

coercion involved. The Post is apparently working in collusion with underlings in the bureaucracy to bring public pressure for ultra-left policies.

I was pleased with the President's statement Thursday night that the Federal Government would give such assistance only when requested by the States involved. It is hoped that this policy will

be followed. We shall be on guard to watch whether his orders are carried out by his subordinates.

ADJOURNMENT TO MONDAY,  
AUGUST 3, 1970, AT 11 A.M.

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 11 o'clock Monday morning next.

The motion was agreed to; and (at 3 o'clock and 34 minutes p.m.) the Senate adjourned until Monday, August 3, 1970, at 11 a.m.

## HOUSE OF REPRESENTATIVES—Friday, July 31, 1970

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

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

*If we hope for what we do not see, we wait for it with patience.—Romans 8: 25.*

O God, creator and preserver of all mankind, we commend to Thy loving care and wise guidance the men and women who lead our Nation in these troubled times. Support them and strengthen them, we beseech Thee, and so prosper their endeavors that our people may be led in the ways of justice, by the roads of righteousness, and along the paths of peace.

We pray for all who serve under the glorious banner of our great country. Particularly do we pray for those who struggle for freedom and more particularly do we pray for our prisoners of war. May they have faith and courage to endure what must be endured, patience amid suffering, a happy issue out of their affliction, and a glad reunion with their faithful families. Hasten the end of conflict and grant us peace in our time, O Lord.

We pray in the spirit of Him who came to bring us Thy peace. Amen.

### THE JOURNAL

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

### MESSAGE FROM THE SENATE

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

H.R. 14619. An act for the relief of S. Sgt. Lawrence F. Payne, U.S. Army, retired.

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

S. 3647. An act to authorize the Commissioner of the District of Columbia to lease airspace above and below freeway rights-of-way within the District of Columbia, and for other purposes;

S. 3648. An act to provide improvements in the administration of health services in the District of Columbia, and for other purposes; and

S. 3730. An act to extend for one year the act of September 30, 1965, as amended by the act of July 24, 1968, relating to high-speed ground transportation, and for other purposes.

### LOST AND FOUND: COLCORD, OKLA.

(Mr. EDMONDSON asked and was given permission to address the House for

1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. EDMONDSON. Mr. Speaker, I am sure many of my colleagues have received complaints about the 1970 census, but I will match my latest experience on the matter with that of any other Member.

The Census Bureau lost an entire town within my district.

Colcord, Okla., may not compare with New York City or Los Angeles in the eyes of the Census Bureau, but to the people who live and work there, it is a mighty important place.

The preliminary census figures released in Oklahoma's newspapers last week showed no listing for "Colcord"—a very nice community, I can assure my colleagues, which I have personally visited often. It seems the Bureau lumped all the citizens of Colcord in with the rural residents of Delaware County when the worksheets were being compiled. Fortunately though, the Census Bureau has now assured me that the 432 people who live in Colcord will henceforth be recognized as a city in the eyes of the Federal Government.

Mr. Speaker, the Colcord incident is but another in an ever-growing list of complaints over the 1970 census. It amply demonstrates why several colleagues and I felt it important to introduce H.R. 18590 last week to provide reimbursement to a community which shows by a recount that the Census Bureau's original tally was in error by at least 3 percent.

I welcome my colleagues' help with this legislation, and hope that it receives both early and favorable consideration here in the Congress.

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

Mr. EDMONDSON. I am glad to yield to the gentleman from Iowa.

Mr. GROSS. How do you spell the name of that place so I can endeavor to help the gentleman?

Mr. EDMONDSON. "C-o-l-c-o-r-d." I appreciate the gentleman's offer of help.

### WHERE ARE THEY NOW?

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

Mr. BLACKBURN. Mr. Speaker, the question comes to my mind today: Where are they now? Where are they now, those thousands of students who deluged all of us several months ago advising us on matters of foreign affairs as well as military affairs? Where are the college pro-

fessors who felt free to dabble in international affairs and the military affairs of our country by sending telegrams to the President several months ago, as well as to all of us, advising that the President had pulled a great military blunder by going into Cambodia?

There has been a great silence on the part of those students.

There has likewise been a great silence from those same college presidents.

Mr. Speaker, this question comes to my mind: Those people were very sincere in their criticism. Their criticism has proved to be unfounded. The fact of the matter is that the President kept his word, and the military posture in Indochina has been improved immensely. The judgment of the President and those who supported him has been vindicated by the events of history.

Our losses in Vietnam during the last 2 weeks are at the lowest level in 4 years. The Vietcong and the North Vietnamese have been badly crippled as a direct result of the Cambodian venture. Yet over 1 month after the President withdrew our troops we have not heard a word from those criers of doom who deluged us several months ago. It seems to me that at least one of those giving us erroneous advice would now be willing to admit their error and apologize for the great furor they created.

Mr. Speaker, I think it is fair to ask: Where are they now?

### DEFENSE PRODUCTION ACT EXTENSION AND ECONOMIC STABILIZATION ACT

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17880) to amend the Defense Production Act of 1950, and for other purposes.

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

### CALL OF THE HOUSE

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

The SPEAKER. Evidently a quorum is not present.

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

A call of the House was ordered.

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

[Roll No. 245]

Abbott	Esch	Myers
Addabbo	Eshleman	Nix
Alexander	Fallon	O'Neal, Ga.
Annunzio	Farbstein	O'Neill, Mass.
Ashbrook	Feighan	Ottinger
Ashley	Fish	Passman
Aspinall	Flynt	Pelly
Ayres	Ford,	Pollock
Baring	William D.	Powell
Barrett	Fountain	Price, Tex.
Beall, Md.	Fraser	Rhodes
Berry	Gallagher	Riegle
Biaggi	Gialmo	Quillen
Bingham	Gilbert	Rallsback
Blanton	Gray	Rarick
Blatnik	Griffiths	Rees
Bolling	Hagan	Reid, N.Y.
Brasco	Hall	Reifel
Bray	Harsha	Rhodes
Brock	Harvey	Riegle
Brooks	Hathaway	Rogers, Colo.
Brown, Calif.	Hawkins	Rooney, N.Y.
Broyhill, N.C.	Hays	Roudebush
Burton, Utah	Hébert	Roussetot
Bush	Henderson	Ruppe
Button	Hull	Ryan
Caffery	Ichord	Scheuer
Carey	Jarman	Sebelius
Celler	Johnson, Calif.	Shiley
Chisholm	Johnson, Pa.	Smith, Calif.
Clancy	Kastenmeier	Smith, Iowa
Clark	King	Snyder
Clawson, Del	Kluczynski	Stanton
Clay	Koch	Steiger, Wis.
Conyers	Kyl	Symington
Corbett	Latta	Taft
Coughlin	Leggett	Teague, Calif.
Cowger	Lloyd	Tiernan
Cramer	Long, La.	Tunney
Culver	Lujan	Van Deerlin
Cunningham	Lukens	Waggonner
Daddario	McClory	Wampler
Dawson	McCloskey	Watkins
Dellenback	McColloch	Watson
Denney	McEwen	Weicker
Dennis	MacGregor	Wiggins
Dent	Mailliard	Wilson, Bob
Devine	Mann	Wilson,
Diggs	Mathias	Charles H.
Donohue	Matsunaga	Wolff
Dowdy	Meskill	Wyatt
Edwards, Calif.	Monagan	Wyder
Edwards, La.	Montgomery	Wyman
Erlenborn	Murphy, Ill.	

Communists in Government can breathe a little easier today.

For the second time in less than 2 weeks President Nixon has told the Nation—and the world—that he will not force a coalition government on South Vietnam against its will.

The President knows, as all thinking Americans realize, that this is just another way to hand the victory to North Vietnam, a victory they have been unable to win through terror and through force of arms.

Mr. Speaker, there are those in this Nation who believe in peace at any price. You can tell who they are just by looking. They are the ones walking around with their hands up instead of their heads.

