* unpublished doctoral dissertation, Stanford University, 1965.

OIL TAXES—INCENTIVE OR SUBSIDY?

Mr. PROXMIRE. Mr. President, there is a debate as to whether the special tax treatment enjoyed by the oil industry is a subsidy or an incentive for additional exploration.

The CONSAD Research Corp. has prepared a thorough economic analysis of the oil industry's tax structure and how well these special tax provisions worked as an incentive.

Their findings are remarkable. They found that under the most favorable assumptions the American taxpayer was spending over $10 for each $1 worth of oil that would not have been found but for the "tax incentives." In other words, the American taxpayer was spending $10 to discover $1 worth of oil.

Naturally, the oil industry moved to attack these findings. The Mid-Continent Oil & Gas Association spearheaded the attack by delivering an alleged critique of the report to the Ways and Means Committee.

Because this Mid-Continent response has gotten wide publicity I think that CONSAD's rebuttal also ought to be be given a hearing and thus ask unanimous consent that it be printed in the RECORD at the conclusion of my remarks.

If the Mid-Continent response is the best the oil industry can do, Congress is under an affirmative obligation to change the tax laws to eliminate all these special favors at the expense of the ordinary taxpayer.

I ask unanimous consent that the attached CONSAD report be printed in the RECORD.

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

"COMMENTS ON MID-CONTINENT (MC) OIL AND GAS ASSOCIATION CRITIQUE

"I. Introduction

"The critique and evaluation of the CONSAD report entitled, "The Economic Factors Affecting the Level of Domestic Petroleum Reserves," by the Mid-Continent Oil and Gas Association is so replete with inconsistencies and out-of-context references that it appears to be an outright attempt to obfuscate, confuse, and mislead.

"The MC report is notably lacking in *constructive* criticism. At no point does the report indicate how the CONSAD model might be improved, how the data might be improved, or what alternative methods and models, might be used for analysis to develop more accurate estimates of the effects of the special tax provisions. This suggests that perhaps the authors prefer to have no analysis made.

"The inability of the MC report to find any serious fault with the CONSAD report conclusions after apparently concerted study only serves to increase the credibility of these conclusions.

"The covering letter contains a glaring inconsistency, which is repeated in the body of the report. In paragraph three, the MC cover letter implies that the CONSAD model is erroneous because when extrapolated to below-cost prices it indicates that firms would continue to find and develop reserves. In paragraph five, the CONSAD report is deprecated for extrapolating a considerably smaller amount. Thus, the MC report indi-

cates that extrapolation beyond the range of the data is justification for placing no credence on the results, then proceeds to extrapolate even further to illustrate the 'inappropriateness' of the CONSAD model. The MC report also seriously overstates the amount of CONSAD's extrapolation. The price change equivalent to the elimination of percentage depletion is about 35 cents (not *75 cents* as stated in the MC report) which is a comparatively small extrapolation—the largest year-to-year price change in the data was 30 cents.

"II. Objectives of CONSAD study

"The CONSAD study was designed to evaluate the efficiency of the special tax provisions in encouraging petroleum producers to maintain reserves *above* those necessary to support current production. The primary justification voiced in recent years in defense of the special tax provisions regarding the petroleum industry was the necessity of encouraging a large reserve level to insure adequate supplies of oil in time of a sudden increase in demand due to a national emergency.

"Although the MC statement of a fixed technology relationship between reserves and production is not supported by available data, the existence of such a relationship would not prevent producers from maintaining excess reserve stocks if economic incentives were offered to encourage this. The CONSAD study was aimed at determining the effectiveness of the special tax provisions in increasing oil reserves *above* those levels needed solely to support production.

"The conclusions of the study that the special tax provisions were inefficient means for achieving such an objective remains a valid conclusion. Throughout the study, CONSAD took pains to *inflate* the effectiveness of the special tax provisions as an incentive for holding reserves. Consequently, if better data became available, its analysis would probably show that these tax provisions were even less efficient than is concluded by the CONSAD report.

"If the intent of the special tax provisions is to encourage consumption of petroleum products by keeping prices below their free market levels, the CONSAD study offers no evidence as to the effectiveness of the tax provisions.

"It is very possible that petroleum production will decrease if the special tax benefits are reduced or eliminated. Such a decrease would take place if the producers passed the added tax burden on to consumers and consumers then reduced their consumption. A decrease might also occur if producers were currently producing at the limit of available capacity, since the tax increase would make marginal wells unprofitable to operate. Such a producer-initiated decrease might not occur if production restrictions, such as allowable production days, or relaxed, allowing more efficient production from existing wells.

"III. Specific comments on the MC report

"Examination of many of the allegations made in the MC report leads only to the conclusion that the authors of this report either (a) did not read the CONSAD report, (b) did not understand the CONSAD report or the economic theory on which it is based, or (c) both. The concluding statement in the summary says that 'The model used is especially subject to criticism because it is based on the improper assumption that industry exploration and development expenditures are not dependent on an adequate rate of return.' No such assumption is either explicit or implicit in the CONSAD models, and such a statement implies a rathe xtreme lack of knowledge of the contents of the CONSAD report.

"The technique of quote-out-of-context is used on page two of the MC report to attempt to invalidate the supportive evidence of CONSAD's third model. What the CONSAD report actually stated was that the quantitative estimates obtained from the model of the individual firm could not be used as estimates of industry reaction, since all the various types of firms in the industry were not represented in the model.

"The CONSAD report stated that the third model would substantiate the first model if the indicated reserve changes were of the same order of magnitude, and were changes in the same direction. The results obtained from the third model *did* substantiate the results of the first (or neoclassical) model.

"Surprisingly enough, after indicating that only the first CONSAD model was worthy of comment, much of the MC report is devoted to specific criticisms of minor points concerning the other models discussed in the CONSAD report.

"On the question of uncertainty, the MC report is somewhat erroneous in stating that the CONSAD report assumes perfect knowledge. The report does not assume this, nor is such an assumption implicit in the methodology.

"Another out-of-context quote is provided on page 15, where Eisner's objections to Jorgensen's model are noted. The remainder of Eisner's article goes on to propose modifications in Jorgensen's model similar to those used by CONSAD (the CONSAD model is credited to the Eisner article quoted in the MC report).

"The MC report appears completely confused on page 21, where the CONSAD report is taken to task for using a 12:1 reserve ratio in the model. The 12:1 reserve ratio figure is not, of course, used anywhere in the model. It is mentioned as historical background, but the data used in the model were actual reported reserves and production.

"The MC report seems confused again on page 31 when it indicates that 'this approach leads CONSAD to compare the price of a *full* barrel of reserves with the cost of only a *fraction* of a barrel.' This is not true, but as the MC report offers no explanation of its statement, no comment can be made.

"There are two important points to be made concerning the 'apparently incorrect information,' cited in the MC report (Section IV). The first of these is that careful reading of the report would make it quite clear that all of the items cited were presented as background information in the study and do not form the basis for any results derived therein. The second of these is that, with one exception, the statements in the CONSAD report were true when the data was being collected and the report was being written. The use of 1968 data, which were obviously not available when the report was written, (the study involved over a year of continuous effort) to illustrate the 'incorrectness' of statements in the CONSAD report cannot be interpreted in any other way than as an obvious attempt to discredit the CONSAD report, since anyone with any knowledge of the petroleum industry would be aware of the basic sources of the CONSAD statements.

"Most of the discussions in Section V, *Doubtful Petroleum Economics*, is replete with the same sort of out-of-context quoting of the rest of the MC report. The only relevant information presented here is that in reference to Professor McDonald's work on the non-neutrality of a flat-rate corporate income tax. It is interesting to note the omission from the MC report of Professor McDonald's conclusion that a percentage depletion rate of 14% would provide the desired neutrality.

"Professor McDonald's work, however, does not examine the *efficiency* of percentage depletion as a method for compensating the non-neutrality of the flat-rate corporate income tax. It is certainly possible, and a subject worthy of further study, that some more direct method of compensating investors for the risk elements in petroleum investments would provide the desired neutrality at a much lower cost to the economy.

"IV. Conclusion

"CONSAD would welcome some meaningful critiques of its work, with the ultimate objective of imposing the reliability of the conclusions. Unfortunately, the Mid-Continent report is totally useless for this purpose."

CRITIQUE OF CONSAD'S REBUTTAL

The Senior Senator from Wisconsin inserted in the November 13th *Congressional Record* a reply by the CONSAD Research Corporation to a critique by the Mid-Continental Oil and Gas Association of an earlier CONSAD report. He seemed to think that the CONSAD rebuttal was a definitive response negating the value of the Mid-Continent criticism. On the contrary, the CONSAD response *confirmed* the basic thrust of the industry's criticism of CONSAD. I am submitting for the record at the conclusion of my remarks a point-by-point analysis of the CONSAD rebuttal.

Before inserting this analysis, I would like to comment briefly on the main thrust of the Mid-Continent critique and CONSAD's reply thereto. Mid-Continent said that CONSAD actually answered the following question: "In the event that percentage depletion were eliminated, what would happen to the level of reserves desired for a given level of production, *assuming that this level of production would continue?*" Here is what the CONSAD rebuttal says on this crucial point:

"The CONSAD study was aimed at determining the effectiveness of the special tax provisions in increasing the reserves *above those levels needed solely to support production.*" (Emphasis added)

The CONSAD study simply purports to tell us whether percentage depletion stimulates the holding of any additional reserves over those technologically needed to support a particular level of production—and never mind whether it is economic for the industry to produce that level of output. Their study does not *attempt* to tell us what would happen to the level of United States petroleum production and reserves after the full effect of elimination of percentage depletion were felt. CONSAD has, therefore, admitted the truth of the basic Mid-Continent argument.

In my opinion, CONSAD's question is trivial. As has been amply demonstrated in the hearings of the Committee on Finance, the petroleum industry earns a below-average rate of return. Under these conditions, it is a matter of simple economic logic that an increase in tax cannot be absorbed by the industry in the long run. Hence, a tax increase will ultimately lead to a reduction in the level of production (and, accordingly, in the level of reserves)—provided, of course, that the tax increase is not offset by a price increase. (CONSAD assumed that there would be no price increase.) Thus, by assuming no change in production, CONSAD has given us an answer to a highly hypothetical question which has little, if any, relevance in the real world.

Mr. President, the question of real significance to the national interest is not whether, at a particular level of output, somewhat less reserves would be held without depletion than with. The real question is *how much less would be produced* without depletion than with. How much would the overall level of activity in the industry ultimately decline if percentage depletion were eliminated? (We can measure activity either

by annual production or by the level of reserves required to support that amount of production.)

I should like to call to the attention of the Senate two studies which *did* attempt to answer this kind of question. One was by Professor Edward Erickson, who appraised past response of oil discoveries to changes in price. A recently updated version of his study estimated—on the basis of *past* response—that supply in the industry would ultimately change in proportion to a change in price. That is, a 27.5% decrease in price would ultimately cause a 27.5% decrease in production and reserves.

In testimony before the Subcommittee on Antitrust and Monopoly of the Senate Committee on the Judiciary, the Board Chairman of an American oil company revealed the results of a study by their geologists of future drilling prospects in the United States. The geologists estimated that supply in the industry would ultimately change considerably more than a change in price—about two thirds more. Thus, a 27.5% decrease in price would ultimately cause about a 46% decrease in production and reserves.

It is not surprising that both of these answers far exceed the 3% reduction in desired reserves which CONSAD estimated for a particular level of output if that output were produced, since CONSAD did *not* attempt to determine how much would be produced.

Let me sum up, Mr. President. CONSAD did not evaluate the question they are widely believed to have evaluated, namely the ultimate long run effect on the industry of eliminating percentage depletion. Professor Brickson's independent study of the *past* shows a percentage decline in production equal to a percentage decrease in price. An exhaustive study of the *future* by experts from the petroleum industry shows an even larger decline based on an economic appraisal of the prospects expected to be available.

Mr. President, I hope that my review of the situation will put this controversy to rest once and for all. At this point I will place in the record my comments on the CONSAD rebuttal to which I referred in my opening remarks. My analysis is presented setting forth statements made in the CONSAD rebuttal with relevant observations based on the Mid-Continent Oil and Gas Association critique of the original CONSAD report.

ANALYSIS OF CONSAD REBUTTAL OF CRITICISM OF EARLIER CONSAD REPORT PREPARED BY MID-CONTINENT OIL AND GAS ASSOCIATION

CONSAD statement 1: "The MC report is notably lacking in constructive criticism."

Comment 1: The MC report was constructive in that it attempted to point out the question that is relevant for public policy in this area. Beyond this it attempted to point out the problems inherent in using the available industry data for scholarly empirical research. Under the circumstances, suggestions as to how to improve an analysis that was directed towards answering an irrelevant question could hardly be considered constructive.

CONSAD statement 2: "The inability of the MC report to find any serious fault with the CONSAD report conclusions after apparently concerted study only serves to increase the credibility of these conclusions."

Comment 2: At the time, it seemed sufficient to point out that whatever CONSAD's conclusions they were irrelevant since they answered an irrelevant question. Since that time, however, a number of researchers have addressed the relevant question and in general, their findings support the industry view that a significant change in percentage depletion would produce a substantial reduction in production and reserves.

CONSAD statement 3: ". . . the MC report indicates that extrapolation beyond the range of the data is justification for placing no credence in the results, then proceeds to extrapolate even further to illustrate the "inappropriateness" of CONSAD's model."

Comment 3: Extrapolation affects primarily the statistician's confidence in his results. Since CONSAD's analysis required it to extrapolate far beyond the range of historical data, there can be little statistical confidence in its precise statistical results. The question of the appropriateness of CONSAD's model has its roots in the logical structure of that model. Totally apart from questions of data, the model that CONSAD tested is inappropriate in part because it is not designed to exclude the possibility that the industry will want to hold reserves in the long run even if price is less than cost.

CONSAD statement 4: "The price change equivalent to the elimination of percentage depletion is about 35 cents (not 75 cents as stated in the MC report) which is a comparatively small extrapolation—the largest year-to-year price change in the data was 30 cents."

Comment 4: 27½% of $2.93 (CONSAD's assumed wellhead price) is $.81, but the net effect of percentage depletion is reduced somewhat by the 50% of net limitation and by the loss of cost depletion when percentage depletion is taken. Hence, about $.75 is correct.

CONSAD statement 5: "The CONSAD study was aimed at determining the effectiveness of the special tax provisions in increasing reserves above those levels needed solely to support production . . . If the intent of the special tax provisions is to encourage consumption of petroleum products by keeping prices below their free market levels, the CONSAD study offers no evidence as to the effectiveness of the tax provisions."

Comment 5: The principal point of the MC critique was that CONSAD's question, the question of the effect of depletion on the quantity of reserves the industry would want to hold for a given level of production, assuming that that level of production would be produced, is "basically trivial and is not the question that is relevant for public policy."

As noted in the MC report "The question of real public policy significance is one having two parts. First, what quantity of output would firms want to produce at various prices? And second, what level of reserves is implied by those levels of output?"

These questions have been addressed in a number of responsible studies. As CONSAD's statement implies, they were not addressed nor can they be addressed using the CONSAD methodology.

CONSAD statement 6: "The concluding statement in the summary says that 'The model used is especially subject to criticism because it is based on the improper assumption that industry exploration and development expenditures are not dependent on an adequate rate of return.' No such assumption is either explicit or implicit in the CONSAD models and such a statement implies a rather extreme lack of knowledge of the CONSAD report."

Comment 6: CONSAD's failure to recognize the rate of return implications of a model that allows for continued long run production even though price is less than cost implies a "rather extreme lack of knowledge" of (a) its model, (b) fundamental economic principles or (c) the real world.

CONSAD statement 7: "The results obtained from (CONSAD's) third model *did* substantiate the results of the first (or neoclassical) model."

Comment 7: Several comments are possible on this point: First, the neoclassical model (inadequately) answers an irrelevant question. If the third model substantiates the first it is not clear that CONSAD's case is advanced.

Second, even if the neoclassical model had been directed toward the relevant question, there is no escaping the fact that the magnitude, rather than the direction of the response is the significant consideration. Since the third model is not statistically significant, it can offer nothing in the way of verification for the magnitudes shown by the first.

CONSAD statement 8: ". . . much of the MC report is devoted to specific criticisms of minor points concerning the other models discussed in the CONSAD report."

Comment 8: If a defense of thoroughness is necessary, the reason why the second and third models were criticized is that both appear to offer far more promise than the one which CONSAD used for its conclusions—and both received extensive treatment in the CONSAD report.

CONSAD statement 9: ". . . the MC report is somewhat erroneous in stating that the CONSAD report assumes perfect knowledge. The report does not assume this . . ."

Comment 9: Not only does the CONSAD neoclassical model assume perfect knowledge it assumes that all petroleum reserves are homogeneous and that new reserves can be added simply by going to a warehouse and taking them down from the shelf.

CONSAD statement 10: "(the CONSAD model is credited to the Eisner article quoted in the MC report)."

Comment 10: The CONSAD neoclassical model adopts only Eisner's version of the production function. Additional problems common to the Jorgenson and Eisner studies are embodied and exacerbated in the CONSAD formulation.

CONSAD statement 11: "The MC report appears confused . . . where the CONSAD report is taken to task for using a 12:1 reserve ratio in the model."

Comment 11: The MC point was that since the CONSAD methodology was sensitive to technological change, and since CONSAD was (or should have been) aware that technology was changing, as evidenced by its references to changing reserve production ratios, CONSAD should have made some attempt to take changing technology into account or to qualify its conclusions accordingly.

CONSAD statement 12: "The MC report seems confused again on page 31 when it indicates that 'this approach leads CONSAD to compare the price of a full barrel of reserves with the cost of only a fraction of a barrel.'"

Comment 12: The MC critique noted that CONSAD appeared to have compared the price of a full barrel of reserves with the "user cost" of that same barrel spread out over the life of the well. CONSAD has yet to offer an explanation or justification for its strange and, in our view, inappropriate formulation.

CONSAD statement 13: "The use of 1968 data, which were obviously not available when the report was written . . . to illustrate the incorrectness of statements in the CONSAD report cannot be interpreted in any other way than as an obvious attempt to discredit the CONSAD report . . ."

Comment 13: Viewed somewhat less defensively, the use of 1968 data can indeed be used to "illustrate the incorrectness of statements in the CONSAD report . . ." In the first place, the CONSAD model assumes that the industry is in long-run equilibrium. If the 1968 data differ substantially from the 1966 data used in the CONSAD report, then clearly the industry was not in long-run equilibrium and CONSAD's model is inappropriate. In the second place, even if the model were somehow appropriate, the fact that the 1968 data differ from the 1966 data

implies that the results, if valid for 1966, would not be valid for 1968, 1969, or for the 1970's—the period that is relevant for public policy. In short, conditions in the industry have changed dramatically since the CON SAD base years; hence, those years are of doubtful value for predicting the future.

Mr. LONG. I personally think that the economists and the experts in the Interior Department and other petroleum economists who feel that the report is completely unsound and who feel that the logic is so completely discredited that the report does not deserve our consideration should have their side of the matter printed as well as the side of those who would like to place most emphasis upon the report.

I point out that Mr. Collado's letter has been used by the Senator from Wisconsin in a fashion in which he would not want to have it used.

The Senator noted only one aspect of the matter. He noted that Mr. Collado was not referring to the factors which one could call collateral in any respect at all.

He pointed out that there would be a reduction in production if the depletion allowance were cut, but that certainly a company could be expected to continue to produce from its present reserves and the discoveries it had already made. However, the reduction that would occur over a period extending to the year 1985 would cause this Nation to be producing 1,400,000 barrels a day less, or more than 20 billion gallons a year less, than we would be producing otherwise.

Second, Mr. Collado in that same statement pointed out that there are a lot of other factors that we really could not get precise estimates on, factors such as the effect of a reduction in cash flow on the incentive to invest and produce.

One thought was that we could not really estimate what the effect of it would be, but that anyone could tell us that, if we tax an industry to the extent that it is not profitable to explore for more oil, there will be less exploration for oil. And that will probably result in a major reduction of drilling and of the discovery of new production in this country.

Mr. President, I ask unanimous consent that the memorandums I have prepared in this connection be printed at this point in the RECORD.

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

MEMORANDUM ON MISINTERPRETATION OF MR. COLLADO'S LETTER TO MR. AREEDA

Mr. President, I would like to point out to the distinguished gentleman from Wisconsin that he has misunderstood Mr. Collado's projections and that an incorrect conclusion is being drawn from them.

First, the projection shows that if percentage depletion were cut to 20%, domestic crude oil production is 1985 would be 1,400,000 barrels a day lower than if depletion were maintained at 27½%. This is not a trivial reduction; it amounts to over half a billion barrels or 20 billion gallons a year.

This drop of over 10% in domestic production would have a serious impact on the economies of domestic producing areas but, of more importance, it would increase our dependence on the Middle East. The simple fact is that only the Middle East has the capacity to make up a shortage of the magnitude that such a cut in depletion would entail. I, for one, think it would be sheer folly to expose further our economic health—indeed, our national security—to political developments in that volatile area. The added tax revenues—if there would be any in the long run—would simply be inadequate to justify such additional risk.

Secondly, Mr. President, I would like to note that Mr. Collado's projections have been interpreted without consideration of the qualifications indicated by him in prefacing his remarks.

In the explanation of his projections, Mr. Collado stated that no weight was given to the resulting reduction of cash within the industry, or the loss of interest by prospective investors, which would follow any reduction in the depletion rate. The reason no weight was given to these losses of investment capital was because, while they are sure to happen, a determination of the exact amount is highly speculative. His projections were limited to numbers which can be obtained from production economies. He merely called to the attention of the task force the resulting danger of capital losses normally flowing into the exploratory branch of oil operations so that they might use their own judgment as to its magnitude.

In my personal judgment, Mr. President, the impact of reduced cash flow and loss of investor confidence would have a greater impact on exploration and production than would the change in the producing economics to which Mr. Collado limited his observations.

Finally, Mr. President, it has been pointed out that the figures show that a cut in depletion would not lead to lower production until 1974. This situation is purely fortuitous, and comes about for two simple reasons.

One is that there is some spare producing capacity today—spare capacity which has proved valuable during periods of supply disruption. This spare capacity will ultimately disappear, but if depletion is cut, it will disappear more rapidly. But, for a few years, we can live on this spare if we choose to pay no heed to the future.

Another important factor is the recent discovery of new reserves in Alaska. This field, now that it has been discovered, will probably be developed whether depletion is reduced or not. But the important fact is, Mr. President, that without depletion you can be sure that the industry would never have undertaken such an extremely expensive search for oil in the hostile Alaskan environment.

The cut in depletion which is being proposed now—and erroneously justified by faulty interpretation of Mr. Collado's projections—will surely result in declining exploration and the loss to us of possible future finds like Alaska.

Mr. LONG. Mr. President, furthermore the statement was made that other countries do not have depletion allowances. I point out that they have incentives which exceed those that we have. And they have incentives of various degrees to encourage people to go into the business of producing their essential requirements.

I ask unanimous consent that there be printed at this point in the RECORD the material appearing on page 4451 through the middle of 4454 to indicate what other countries are doing to find their requirements for oil and gas in those countries.

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

SUMMARY OF INCENTIVES GRANTED BY FOREIGN GOVERNMENTS IN REGARD TO THE PRODUCTION OF OIL AND GAS UNDER PETROLEUM AND/OR TAX LAWS

ARGENTINA

Immediate deduction is allowed for exploration costs as well as amortization thereof. And option is available to deduct exploration expenses and normal depreciation on capital assets against non-petroleum activities.

AUSTRALIA

Recovery of expenditures.—A taxpayer is permitted to recover allowable capital expenditures in regard to exploration and producing activities before any production income becomes subject to income tax. This provision accumulates expenditures for formation, exploration/development and production as deductions against future income from the sale of petroleum production. Income tax is thus postponed until the deductions have been fully offset against producing sales. A petroleum exploration company is allowed to transfer the tax deduction for any producing or exploration expenditures from itself to its shareholders. In this way, the shareholder can claim the deduction for the stock investment in a petroleum exploration company against current taxable income and the deferred deduction of the exploration company is correspondingly reduced.

Partial additional deduction for investment.—A deduction for ⅓ of the "calls" on shares to the stockholder investing in the exploration venture is allowed. Since the exploration company may claim a tax deduction for its expenditures, this will result in an aggregate deduction of 133⅓% between the company and its shareholders.

Direct subsidies.—Subsidies are also used to create favorable conditions for petroleum exploration activities. Originally limited to a subsidy of ½ the cost of a company's approved-stratigraphic drilling program; now extended to include off structure drilling, detailed structure drilling, borehole surveys, and geophysical surveys employing magnetic, seismic, gravimetric or other physical methods of obtaining petroleum exploration information. Both past and future subsidies are not taxable, but the taxpayer's deduction for exploration expenditures has to be reduced by the amount of subsidy received. The government now pays up to 30% of the cost of all geophysical surveys and test drilling operations. In the case of stratigraphic drilling the limit is 40%.

BELGIUM

Allows producers a tax-free reserve limited to 50% of the taxable profits from production. Such reserves must be reinvested within 5 years.

BRITISH HONDURAS

Allows percentage depletion of 27½% of gross income limited to 50% of net petroleum income after royalties but before depletion. Intangible drilling costs are deductible when incurred, limited to 50% of net petroleum after royalties but before depletion.

CANADA

Allows percentage depletion at 33⅓% of overall profits. All drilling, exploration and general operating costs on a company-wide basis must be deducted before depletion is computed.

COLOMBIA

Allows normal percentage depletion of 10% of the gross value of production less any royalties or participations, limited to 35% of net income before depletion. In addition, a special depletion allowance, computed on the same base, of 18% in the East and Southeast Region, and 15% in the rest of the country, is also allowed. The total of normal and special depletion is limited to 50% of net taxa-

ble income in the East and Southeast Region and to 45% in the rest of the country. Amounts allowed as special depletion must be reinvested within three years in petroleum related facilities. Failure to reinvest results in their restoration to taxable income, but over-investment may be carried forward to apply against future reinvestment obligations.

FRANCE

Allows producers a reserve equal to 27½% of the gross value at the wellhead of the crude oil extracted. This reserve is limited to 50% of the net profit from production and from the first stage of processing in the producer's own refineries. For the tax exemption to be retained such amounts must be reinvested within 5 years, either in the way of fixed assets or research work for new discoveries of oil or gas, or by making investments in certain companies approved by the government. If not reinvested within this time limit, the reserve is required to be restored to the taxable profits of the fiscal year during which such 5-year period expires, and taxed as ordinary income.

GERMANY

German (domestic) oil companies operating outside Germany could obtain through December 31, 1968 low interest loans in amounts of up to 75% of the costs of exploration. Such loans were repayable only when commercial production was obtained. Exploration for or production of oil during the years 1959 to 1962 was a prerequisite. There is a new government incentive for foreign operations which was signed on July 7, 1969, effective for the years 1969 through 1974. Under the new proposal a total of DM 575 million will be allocated under a loan scheme. Loans will be granted up to 75% of exploration expenditures and if there is no discovery, no repayment will be required. Even with discovery, up to 50% of the loan can be waived under certain circumstances. If the financial situation warrants it, the plan contemplates a non-repayable contribution of up to 30% of the costs of acquiring a productive field or shares in a producing company. To be eligible under this new plan, the company must be domiciled in Germany and have produced petroleum in Germany or been processing petroleum within Germany prior to January 1, 1969. Loans will not be granted if the enterprise can reasonably be expected to finance itself. However, it is expected that if a group of the major German-controlled companies form a new company to explore overseas, this new company will not be considered able to finance itself. Until January 1, 1970, oil and gas companies are permitted to write off drilling costs, geological and geophysical expenditures, dry holes, etc., immediately against other income, whether a branch or subsidiary is used. An oil company can also write down its investment in a foreign subsidiary. When production is achieved the investment must be restored, but this restoration can be written off on a very liberal basis. Presumably this legislation will be extended.

GUATEMALA

Allow percentage depletion of 27½% of gross income, limited to 50% of net income. Exploration and intangible drilling costs can be expensed. Losses can be carried forward indefinitely.

GUYANA

Allows percentage depletion and deduction of intangible drilling costs at a "reasonable" level as established by the Commissioner.

HONDURAS

Allows percentage depletion of 25% of gross production, limited to 50% of net taxable profits. Exploration expenses as well as intangible drilling costs can be expensed. Losses can be carried forward for ten years.

ISRAEL

Allows percentage depletion of 27½% of gross income, limited to 50% of net income.

JAPAN

Allows percentage depletion for companies conducting petroleum exploration, subject to a recapture to the extent that, within a 3-year period, an amount equivalent to the deduction has not been invested in further exploration. The amount is 15% of sales revenue, limited to 50% of net income. A current deduction of intangible drilling and development costs for unsuccessful wells is also provided. These incentives apply to both domestic and overseas exploration.

Overseas incentive.—The government has organized the Petroleum Development Public Corporation (PDPC) as a government-owned entity for the purpose of channeling government funds into exploration and production in order to promote the development of petroleum resources and to ensure stabilized supplies of petroleum.

The PDPC accomplishes these objectives by:

(1) Making investments and loans necessary for petroleum exploration in overseas areas,

(2) Guaranteeing debt resulting from loans necessary for overseas petroleum exploration and production,

(3) Leasing equipment required for oil exploration, and

(4) Giving technological guidance on oil exploration and production.

The loans referred to in (1) are extended on favorable terms and repayment is required only if the venture financed is successful. Loans amounts may be as high as 50% of the cost of the undertaking, and joint exploration ventures by Japanese and foreign companies, in which the Japanese interest is at least 50%, may also receive these benefits. To date, the PDPC has committed itself to extend financial support to exploration ventures in Alaska, Southeast Asia, and the Persian gulf.

Domestic incentives.—Presently, the government is in the process of developing a policy to actively encourage development of domestic oil and gas reserves. There is in effect a duty rebate system for certain offtakers of indigenous crude. There has been pressure on the government to extend the above PDPC incentives to domestic production, consequently, the government is now reviewing this possibility.

NICARAGUA

Allows percentage depletion of 27½% of wellhead value less royalties, limited to 50% of net taxable income before depletion. Intangible drilling costs and dry hole costs are deductible once production is attained. Losses may be carried forward ten years.

NIGERIA

Exploration losses, intangible drilling costs and dry holes can be expensed. Losses may be carried forward indefinitely.

NORWAY

The govenrment may grant companies engaged in the exploration and exploitation of offshore oil and gas deposits the right to carry losses forward over a 15-year period rather than the normal 10-year period.

PAKISTAN

Allows percentage depletion at the rate of 15% of the wellhead value, subject to a maximum of 50% of net income.

PERU

Allows percentage depletion from 15% to 27½% of the gross value of production (adjusted for transportation in certain areas) depending on whether a national or foreign company is involved and the region in which production is located. A foreign company with production in the Coastal Region is limited to 50% of net profit after deducting depletion and the 20% minimum advance payment of income tax. All others are limited to 50% of net profit before deduction of depletion and the advance payment of income tax. Deduction for intangible drilling costs is also allowable.

PHILIPPINE REPUBLIC

Allows percentage depletion of 27½% based on gross income, after an amount equal to any rents or royalties paid or incurred in respect to the property has been deducted.

SABAH

Allows percentage depletion at rates deemed reasonable by the Commissioner.

SPAIN

Allows percentage depletion of 25% of the field value of production less royalties, but limited to 40% of the net profit before deducting depletion: Similar rules apply in the Spanish Sahara.

ST. MAARTEN

Allows percentage depletion at rates deemed reasonable by the Commissioner.

TRINIDAD AND TOBAGO

Allows percentage depletion of 20% of the gross value of production of submarine wells limited to 40% of income without the deduction of certain specified allowances.

TURKEY

Allows percentage depletion of 27½% of the gross income from production after deducting rentals and royalties, limited to 50% of net income before deduction of depletion.

UNITED KINGDOM

Cash grants of 20% (40% in certain onshore areas) for oil and gas operations onshore and offshore are available generally as follows:

(1) Geological and geophysical expenses are usually eligible for grant except for the cost of general surveys to determine whether or not to begin exploration in an area.

(2) Lease acquisition costs are not eligible.

(3) Exploration, evaluation and production drilling costs qualify.

(4) Production equipment, certain pipelines and drilling platforms including overheads qualify.

In effect all exploration and drilling expenses (not in excess of investment grants) incurred prior to proving reserves may be expensed. Thereafter until production is achieved, both tangible and intangible drilling costs are capitalized and amortized on a unit of production basis. After production is achieved, tangible costs are still capitalized and amortized, but intangible costs are expensed. Losses may be carried forward for an unlimited number of years. All of the foregoing items that require capitalization must be so treated because only an item that is capitalized is eligible for an investment grant. If for any reason an investment grant is not received, such items may be expensed.

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

Mr. LONG. I yield.

Mr. MILLER. Mr. President, I listened with great interest to the colloquy between the Senator from Louisiana and the Senator from Connecticut. I point out that the Senator from Connecticut remembers that in the presidential election of last fall, Vice President Humphrey was asked whether he favored a reduction in the 27.5 percent depletion. And his answer was "No." His reason was that if this depletion allowance were reduced very materially, it would certainly mean increased consumer costs. And with all due deference to my friend, the Senator from Connecticut, I do not believe anyone is more consumer minded than Vice President Humphrey.

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

Mr. LONG. I yield.

Mr. RIBICOFF. Mr. President, it becomes very obvious, with all due respect to former Vice President Humphrey, that he was running for election. And he was seeking the votes of the oil States in the same way that President Nixon was seeking the votes of the oil States. Without question, the oil industry is a powerful lobby.

The distinguished chairman, for whom I have the highest respect, made some slighting remarks concerning the CONSAD report. However, this report comes under the auspices of the Committee on Ways and Means and the Committee on Finance.

In that report it says that the elimination of the depletion allowance would reduce the Nation's oil reserve by only 7 percent.

The report continued by saying that only $150 million of oil is found each year which would not be discovered if we abolished the depletion allowance.

In other words the percentage depletion allowance, which costs about $1.6 billion annually returns only $150 million in new reserves.

Furthermore, I cannot understand—and I have the highest respect for the chairman of the Committee and for the Senator from Iowa—when we are talking about closing loopholes, why, Atlantic Richfield between 1964 and 1967 did not pay a single penny of Federal income taxes on earnings of $465 million.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. RIBICOFF. Mr. President, will the Senator yield me 1 minute?

Mr. WILLIAMS of Delaware. Mr. President, I yield 1 minute to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, I think this shows what is wrong with the oil depletion tax rules and regulations. What we are trying to do and what we are supposed to do is write a tax reform bill, and we are not doing it.

Mr. MILLER. Mr. President, will the Senator yield me 1 minute?

The PRESIDING OFFICER. The time of the Senator has expired. Who yields time?

Mr. LONG. Mr. President, I yield myself such time as I require at the moment.

With regard to the so-called CONSAD report, that was a report from some private research group commissioned by someone in the Treasury Department. It has nothing to do with the Committee on Finance.

This Congress authorized that the document be printed. I had not even seen the document. I do not know anyone in the Finance Committee who is familiar with the report. It is a document that someone had compiled. Since that time, it has been studied. And the people in the Department of the Interior think that it is fallacious, erroneous, and unreliable.