We can be thankful that President Nixon is not one of them.

#### DEFENSE PRODUCTION ACT EXTENSION AND ECONOMIC STABILIZATION ACT

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17880) to amend the Defense Production Act of 1950, and for other purposes.

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

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 17880, with Mr. DELANEY in the Chair.

The Clerk read the title of the bill.

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

The CHAIRMAN. Under the rule, the gentleman from Texas (Mr. PATMAN) will be recognized for 1 hour, and the gentleman from New Jersey (Mr. WIDNALL) will be recognized for 1 hour.

The Chair recognizes the gentleman from Texas.

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

Mr. Chairman, I will not yield to any Member until I have finished my main statement.

Mr. Chairman, the esteemed chairman of the Rules Committee, Mr. COLMER, in debating the rule on H.R. 17880 yesterday, made some very interesting and cogent remarks concerning the inflation which our country is suffering. I should like to amplify a bit on these remarks in an attempt to indicate why it is so necessary to enact title II of this legislation, which would provide the President with standby authority to freeze prices, wages, salaries, and rents.

I agree with every word that the gentleman from Mississippi (Mr. COLMER) said about the dangers of inflation and the need to deter and retard and finally stop inflation, in every sense of the word. Inflation could destroy our country, so we must not tolerate it. We must deal with it.

The only difference I have with the position of the gentleman from Missis-

issippi (Mr. COLMER) is that he wants to make it wage-price authority compulsory now. Of course I do not believe we in the Congress are in a position to make it compulsory now from the floor of the House.

We have inflation; there is no question about that. But there are other considerations in our economic picture.

In World War II we had inflation and we had price and wage controls. Those involved 10 million prices and wages. Then we had a patriotic fervor of the people. They were backing the war. They were backing what the Government was doing, because it was in their interests. Then we had a better opportunity for cooperation by all the people. But even then we had black markets. We had many problems growing out of price and wage controls and other controls, but they were necessary under the conditions.

So we must have these controls when we can most effectively use them. We do not have that patriotic fervor by reason of this war. Therefore, we will not have the unanimous support of the people that we had in World War II. We must recognize this fact, but it is essential that the President be given the full-est authority to stabilize the economy.

We must stop these high prices. It will not be long until every utility in the Nation that has not asked for a rate increase will ask for a rate increase, thereby making the people pay billions of dollars extra every year for increased rates on electricity, water, telephone service, gas, and all the public utilities.

The same is true of the railroads and other industries. High interest rates and high prices will force the costs up to the consumer. So we must stop it.

I believe we should give the President, who is elected by all the people, the responsibility of administering this authority and doing what is in the best interest of all the people.

I think it is best to give him standby authority. Last December we in Congress gave the President the standby power for credit controls. This gave him the power to roll back interest rates, but the President does not want to use them. He indicated in recent correspondence to me that he is looking over the credit controls again with the possibility—the implication—that they will yet be used. In any event, the President is not in a position to know when he will need these standby wage-price controls. He cannot see that far down the road. I think it is the duty of the Congress to give him all the power he needs when he needs it in order to protect the people against inflation. That is our duty. Therefore we are proposing the standby authority, which is something like a shotgun in the corner and something to protect the people in this country.

The intent of this legislation as concerns the discretionary authority to limit prices would include, of course, the price of money—that is to say the cost to the borrower of funds, be he a businessman or consumer—and interest, of course, is nothing more than the price which people pay for borrowing money.

One of the most—if not the most—

The SPEAKER. On this rollcall 272 Members have answered to their names, a quorum.

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

#### PERMISSION FOR SPECIAL EDUCATION SUBCOMMITTEE, COMMITTEE ON EDUCATION AND LABOR, TO SIT DURING GENERAL DEBATE TODAY

Mrs. GREEN of Oregon. Mr. Speaker, I ask unanimous consent that the Special Subcommittee on Education of the Committee on Education and Labor be permitted to sit this afternoon during general debate.

The SPEAKER. Is there objection to the request of the gentlewoman from Oregon?

There was no objection.

#### PRESIDENT WILL NOT FORCE COALITION GOVERNMENT ON SOUTH VIETNAM

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

Mr. GERALD R. FORD. Mr. Speaker, Americans who believe that America should support not abandon its allies; Americans who believe that peace without freedom is meaningless; Americans who know the dangers to freedom of

important factors which has led to the inflation which our country is suffering is the fantastically high interest rates which we have experienced in the last few years. Interest rates, as we all know, are higher than they have been in this country in over 100 years. In the last 18 months interest rates have been higher than ever before in history.

Since the payment of interest is a cost of doing business, every time interest rates are raised, they find their way ultimately in the final prices paid for all goods and services. This is why, as we all should know, it is so important to have our Government promulgate monetary policy in such a way that interest costs stay at low levels. This can be done and has been done but, unfortunately, the record clearly indicates that it has been Democratic administrations which have sought and succeeded in keeping interest rates down to the lowest possible levels, while Republican administrations have done just the reverse.

It is not my intent to engage in any partisan politics in this instance, but the record itself speaks for itself. Let me just relate a few facts to substantiate this conclusion.

During the 8 Eisenhower years, the public debt increased by 10.4 percent, whereas the total interest cost on the public debt increased by 57 percent—from a level when Mr. Eisenhower took office of \$5.9 billion in interest cost on the public debt to \$9.2 billion.

During the Kennedy-Johnson 8-year terms, the public debt increased by 10.8 percent and the interest costs on this public debt increased by 23 percent, or less than half of the increase experienced during the Eisenhower years. The figures for the Johnson term are almost identical to those of the Kennedy-Johnson years.

But look what has happened just since Mr. Nixon has been President. From the end of 1968 through 1970, the public debt under Mr. Nixon has increased during a short time by 6.7 percent, but we have already experienced under Mr. Nixon's regime an increase in interest costs of 32 percent—rising from, when Mr. Nixon took office, \$14.6 billion to \$19.3 billion.

The estimates for interest payments on the public debt for last fiscal year 1970 by the Nixon administration fell almost \$460 million short of what the actual figure turned out to be.

In other words, Mr. Chairman, an additional \$460 million was paid in interest on the public debt. This \$460 million which could have been used to do so much good, such as providing additional housing, health facilities, water and sewer facilities and such, has to be used for the unproductive purpose of paying additional interest on the public debt, due to the tight money high interest rate policies which we have experienced in the last several years.

Mr. Chairman, as one Member of Congress, it strikes me as unconscionable that we would allow so much of our Federal budget to be spent as interest on public debt—so much of it.

Mr. Chairman, every time the interest rate has been increased everything has gone up in price immediately. Even the

goods on the shelves offered for sale went up in price immediately. When interest rates were increased. Increased interest means increased prices, increased prices means higher prices and more inflation.

So, since the course of this inflation has been the increase in interest rates, the way to stop it is to start rolling back interest rates. This has to be stopped. That is the reason we gave the President, last December, the power to exercise controls over our interest rates.

Mr. Chairman, it has been traditional in this country for over half a century that any time a big bank like a Wall Street bank, or the head of it announced, "We are raising the prime rates one-quarter of 1 percent—and twice it has been raised as much as one-half of 1 percent—during those 50 years this has happened. On June 9 last year a New York banker went out on his front porch and said, "We are raising the rate from 7.5 percent to 8.5 percent." That is traditional, and all the big banks followed. They raised the rate by 1 percent. He did not need to do it, except to make more money for all the banks. He had no right. He was not elected by the people. The people never told him he had to do it and Congress had passed no resolution giving him that power, but he did it. So, in December we passed a law giving Mr. Nixon the same right to go out on his front porch and say, "The prime rate is hereby lowered from 8.5 percent to 7.5 percent or to 6 percent," or whatever he wants to. He has that power and he should have that power because all of the people in this country elected him.

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

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

Mr. Chairman, it makes no more sense to promulgate policies which lead to these fantastic interest payments than it does to engage in futile debate over how many angels can stand on the head of a pin. We know that interest rates could be kept at a lower level. It was done during World War II and during the Truman administration and the Roosevelt administration. Not only were interest rates kept low, but the public debt was actually reduced.

Mr. Chairman, there has been a lot said about transition from war to peace. We have a perfect case in the pre-World War II period. President Roosevelt called in the Federal Reserve Board and the Chairman, Marriner Eccles, a great man, a good man from Utah, a very rich man—that is all right because he made it himself and he is an honest, sincere, trustworthy man, although a Republican. Mr. Roosevelt said:

Now, Marriner, we have got to keep interest rates down. If we do not our country is ruined. We are not assured of winning this war, and if we win it with high interest rates we will owe so much we will never get out of debt.

Well, Mr. Chairman, Mr. Eccles and Mr. Roosevelt agreed to keep interest rates low. To the credit of Mr. Eccles, he carried it out 100 percent and kept interest rates on the long-term debt low and at the end of the 14 years when Mr.

Eisenhower came in, interest rates were low. When Mr. Humphrey from Cleveland was Secretary of the Treasury, he sold bonds at 2½ percent, the first bond issue that was offered in the Eisenhower administration.

And then he sold another bond issue for 2.5 percent. But, then an issue was put out much higher than that for the sole purpose—and admittedly so—to raise interest rates generally. That issue almost caused a recession in our country, and they had to reverse the process and get back to lower rates.

But this move by Secretary Humphrey started it and the increase in interest rates was started. After that they went up, up, up all through the Republican administration.

By keeping interest rates low—and Mr. Truman paid \$29 billion on the national debt at one time—we were able to have a transition from war to peace after World War II. Those 15 million men came back from the war, and went to college. They became doctors. They became engineers. They became professional people at the expense of the American people. The greatest asset we have, because of the GI bill of rights. It educated millions of young men who are helpful to our country now. We were able to do this because we did not have to pay it all out in interest. And if a veteran wanted to borrow money to go into business he could borrow through a Government agency at a reasonable rate of interest. If he wanted to buy a home he could borrow the money from the Government at a reasonable rate of interest—and it was later repaid.

So we had a perfect transition from war to peace, because the interest rates were kept low. And we did not have any depression. It was the first time in the history of civilization that a major country had a major war and did not have a major depression after it was over. And this was very much to the credit of the people who kept the interest rates low so that all these debts could be paid.

Do you think we could do that now with interest rates at 9, 10, 15 and 20 percent? Of course we could not. We could not possibly do it. It was a great tribute to the group that kept the interest rates low during World War II so that all the people profited by it. A perfect transition from war to peace was accomplished.

Now, then, yesterday one of the Members on the minority side said this was a political move to ask for standby controls. Well, of course, you can say that about any bill; there is no way to prove or disprove it. But it is not political. If you say it is political because the President said he did not want it, why, then, anything the President says he does not want will be political if you propose it. That is not a very good argument; there is not much logic behind that statement.

This is not political. We are not attacking Mr. Nixon. This is a great compliment to the President of the United States, for the Congress to pass a law to give him all this power. Now, we cannot do it in a compulsory way now because we do not know what he wants, and what he would enforce.

Under the Constitution the President

enforces all the laws, the Congress makes the laws.

There is no basis for the charge of partisan politics. This bill is in the public interest. As the chairman of the Committee on Rules said, our country can be destroyed by inflation. Of course, it can. But, you are not helping anything by saying this is a phony issue—to give the President the power to cope with inflation and to protect the people.

As to the fact that the President said he will not use it, of course, we cannot help that. But I have reason to believe that if he concluded he needs to, I do not think he would hesitate to reach over and grab that shotgun in the corner and do what is best to protect all the people.

The interest rates I have mentioned can ruin this country for several reasons. One is that high interest rates cause inflation and high interest and inflation unbalances every budget in America immediately when it is imposed.

Heretofore, the prime rates have always been made by the New York bankers with only two exceptions in 50 years of history and they placed it at a price that makes money. Of course, we want them to be profitable institutions, but we do not want them to be so high that it is against the interest of the country and the interest of the people.

At this time we are paying \$120 billion a year interest on all debts, public and private—\$120 billion a year. When this New York banker went out on the front porch and raised rates 1 percent, do you know how much that meant in increased interest rates? It meant 1 percent of the public and private debt. At that time the public and private debt was \$1,500,000,000,000. One percent of that was \$15 billion a year. That meant that that extra burden was imposed upon all the people of this Nation. Of course, 55 million families carried most of that burden and would have to pay it by reason of that statement, that the interest rates are hereby raised 1 percent—or \$15 billion a year.

It was raised 2½ percentage points from the time of the election when Mr. Nixon was elected in 1968 until June 9 of last year. Two and one-half percent is \$37½ billion of extra taxes imposed upon the people—extra taxes, to take care of that 2½ percent.

Now you know that the country cannot get along with such additional burdens. Those were additional burdens that were imposed. Do you know how much that was? They say that the cost of the war is causing inflation. Of course, it is causing some inflation—anything like that and such expenditures will cause inflation, but the cost of the increased prices of interest, the exorbitant part, the usurious part, the excessive part of the interest was more than the cost of the entire war. What do you think about that? That being true, we must deal with interest rates first before you can deal with inflation or anything else that will save our economy.

The interest on the national debt today is \$20 billion a year—and that is just the national debt part of it—\$20 bil-

lion a year of interest. Do you know how much it should be if we used fair and reasonable rates as we have had in the past? It would be one-half that. In other words, we are paying \$10 billion a year extra for exorbitant interest. It should be stopped and it should be stopped immediately because I know, just as the gentleman from Mississippi (Mr. COLMER) said, inflation can destroy this country and will if it is not stopped. I say that high interest causes inflation, and in order to stop inflation you have got to roll back interest rates.

The transition from war to peace I have explained; we did it at one time successfully. We have to impose controls. We did not want to do it but we had to do it. We know that it worked before. Let us make it possible for the President to have those weapons at his command, in his arsenal, in case it should get so bad that controls are absolutely necessary. That is the sensible thing to do.

In my view, it would not do for this Congress to adjourn without leaving the President of the United States plenty of power, stopgap power, to use in the event that uncontrollable inflation, murderous inflation, the type in which prices go out of the roof, that he could not reach back and get a weapon to cope with it.

It is our duty to do this, my friends, and I hope we will have just as near a unanimous vote on this bill as it is possible to get for the good of the country. We have got to stop inflation. We cannot stop inflation until we roll back interest rates. So roll back interest rates and stop high, exorbitant, usurious, excessive rates, and at the same time stop inflation. Kill two birds with one stone.

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

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

Mr. HANNA. I was interested in your statement, Mr. Chairman, your excellent statement of the effect on the economy. I wonder if the chairman would incorporate in his remarks the statement showing the drop in earnings for manufacturing corporations which employ the working people of America and the rise in earnings of the large banks during this period of time.

Mr. PATMAN. Yes. I do not have that information with me here, but I hope the gentleman will get permission and insert it later.

Mr. HANNA. I will.

Mr. PATMAN. I will get the permission for the gentleman to insert that information.

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

Mr. PATMAN. I yield to the gentleman from Georgia.

Mr. BLACKBURN. I appreciate the gentleman yielding. Am I not correct, Mr. Chairman, in the statement that no money is authorized in this bill to implement wage and price control?

Mr. PATMAN. No; because we do not know. You see, the President will have to indicate what he wants.

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

Mr. PATMAN. I yield to the gentleman from Georgia.

Mr. BLACKBURN. You have made the point that you are providing the President with this shotgun in the corner, but you are not giving him any shells for it.

Mr. PATMAN. We will provide him with some bullets.

Mr. BLACKBURN. All he would have would be an unloaded shotgun.