The people in the oil and gas industry point out a great many reasons why they think it is wrong.

One of the responsible experts in the Department of the Interior notes that there are more than 70 editorial discrepancies in the document.

I have a statement provided by the Department of the Interior, a Department in which the people are supposed to know something about this matter, rather than a statement coming from the outside, from an independent research group that is studying something that they know very little about.

The statement says in part:

> The present report is something of an intellectual and verbal jungle that requires intense study if any meaning is to be extracted. We find the CONSAD study unsatisfactory.

It all winds up with the same conclusion, that the findings of this report are wrong.

A memorandum I have inserted in the RECORD points out some of the glaring errors in the report. When the report makes mistakes that are very striking, it becomes noncredulous and meaningless. I have listed 13 of those striking errors that no one can argue about.

So, if they are wrong on 13 of their basic assumptions and wind up anywhere near the target, it would be an accident such as Columbus discovering a new world thinking that he had discovered India.

One would not know whether it was right or wrong, because so many things are obviously wrong about it.

Someone said something about Atlantic Richfield making money and paying no taxes. I would assume that most of that money was made from overseas development and that they were entitled to a tax credit for it.

Someone said, "Let us eliminate foreign tax credit." The Treasury Department estimated how much we would make out of that. We would make very little money. The foreign governments would make money. And hopefully, we would make $2 million for our Government in the first year. After that, the other governments would raise their taxes and keep the money for their treasuries. We would not get anything.

We would lose a lot of money, including the taxes that Americans pay on oil development overseas.

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

Mr. LONG. Mr. President, I had promised to yield 3 minutes to the Senator from Oklahoma. I yield first to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. BELLMON. Mr. President, I have been very interested in the comments about the amount of taxes oil companies pay.

I have the figures for my State of Oklahoma. In my State only the oil industry pays a gross reduction tax. We get no gross reduction tax from other industry.

But the oil companies—the oil industry—pay to the State of Oklahoma $44.8 million of gross production taxes every year. This is the largest single source of income to our State's general fund, and if we do not get this sort of income from the oil companies, it simply means that the State of Oklahoma will not be able to meet its responsibilities and will have to turn more to the Federal Government for help, as has already happened in too many cases.

This is only one of the very small cases showing that the oil industry does meet its responsibilities; and even though it may not pay as much Federal income tax as other industries, it is paying more than its share, as the chart shown by the distinguished Senator from Louisiana has demonstrated.

About 2 weeks ago, at a meeting of the Subcommittee on Minerals, Materials, and Fuels of the Committee on Interior and Insular Affairs, the Federal Power Commission testified that a decrease in the depletion allowance from 27½ to 23 percent would mean that the Federal Power Commission would immediately be required, by its rules and the laws under which it operates, to order an increase in the cost of natural gas to consumers in the amount of 4 cents per thousand cubic feet.

The FPC is required to set a price that will give the companies a sufficient income to continue in business and to make a reasonable profit.

When we talk about cutting back on the depletion allowance, we are simply talking about raising the cost of the product to the consumer, and I believe we should not overlook that fact as we vote today.

To me, the significant point here is that even though the companies raise their price of the product—which they are certain to do and in this way continue to be profitable, as they must be if they are going to continue in business—there is no assurance that the funds they receive from these increased product prices will go into oil exploration; whereas, because of the 27½ percent depletion allowance, the companies and individuals who invest in the oil industry have been encouraged to continue exploring reserves for the future.

Senators must keep in mind that when we talk about changing what is not a loophole or any kind of tax escape but rather an incentive, we are talking about decreasing the incentive for the continuation of oil exploration, and we are talking about reducing the country's oil reserves for the future.

I believe sincerely that the 27½ percent depletion allowance has served a good purpose. I believe that, in the long run, it is going to be in the best interests of this country to see it maintained. If it is cut to 20 percent, as the Senator from Delaware proposes to do, it is going to weaken the industry irreparably.

The PRESIDING OFFICER. Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Delaware has 11 minutes remaining.

Mr. WILLIAMS of Delaware. I yield 5 minutes to the Senator from Wisconsin.

Mr. PROXMIRE. I thank the Senator.

Mr. President, it seems to me that we have met all the other arguments against

reducing the oil depletion allowance. But the Senator from Louisiana now comes up with a series of charts that purport to show the oil industry is paying higher taxes than other manufacturing industries as a whole.

I have tried my best, and my staff people have tried, to find out the source of that information. One of the important things in these debates, when we use this information, is to find out who provided it. I asked the staff of the distinguished Senator from Louisiana, and they did not know. I understand the oil industry itself may have supplied this information. We have tried to get details on this information. We have been told, when we have tried, that this information is not for public record, that it is not going to be fully disclosed.

I should like to tell the Members of the Senate—and I have the charts if they would like to see them——

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

Mr. PROXMIRE. I yield.

Mr. LONG. That information is in the record, and I will make it available to the Senator before the day is out.

Mr. PROXMIRE. What is the source? The petroleum industry?

Mr. LONG. I will find the source for the Senator.

Mr. PROXMIRE. I thank the Senator.

Mr. LONG. The Senator has never challenged it before, and he and I debated this matter before, as he knows.

Mr. PROXMIRE. The SEC does have a record of the percent of taxes—Federal taxes, State taxes, foreign taxes—paid by the oil companies in the country as a percentage of their income. I have that right here. It is true that they have to say "some of the taxes," because the oil companies do not disclose all the taxes when they file with the SEC. But on the basis of the only official governmental source we can get—and this is all the big oil companies in the country—I submit that they pay, on the average, 10, 12, and in some years as much as 15 percent of their income in State, Federal, local, and foreign taxes all together. I have this information available, if anyone wishes to check it.

Furthermore, my staff did make a study of the one company which the Senator from Louisiana's people were able to make available to my staff—Atlantic Richfield—to find out how large a tax they paid as a percentage of their income. In terms of Federal taxes, they paid none; State and foreign taxes, 8.6 percent; severance, production, and property taxes, 18.5 percent. When that is added up, it totals approximately 27.1 percent of their net income. This is less than the percentage that nonoil companies, the other companies, paid to the Federal Government in Federal income taxes alone.

When we reflect on it, we know that every manufacturing concern pays not only Federal taxes but also State taxes, local taxes, including property taxes.

So that the argument made by those who are opposed to reducing the oil depletion allowance does not stand up when we get the only official source of information that seems to be available.

I would be delighted to hear at any time from the Senator from Louisiana as to what his source is.

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

Mr. PROXMIRE. I yield, if I have time.

Mr. RIBICOFF. In 1968, the major refiners and producers paid an average of 7.7 percent of their net income in Federal taxes. The lowest individual income tax bracket is 14 percent. Does the Senator from Wisconsin think it is fair for a person who works as a laborer or as a clerk to pay a minimum tax of 14 percent when these large oil companies have an average income tax of 7.7 percent?

Mr. PROXMIRE. This dramatizes why this is a notorious loophole. Just think of that: A man making $600 of taxable income has to pay 14 percent. But the big oil companies, making hundreds of millions of dollars and in some cases billions of dollars in net profits, pay an average of 7.7 percent, or half of what the poorest income taxpayers in this country pay.

Mr. RIBICOFF. I have another statistic for the Senator's comment: In 1968, manufacturing corporations paid 40.8 percent of pretax earnings in Federal taxes. The oil corporations paid 11 percent.

Mr. PROXMIRE. Again, this dramatizes the point I have been trying to make.

Mr. RIBICOFF. Mr. President, if there is to be tax reform this year—reform in deed as well as words—the excessive tax favors granted to the oil industry must be ended.

No other step will so effectively demonstrate the desire of Congress to close off tax loopholes.

The sheltered oil industry has long been the symbol of tax inequity.

Today, in this year of reform, it remains the symbol of special privilege in the tax code.

There is something wrong with our sense of fair play when our laws permit a single oil company to escape all taxation on nearly half a billion dollars of net income.

The provisions in the tax code which favor the oil industry are now familiar. Oil's unparalleled position has been established by: First, percentage depletion; second, "intangible" costs deduction; and third, foreign tax credits. Percentage depletion is a deduction of 27.5 percent of gross revenues not to exceed 50 percent of net income from a property. "Intangible" costs are all those associated with drilling other than the machinery itself. The foreign tax credit is a dollar-for-dollar write-off for all taxes paid to a foreign government.

The goal of encouraging exploration and development of petroleum reserves is a worthy object of national policy. It should be achieved, however, in a manner consistent with the tax treatment afforded other industries.

Percentage depletion enables the cost of some operations to be deducted 20 times. In effect, it gives 27.5 percent of gross revenues full immunity from Federal taxation.

"Intangibles" include any item with no salvage value—for example, expenditures related to drilling, clearing, preparing the land, or constructing the physical plant. This sum equals 75 percent of the cost of an oil well. The difference, of course, is deductible over the life of the asset.

Many companies have elected to deduct "intangibles" immediately and to take percentage depletion over the life of the facility.

These two tax devices are not merely cost recovery mechanisms. Rather, they constitute what the authoritative Treasury Department Study of 1969 calls "a substantial subsidy to the oil industry."

Substantial is hardly the word for it. This subsidy amounts to $1.6 billion annually.

The statistics are revealing.

The Federal corporate tax rate is 48 percent.

Only 44 percent to 51 percent of actual profit for the oil industry, as compared to 97 percent for other manufacturing companies, is considered taxable income.

In 1965, actual Federal income taxes as a percentage of net income was 37.5 for all industries and 21.1 for petroleum.

In 1968, the major refiners and producers paid an average of 7.7 percent of net income in Federal taxes. The lowest individual income tax bracket is 14 percent.

In 1968, manufacturing corporations paid 40.8 percent of pretax earnings in Federal taxes; oil corporations paid 11 percent.

Atlantic Richfield paid no Federal income taxes between 1964 and 1967 on earnings of $465 million. Consider the top five companies in 1967: Standard Oil of California paid 1.2 percent; Texaco, 1.9 percent; Mobil, 4.5 percent; Gulf, 7.8 percent; and Standard Oil of New Jersey, 7.9 percent of net income.

Between the depletion allowance and related loopholes, the oil import quota system, and State market proration laws, the American taxpayer is paying a subsidy in excess of $7 billion per year to the oil industry.

The oil industry has advanced one basic argument on behalf of percentage depletion: The incentives of the market place are insufficient to encourage exploration and development necessary to maintain a level of reserves adequate to potential emergencies.

However, the most recent survey shows that elimination of the depletion allowance would reduce our known reserves by only 7 percent. Further, only $150 million worth of oil would not otherwise have been discovered in a year. The Federal subsidy program which costs $1.6 billion returns $150 million in product.

Gross revenue is a most inefficient basis for an incentive to explore and develop. It emphasizes production, not search. It rewards the nonoperator as well as the operator. It favors a few companies over the rest of the industry—8.5 percent of the companies collected 99 percent of the depletion allowance in 1966.

If there must be a depletion allowance, it should be a cost depletion deduction. It should apply to those who actually explore and drill. It should also en-

courage the perfection of new techniques for finding and extracting petroleum.

The recent discoveries on the North Slope in Alaska have greatly increased the Nation's potential oil supply. While exact figures are unavailable at this date, the Alaskan discoveries have insured a greater reserve of petroleum products for domestic use than could have been envisioned only a few years ago.

Additionally, our known reserves of oil shale contain over half a trillion barrels of oil—or a supply for 100 years. The Secretary of the Interior has estimated that the expenditure of far less than the amount lost to the Federal Treasury in 1 year through percentage depletion would finance a successful research and development program enabling us to tap this rich supply.

While proponents of depletion claim its value toward promoting national security by encouraging domestic exploration and development, the fact is that 40 percent of percentage depletion is claimed either for interests in foreign oil or nonoperating interests in domestic wells. Thus, almost half of this Federal subsidy is not directed toward the extensive exploration which is claimed to be its justification.

The foreign tax credit also permits the oil industry to receive a special break.

The tax credit permits a company to write off each dollar of taxes paid to a foreign country directly against dollars owed in taxes to the United States. Foreign taxes are often merely a disguise for royalty payments to the host nation where the oil operations are situated. Thus, what is normally considered an ordinary cost of doing business is treated not as a simple deduction from gross income, but a direct offset against Federal taxes.

Mr. President, the present oil depletion allowance is unjustified.

Congress must end its reluctance to consider this particular provision on its merits.

Depletion is little more than a direct subsidy to a powerful interest group.

Economically, it is unnecessary; socially, it is undesirable.

Our taxes are the means by which this society sustains itself. The tax laws reflect many of this Nation's most fundamental values.

It is time Congress terminated instances of special favoritism in the tax code.

I shall support amendments which would reduce the percentage depletion allowance for oil.

Mr. PROXMIRE. If we take the argument relied upon by those who oppose the reduction of the depletion allowance—that is, that the oil companies pay more in taxes—if we consider State, local, and Federal, we still find, even adding all that in, that they pay less in total taxes than other corporations pay to the Federal Government, because the 40-percent figure which the Senator from Connecticut has given us is higher than the total taxes of all kinds paid by the oil industry.

Mr. MILLER. Mr. President, will the Senator yield for a question?

Mr. PROXMIRE. I yield whatever time I have remaining.

Mr. MILLER. The Senator from Connecticut and the Senator from Wisconsin talk about a certain percentage of pretax earnings. I think the record should show exactly how they computed those pretax earnings. Did they take into account the deductions for intangible drilling and development costs? Did they take into account the net operating loss carryovers?

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. PROXMIRE. The figures I have came from the SEC. The SEC has done its best to make these figures comparable.

The PRESIDING OFFICER. Who yields time? Each side has 5 minutes remaining.

Mr. LONG. Mr. President, the Senator from Wisconsin asked about sources of information.

I ask unanimous consent to have pages 4454 through 4464 of the hearing record printed at this point in the RECORD. Some of this is by an oil company witness, but he makes reference to the sources upon which he is relying. Some of this is from the Chase Manhattan Bank.

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

STATEMENT OF ROBERT G. DUNLOP, PRESIDENT SUN OIL COMPANY, PHILADELPHIA, PA., AMERICAN PETROLEUM INSTITUTE; MID-CONTINENT OIL & GAS ASSOCIATION; AND WESTERN OIL AND GAS ASSOCIATION

SUMMARY

1. The United States economy is heavily dependent upon petroleum energy; oil and gas today provide nearly three-fourths of all energy consumed in this country.

2. Assured supplies of petroleum are vital to the national security of the United States.

3. With present tax incentives, the domestic petroleum industry has met this country's essential petroleum needs.

4. Present tax and other incentives have enabled the industry to develop a reserve producing capacity amounting to 3,000,000 barrels daily in 1968.

5. Similarly, the United States today has a spare producing capacity—producible and deliverable with existing facilities—of 1,000,000 barrels daily, which is available to meet emergency needs of this country and its Allies.

6. With existing tax incentives, the industry has made oil and gas available to consumers at reasonable prices.

7. Since it is based on production, the depletion provision is a particularly effective incentive for research leading to technological improvement; as such it has contributed significantly to broadening the nation's petroleum resource base.

8. Existing tax incentives have contributed significantly to improving the international payments balance of the United States and to world economic progress.

9. Tax incentives have contributed to the conservation of natural resources by encouraging the use of marginal oil.

10. The petroleum industry earns only average profits on investment.

11. The petroleum industry carries an overall tax burden equivalent to or exceeding that borne by other industries.

12. The combination of sharply rising costs and modestly rising prices is limiting funds available for investment; reserves of oil and gas declined both relatively and absolutely in 1968.

13. Federal control of natural gas well-head prices is partially offsetting the effect of tax incentives and creating a serious supply problem for the future.

14. Increased taxes would likely result either in higher petroleum prices or in reduced investment; neither alternative is desirable.

15. Complete elimination of tax incentives would make the United States heavily dependent on foreign oil; that dependency would range up to 48 to 58 percent of supplies.

16. This dependency could very well involve this country in a Middle East conflict, through our attempting to insure stability in the area.

17. Contrary to popular notions today, the United States is not running out of oil. Neither is it indicated that Alaska will produce enough additional oil to meet our future needs.

STATEMENT

I am Robert G. Dunlop, president of Sun Oil Company, Philadelphia, Pa. My appearance today is on behalf of the American Petroleum Institute, the Mid-Continent Oil and Gas Association, the Rocky Mountain Oil and Gas Association and the Western Oil and Gas Association.

I will attempt to give you an over-view of the present petroleum situation in the United States and of the likely impact of proposed tax changes on that situation. Appearing with me are Mr. William Spencer, executive vice president of the First National City Bank of New York, who will discuss future petroleum requirements and capital investment needs; Mr. George V. Myers, executive vice president, Standard Oil Company (Indiana), who will evaluate the impact of the proposed tax changes on domestic operations; and Mr. Emilio G. Collado, executive vice president of Standard Oil Company (New Jersey) who will close our presentation with a discussion of the tax treatment of foreign petroleum operations.

My colleagues and I appreciate this opportunity to present the petroleum industry's views on proposed tax changes for oil and natural gas. We feel strongly that this Committee's decisions on petroleum tax policies will significantly affect the Nation's future economic progress and its security. Accordingly, we feel that it is vitally important that the Committee's decisions be based on a comprehensive review of the effect of the proposed changes on our Nation and all of its citizens. It is our intent to contribute to this review by providing you with pertinent background information on the present petroleum situation and how it would be affected by the tax changes now under consideration.

In providing an over-view, I will attempt to define the role of tax incentives in the Nation's petroleum progress; to place the industry's tax payments, prices and profits into perspective; to discuss the relevance of petroleum tax policy to national security; to describe the present status of the industry; and to look at the impact of the tax proposals on the United States petroleum supply position.

First, however, I would like to state the industry's basic position on proposed changes in tax policy. It is this. Our experiences as oil men demonstrates that the tax incentives provided by the Congress in present law have very effectively achieved the purpose for which they were created: to provide an incentive for development of our petroleum resources. That our resources have, in fact, been effectively developed is a matter of record—a record of which we in the industry are indeed proud.

We observe two kinds of pressure being applied for a reduction in petroleum tax incentives. One is the pressure of emotional argument for boosting taxes on oil companies, come what may. The second is a more reasoned approach, recognizing the need for incentives but questioning whether the present level is necessary.

The facts of the situation appear to be of little interest to those who have been ad-

vancing the emotional arguments. But we are hopeful that the facts will be of paramount importance to those who are sincerely interested in reaching tax policy decisions that will be in the long-run best interests of the people of the United States.

We seek to be open-minded. We are not blindly opposed to change. If petroleum tax policy changes can be demonstrated to be in the best interests of the American public, we will surely not oppose them. But we strongly oppose change based on emotion rather than reason—change which is inimical to the progress of this Nation and to its security.

PETROLEUM ENERGY IN THE UNITED STATES

Against that background, I want first to look with you at the role of petroleum energy in the United States today. I submit that it would not be overstating the case to say that petroleum is the virtual lifeblood of this country. The Department of the Interior has aptly summed up the Nation's heavy dependence upon oil and natural gas in these words:

"The importance of petroleum to the national life of the United States at this particular moment in history is abundantly in evidence. It supplies nearly three-fourths of all energy consumed. Virtually all movement of goods and people depend on it. The Armed Forces would be immobilized without it. Countless industrial processes employ it exclusively, and nine-tenths of all space-heating is provided by it. And quite apart from its use as a fuel, petroleum forms the base for 88 percent of all organic chemicals manufactured in the United States."

I have taken a moment to include that quotation because I feel that it points up sharply why we are here today. Petroleum is vital to our country—so vital that the Nation could not exist today as we know it without adequate supplies of oil and natural gas.

The industrial revolution which is at the base of our prosperity could just as accurately be characterized as an energy revolution. Our ability to substitute inanimate energy for muscle power has made possible the tremendous increase in per capita production which is the essential measure of economic development.

The correlation between energy consumption and income is one of the significant facts of modern life. (See Exhibit I.) [Graphs not printed in RECORD.]

Petroleum is also essential to our defense capability, although in this age of nuclear weapons some observers seriously challenge this view. I would remind those challengers that, fortunately, the nations of the world have so far avoided nuclear war as a means of solving differences. And we all live in the hope that they will continue to do so. Conventional warfare, on the other hand, is likely to be with us for the foreseeable future. So petroleum is now, and will continue to be, vital to our national security.

Although surprising to many, the truth is that petroleum is becoming increasingly important to our defense capability. In 1968, defense procurement of petroleum per man under arms *was twice the peak World War II level*—even though the fighting in progress last year was restricted to a very limited geographic area.

The Department of Defense has put it this way:

"The part that oil plays in the defense posture of the United States is vitally important. It is a strategic material and one of the few items that is absolutely essential and foremost in the minds of military commanders. Along with weapons and ammunition, the needs of petroleum get the most attention."

In my view, these facts add to an inescapable conclusion: The future of the United States as we know it is vitally dependent upon assured supplies of oil. Realistically, we have only two routes to travel in obtaining oil:

(1) maintaining a strong domestic industry capable of meeting our essential needs, or

(2) turning increasingly to foreign supplies and, ultimately, becoming dependent upon those less secure foreign sources.

PETROLEUM DEVELOPMENT UNDER EXISTING TAX POLICIES

Up through the present day we have chosen to travel the first route, seeking to provide the incentives necessary to assure the continuance of a strong domestic petroleum industry capable of meeting the essential oil and gas needs of the Nation.

Was this a wise course of action?

Petroleum needs fully met

The record affirms that it was. For under past and present policies the United States petroleum industry has historically met the petroleum supply needs of this Nation and at the same time contributed immeasurably to the needs of our friends and allies. I need not recount to this Committee the major supply crises we have successfully met in the past.

It would perhaps be of interest and value, however, to show by example how petroleum tax incentives, working in conjunction with other incentives, have contributed to the development of our petroleum resources.

At the close of World War II, the heavy war-time drain on United States petroleum supplies had resulted in a situation where productive capacity was barely equal to demand.

The tax incentives, together with the thrust of rising prices during the late 1940's enabled the industry steadily to improve the supply situation. By 1955, as shown in Exhibit II, [graphs not printed in RECORD] we had reserve capacity of more than 2,000,000 barrels daily. In 1968, reserve capacity was 3,000,000 barrels daily.

I suggest that this is a dramatic demonstration of the role played by the depletion provision and other incentives in helping to assure adequate supplies of petroleum for the United States.

To carry the discussion one step further, we might with profit examine our present available spare producing capacity in the light of potential requirements. I am referring now to deliverable capacity—that capacity which can be produced and transported with existing facilities.

I can best demonstrate this by posing a hypothetical situation. Assume for a moment a Middle East war in which the United States, Canada, Western Europe and Japan would be denied Arab bloc oil—that is, all oil from North Africa and the Middle East with the exception of Iran.

Assume also that the United States, Canada, Latin America and Iran choose to supply oil to the maximum of their ability to Western Europe and Japan, which are heavily dependent on Arab bloc oil.

First, what would be the oil supply position of the United States and Canada in this hypothetical situation? And, second, what would be the combined position of the United States, Canada, Western Europe and Japan?

A table demonstrating the supplies that could be made available in relation to requirements is attached as Exhibit III.

In response to question one, the figures show that the United States and Canada would lose 400,000 barrels daily of supply from the Arab Bloc. However, our country and Canada have a combined spare capacity of some 1,200,000 barrels daily, and could cover that loss.

EXHIBIT III.—EFFECT OF LOSS OF ARAB BLOC SOURCES OF CRUDE OIL FOR THE UNITED STATES, WESTERN EUROPE, AND JAPAN

[In thousands of barrels per day]

	United States and Canada	Western Europe and Japan	Combined
1968 requirements	14,700	12,700	27,400
Available from—			
Domestic production	11,700	400	12,100
Present production from non-Arab sources	2,600	3,000	5,600
Spare capacity:			
United States	200	800	1,000
Canada	200		200
Iran and Latin America		1,100	1,100
Total available sources	14,700	5,300	20,000
Shortage		[1] 7,400	7,400
Total	14,700	12,700	27,400
1968 imports from Arab sources	400	9,300	9,700

[1] If the United States were to share the burden, there would be a shortage in the United States and a correspondingly lower shortage in Western Europe and Japan.

In regard to question two, by making the best possible use of existing pipeline connections between the U.S. and Canada, we would have, together, remaining spare capacity of only 800,000 barrels daily. Assuming that we made this oil available, and that Latin America and Iran similarly made their spare capacity available, Western Europe and Japan would then be short 7,400,000 barrels daily, or 58 per cent of their needs. If the U.S. were to share this burden, there would then be a shortage in the U.S. and a correspondingly smaller shortage in Western Europe and Japan.

This example clearly demonstrates two important points. First, the United States, with its total deliverable capacity of 10,000,000 barrels daily, is the bulwark of Western oil supply. And, second, even with the spare capacity now available in the United States, there is a significant gap between oil supply and normal requirements in the West. We can permit that gap to continue to grow only at our peril.

Petroleum Provided at Reasonable Prices

In addition to stimulating the development of adequate supplies of petroleum to meet our domestic needs, existing tax policies have helped to make that oil and gas available at reasonable prices to consumers. In terms of real purchasing power, the average price of crude oil has declined in the neighborhood of 20 per cent since 1926. Price comparisons over a more recent period show that since 1957–59 the wholesale price index for crude oil has risen just five per cent while the index for all commodities has increased by 13 per cent.

Gasoline prices, excluding direct taxes, are up only 10 per cent, or approximately two cents per gallon, since 1926. Over the same period, the consumer price index has doubled. Again, over a more recent period, the price of gasoline has advanced approximately 10 per cent since 1957–59 while consumer prices generally went up some 28 per cent. (See Exhibit IV.) [Not printed in the RECORD.]

Technological advances benefit the Nation

I also want to point out that tax incentives have helped to create benefits for the Nation over and above the development of adequate supplies of petroleum at favorable prices.

The depletion provision, for example, through encouraging investment in the industry and helping to keep it strong, has spurred technological advances in finding and recovering America's oil and gas. The economic impact of these advances has been substantial.

It should be emphasized that percentage depletion is a particularly effective incentive for research leading to technological improvement, since it is based on production. A direct subsidy to exploratory drilling might stimulate that activity, but percentage depletion stimulates *both* exploration and technological advance after discovery. Percentage depletion rewards the successful explorer in proportion to the amount of oil he finds and produces—and hence in proportion to his contribution to the national interest. After successful exploration, it rewards successful research designed to increase producibility of the reserves discovered. It applies in neither case in the event of failure because it becomes effective only when oil is produced. In contrast, a subsidy applies regardless of failure or success.

In exploration technology, improved drilling capabilities have enabled the industry to recover oil and gas at depths that were formerly impossible to drill. In 1930, the deepest well yet drilled went down only slightly more than 9,200 feet. Today the industry is drilling below 25,000 feet.

On another front, offshore drilling in the United States was negligible until the latter half of the 1940's. Today, in contrast, offshore production accounts for some 10 per cent of oil output and 12 per cent of gas output, and the offshore search is one of our brightest prospects for the future. Again, improved technology was the key.

To cite one more example, improved exploratory and drilling know-how is playing an important role in tapping the tremendous reserves of the Alaskan Arctic.

Technological advance is also opening many new horizons in older fields once thought to be nearly depleted. Before World War II, production was limited to primary recovery—pumping out the oil until the flow became so small as to be uneconomic. This procedure left five or six times more oil in the ground than was recovered, with only 15 to 20 per cent of the oil in place actually produced.

The development of waterflood and other secondary stimulants changed this picture sharply. By upping recovery to 30 to 35 percent of the oil in place, the new techniques have essentially doubled the Nation's recoverable reserves.

I repeat, technology has doubled recoverable reserves. It has increased the estimated ultimate recovery of crude oil from proved reservoirs by almost 60 billion barrels—20 times current annual production.

In the future, the industry should continue to increase cumulative recoverability through broader application of existing techniques and the development of new techniques.

In brief, invention and innovation encouraged in part by tax incentives have substantially augmented our recoverable reserves and in doing so have contributed importantly to the goal of strengthening the domestic supply position of the United States.

Other economic benefits attributable to tax incentives

Finally, existing petroleum tax policies have contributed significantly to improving the international payments balance of the United States and to world economic progress which has in turn been beneficial to this country.

In regard to international payments, the key plus factor has been the substantial inflow of earnings from past investments abroad.

These same investments have also played a major role in the economic progress of developing nations. Revenues generated by petroleum development projects have provided these nations with the foreign exchanges so essential to economic development, and have contributed to secondary benefits such as the creation of modern transportation and communication systems.

Tax incentives have likewise made a contribution to the conservation of natural resources by encouraging the use of marginal oil rather than abandoning this oil. To leave oil of marginal value in the ground is an inexcusable waste of an exhaustible, non-replaceable natural resource. If a marginal well it shut down, the likelihood of its again producing is remote. If it is reopened, it will only be at a considerably higher price for its output. If the production is lost, the country is the poorer.

Incentives provided are not excessive

All of these benefits—adequate oil supplies, favorable oil prices, technological progress—have been achieved with the aid of incentives which are not excessive.

If the percentage depletion rate were excessive, for example, this should be reflected in petroleum industry profit performance considerably better than that of other industries. This is not the case. Rather, figures compiled by the First National City Bank of New York demonstrate that the petroleum industry earns only average profits. In 1968, 99 petroleum producing and refining companies earned a 12.9 per cent return on net assets compared with an average return of 13.1 per cent for all manufacturing companies. In fact, the rate of return on net assets for the petroleum industry was higher than the average for all manufacturing companies in only two of the last 10 years. (See Exhibit V). [Not printed in the RECORD.]

The May 15, 1969 issue of *Fortune* magazine published 1968 financial data of the 500 largest industrial companies in the United States. These data show that, of the 25 largest companies (determined on the basis of sales), seven were oil companies. From a profitability standpoint, however, the record is quite different. Only one of those seven oil companies that rank in the top 25 on the basis of sales was even in the top 100 when ranked on the basis of return on invested capital—and that company ranked only 99th. The companies in the *Fortune* study included 27 oil companies, whose weighted average rate of return on invested capital was 12.0 per cent compared to 12.3 per cent for the other companies.

Similarly, the petroleum industry carries an overall direct tax burden exceeding that borne by other industries, even though its federal income tax bill is reduced by the depletion provision. Lower income taxes are offset by the heavier burden of other direct taxes such as severance and property taxes. As a result, studies have shown that total taxes paid by the petroleum industry, exclusive of motor fuel and excise taxes, in 1966 were equivalent to 6.0 per cent of revenues. (See Exhibit VI). Mining and manufacturing corporations paid direct taxes equivalent to 5.8 per cent of revenues in that year, and all business corporations paid taxes equal to 4.8 per cent of revenues.

EXHIBIT VI.—*The domestic tax burden—1966 exclusive of excise taxes*

[Cents per dollar of gross revenue]

Petroleum	6.03
Mining and manufacturing	5.84
All business corporations	4.75

Current problems and future prospects

Against that background of past experience, I would like now to direct your attention to the petroleum industry's present situation and to its future prospects.

Very frankly, the industry today is eyeball to eyeball with some very serious problems. Steady and substantial increases in petroleum demand have collided head-on with sharply-rising oil finding and development costs, with the result that reserves relative to requirements have been declining. Last year the decline was not only relative, but absolute. Proved petroleum reserves dropped across-the-board during 1968, with the life index of crude oil reserves falling to under 10 years and that of natural gas reserves decreasing to less than 15 years. This does not include the new Alaska reserves which are still being evaluated.

The industry's capability to respond successfully to this challenge could well be determined by the decisions made by this Committee. For this reason I will take a few moments to delineate our major difficulties.

First, the domestic industry is caught squarely between sharply rising costs and moderately rising prices. As I noted earlier, the price of crude oil has risen considerably less than the wholesale price index over the past decade. On the other hand, inflation has boosted exploration costs sharply, and, more significantly, unit costs have been rising because fewer giant fields are being discovered. This upward trend in unit costs is likely to continue since the major new successes are occurring in offshore areas and in Alaska where per well costs are several times higher than onshore ventures in the "lower 48." Parenthetically, it should be recognized that in the long run the cost of crude from Alaska's North Slope will likely average substantially above the unit cost of the enormous field initially discovered.

While improvements in exploration technology have helped to offset rising unit costs a gap continues to exist, particularly in onshore areas where economic exploration ventures are becoming increasingly scarce. A similar problem exists in regard to recovery technology. The most attractive opportunities have already been developed, and further expansion will be dependent upon improved economics based on new technology and the continuance of effective tax incentives.

The natural gas problem differs somewhat from that of crude oil in that the federal government has provided incentives with one hand and taken them away with the other. In other words, the positive effect of tax incentives has been offset by Federal Power Commission regulation of well-head natural gas prices. Under regulation, natural gas sold in interstate commerce is priced below its free market value. In carrying out its gas regulatory responsibilities, the Commission has unfortunately focused its efforts on costs at the expense of supply. It has attempted to apply regulatory techniques developed for public utilities to an intensely competitive industry where survival depends on not investing in low or negative return areas. As a result, only the most favorable natural gas prospects warrant investment in an exploratory venture today.

The serious nature of the present situation was pointed up recently by Federal Power Commissioner Albert B. Brooke, Jr., who declared that the gas industry today faces a "crisis situation." He said that the most obvious, urgent and pressing problems is that of gas supply, and that the next five years "may well prove to be the crucial years." Estimating that demand would grow at a 5 to 7 per cent annual rate, he added that it was unquestionably certain that eliminating or modifying any of the provisions of the tax incentive package would lead to higher consumer prices or more restricted supplies.

In spite of the gas industry experience, it appears that some observers would like to see the crude producing sector of the petroleum business follow the same course as that mandated for gas—to produce at minimum

short-run costs regardless of the effect on supply and long-run costs to consumers. If we had followed this advice in the past, the giant fields where our reserve productive capacity is concentrated would be largely depleted, and encouraging new discoveries offshore and in Alaska would probably not have been made. As a result, we would have no reserve capacity today and we would be unduly dependent on foreign oil. In contrast, I believe that proposals for modification of the incentive structure should be directed toward increasing the efficiency of resource development in the long run.

Problems exist also for United States oil companies operating abroad. First, economic factors have led to a deterioration in return on investment. Second, host governments, to further improve their positions, are establishing national oil companies and demanding participatory shares in the development and sale of their crude oil. At the same time, crude deficient countries are establishing their own oil companies to discover and develop new supplies. As a result, United States firms find the going increasingly difficult. They must compete with nationally supported companies to obtain the right to explore and develop new areas, and then, having done so, must compete with national producing companies in selling their crude in foreign markets.

In the financial area, sharply increased capital requirements pose additional problems for the industry. I will mention just two points for your consideration. First, there has been a substantial increase in the debt to equity ratio of the larger oil companies. Since this trend cannot, of course, continue indefinitely, any further reduction in internally generated funds must necessarily lead to reduced expenditures on petroleum exploration. And, second, present tax proposals that would reduce the availability of funds to independent operators will immediately and directly reduce their exploratory activities.

As I noted earlier, the petroleum industry is not excessively profitable. To the extent that tax change proposals are geared to the assumption that it is, they are off base, indeed.

In brief, our present petroleum situation suggests that the industry today requires increased rather than reduced incentives.

THE IMPACT OF HIGHER TAXES ON PETROLEUM

Now, in the light of the current petroleum situation and the problems faced, what would be the impact of higher taxes on the industry?