Mr. PATMAN. We will furnish bullets quickly whenever he gets ready.

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

Mr. PATMAN. I yield to the gentleman from Iowa.

Mr. GROSS. Will the gentleman refresh my memory? Did the gentleman bring a bill to the House floor in 1965 when Lyndon Johnson escalated the troop strength and tremendously escalated the spending in Vietnam? Did the gentleman bring this kind of bill to the House then?

Mr. PATMAN. Mr. Johnson did not, but it was in a portion of a bill that we brought from the Banking and Currency Committee which was not passed.

Mr. GROSS. Did you favor this kind of legislation in the House at that time?

Mr. PATMAN. Remember this: There is nothing so powerful as an idea whose time has come. That idea's time had not come. In this legislation we want to place that shotgun handy in the event it becomes necessary to use it. If the President should say, "I want to use it and I want the Congress to back me up, I want the Congress to furnish me the money and the personnel," then we would go into action and support the President.

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

Mr. PATMAN. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, I have heard the gentleman stand in the well of the House and rail to the housetops in protest to the enormous power of the Federal Reserve Board, and here today he is willing to give to the President of the United States enormous delegated powers.

Mr. PATMAN. That is right.

Mr. GROSS. And I have read through title II backward and forward and I can find no place, no point in title II of this bill where there is even the requirement on the President that he declare any kind of emergency, either war emergency or domestic emergency, as a preliminary to the invocation of these powers that here would be granted to him.

Mr. PATMAN. Whenever the President gets ready, he will send the message to Congress and say: I am declaring price and wage controls or selected controls, and I want the Congress to pass the law implementing the powers given to me by Congress and give me plenty of money to have the establishment necessary to pay the costs and also to get the personnel.

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

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

Mr. REUSS. Mr. Chairman, I thank the gentleman for yielding.

On the question just raised by the gentleman from Iowa (Mr. GROSS) about the historic difficulties of the gentleman from Texas (Mr. PATMAN) with the so-called independence of the Federal Reserve System, is it not a fact that the basis of the difficulty of the gentleman from Texas is that the members of the Federal Reserve Board are not elected by the people, whereas the President is elected by the people?

Is it not further a fact that the gentleman from Texas has supported the power and the right and the duty of the President to intervene in the area of monetary policy?

Mr. PATMAN. That is right. It is a fact that the Congress has frequently set up administrative duties within the executive branch without providing at that moment the funding needed to hire the personnel to carry out those duties, waiting instead until the Executive came back with a detailed description of the kind of personnel it needed?

Mr. PATMAN. The gentleman is correct. That is traditional.

Mr. Chairman, title II of this bill is a shotgun in the corner. It gives the President standby authority to stabilize wages, prices, salaries, and rents.

The power is to be used by the President when and if he determines that the economic conditions warrant its implementation.

In short, Mr. Chairman, we are giving the President all the tools that he might need to combat the twin evils of inflation and recession which have plagued all areas of this Nation in the past months. In recent days, we have had many people claim that the economy is turning the corner and that good days are just in front of us.

However, yesterday's newspapers carried news that wholesale prices rose drastically last month. In fact, the increase last month was the highest since January. It is obvious that inflation is still with us and it is more important than ever that this Congress give the President every power to combat these economic problems.

This is temporary authority which will be in effect until February 28, 1971. In the intervening months, the President will have an opportunity to stabilize the economy. Throughout this period, he will have standby wage and price stabilization powers as a shotgun in the corner. The mere passage of this legislation by the Congress will do much to deter further increases in prices and wages.

It will be a firm statement of policy from the Congress. It will be concrete action and it will do much to restore the confidence of the people and business leaders in the economy. The stock market losses in recent months have been attributable directly to a lack of confidence in the Federal Government to act in the face of economic crisis. This legislation is action and it will be so reflected in all economic indicators.

There has been much criticism of the fact that this bill gives the President standby authority and does not actually mandate wage and price controls. The false claim has been made that the Con-

gress is dodging the issue by giving the President standby authority.

This is false and totally misleading. The only way that wage and price stabilization can work is through standby authority giving the executive branch the widest latitude and flexibility. The Congress cannot execute the laws from the floor of the House or the Senate. We must give the President flexible authority and let him impose these stabilization measures when and where they are needed.

One of the basic criticisms of wage and price controls during World War II and the Korean war was the lack of flexibility. The bill before us today corrects this problem and gives the President and the executive branch the fullest flexibility. The President can apply the wage and price controls in a selective manner in whatever areas are creating inflationary pressures.

Much of the administration of the wage and price stabilization can be carried on with existing personnel and it will not require a huge new Federal bureaucracy. Many of the existing agencies could perform enforcement functions in this area if called upon by the President.

Mr. Chairman, many argue that the President will not use these powers if the Congress votes them. This is exactly what was said when the credit controls were voted by the Congress last December. Yet, only last month, the President wrote me indicating that he might reconsider and actually use the credit control if the economy warranted it. I suspect the President might well have a change of heart in regard to the wage-price authority in this bill. So the House should not take too seriously the political statements being made in opposition to the wage-price authority.

Mr. Chairman, I do not know why anyone in the House would oppose giving the President the authority to control inflation. Outside of pure political partisanship, I cannot understand why any Member of the House would refuse to give the executive branch the necessary powers to stabilize wages and prices. The American people want action on the economy and this bill gives them real and effective action to correct the economic problems facing the Nation.

#### COST ACCOUNTING STANDARDS

Mr. Chairman, one of the provisions of this bill concerns cost-accounting standards for negotiated defense procurements. Over 2 years ago when this body was considering the extension of the Defense Production Act a provision was included in the House bill which would have required the Comptroller General to develop cost-accounting standards and recommend legislation to permit the promulgation of rules and regulations in implementation of the standards. The House at that time acted favorably on this provision. The other body did not go along with this provision. As a result, legislation was enacted requiring the Comptroller General to study the feasibility of cost-accounting standards. We have since received the report of the Comptroller General which states that the development of cost-accounting standards are feasible.

The provision in the bill before us today relating to cost-accounting standards calls for the establishment of a Cost-Accounting Standards Board composed of five members with the Comptroller General as the chairman. The Board would recommend by June 30, 1971, to Congress cost-accounting standards for defense procurements.

The study of the Comptroller General was conducted after soliciting and carefully considering the views of a good cross section of defense industry, certified public accountants, Government accountants and the academic community.

The study concluded that uniform cost-accounting standards were feasible. The Comptroller General has recommended the establishment of such standards. Supporting him in this view are the Office of Management and Budget, the Department of Defense, other major procurement agencies of the executive branch such as the Atomic Energy Commission, the National Aeronautics and Space Administration, and the principal professional accounting organizations.

I firmly believe that we must move toward major improvements in defense contract administration by the formulation of cost-accounting standards to materially enhance the communication and understanding between industry, Government, the Congress, and the public in the negotiation of defense contracts. Cost-accounting standards, properly designed, will inure to the benefit of both industry and Government by providing a climate under which equity and fairness in defense contracting for the protection of both parties can be achieved.

When one considers that in fiscal year 1969 over 89 percent of defense procurement, that is, over \$36 billion, was negotiated without sole dependence on price competition, there is need to consider why and how the better cost information can improve negotiating processes.

Accounting is the financial language of business. Basically it is concerned with the meaning of words and the classification of those meanings into accounts into which figures are placed. Technical words often have no single meaning. It is imperative that we work toward a better understanding of what we are trying to express. This is the basic purpose of cost-accounting standards. Such standards are neutral in that they neither favor nor injure any one of the parties. Neither do cost-accounting standards suggest or require cost-accounting systems.

If the objectives of this legislation are considered in this light, the purposes of the legislation are far from objectionable, in fact, they are absolutely necessary.