Increased taxes, in the absence of any remedial action, must affect either profits and investment or prices. The alternative effects would be (1) reduced earnings and consequent reduction in capital invested in petroleum exploration and development; (2) increased product prices; or (3) some combination of the two.

Since the petroleum industry at present earns only average profits, a decline in profitability due to higher taxes would impair its earnings position relative to that of other industries. Since added tax costs cannot reasonably be expected to be absorbed, a tax increase would mean a reduction in the rate of investment by the industry. However, decreased investment in the face of a declining reserve trend and a steady increase in petroleum requirements is an unacceptable alternative if we are to continue our present policy of maintaining a strong domestic industry capable of meeting essential petroleum requirements.

The second alternative would be to shift the increased tax costs to consumers through product price increases. Because of the relative price of competitive fuels for other uses, price increases would probably be limited to fuels supplying transportation energy, such as jet fuel, diesel fuel and gasoline.

To the extent these products are used in business endeavors, the added cost would simply shift the deduction from one industry to another with no net gain to the Federal revenues, or shift the impact further along the line through succeeding price increases. The Federal Government, as the largest single consumer of petroleum products, would bear a significant portion of any price increase Only to the extent such additional costs were borne by individuals in non-business pursuits can it be assumed that, in the short run, the federal revenues would benefit.

An examination of this phenomenon discloses the effect to be regressive. A recent study indicates expenditures for gasoline per dollar of income are greater for the low income group than for middle and high income groups. The lowest income group, with earnings of less than $3,000 annually, spends an average of 6.2 cents of every dollar of income on gasoline, compared to only 1.5 cents per dollar in the group earning $15,000 or more. Because much of the driving of the low income group is work-oriented, their demand is relatively fixed, according to this study. Hence, the impact of an increase in gasoline prices would be four times greater on the lowest income group than on the highest income group.

Thus, a price increase to offset a tax increase would bear more heavily on the federal government and on low income households. It is by no means clear to me that this would be a net social gain.

Before leaving this topic, I would like to present some background information indicating the effect on the industry of complete elimination of tax incentives. In my view, these data point up very sharply the importance of present petroleum tax provisions to our national security.

Elimination of all petroleum tax incentives would have approximately the same impact on the domestic industry as the elimination of import controls, which would reduce revenues per barrel by about one-third. In the view of most industry respondents to the questionnaire issued by the Cabinet Task Force on Oil Import Control, the key effect of a one-third drop in revenue per barrel would be the "virtual cessation" of exploratory drilling. According to one company, elimination of the import control program or an equivalent decrease in revenue would result in an 85 per cent drop in the volume of exploratory drilling. According to another, the resulting reduction in industry cash flow would mean a "sharply curtailed" exploration program with a resultant permanent loss of "supporting industries, technology and trained people."

What this reduction in exploratory drilling might mean for future reserves was examined by another respondent. According to this estimate, "the amount of oil not discovered—which otherwise would be discovered—might approximate 1 to 2 billion barrels *each year* in the established older exploration provinces." This would amount to some 10 to 20 billion barrels lost over the next decade, *not* including the unknown amount which "otherwise would be discovered" in newer or future geologic provinces. The same respondent estimated the loss in reserves in existing developed fields at 6 to 10 billion barrels. The loss in reserves in fields which have been discovered but not developed was estimated at 5 billion barrels.

Six companies estimated that by 1980 the United States would be dependent on foreign sources for one-half to two-thirds of its petroleum supplies if oil import controls were eliminated. (See Exhibit VII). The average of these forecasts was 57 per cent dependency on foreign oil. And this allows for remaining production from reserves already discovered today, including the prolific discovery on the North Slope of Alaska, which has not yet been produced. The estimates made by these companies are in close agreement with projections made by the United States Department of the Interior, which predicted 48 percent (optimistic) to 58 per cent (pessimistic) dependency on foreign oil by 1980 if oil import controls were eliminated.

EXHIBIT VII.—*1980 percentage dependency on foreign oil in the absence of oil import controls during the 1970's*

Respondent:	*Percent*
Cities Service	68
Gulf	54
Humble	49
Marathon	61
Phillips	57
Sohio	54
Average	57
Department of the Interior	48–58

Source: Computed from data in submissions in July 1969 to the Cabinet Task Force on Oil Import Control.

Earlier, I indicated that the only alternative to maintaining a strong domestic industry was increased reliance on foreign oil. The above data clearly indicate how heavy that reliance would be if all petroleum tax incentives were eliminated.

In respect to the security aspect of these foreign supplies, I would like to quote from the summary of a recent API statement on this subject:

"Interference with foreign petroleum supplies can come from any of three sources: (1) military action during war; (2) shutdown (or sabotage) for political reasons; or (3) shutdown for economic reasons. The first of these is most important in general wars. Even in the absence of general war, however, there can be serious petroleum security problems in all three categories. Since World War II, there have been *eight* noteworthy interruptions of overseas petroleum supply—all in the prolific Middle East and African producing areas.

"None of these interruptions has succeeded in obtaining economic or political concessions from the United States or its allies—primarily because there has been a large, viable North American oil industry on which to rely in the event of emergency.

"If the United States were to adopt public policies which would make further exploration in North America generally unattractive, the United States would then have to turn to the Middle East-North Africa region for the bulk of its petroleum supplies because 86 per cent of overseas reserves are concentrated in this area (Venezuela currently accounts for 17 per cent of production but has only 4 per cent of reserves—See Exhibit VIII.) While no single overseas producing country has a sufficiently large share of reserves to be able to dominate the international oil market, *groups* of countries having common interests do have large shares.

EXHIBIT VIII.—*Share of 1968 free world crude oil reserves outside North America*

Areas:	*Percent*
Persian Gulf countries	75
North African countries	11
Subtotal	86
Venezuela	4
Indonesia	3
All other	7
Total	100
Groups:	
OPEC [1]	85
Arab nations	71

[1] Organization of Petroleum Exporting Countries.

Mr. LONG. Mr. President, I yield 2 minutes to the Senator from Wyoming.

Mr. HANSEN. Mr. President, one of the factors that I think deserves serious

consideration by all Americans today as we consider the tax reform proposal is what effect lowering of the depletion allowance from 27.5 percent to 20 percent would have upon the production of natural gas. One-third of all the energy this Nation has at its command today comes from natural gas. Natural gas heats a large percentage of the homes in America.

As the Assistant Secretary of the Interior for Mineral Resources, Mr. Hollis Dole, testified, as Mr. John Nassikas, Chairman of the Federal Power Commission, testified, and as has been testified to by John Carver, of the Federal Power Commission, and others appearing before the committee, gas is found in combination with petroleum today. We could make domestic petroleum production so unprofitable as to discourage the production of natural gas. That is what we have been doing, because the ratio has decreased from 20 to 1 to 14.6 to 1, where it is today, and within the next 4 to 6 years we probably will get down to a ratio of 10 to 1, which is a critical point for this country. If we get up to that point our entire economy is going to suffer.

More than that, the thrust this country is making today in order to clear up the air would be set back because no fuel supplies energy with as little pollution to the environment as does the production of energy through the burning of natural gas.

I suggest that before we further cripple the oil industry we consider very closely what will happen if we have a cutback on natural gas.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. LONG. Mr. President, I yield 1 minute to the Senator from Iowa.

Mr. MILLER. Mr. President, I understand the theory of the Senator from Wisconsin but I believe there is a misunderstanding when they use the term "earnings" without showing us how those earnings are computed.

The Senator from Connecticut talked about Atlantic Richfield with millions of dollars earned and not paying a tax. How were those earnings computed? Were they computed taking a deduction for the net loss operating carryover? I do not know.

However, we are talking about an amendment to the percentage depletion and the law makes clear the percentage depletion cannot exceed 50 percent of net income. So, in my judgment, Atlantic Richfield would have had to pay a tax on one-half of its net income if that were the only thing we are talking about. As I understand it, Atlantic Richfield decided to plow everything they could into discovering new resources and that is how they happened to pay no tax, and this is how we ended up with the Alaska strike which will benefit all of this country.

Mr. LONG. Mr. President, I yield to the Senator from Oklahoma.

Mr. HARRIS. Mr. President, I wish to be heard in opposition to the pending amendment, which would reduce the percentage depletion allowance to 20 percent rather than the 23-percent figure approved by the Finance Committee.

Mr. President, in the Committee on Finance I sponsored and supported a minimum income tax bill and an allocation of deductions provision which would have applied to intangible drilling costs as well as the depletion allowance, among other things. Those provisions would have raised some $1.5 billion. There was insufficient support for these proposals, and I thereafter supported the 5-percent minimum tax provision eventually adopted. Thus, I have made clear by my actions that the oil industry should not be singled out for exclusion from general tax reform. But neither do I believe that any industry should be singled out for more than its share of the impact of tax reform.

A recent report published by the Department of the Interior indicates that our need for domestic crude in 1980 will be 54 percent greater than the 2.7 billion barrels produced in 1965, and implies a total production requirement of 52 billion barrels over the 15 years between 1965 and 1980. This figure is rather impressive when it is realized, as set forth in the report:

> This is half again the amount of crude oil produced over the immediately preceding 15-year period, and nearly half the total additions to proved reserves that have been made since 1859.

The projected demand for natural gas by 1980 also shows a significant increase over present demands in the Department of the Interior report it is stated:

> If domestic production of natural gas were exactly balanced by additions to proved reserves, the reserves to production ratio at the end of 1980 would be 11.9 to 1. This appears to be too low.

Our concern for 1980, however, is somewhat overshadowed by what appears to be a current shortage of gas reserves and supply. Recently Mr. Ivan Nassikas, head of the Federal Power Commission, expressed his concern over our dwindling gas reserves and indicated that the supply-demand curves will intersect much sooner than 10 years from now, unless the present supply trend is reversed.

As appealing as it may appear to some, dependence on foreign energy supply is unwise. The disruptions of world petroleum supply and transportation in 1951, 1956, and 1967 are examples of what could happen if we relied primarily on foreign sources. During the 1967 disruption, over two-thirds of the oil supply of Western Europe was interrupted while only 3 percent of the oil supply of the United States was affected.

Of course, due to the difficulties of transporting gas long distances, we must depend almost entirely on our domestic reserves for our natural gas supply.

Under these circumstances, I think it is imperative that we maintain a strong domestic petroleum industry. This does not mean, nor do I intend to imply, that in maintaining a strong domestic petroleum industry we unduly favor this industry. But it should be realized that the petroleum industry's return on its average invested capital in 1966 was 12.6 percent as compared with 11.2 percent for all other industries and that since 1957 the petroleum industry returns have fluctuated between 13.5 percent and 9.9 percent while the industry aggregate has moved within a range of 11.2 percent to 8.6 percent.

Tax incentives available to the oil industry must be placed in a proper context—a context which recognizes that in only 20 to 30 percent of all exploratory wells drilled was oil or gas located.

Taking all these matters into consideration, I am concerned over the effect of any drastic reduction of present tax incentives to the petroleum industry. The projected needs of 1980 clearly indicate a need to encourage further exploration and development.

At the present time a great percentage of the exploratory wells are drilled by independents. In my home State, Oklahoma, 86.5 percent of the exploratory wells are drilled by independents.

A survey conducted by the Bureau for Business and Economic Research of the University of Oklahoma, indicated that the effective percentage depletion rate for major oil companies was around 23 percent and the effective rate for independents was approximately 21 percent. A reduction of the percentage depletion allowance to 23 percent would reduce the effective rate of percentage depletion to approximately 18 percent. A reduction to 20 percent would be even more serious and could result in the curtailment of much of the exploration being accomplished by our small producers.

Our future needs suggest we proceed with great caution before we drastically reduce tax incentives upon which those engaged in exploration so heavily depend. In the report of the Department of the Interior, the following comment concerning tax incentives is made:

> They are an integral part of the petroleum industry's structure of income and expense, and the available evidence suggests that any substantial change in them would have a direct and significant effect upon the future availability and cost of oil and natural gas.

I therefore oppose the pending amendment.

Mr. McGOVERN. Mr. President, I do not think we need to be reminded that our actions today will tell the American people whether the Congress is really serious about tax reform. No tax privilege in recent years has evoked such universal indignation as the percentage depletion allowance applied to income from mineral properties. That subsidy is the symbol of tax inequity in the public mind. It should be corrected in our present efforts at tax reform.

Designed as an offset for the exhaustion of natural deposits, the depletion allowance was originally limited to the recovery of cost. But percentage depletion, introduced in 1926, bore no relation to cost and permitted tax-free recovery vastly in excess of actual investment outlays. And the size of the depletion allowance—27½ percent—was the product not of precise actuarial calculations on the exhaustion rate of domestic petroleum deposits; it was rather a political compromise between the 25-percent rate suggested by one House of Congress and the 30-percent rate suggested by the other.

Mr. President, there are no arguments

left to support this continued tax preference in its present form for investments in oil and gas. In 1950, President Truman said that no tax loophole was "so inequitable as the oil depletion allowance." He proposed cutting the allowance to 15 percent—and he renewed that request in 1951. Since then, Congress has considered a great variety of amendments to reduce the allowance. But in 1958, 1960, 1962, and 1964, the Senate rejected proposals to close off or reduce the depletion loophole.

We cannot follow that old script again in 1969. The Senate must prove itself finally able to honor a clear public mandate for tax reform. The percentage depletion allowance for oil and gas should be reduced to the House-approved level of 20 percent; and the allowance for other minerals should be lessened proportionately.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. Mr. President, I yield 1 minute to the Senator from Mississippi.

PETROLEUM AND NATIONAL SECURITY

Mr. STENNIS. Mr. President, I am concerned about the serious impact the reduction in oil and gas depletion will have on this important Mississippi industry. I am convinced that the 27½ percent allowance has been a major factor in the growth and expansion of the petroleum industry in my State. Petroleum is Mississippi's most important mineral resource. Last year the Mississippi petroleum industry produced over 60 million barrels valued at $190 million. However, as chairman of the Armed Services Committee, I am also concerned about the impact the reduction will have on the security of our Nation and our people. And it is this concern that is the subject of my remarks today.

Most think of national security in terms of the military and the need to preserve the order and freedom of our country from foreign aggression. And while that is correct, it is not quite complete. The economy of a nation as technologically developed as the United States must also be assured stability and order if it is to continue to function and grow. And the two are interrelated. An effective military protects the economy. An efficient economy is necessary to support the military. Although our nuclear armaments are vital to our security, their only realistic role is to prevent an all-out nuclear or nonnuclear attack.

Thus, today, the military is built upon the concept of flexible response. Mobility is the key to conventional military defenses. In the last decade, mechanized army units have more than doubled their requirements for tanks and trucks. Look how important the helicopter is tactically in Vietnam. The need for the strategic movement of troops has greatly expanded our airlift capabilities. In fact, military consumption of petroleum products per man is now twice what it was during World War II. Over 80 percent of the supplies shipped into Vietnam are petroleum fuels. According to the Department of Defense:

> Oil is a strategic material and one of the few items that is absolutely essential and foremost in the minds of military commanders. Along with weapons and ammunition, the needs of petroleum get the most attention.

Obviously, then, a growing and stable supply of petroleum will be needed to meet military requirements.

From the standpoint of our economy, the U.S. industry produces one-third of the entire world's goods and services. We have achieved this with only 6 percent of the world's population but with one-third of the total world production of energy. These are impressive facts. They demonstrate how technologically oriented our Nation is and technology means more and more fuel. But these facts should also be a warning. Our progress in the years ahead hinges upon a dependable source of energy. Since petroleum provides three-fourths of our Nation's energy, our future economic security will be no stronger than our future supply of oil and gas.

At this point, let me pose a few questions. First, without an adequate domestic supply, where could the United States get its oil? The Federal Power Commission has expressed grave concern over the possible shortage of natural gas in the 1970's. The Department of the Interior has expressed concern over our declining oil reserves. If the tax incentives are changed beyond the Finance Committee recommendations, we could find ourselves having to depend on imports for more than 50 percent of our petroleum needs by 1980. That would be about 10 million barrels a day. At the present and for the foreseeable future, there is only one place where that much oil is available. And that is the Middle East—and I include in the Middle East, North Africa. No other existing or potential area could possibly meet the vast energy needs of our Nation. More than 86 percent of the free world's proved petroleum reserves outside the North American Continent are there. But how reliable a source is the Middle East? Can the United States depend on it for its future petroleum needs? Before answering these questions, let us take a close look at what has been going on in that area.

In the 1956 crisis, Egypt closed the Suez Canal attempting to exert political pressure by stopping the flow of oil to Europe. In June 1967, at the start of the Six Day War, the Suez was closed again and it is still closed. The Trans Arabian Pipe Line was also shut down for a time. This pipe line has been sabotaged three times during 1969. For 3 months, Saudi Arabia, Kuwait, Iraq, and Libya prohibited the export of oil to the United States, United Kingdom, and Germany. Nonetheless, by increasing production in the United States and other countries with spare productive capacity, by rescheduling tankers and shipping oil from the Persian Gulf around Africa, by judiciously drawing on inventories, the oil and gas industry managed to keep both of these crises from attaining any greater proportions.

I dread to imagine what the consequences might have been if the United States had itself been dependent on Middle East oil.

Against that background, let us consider present petroleum supplies in North America, Western Europe, and Japan. As I see it, the situation is already perilous. Western Europe and Japan are heavily dependent on Middle East oil. If another full-scale war were to erupt in the Middle East, all shipments of Middle East oil would stop—with the possible exception of Iran. With our present spare capacity, we in the United States could cover our Mid-East imports. Together with Canada we could export 800,000 barrels a day to Western Europe or Japan. Spare capacity in Latin America and Iran could supply them with another 1.1 million. But that would still leave our allies in Western Europe and Japan approximately 7.5 milliion barrels a day short. That is about 60 percent of their demand.

I am convinced that we cannot depend on the Middle East to supply our petroleum needs and that it would be under present circumstances pure folly to do so.

President Nixon has spoken several times about the need to defuse the Middle East area. That is a good metaphor, because the area is explosive. Historically, the United States has always had the flexibility of being independent of Middle East oil and making our allies likewise independent. Weaken the domestic industry and we sacrifice that independence and the flexibility it gives our foreign policy, now, when we need it most. We would be lighting the fuse we should be extracting.

Mr. President, a reduction in percentage depletion below 23 percent would be an unfortunate mistake which would seriously curb the incentive for oil and gas exploration, thereby reducing domestic petroleum reserves. The Senate Finance Committee has reduced tax incentives for the petroleum industry in several areas and a further reduction of any of these provisions will have a devastating impact on domestic producers and would be a serious threat to our national security.

Mr. DOMINICK. Mr. President, I thank the distinguished Senator from Delaware.

Mr. President, I think one or two points may have been overlooked in this debate. We are not talking about only the depletion allowance in this bill. In addition there is the 5 percent tax on intangibles over $30,000. In addition to the cut we had in the Committee on Finance from 27.5 to 23 percent, there is an additional tax of 5 percent on intangible cost, so we are really dealing with a big cut in terms of the amount of tax free expenses on income, which is far greater than just the amount of the depletion we are talking about. This should be taken into account in determining whether or not we are

going to agree to the amendment of the Senator from Delaware.

I am strongly against it. I think it is a punitive measure.

Mr. WILLIAMS of Delaware. Mr. President, when the figure of 27.5 percent was first arrived at, corporate and individual tax rates were about 15 percent. Since then the rate has increased on every type of taxpayer, with corporate taxes going as high as 52.8 percent and individuals as high as 77 percent.

Mr. President, this is an industry which heretofore has not been paying its proportionate part of the operating costs of Government. The average tax rate being paid by this industry is now 8 percent on their income. The time is long overdue when we should correct this inequity and let this industry pay more nearly its proportionate share.

I hope the amendment is agreed to as a minimum step in this direction.

The PRESIDING OFFICER. All time has expired. The question is on agreeing to the amendment of the Senator from Delaware. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. FULBRIGHT (after having voted in the negative). On this vote I have a pair with the Senator from Missouri (Mr. SYMINGTON). If he were present and voting, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. GRIFFIN (after having voted in the affirmative). On this vote I have a pair with the Senator from Illinois (Mr. SMITH). If he were present and voting, he would vote "nay"; if I were at liberty to vote, I would vote "yea." I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from South Carolina (Mr. HOLLINGS), and the Senator from Missouri (Mr. SYMINGTON), are necessarily absent.

I further announce that, if present and voting, the Senator from New Mexico (Mr. ANDERSON), would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) and the Senators from Illinois (Mr. PERCY and Mr. SMITH) are necessarily absent.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Tennessee (Mr. BAKER) is detained on official business.

If present and voting, the Senator from Tennessee (Mr. BAKER), the Senator from South Dakota (Mr. MUNDT) and the Senator from Illinois (Mr. PERCY) would each vote "nay."

The pair of the Senator from Illinois (Mr. SMITH) has been previously announced.

The result was announced—yeas 38, nays 52, as follows:

[No. 162 Leg.]

YEAS—38

Aiken	Case	Hart
Bayh	Cooper	Hartke
Boggs	Eagleton	Hatfield
Brooke	Goodell	Hughes
Byrd, W. Va.	Gore	Inouye
Jackson	Mondale	Russell
Javits	Muskie	Smith, Maine
Kennedy	Nelson	Spong
Magnuson	Pastore	Tydings
McCarthy	Pell	Williams, N.J.
McGovern	Prouty	Williams, Del.
McIntyre	Proxmire	Young, Ohio
Metcalf	Ribicoff	

NAYS—52

Allen	Ervin	Moss
Allott	Fannin	Murphy
Bellmon	Fong	Packwood
Bennett	Gravel	Pearson
Bible	Gurney	Randolph
Burdick	Hansen	Saxbe
Byrd, Va.	Harris	Schweiker
Cannon	Holland	Scott
Church	Hruska	Sparkman
Cook	Jordan, N.C.	Stennis
Cotton	Jordan, Idaho	Stevens
Cranston	Long	Talmadge
Curtis	Mansfield	Thurmond
Dodd	Mathias	Tower
Dole	McClellan	Yarborough
Dominick	McGee	Young, N. Dak.
Eastland	Miller	
Ellender	Montoya	

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—2

Fulbright, against
Griffin, for

NOT VOTING—8

Anderson	Hollings	Smith, Ill.
Baker	Mundt	Symington
Goldwater	Percy	

So the amendment of Mr. WILLIAMS of Delaware was rejected.

The PRESIDING OFFICER. The committee amendment is open to amendment.

Mr. PROXMIRE. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment offered by the Senator from Wisconsin will be stated.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with. I will explain the amendment.

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

Mr. PROXMIRE's amendment is as follows:

On page 350, line 23, insert the following:

"DRAFT OF TREASURY FOREIGN TAX CREDIT RECOMMENDATION TAX REFORM ACT OF 1969

"SEC. 508. FOREIGN TAX CREDIT WITH RESPECT TO CERTAIN MINERAL INCOME

"(a) LIMITATION ON AMOUNT OF FOREIGN TAXES ALLOWED.—Section 901 (relating to taxes of foreign countries and possessions of the United States) is amended—

"(1) by redesignating subsection (e) as subsection (f), and

"(2) by inserting after subsection (d) the following new subsection:

"'(e) FOREIGN TAXES ON MINERAL INCOME.—

"'(1) REDUCTION IN AMOUNT ALLOWED.—Notwithstanding subsection (b), the amount of any income, war profits, and excess profits taxes paid or accrued during the taxable year to any foreign country or possession of the United States with respect to foreign mineral income from sources within such country or possession, which would (but for this paragraph) be allowed under such subsection shall be reduced by the amount (if any) by which—

"'(A) the amount of such taxes (or, if smaller, the amount of the tax which would be computed under this chapter with respect to such income determined without the deduction allowed under section 613), exceeds

"'(B) the amount of the tax computed under this chapter with respect to such income.

"'(2) FOREIGN MINERAL INCOME DEFINED.—For purposes of paragarph (1), the term "foreign mineral income" means taxable income from mines, wells, and other natural deposits within any foreign country or possession of the United States, to the extent such taxable income constitutes taxable income from the property within the meaning of section 613. Such term includes, but is not limited to—

"'(A) dividends received from a foreign corporation in respect of which taxes are deemed paid by the taxpayer under section 902, to the extent such dividends are attributable to foreign mineral income, and

"'(B) that portion of the taxpayer's distributive share of the income of partnerships attributable to foreign mineral income.'"

"(b) Election of overall limitation.—Section 904 (b) (relating to election of overall limitation) is amended—

"(1) by striking out 'with the consent of the Secretary or his delegate with respect to any taxable year' in paragraph (1) and inserting in lieu thereof '(A) with the consent of the Secretary or his delegate with respect to any taxable year or (B) for the taxpayer's first taxable year beginning after December 31, 1969', and

"(2) by striking out 'If a taxpayer' in paragraph (2) and inserting in lieu thereof 'Except in a case to which paragraph (1) (B) applies, if the taxpayer'.

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1969.

"DRAFT OF TREASURY FOREIGN TAX CREDIT RECOMMENDATION TAX REFORM ACT OF 1969

"SEC. 509. FOREIGN TAX CREDIT REDUCTION IN CASE OF FOREIGN LOSSES

"(a) Reduction in Foreign Tax Credit Limitation.—Section 904 (a) (relating to alternative limitations on foreign tax credit) is amended by adding at the end thereof the following new paragraph:

"'(3) Reduction in limitation.—

"'(A) Deduction of foreign losses.—In determining under paragraph (1) or (2) the taxable income for the taxable year from sources within a foreign country or possession of the United States or the taxable income for the taxable year from sources without the United States, as the case may be, there shall be deducted an amount equal to (i) the foreign loss carryovers to such year plus (ii) the foreign loss carrybacks to such year.

"'(B) FOREIGN LOSS CARRYBACKS AND CARRYOVERS.—For purposes of this paragraph—

"'(i) A foreign loss for any taxable year (hereinafter in this subparagraph referred to as the "loss year") shall be a foreign loss carryback to each of the 2 taxable years preceding the loss year and a foreign loss carryover to each of the 10 taxable years following the loss year. A foreign loss shall not be carried to a taxable year beginning before January 1, 1970. A foreign loss shall not be carried to a taxable year for which the taxpayer does not take the benefits of this subpart, but the number of taxable years to which such loss must otherwise be carried over under the preceding sentence shall be increased by the number of taxable years to which the loss must otherwise be carried which are years for which the taxpayer does not take the benefits of this subpart.

"'(ii) The entire amount of the foreign loss for the loss year shall be carried to the earliest of the taxable years to which such loss must be carried. The portion of such loss which shall be carried to each of the other taxable years to which such loss must be carried shall be the excess, if any, of the amount of such loss over the sum of the taxable income from sources within the same foreign country or possession of the United States in which the foreign loss occurred or the sum of the taxable income from sources without the United States, as the case may

be, for each of the prior taxable years to which such loss must be carried. For purposes of the preceding sentence, the taxable income for any such prior taxable year from sources within a foreign country or possession or from sources without the United States shall be computed without regard to the foreign loss for the loss year or any taxable year thereafter and without regard to section 172(b) (relating to net operating loss carrybacks and carryovers) and section 1212 (a)(1) (relating to capital loss carrybacks and carryovers of corporations).

"'(iii) The Secretary or his delegate shall by regulations prescribe the manner for carrying a foreign loss from sources within a foreign country or possession of the United States for a taxable year to another taxable year to which the limitation provided by paragraph (2) applies, or for carrying a foreign loss from sources without the United States for a taxable year to another taxable year to which the limitation provided by paragraph (1) applies.

"'(C) Foreign loss defined.—For purposes of this paragraph, the term 'foreign loss' means a loss sustained in any taxable year which is from sources within a foreign country or possession of the United States or from sources without the United States, as the case may be. For such purposes, a loss shall be the amount (determined without regard to section 172(b) and 1212 (a) (1)) by which the gross income from sources within a foreign country or possession of the United States or from sources without the United States, as the case may be, is exceeded by the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. If the taxpayer does not take the benefits of this subpart in a taxable year, the amount of his loss, if any, shall be determined as if the limitation provided by paragraph (2) applied.

"(b) Conforming Amendment.—Section 6501 (i) (relating to limitations on assessments and collection in case of foreign tax carrybacks) is amended—

"(1) by striking out 'Tax' in the heading and inserting in lieu thereof 'Loss or Tax',

"(2) by striking out 'carryback under' and inserting in lieu thereof 'carryback under section 904(a)(3)(B) (relating to foreign loss carrybacks and carryovers) or', and

"(3) by striking out 'of the excess taxes described in section 904(d) which result' and inserting in lieu thereof 'of the foreign loss, or of the excess tax described in section 904(d), which results'.

"(c) Effective Date.—The amendments made by this section shall apply with respect to losses sustained in taxable years beginning after December 31, 1969."

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

Mr. PROXMIRE. I yield to the majority leader.

Mr. MANSFIELD. Mr. President, with the concurrence of the distinguished Senator from Wisconsin (Mr. PROXMIRE) and the distinguished Senator from Delaware (Mr. WILLIAMS), I ask unanimous consent that there be an hour's limitation on the amendment, the time to be equally divided between the Senator from Wisconsin and the Republican leader, or whoever he may designate.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. CURTIS. Mr. President, reserving the right to object to the unanimous-consent request, may we know what the amendment is all about?

Mr. PROXMIRE. This is the foreign tax credit amendment. It is very similar to, but not exactly the same as, the printed amendment. A summary of the amendment is on the desk of each Senator. It is one that was before the Finance Committee, as the Senator from Nebraska is aware. It is similar to what the Treasury Department proposed to the Finance Committee. In fact, I asked the Department to draft an amendment to conform with the recommendation it made to the Finance Committee.

Mr. CURTIS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CURTIS. What is the unanimous-consent request?

The PRESIDING OFFICER. A limitation of 1 hour, one-half hour to each side. The proposal has already been agreed to by unanimous consent.

Who yields time?

Mr. SCOTT. Mr. President, will the Senator from Louisiana yield one-half minute to me?

Mr. LONG. I yield.

Mr. SCOTT. Mr. President, as I understand, the time is to be equally divided between the Senator from Wisconsin and the minority leader.

The PRESIDING OFFICER. Between the Senator from Wisconsin and the minority leader.

Mr. SCOTT. Mr. President, I yield my time in opposition to the Senator from Louisiana.

Mr. TOWER. Mr. President, a parliamentary inquiry.

Mr. MANSFIELD. Mr. President, if the Senator will yield, I ask unanimous consent that I may suggest the absence of a quorum without the time being taken out of either side.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered, and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. PROXMIRE. Mr. President, I ask unanimous consent that I be allowed to withdraw my amendment. I expect to offer it at a later date, but, to accommodate the leadership, I withdraw it at this time.

The PRESIDING OFFICER (Mr. SAXBE in the chair). Is there objection? Without objection, the amendment is withdrawn.

AMENDMENT NO. 292

The PRESIDING OFFICER. The committee amendment is open to amendment.

Mr. WILLIAMS of Delaware. Mr. President, I call up my amendment No. 292.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk proceeded to read the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent to waive the reading of the amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The amendment (No. 292) is as follows:

On page 350, after line 22, insert the following new section:

"SEC. 508. PERCENTAGE DEPLETION RATES ON HARD MINERALS

"(a) CHANGE IN RATES.—Section 613(b) (relating to percentage depletion rates) is amended by striking out paragraphs (2), (3), (4), (5), (6), and (7) and inserting in lieu thereof the following new paragraphs:

"'(2) 17 percent—

"'(A) sulfur and uranium; and

"'(B) if from deposits in the United States—anorthosite, clay, laterite, and nepheline syenite (to the extent that alumina and aluminum compounds are extracted therefrom), asbestos, bauxite, celestite, chromite, corundum, fluorspar, graphite, ilmenite, kyanite, mica, olivine, quartz crystals (radio grade), rutile, block steatite talc, and zircon, and ores of the following metals: antimony, beryllium, bismuth, cadmium, cobalt, columbium, lead, lithium, manganese, mercury, nickel, platinum and platinum group metals, tantalum, thorium, tin, titanium, tungsten, vanadium, and zinc.

"'(3) 15 percent—if the mines or deposits are located in the United States—

"'(A) gold, silver, copper, and iron ore mines, and

"'(B) oil shale.

"'(4) 11 percent—

"'(A) metal mines (if paragraph (2)(8) or (3) (A) do not apply), rock asphalt, and vermiculite; and

"'(B) if neither paragraph (2)(B), (6), or (7)(B) applies, ball clay, bentonite, china clay, sagger clay, and clay used or sold for use for purposes dependent on its refractory properties.

"'(5) 7 percent—asbestos (if paragraph (2)(B) does not apply), brucite, coal, lignite, perlite, sodium chloride, and wollastonite.

"'(6) 5 percent—clay and shale used or sold for use in the manufacture of sewer pipe or brick, and clay, shale, and slate used or sold for use as sintered or burned lightweight aggregates.

"'(7) 4 percent—

"'(A) gravel, peat, pumice, sand, scoria, shale (except shale described in paragraphs (3)(B) and (6)), and stone (except stone described in paragraph (8));

"'(B) clay used, or sold for use, in the manufacture of drainage and roofing tile, flower pots, and kindred products; and

"'(C) if from brine wells—bromine, calcium chloride, and magnesium chloride.

"'(8) 11 percent—all other minerals (including, but not limited to, aplite, barite, borax, calcium carbonates, diatomaceous earth, dolomite, feldspar, fullers earth, garnet, gilsonite, granite, limestone, magnesite, magnesium carbonates, marble, mollusk shells (including clam shells and oyster shells), phosphate rock, potash, quartzite, slate, soapstone, stone (used or sold for use by the mine owner or operator as dimension stone or ornamental stone), thenardite, tripoli, trona, and (if paragraph (2)(B) does not apply) bauxite, flake graphite, fluorspar, lepidolite, mica, spodumene, and talc (including pyrophyllite), except that, unless sold on bid in direct competition with a bona fide bid to sell a mineral listed in paragraph (4), the percentage shall be 4 percent for any such other mineral (other than slate to which paragraph (6) applies) when used, or sold for use, by the mine owner or operator as rip rap, ballast, road material, rubble,

concrete aggregates, or for similar purposes. For purposes of this paragraph, the term 'all other minerals' does not include—

"'(A) soil, sod, dirt, turf, water, or mosses;

"'(B) minerals from sea water, the air, or similar inexhaustible sources; or

"'(C) oil and gas wells.'

"(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1969."

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

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. Mr. President, on the same understanding, I ask unanimous consent that there be a limitation of 1 hour on this amendment, the time to be equally divided between the Senator from Delaware and the manager of the bill.

The PRESIDING OFFICER. Is there objection?

Mr. LONG. Mr. President, reserving the right to object, I do not think I want to object, but I would like to have at least enough time to find out what the basis of the amendment is.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Montana withhold his request?

Mr. MANSFIELD. I will withhold my request.

Mr. WILLIAMS of Delaware. The House bill would have cut the depletion allowance on all minerals by an average of 25 percent. This amendment does not deal with oil or gas but with all other minerals. The House cut the depletion allowance an average of 25 percent on all minerals except gold, silver, and copper. That reduction was rejected by the Senate committee. My amendment would reinstate the provisions of the House bill.

Mr. HRUSKA. Mr. President, I did not understand that there was a time limitation request pending, and I had registered a suggestion that I would like to be notified when such a request was made.