Some measure of cost-accounting standards exists in Defense at the present time. Section XV of the Armed Services Procurement Regulations has these objectives. But these regulations are defective and outmoded in important respects:

They depend too much upon "generally accepted accounting principles," principles used by public accountants in judg-

ing the merits of financial statement reporting principally to stockholders, but hardly applicable to the field of cost accounting. "Generally accepted accounting principles" provide no assistance in the important area of allocation of indirect costs, which are the largest single cost element in defense contracting. Cost accounting in defense contracting serves as an internal mechanism for the formulation and evaluation of contract costs, a distinctly different function.

They rely heavily on industry-accepted practices. However, since there is no codification of cost accounting principles and standards, there exists no central guidance and general acceptance which assures consistency in application of methods.

They provide too many alternatives for the calculation of costs in a given situation. They fail to narrow the alternatives by stating the criteria for their use. Thus, they create the possibility for manipulation of costs and make it difficult for contract negotiators to know whether they have a complete understanding of the proposed contract costs. As a result, the Government is placed in a disadvantageous bargaining position; as a result the bidders are often bidding on different costing ground rules.

The Comptroller General's study did not disclose any developments in the formulation of cost-accounting standards by other agencies and groups. The regulations of the Securities and Exchange Commission, the rules of the Renegotiation Board, and the regulations of the Internal Revenue Service are for different purposes and do not form any real basis for cost-accounting standards applicable to defense contract administration. None of these nor "generally accepted accounting principles" was intended to serve defense contract purposes.

The major weaknesses in cost accounting under present defense contract methods are apparent.

Contractors are privileged under present provisions to choose from alternative accounting methods without criteria for determining the basis for the selection.

Contractors sometimes submit cost data in price proposals in a manner substantially different from the way they record the costs of performing the contract. These practices result in serious problems in verifying supporting data under Public Law 87-653, the Truth in Negotiations Act, and making meaningful audits of negotiated contracts very difficult. Thus, present guidelines or standards provide no way of assuring consistency between cost proposals and incurred costs.

It is quite apparent from the many case examples in the experiences of the General Accounting Office and the Defense Contract Audit Agency that the present standards are not understood, not reasonably uniform in their application. For example, the presently acceptable methods of: First, applying overhead to Government contracts and commercial products; second, determining the basis of capitalizing and expensing of costs upon modernization, renova-

tion and repairs and; third, charging work done by affiliated companies results in inequities as among contracts, between contractors and the Government, and between contractors.

The goal of cost-accounting standards is not uniformity in the straightlaced or one-way sense, but narrowing of the differences to a reasonable degree so that there may be consistent practices by all contractors in the same or similar situations. This is what the American Institute of Certified Public Accountants is attempting to do in the field of financial reporting. We can and should do no less in the field of cost accounting for defense contract administration.

I therefore strongly urge the House to act favorably on this bill on cost-accounting standards.

Mr. Chairman, I must forgo using more time, because I have used 31 minutes, which is over half, and several members of the committee who want to talk are here, and I would like to hear them and the Members should hear them, because they will make great speeches.

I hope this bill passes by a big vote. It is necessary in the public interest.

The CHAIRMAN. The gentleman from Texas consumed 32 minutes.

The gentleman from New Jersey is recognized.

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

Mr. Chairman, we came here today to discuss H.R. 17880 and I have heard practically no discussion of the bill today. I listened with great interest to the remarks of our distinguished chairman, and I want the House to know that there is nothing in this bill that has anything to do with interest rates. I am afraid Members might have been confused by the remarks made by the chairman.

There is nothing in this bill which has to do with interest rates.

Mr. Chairman, the minority will support title I of H.R. 17880 with minor amendments, but we take exception to title II.

Title I provides for a 2-year extension of the Defense Production Act. To our knowledge, no one questions the need for this extension.

Title I also deals with the question of cost accounting standards for defense contractors. Considerable confusion exists about this and about the committee's actions. Certain elements in the press have, for self-serving reasons, added to the confusion. Let me attempt to put this matter in proper perspective.

First, I think it is apparent that all of us in the Congress are concerned about the size of our defense budgets. They are necessarily large—so large in fact that we must be constantly alert to the possibilities of mismanagement, dishonesty, and waste. Any failure to devote continuing attention to these possibilities would be a dereliction of our duty.

It is in the very pursuit of this duty that some outstanding cases of apparent mismanagement and waste have been discovered. It should be noted that we have previously passed legislation either establishing specific safeguards or authorizing administrative procedures to

be established and followed by our defense agencies to correct these problems. Unfortunately, evidence has continued to accumulate, indicating that administration of these safeguards has been deficient, and in 1968 we authorized a study by the General Accounting Office to determine if uniform cost accounting standards for defense contractors were feasible. This was done because it was suggested that if all defense contractors were required to utilize uniform cost accounting procedures, it would facilitate administration of previously authorized safeguards. It is interesting to note that both Admiral Rickover and Dr. Robert Anthony, the former Comptroller of the Department of Defense, testified to the effect that administrative procedures could be made effective without the benefit of these standards. Nevertheless, we are moving ahead with them.

In January of this year, the Comptroller General submitted to the Congress his report on "The Feasibility of Applying Cost Accounting Standards to Negotiated Defense Contracts."

Let me make two points perfectly clear. First, this report did not state that it was feasible to establish uniform cost accounting standards. It merely stated that it was feasible to establish "cost accounting standards to provide a greater degree of uniformity and cost accounting as a basis for negotiating and administering procurement contracts."—Staats, June 19, 1970, before the Banking and Currency Committee, page 169.

Second, and more important, to an adequate understanding of the committee's action is the fact that the report by the Comptroller—Congress' own accounting branch—did not define, and neither Comptroller General Staats, nor Admiral Rickover, nor anyone else in their testimony before us could define, or give an example of, a cost accounting standard. Early drafts of the report attempted unsuccessfully to do this but it proved so difficult, the effort was abandoned. It was abundantly clear to us from testimony we received from both proponents and opponents of uniform cost accounting standards, that no one could draw the line between a cost accounting standard and a cost accounting system. No one we know of has advocated the imposition of any uniform cost accounting system. Quite the contrary, the Comptroller's report states:

On the other hand, to require consistent uniform cost-accounting practices for all contractors, whatever the circumstances involved in contract performance, goes to such an extreme as to be unreasonable and unenforceable.

Let me turn now to Admiral Rickover's recommendations as expressed in his formal testimony before the Banking and Currency Committee on June 20, 1970.

Early in his statement, he said:

The question before you today, therefore, is not "should we establish such standards?" but rather, "How shall we go about setting the standards?"

The bill we are reporting to you, answers that question. A Cost Account-

ing Standards Board will be established for the sole purpose of establishing those standards and submitting them to Congress for consideration.

The admiral then proceeded to detail his ideas and concluded as follows:

In summary, the three points I have discussed are:

1. The GAO should establish and promulgate uniform cost accounting standards. (This bill provides for the GAO to establish cost accounting standards, but because no one could define what they would be, we have withheld authority to promulgate them until we can review them.)

2. Uniform cost accounting standards should apply to all negotiated defense contracts—certainly to those in excess of \$100,000. (This bill provides no exemptions at all and goes further than standards for cost accounting by requiring the Board to consider bid forms and bid procedures to be used in defense contracting.)

3. Congress should require that uniform cost accounting standards be promulgated initially within 18 months. (This bill requires the Board to report back to Congress with recommended cost accounting standards by June 30, 1971—only 10 months from now. All evidence suggests this is an unreasonably short time in which to accomplish the task, but if it can be done, the standards could be promulgated in eighteen months or shortly thereafter.)

In summary then—I think it should be clear to all that no responsible or well-informed person could suggest that the bill being reported is not highly responsive to the recommendations of Admiral Rickover.

Mr. Chairman, I seldom waste the time of this body with responses to the attacks of muckraking journalists. However, the column "Washington Merry-Go-Round" of July 25 was an insidious attack upon 23 Members from both parties for their actions with respect to this bill. Such journalism is a disservice to the public for it makes no effort to enlighten them on the issues involved. Its author tries only through innuendo and clever abstraction to imply wrongdoing. Let us look at some facts.