Mr. MANSFIELD. I did not know about it. We had one 5 minutes ago, on an amendment that the Senator from Wisconsin offered, to which the Senator's colleague from Nebraska demurred.

Mr. HRUSKA. Mr. President, last week I took exception to the fashion in which this legislation is being considered. This bill goes deeply into the economic, fiscal, and monetary life of this country, but we are going about it as if it were a matter of very routine degree. I do not think that is at all in keeping with the fashion in which a bill of this nature and this importance should be handled.

I know there is thinking on both sides that these matters are important. They are vital; they are complicated; they are intricate, and yet we take them up on the basis of limited debate, so that we are scarcely able to get into the matter of determining what they are and what the arguments are pro and con.

I suggested last week that I would be constrained to enter an objection to any limitation of debate. Unfortunately, the leadership did not find it possible to locate me at the time, so it was asserted. I was on the premises. Now we have a repetition of it. I would suggest that either the request for the limited debate be withdrawn, or that, if it has been granted, that we reconsider the request at this time.

The PRESIDING OFFICER. It has been granted.

Mr. MANSFIELD. Mr. President, this is the second time that we have been caught tonight; the first time was by the colleague of the Senator from Nebraska (Mr. CURTIS). After we had the yeas and nays ordered and a time limitation agreed to, then, as a courtesy to him, since he stated he would like a little more time, and a few other Senators agreed, the Senator from Wisconsin withdrew his amendment.

All concerned understood that the Senator from Delaware (Mr. WILLIAMS) would call up an amendment having to do with the depletion allowance for metals only, and we are faced with this situation.

If there is anyone in this body in whom I have the utmost confidence as far as matters financial and economic are concerned, it is the distinguished Senator from Delaware, the watchdog of this body. Certainly no one is more interested in the economic well-being of this country and its financial standing than is the Senator from Delaware.

In view of the fact that this situation has developed, and despite the fact that the leadership would like to have the matter disposed of in a reasonable length of time—and may I say, before I make my request, that surely everyone understands what an increase from 23 to 27.5 percent in the oil and gas allowance is; anyone can understand what a decrease to 20 percent is; and anyone can understand what an increase in the exemption from $600 to $1,200 is; so I do not think that the Senate has been wasting its time. I think we have been facing up to our responsibilities, staying on the job. The attendance at present is well in excess of 90, despite the fact that at least two of our Members are in the hospital at this time.

We have six appropriation bills to contend with. We will have to face them somehow, sometime this year, if it takes all year; and if we cannot finish them, they will have to go into the next year.

Mr. President, I ask unanimous consent that the unanimous-consent agreement for a time limitation on the amendment offered by the distinguished Senator from Delaware—and I do this reluctantly—be vacated. Does the Senator from Delaware agree?

Mr. WILLIAMS of Delaware. I agree.

The PRESIDING OFFICER. That it be withdrawn?

Mr. MANSFIELD. That the time limitation be vacated.

The PRESIDING OFFICER. Is there objection to vacating the 1-hour limitation? If there is no objection, the order for the time limitation is vacated.

Mr. WILLIAMS of Delaware. Mr. President, for the information of the Senate I shall be very brief, and we can still vote tonight.

Mr. TOWER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Will the Senator from Delaware yield for that purpose?

Mr. WILLIAMS of Delaware. I yield.

Mr. TOWER. It is my understanding that the controlled time situation was vacated.

The PRESIDING OFFICER. It was vacated.

Mr. TOWER. So there is no controlled time?

Mr. MANSFIELD. That is correct, but the Senator from Delaware has the floor.

Mr. TOWER. Yes.

Mr. WILLIAMS of Delaware. I shall be very brief, and I hope we can vote on this amendment tonight.

I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President, in the House bill they cut the depletion allowance on all minerals except gold, silver, and copper an average of about 25 percent. The Senate Finance Committee, in acting on those reductions, rescinded the House action and restored the depletion allowance on all of those minerals to the rates in present law.

Mr. DOMINICK. Mr. President, I cannot hear a word. The amendment deals with an extremely important subject.

The PRESIDING OFFICER. The Senate will be in order.

Mr. WILLIAMS of Delaware. The Senate committee rescinded the House action and struck that section from the bill, with the result that they thereby restored the depletion rates to those under the existing law.

For example, under the existing law and under the Finance Committee bill, sulfur, uranium, and certain specified minerals from domestic deposits are listed at 23 percent. The House bill would reduce it to 17 percent, and my amendment would restore this House figure of 17 percent.

Gold, silver, copper, iron ore, and oil shale were not changed from 15 percent by the House bill, and those are left at 15 percent in this amendment.

The remaining minerals now rated at 15 percent under existing law are dropped to 11 percent under both the House bill and my amendment.

Asbestos, coal, sodium chloride, and so forth, were reduced from 10 percent to 7 percent, while clay and shale for use in the manufacture of sewer pipe or brick, and clay, shale, and slate for use as sintered or burned lightweight aggregates were reduced from 7½ percent to 5 percent.

Gravel, peat, shale, and certain other minerals which are now at 5 percent would be reduced to 4 percent.

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. If I understand correctly, what the Senator is seeking to do is take the House language with regard to all other minerals, other than oil and gas?

Mr. WILLIAMS of Delaware. That is correct. We have acted on oil and gas already. Our vote on this amendment merely decides whether or not we want to stand by the House provisions for reductions on other minerals or retain the

existing law. There is approximately $55 million new revenue involved in this amendment.

Mr. President, as far as I am concerned, I am ready to vote.

Mr. DOMINICK. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. DOMINICK. Do I understand that the House language on gold, silver, copper, and iron ore is 15 percent, that the report of the Senate committee recommends 15 percent, and the Senator from Delaware would leave it at 15 percent?

Mr. WILLIAMS of Delaware. That is correct.

Mr. DOMINICK. So there is no change with respect to subparagraph (3) of the bill?

Mr. WILLIAMS of Delaware. No change from what the House did.

Mr. DOMINICK. And is there any change from what the Senate Finance Committee did?

Mr. WILLIAMS of Delaware. No.

Mr. DOMINICK. So everything is changed except subparagraph (3) on page 2; is that correct?

Mr. WILLIAMS of Delaware. That is correct.

Mr. DOMINICK. I thank the Senator.

Mr. LONG. Mr. President, the majority on the Senate committee felt that the House reduction in depletion allowances on minerals other than oil was a 27.5-percent reduction on all of them, with the exception of the three the Senator has mentioned, and it was felt that that 27.5-percent reduction on these other minerals was an arbitrary judgment, for the reason that, since the oil depletion allowance was reduced by the House of Representatives by 27.5 percent, therefore they would reduce all other minerals by 27.5 percent, and there was really no more logic to it than that.

It is my understanding that all the cost of depletion allowances, if you want to look at how much money is involved, all the other minerals put together involve 20 percent, as a matter of fact, in terms of dollar value, as much as does the depletion allowance on oil.

In other words, oil and gas in dollar figures account for about 90 percent of the total depletion allowance. And all the other minerals put together account for about 10 percent of the depletion allowance. So that, in terms of dollars, not a great deal is involved.

The Senator pointed out that it is $55 million. However, that amount covers a great many minerals. The Senator is talking about almost 100 minerals.

The committee's feeling was that the case was made with respect to oil and gas and that the entire House case was made on one industry and there was an across-the-board cut in the same percentage figure on all others.

We did not feel that the other minerals should be cut on the basis of the case that had been made and in view of the fact that in terms of dollars and cents, only a 10 percent depletion allowance is involved with respect to all other minerals. The others should not be reduced on that basis.

The committee voted that it would reduce the depletion on oil and gas, but not with respect to the other minerals.

Mr. President, if other Senators wish to debate the matter further, they may do so. However, I personally hope that the amendment will be rejected. That is all I care to say.

Does the Senator from Alaska wish to discuss the matter?

Mr. STEVENS. Mr. President, as I go home through the Yukon territory and the British territory, I see the mines in Canada thriving.

When we look into the matter and consider why their mines are thriving and all of the Alaskan mines are closing down, we find that Canadian mines have been offered new incentives with reference to hard rock minerals at the very time when our mining industry is sick, and there is no other way in which to describe it.

There is an intention here to reduce the amount of incentives given through tax deduction to our mine operations. With all due respect to my friend, the Senator from Delaware, I cannot understand why this is proposed.

I sometimes wonder if we were able to add up the amount of income taxes that the unemployed miners would pay if they were employed and we had a viable policy for our mining industry, what these miners would then pay in taxes. At the present time we have our heads in the sand and are shutting off economic development. Unless we wake up and realize that demand is increasing, productive capacity is declining, and we are getting more and more dependent upon foreign sources for oils, minerals, and raw materials, we will find ourselves in a position one of these days in which we will have to fight for these vital resources because we will not have our own.

I cannot understand this. I think that instead of reducing the allowance, we should try to increase it. I could understand it if we were to say that we need to give greater incentives to the mining industry for development, because 15 percent of nothing is nothing, and the 11-percent depletion allowance for all other minerals is not understandable.

The way by which to get more mineral production is to give incentives for production somehow and then to restore their potential. This would eliminate the paradox of the United States, one of the richest nations in the world in terms of mineral reserves, watching its mineral stockpiles dwindle dangerously low.

I hope that we can at least hold to the present depletion allowance provisions.

Mr. WILLIAMS of Delaware. Mr. President, every time we talk about changing the depletion allowance rates on any mineral we hear arugments that we are trying to wreck the whole economy.

How is a 5-percent depletion on sand and gravel justified when it is a natural resource and it is not being depleted?

We have more coal than we can ever use, yet the present law allows a 10-percent depletion allowance on coal.

There is no argument but that this is a special tax provision which cannot be justified.

The one question that needs to be answered is, Do we want some tax reform? That is what we have all been talking about. If the Senate does want it then vote against these amendments. Let us recognize that tax reform means that we must eliminate some of the inequities in our tax laws and raise the taxes on some industries that have not been paying their proportionate part of the taxes.

Everything that we do here will affect some State, but we are dealing with the United States of America.

If we are going to eliminate everything that affects a constituent of our own States then we may as well fold our hands, strike out all the tax reform provisions of the bill, and just write a flowery speech describing this as tax reform in name only, putting in a few tears and passing it on to the American people.

If we want tax reform let us vote for it. If not let us stop talking about it.

Mr. DOMINICK. Mr. President, I have listened with great interest to my great friend the Senator from Delaware. He is a great friend and hopefully will remain so.

I cannot understand his argument. We have been told by every authority that we will have a population as high as 300 million by the year 2000. Inflation is on the rise, and we have to do something about it.

One reason that inflation is on the increase is that natural resources are in hard supply and we cannot get them at reasonable prices.

If we cannot develop them, mine them, and put them into the construction of ordinary houses and buildings, we will not be able to hold down the rising prices.

I look at the matter and think of what we need for the development of the natural resources of this country. We are cutting down on the incentives at the very time when industry is not making any money and is not getting any depletion allowance because they have very little net earned income on which they can exercise their depletion allowances.

If we are trying to do something to help out in the home construction industry and in the industrial construction with the idea of constructing new housing cheaply and well, we ought to give an incentive to people to produce that housing and get the economy on a stable basis once again.

I cannot understand why, if we want extra revenue for the Government, we increase the tax burden so that the consumer has to pay more for everything in sight.

Mr. WILLIAMS of Delaware. Mr. President, it is a fact that under the present law with its high depletion rates, the cost of living has gone to the highest level in the history of our country and inflation is out of hand. We are told that we should continue with this if we are to control both the cost of living and inflation.

I ask if the Senator did not contradict himself slightly.

Mr. DOMINICK. I did not contradict myself. I did not say that. I said that we are trying to control it now and that this would not control it but would make it worse.

Mr. WILLIAMS of Delaware. Mr. President, of course, I disagree with my good friend, the Senator from Colorado.

I think that this is the time when we should make some correction.

As I said before, why do we need a 10-percent depletion allowance on coal? We have more coal than we need or can use.

The same is true with respect to sodium chloride, slate, clay, gravel, and sand. These depletion allowances are tax credits. The question is whether we want to continue them at the high rates?

I am ready to vote.

Mr. DOMINICK. Mr. President, one of the items in extremely short supply is sulfur. Once again we propose to cut this in the pending amendment by some 6 percent.

I cannot understand why we would do it when the mineral is in short supply.

Mr. TALMADGE. Mr. President, I hope that the Senate rejects the amendment of the Senator from Delaware.

Our distinguished chairman of the Finance Committee correctly stated the view of the committee.

The Ways and Means Committee sustained their depletion allowance by arbitrarily reducing the depletion allowance for every other mineral in America in the same proportion.

A great many of these minerals are in short supply. Some of the companies have difficulty in staying in business.

There was no sentiment in the Finance Committee in support of the views of the Senator from Delaware. The views of the committee were overwhelmingly adopted.

I think that it would be the height of folly if we were, at one fell swoop on the floor of the Senate, to overrule the Finance Committee, which gave the matter mature consideration for some 8 weeks or more.

I hope this amendment will be rejected. Most of these provisions have been in our Internal Revenue Code for a great many years. I think it would be foolhardy to overrule them just because the Ways and Means Committee did so in the House.

Mr. SCHWEIKER. Mr. President, because of the appearance of conflict of interest or the possibility of a conflict of interest, due to my personal and my family's stockholdings, which I have previously reported in the RECORD, and which directly relate to several of the minerals affected by the pending amendment, I ask unanimous consent that I be permitted to vote "present" on the pending amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ALLOTT. Mr. President, I should like to direct a parliamentary inquiry to the Chair upon the pending amendment.

The PRESIDING OFFICER. The Senator will state it.

Mr. ALLOTT. Earlier this afternoon, I sent to the desk an amendment to section 508 which would raise the percentage upon molybdenum from 15 to 23 percent. As it is now in the bill, it is 15 percent. I suggested this amendment in the Finance Committee at the time the Finance Committee was meeting. This would reinsert molybdenum in section 508(a) after mercury, placing it at the same place in the bill as the other ferro alloys.

I ask this question of the Chair: If the pending amendment is adopted or rejected, will this prevent the suggestion of the amendment I filed this afternoon with respect to molybdenum?

The PRESIDING OFFICER. The Chair announces that this would have to be studied. If the amendment is agreed to, then any amendment touching only specific language inserted by that amendment would not be in order. But if the amendment is rejected, then, of course, any amendment would be in order.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. ALLOTT. I yield.

Mr. WILLIAMS of Delaware. Mr. President, it was not my intention to preclude the Senator from Colorado from the opportunity to offer his amendment. If it is all right, I ask unanimous consent that the adoption of my amendment not preclude him from offering his amendment at a later date.

The PRESIDING OFFICER. Is there objection? The Chairs hears none, and it is so ordered.

Mr. ALLOTT. I thank the distinguished Senator very much, because this is a very great inequity which has been occurring for some time—at least, in the minds of some of us. Based upon the outcome of this vote, either way, I can offer my amendment at a subsequent time.

Mr. WILLIAMS of Delaware. I am not sure that I would support the Senator's amendment, but I think he has a right to offer it and to get a vote on it, and this would take care of it.

Mr. ALLOTT. I thank the Senator.

Mr. JORDAN of Idaho. Mr. President, I hope the amendment offered by the distinguished Senator from Delaware will be rejected.

Demand for hard rock minerals in the United States is expected to increase to four times the present level by the year 2000. Worldwide demand will increase even more. Since mineral production in the United States is not expected to increase nearly as much, we must also increasingly rely on foreign sources for minerals.

The mining industry will require tremendous amounts of capital investment to meet the future demand. Mining now requires more capital per employee than any other industry and its ability to attract capital will depend upon the after-tax rate of return. If the industry is to generate the capital to meet the increased demands of the future, then the present depletion rates should not be cut.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SCHWEIKER (when his name was called). Present.

The rollcall was concluded.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from South Carolina (Mr. HOLLINGS), the Senator from South Dakota (Mr. MCGOVERN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that, if present and voting, the Senator from Missouri (Mr. SYMINGTON) would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) and the Senator from Illinois (Mr. SMITH) are necessarily absent.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Tennessee (Mr. BAKER), the Senator from Delaware (Mr. BOGGS), and the Senator from New York (Mr. JAVITS) are detained on official business.

If present and voting, the Senator from Tennessee (Mr. BAKER) and the Senator from South Dakota (Mr. MUNDT) would each vote "nay."

On this vote, the Senator from Delaware (Mr. BOGGS) is paired with the Senator from Illinois (Mr. SMITH). If present and voting, the Senator from Delaware would vote "yea" and the Senator from Illinois would vote "nay."

The result was announced—yeas 25, nays 64, as follows:

[No. 163 Leg.]

YEAS—25

Bayh	Hughes	Proxmire
Brooke	Jackson	Ribicoff
Case	Kennedy	Smith, Maine
Cooper	Magnuson	Tydings
Cranston	Mondale	Williams, N.J.
Goodell	Nelson	Williams, Del.
Gore	Packwood	Young, Ohio
Griffin	Pastore	
Hart	Pell	

NAYS—64

Aiken	Fong	Montoya
Allen	Fulbright	Moss
Allott	Gravel	Murphy
Bellmon	Gurney	Muskie
Bennett	Hansen	Pearson
Bible	Harris	Percy
Burdick	Hartke	Prouty
Byrd, Va.	Hatfield	Randolph
Byrd, W. Va.	Holland	Russell
Cannon	Hruska	Saxbe
Church	Inouye	Scott
Cook	Jordan, N.C.	Sparkman
Cotton	Jordan, Idaho	Spong
Curtis	Long	Stennis
Dodd	Mansfield	Stevens
Dole	Mathias	Talmadge
Dominick	McCarthy	Thurmond
Eagleton	McClellan	Tower
Eastland	McGee	Yarborough
Ellender	McIntyre	Young, N. Dak.
Ervin	Metcalf	
Fannin	Miller	

ANSWERED "PRESENT"—1

Schweiker

NOT VOTING—10

Anderson	Hollings	Smith, Ill.
Baker	Javits	Symington
Boggs	McGovern	
Goldwater	Mundt	

So the amendment (No. 292) of the Senator from Delaware (Mr. WILLIAMS) was rejected.

RECOGNITION OF SENATOR DOMINICK FOR 20 MINUTES ON TOMORROW

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that, immediately following the prayer and disposition of the reading of the Journal on tomorrow, the able Senator from

Colorado (Mr. DOMINICK) be recognized for not to exceed 20 minutes.

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

ORDER FOR TIME LIMITATION ON TRANSACTION OF ROUTINE MORNING BUSINESS ON TOMORROW

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that, on tomorrow, following the prayer and disposition of the reading of the Journal, the time for the transaction of routine morning business not extend beyond 1 hour.

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

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

AMENDMENT NO. 304

Mr. GORE. Mr. President, I call up my amendment and ask that it be stated.

The PRESIDING OFFICER (Mr. CRANSTON in the chair). The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. GORE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. GORE is as follows:

In the committee amendment at page 454, beginning with line 5, strike out all through page 497, and in lieu thereof insert the following:

"SEC. 801. PERSONAL EXEMPTIONS.

"(a) INCREASE TO $700 FOR 1970.—Effective with respect to taxable years beginning after December 31, 1969, and before January 1, 1971—

"(1) section 151 (relating to allowance of personal exemptions) is amended by striking out '$600' wherever appearing therein and inserting in lieu thereof '$700'; and

"(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out '$600' wherever appearing therein and inserting in lieu thereof '$700', and by striking out '$1,200' wherever appearing therein and inserting in lieu thereof '$1,400'.

"(b) INCREASE TO $800 FOR 1971.—Effective with respect to taxable years beginning after December 31, 1970, and before January 1, 1972—

"(1) section 151 (relating to allowance of personal exemptions) is amended by striking out '$700' wherever appearing therein and inserting in lieu thereof '$800'; and

"(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out '$700' wherever appearing therein and inserting in lieu thereof '$800', and by striking out '$1,400' wherever appearing therein and inserting in lieu thereof '$1,600'.

"(c) INCREASE TO $900 FOR 1972.—Effective with respect to taxable years beginning after December 31, 1971, and before January 1, 1973—

"(1) section 151 (relating to allowance of personal exemptions) is amended by striking out '$800' wherever appearing therein and inserting in lieu thereof '$900'; and

"(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out '$800' wherever appearing therein and inserting in lieu thereof '$900', and by striking out '$1,600' wherever appearing therein and inserting in lieu thereof '$1,800',

"(d) INCREASE TO $1,000 FOR 1973 AND SUBSEQUENT YEARS.—Effective with respect to taxable years beginning after December 31, 1972—

"(1) section 151 (relating to allowance of personal exemptions) is amended by striking out '$900' wherever appearing therein and inserting in lieu thereof '$1,000'; and

"(2) section 6013(b)(3)(A) (relating to assesment and collection in case of certain returns of husband and wife) is amended by striking out '$900' wherever appearing therein and inserting in lieu thereof '$1,000' and by striking out '$1,800' wherever appearing therein and inserting in lieu thereof '$2,000'.

"SEC. 802. STANDARD DEDUCTION.

"(a) MINIMUM STANDARD DEDUCTION FOR TAXABLE YEARS BEGINNING IN 1970, 1971, AND 1972.—Effective with respect to taxable years beginning after December 31, 1969, and before January 1, 1973, section 141(c) (relating to the minimum standard deduction) is amended to read as follows:

"'(c) MINIMUM STANDARD DEDUCTION.—The minimum standard deduction is an amount equal to $1,000 ($500, in the case of a separate return by a married individual), reduced, in the case of a taxable year beginning in 1970, 1971, or 1972, by an amount equal to one-fourth of the amount by which—

"'(1) the adjusted gross income for the taxable year, exceeds

"'(2) the sum of—

"'(A) $1,000 ($500, in the case of a separate return by a married individual), plus

"'(B) the amount of each personal exemption provided by section 151 for the taxable year, multiplied by the number of such exemptions for the taxable year'.

"(b) STANDARD DEDUCTION FOR TAXABLE YEARS BEGINNING AFTER 1972.—Effective with respect to taxable years beginning after December 31, 1972, section 141 (relating to the standard deduction) is amended to read as follows:

"'SEC. 141. STANDARD DEDUCTION.

"'The standard deduction referred to in this title is $1,000 ($500, in the case of a separate return by a married individual)'.

"(c) DETERMINATION OF MARITAL STATUS.—Section 143 (relating to determination of marital status) is amended—

"(1) by striking out 'For purposes of this part—' and inserting in lieu thereof '(a) GENERAL RULE.—For purposes of this part—'; and

"(2) by adding at the end thereof the following new subsection:

"'(b) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, if—

"'(1) an individual who is married (within the meaning of subsection (a)) and who files a separate return maintains as his home a household which constitutes for more than one-half of the taxable year the principal place of abode of a dependent (A) who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the individual, and (B) with respect to whom such individual is entitled to a deduction for the taxable year under section 151,

"'(2) such individual furnishes over half of the cost of maintaining such household during the taxable year, and

"'(3) during the entire taxable year such individual's spouse is not a member of such household,

such individual shall not be considered as married'.

"(d) TECHNICAL AND CONFORMING AMENDMENTS.—

"(1) Section 4(a) (relating to number of exemptions) is amended to read as follows:

"'(a) NUMBER OF EXEMPTIONS.—For purposes of the tables prescribed by the Secretary or his delegate pursuant to section 3, the term "number of exemptions" means the number of exemptions allowed under section 151 as deductions in computing taxable income'.

"(2) Section 4(c) (relating to married individuals filing separate returns) is amended to read as follow:

"'(c) HUSBAND OR WIFE FILING SEPARATE RETURN.—

"'(1) A husband or wife may not elect to pay the optional tax imposed by section 3 if the tax of the other spouse is determined under section 1 on the basis of taxable income computed without regard to the standard deduction.

"'(2) Except as otherwise provided in this subsection, in the case of a husband or wife filing a separate return for a taxable year beginning before January 1, 1973, the tax imposed by section 3 shall be the lesser of the tax shown in—

"'(A) the table prescribed under section 3 applicable in the case of married persons filing separate returns which applies the 10-percent standard deduction, or

"'(B) the table prescribed under section 3 applicable in the case of married persons filing separate returns which applies the minimum standard deduction.

"'(3) The table referred to in paragraph (2)(B) shall not apply in the case of a husband or wife filing a separate return if the tax of the other spouse is determined with regard to the 10-percent standard deduction; except that an individual described in section 141(d)(2) may elect (under regulations prescribed by the Secretary or his delegate) to pay the tax shown in the table referred to in paragraph (2)(B) in lieu of the tax shown in the table referred to in paragraph (2)(A). For purposes of this title, an election under the preceding sentence shall be treated as an election made under section 141(d)(2).

"'(4) For purposes of this subsection, determination of marital status shall be made under section 143'."

"(3) Paragraph (4) of section 4(f) is amended to read as follows:

"'(4) For computation of tax by Secretary or his delegate, see section 6014'.

"(4) Section 1304(c)(5) (relating to special rules for income averaging) is amended by striking out 'section 143' and inserting in lieu thereof 'section 143(a)'."

"(e) EFFECTIVE DATE.—The amendments made by subsections (c) and (d) shall apply to taxable years beginning after December 31, 1969.

"SEC. 803. TAX RATES FOR SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLD; OPTIONAL TAX.

"(a) HEADS OF HOUSEHOLD.—Section 1(b)(1) (relating to rates of tax on heads of household) is amended to read as follows:

"'(1) RATES OF TAX.—There is hereby imposed on the taxable income of every individual who is a head of a household a tax determined in accordance with the following table:

"'If the taxable income is:	The tax is:
Not over $1,000	14% of the taxable income.
Over $1,000 but not over $2,000.	$140, plus 16% of excess over $1,000.
Over $2,000 but not over $4,000.	$300, plus 18% of excess over $2,000.
Over $4,000 but not over $6,000.	$660, plus 19% of excess over $4,000.

"'If the taxable income is: The tax is:

Over $6,000 but not over $8,000.	$1,040, plus 22% of excess over $6,000.
Over $8,000 but not over $10,000.	$1,480, plus 23% of excess over $8,000.
Over $10,000 but not over $12,000.	$1,940, plus 25% of excess over $10,000.
Over $12,000 but not over $14,000.	$2,440, plus 27% of excess over $12,000.
Over $14,000 but not over $16,000.	$2,980, plus 28% of excess over $14,000.
Over $16,000 but not over $18,000.	$3,540, plus 31% of excess over $16,000.
Over $18,000 but not over $20,000.	$4,160, plus 32% of excess over $18,000.
Over $20,000 but not over $22,000.	$4,800, plus 35% of excess over $20,000.
Over $22,000 but not over $24,000.	$5,500, plus 36% of excess over $22,000.
Over $24,000 but not over $26,000.	$6,220, plus 38% of excess over $24,000.
Over $26,000 but not over $28,000.	$6,980, plus 41% of excess over $26,000.
Over $28,000 but not over $32,000.	$7,800, plus 42% of excess over $28,000.
Over $32,000 but not over $36,000.	$9,480, plus 45% of excess over $32,000.
Over $36,000 but not over $38,000.	$11,800, plus 48% of excess over $36,000.
Over $38,000 but not over $40,000.	$12,240, plus 51% of excess over $38,000.
Over $40,000 but not over $44,000.	$13,260, plus 52% of excess over $40,000.
Over $44,000 but not over $50,000.	$15,340, plus 55% of excess over $44,000.
Over $50,000 but not over $52,000.	$18,640, plus 56% of excess over $50,000.
Over $52,000 but not over $64,000.	$19,760, plus 58% of excess over $52,000.
Over $64,000 but not over $70,000.	$26,720, plus 59% of excess over $64,000.
Over $70,000 but not over $76,000.	$30,260, plus 61% of excess over $70,000.
Over $76,000 but not over $80,000.	$33,920, plus 62% of excess over $76,000.
Over $80,000 but not over $88,000.	$36,400, plus 63% of excess over $80,000.
Over $88,000 but not over $100,000.	$41,440, plus 64% of excess over $88,000.
Over $100,000 but not over $120,000.	$49,120, plus 66% of excess over $100,000.
Over $120,000 but not over $140,000.	$62,320, plus 67% of excess over $120,000.
Over $140,000 but not over $160,000.	$75,720, plus 68% of excess over $140,000.
Over $160,000 but not over $180,000.	$89,320, plus 69% of excess over $160,000.
Over $180,000------	$103,120, plus 70% of excess over $180,000'.

"(b) SINGLE INDIVIDUALS.—

"(1) IN GENERAL.—Section 1 (relating to tax on individuals) is amended by redesignating subsection (c) and (d) as (d) and (e), respectively, and by inserting after subsection (b) the following new subsection:

"'(c) UNMARRIED INDIVIDUALS.—There is hereby imposed on the taxable income of every individual (other than a surviving spouse or a head of a household) who is not a married individual (as defined in section 143) a tax determined in accordance with the following table:

"'If the taxable income is: The tax is:

Not over $500----	14% of the taxable income.
Over $500 but not over $1,000.	$70, plus 15% of excess over $500.
Over $1,000 but not over $1,500.	$145, plus 16% of excess over $1,000.
Over $1,500 but not over $2,000.	$225, plus 17% of excess over $1,500.
Over $2,000 but not over $4,000.	$310, plus 19% of excess over $2,000.
Over $4,000 but not over $6,000.	$690, plus 21% of excess over $4,000.
Over $6,000 but not over $8,000.	$1,110, plus 24% of excess over $6,000.
Over $8,000 but not over $10,000.	$1,590, plus 25% of excess over $8,000.
Over $10,000 but not over $12,000.	$2,090, plus 27% of excess over $10,000.
Over $12,000 but not over $14,000.	$2,630, plus 29% of excess over $12,000.
Over $14,000 but not over $16,000.	$3,210, plus 31% of excess over $14,000.
Over $16,000 but not over $18,000.	$3,830, plus 34% of excess over $16,000.
Over $18,000 but not over $20,000.	$4,510, plus 36% of excess over $18,000.
Over $20,000 but not over $22,000.	$5,230, plus 38% of excess over $20,000.
Over $22,000 but not over $26,000.	$5,990, plus 40% of excess over $22,000.
Over $26,000 but not over $32,000.	$7,590, plus 45% of excess over $26,000.
Over $32,000 but not over $38,000.	$10,290, plus 50% of $32,000.
Over $38,000 but not over $44,000.	$13,290, plus 55% of excess over $38,000.
Over $44,000 but not over $50,000.	$16,590, plus 60% of excess over $44,000.
Over $50,000 but not over $60,000.	$20,190, plus 62% of excess over $50,000.
Over $60,000 but not over $70,000.	$26,390, plus 64% of excess over $60,000.
Over $70,000 but not over $80,000.	$32,790, plus 66% of excess over $70,000.
Over $80,000 but not over $90,000.	$39,390, plus 68% of excess over $80,000.
Over $90,000 but not over $100,000.	$46,190, plus 69% of excess over $90,000.
Over $100,000----	$53,090, plus 70% of excess over $100,000.

"(2) CONFORMING AMENDMENT.—Section 1(a) (relating to rates of tax on individuals) is amended by striking out so much of such section as precedes the table in paragraph (2) and inserting in lieu thereof the following:

"'(a) GENERAL RULES.—There is hereby imposed on the taxable income of every individual (other than a head of a household to whom subsection (b) applies and an unmarried individual to whom subsection (c) applies) a tax determined in accordance with the following table:'.

"(c) OPTIONAL TAX TABLES FOR INDIVIDUALS.—Section 3 (relating to optional tax if adjusted gross income is less than $5,000) is amended to read as follows:

"'SEC. 3. OPTIONAL TAX TABLES FOR INDIVIDUALS.

"'In lieu of the tax imposed by section 1, there is hereby imposed for each taxable year beginning after December 31, 1969, on the taxable income of every individual whose adjusted gross income for such year is less than $7,500 (or such higher amount, less than $10,000, as may be prescribed by the Secretary or his delegate by regulations) and who has elected for such year to pay the tax imposed by this section, a tax determined under tables, applicable to such taxable year, which shall be prescribed by the Secretary or his delegate. In the tables so prescribed the amounts of tax shall be computed on the basis of the taxable income computed by taking the standard deduction and on the basis of the rates prescribed by section 1'.

"(d) CONFORMING AMENDMENTS.—

"(1) Section 6014(a) (relating to election by taxpayer) is amended—

"(A) by striking out '$5,000' in the first sentence, and inserting in lieu thereof '$7,500', and

"(B) by striking out the last two sentences.

(2) Section 1304(b)(1) (relating to special rules) is amended by striking out 'if adjusted gross income is less than $5,000'.

"(e) Section 21(d) (relating to changes in rates during a taxable year) is amended to read as follows:

"'(d) CHANGES MADE BY TAX REFORM ACT OF 1969 IN CASE OF INDIVIDUALS.—In applying subsection (a) to a taxable year of an individual which is not a calendar year, each change made by the Tax Reform Act of 1969 in part I or in the application of part IV of subchapter B for purposes of the determination of taxable income shall be treated as a change in the rate of tax.'

"(f) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) of this section shall apply to taxable years beginning after December 31, 1970. The amendments made by subsections (c) and (d) of this section shall apply to taxable years beginning after December 31, 1969.

"SEC. 804. COLLECTION OF INCOME TAX AT SOURCE ON WAGES.

"(a) REQUIREMENT OF WITHHOLDING.—Section 3402(a) (relating to requirement of withholding) is amended to read as follows:

"'(a) REQUIREMENT OF WITHHOLDING.—In the case of wages paid after December 31, 1969, or the 15th day after the date of the enactment of the Tax Reform Act of 1969 (whichever is later), every employer making payment of wages shall deduct and withhold upon such wages (except as otherwise provided in this section) a tax determined in accordance with tables prescribed by the Secretary or his delegate. Such tables shall correspond in form to the tables in effect under this subsection on December 31, 1969. For purposes of applying such tables, the term "amount of wages" means the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in subsection (b)(1)'.

"(b) PERCENTAGE METHOD OF WITHHOLDING.—

"(1) WAGES PAID IN 1970.—Effective with respect to wages paid during 1970, the table contained in section 3402(b)(1) is amended to read as follows:

"'Percentage Method Withholding Table

"'Payroll period	Amount of one withholding exemption:
Weekly	$13.50
Biweekly	27.00
Semimonthly	29.00
Monthly	58.00
Quarterly	175.00
Semiannual	350.00
Annual	700.00
Daily or miscellaneous (per day of such period)	1.80.'

"(2) WAGES PAID IN 1971.—Effective with respect to wages paid during 1971, the table contained in section 3402(b)(1) is amended to read as follows:

"'Percentage Method Withholding Table

"'Payroll period	Amount of one withholding exemption:
Weekly	$15.00
Biweekly	30.00
Semimonthly	33.50
Monthly	67.00
Quarterly	200.00
Semiannual	400.00
Annual	800.00
Daily or miscellaneous (per day of such period)	2.10.'

"(3) WAGES PAID IN 1972.—Effective with respect to wages paid during 1972, the table contained in section 3402(b)(1) is amended to read as follows:

"'Percentage Method Withholding Table

"'Payroll period	Amount of one withholding exemption:
Weekly	$17.00
Biweekly	34.00
Semimonthly	37.50
Monthly	75.00
Quarterly	225.00
Semiannual	450.00
Annual	900.00
Daily or miscellaneous (per day of such period)	2.40.'

"(4) WAGES PAID AFTER 1972.—Effective with respect to wages paid after December 31, 1972, the table contained in section 3402(b)(1) is amended to read as follows:

"'Percentage Method Withholding Table

"'Payroll period	Amount of one withholding exemption:
Weekly	$19.00
Biweekly	38.00
Semimonthly	42.00
Monthly	84.00
Quarterly	250.00
Semiannual	500.00
Annual	1,000.00
Daily or miscellaneous (per day of such period)	2.70'."

Page 549, line 17, strike out "$600" and insert "$700".

Page 550, lines 1, 9, and 11, strike out "$2,300" and insert "$2,400".

Page 550, line 12, strike out "$600" and insert "$700".

Page 550, lines 21 and 22, strike out "this section" and insert "subsections (a) and (b)".

Page 550, after line 23, insert the following:

"(d) TAXABLE YEARS AFTER 1970.—

"(1) TAXABLE YEARS BEGINNING IN 1971.—Effective with respect to taxable years beginning in 1971, section 6012(a)(1) is amended—

"(A) by striking out '$700' each place it appears therein and inserting in lieu thereof '$800';

"(B) by striking out '$1,700' each place it appears and inserting in lieu thereof '$1,800'; and

"(C) by striking out '$2,400' each place it appears and inserting in lieu thereof '$2,600'.

"(2) TAXABLE YEARS BEGINNING IN 1972.—Effective with respect to taxable years beginning in 1972, section 6012(a)(1) is amended—

"(A) by striking out '$800' each place it appears therein and inserting in lieu thereof '$900';

"(B) by striking out '$1,800' each place it appears and inserting in lieu thereof '$1,900'; and

"(C) by striking out '$2,600' each place it appears and inserting in lieu thereof '$2,800'.

"(3) TAXABLE YEARS BEGINNING AFTER 1972.—Effective with respect to taxable years beginning after December 31, 1972, section 6012(a)(1) is amended—

"(A) by striking out '$900' each place it appears therein and inserting in lieu thereof '$1,000';

"(B) by striking out '$1,900' each place it appears and inserting in lieu thereof '$2,000'; and

"(C) by striking out '$2,800' each place it appears and inserting in lieu thereof '$3,000'."

Mr. ALLOTT. Mr. President, in the temporary absence of the leadership, I should like to address a question to the distinguished Senator from Tennessee (Mr. GORE) or the chairman of the committee as to whether any more votes are contemplated today.

Mr. LONG. The answer is "No"; none tonight.

Mr. ALLOTT. That is as succinct as I could hope for. I thank the Senator very much.

Mr. GORE. Mr. President, let it be said that some Members have requested that a vote on my amendment not come before 4 p.m. tomorrow.

I think that Senators may well expect a vote some time near 4 o'clock or 5 o'clock tomorrow afternoon on the pending amendment.

Mr. ALLOTT. Mr. President, will the Senator from Tennessee yield further, so that I could ask for the yeas and nays on the amendment?

Mr. GORE. I yield for that purpose.

Mr. ALLOTT. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. GORE. Mr. President, the pending amendment, on which it is hoped the Senate may be able to reach a conclusion tomorrow, will provide for the Senate a clear-cut choice in providing tax relief.

The pending bill provides tax relief for individual income-tax payers by way of changing the Federal income tax rates.

The pending amendment which I have called up on behalf of myself and several other Senators is proposed as a substitute for the rate changes. This is a fundamental choice. The choice will be very meaningful. The proposal is simple. It is easily understood but will be quickly effective.

The amendment would increase the personal exemption for each taxpayer and each dependent from $600 to $700 next year, to $800 the following year, to $900 the following year, and to $1,000 in 1973 and thereafter.

It would appear unnecessary, Mr. President, that I discuss the amendment at this time in detail because the day on which the Senate last met, last Wednesday, I discussed and engaged in extended colloquy on the amendment with the distinguished chairman of the committee.

Senators will find that debate, beginning on page 35929 of the RECORD; thus, instead of taking a great deal of time now and burdening the RECORD with repetition, I invite attention to that RECORD.

Mr. President, I do desire to have printed in the RECORD a table which makes a comparison between the tax reduction provided by the pending bill and the tax reduction to various income level taxpayers provided by the amendment which I offer as a substitute for the tax rate changes. The table shows, Mr. President, that, for a typical taxpayer with three dependents and with an adjusted gross income of $10,000, the pending bill would provide a tax reduction of $56. That is all. My amendment would provide a tax reduction for this same taxpayer of $304.

Let us take another taxpayer. For a typical taxpayer with an adjusted gross income of $5,000 and three dependents, the pending bill would provide a tax reduction of $30. Mr. President, what can a man with a wife and two children do with $30? My amendment would provide a tax reduction for this same taxpayer of $230. Frankly, a family of four, with the cost of living going up every month, cannot do much with $230, but at least $230 is $200 better than $30.

Let us take another example, a typical taxpayer with a wife and two children earning $7,500 per year. The bill would give him a tax reduction of $36. My amendment would give him a tax reduction of $262.

Let us go to another. For a typical taxpayer with an adjusted gross income of $12,500, again with three dependents, the pending bill would provide a tax reduction of $76. My amendment would provide a tax reduction of $304.

For a typical taxpayer, again with three dependents and an adjusted gross income of $20,000, the pending bill would provide a tax reduction of $152. My amendment would provide a tax reduction of $400.

Mr. President, it is when you get into the high brackets that the big differences between the bill and my amendment appear. A typical taxpayer with an adjusted gross income of $100,000 and three dependents would receive a tax reduction under the bill of $2,256. By my amendment he would receive a tax reduction of $928.

Beyond this point, the differences grow. For a taxpayer with an adjusted gross income of $500,000 and three dependents, the pending bill would provide a tax reduction of $22,656. My amendment would give him a tax reduction of $1,120.

And thus it goes.

Mr. President, both the pending bill and my amendment would provide tax reduction liberally for the low-income groups. The differences between the bill and my amendment appear with respect to the tax treatment of people in the middle-income groups and in the high-income groups.

I submit, Mr. President, that people in the lower-middle-income group are the most hard pressed. They are being pressed from the bottom and the top of the economic spectrum.

In order to show the effect of the bill

and the amendment, I ask unanimous consent to have printed at this point in the RECORD a table which, as I have said, compares tax reduction from present law under the bill before the Senate and under the personal exemption increase which I propose.

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

TABLE 1.—COMPARISON OF TAX REDUCTION FROM PRESENT LAW UNDER PERSONAL EXEMPTION PROPOSAL AND H.R. 13270

TAX REDUCTION FOR TYPICAL FAMILY OF 4

[Assumes nonbusiness deductions equals 20 percent of income]

AGI	Tax under present law	Tax reduction under H.R. 13270	Percentage decrease under H.R. 13270 [1]	Tax reduction under Gore amendment [1]	Percentage decrease under Gore amendment
$3,000	0	0	0	0	0
$3,500	$56	$56	100.0	$56	100.0
$4,000	112	47	42.0	112	100.0
$5,000	230	30	13.0	230	100.0
$7,500	552	36	6.7	262	47.5
$10,000	924	56	6.6	304	32.9
$12,500	1,304	76	5.8	304	23.3
$15,000	1,732	96	5.5	352	20.3
$17,500	2,172	116	5.3	352	16.2
$20,000	2,660	152	5.7	400	15.0
$25,000	3,708	216	5.8	448	12.0
$50,000	11,060	608	5.5	720	6.5
$100,000	31,948	2,256	7.1	928	2.9
$500,000	249,300	22,656	9.1	1,120	.5

[1] Provisions as effective for taxable years beginning in 1973.

Mr. GORE. Mr. President, I submit two other tables, which I ask unanimous consent be printed at this point in the RECORD.

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

TABLE 2.—COMPARISON OF TAX REDUCTION FROM PRESENT LAW UNDER PERSONAL EXEMPTION PROPOSAL AND H.R. 13270

TAX REDUCTION FOR TYPICAL MARRIED COUPLE WITH NO DEPENDENTS

[Assumes nonbusiness deductions equal to 20 percent of income]

AGI	Tax under present law	Tax reduction under H.R. 13270	Percentage decrease under H.R. 13270	Tax reduction under Gore amendment [1]	Percentage decrease under Gore amendment
$2,300	$87	$87	100.0	$87	100.0
$3,000	170	79	46.7	170	100.0
$4,000	290	62	21.4	150	51.0
$5,000	418	43	10.3	128	30.6
$7,500	772	48	6.2	152	19.7
$10,000	1,152	68	5.9	152	13.2
$12,500	1,556	88	5.6	176	11.3
$15,000	1,996	108	5.4	176	8.8
$17,500	2,460	136	5.5	200	8.1
$20,000	2,960	176	5.9	200	6.8
$25,000	4,044	228	5.6	224	5.5
$50,000	11,600	644	5.6	360	3.1
$100,000	32,644	2,328	7.1	464	1.4

[1] Provisions as effective for taxable years beginning in 1973.

TABLE 3.—COMPARISON OF TAX REDUCTION FROM PRESENT LAW UNDER PERSONAL EXEMPTION PROPOSAL AND H.R. 13270

TAX REDUCTION FOR TYPICAL SINGLE PERSON [1]

[Assumes nonbusiness deductions equal to 20 percent of income]

AGI	Tax under present law	Tax reduction under H.R. 13270 [1]	Percentage decrease under H.R. 13270	Tax reduction under Gore amendment [1]	Percentage decrease under Gore amendment
$900	0	0	0	0	0
$1,700	$109	$109	100.0	$109	100.0
$3,000	276	96	34.8	131	47.4
$4,000	424	80	18.9	114	26.9
$5,000	576	52	9.0	76	13.2
$7,500	998	68	6.9	98	9.8
$10,000	1,480	122	8.2	130	8.8
$12,500	2,022	196	9.7	182	9.0
$15,000	2,638	304	11.5	278	10.5
$17,500	3,334	452	13.6	414	12.4
$20,000	4,096	626	15.3	576	14.1
$25,000	5,800	1,034	17.8	930	16.0
$50,000	16,322	3,104	19.0	2,482	15.2
$100,000	41,394	5,104	12.3	2,664	6.4

[1] Provisions as effective for taxable years beginning in 1973.

Mr. GORE. Mr. President, on tomorrow I shall once again discuss in some detail what I regard as the merits of the pending bill, but since I cited for the RECORD a lengthy discussion the last day the Senate was in session, I shall close by asking unanimous consent to have printed at this point in the RECORD, an analysis prepared by the staff of the Finance Committee of the amendment which I and other Senators have submitted. A copy has been distributed to the desk of each Senator, but, for the benefit of the RECORD, I ask unanimous consent that it be printed in the RECORD at this point.

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

AMENDMENT 304, GORE AND OTHERS

TAXATION OF INDIVIDUALS

This amendment is a substitute for that part of the Committee amendment which relates to the low-income allowance, increase in the standard deduction, and reduction in tax rates. It would provide the following:

INCREASE IN PERSONAL EXEMPTION

The personal exemption of $600 under existing law would be increased as follows:

Year:	*Amount*
1970	$700
1971	800
1972	900
1973 and thereafter	1,000

STANDARD DEDUCTION—LOW INCOME ALLOWANCE

In lieu of the standard deduction and the minimum standard deduction provisions in present law and the low income allowance in the Committee amendment, this amendment would provide a flat $1,000 allowance for all taxpayers after 1972 unless their itemized deductions are larger ($500 for married couples filing separate returns.) A special feature (also contained in the Committee amendment) permits an abandoned spouse to claim the full $1,000 allowance where there are dependent children in the household.

SINGLE PERSONS

The amendment adopts the formula in the Committee amendment for reducing the tax burden on single persons. However, the rates are modified to relate to the rate schedules for married persons in existing law rather than the lower rate schedules in the Committee amendment.

Mr. LONG. Mr. President, I shall discuss the Senator's amendment tomorrow at an appropriate time. Meanwhile, I invited the Treasury to express its views with regard to the amendment, and I have received a letter from the Assistant Secretary of the Treasury, Mr. Edwin S. Cohen, which reflects the Treasury's strong opposition to the amendment.

It will be noted that the Treasury opposed it on the fiscal ground that the revenue loss is something the Government cannot stand without running a substantial deficit. In addition, the Treasury favors the concept agreed to by the committee and voted by the House of Representatives—that, assuming one had the amount of revenue involved available for tax reduction, the approach pursued by the bill before the Senate, agreed to by both the House committee and the Senate committee and voted favorably by the House of Representatives, is the better approach to use.

I ask unanimous consent that the Treasury letter appear in the RECORD at this point.

Mr. GORE. Mr. President, reserving the right to object—which I shall not

do—I wonder if Secretary Cohen took into consideration the announcement that appeared today from the Department of Labor that the poverty level had been officially increased. I ask this question because at the time the committee was considering the matter, the distinguished Assistant Secretary cited the statistics of the Department of Health, Education, and Welfare to the effect that one could not warrant an exemption beyond $600.

The Labor Department has now raised the poverty level estimates. For example, the poverty level for an urban family of four is now considered by the Department of Labor to be $3,600. Since my amendment would provide an exemption from Federal income tax of $3,800 for a family of four in 1970, it seems that my amendment is more realistic in light of the new estimates of the Department of Labor than the proposal of the Treasury Department. That is why I ask the question.

Mr. LONG. My understanding is that the earlier poverty level figures of HEW for 1966 were adjusted to take into account the rise in the cost of living from 1966 through 1968.

The PRESIDING OFFICER (Mr. BYRD of West Virginia in the chair). Is there objection to the request of the Senator from Louisiana?

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

THE DEPARTMENT OF THE TREASURY,
Washington, D.C., December 1, 1969.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with your request, we are writing to summarize the results of our studies of the proposals of Senator Gore for an increase in the personal exemption and a flat $1,000 standard deduction in lieu of the larger standard deductions and the rate reductions provided in the bill as reported by the Committee on Finance.

We join with the Senate Finance Committee in preferring the provisions of the pending bill to the amendment proposed by Senator Gore. The analyses and computer studies which lead us to agree with the conclusions you yourself reached in your eloquent address to the Senate upon the opening of debate on the bill may be briefly stated as follows:

1. *Fiscal Considerations.* Senator Gore's first proposal is for a $1,000 personal exemption and a flat standard deduction of $1,000 (hereinafter called the Gore $1,000 plan). Adoption of such an amendment would increase the net long-term revenue loss from $2.3 billion under the Committee bill to $8.1 billion a year. We have already expressed serious concern about the $2.3 billion long-term annual revenue loss under the bill in its present form; such a large further increase could not be countenanced.

Senator Gore's alternate plan involving a personal exemption of $900 would produce a long-term annual revenue loss of $5.3 billion. This would be $3 billion more than the Committee bill—again a loss that could not be countenanced.

Senator Gore's further alternate proposal for a personal exemption of $800 (hereinafter called the Gore $800 plan) would produce a net revenue loss in the long run substantially the same as that under the Committee bill. However, for the calendar years 1970 and 1971 the Gore $800 plan would lose approximately $4.8 billion in revenue as contrasted with the Committee bill. This loss would be reflected in fiscal years as follows:

Year ended:	*Loss in revenue in billions*
June 30, 1970	$0.9
June 30, 1971	2.5
June 30, 1972	1.4
Total	4.8

In view of current budget restrictions and the intense need for fiscal restraint to combat inflation, we believe such a large loss would be most unwise.

2. *Basic Concept of the Personal Exemption.* In preparing the Administration's proposal for a Low Income Allowance, we adopted the concept that through the standard deduction and the personal exemption the income tax law should impose no tax on persons whose income is below the poverty level. We found that by current HEW standards the minimum income needed to support a single person is approximately $1,700 and that the minimum additional income needed for additional persons in the family rises about $600 per person. This is what the Committee bill allows—$1,700 income without tax for a single person, $2,300 for a married couple without children, $2,900 for a married couple with one child, etc., rising $600 for each additional child. These are the levels at which the tax is zero under the Committee bill.

It is true without doubt that most persons will spend more than $600 on the maintenance of each additional member of the family. But when incomes rise above the minimum level we believe it is then appropriate for the persons involved to begin to contribute something to the cost of maintaining the Federal Government. Present law imposes a high tax rate upon the incomes above the exempt minimum. We believe that efforts should be concentrated, through increases in the standard deduction and through reduction in the tax rates, upon reducing the tax payments required upon incomes above the exempt minimum. The Committee bill proceeds on this theory and we believe that it is sound and desirable policy.

Senator Gore's proposal would exempt from tax an amount per person that substantially exceeds the minimum amount needed to sustain each individual. This would require foregoing increases in the standard deduction above $1,000 and foregoing rate reductions, thus imposing a greater tax burden on incomes above the levels set under his proposals. We believe it is fairer and sounder policy to exempt only the amounts needed as a minimum living standard and to reduce the burdens on amounts above the minimum.

3. *Shift in Tax Burden to Single Persons and Smaller Families.* Senator Gore's $800 plan would significantly shift the tax burden from large families to single persons and smaller families. Under that plan—

(a) Persons with three or fewer exemptions (single persons and married couples with no children or one dependent child) would pay additional taxes of $1.2 billion.

(b) Persons with four exemptions (generally married persons with two dependent children) would have their taxes reduced by $0.2 billion.

(c) Persons with five or more exemptions (generally married persons with three or more dependent children) would obtain tax reductions of almost $1.0 billion.

Thus the burden of supporting children above the minimum HEW standards would be shifted from the large families which have the children to the single persons and smaller families. Through appropriations for education and other purposes the costs of raising large families is already borne to a considerable extent by those who did not beget the children. We believe the Committee has acted wisely in lowering the burden on all taxpayers whose incomes are above the minimum HEW levels, particularly upon those whose incomes are modestly above such levels, rather than distributing the tax relief by size of families.

The average additional tax payable by persons with less than four exemptions under the Gore proposal as compared with the Committee bill would be:

Adjusted gross income	Percent of additional tax: Single persons	Married, no children	Married, 1 child
$5,000	+2.7	(1)	(1)
$7,000	+4.1	(1)	(1)
$10,000	+11.7	+7.8	+4.5
$12,500	+11.9	+9.0	+6.4
$15,000	+8.9	+6.7	+4.6
$17,500	+5.6	+4.8	+2.6
$20,000	+3.4	+2.9	+1.5
$25,000	+4.3	+3.0	+1.4

[1] Less tax under the Gore proposal. The table is based upon personal deductions of 10 percent of adjusted gross income

4. *Loss in Simplification of the Tax System.* The Committee bill through the low income allowance removes 5.6 million persons from the tax rolls and through the standard deduction increases permits 11.6 million persons to shift from itemizing personal deductions to the simple standard deduction. This raises the percentage of total taxable returns that can be filed on the simplified standard deduction basis from 58 percent to 74 percent.

The Gore $800 plan removes 8.4 million persons from the tax rolls but permits only 4.4. million taxable persons to shift from itemizing deductions to the standard deduction. Thus the Gore plan forfeits the benefit of simplification for a large number of taxpayers and for the Internal Revenue Service.

5. *Reduction in the Tax Base.* The Committee bill, primarily through the low income allowance, reduces the taxable income base to which the specified rates of tax are applied from a present aggregate of $372 billion at present to $350 billion. The tax rate reduction in the bill does not lower the taxable income base.

The Gore $800 plan, by confining the relief to the standard deduction and the personal exemption, would reduce the taxable income base to $327 billion, some $23 billion below the Committee bill level and $45 billion below the current level. This further reduction would seriously affect our fiscal flexibility. If for any reason tax increases should become necessary in the future, the smaller tax base would make larger increases in tax rates necessary to raise the same amount of additional revenue. The effect would be to shift more of the burden of any future tax increases to the middle income groups, where the bulk of the taxable income base is concentrated. We believe that greater flexibility for future changes in the tax structure can be provided if only the minimum sustenance levels are removed from the tax base.

6. *Overall Impact of the Bill and the Gore $800 Plan.* Taking into account both the reform and the relief provisions, the Committee bill reduces the existing tax burden by about 66 percent on persons with incomes below $3,000 and grants decreasing percentage reductions as income levels rise until it increases the tax by 2.6 percent on incomes above $100,000. Senator Gore's $800 plan would generally follow the same pattern, but with somewhat further reductions in income levels below $10,000 and lesser reductions above the $15,000 level, and a 10.3 percent

increase on incomes above $100,000. The overall impact of the Committee bill and Senator Gore's proposal is shown below:

Adjusted gross income class	Committee bill increase or decrease from present law (percent)	Gore $800 plan increase or decrease from present law (percent)
0 to $3,000	−66.1	−72.5
$3,000 to $5,000	−30.3	−36.2
$5,000 to $7,000	−17.0	−23.0
$7,000 to $10,000	−10.9	−16.2
$10,000 to $15,000	−10.3	−10.5
$15,000 to $20,000	−8.6	−7.5
$20,000 to $50,000	−7.2	−5.0
$50,000 to $100,000	−4.8	−.6
$100,000 and over	+2.6	+10.3
Total	−10.1	−10.0

We believe that the Committee bill allocates the overall relief with proper emphasis on incomes below $10,000. Senator Gore's proposal would not be significantly different in overall effect except in its impact on persons with above $50,000. In that category the Committee bill has taken important action to close loopholes and reduce or eliminate tax preferences in the upper brackets, and we believe that having done so it is appropriate for the bill to allocate some part of the tax relief to persons in the higher levels. This was done in the Revenue Act of 1964 and earlier laws when the tax burden was significantly reduced, and we believe it would be unfair and unwise to alter that course in the present bill.

Our studies lead us to conclude that the Committee bill avoids the added fiscal problems of Senator Gore's proposal; proceeds upon a sounder theory in exempting entirely from tax only the income needed to maintain living standards; avoids shifting the burden of tax from larger families to single persons and small families; achieves greater simplification of the tax system; avoids an unwarranted narrowing of the tax base and achieves a more equitable and sounder allocation of the tax relief.

For these reasons the Treasury strongly supports the provisions of the Committee bill in preference to Senator Gore's proposals.

Sincerely yours,

EDWIN S. COHEN,
Assistant Secretary

Mr. LONG. Mr. President, on Thursday, November 27, there was published in the Washington Post an editorial entitled "Senator GORE's Tax Bonanza," opposing the pending amendment. I ask unanimous consent that that editorial be printed in the RECORD.

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

SENATOR GORE'S TAX BONANZA

The major fight on the tax bill now before the Senate is likely to center on Senator Gore's proposed amendments. The Senator from Tennessee has devised a seemingly attractive substitute for the chief tax reduction provisions of the bill passed by the House and the version approved by the Senate Finance Committee. But acceptance of his formula by the Senate might seriously complicate the essential compromise between the House and Senate versions and jeopardize enactment of the tax-reform bill.

The Gore substitute features a proposed increase in the personal exemption granted every taxpayer from $600 to $1,000. Combined with a low-income allowance and a lower rate scale for single persons, it is said that this would take more than 11 million taxpayers off the rolls. Undoubtedly this generous gesture will have a wide appeal for beleaguered taxpayers throughout the land, but that is scarcely the test which a responsible Congress will have to apply. Mr. Gore himself concedes that the revenue loss from his bill would be $7.7 billion in 1971, when its terms would be only 50 per cent effective. Estimates of its cost to the Treasury when its goodies would come into full bloom in 1973 run as high as $14 billion.

Just what is there in the present economic outlook with the war in Vietnam still in progress, with mammoth social needs still unmet at home and with inflationary pressure still running strong, to warrant the extension of such a bonanza to taxpayers? Senator Gore seems to be living in a dream world where it is possible for people to eat their cake and have it too. Regardless of how pleasant it is to muse about tax relief on this scale, every thinking citizen must realize that only an irresponsible Congress could actually vote it.

Substantial tax reductions have been included, of course, in both the House and the Finance Committee bills. This is part of the original concept of passing on to hard-pressed taxpayers the savings from the closing of tax-escape valves. Actually the spread between the new revenue to be realized and the reductions to be granted by both bills is causing a good deal of concern, although the short-fall is far below that of the Gore proposals. To meet the criticism of fiscal irresponsibility Senator Gore has suggested additional reforms which he says would produce more than $5 billion in revenue, but there is no indication that these are likely to be enacted.

The Senate's emphatic rejection of Senator Allen's proposed $1,200 personal exemption and its approval of the scaled-down surtax for the first half of 1970 suggest that it may well deal realistically with the Gore substitute. But the major test is yet to come, and every senator will need to remember that revenue to meet the nation's urgent national needs is no less essential to a secure future than fair and equitable division of the burden.

IN SUPPORT OF SENATOR GORE'S TAX AMENDMENTS

Mr. MONDALE. Mr. President, half a loaf may be better than none at all, but it is still not good enough.

The tax bill which has come out of committee is just that—half a loaf.

It is not an insignificant bill. In any other year, I would probably applaud its provisions for reform and relief. Surely, they go far beyond anything we have had for years.

But this year we have made promises to the American people. We have exposed our current tax laws for what they are—riddled with loopholes for the rich and placing an ever-greater burden on the average wage earner. We have talked reform and we have talked relief.

Now we are faced with the question: "Can we put our legislation where our talk has been?" Can we give the people a tax system which is both reasonable and equitable? Can we, in short, keep the promises which we have been making to the taxpayers since last spring?

As I said, the bill before the Senate is at least half a loaf:

It does provide some relief, particularly for those below the poverty level.

It reduces some of the discrimination upon single taxpayers.

It narrows a few of the worst loopholes such as hobby farms, multiple corporations, unlimited charitable deductions.

It makes an attempt to see that no American escapes taxes altogether.

And it even takes a faint swipe at one of the worst loopholes of them all—the oil depletion allowance.

But there are still innumerable loopholes through which the wealthy taxpayer can escape. And more important, the average taxpayer continues to be caught in the viscous squeeze between a soaring cost of living, and a tax burden which is swollen with huge military and space expenditures along with the cost of paying for the rich man's loopholes.

With inflation and taxes, the average American must run to stay in the same place. A minimal urban family budget—only the bare necessities—has been estimated by the Bureau of Labor Statistics to be about $6,000—a minimal "decent" budget at about $9,000. Yet the average blue collar worker today makes less in real purchasing power than a year ago.

Part of this is the tax burden which the average American must bear to pay for what the rich and the corporations may avoid.

Everyone has heard of those 155 returns in 1967 showing incomes in excess of $200,000 and paying no taxes. But even the millionaires who do pay taxes pay only at an average of 25 percent. And the 20 largest oil companies paid all of 8½ percent on their profits.

I do not wish at this time to go over the all-too-familiar list of perversions and inequities. You know them all too well. Rather, I wish to point out the dual nature of our mission: reform and relief—a more equitable tax system and a lighter load for the average American. These are the inseparable parts of our promise to the American people.

The tax bill we have before us in the Senate falls short of this promise. Almost 25 percent of the tax relief goes to taxpayers in the top 5 percent of the tax bracket.

While the committee's tax bill would rightly and sensibly remove some 5 million of our poorest from the tax rolls altogether, it does far less for those whose incomes fall between $3,000 and $15,000

To bring meaningful relief to this broad range of wage earners and salaried workers, I strongly support the proposals put forth by Senator GORE.

Senator GORE, who serves on the Finance Committee and who has a thorough grasp of both the strengths and the weaknesses of this current bill, has given us a series of proposals to bring about this relief.

The key feature is raising the personal exemptions—that portion of income for one's self and one's dependents set aside to be free of all taxation.

In 1948, this exemption was set at $600 per person. It is still $600. In over two decades of rising prices and eroding dollars, the family of four still gets to exclude only $2,400 before it must begin paying Federal income taxes.

An exemption ought to reflect in some way what it costs to feed, clothe, raise and educate a child.

Since 1948, when the exemption was

set at $600, the basic cost of living has gone up almost 50 percent.

The cost of public higher education has risen by almost 75 percent.

And the cost of a private college education has gone up well over 90 percent.

A personal exemption of $600 simply makes no sense in 1969. Raising this to some reasonable figure—such as the $1,000 suggested by Senator GORE—would be a way to bring relief to each and every taxpayer.

There have been objections to using the personal exemption as a vehicle for tax reform. Opponents of this tactic have pointed out that an increased exemption is worth far more to the individual in the higher brackets than to those in the lower brackets, who would not have paid as much as on that income anyway.

This would be a valid objection to a simple increase in the personal exemption. But a combinaton of adjustments in the personal exemption, and on the standard deduction, with changes in the basic rate structure in the committee bill can easily overcome this problem.

Senator GORE'S proposals, starting with a $1,000 personal exemption and a $1,000 minimum stardard deduction, for example, would provide significantly greater relief than would the committee's bill for all individuals with incomes below $20,000. Particularly noticeable relief would be felt by those with incomes of $10,000 and under. Senator GORE'S amendment would cut taxes by 98 percent on incomes below $3,000; by 47 percent on incomes from $3,000 to $5,000; by 36 percent on incomes from $5,000 to $7,000; by 29 percent on incomes from $7,000 to $10,000; and by 20 percent on incomes from $10,000 to $15,000.

It is important to note, however, that this device is not just a procedure for more relief; it is also a procedure for a more equitable distribution of relief. For example, combining increased exemptions of $800 and an increased minimum standard deduction of $1,100 would, under Senator GORE'S approach provide the same total dollar relief as the current tax package reported by the Finance Committee. Yet, the distribution of this relief would be shifted toward the middle income taxpayer, giving significantly greater relief to all taxpayers up through those with adjusted gross income of $15,000.

Increasing personal exemption, then, can be a device for achieving greater equity in our tax system. It is a break for the average taxpayer, and it follows common sense of adjusting to the changing economic realities of the last decade.

Some may ask the reasonable question: "Where is the money for relief to come from?" How do we finance the over $5 billion additional cost of the Gore proposal—especially when many of us are urging expanded programs elsewhere in the Federal budget.

I submit that it is both philosophically consistent and fiscally responsible to urge more spending upon education and human programs and, at the same time, press for tax relief for the average American.

Both of these changes—tax relief and expanded human programs—can be funded from two sources: tax reforms, and a restructuring of spending priorities.

The Senate bill before you raises $6.5 billion largely through closing of loopholes. There is more where that comes from. Former Senator Paul Douglas has estimated a potential $12.5 billion in reforms, and Philip Stern back in 1962 suggested a possible $50 billion from tax reform. We must continue to quest for further reforms which can be translated into relief for the average American.

The other source, of course, is to cut from our incredible defense budget. Look at what happens to every $100 collected in taxes by the Federal Government: We spend $4 on education; we spend $1.85 on housing and community development; $1.25 goes to the preservation and utilization of our natural resources; and we spend $66 for wars—past, present, and future.

We seem to find $600,000 to give to the University of Mississippi to find out how to make birds into soldiers, and we are asked to make cuts in education and other human programs.

We manage to get to the moon—an admirable goal—but achieved without reference to its cost. On our last jaunt to that moon, we left behind $67 million worth of junked equipment including boots at $4,000 a pair, $70,000 worth of cameras, backpacks at $300,000 apiece, and hammers and chisels worth $45,000.

The irresponsibility lies not with those of us who seek to combine tax relief with a restored sense of priorities. It must lie with those who are content with half a loaf of tax reform and with the perpetuation of a Federal budget which places wars and things above people.

SCHOOL ENROLLMENTS IN WASHINGTON, D.C.

Mr. STENNIS. Mr. President, according to IBM data, from HEW's official files, based on the 1968–69 elementary and secondary school enrollment, Washington, D.C., has a total enrollment of 148,725 students in 188 schools, of which 139,006—or 93.4 percent—are Negro students, 8,280—or 5.5 percent—are white, and the remaining 1,439—or 1.1 percent—are made up of orientals, Spanish Americans, and American Indians.

There are 3,636, or 43 percent of the 8,280 white students, attending majority Negro school; only 1,253—or 0.9 percent—of the Negro students are attending majority white schools. There are 56 schools with 41,109 students that are 100 percent Negro. There are another 57 schools that have 99 to 99.9 percent Negro students, which makes an aggregate of 113 schools with enrollments totaling 96,518 which are 99 to 100 percent Negro. Another 16 schools are 98 to 99 percent Negro. Another 13 schools are 97 to 98 percent Negro, and another 10 schools have Negro enrollments of 95 to 97 percent—making a total of 152 schools with total enrollment of 125,158 that are 95 to 100 percent Negro. In a great percentage of these schools which have enrollments of from 1,000 to 2,000 students, there are only one, two, or three students listed as white.

Of the 188 schools in Washington, D.C., there are only 18 that have a majority white enrollment. These range from the Capitol Page School with an enrollment of 41, of which 7.1 percent are Negroes, to an elementary school of 253, which is 43.1 percent Negro.

In other words, it would be difficult to find any school district that is more segregated than the public schools of Washington, D.C., and perhaps there is significance in the manner in which, and the speed with which, this has occurred.

The District of Columbia, by law, formerly had a dual school system based upon race. According to information set forth in the case of *U.S.* v. *Jefferson County Board of Education* (372 Fed. 2d 836, 1966), at page 904, the District of Columbia desegregated following the Supreme Court decision of 1954, at a faster rate than did the South, along with some other border States, and by the 1961–62 school year had more than half of its school enrollment attending desegregated schools. At page 905, information is set out with respect to enrollment and percentage of Negroes in white schools in southern and border States, and it is reported that the District of Columbia had 109,270, or 84.81 percent, of its Negro student enrollment in schools with whites.

Senate hearings on H.R. 8569, District of Columbia appropriations, 90th Congress, first session, fiscal year 1968, part I, at page 693, et seq., set forth the pupil membership of the Washington, D.C., schools by school and race for the school years 1954–55 and 1966–67. The school year 1954–55 was the first following the 1954 Supreme Court decision. These tabulations reflected that in the 1954–55 school year, there was a total of 102,920 students, 40,313—or 39 percent—of whom were white and 62,607—or 61 percent—of whom were Negroes. The 1966–67 school year figures reflect a total enrollment of 145,933, of which 12,678—or 8.7 percent—were white and 133,273—or 91.3 percent—were Negroes. As previously indicated, the 1968–69 Washington school enrollment totaled 148,725, of which 8,280—or 5.5 percent—were white, 93.4 percent were Negroes, and 0.9 percent consisted of other minority groups.

I ask unanimous consent that a table entitled "Summary of Pupil Membership by School and Race" for the Washington, D.C., schools for the school year 1954–55 and the school year 1966–67, be printed in the RECORD.

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

WASHINGTON, D.C., SUMMARY OF PUPIL MEMBERSHIP BY SCHOOL AND RACE

	White	Negro	Total
SCHOOL YEAR 1954–55			
Elementary	24,445	41,390	65,835
Junior high school	8,830	13,573	22,403
High school	6,066	6,263	12,329
Vocational high school	972	1,381	2,353
	40,313	62,607	102,920
Percentage of total	39.2	61	100

WASHINGTON, D.C., SUMMARY OF PUPIL MEMBERSHIP BY SCHOOL AND RACE—Continued

	White	Negro	Total
SCHOOL YEAR 1966-67			
Elementary	7,379	86,871	94,250
Junior High School	2,656	27,113	29,769
High School	2,502	16,533	19,035
Vocational High School	141	2,756	2,897
	12,678	133,273	145,933
Percentage of total	8.7	91.3	100

Mr. STENNIS. Mr. President, I present these official figures as a part of the picture of enforced school integration being followed by a natural resegregation when parents act on their own rather than through compulsion. Testimony has been given by Health, Education, and Welfare that after they attain integration of students in the desired proportion in a school, either through administrative action or a court order, that they will then withdraw their surveillance and leave the school district on its own. As testified, Health, Education and Welfare's further position is that should the board of education engage in any discriminatory action, Health, Education, and Welfare would reenter the case. Thus all school districts can expect perpetual surveillance and police action. If the parents are left free to act, there will be a resegregation of the schools in large part.