First, the executive sessions of the Banking and Currency Committee are not secret proceedings as they are labeled in this article. Rules of the committee provide that record votes taken in executive sessions may be disclosed to anyone who asks about them after the session. I want my constituents to know, and I am sure I speak for all members of the committee, that anytime they want to know how I voted on any issue in executive session, they need only ask.

Second, the vote was no vote to, as the column says, "continue \$2 billion in excess profits which the defense contractors have been pocketing each year." This figure is insupportable. It was offered by Admiral Rickover who himself labeled it an estimate. Let me quote his response to a question from the gentleman from Mississippi (Mr. GRIFFIN):

I will tell you how I arrived at this figure, sir. Whenever I have the time to take on one of these contracting issues, I invariably find contractors claiming 5 to 10 percent or more higher than they actually are. I believe that if people were able to determine costs readily, in accordance with proper standards, this would reduce prices for defense equipment by at least 5 per-

cent. On a total of \$40 billion in procurement, if you save only 5 percent, that will amount to \$2 billion.

With all due respect to the admiral, this kind of guesswork is not adequate for responsible legislation. If it were, we might just as well lop \$2 billion off the next appropriations bill for the Department of Defense with the admonition to them to improve procurement procedures and buy everything they wanted. But I say to you that to do so might seriously impair our national defense.

Mr. Chairman, I can safely say to all Members that title I of this bill is good legislation. It is responsive to the problem before us. It moves as constructively toward the solution of that problem as is justified. It is offered to you by a clear bipartisan majority of the committee. All Members can support it in good conscience.

Title II is something else.

Title II would provide the President with a hollow authority to control wages, prices, rents, and salaries. Now that the President's 18-month-long fight against inflation shows definite signs of success we propose to give him powers he neither needs nor wants. It is like locking the barn after the horse is gone.

Let me point out that on June 17, the President, in a speech to the Nation on economic policy and productivity, spoke directly of the need for these authorities. He pointed out that when he took office, we were at the crossroads of economic policy. Four routes were available and he said of the third:

A third choice was the route of wage and price controls. That would lead to rationing, black marketing, total Federal bureaucratic domination, and it would never get at the real causes of inflation.

He went on to say:

I will not take this Nation down the road of wage and price controls, however politically expedient they may seem.

Controls and rationing may seem like an easy way out, but they are really an easy way into more trouble—to the explosion that follows when you try to clamp a lid on a rising head of steam without turning down the fire under the pot.

The message is clear enough, I think. Even if these controls had been authorized 2 years ago, when the task of controlling inflation was first undertaken, this administration would not have used them because spiraling wages and prices were symptoms—not causes—of inflation. Inflation can be controlled through sound fiscal and monetary policies and with the cooperation of Congress it will be.

The Council of Economic Advisers has done some research on the costs of wage and price controls during World War II and the Korean conflict. The results of this research will give you some idea of the magnitude of the task involved in administering price and wage controls.

For example, during World War II employment in the Office of Price Administration averaged about 60,000 people who were assisted in turn by about 100,000 volunteers. At times this volunteer force was as great as 300,000.

The cost of this operation ran on an average of \$160 million per year.

During its existence the OPA prosecuted 280,000 violations.

The Economic Stabilization Agency during the Korean war was a much more limited operation but at the end of 1952 it employed approximately 16,000 people. Expenditures were \$91 million that year and 8,500 cases were prosecuted.

The Council has attempted to translate these operations into the current situation and it looks like this.

A small operation such as we had during the Korean conflict would probably require 21,000 people at a cost of some \$400 million per year.

A full scale operation such as the OPA of World War II is now estimated to require 130,000 people at a cost of \$1 to \$1½ billion per year.

Either operation presents staggering problems both in terms of money and staffing. Imagine trying to assemble a minimum staff of 21,000 people to administer a program scheduled to expire in 7 months.

It is obvious that title II is unneeded, unwanted, and unrealistic. I urge that it be deleted from the bill and if Members of Congress are convinced that such controls are necessary, let us have a new bill making them mandatory.

Mr. PATMAN. Mr. Chairman, I have two short speakers; and I yield 5 minutes at this time to the distinguished gentleman from Oklahoma, the majority leader, the Honorable CARL ALBERT.

Mr. ALBERT. Mr. Chairman, I trust that my friend was not referring to the physical dimensions of those who are going to talk, but I do appreciate the time.

May I say I agree with the gentleman from New Jersey that there is little, if any, controversy about the extension of title I. But I think we must discuss title II in the atmosphere of the Nixon economy which plagues the country today.

Mr. Chairman, this Nation for the past year and a half has unhappily experienced the unenviable paradox of full blown inflation coupled with a deepening economic recession. The cost of living increased by more than 7.6 points during 1969. Eggs, fruit and vegetables, meat, poultry and fish—the "market basket" foods that make up the meals of Americans—averaged a 4.8-percent increase last year. Medical care was 7 percent higher; insurance and credit costs rose 11.5 percent.

Skyrocketing inflation continues. The cost of living figures released on July 22 indicated that prices rose in the first half of this year at a 6-percent annual rate. More striking even is the fact that last month the wholesale price index advanced by 3 percent, an annual increase of 6 percent to a record high. This will soon be reflected in higher retail prices.

The President and his apologists have endeavored to blame the disastrous results of his own inept economic policies on the previous administration. However, the truth of the matter is that inflation has greatly increased during this administration. Prices of many basic industry products rose an average of four times as rapidly in 1969 as in 1968. For example, steel mill products, used in thousands of items bought by U.S. consumers, increased in price 6.7 percent in

1969. This is almost as much as the 7.1 percent increase in the previous 8 years combined, and three times as fast as the 2.2-percent increase in 1968. Basic raw materials prices jumped 11 percent in 1969, compared to a little over two percent in 1968, according to the New York Times. All of these increases boost profits for the large corporations at the expense of the consumer—the little man who has to pay the highest prices.

Mr. Chairman, the inflation of the past year has been accompanied by a sharply deteriorating economy. Unemployment is officially recorded at a million higher than when the President assumed office. The failure of the labor force to expand gives clear evidence that many potential workers, having been discouraged by the lack of job opportunities, have withdrawn from the work force. This, in effect, constitutes hidden unemployment. Millions of workers have experienced a reduction in their paychecks, as a result of loss of overtime and short workweeks.

Last year, for the first time in a decade, the gross national product failed to grow. Industry is operating substantially below capacity. Consumer confidence has experienced a sharp deterioration. Mr. Chairman, this Nation is now in the grips of a serious recession.

Mr. Chairman, the guilty culprit is undoubtedly the traditional monetary and fiscal policies being employed by this administration in its futile and misguided efforts to combat inflation. The ill-advised medicine of a choking tight money policy has produced record high interest rates. The administration's fiscal objectives have been characterized by all the social breadth of a bookkeeper and the human compassion of an Ebenezer Scrooge. All efforts by this Congress to increase public investment in housing, health, education, and antipollution, are denounced from the White House and stoutly resisted by its spokesmen in the Congress as fiscal irresponsibility. Vetoes and threats of vetoes of our efforts to improve the quality of life in this Nation are the order of the day.

Mr. Chairman, it is abundantly clear that President Nixon and his economic advisers are prescribing the wrong medicine for the particular inflationary virus now affecting the Nation. Classical restrictive fiscal and monetary policies certainly have a proper role to play in combating traditional "demand-pull" inflation. Such demand-pull inflation is invariably the result of shortages in manpower and productive capacity. We possess neither today. Unemployment has risen during the past year and it is conceded by the administration spokesmen that it will increase further during 1970. We likewise possess an abundance of unused industrial capacity.

The Committee on Banking and Currency, under the leadership of the gentleman from Texas (Mr. PATMAN), therefore is to be congratulated upon bringing H.R. 17880 before the House today. Its provisions granting the President standby authority to control prices, rent, wages and salaries will arm the President with a necessary weapon to

combat the "cost-push" inflation which now besets us.

This inflation is caused by giant monopolies who offer their goods to the American people at prices determined not by the law of supply and demand but by administrative fiat. These corporations have tremendous internal financial resources and enjoy private advantageous relationships with large lenders which make them totally immune to a restrictive monetary policy.

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

Mr. PATMAN. Mr. Chairman, I yield 1 additional minute to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Chairman, I thank the gentleman for the additional time.

Mr. Chairman, taken together with Public Law 91-151, enacted last year, granting the President power to impose selective controls over all forms of credit, this bill would provide the President with all the tools he needs to control this "cost-push" inflation while at the same time restoring healthy economic growth. In this way we will not need to rely on fiscal and monetary actions which places an inordinate burden on those segments of our economy and society least able to bear them.

Mr. Chairman, the passage of this bill is necessary. Its enactment is mandatory if we are to halt or to give the President the chance to halt the present inflationary recession and get this Nation moving again.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan (Mr. GERALD R. FORD).

Mr. GERALD R. FORD. Mr. Chairman, after listening to the remarks of my good friend, the majority leader, I cannot help but feel that in effect he is advocating the need and the necessity for mandatory price and wage controls right now. Such an amendment will be offered so that those who want to cripple the American economy by bureaucracy can vote for it.

I am surprised that the majority party has not taken that initiative, if they think things are in such a dire condition as he has indicated.

Of course, the truth is we are making headway in the fight against inflation. In the last quarter of the calendar year 1970, the record shows that the cost of living has gone up during that period of time approximately 4.6 percent per annum, in contrast to a far greater increase in the cost of living in the first quarter of calendar year 1970. In other words the fires of inflation are cooling off.

In addition, the gentleman from Oklahoma failed to mention that the employment figures show that at the present time we have approximately 1,500,000 more employed now than we had a year ago at this time.

So we are not only making headway against inflation, but at the same time we are keeping employment growing. I cannot help but repeat, as I do occasionally, when the charge of high unemployment in 1970 is made by the Democrats, that the 4.7 percent unem-

ployment last reported in 1970 is considerably less than the average annual unemployment of 6.7 percent in 1961, under a Democratic administration. Democrats do not mention 1962 when unemployment on an annual basis averaged 5.5 percent—or 1963 when unemployment averaged, for that 12-month period, 5.7 percent.

So we are doing really much better than our friends did, during the first 3-year period of a Democratic administration.

I do not recall any speeches about the seriousness of unemployment in 1961 when it was 6.7 percent and in 1962 when it was 5.5 percent and in 1963 when it was 5.7 percent.

We are doing better, and we are going to make continued progress both in winning the battle against inflation and in providing more job opportunities for the American working man and woman.

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

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

Mr. ALBERT. I hesitate to interrupt my colleague, but I think his remarks deserve a comment.

You will recall that the Kennedy administration took over from an economic recession in the Eisenhower administration, whereas the Nixon administration took over from the period of 8 years of continuous economic growth.

The simple fact of the matter is that the increase in inflation under President Nixon's administration is proceeding at a much faster rate than under the last two Democratic administrations.

Under the current Republican administration, after just 18 months in office, inflation, measured in cost of living, has increased 18 points. The inflation rate averaged over 6.1 percent in the first year of this administration, which was 30 percent greater than the worst inflationary rate under the previous administration and more than double the 2.5-percent rate if all previous administration years are averaged.

Mr. Chairman, the facts are obvious, the record is easy to read. President Nixon has given us more inflation, higher interest rates, and tighter money in 18 months in office than we had in the previous 8 years when Democrats were in the White House.

Mr. GERALD R. FORD. Let me respond to the last observation.

From 1964 to January 1969, we had the highest increase in the cost of living during any 4- or 5-year period, than at anytime in the history of the United States—and that was under the previous Democratic administration.

What we are trying to do at the present time is to stop that increase in the cost of living which was generated by, I think, the ill-advised fiscal and monetary policies of the previous Democratic administration.

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

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

Mr. MICHEL. The gentleman from Texas is making a big point about inter-

est on the national debt being at the rate of \$20 billion this year. As I recall, President Kennedy, when he was running for election in 1960, decried the tremendous interest burden of \$9 billion. The economic growth the majority leader talks about also provided an increase from \$9 billion in interest to \$20 billion this year, and I think we ought to take that into account.

Mr. GERALD R. FORD, Mr. Chairman, I think it is recognized by any objective analyst that it was the Johnson policies of the 1960's which created our present economic and fiscal situation, and the continued budget busting in this Congress threatens further economic problems ahead. The remarkable but elementary economic truth which my friends on the other side of the aisle refuse to acknowledge is the timelags which operate in a complicated economy such as we have in this country. The full impact of the massive deficits of 1967, \$8.7 billion, and in 1968, \$25.16 billion, did not come until 1969-70. Then the full effects of the inflationary pressures hit the consumer. It is these deficit-inspired inflationary pressures with which President Nixon had to contend when he took office in January 1969.

The overheated economy fueled by these Federal deficits required cooling down if an effective damper was to be placed on inflation. Unlike the previous administration, the Nixon administration has had the courage to take measures designed to provide a transition from an inflationary economy to one of sustained and stable growth. Controlling inflation, however, could not be accomplished without some slowdown in the economy.

This moderate slowdown in the economy was necessary only because of the consistently inflationary policies pursued by Democrats while they controlled both the Congress and the administration. The economic slowdown naturally produced a revenue shortfall, which was a major factor in the budget deficit in fiscal year 1970.

The slowdown in the economy has now bottomed out and as George Shultz, Director of the Office of Management and Budget, pointed out on Wednesday the emphasis of the administration is now on moderately expansive economic policies.

It should also be noted that signs of strengthening in the economy have been overlooked in the comments of my Democratic colleagues. For example, the Bureau of Labor Statistics noted on July 29 that quits—an indicator of availability of jobs—and new hires—which reflect manpower adjustments to production changes—increased in June, and that layoffs declined significantly.

A truly remarkable aspect of the final figures concerning the fiscal year 1970 budget outlays is that, despite the \$1.1 billion Federal pay rise, increased interest on the national debt, and other increases in "uncontrollables," expenditures were held \$1.1 billion below the budget estimates. This clearly demonstrates the administration's commitment to economy and responsibility in fiscal affairs.

Earlier the administration had demonstrated its commitment to economic stability by sharply reducing the fiscal year 1970 budget which it inherited from President Johnson by \$7.5 billion. Whereas in the 3 years before the Nixon administration took office, Federal spending rose an average of 15 percent per year, the Nixon administration slashed the rate of increase in half, to 7 percent. In fiscal year 1971, the proposed budget would cut the rate of increase in spending in half again.

One of the most shocking aspects of Democratic remarks on Wednesday were that they came on the heels of another budget-busting action by the Democratic-controlled Chamber. Absent was any concern about deficits, as Members from the other side pushed through an independent offices-HUD appropriation which is \$541 million over the President's budget.

To set the record straight as to why administration officials and persons on the Republican side have warned about budget-busting actions of this session of the Congress, I should like to read two summary statements in staff report No. 8 of the Joint Committee on Reduction of Federal Expenditures chaired by the able gentleman from Texas:

Budget outlays for fiscal 1971: House actions to July 28, 1970 on all spending bills—appropriations and legislative—have added a net of \$3,105,063,000 to the President's total estimated outlays for 1971.

Budget receipts requested by the President for fiscal 1971 requiring Congressional actions total \$4,622,000,000, House actions to July 28 on revenue proposals total \$708,000,000 (including a net of \$173,000,000 not requested for fiscal 1971 by the President) leaving a balance of \$4,087,000,000 additional revenue increases required to meet the President's revised fiscal 1971 budget requests.