Mr. President, these figures speak for themselves. I shall refer to them again in further presentations.

Mr. President, I yield the floor.

The PRESIDING OFFICER. What is the will of the Senate?

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

CAPITOL GUIDE SERVICE

Mr. WILLIAMS of Delaware. Mr. President, the Senator from Montana (Mr. MANSFIELD) and I have a bill pending, the purpose of which is to provide for free guide service for tourists and schoolchildren visiting the Nation's Capitol. On research, we found that the Capitol of the United States is about the only capitol in the Western World which does not furnish free guide service. Even the schoolchildren have to pay to get a tour of our Capitol.

The same measure has been passed by the Senate at least once, and possibly twice; however, it has not been acted upon by the House.

I have discussed the matter with the majority leader and with the chairman of the committee. I ask the chairman of the committee if we could not include the measure in the pending bill. I realize that it is not germane to the pending bill; however, I ask if the chairman will be willing to take to conference the bill as an amendment to the pending bill.

Mr. LONG. Mr. President, I ask unanimous consent that the Senator be permitted to offer his amendment at this time.

The PRESIDING OFFICER (Mr. CRANSTON in the chair). Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment we dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment ordered to be printed in the RECORD reads as follows:

At the end of the act add the following new section:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Capitol Guides Act".

"ESTABLISHMENT AND PURPOSES

"SEC. 2. (a) There is hereby established, within the Congress of the United States, an organization to be known as the Capitol Guide Service, which shall provide, without charge, guided tours of the interior of the United States Capitol Building for the education and enlightenment of the general public. The Service shall be under the direction, control, and supervision of the Capitol Police Board (hereafter referred to as the 'Board').

"(b) The Board may also detail guides to assist the United States Capitol Police by providing ushering and informational services, and other services not directly involving law enforcement, in connection with the inauguration of the President and Vice President of the United States, the official reception of representatives of foreign nations and other persons by the Senate or House of Representatives, and other special or ceremonial occasions in the United States Capitol Building or on the United States Capitol Grounds which require the presence of additional Government personnel and which cause the temporary suspension of the performance of the regular duties of the Capitol Guide Service.

"GUIDES

"SEC. 3. (a) (1) There shall be appointed to the Capitol Guide Service such guides as may be necessary, including a chief guide, to carry out effectively and efficiently the activities of the Service. The chief guide shall be appointed by the Board, and one-half of all other guides shall be selected for appointment by the Board by the Sergeant at Arms of the Senate and the other one-half selected for appointment by the Board by the Sergeant at Arms of the House of Representatives.

"(2) The annual (gross) rate of pay of the chief guide shall be $9,417, and the annual (gross) rate of pay of any other guide shall be $8,322.

"(3) Section 106(a) of the Legislative Branch Appropriation Act, 1963, as amended (2 U.S.C. 60; (a)), is amended by adding at the end thereof the following new clause: '(8) Guides of the Capitol Guide Service.'

"(b) No guide of the Capitol Guide Service shall charge or accept any fee, or accept any gratuity, for or on account of his official services.

"(c) Section 2107 of title 5, United States Code, relating to the definition of 'congressional employee', is amended—

"(1) by striking out the word 'and' at the end of paragraph (7);

"(2) by striking out the period at the end of paragraph (8) and inserting in lieu thereof a semicolon and the word 'and'; and

"(3) by adding at the end thereof the following new paragraph:

"'(9) a guide of the Capitol Guide Service.'.

"(d) Section 8332(b) of title 5, United States Code, relating to creditable service for retirement purposes, is amended—

"(1) by striking out the word 'and' at the end of paragraph (5);

"(2) by striking out the period at the end of paragraph (6) and inserting in lieu thereof a semicolon and the word 'and';

"(3) by adding immediately after paragraph (6) the following new paragraph:

"'(7) subject to sections 8334(c) and 8339 (h) of this title, service performed on and after February 19, 1929, and prior to the effective date of the Capitol Guides Act, as a United States Capitol guide."; and

"(4) by inserting at the end thereof the following sentence: 'The Civil Service Commission shall accept the certification of the Capitol Police Board concerning service and rates of pay for the purpose of this subchapter of the type described in paragraph (7) of this subsection and performed by a guide.'

"(e) Notwithstanding the other provisions of this section, the Board and the Sergeants at Arms of the two Houses shall afford, to each person who is a member of the United States Capitol Guides immediately prior to the effective date of this Act, the opportunity to be appointed under this Act to the Capitol Guide Service. For the purposes of the initial appointments of such persons, the appointments and number of such persons shall be considered to have been authorized and approved for the Capitol Guide Service under subsection (a)(1) of this section.

"POWERS OF THE BOARD

"SEC. 4. (a) The Board is authorized—

"(1) to prescribe the duties and responsibilities of the guides;

"(2) to prescribe a uniform dress, including approprate insignia, which shall be worn by such guides when on duty;

"(3) from time to time as may be necessary, to procure and furnish, without charge, such uniforms to such guides;

"(4) to enter into contracts or other arrangements, or modifications thereof, to carry out the purposes of this Act; and

"(5) to take such actions and make such expenditures as may be necessary to carry out the purposes of this Act.

"(b) The Board may take appropriate disciplinary action, including suspension or removal, against any guide who violates any provision of this Act or any regulation prescribed by the Board pursuant to this Act, except that a guide may not be suspended from duty without pay, demoted, removed, or have his pay reduced unless (1) in the case of the chief guide, a majority of the members of the Board so decides, and (2) in the case of any other guide, the Sergeant at Arms who appointed that guide consents.

"(c) All expenses and salaries of the Capitol Guide Service shall be disbursed by the Secretary of the Senate, upon vouchers approved by the Chairman of the Board, out of funds appropriated for the Service.

"TRANSFER PROVISIONS

"SEC. 5. (a) On the effective date of this Act, all personnel records, financial records, assets, and other property of the United States Capitol Guides, which exist immediately prior to such effective date, are transferred to the Capitol Guide Service.

"(b) As soon as practicable after the effective date of this Act, but not later than the close of the sixtieth day after such effective date, the Board shall, out of the assets and property belonging to the United States Capitol Guides immediately prior to such

date, on the basis of a special audit which shall be conducted by the General Accounting Office—

"(1) settle and pay any outstanding accounts payable of the United States Capitol Guides;

"(2) discharge the financial and other obligations of the United States Capitol Guides (including reimbursement to purchasers of tickets for guided tours which are purchased and paid for in advance of intended use and are unused); and

"(3) otherwise wind up the affairs of the United States Capitol Guides;

which exist immediately prior to such effective date. The Board shall dispose of any net monetary amounts remaining after the winding up of the affairs of the United States Capitol Guides, in accordance with the practices and procedures of the United States Capitol Guides, existing immediately prior to the effective date of this Act, with respect to disposal of monetary surpluses.

"EFFECTIVE DATE

"SEC. 6. The provisions of this Act shall become effective on the first day of the first month which begins after the thirtieth day after the date of enactment of this Act."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware.

The amendment was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent, on behalf of the Senator from Montana (Mr. MANSFIELD) and myself that a statement explaining the amendment be printed in the RECORD.

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

EXPLANATION OF THE FREE GUIDE SERVICE AMENDMENT

This amendment would establish a Capital Guide Service that would offer the public guided tours of the Capitol building without charge.

The guides will be under the jurisdiction of the Capitol Police Board and will be given the same status in all respects as the present "trained" Capitol Police Force. For example, salaries will be equivalent to trained police salaries, selection will be made—one-half from the Senate, one-half from the House—by the respective Sergeants-at-Arms as they now are for the Police Force, and the guides are brought under the legislative retirement, health and insurance programs.

It will be recalled that on March 7, 1967, the Senate adopted an amendment to the Legislative Reorganization measure that established a free Capitol guide service. With minor changes, that proposal approved by a Senate vote of 74 to 8, is identical to the provisions of this amendment.

ORDER OF BUSINESS

Mr. LONG. Mr. President, is not the Gore amendment to be the pending business when the Senate meets tomorrow morning?

The PRESIDING OFFICER. The Senator is correct.

ADJOURNMENT TO 10 A.M. TOMORROW

Mr. BYRD of West Virginia. Mr President, if there be no further business to come before the Senate, I move in accordance with the previous order that the Senate stand in adjournment until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 5 o'clock and 53 minutes p.m.) the Senate adjourned until Tuesday, December 2, 1969, at 10 a.m.

NOMINATIONS

Executive nominations received by the Senate December 1, 1969:

OFFICE OF ECONOMIC OPPORTUNITY

William R. Ford, of Michigan, to be an Assistant Director of the Office of Economic Opportunity, vice William H. Crook.

U.S. ATTORNEY

Samuel C. Palmer, III of California to be U.S. attorney for the central district of California for the term of 4 years vice William M. Byrne, Jr.

U.S. MARSHAL

Kenneth M. Link, Sr. of Missouri to be U.S. marshal for the eastern district of Missouri for the term of 4 years vice Olin N. Bell, Sr.

IN THE NAVY

The following-named officers of the U.S. Navy for temporary promotion to the grade of lieutenant commander in the line, subject to qualification therefor as provided by law:

Abbey, James Robert
Abel, Warren Robert
Ackerman, William Crandall
Adams, Joseph Harvey
Addicott, Raymond Walter
Agnew, Alfred Howard
Ahlborn, Edward Richard, Jr.
Akerson, Arthur Carl, Jr.
Alden, John Henry
Alemian, Haig Sarkis
Allen, Arnold Charles
Allen, Edmond Lemar
Allison, Warner Lee
Althouse, Thomas Stephenson
Ames, Richard Earl
Andersen, Kenneth Eugene
Anderson, David Carl
Anderson, Ira Boling
Anderson, Richard Glenn
Anderson, Thomas Harry
Anderssen, Arthur Harald
Andress, William Dozier, Jr.
Andrews, Michael Keeney
Angelosante, Carmen
Anton, Andrew Joseph
Applegate, Terry Bruce
Armstrong, Jesse Watson
Arnaud, Antoine Jean Albert
Arnold, David Phillips
Arnold, Robert Judd
Arthur, John Robert
Asher, Charles Eugene
Astleford, Nathan Leo
Atherholt, William Bradshaw
Auer, James Edward
Austin, Michael Gaylord
Bacanskas, Alger Vladas
Bacon, Barton Elijah, III
Badgett, Robert Samuel
Bagby, James Lovelace, Jr.
Bailey, Eugene Ridgeway
Bailey, James Lindsey
Bailey, Ralph Gurdon
Baird, Don Wilson
Baker, Harry John
Baker, John Lee
Baker, Ronald Carol
Baldwin, Richard Charles
Ballard, Duane Clare
Bannach, Leroy Robert
Barbour, Richard Elwood
Barfield, Henry Jackson, Jr.
Barker, Edward Phillips
Barnes, Edward Thomas
Barr, John Garman
Barr, Thomas Hammond
Barrett, Robert William
Barta, Arnold Francis
Bartholomew, Charles Arnett
Abel, Jon Frederick
Abrahamsen, David Lloyd
Adams, John Robert
Adams, William Victor, Jr.
Adler, Jay Burns
Afdahl, Darwin Frank
Ahern, David Gaynor
Ainlay, Benjamin John
Albright, Robert Ernest
Aldinger, Robert Waugh
Alexander, Edward Harrison, Jr.
Allen, Benjamin Earl, Jr.
Allen, Robert John
Almasi, George Raymond
Alvarado, Robert Joseph, Jr.
Amundsen, Rickard Oliver, Jr.
Andersen, Robert Thomas
Anderson, Gerald Lee
Anderson, Raymond Charles
Anderson, Richard Oscar
Anderson, Varro Dee
Andrasko, Michael Basil
Andrews, Larry Joe
Andridge, Phillip Carl
Ansley, James Henry
Antrim, Benjamin Franklin, III
Arkin, William Eugene
Armstrong, William Edward
Arnest, Charles Sherman
Arnold, John Conrad
Arnold, William Knowles, Jr.
Asbell, William Edward
Asher, John Wilson, III
Athanas, Philip William
Aubuchon, Robert George
Aurell, Donald Leon
Ayre, Donald
Backlund, Robert Alfred
Badger, Patrick Matthew, Jr.
Baer, Robert Dale
Bailey, David Leroy
Bailey, Ian McDonald
Bailey, Larry Wayne
Bailey, Thomas Fitzgerald
Baker, Curtis Lee
Baker, James Walter
Baker, John Sherman
Baldwin, John Milton, III
Baldwin, William Earl
Baloga, Stephen Joseph
Bansemer, Ronald William
Bardeschewski, Walter Paul
Barker, Charles Milton
Barnes, Charles Loyd
Barnes, William George
Barr, Robert Kenney, Jr.
Barrett, Harold Clark
Barrs, James Milton
Barthold, Todd Alan
Barton, Harry Leroy
Barton, William Robert
Bates, William Roger
Batts, Charles Jackson
Beall, David Albert
Bearse, Laurence McKenzie
Beaton, John Hudson
Beck, Brian Kay
Becker, Robert Edward
Beech, Henry Dee
Beem, James Noel
Bekkedahl, Douglas Lloyd
Bell, Charles Fettes
Bell, James Howard
Bell, Ronald Kenneth
Belmore Richard Kenneth
Bender, Thomas Jacob
Benford, Eddie
Bennett, Andrew Joseph
Bennett, Paul Lawrence
Bennett, Thomas Guy
Benshop, Edwin Charles
Benter, Harry William, Jr.
Berg, John Stoddard
Berkey, Thomas Joe
Bern, Russell Harry
Berry, Russell Elliott, Jr.
Best, James Bruce
Bezrutch, Rudolph Art
Bickel, Michael David
Bieraugel, Eugene Edwin
Bigelow, Grant Leroy
Billue, Sidney Kent
Bishop, Joseph Brooke
Bissonnette, Laurence Arthur
Bjorkner, Arthur Charles
Black, Jerry Hall
Black, Norman Twining
Blackmon, Thomas Lester
Blakeley, James Harold
Bland, Charles Warren
Blankinship, John Hamilton
Bledsoe, Robert Dennis
Bliss, Robert Bruce, II
Bloom, John Lester
Blundell, Thomas Edward
Bodenner, George Earle
Boehnke, Donald Florence
Boggess, Randolph Cowan
Bonds, John Bledsoe
Boorda, Jeremy Michael
Booth, Albert James
Bornholdt, Robert Alan
Bouchard, Michael Lora
Boufford, Francis William
Bowdoin, Bernarr McFadden
Bower, Johns Hollis, Jr.
Bowlby, Carl Albert
Boyd, John Theodore
Boyes, Allen Dale
Brackin, Charles Albert
Bradick, Andrew Albert
Bradshaw, Wilton Drexel
Braendle, John Edward
Braham, Donald Francis
Brannan, John Joseph
Breece, James Philip

Bremner, Bruce Barton
Brent, Gerald Page
Brewer, Vincent Eugene
Briggs, Steven Russell
Brinkley, Joseph William
Brittingham, Edward Michael
Bronson, Marshall Wilkes
Brooks, Kenneth Montgomery
Bartolomei, Marino James
Barton, Max Nolan
Bates, Robert Carroll
Batie Howard Franklin
Bauer, Maurice Dean
Bealle, William Edgar
Beasley, Fenn Coffin
Beaulieu, Eugene Leo
Beck, Gary Laurence
Beckham, Robert Frederick
Beedle, Ralph Eugene
Beguin, Larry William
Belford, Ralph Wynn
Bell, Denis Joseph William
Bell, Marlin Gene
Bell, Ronald Irving
Belton, David Calvin
Benepe, John Wesley
Benge, Albert Houston
Bennett, John Faber, Jr.
Bennett, Robert Gordon
Bennitt, Brent Martin
Benson, George Martin
Bently, Donald Keith
Berger, Thomas Joseph
Berkowitz, Ross
Berry, Charles Henry
Berry, Niles Walter
Beyer, Dean Harder
Bianco, John August
Bieber, Gene Leroy
Bierig, Frederick Arthur
Bigsby, Charles Floyd
Bingham, John Hamilton Lewis
Bishop, William Richard
Bivins, Howard Vernon
Black, Herbert Eugene
Black, John William
Blackburn, John Ogburn
Blaha, Douglas Dean
Blakeley, William Robert
Blankenship, Thomas Carey
Bleakly, Edward William
Blesch, Jerry Morgan
Blizzard, William Elmer
Blumberg, Lawrence Bertram
Bobb, Kenneth Ray
Bodiford, Larry Joe
Boer, Westinus, II
Bole, Robert Fulton, Jr.
Bonham, Charlie Leonard
Boose, Donald Edwin
Borkert, Robert Lester
Boss, Ronald Arthur
Boucher, Charles Eugene
Boughton, Louis Charles
Bowen, Alfred George
Bowes, William Charles
Boyd, James Sherwood
Boyer, John Edward
Boyle, Francis Joseph
Braden, Morse Shelton
Bradley, Michael David
Brady, Carl Owen
Bragg, Thomas Perkins
Branch, Thomas Allen, Jr.
Bransom, Frank Harper
Bregenzer, Karl Edward
Brennan, William John
Breslin, Michael Joseph
Brierley, Roc Michael
Brimmage, Kirby Lesley
Britt, Joel Hobart
Brodehl, Richard Brian
Brooks, Charles Edwin
Brown, Carrol Dean
Brown, David Charles
Brown, George Ronald
Brown, Harold Eugene
Brown, Lorin W.
Brown, Robert Hadley
Brucato, Philip Edward
Brugman, Thomas Cletus
Brunelle, William Thomas
Bruno, Marco Joseph
Bryant, James Culver
Bryson, William MacLean
Buck, Duane Eugene
Buckley, Henry Timothy Jr.
Bulkley, Peter George
Bunch, Harold Anderson Jr.
Burdett, Lawrence Paul
Burges, Rufus Thurman Jr.
Burke, Charles Russell
Burke, Kevin James
Burn, Reed Robert
Burris, Richard Earl
Burton, John George
Butler, Phillip Neal
Butz, Will Alan
Bygler, Kenneth
Cahill, Allen Lewis
Calhoun, Ronald Joel
Callahan, Joseph Edward
Cameron, David Duncan Jr.
Campbell, Theodore Richard
Canady, Paul Allen
Capie, Donald James
Cargill, Lee Bruellman
Carlson, John Algot
Carney, James Allen
Carruthers, David Glenn
Carswell, Herschell Ronald
Casavant, Douglas Donald
Cassels, Bertrand Beasley Jr.
Castellano, William Joseph
Catchings, Thomas Jackson
Catlett, William Jackson, III
Chace, Alden Buffington, Jr.
Chafin, Thomas Lee
Challender, Jack Lee
Chapel, Gary Moore
Chappell, George Charles
Chasko, Gerald Joseph
Chauncey, Gregory Arthur
Chesbrough, Geoffrey Lynn
Chestnutt, Billy
Chinnes, Bennie Allen
Chrans, Larry J.
Churbuck, James Forrest
Clarey, Stephen Scott
Clark, Daniel Burrell
Clark, Frank Elwood
Clark, Vady Robert
Clark, Walter Thomas
Clarke, John Charles
Cleary, Francis Paul
Clements, Steven Dale
Cleveland, Donald George
Cline, Donald Lee
Clow, Wallace Gilbert Jr.
Coday, Harold Lee
Coffee, Desmond Thomas
Cohen, Steven Robert
Colavito, Thomas Joseph
Cole, Isaiah Clawson
Collins, Dan Earl
Collins, John Joseph
Coltrin, William Andre
Colvert, Lundy Ray
Brown, Barry Lewis
Brown, Charles Duane
Brown, Edward Ernest
Brown, George Elliott, Jr.
Brown, Joseph Zachariah
Brown, Noel Warren
Brown, Roger Donald
Brueggeman, John Lyle
Brummersted, David Anthony
Brunnworth, Rolland Henry
Bryan, Jon Jasper
Bryant, James Howard
Buck, Arthur Edwin, Jr.
Buckel, Jerome
Buckley, Thomas Daniel
Bunce, Ronald Lynn
Bunnell, Robert Terrell
Burger, Joseph John
Burgess, Donald Elliot
Burke, Gary Leigh
Burkette, Jerry Wayne
Burrell, Donald Overton
Burritt, James Graham
Butler, John Harrison
Butler, Warner Lewis
Byers, John Arthur
Cablk, Steven Richard
Cahill, Joseph Patrick
Callahan, James Francis
Callahan, Paul Lawrence
Campbell, Guy Reeder, III
Canaday, Carlton Weaver
Cantus, Howard Hollister
Carder, Noah Robert
Carlsen, Kenneth Leroy
Carnell, Thomas E.
Carns, Neil Sherman
Carson, Harold Raymond
Caruso, Sam Joseph
Cass, Dudley Eugene
Casseri, Aldo Jerome
Cataldo, John
Cathey, Carl Darrell
Cerruti, E. Richard Joseph
Chadwick, Stephen Kent
Chalecki, Stanley Joseph
Champlain, John Galloway
Chapin, Robert Williams, Jr.
Chase, Malcolm Withington
Chasteen, Robert Wayne
Chelton, Edward Ernest
Chesser, Marvin Brooks, Jr.
Chinn, Donald Morton
Chipchak, Robert Frank
Christensen, Edward Louis
Clair, Robert Arthur
Clark, Arthur
Clark, David George
Clark, Rolf Hans
Clark, Vernon
Clarke, Edward Joseph
Clausen, Carl Charles
Cleater, John Francis
Clemenger, John William
Cleveland, Richard Kenneth
Cline, Robert Neil
Cobb, John Hale
Coen, Ira Hearst, Jr.
Cogswell, Thomas Milon
Cohen, Paul Lewis
Cole, Edward Fiscus, Jr.
Cole, Kennard Ernest
Collins, Jerry Carlos
Collman, Charles Bonham
Colucci, Anthony Robert
Compton, Andrew Jerome
Condon, John Robert
Connell, James Joseph
Conrey, Thomas Rolland
Conwell, Douglas Meriwether
Cooper, George Thomas
Copeland, Aaron Clifford
Copes, Raymond Francis, III
Copple, Jerald Allen
Corbin, Floyd Eugene
Cornett, Richard Rex
Costello, Robert Graham
Cousins, Belmont William
Covert Dana Paul
Covington, William Ellerbe, III
Cowart, John Michael
Cowen, Wayne Edward
Cox, Charles Claude
Cox, Joseph Wesley
Crabbs, Edward Hamilton, Jr.
Craig, Edward Coleman
Chaiglow, Leo Harvey, Jr.
Craven, John Alan
Creed, William Kermit
Creps, Stephen George
Croll, Larry Richard
Crooks, Stephen Chapman
Crow, Hugh Enos
Crumly, Jerry Maclean
Culbertson, Richard Wesley
Culler, David Allen
Curley, Everett Patrick, Jr.
Currey, John Michael
Curtin, Peter Maxime
Curtiss, Daniel James
Cybul, Harvey John
Dalberg, Richard Leo, Jr.
Dalton, Gerard Holbrook
Dalzell, William John
Danielson, Harvey
Danner, John Christian
Daughters, Milo Philip, II
Davies, William Emmett, Jr.
Davis, Henry Hooper, Jr.
Davis, John Paul, Jr.
Davis, Milton Edwin, Jr.
Davis, Robert Thompson, II
Dean, Arthur Lee, Jr.
Dean, Peter Lewis
Decker, Wilbur Leon
Dehler, Richard Frank
Dekker, Jon Karel
Delgaizo, Theodore John
Demech, Fred Ralph, Jr.
Denike, Daniel Joseph, Jr.
Deputy, Robert William
Desens, Robert Bruce
Dewalt Ralph Frederick.
Dewinn, Donald Albert
Dias, Gerald Freitas
Dickey, Riley Webb, Jr.
Diehl, Robert Walter Johns
Digiovanni, Armand Frank, Jr.
Dinning, Donald McPherson
Ditmore, George Walter, II
Dobrosky, John
Doll, Robert James
Dommers, Richard Walter
Dooley, William James
Dorfer, Jay Phillip
Doswell, Eugene Varnon
Doty, Wells Blakeslee
Dougherty, Francis Joseph
Douglas, Carlysle Arden
Doyle, John Francis
Comfort, Richard Lawrence
Conaway, Larry Joseph
Conley, Dennis Ronald
Connolly, Michael Brian
Conway, Frank Mark, III
Cook, Walter Talbot
Cooper, Robert Weatherby, Jr.
Copeland, Walter Edwin
Copley, David Ronald
Corbaley, Leonard Howard
Corcoran, Joseph Francis
Cornforth, Clarence Michael
Coupe, Jay, Jr.
Covell, Michael Averill
Covey, Robert Wesley
Coward, Jimmie K
Cowell, James Parker
Cowperthwaite, Franklin Clair
Cox, John Hannan
Crabbe Douglas Vincent, Jr.
Craddock, John Raymond
Craig, Kenneth Grant
Cramer, Thomas Herbert
Crawford, Charles Wells
Creighton, Charles Benson
Criswell, Paul Earl
Crombie, Kenneth Michael
Crossland, Clifford Thomas
Crowley, Edward Joseph
Csernelabics, Richard Charles
Cullen, Richard Columbus
Culver, John Bergen, III
Currey, Carl Wilhelm
Currie, Daniel Lee, Jr.
Curtis, Jon Edward
Cuttitta, Joseph Stanle
Dahl, Dennis Kay
Dalton, Clem Edward
Dalzell, Fredric Samuel
Damon, William Edward
Dannaker, Robert Paul
Dattilo, Frank, III
Davies, Robert Leston
Davis, Edward Anthony
Davis, James David
Davis, Martin Dorner
Davis, Richard Clinton
Dawson, David Lee
Dean, David Thomas
Decker, Joel Porter Wallace
Deevy, Thomas Joseph
Dehn, William Silas, Jr.
Dekshenieks, Vidvuds
Delvecchio, John Richard
Denault, Donald Raymond
Denis, Robert Richard
Derf, Tad Arlen
Desha, Ernest Larry
Dewhirst, George Harness
Diamond, Quensel King
Dickey, Edwin Harvin, Jr.

Dickinson, Robert Scott
Diggs, Bernard Wesley, Jr.
Dill, Donald Lloyd
Ditchey, Robert Louis
Dizor, Carl Adair, Jr.
Dodd, James Havercroft, Jr.
Dollard, John Anthony
Donaldson, William Jay
Dootson, Eugene
Dorman, Craig Emery
Dothard, Joseph Robert
Dougherty, Dennis Vincent
Dougherty, Robert Joseph
Downs, Charles Patrick
Driscoll, Allen Aiden
Drustrup, John Michael
Drylie, Herbert Dick, Jr.
Dubois, Dorse Howard II
Duda, Daniel Martin
Duff, Robert Dwayne
Duffy, Michael Don
Dufresne, Michael Paul, Jr.
Duich, Stephen James
Duke, Thomas Edward
Dulin, Robert Oliver, Jr.
Duncan, Duane Stewart, Jr.
Duncan, Thomas John
Dunkle, Robert Alexander
Dunn, Gerald Leo
Dunstan, Richard Alan
Durbin, James Lanius, Jr.
Durgin, Herbert Penley
Durkee, Leroy Ralph
Dwyer, David Stephen
Dyer, Edward Harvey, III
Earle, Joseph Todd
Eddins, Charles Wade
Edleson, Stuart Kaufmann, Jr.
Edwards, David Richard
Efird, William Alexander
Eldred, William Alexander
Eller, John Christian
Ellis, George Jeremiah
Ellis, Willie Carl
Ellis, Wright Hoover
Emarine, Larry Lee
Emmerich, William Stanley
Engman, Lee Mathew
Epstein, Joseph Lawrence
Erdei, Elmer Alexander
Ernest, Charles Lee
Esposito, Richard Michael
Evans, Ralph Edward
Ewing, Donald Ralph
Famme, Joseph Bortner
Fanning, George Francis
Fantin, Jonnie Ronald
Farber, Frederick Albert
Farnan, George Francis
Farrell, Charles Augustus, Jr.
Fedor, John David
Fellis, Richard Thomas
Ferbrache, Ray Leroy
Ferguson, Michael Blackburn
Ferrier, Thomas Lee
Fijak, Theodore Jr.
Findlay, James Roy
Firebaugh, Millard Sherwood
Fischer, Ernest Collis
Fisher, Gordon Everett
Fitch, Kenneth Ray
Flanagan, Alan Brian
Flescher, Elbert Eugene, Jr.
Flores, Arthur Jerome
Flynn, Robert James
Folsom, John Harold
Ford, John Fletcher
Forthman, Ernest Almer
Foster, Brent Dean
Fox, William Clement
Francis, William Charles
Franz, David
Frazer, Paul David
Fred, Robert Henry
Freeman, Joseph Harry Jr.
Frelich, Alan Wencil
Frew, John Archibald
Frick, Frederick Mark
Friedsam, Bruce Alexander
Doyle, Thomas Francis, Jr.
Droste, James Bentley
Dryden, Victor Duane
Dubois, Denis Robert
Duchesne, Robert Edward
Duff, Franklin Duane
Duffy, Denis Charles, Jr.
Duffy, Philip Frederick
Dugan, Timothy Parks, Jr.
Dukat, Frank
Duley, Donald Gordon
Duling, Martin Lee
Duncan, John Wesley
Dunham, Donald Tolbert
Dunlap Calvin Ray, III
Dunn, Willmatthis, Jr.
Dunton, Lewis Warren, III
Durfee, Gerald Armand
Durham, Dan Wilson
Dvornick, Eugene Steven
Dyer, Arland Raye
Dyke, Conrad Scott
Eckert, Thomas Richard
Edgar, James Raun, Jr.
Edson, Darrell Willis
Edwards, L. Vernon, Jr.
Ehret, Howard Charles
Elkins, Frank Callihan
Elliott, Jon Knox
Ellis, John Richard
Ellis, Winford Gerald
Ells, Marvin Ruell
Emerson, Norman Perry
English, Charles Robert
Ennis, James David
Erchul, Ronald Anton
Erickson, Lawrence Einar
Esau, Anthony Christopher
Estell, William Andrew, Jr.
Ewert, Lawrence Edward
Fachinger, Joseph Allan
Fang, George Weiming
Fant, Robert St. Clair, Jr.
Farber, Donald Joseph
Farmer, Michael O'Brien
Farnan, Robert Leo
Farren, Manus Gerard
Feeney, Harry Joseph III
Fenno, Ted Perley
Ference, Robert Joseph
Ferrier, Donald Robert
Ferriter, Nicholas Mark
Finch, Parker Thomas, Jr.
Finn, Edward Stephen
Firnbach, James Donald
Fisher, George Garthwaite
Fisher, Thomas Mark
Fitrell, Stuart James
Flanagan, Walter Brian
Fliegel, Robert Aalbu
Flower, Roger Paul
Folse, Ronald Leo
Ford, James Iru
Forster, Robert Douglas
Forys, Michael George
Fox, Loyd Otis, Jr.
Frame, Lee Hudson, Jr.
Frank, Allen Jesten
Frawley, William David
Frazier, Lowell Dennis
Frederick William Edmund
Freiheit, James Edward
French, Thomas Penn, Jr.
Frick, Dean Earl
Friedrichsen, Lewis Johnson, Jr.
Fromholtz, Richard John
Fry, Michael Scott
Fuchs, Robert Edwin
Fuller, Robert Davis
Fulton, William James
Fuscaldo, Robert Patrick
Futch, George Wiley
Gabriel, Thomas Oscar
Gache, Marius Anthony
Gaedecke, Walter Richard
Gaines, William Andrew
Galbraith, Elmer Joseph, Jr.
Gambacorta, Francis Michael, Jr.
Gander, John Peter, Jr.
Garmon, Gerald Sutherland
Garrett, Roger Allen
Gaskell, Lawrence Charles
Gaul, James Howard
Geck, Robert Lee
Geeding, Robert William
Gensler, Robert Lewis
George, Harold Wayne
Germany, Holmes Billy
Getz, Sidney Louis
Giannotti, Sterling Maurice, Jr.
Gibney, William James, Jr.
Gilhuly, John Francis
Gill, Gary Edward
Gill, James Edward
Gilleece, Peter Gerard
Gilson, James Donald
Gipson, Jack Donald
Gladwin, Harold Russell
Glasier, Peter Keith
Glenn, Walter Lewis, Jr.
Glover, Robert Patrick
Gluck, John Milton
Goggins, John Joseph, Jr.
Goldman, Dan Edgar, Jr.
Gomez, Luis Vilas
Goodman, Jerry Edward
Googins, Bruce Russell
Gordon, Richard Scott
Gormly, Robert Anthony
Goubeaux, Richard Francis
Graf, Karl Rockwell
Graham, David Bruce
Graham, Ernest Aubrey
Graham, Walter Harry
Graustein, Robert Stewart
Gray, Gordon Lee
Green, Norman Richard, Jr.
Green, William Jennings, Jr.
Greene, Paul Edward
Greeson, Tommy Darell
Gregory, William Herbert
Grice, John David
Griffin, Harold Craven, Jr.
Grigg, Lewis Wallace
Grimes, Elmer Ray
Groff, Jon Philip
Groman, Alphonse Winslow, Jr.
Grosfils, Eric Francis
Grotenhjis, John Henry
Grunwald, Gerald Max
Gubbins, Philip Stanley
Guertin, Gerald Andre
Gurnee, William Theodore
Guter, Richard Joseph
Haddick, John Richard
Hall, James Benjamin
Hall, Thomas Forrest
Hallman, Lee Allen
Halperin, Mark Israel
Hamilton, Jack Edward
Froehlich, Edward William, Jr.
Frothingham, John Carey
Fryman, Wayne Edward
Fuller, John Paul
Fulton, Stephen Howard
Fulton, William Lawrence, II
Futch, Charles Abbott
Gabriel, Edward Michael
Gabryelski, Richard Marion
Gadsby, Donald Francis
Gagliano, Sam Joseph
Galanti, Paul Edward
Gallamore, John Cliff
Gamboa, Jose Carlos
Garden, Leon Bernard
Garrett, Loren Elwood
Garritson, Grant Richard
Gastrock, Barry Allen
Gaynor, Cornelius William
Gee, George Nicholas
Geiger, William Arthur
Gentry, Donald Gunn
Germain, Russell Felix
Gesswein, Paul Schofield, Jr.
Ghrer, Grady Francis
Giauque, Larry Lee
Giersch, George Joseph
Gill, Donald Lee
Gill, Henry Aloysius, Jr.
Gill, Thomas Edward, II
Gillen, Robert Francis
Gingras, Peter Southworth
Giuffreda, Robert Noel
Glasier, John Milton
Glaspell, Grayson McGuire
Glivings, Rudolph
Glover, William Ferguson Hu, III
Goebel, David Maxwell
Gold, Bennett Alan
Goldman, Robert Barry
Goode, Sanchez
Goodman, Ronald Maxwell
Gordon, Milford Inmon
Gordon, Robert Henry
Gottschalk, Gary Ward
Gowers, Fred Lewis
Graffman, Joel Ross
Graham, Edward Mary
Graham, Robert Lewis
Grantham, Frank Holmes
Gravley, Thomas Wayne
Gray, Myron Paul
Green, Robert Leonard
Greene, David Lockwood
Greenman, Robert Pruyn
Gregor, Richard Allen
Greninger, John Jefferson
Griffin, Charles Donald, Jr.
Griffis, William Willard
Griggs, Stanley David
Grinnell, Donald Prescott
Groggett, Richard Walton, Jr.
Gros, Joseph Edward, Jr.
Gross, Robert Bascum, Jr.
Grove, Frank Henry
Grzymala, Thomas Chester
Gudmunson, Charles Edward
Gullett, Fred Wayne
Gustafson, Kurt Allen
Hackett, Douglas Myron
Hadley, Allan William
Hall, James Wayne
Hall, William Ervin
Hallmark, John Bobby
Hambright, Thomas Leroy
Hamilton, Ted Allen
Hancock, John Bruce
Hansen, Richard Carl
Hanson, Claude Lee
Hardesty, Michael Alfred
Hardy, James Cecil Clayborn
Harless, Charles William
Harnadek, Joseph John
Harper, Don Spence, Jr.
Harrell, Richard Earl
Harriman, Robert Barbour
Harris, Jon Richard
Harrison, Edward James, Jr.
Hart, Robert Martin
Hartman, Gary Walton
Hartman, William Albert
Haselman, Eugene Albert
Haskins, Toner Charles, Jr.
Hauck, Frederick Hamilton
Hauhart, James Norval
Haungs, Richard Elmer
Hawley, John Garland
Hayes, Richard James
Hays, George Elden, Jr.
Heald, David Blair
Heath, William John
Heck, Jerome Ronald
Heidt, John Harry
Heinz, Michael Kasper
Helbig, Raymond Allan
Hellyer, James Andrew
Helms, Hugh William
Henderson, Hugh Curtis
Henderson, Lee Herman
Hendren, Edward Dale
Hendry, John Alexander
Henrizi, John Taylor
Hensgen, Richard Harold
Heppard, William Edgar
Hering, Frederick Shriver
Herrmann, John Severin
Hewitt, Fred Lincoln, III
Hewlett, Harold Eugene
Hickey, Edward Francis
Hicks, Gerald Dennis
Hicks, Robert Louis
Hightower, Charles Vernon

Hill, Alan Curtis
Hill, William Joseph
Hillyard, William Franklin
Hinchy, Frank Thomas
Hinman, Kendall Goddard, Jr.
Hinton, Thomas Evans
Hitch, William Lee
Hixson, Richard Michael
Hoag, Robert Wyman, II
Hodge, Henderson Alison, III
Hoernlein, Russell Paul
Hoffman, Paul Mylton
Hofford, Robert Francis
Holben, Neil Edward
Holifield, Allison James, Jr.
Holly, Richard Warren
Holmes, John Anderson
Holmes, Stacy Vernon
Holt, Richard Harold
Holton, Wilbur Earl
Hood, J V
Hopper, John Ford
Horn, Frank Gordon
Hougton, David Ralph
House, Thomas Vann
Howard, James Willoughby
Howard, Lee Francis
Howell, Norman Brice
Hamilton, Leonard Anderson
Hammer, John Levering, III
Hand, William Edward
Hansen, Robert Raymond
Hanson, Robert Clyde
Hardison, Robert Payne, Jr.
Hargon, John Bentley
Harlett, John Charles
Harold, Douglas Walker, Jr.
Harrell, Gary Wayne
Harrelson, Allan Miller
Harris, James Partsch
Harris, Robert Harlan
Hart, Harvey Hicks, Jr.
Hartman, Charles William, III
Hartman, Richard Henry
Harward, Charles Leonard
Haskins, John Bryant
Hatfield, Philip Neal
Haugen, Ronald Gilbert
Haukereid, Arvin Lawrence
Havey, Brian Joseph
Hayes, Raymond Rhelist
Hayne, William John
Hays, Jimmie Deloyd
Healy, Patrick Robert
Hechtman, Robert William
Heckman, Robert James
Heins, Roger John
Heinz, William John
Helle, Frederick Allan
Helmann, Jack Eldred
Hemmer, John Kenneth
Henderson, Jimmy Don
Henderson, Willie B., Jr.
Hendrick, William Smith
Hennessy, William Joseph, Jr.
Henry, Russell Jones
Henson, Jarrell Neal
Herbert, Robert William
Herriott, Jack Adair
Hertzler, Gerald Ray
Hewitt, John Francis
Heying, Ernest Henry
Hickox, Oscar Jonathan, Jr.
Hicks, Jack Andrew, Jr.
Hicks, William Lloyd
Hill, Almo Walfred, Jr.
Hill, Ronald Vernon
Hillis, Robert J.
Hilty, David Allen
Hinkle, John Calvin
Hinson, Thomas Paul
Hipper, Ira Mark
Hitchborn, James Brian
Hoag, David Wesley, Jr.
Hodge, Stephen Andrew
Hoecker, Richard George
Hoffman, David Wesley
Hoffman, William St Clair
Hogan, James Joseph, III
Holcomb, Charles Edward
Holliday, James David
Holmes, Ephraim Paul, Jr.
Holmes, Milburn Jasper
Holt, Philip Nelson
Holtel, Kenneth Paul
Homer, James Joseph
Hooper, Harold Danny
Hopper, Robert Allison
Hosko, John, Jr.
Houk, Donald Richard
Houtchens, Horace Paul
Howard, John Richard
Howell, James Dorn
Howerton, Norman Julius
Hubbard, Orrin Everett
Huber, Raymond James
Hughes, Faust Francis, Jr.
Hughes, Michael Bryant
Hughes, William Allen
Hulbert, Bruce Wheelon
Humphrey, William Brownell
Hunt, Paul Delton, Jr.
Hunter, Jack Edmund
Hupp, Arnold Jay
Hurley, Robert Francis, Jr.
Hurvitz, Sheldon Phillip
Hux, Edgar Douglas
Hyland, John Joseph III
Ibach, James Sewell
Ingram, Isom Irvin
Irvine, Kenneth Michael
Isaksen, George Albert
Jacanin, John Andrew
Jackson, James Barrett
Jackson, Warren Barnett, Jr.
Jacobs, Philip Roberts
James, Franklin Wilson
Jampoler, Andrew Christophe
Jensen, Jack James
Jensen, Richard Morton
Jiannas, John Stergos Emman
Johniken, Teddy Atlee
Johnson, Alfred Earl
Johnson, Arne Edward
Johnson, Clayton Allen
Johnson, John David
Johnson, John Robert
Johnson, Kenneth Maine
Johnson, Raymond
Johnson, Terry Lowell
Johnson, Thomas Buford
Johnston, Daniel Francis
Johnston, Thomas Franklyn
Jones, David Lynn
Jones, Kenneth Earl
Jones, Robert Morris
Jones, Robert Eugene
Jones, Thesle Robert
Jones, Winslow David
Jordan, Wesley Earl, Jr.
Judson, William Harry
Kagy, Virgil Clarence
Kalenowski, John Edward
Kallusch, Herbert William
Karcher, Victor Anthony
Karst, Allen Wayne
Katz, Alfred Charles
Kay, Norman Bruce
Keefer, James Francis
Kehrli, Lynn Clifford
Keleher, John Allen
Kelley, Alfred Samuel
Kelly, Jessie Henry
Kelly, Robert Francis, Jr.
Kennedy, Jared Prescott
Kennedy, Joseph Alfred
Kenney, Lawrence Harold
Kerns, Lyle Keith
Kerr, Howard J., Jr.
Kesler, Kenneth Lowell
Kidd, George, Norman
Kiess, Dean William
Kile, Thomas Joseph
Kilpatrick, Arthur Lawrence
King, John Barry
Kinney, Dennis Martin
Kinsey, David Lawrence
Kirchner, John
Howell, Robert Lawrence
Howson, Richard Ira
Hubbard, Richard Gene
Huchthausen, Peter Anthony
Hughes, Frank Weber
Hughes, Roy John
Huke, George Edwin
Huling, John McKee, Jr.
Hunt, Donald Bayard
Hunt, Paul Dean
Hunter, William Patterson
Hurd, Michael Fuller
Hurst, Paul Drake
Hutton, Joseph John, Jr.
Hyatt, Charles Sidney
Hynes, William Richard
Ingram, Alan Falconer
Innes, Henry Edgar
Isaacson, Robert Theodore
Ison, William Bredley, Jr.
Jackson, Grady Lee
Jackson, Samuel Lee
Jacobs, Eldon Elton
James, Stephen Robert
James, Ronald Edward
Jenkins, Frederick Peter
Jensen, James Leroy, Jr.
Jessel, David George
Johannes, Richard Nelson
Johns, James Edward
Johnson, Allan Leroy
Johnson, Bradley
Johnson, Iver Raymond
Johnson, John Lewis
Johnson, Kenneth Albin
Johnson, Ralph Borkland, Jr.
Johnson, Stephen, Jr.
Johnson, Thomas Alvin
Johnson, William Spencer
Johnston, Lowell Timothy
Johnstone, Richard Ober
Jones, Frank Alfred, Jr.
Jones, Milton Haddon
Jones, Robert Charles
Jones, Robert John
Jones, Thomas Price, Jr.
Jordan, James Francis
Joyner, James Dietrich
Kaempfer, Frederick William
Kaiser, Theodore Joseph, III
Kalleres, Michael Peter
Kapocius, Algirdas Kazimier
Karns, Norman Milton, Jr.
Kasales, Joseph Anthony
Kaupas, Thomas Richard
Keating, Arthur Louis
Keen, Walter Robert
Keithley, Charles Leon, Jr.
Keller, Douglas George
Kelley, Thomas Gunning
Kelly, John Patrick
Kennedy, Edward Elvis
Kennedy, John Richard
Kennedy, Joseph Thomas
Kenney, John Joseph, III
Kerr, Frank Leigh
Kerr, James Earl
Kesler, Walter Wilson
Kiely, Richard Krake
Kilby, Kent Thomas
Killen, Kenneth Brent
Kime, Steve Francis
King, William Henry, Jr.
Kinney, Richard Warren, Jr.
Kiraly, Joseph Stephen
Kirkman, David Clair
Kisiel, Roger Walter
Klee, Charles William, Jr.
Kleyn, Frederick Gilbert, III
Klinger, David Calvin
Klippert, Richard Hobdell, Jr.
Knapp, Edwin Jackie
Knight, Daniel
Knight, Euodias Falcon, Jr.
Knostman, Paul Brayton
Knudtson, Vernon Leroy
Koch, Frank Charles
Kochert, Gary Lee
Koehler, Thomas Clinton
Kolb, William Wister
Komarek, Jon Perry
Kordalski, Robert Edward
Kortge, Bernard William
Kotchka, Jerry Allen
Kozlowski, Stanley Clare
Kramer, John Frederick, Jr.
Krause, David Robert
Kroner, Frank Robert, Jr.
Kronzer, James Edward
Krupp, Marvin Mack
Kuhhirte, William Fred
Kulesz, James John
Kumpf, Thomas Lewis
Kunsky, David Allen
Kurrus, John Britton
Laack, Dennis Raymond
Labyak, Peter Stephen
Laidlaw, Charles Edward
Lair, James Anthony
Lamb, Dennis Wayne
Lamb, Stanton Bruce
Lambert, Richard Ellis
Lamont, Robert Fulton
Lamporte, Richard Arthur
Lane, Glynn Quinton, Jr.
Lange, Peter Saunders
Lapean, James William
Large, Elwyn Ferris
Larkin, Robert Rene, Jr.
Lash, Franklin Bruce
Laterza, Louis Michael
Laufer, William Harvey
Lawrence, Richard Wayne
Layton, David Ralph
Lebedeker, Michael David
Lee, James Stanley
Lee, Lawrence Lloyd
Lee, Richard Henry
Lefebvre, Edward Joseph
Lehnus, Ronald Karl
Leming, Billy Joe
Lenbergs, Harold Edvin
Leonard, William John
Lesh, Vincent Edward
Lesuer, Wallace Tompkins
Levangie, James Clement
Levin, Frederick Wylie
Lewis, Ernest Lamar
Lewis, Jerry Allen
Lierman, John Stephen
Lillis, Jack Warner
Limstrom, Kenneth Rodger
Lindsey, Billie Franklin
Little, Edwards Sanford
Livesey, James Eugene
Lloyd, Robert Collins
Lockhart, Theodore Charles
Lodge, Charles David
Loebel, Leonard Francis
Logan, James Lawrence, Jr.
Kirk, Francis Marion, Jr.
Kiseljack, Charles
Kizer, Clyde Richard
Klein, Donald Craig
Kline, Robert Leroy
Klintworth, Philip George
Knabb, Kenneth Keith, Jr.
Knepell, Thomas George Williams
Knight, Dennis Ray
Knight, William Eugene
Knubel, John Albert, Jr.
Knutz, James Evert
Koch, Larry Neil
Koeber, Charles John
Kogler, Robert Albert
Kolodziej John Saverio
Koneval, Kenneth George
Korsmo, Thomas Brock
Korzensky, George Joseph, Jr.
Kouba, George Edward Jr.
Krall, John James
Kramer, Lawrence Joseph
Krommenhoek, Jeffrey Martin
Kronz, James Cyril
Krueger, Dan William
Kuester, Arland Wilmer
Kuhlman, William
Kull, John Nelson, Jr.
Kundrat, Reginald
Kunz, James Charles
Kurz, Robert
Laboone, John Alfred, Jr.
Lacey, John Stephen, Jr.
Laine, Lawrence Leroy
Lamasters, Edward Reid
Lamb, Donald Keith
Lambach, Carl Ernest
Lamey, Paul Emile
Lampert, Donald Wessley
Land, Clinton Dale
Lane, Howard Francis, Jr.
Lantzer, Lawrence Arthur
Laplante, John Baptiste
Larison, Donald Eddie

Larsen, Lawrence Monroe
Lasko, Paul Gilbert
Latham, Peter Richard
Law, James Lawrence
Lawton, Roy Elwood
Leardi, Paul Louis
Lee, Charles Richard
Lee, Joe Ramon
Lee, Richard Neyman
Lee, William Joseph
Lehardy, Frank Ackerman, Jr.
Lemaster, James Lebert
Lemoyne, Irve Charles
Leonard, Edwin Walter
Lepak, Ronald Roman
Lester, Edwin Thatcher
Letourneau, Charles Edward
Levi, George Elston
Levings, William Headington, III
Lewis, Frederick Lance
Lewis, Robert Joseph
Life, Richard Aaron
Limbaugh, John Robert
Lind, Carl Victor, Jr.
Lippincott, Richard Jay
Litzinger, Richard Fuller
Livingston, Ira Eugene
Lockett, Joseph Louis, III
Lockie, William Edward, Jr.
Lodge, Raymond Francis
Loftus, John Bernard, Jr.
Lombardo, Stephen William
Long, Herman James, Jr.
Long, William Camielle
Loomis, Michael Francis
Lord, Norman Craig
Loving, Howard Hayden, Jr.
Lowe, Robert Wayne
Lowry, Bernard Franklin, Jr.
Loy, Michael Howard
Lucas, James Dorsey, Jr.
Luellen, Lawrence Horst
Lugo, Frank John
Lundquist, Dallas Earl
Lutz, Gilbert Martin
Lynch, Edward Thomas, Jr.
Lynch, James Richard
Lynch, Thomas Charles
MacDonald, William Robert
MacGregor, John Andrew
Mackaman, Bert James
Macomber, David Blair
Maddocks, Donald James
Magee, John Joseph
Maheu, John Chaisson
Main, Christopher Avery
Malkus, Kenneth Charles
Malloy, Charles Joseph, Jr.
Maness, Anthony Ray
Mann, Edward Bonner, Jr.
Mannarino, Mario Raffaele
March, Daniel Peter
Marlin, Richard Earl
Marquis, Richard Irving
Marsh, Frank Joseph, Jr.
Marshall, James Allen
Martin Edward Francis, III
Martin, Harold Vaughn
Martin, Walter Potts
Mason, Henry Boyd
Mason, John Allen
Masters, David William
Matheny, James Tim
Mathews, Michael Frawley
Mathis, William Walter
Mattis, James Bertrand
Maurer, John Howard, Jr.
Maybach, Alfred Allen, Jr.
Mayer, Roderick Lewis
Mazzan, Carl Anthony, Jr.
McAulay, Michael Lewis
McBride, James John
McBride, William Richard
McCann, James Thomas
McCarthy, Robert John
McCarton, Joseph Francis
McClelland, Michael Dwight
McClernon, Thomas Francis, Jr.
McClung, Lonny Kay
McCormick, John Hubert Charles
McCullough, Donald Charles
McDaniel, John Richard
McDavitt, Frederick Harry
McDevitt, Michael Allen
McElhiney, Ivan Gerard
McGee, Wyatt Hudson
McGinnis, Fon Cleo, Jr.
McGlone, Hugh Francis, Jr.
McGovern, Lawrence Edwin
McGrath, Milton Alonzo
McGuire, James Robert
McGuire, Thomas Patrick
McHugh, Richard Gregory
McIntire, Lloyd Gilman
McKechnie, Thomas William
McKimens, Robert Bruce
Lojko, Boley Alfred
Long, Harry Russell
Long, Joseph
Longfellow, Dennis Ray
Loonam, Bernard Joseph
Love, George Paul, III
Lowack, Frederick John
Lowman, Richard Whitmore
Lowry, J. E.
Lubbs, Larry Lee
Lucey, John Francis
Luenser, Kenneth Herbert
Luke, John Davidson
Lunneberg, Thomas Alvin
Lyman, Relle Lewis
Lynch, Frederick Wintley McDon
Lynch, Thomas John
Mabery, Lester Richard, Jr.
MacDougall, Donald Gerrad
Mack, Jacob Arthur, III
Mackay, William Robert, III
Madden, Michael John
Madison, Russell Lee
Magruder, Peyton Marshall, Jr.
Mahoney, John Timothy
Makela, Toivo Wilmer
Mallen, Frank Harshman
Malopy, Lawrence Richard
Manicke, Harold Valjean
Mann, Robert
Mantei, Thomas Joseph
Markworth, John Allan
Marnane, Joseph Peter
Marrical, Anthony Rolland
Marsh, Larry Roy
Martin, David Arthur
Martin, Harold Pierce
Martin, Owen Carmin, Jr.
Martinsen, Glenn Tracy
Mason, James Burrus
Massey, Scott Spencer, Jr.
Matechak, John
Mathews, Drexel Loy
Mathhiowetz, Donald Ray
Matthews, John Garrett
Mau, Gary Wilbur
Maxey, Fred, Jr.
Mayer, Luke Ferdinand, Jr.
Mays, George Glennon
McAbee, John Tolbert
McAuley, John Anthony, Jr.
McBride, Michael Andrew
McCammon, Peter Leverich
McCann, Wilford Dale
McCarthy, William Patrick
McCleary, Paul Eugene
McClement, Charles Christop
McCloskey, Henry Francis
McColgan, John Francis
McCormick, James Thomas
McCulloch, David Hamilton
McDaneil, Vernon Dale
McDermott, Michael Nash
McDiarmid, James Edward
McElmurry, Joe Allen
McGinley, Edward Stillman II
McGinty, Patrick Eugene
McGoldrick, Henry Joseph
McGrath, John Michael
McGraw, Thomas Michael
McGuire, John Francis
McHenry, John Walter
McHugh, Vincent Joseph
McKay, John Douglas
McKeown, Ronald Eugene
McKinnon, Clark Davis
McLaurin, John Coleman, Jr.
McCleod, Samuel Dell, Jr.
McManis, Robert Bruce
McNair, Morris Luther, Jr.
McNamara, John Joseph
McNeill, Corbi Asahel, Jr.
McNeill, Robert Davis
McColgan, Jerry Max
McRae, David Albert
McWhinney, John Loren
Meeks, William Ellis
Melampy, Ronald Francis
Melton, Jack Leroy
Mensch George Herbert
Mercer, Benjamin Franklin, III
Merchant, Steven Lee
Merrill, Hugh Anthony
Meston, Stanley Sercomb
Metzler, Charles Paul, Jr.
Meyers, John Moberg
Micalchuck, David Peter
Michaux, Richard Wehunt
Middleton, David Dean
Millard, John Warren
Miller, Everett Ray
Miller, Ralph Rillman, III
Miller, Stephen Kurt
Miller, William Charles
Mills, Melvin Walter
Mims, William Jackson
Mirkin, Howard Benjamin
Mitchell, Eugene Francis
Mitchell, Richard Floyd
Mock, Sanford Norman
Moffett, Peter Voland
Momm, John Albert
Monroe, Harry, III
Montgomery Robert Creel
Moore, Lawrence Boyd
Moore, Ronald Cullen
Moore, William Ronald
Moran, Robert Colin
More, Alan Robert
Morgan, Ronald Dennis
Morin, Thomas Eugene
Morris, John Elsworth
Morrison, Harlan Langtry
Morrison, Richard
Morse, Carl Samuel
Morton, Norman Lee
Moseley, Leo Otto, Jr.
Mosser, John Henry
Moulson, John Alfred
Mount, Donald Lee
Moynahan, Michael Joseph
Mueller, Joseph Brien
Mulkerrin, Joseph Martin
Mullen, James Joseph
Mullins, William Edward
Munroe, Frank Asbury, III
Murphy, James Andrew
Murphy, Thomas Francis
Murray, Francis Henry
Murray, Tom Reed, II
Myers, Thomas Andrew
Nakayama, Homer Shiro
Narciso, John Anthony
Nash, Michael Arthur
Neal, John Stephen
Needham, William Ray
Nelson, Jack Paul
Nelson, Thomas Lane
Nerup, Robert Kent
Neuberger, Douglas Francis
McKinney, Donald Lee
McLaughlin, Thomas Earl
McLean, Robert
McMahan, Jonh Peter
McMillan, John Hammack
McNally, Eugene Floyd
McNeer, William Paul, Jr.
McNeill, Donald Ray
McNicholas, Thomas Michael, Jr.
McPhail, Eugene Bates
McTighe, John Terence
Medaglia, Cornelius Peter
Meese, Harry Evan
Melander, Errol Norman
Meno, Timothy Deming Barron
Mercado, Carlos Edward
Mercer, Thomas Alexander
Mermagen, Peter Julian
Merz, Vincent Paul
Metcalf, Robert Edward
Meyer, Victor Alan
Mezmalis, Andrejs Modris
Michalski, Louis, Jr.
Middents, Paul Willby
Mikolajcyk, Ronald Joseph
Miller, Andrew Pickens, Jr.
Miller, Leon Robert
Miller, Raymond Paul
Miller, Thomas Leroy
Milliken, John Neely, Jr.
Mills, Robert Charles
Minick, William Edgar
Misuna, Charles Wallace
Mitchell, Martin Ralph
Mixon, Tracy Roland
Moessner, Paul Carl
Moir, Weston Gavin
Mommsen, Durward Belmont, Jr.
Montgomery, Robert Andrew
Moore, Guy Carroll, Jr.
Moore, Robert Lord
Moore, Warwick Breckinridge
Moot, Zane Arthur
Moraway, Michael Robert
Morgan, Richard Alan
Morgan, Thomas Leeroy
Moritz, Carl Arthur, Jr.
Morris, John Karl
Morrison, Karl Fisher
Morrison, Vance Hallam
Morse, John Palmer
Moscoe, Loren Joseph
Moses, Paul Davis
Mosteller, William Leidy
Mouns, Albert Lebeau
Mowery, Gary Willis
Moynihan, Brian George
Mulford, Michael Linden
Mullarky, Jon Irving
Mullins, David Lynn
Mullins, Willice Ralph, II
Munsee, Stewart Frederick
Murphy, Jerome Thomas
Murray, Allan Walter
Murray, Jack Lee
Mustin, Thomas Morton
Nagel, James Ronald
Nale, James Franklin
Nash, John Mitchell
Naughton, Robert John
Needham, William Peter
Neergaard, Richard William
Nelson, Stuart Nels Mandus
Nelson, William Jerome, Jr.
Nesbitt, Donald Lee

Newby, Richard Eugene
Newman, William Edward
Newton, Eugene Dexter
Niccum, Leonard Galen
Nichols, Christopher Owen
Nickerson, Charles Arthur
Niederstadt, Robert Grant
Nielsen, Donald Reay
Njus, Ingmar Joel
Norfleet, Ashley Curtis II
Norris, Kay Leroy
Norton, Jack Trask, Jr.
Nowatzki, Richard Joseph
Nunez, Samuel
Oakes, Charles White
Oates, Anthony Brent
O'Brien, James Edward
O'Claray, Daniel George
O'Connell, Robert Leo
O'Connor, Michael Bernard, Jr.
Oetinger, Mark
Oldham, George Roberts
Oliver, David Rogers, Jr.
Olsen, Glenn Ray
Olson, Carl Gordon
Olson, Jerrold, Elwood
Olzinski, Stephen James
Orejuela, Henry
Orluck, James Emmanuel
Orth, Nelson Edward
Osborough, Harry Richard
Otto, Paul Eugene
Owen, Bruce William
Owen, Robert Harrison
Owens, Robert Harper
Pafias, James Ellis
Painter, Clarence Melvin, Jr.
Paleologos, Nicholas Christos
Palma, Richard John
Palmer, Robert Earl
Paquin, James Edward
Parent, Donn Valentine
Parker, James Thomas
Parker, William Henry
Parnell, Charles Lavelle
Parsley, William Vernon
Partlow, Robert Greider
Pastre, Robert Leslie
Patrick, Roger David
Patterson, Ronald Gilbert
Paul, Vernon Bennett
Pavlik, Michael Dennis
Pearce, James William
Pearson, Dale Quimby
Pedisich, John Anton, Jr.
Peebles, Robert Graham, Jr.
Pellett, David Andrew
Pelton, Joseph Earnest
Pendleton, Alan Ray
Pennington, Donald Earl
Penrose, William Dennis
Perisho, Gordon Samuel
Perkins, Robert Caldwell, Jr.
Perry, Eugene Edward
Persell, Robert Alexander, Jr.
Petersen, Jack Eskield
Peterson, Ralph Duane
Pettit, William Edgar
Pettyjohn, James Robert
Pfeiffer, John Jacob
Pfister, William Campbell
Phillips, Robert William
Phimister, Stephen
Picard, Joseph Charles Eugene
Pierce, Sidney Robert
Neuman, Dennis Earl
Newman, Roger Lee
Newmister, Ronald Duane
Newton, Roy Irwin
Nichols, Charles Lloyd
Nichols, John Robert
Nicklas, Charles
Niederer, Robert Alexander
Nipper, Collin Daryl
Nolan, Donald Edward
Norman, William Stanley
Northrup, Paul William
Norton, Lafayette Ferguson
Nowotny, Lionel Jerome
Nystrom, Stephen Curtis
Oakes, Dudley Glen
O'Brien, Edward James III
O'Brien, Joseph Richard
O'Connell, Michael Joseph
O'Connor, Kip
O'Connor, Thomas Francis, II
Okeson, James Clifford
Olds, Harry Max
Oliver, Herndon Albert, III
Olsen, Robert Anker
Olson, Donald Arvid
Olson, Phillip Roger
Onorati, Roger Peter
Orlovich, Peter
Orriss, David Anthony
Osborne, Ronald Drake
Ostrander, Gary Lyle
Overstreet, John Wesley, Jr.
Owen, Kenneth Joseph
Owens, Edward Lee
Owens, William Arthur
Page, Earl Daniel
Painter, Floyd Charles
Palm, Peter Elmer
Palmer, George Mathison, III
Pancoast, Patrick Albert
Parchen, William Robert
Park, John Prentiss
Parker, John Eugene
Parkhurst, James Chappell
Parry, Ira Eustace, Jr.
Partington, James Wood
Passarella, Anthony Harold
Patacsil, Peter Espejo
Patterson, David Rufus
Paul, Ronald Victor
Paulus, John Francis
Payne, Joseph Carroll
Pearl, John Mitchell
Pearson, John Davis
Pedisich, Paul Everett
Pelkey, Frank Dixon
Pelot, Kent Barry
Pence, Thomas Howard
Penn, Buddie Joe
Penny, Douglas Corrigan
Pentz, Louis Ellsworth
Perkins, Ernest Della, II
Perkins, Thomas Millard
Perry, Lonnie James
Peters, Joseph Paschall
Petersen, Louis Harold
Peterson, Robert William
Petrucci, Richard Joseph
Pfau, Zeno J., Jr.
Pfingstag, William Carl
Phillips, Joseph Larry
Phillippi, Frederick Eugene, Jr.
Phoebus, Charles Richard
Pichel, Marcelino Raymond
Piper, James Stanley
Plath, Richard Neil
Pless, Michael Talmadge
Poellnitz, Walter Durand, III
Pope, Rex Arvis
Porter, Donald Ray
Porter, Philip Edward
Porter, Robert Law
Post, Warren Lee
Potente, Estelito Nocon
Power, Francis Rawley
Pratt, Thomas Rolla
Presnell, Lawrence David
Preston, Joe Wayne
Primmer, Stanley Leslie
Pryzby, Stanley John
Pullinger, William Aquilla
Purcell, William Clarence
Quarterman, John Maye, Jr.
Quinn, Michael Edward
Raggett, Michael Mark
Raines, Paul Eugene
Ramsay, Ian William
Randolph, William Lewis
Rasley, Roger William
Rattan, James Dow
Rauth, James Arthur
Ray, Donald Joseph
Reader, Robert James
Reaves, Curtis Felton
Rechterman, Marlin Edward
Reed, Gary Allen
Reeves, Robert Dulaney, II
Rehrig, Gerald Jon
Reilly, George Vincent Jr.
Reinhardt, David Starr
Remillard, Raymond Arthur
Repsher, Boyd Francis
Reust, Earl Daniel
Rhea, Kennedy J.
Rhodes, Edwin Olliff
Rice, Michael Gerard
Richards, Stewart Whitney
Richard, Raymond
Ricketts, David Lynn
Ridgel, Randolph Maurice
Riker, Robert Townsend
Ring, Henry Mark
Ristad, Arnold Clifford
Rivers, Laroyce Franklin Jr.
Roark, David Leroy
Roberson, Bernard Gordon
Robertson, Charles Leonard
Robinson, David Brooks
Robinson, Regneld Dwaine
Rochells, Andrew Jerome
Rodgers, James Claude, Jr.
Rogers, Elmer Earl, II
Rogers, Louis Anthony
Rogerson, Henry Porter
Rohles, Gerald Bernard
Rollins, David John
Roome, Jack Verne
Roper, James Edward
Rose, Michael Andrew
Ross, James Andrew
Rossi, Joseph Lewis
Roth, Michael Charles
Rothschild, Robert Edward
Roton, James Richard
Rowe, Arthur Earl, Jr.
Rowley, Thomas John, Jr.
Ruck, Merrill Wythe
Ruff, Paul Gray, III
Rupprecht, Robert Philip
Pigeon, Norman Brown
Pirofalo, Philip Mathew
Plaugher, Charles Edward
Poe, John Raymond
Poole, Richard James
Pope, William Henry
Porter, Ethan Oliver, Jr.
Porter, Richard Thilo
Post, Jerry Lee
Posthumus, Robert Kenneth
Potter, Robert Allen
Pozzi, Robert John
Prehn, Robert Lloyd
Preston, Gerry Lee
Price, Lawrence Howe
Procopio, Joseph Guydon
Pugh, Rex Andries
Purcell, Darrell William
Putnam, William Marvin
Quast, Philip Michael
Raetzman, Donald Patrick
Raiford, John Frank, Jr.
Rambo, Vinton Arnold
Randall, Edward James
Ranson, William Martin
Rathjen, Arthur David
Rau, Morton David
Rawls, Hugh Miller, Jr.
Raymond, Henry Alfred
Reagan, Daniel Adelbert
Reber, Peter Michael
Redmond, Robert Mize
Reese, Richard Lynn
Regan, John Thomas
Reilly, Errol Francis
Reilly, John Thomas
Reistetter, Emery Andrew
Replogle, Hugh Butler
Resweber, Owen Joseph, Jr.
Reynolds, Franklin Eugene
Rheinhart, Eugene Otis
Rhodes, William Alfred
Rich, James Earl
Richardson, James Clarke, Jr.
Richno, Carl Edward
Riddell, Richard Anderson
Riess, Joseph Raymond, Jr.
Rikli, Albert Frank
Ringelberg, John Michael
Ritt, Dayton William
Rixse, John Henry, III
Robbins, Christopher Brooks
Roberts, Lawrence William
Robertson, Thomas James
Robinson, Lesley Thompson
Robison, Kenneth Gerald
Rochholz, Lyle Dean
Rodriguez, William Joseph
Rogers, Kenneth Eugene
Rogers, Theodore Fleming, Jr.
Rohdenburg, Kurt Amandus
Roller, Donald Gordon
Romanelli, John Neil
Rooney, Philip James
Roper, Lidge B.
Ross, Ernest Earl
Ross, Robert Joseph
Rosson, Vernon Lee
Rothert, William Carl
Roton, Cyrus William
Rouse, William Arnold
Rowley, Charles Dana
Roy, Bill
Ruff, John Crawford
Ruliffson, James Howard
Rust, Robert Stanley
Rutherford, Paul Findlay
Ryan, Bruce Anthony
Ryan, Thomas David
Salopek, Raymond
Sammons, Charles Eugene
Sanders, David James
Sandlin, John Paul
Santi, Ralph Louis
Sargeant, Harry, Jr.
Schaefer, Lyle Howard
Schaus, Richard Harris
Schiffer, John Richard, Jr.
Schin, Robert Paul
Schlegelmilch, Charles Robert
Schmidt, Charles Thomas
Schmidt, Henry, Jr.
Schneider, Clinton Dunn
Schrader, John Yale, Jr.
Schroeder, Arthur Frederick, Jr.
Schropp, John Warren
Schuette, Richard Walter
Schufeldt, Coral Vance
Schwartz, Henry William
Scobee, Charles Russell, Jr.
Scott, Gordon Earl
Seeley, Howard George
Seiberling, Ronald Keith
Sellgren, Charles Alan
Seufert, Robert Joseph
Seymour, John Gregory
Sharp, David Robert
Sharp, John Berlin, Jr.
Sharp, Walter Henry
Shaw, Frederick Albert
Shea, Richard Francis, Jr.
Sheffield, George Albert
Sheridan, Joseph Lawrance
Sheridan, Thomas Russell
Shewchuk, Jon Dennis
Shillingsburg, John William
Shoemaker, Brian Hall
Shoop, Robin Dexter, Jr.
Shortal, Terence Michael
Shower, Albert Joseph, Jr.
Shufelt, William, John, Jr.
Sibold, Robert Donald
Siemer, John Robert
Sigmund, Jay G, II
Silvey, Frank Joseph
Simmons, Douglas William
Simpson, Frank Thomas
Singleton, J Arthur
Sisson, Robert Harsha
Skjod, Chester James
Slot, James Walter, Jr.
Smith, Eugene Thomas
Smith, Franklin Jerome, III
Smith, Gerald Lewis
Smith, Lynn Holmes
Smith, John Alan
Smith, Raleigh Merritt
Smith, Reid Hessey
Smith, Robert Seaward
Smith, Vance Griffin
Smith, William Richard Hawe
Smyth, Lorne Herbert
Snyder, Donald Marshall
Snyder, Wallace Hutton
Sollenberger, Robert Neil

Sootkoos, Donald Richard
Soupiset, Robert Ihl, Jr.
Spane, Robert Johnson
Spencer, William Dean
Sprouse, Donald Hugh
Rust, Gregory Bedell
Ruth, Paul Arthur
Rutkiewicz, Richard Clemens
Ryan, James Henry
Rybarczyk, Anthony Mark
Samford, Jack Wallis
Sampson, Neil Elwood
Sandidge, Edward Dabney
Sands, Robert John
Sarepera, Hillar
Sayles, Paul Herman
Schardt, Delvin Leroy
Schenck, William Herman
Schiller, Frederick Conrad
Schippel, Edwin Lyle
Schmeling, Leslie Lynn
Schmidt, Clemens Edward
Schmidt, Robert Henry
Schottle, Howard Thomas
Schrader, Paul Roger
Schroeder, David Donald
Schrupp, Manfred Sheldon
Schuetz, Laurence Noel
Schultz, Peter Hutchisson
Sclichter, Edward Franklin
Scott, Gerald Dean
Seeber, Lauren
Segerblom,, Ronald Lage
Sekula, Basil, Jr.
Seneff, Gerald Neal
Seyfarth, Robert Ernst
Shaftoe, Lyndon Robert
Sharp, David Dean
Sharp, John James
Sharpe, Raymond Alexander, Jr.
Shea, Jerome
Sheafer, Edward David, Jr.
Sherer, Robert Wallace
Sheridan, Robert Emmett
Sherman, Bradford Crosby
Shields, Donald Kent
Shirmer, Dan Armstrong
Shoemaker, William Bruce, Jr.
Short, Travis Earl
Shoup, Linn Tyler
Shrum, John Lemmon
Shutt, John Jay
Siegfried, Douglas Sherwood
Sienicki, Edward Francis
Silseth, David Franklin
Simer, Murice Marlin
Simmons, Vernon Pitkin
Singer, Edward Anthony, Jr.
Sirmans, James Stanley
Skinner, Garland Frederick
Sloan, Dean Elliott
Small, Selden Matthew
Smith, Dan Howard
Smith, Fred William
Smith, Glen Walter
Smith, Jerome Frost, Jr.
Smith, Leighton Warren, Jr.
Smith, Raymond Nelson
Smith, Robert Cortland
Smith, Roger Walter
Smith, Wayne John
Smyth, Gregory Stephen
Snotherly, Everrette Verne, Jr.
Snyder, Robert William
Soles, Thomas Edwin
Soluri, Elroy Anthony
Sorensen, Ronald Niels
Soverel, Peter Wolcott
Spaugy, Donald Arthur
Spofford, Barry Andrew
Srite, David Alan
Stackhouse, Charles David
Standish, Allen Joseph
Stanley, Maurice Dudley, Jr.
Stark, John Wayne
Staton, Billy Eugene
Stave, John Alan
Stegina, Robert Francis
Steinbruck, Charles George, Jr.
Stender, Richard Henry
Stephenson, Robert Franklin
Stepp, William Edward
Stevens, Jackie Lee
Stevens, Orville Lynn
Stevens, Stanley Lincoln
Stewart, Glendale Phillip
Stickelberger, Robert William
Stinson, William Albrecht
St. Laurent, Charles Manfred
Stodulski, Richard Walter
Stolgitis, William Charles
Story, Douglas Edward
Stoufer, Donald Andrew
Strand, Richard Charles
Strasser, Joseph Charles
Straud, John Homer
Striedel, Henry Chris
Strobach, Walter Frederick
Struck, Gerald Loren Victor
Stryker, Phillips Cook, Jr.
Stuart, Frederick Bruce
Stuart, Walter Allen
Stubbs, William Olan, Jr.
Stuckemeyer, John Andrew
Sturvist, Gerald Hilding
Sullivan, Dennis Allan
Sullivan, Raymond Francis, Jr.
Sushka, Peter William, Jr.
Svenson, Stanley Roy
Swift, James Kenneth
Sydow, Kenneth Robert
Tahaney, Hubert Francis, Jr.
Taylor, B. J., Jr.
Taylor, Frank Harry
Taylor, Herbert Wayne
Taylor, James Richard
Taylor, Paul Frederick
Terry, William Edward
Therrien, Edward Louis
Thiel, Alphonse August, Jr.
Thomas, Edward Curtis, Jr.
Thomas, John Bernard
Thomas, Peter William
Thompson, Allan Medley
Thompson, Gayle Robert
Thompson, James Eli, Jr.
Thorell, Charles Scott
Tiernan, Michael Connolly
Tindal, Ralph Lawrence, II
Tobergte, Paul Edwin
Tobolski, Donald Michael
Toland, James Clinton
Tomlin, Joseph Mayhew
Tompkins, Paul Stuart
Tonkin, Charles Thomas, III
Toone, John Pierce
Torkelson, Thomas Gerald
Trainor, Walter Clement
Treanor, Thomas Stanley, Jr.
Trigg, Beldon Hart
Triplett, Thomas Terrence
Triptow, Earl Leon, II
Trumbauer, David Sidney
Tullis, Robert Daniel
Turman, Thomas Wilson
Sprouse, Haywood Galbraith
Stack, Efird Mills
Stahl, Dale Stough, Jr.
Standley, John Robert
Stansbury, Frederick Alexan
Stark, Marshall McCune
Stauts, Frank Lynn
Steele, Boyden Tracy
Stegman, Thomas
Stender, Charles Frederick
Stephens, Kensel Edward
Stephenson, Gary Phillip
Sterner, George Rudolph
Stevens, John Bradford
Stevens, Paul Louis
Stewart, Charles Lockman
Stewart, Jake William, Jr.
Stilwell, William Carter
St Jean, Russell Joseph
Stoddard, Howard Sanford
Stokes, Thomas Michael
Stone, Thomas Edward
Story, William Ferguson
Straight, William David
Strasser, Edward John, Jr.
Stratton, Craig Arthur
Strickland, Richard James
Stringer, Thomas Chester, Jr.
Strole, Douglas Luther
Stryker, David Heaslip
Strysick, Richard Bert
Stuart, Thomas Edward
Stubbs, Darryl Anthony
Stubsten, Eugene Merrill
Studeman, William Oliver
Sullivan, Daniel Joseph
Sullivan, Michael Edward
Supersano, Raphael Thomas
Sutton, Gwynn Richard, Jr.
Swavely, David Lee
Syck, James Marvin
Syverson, Maurice Scott
Tansey, Philip Michael
Taylor, Bruce Andrew, Jr.
Taylor, Herbert William, Jr.
Taylor, James Samuel
Taylor, John Francis
Taylor, Robert Monard
Thaxton, David Reuben
Thesing, Kenneth Lee
Thienes, Harold Alphonse
Thomas, Frank Hughes, Jr.
Thomas, Lonny Lurelle
Thomassy, Louis Edward, Jr.
Thompson, David Stratford
Thompson, Giles Morris
Thomson, John Alexander
Thorstad, Harvey Lyle
Tillotson, Perry Sanford
Tisdale, Jesse Wilbur
Tobin, Byron Eugene, Jr.
Todd, Terrence Stephen
Tollefsen, Thomas Severt
Tomlin, Kit Pearson
Tonelli, Video Vincent
Tonti, Louis George
Torbit, Jerry Bert
Tortora, Carmine
Travis, David Timothy
Tredick, William Heulings
Triggs, Frederick, III
Tripp, Richard Willis, Jr.
Trotman, George Jr.
Tuchscherer, Richard Daniel
Tulodieski, John Frank, Jr.
Turner, David Andrew
Tylee, James Gordon
Uber, Thomas Edward
Umberger, Paul Jay
Ungemach, Seibert Arthur
Unruh, Jerry Lee
Usborne, Roger Way
Vallin, Richard Thomas
Vanbrackle, Vernon Lamar, Jr.
Vance, Richard Moon
Vandergrift, Ronald William
Vanderwolf, Peter John
Vanhoy, William Lester, Jr.
Vanmetre, Robert Brian
Vanpelt, Sterley Branson, II
Vansickle, Kenneth Lee
Varga, George
Vawter, Vernon James
Verd, George Harris
Verona, Francis Michael
Vickers, Robert Irving
Visted, Frank Alexander
Volk, John Stanley, II
Waer, Richard Dean
Wagner, Frank
Wagner, James Andrew
Waldron, James Leroy
Walker, James Robert
Walker, Ronald Wallace
Wallace, Ernest Larry
Wallin, Steven Russell
Walsh, Kirk Thomas
Walters, Claude Justine
Walters, Richard Ralph
Wann, Charles Billy
Warrington, Robert George
Wasson, Charles David
Watford, Jennings Clement, Jr.
Watkins, Richard Smith
Watson, Randolph Grant
Watts, Donald William
Weaver, James Edward, Jr.
Wegele, Edward
Weiermann, Donald Hans
Welch, Robert Horton
Wells, Elwood Gordon
Wenn, Lloyd Edwin
Werhan, Kenneth Raymond
Werlock, Stephen Thomas
West, Frederick John
Westbrook, Richard Evans
Westover, Richard Leland
Wheeler, John Rutherford
Whisler, Glenn Edward, Jr.
Whitaker, Roger Brent
White, Bernard Grove
White, Marshall Neil
White, Ronal Lee
Whitley, William Robert
Whitsett, John Boyd
Whitton, Jon Walter
Wier, Ward Wane
Wilbur, Gene Leo
Wilkes, Gilbert Vanburen, III
Wilkinson, Robert Bailey, Jr.
Williams, Bryce Wood
Williams, David Lee
Williams, Jack Rieber
Williams, Kenneth Hoyt
Willmon, Carl Edward
Wilson, David Carl
Wilson, Laurence Woodford
Wilson, Richard Alexander
Wilson, Robert Lawrence
Wilson, Waldo Wayne
Turner, Alfred Rogers, Jr.
Turner, Steven Lloyd, Jr.
Tyson, James Paul
Uffmann, George William
Underhill, Ross Hamock
Unger, Maurice Henry
Urice, Ronel Morgan
Vail, Robert Cornell, Jr.
Vanallman, Alfred Christ
Vance, Benjamin Lee
Vandenbroeck, Thomas August
Vandersip, Clifton Judson
Van Fleet, James Laurence
Van Hyning, Carl Walter
Van Pelt, Albert Murle
Van Saun, Arthur
Van Slyke, James Corbett, Jr.
Varner, Dale Nevin
Veith, Dennis Alan
Vernallis, Samuel Larry
Vester, James Allen, Jr.
Vincent, William Lansing
Vogel, Raymond William, III
Vollmar, Frederick Joseph, Jr.
Waggoner, Mark Harvey
Wagner, George Francis Adolf
Wainscott, Robert Phillip
Walker, Henry Edwin, Jr.
Walker, Jon William

Wall, Thomas Earl
Wallace, Roy Neil
Wallis, Walter James
Walsh, Raymond Michael
Walters, Edward Crist
Walton, Harold Alexander
Ward, John David
Warthin, Jonathan Carver
Waterman, George Russell
Watkins, Donald Edward
Watrous, Timothy Bennett
Watterson, Rodney Keith
Weatherspoon, Joseph Ragsdale
Weegar, Carl Allen
Wehner, James Roy
Welch, John Michael
Welch, William Charles, Jr.
Wells, Richard Paul
Wentworth, David Clive
Werlock, James Peter
West, Bernard Hyland
West, Karl Grove
Westfall, Robert Edmond
Wheeler, Donald Coughlin
Wheeler, Sidney Earl
Whitaker, Edson
Whitaker, William Drake
White, John Dwyer, II
White, Robin John
Whitehurst, Byron Paul
Whitney, Richard Merrill, Jr.
Whittington, William James
Wicklund, Robert Montgomery
Wiese, Richard Judson
Wileen, Gordon Charles
Wilkinson, John Glenn, Jr.
Willetts, Leo Joseph, Jr.
Williams, David Arthur
Williams, David Daniel
Williams, John Henry, Jr.
Willimon, Henry Pack, Jr.
Willoz, Clifford Paul, Jr.
Wilson, Edward Allyn
Wilson, Raymond Joseph
Wilson, Robert James
Wilson, Robert Clair
Winant, Thomas Clinton
Winstead, Shelby Dennis
Wise, Donald Rae
Witman, William Paul
Wolfe, James Bryant
Wolfram, Charles Barrett
Woltersdorf, Leonard Oscar
Wood, Forrest Kent
Woodka, Thomas Kenny
Woodruff, Robert Bruce
Woods, Paul Franklin
Woodworth, George Prebble, Jr.
Wright, David Winsor
Wright, George Frederick
Wright, Lawrence Thomas
Wunderly, William Louis, Jr.
Wyckoff, Roger David
Wyman, Richard Ernest
Wittenbach, Richard Harring
Yanovsky, Allen John
Yeatts, Thomas Reynolds
Yonkers, David Peter
Youmans, Richard Walter
Young, Stephen Grant
Youngberg, Guy Milton
Zalkan, Robert Libman
Zlatoper, Ronald Joseph
Zumwalde, Richard Theodore
Wiltamuth, Richard Ernest
Winn, Robert Monte
Wirth, Gerard Herbert
Wisely, Hugh Dennis
Wolf, Rexford Elwood
Wolfgang, Paul Webster, Jr.
Wolniewicz, James Simon
Womack, Thomas Folts
Wood, James Erastus, III
Woodruff, Peter Bayard
Woods, James Raney, Jr.
Woodward, William Jasper, Jr.
Worthington, George Rhodes
Wright, Donald Jay
Wright, Jerry Leonard
Wright Timothy Wayne
Wurts, Edward Vanuxem, III
Wylie, Walter Jay
Wynn, Alvin Don
Yakubek, Paul Marsik
Yarborough, Jerry Olin
Yeck, Richard Charles
York, Thomas Andrew, Jr.
Young, Bruce Albert
Young, Robert Wilson, Jr.
Yufer, Kenneth Lee
Zettler, Thomas Richard
Zucca, Gary Joseph
Zurich, Richard Warren

The following-named women officers of the U.S. Navy for permanent promotion to the grade of lieutenant in the line, subject to qualification therefor as provided by law:

Amann, Lorraine F.
Ayres, Marlene L.
Beale, Carolyn B.
Beats, Linda M.
Blackburn, Marianne M.
Brown, Barbara J.
Byerly, Kathleen D.
Christensen, Willine E.
Coker, Barbara K.
Demarest, Paula A.
Dieter, Janet M.
Emery, Yolanda
Evans, Alice E.
Gabbrielli, Laura S.
Gabryshak, Betty J.
Grayson, Deidra L.
Greiner, Ann C.
Haase, Carol A.
Hatch, Marilyn J.
Haynes, Edith E.
Herley, Martha S.
Hitch, Linda L.
Hudson, Agnes S.
Huttenbrauck, Gail E.
Jurkowski, Nancy J.
Kazanowska, Maria
Kilmer, Joyce E.
Kummer, Sandra I.
Lawrence, Sheryl M.
Lee, Patricia A.
Lyons, Dorothy E.
Maguire, Jean F.
McMunn, Mary K.
Morris, Sara J.
Nagle, Janice
O'Brien, Kathleen M.
Pope, Diane J.
Powers, Mary E.
Prose, Dorothy A.
Reid, Heather M.
Reilly, Christine M.
Reinke, Sharon F.
Rodney, Donne M.
Roney, Patricia M.
Sewall, Terry J.
Shaw, Christela A.
Smith, Donna H.
Todaro, Jeannie K.
Todd, Charlotte D.
Trussell, Ellen A.
Urban, Deanna I.
Voos, Sybil A.
Williams, Mary L.
Yont, Mary P.
Young, Cecilia A.
Zalesky, Sarah A.

IN THE MARINE CORPS

The following named officers of the Marine Corps for permanent appointment to the grade of chief warrant officer (W–4):

John F. Ailes
Edward A. Anaszewicz
Maynard K. Baird, Jr.
Oliver W. Bailey, Jr.
Robert Bayer, Jr.
Henry A. Bookhardt
Clarence A. Bowers
Albert J. Brouillard
George J. Buccieri
Clarence J. Buck
Jesse E. Campbell
John J. Connolly
Robert W. Dancey
Joseph A. Drewyor
Arthur C. Farrington
Glen M. Hayes
Charles E. Hofmann
Emil D. Johnson
James E. Johnson
Ervin L. Kazmerzak
Edwin H. Lampi
Jesse N. McClendon, Jr.
Daniel M. O'Callaghan
William T. Potter
Leslie Rhynard
Edward S. Rust
Edward A. Scharlach
Frederick D. Scroggins
Max Stein
John E. Tinsley
John E. Trowbridge
Leslie T. Twomey, Jr.
Joseph V. Vismont
Fowler S. Williams

The following named officers of the Marine Corps for permanent appointment to the grade of chief warrant officer (W–3):

Russell R. Allen, Jr.
Glen R. Anderson
Joseph C. Anderson
Robert A. Baer
George W. Baker
Robert C. Baker
William L. Bangs
Frank E. Barthold
Eldon L. Baumwart
Eugene A. Bodree
Henry E. Bowen, Jr.
Edward J. Brennan
Verle E. Burch
Kenneth R. Burns
Ronald F. Byrnes
Howard L. Callahan
Henry C. Campbell
Harold E. Cantrell, Jr.
William J. Carpenter
Oscar L. Caudill
Maurice A. Charles
James S. Chastain
Robert L. Chen
John F. Chesnick
Lawrence J. Chytka
John L. Collins
Robert A. Connly, Jr.
Charles L. Cooper
Orval J. Corriveau
Robert D. Cox
Jerry L. Crouch
Howard W. Crowell
Richard D. Cusick
Ronald B. Darou
Raymond A. Davis
William N. Dickerman, Jr.
John C. Dixon
Arnold H. Dow
Joseph C. Drawdy
Henry R. Eller
Bruce W. Ellis
William E. Eubank
Guy R. Fairchild
Charles H. Feaselman
Ronald F. Fisher
William E. Flournoy
Hamilton P. Freburger Jr.
John W. Frederick, Jr.
Peter E. Freeman
Eugene A. Galvin
James D. Garner
William F. Garvey, Jr.
Hardy D. Gates
Frank J. Ghia, Jr.
Harold E. Gore
Walter W. Gustin
James A. Hall
James G. Hallet, Jr.
Richard A. Hardie
Billy M. Harris
William T. Hartigan
Donald E. Hartman
Lawrence D. Hawkes
Joe M. Head
John F. Heath
Lawrence N. Helber
Jack R. Henderson
Roger E. Hershey
Roger D. High
William P. Hill
Edward F. Hodgins, Jr.
Paul L. Holt, Jr.
Edward A. Hufnagel, Jr.
Jimmie E. Janke
Donald C. Jarvin
Marcellus J. Kaczinski
Richard S. Keller
William D. Kelly
Howard E. Kerr
Roy C. Keyes
Henry C. Kimmey
Gary L. Kindler
Charles Knox, Jr.
William L. Kobel
William C. Kohler
Wanj Komsi
Charles E. Labby, Jr.
Earl R. Lackey
Keary L. Lane
Joseph M. Magaldi, Jr.
Gerald E. Marcheso
George L. Marcum
Joseph Marzioli
Robert L. Maynes
John T. McAlister
John E. McCallum
Benjamin D. McCauley
Raymond B. McClure
Larry E. McKee
Melvin E. McPeak
Donald E. Meisner
Raymond A. Mendoza
Jimmy M. Merritt
Anthony Miranda
William L. Mitchels
William T. Moore, Jr.
Stanley S. Morris, Jr.
Peter J. Murray
Charles A. Newell
Thomas M. O'Brien
Donn L. O'Neil
Mathew Pallo, Jr.
Louis V. Panicali
James S. Paulk
Richard C. Pederson
Bruce M. Phillips
Charles G. Pierce, Jr.
Donald L. Pratt
Gerald K. Rainwater
Morris E. Ransom
Malcolm S. Rawlins
Erwin O. Raymer
Doyle R. Reed
Charles Riggs
Dean R. Ringler
James H. Rosenthal
Ivan R. Sable
Stephen H. Sanderson
Charles L. Sands
Howard D. Sansom
Harry E. Sawyer, Jr.
Neil H. Scarborough
Roger H. Schneider
Edward W. Schultze
William A. Schulze, Jr.
Charles F. Schwab
Frank H. Schwarz, Jr.
Albert L. Selleck, Jr.
Mann Shoffner, Jr.
Clarke J. Simcox
Frank J. Simons, Jr.
Alexander F. Sirpis
Stanley C. Skrobialowski
Darrell M. Smith
David M. Smith
Harold W. Smith, Jr.
James G. Smith, Jr.
William C. Smith
Bruce W. Snyder
Raymond J. Spiliane
Donald E. Stafford
Jerome E. Stevens
Raymon E. Stoner
Kenneth E. Strayhorn
Frederick H. Striker
Robert T. Taylor
Kenneth C. Terhorst
James W. Thomason
Robert L. Tracey
Roland L. Turner
David E. Vanamburg
Kenneth R. Vance
Nicholas C. Vanderdoes
Rex F. Vanderhoof
Dorothy L. Vollmer
Bethel A. Voss
Irwin F. Waldvogel
George E. Walker
William B. Walls
Lowell B. Walter
Frank W. Washam
William H. Welch, Jr.
William J. Wilbur
Cecil R. Williaford
Robert F. Williams
Donald T. Wilson
James F. Wolfe, Jr.
William H. Wood, Jr.

The following-named officers of the Marine Corps for permanent appointment to the grade of chief warrant officer (W–2):

Richard W. Adams
William T. Adams
William E. Anderson
Donald F. Andrus
Gerald P. Aragon
Billy T. Arnold
Harry K. Azarian
Raymond O. Babineau, Jr.
Charlie E. Bailey
Sam R. Baker II
Harold J. Barber, Jr.
Robert J. Barnes
James W. Barotti
James M. Barry
Eugene R. Benjamin
Thomas F. Bingham
Richard J. Bishop
John L. Blount, Jr.
George P. Bond
Theo I. Brooks
Edward H. Brown, Jr.
Herbert D. Brown
William J. Buhl
Raymond J. Cady
Joseph J. Campbell
Ronald B. Camper
Joseph A. Canonico
Henry P. Capdepon, Jr.
Floyd A. Carlson, Jr.
George Carnako
John P. Clelland, Jr.
Gerald R. Clifford
Paul B. Clontz
Keith E. Cohenour
Joe R. Collins II
Ronald K. Coulter
Gordon N. Crane
Keith D. Creech
Daniel E. Crockett
Edward J. Croghan III
Robert Crosby
John F. Curran
Wayne R. Dale
Larry R. Davidson
Richard Deaver
James W. Defrank
James N. Deitrich
Vaughan E. Delk
Kenneth R. Diana
Donald L. Dickerson
Robert J. Dolman
Walter Domke
Mary E. Donahue
Charles L. Drew
John F. Drivick III
Harvey Dunn

James A. Dunn
Monte W. Eagle, Jr.
Rex T. Eckley
William A. Eichholz
Robert C. Farrand
Donald R. Farrington
James E. Feryan
Bobby J. Fields
Johnny M. Floyd
Nicholas A. Foley
Donald H. Fritz
Daine L. Fulton
Buddy R. Furber
Richard S. Galang, Jr.
Arthur Garcia
Charles D. Garrett
Joe D. Garrett
Horace M. Giles
Elbert R. Goodall
Charles R. Griffin, Jr.
Francis E. Gross
Richard H. Grunwald
James D. Guerin, Sr.
Charles K. Haley
Jesse B. Hall, Jr.
Roland L. Hamel
Thomas E. Hamic
William M. Hamilton
Charles T. Hanen, Jr.
Richard M. Harden
Donald N. Hartman
Jerrald J. Hawkinson
Richard D. Heald
Cecil D. Henninger
John M. Herzog
Edward Q. Hicks
Charles R. Hoffman
James D. Holmes
William C. Howey
James W. Huffman, Jr.
William C. Hutsler
Larry N. Israel
James W. Ivey
James E. Ivy
Kaye E. Jackson
James W. Jackson
Joseph J. Janis
Dan C. Johnson
Dennis W. Johnson
Paul C. Johnson
Allen L. Jones
Earnest J. Jones
Robert E. Joyce
Leonard P. Juck
Eugene J. Kaus
David R. Keene
Richard M. Kelly
Bruce A. Kemp
Richard J. Kerch
Raymond E. Kiemel
John D. Kimberl
Harold D. Klein
Coleman R. Knowles, Jr.
John S. Kociolek
Julius W. Kucinski
Ivan A. Laing
Everett E. Lamczyk
Benny W. Lane
Billy B. Lane
Gerald S. Lane
Joseph V. Larkin
John H. Larson
Jerry L. Lastovica
William H. Leach
Lendith Lee
Larry G. Lephart
Eugene S. Lewandowski
John M. Lilley
Albert J. Listwan
Garland A. Longhouser, Jr.
Frank W. Lukasiewicz
Allen J. Lum
Maxwell C. Luxemburger
Gerald Macky
Gerald E. Martin
Paul S. Martin
Michael P. Mastroberti
Kenneth N. May
George J. McConnell
Edward F. McCourt, Jr.
Billy R. McCulloch
Ronald R. McElvain
Mack L. McGlumphy
Jack McKee, Jr.
Donald G. McWhorter
Walter M. Mielnicki
Earl W. Mitchell
Robert E. Moe
Aurelio Mora
Freddie M. Morgan
Allen W. Morrison
Robert L. Mull
Ted L. Munday
David E. Nelson
Cecil Netherly
Alfred W. Oroark
Bobby L. Osborne
Stanley M. Osenkoski
Melvin J. Oubre
Herbert M. Page, Jr.
Robert T. Paris
Patrick A. Pearce
Maxwell R. Peters
Sterling R. Peters
Carl E. Peterson
James M. Phelan
Douglas R. Phelps
Kenneth W. Phipps
John F. Pierce
Troy J. Pigeon
Lawrence D. Poling
John A. Prelgovisk
Charles F. Purvis
Robert E. Redlinger
William A. Reitmeister
Robert H. Rempel
Luther L. Renfroe, Jr.
Junior G. Reynaud
Oren C. Reynolds
Lewis E. Rice
Edward T. Richards
Harold L. Richardson
Clarence J. Ricker
Harry F. Roberts
Thomas G. Roberts
Warren H. Rooks
John Sandoval, Jr.
Jimmy M. Scarboro
Theodore W. Schauer
Robert L. Schlott
Michael E. Schmidt
Donald W. Schwanke
Martin A. Selby
Robert M. Slater
James J. Smith
Charles R. Soldner
Billy R. Sparks
Roger V. Speeg
Robert R. Spitze
James E. Stant, Jr.
Gordon P. Stirling, Jr.
Douglas D. Street
Carl R. Swanstrom
Thomas E. Swindell
Bobby A. Templeton
Jack T. Terrell
John H. Thomas
Richard E. Toepfer
Eugene M. Trippleton
Robert E. Veigel
Francis E. Verbanic
Maurice G. Waitt
William D. Walkup, Jr.
Thomas R. Ward
John M. Weathersby
James E. Weber
James W. Wells
Jacky I. White
Robert L. White
William A. Whiting
Henry E. Wilhide
Irving D. Williams
Samuel G. Williams, Jr.
John C. Wilson
Kenneth L. Wilson
Michael J. Witsell
Edmund W. Woodland
Billy J. Wright

The following named officers of the Marine Corps for temporary appointment to the grade of chief warrant officer (W–4):

Dewey E. Amick
Richard J. Bernier
Robert M. Black
Myron J. Bowen
Alexander L. Bressler, Jr.
John D. Buckley, Jr.
Talmadge Clark
Paul E. Clausen
Robert L. Clay
Raymond W. Condon
Eugene L. Conroy
Burton D. Currier
Kenneth L. Davis
Raymond J. Delacqua
Guy L. Ditty
Charles H. Dowling
Arthur M. Duer, Jr.
Edward J. Duerr
Julius Farkas
Robert F. Flynn
James R. Forman
Elaine G. Freeman
Berle Garris
Doyle D. Gracey, Jr.
Robert W. Groom
Roy K. Harris
Frederick R. Hasler
Earle Hattaway
John L. Haynes
Philip N. Healey, Jr.
William J. Hill
Forrest B. Holdridge
Horace E. Holman
Billy D. Ivey
Clarence E. Jenkins
Carl Johansen, Jr.
Stephen J. Johnson, Jr.
Samuel J. Jones
Thomas E. Jordan
Joseph J. Karrer
Charles R. Kilborn
Lawrence E. Kozain
Charles E. Losey
Stanley W. Main
William K. Maximin
William J. McCarthy
John F. McGrory
Terrence W. McGuire, Jr.
William W. McMillan, Jr.
George E. Meshke
Stephen J. Mihalak
Stephen M. Myorski
William Nagy
George R. Nestor
Casey R. Nix
Henry E. Noonkester
William B. Norris
John J. Norton
Joseph J. Paige
Lawrence Parretti
Edwin A. Pluger
Hal E. Pope
Richard T. Powell, Jr.
Richard E. Pryor
Robert E. Shea
Albert J. Smith
Edward J. Spahr
Joe R. Sutton
Thomas F. Swearengen
Robert M. Thacher
Hubert Tinsley
Willie R. Tucker
Henry J. Waller
George O. Walls
James O. Watson
Glenn T. Wells
Leonard A. Whelchel
Henry Wildfang
John Willis
Duane L. Woodson
Robert G. Work
Neil E. Wynant

The following-named officers of the Marine Corps for temporary appointment to the grade of chief warrant officer (W–3):

George L. Armitage
James M. Barnes
Timothy C. Bell
William A. Biggers
Delmar G. Booze
Norman D. Braden
Shella R. Bray, Jr.
Lionel H. Bridges
Edwin J. Brown
William L. Buck, III
Kenneth F. Burris
Donald R. Cameron
Wilbur M. Carlson
James J. Castonguay
Wayland D. Chavers
William J. Clancy, Jr.
Jessie R. Clark
Jack N. Clow
Donald E. Collier
Roger J. Combs
Allen D. Crosier
Ralph W. Deaver
Charles F. Denison, Jr.
Roland A. Desjarlais
James H. Divis
Peter Dobon, Jr.
Paul J. Donley
John Doyle
William E. Duke
Roger A. Essi
Thomas E. Evans
Gerald D. Fabricius
James P. Fleming
Harry A. Florence, Jr.
Billy R. Freeman
Bernard C. Glinka
Donald W. Gregory
Glenn R. Hammond
Robert H. Hanevik
Herbert G. Hase
Charles H. Henderson, Jr.
Guy M. Howard
Jack R. Hoy
Theodore R. Jacobson
Henderson B. Jones
William Kasten
Robert E. Katz
Ronald R. Kendall
James J. Knocke
Donald C. Lanson
William P. Lepore, Jr.
Willard R. Lewis
Robert L. Lord
Carl K. Lunn
Enrique L. Machado
Harry B. Malnicof
Edmund J. Mazzei
Paul O. McAvoy, Jr.
Roger A. McIntosh
John L. Myers
Jacques L. Miller
Dorne A. Millis
Robert J. Mocny
Richard C. Moran
Charles L. Morrow
William E. Muirhead
Richard A. Nailor
Monte V. Nelson
Donald D. Nimmow
Billy W. Owens
Porter G. Pallett
Charles D. Parker
Fred R. Parry
Leonard J. Patchin
Dean C. Pedlar
George A. Pelletier
Billy E. Perry
Robert G. Pontillas
Richard L. Porter
Joseph C. Raymond
Donald D. Redmond
Carroll J. Riley
Robert D. Rogers
Robert J. Romano
Roger L. Runkle
Arthur I. Swanson, Jr.
Gary R. Thompson
Charles G. True
Morton Vaserberg
Alan E. Wickens
Jack A. Wilder
Sydney M. Wire
William C. Wright
Robert H. Yoder
David A. Zeferjohn
James H. Zimmerman

The following named officers of the Marine Corps for temporary appointment to the grade of chief warrant officer (W–2):

Charles W. Adams
George L. Anderson
Sam R. Baker II
Charles M. Banks
Robert Barber, Jr.
John E. Baughman
Thomas J. Berryhill
Richard J. Bishop
Roy H. Bixler
George P. Bond
Donald R. Book
Clyde P. Boudreaux
Lawrence C. Brinkman
James J. Brisson
William C. Brown Jr.
Walter J. Bruderer
Joseph A. Bryant
Dudley L. Burgess
Christopher P. Butler
Gary G. Carley
James T. Chaffee
Marion L. Cotten
Patrick C. Coulter
Raymond L. Dedual
Oscar Delagarza, Jr.
Acie N. Derossett
Joe H. Driver
Donald R. Farrington
Orlando Fernandez
Franklin A. Field III
Donald H. Finley
Carl J. Fisher
Richard F. Fleming, Jr.
Robert W. Forsberg
Rose J. Franco
John A. Frank
John B. Funk
Samuel M. Garland
Carl H. Gassoway
Louis P. Glassburner
Robert K. Gorning
James W. Gray
James A. Grebas
Johann Haferkamp
Cecil D. Henninger
Franklin R. Hester
Louis A. Hoch, Jr.
Michael P. Hudson
William J. Janning
Leonard P. Juck
Charles J. Julian
John J. Keenan, Jr.
John S. Keene
Robert J. Keller
Floyd M. Kennedy
Albert Lane, Jr.
Enrique Lariosa, Jr.
Ronald J. Lauzon
Bernard L. Lee
Gary A. Lucus
John G. Lyle Jr.
Michael T. Mallick
Thomas H. Marino
Gerald E. Martin
Larry A. Martin
Jack L. Matlack
Raymond C. Matthias
Charles A. McCartney
Jerome M. McGuire
Benjamin H. McNutt
Kenneth H. Medeiros
John M. Miller
Jimmy Miranda
Robert E. Moe
Patrick J. Mongoven
William R. Moody
David D. Moore
Freddie M. Morgan
John V. Morris
James E. Mulloy, Jr.
Louis N. Panchy
Roger L. Peterson
Carl W. Polk
Raymond G. Prefontaine
Ivan D. Puett
Wade A. Robinson, Jr.
Alfred R. Rocheleau
Gerald L. Rodden
Mack I. Rogers
Tommie D. Rose
William H. Rosser
Jimmie L. Russell
Frederick W. Schaffer
Arthur W. Seabury, Jr.
Coburn L. Sergent
John R. Shultz, Jr.
Henry L. Singer
Billy W. Smith
Charles L. Staigle
John A. Steward, Jr.
Thomas E. Swindell
Richard A. Teeter
Raymond D. Tevis
Richard J. Tyler
John E. Upah, Jr.
Bruce W. Vance
Cullen R. Vinson
William J. Walker
Frederick M. Waller
Napoleon K. Weaver
Willis D. White
Dennis Wilczewski
Nathaniel C. Wilson
Larry L. Wine
James W. Wofford, Jr.
Rudolph E. Woltner, Jr.
Frank C. Zubiate