If these trends of spending more and taxing less continue, we run a real risk of rekindling the inflationary pressures all over again.

In conclusion, I should like to read a table showing Democratic budget deficits in the 1960's which total \$57 billion, to be placed in the RECORD following my remarks:

Government deficits	
[In billions]	
1961	-\$3.406
1962	-7.137
1963	-4.751
1964	-5.922
1965	-1.596
1966	-3.796
1967	-8.702
1968	-25.161
1969	+3.2

Mr. PATMAN, Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Missouri (Mrs. SULLIVAN).

Mrs. SULLIVAN, Mr. Chairman, the first thing I want to say is that the distinguished minority leader used some incorrect facts concerning the Kennedy and Johnson administrations. They will be corrected by our side of the aisle shortly, but I do not want to do it on my time.

Mr. Chairman, the legislation now before the House is one of the most important measures we are required to consider. It extends for 2 years the life of

the Defense Production Act of 1950, which contains the basic authority to the President to take necessary steps during national emergencies for the production of essential military and civilian materials, and to monitor the needs of the economy in meeting unexpected future defense requirements.

So it is by no means a routine bill. The programs this bill would continue in operation, or on standby, are as fundamental to our national safety and well-being as our Military Establishment itself. The military program is dependent upon the availability of minerals, metals, power, and other production requirements that the Defense Production Act can assure are on hand when needed.

Very few Americans are aware of the existence of this law or the programs which function under it, because it does not touch very heavily on day-to-day activities of the average citizen. But in case of dire national emergency, we would all suddenly become aware of this law's existence and of its importance. Hence, it is a foregone conclusion that H.R. 17880 will pass the House. The question before us today is whether we merely extend the present law without change, or add to it several extremely important new provisions recommended by the House Committee on Banking and Currency.

One of those deals with the establishment of a five-member Cost Accounting Board to recommend methods of achieving, for the first time, uniformity in the accounting practices used by defense contractors, in order to enable the Congress and the American people—and the Defense Department, too, I might add—to know what procurement items really cost. For the fact is that business uses so many different methods for figuring unit costs, and profit and loss, that no one—no one—truly knows whether the Government is getting materiel at a fair price or is being gouged and cheated. This is an intolerable situation, and one which has been repeatedly called to our attention by Government officials who believe the taxpayer is entitled to receive fair return for his tax dollar. No one has been more eloquent, or more straightforward, in exposing this problem than Vice Adm. Hyman G. Rickover, who has been one of our best witnesses on this issue.

#### NEED FOR UNIFORMITY IN THE ACCOUNTING PRACTICES

Mr. Chairman, of all the groups appearing at the hearings on cost-accounting standards, only a few industry associations expressed opposition to the idea. I direct my remarks to that opposition.

In evaluating any testimony, one should consider some important differences. First, one should consider whether the testimony is based on evidence or whether it reflects nothing more than unsupported opinion. Second, of the testimony that reflects opinion only, one should consider whether or not it is knowledgeable.

Testimony by the Comptroller General is based upon a research study which, through a questionnaire, went directly to industry representatives who are intimately engaged with accounting matters in their daily work. Responses were received from over 1,000 contracting units

or companies representing large and small contractors and a reasonable sampling of other nondefense companies. In many cases, the questionnaires indicated that they had not only been prepared by experienced company accountants but had also been reviewed by executives much concerned with the implications of possible cost-accounting standards.

The returned questionnaires were received and summarized by an independent research team. There was no way in which pressure could be brought to bear, either directly or indirectly, upon the recipients of the questionnaires. The anonymity of respondents, insofar as the GAO is concerned, is secure; only the research team knows which contracting units and companies replied or how they answered the questions.

If you read the research team's report, which was appended to the GAO feasibility report, you will find there is emphasis on a balanced presentation, one which gives not only the categorical answers to the questions asked but also lengthy and verbatim excerpts from the narrative answers.

The conclusions in that report of the research staff are clear. They found the questionnaire answers responsive to the purposes of the feasibility study; they found that the large number of contracting units and companies responding did not reject out of hand the notion of cost-accounting standards but, on the contrary, showed substantial sympathy, directly and indirectly, for the establishment of such standards. Overall, this research staff, based on the firm evidence provided by the questionnaire, which was answered anonymously by practicing industrial accountants, found the establishment of cost-accounting standards to be feasible. I believe great reliance can be placed on such evidence.

I fail to observe such objectivity and balance in the opinions of the industry associations who criticized the GAO position at the hearings. Much of their testimony constitutes, not evidence, but unsupported opinion. How many of those testifying had experience in cost accounting? How many made any effort at all to get in direct contact with experienced, practicing cost accountants? How many of them solicited information on a wide scale with anything like the care and independence of the GAO study? I do not think many did.

I contend that the approach followed by the GAO, that of going directly to those most experienced with the subject, provides a far better basis for conclusions about the feasibility and the need for cost-accounting standards. In my opinion, legislation on cost-accounting standards is both needed and essential and should be approved today.

#### STANDBY ECONOMIC CONTROLS

The other major change which would be made in the Defense Production Act by H.R. 17880 as reported by the Committee on Banking and Currency would write into the law standby powers—I repeat, they are discretionary, standby powers—to the President to stabilize, for a very limited period, extending only to

next February 28, any prices, wages, rents, or salaries at a level no lower than those prevailing on May 25, 1970. This is the most controversial provision of the bill. It was approved in committee on a party line vote, but I sincerely hope that it can be considered here today, as it was in our hearings, on its merits and without regard to politics. Perhaps that is too much to hope.

We would not be freezing any price or any wage or any salary or any rent by enactment of title II of H.R. 17880. It is extremely likely that if the authority provided to the President in title II is enacted, it would not be used between now and next February 28. This has been offered as a reason for not passing title II. I do not think it is a valid reason.

The question we should be concerned about today is not whether Democrats or Republicans would profit or lose politically in the coming November elections from adoption of title II of this bill, but whether prudence and good sense and patriotism and a decent respect for the economic safety and well-being of this Nation require the placement in the hands of the President of all of the people of this country the powers a President of the United States deserves to have in order to protect this country from uncontrolled inflation.

#### VAST POWERS ALREADY GIVEN PRESIDENT IN CREDIT AREA

This Democratic Congress has already provided our Republican President with the greatest powers any President has ever had in our entire history to control any and all forms of credit. We did that last December. We did it over the President's objections. He said he did not want the power. He said he would not use it. Nevertheless, he has it. And the Chairman of the Federal Reserve Board, Dr. Arthur Burns, who was President Nixon's closest adviser on economic issues at the time that law was reluctantly signed by the President, has told us since he became Federal Reserve Chairman that he is extremely glad that such credit control authority now exists under law. I think the President should have used his selective credit control powers selectively and judiciously at various times since last December 23 to curb the excessive uses of credit which have raised interest rates to unconscionably and unbearably high levels. But it has been the President's decision not to use those powers, and he has the right to make that decision under the law we passed.

Similarly, under title II of this bill, he could use or not use—as he deemed the circumstances demanded—the other standby selective economic stabilization powers proposed in this legislation. The administration seems to believe the inflation danger has been overcome. Most of us do not agree. The wholesale price index reported yesterday shows continued heavy inflationary pressures at work. Some commodities are acting with great volatility. Wage contracts coming up for renewal in many major industries certainly do not give reason to expect any reduction in wage levels. If anyone in this House feels competent and qualified to predict the course of the inflationary pressures in the next 7 months,

he has a crystal ball most of the rest of us know we do not possess.

#### DO WE DISTRUST THE PRESIDENT TO USE PATRIOTIC GOOD SENSE?

Mr. Chairman, I do have deep respect for the office of the President, and I am willing to trust the President of all of the people to take courageous steps in the national interest when our national survival or economic safety depends upon it. We give to our President alone the power to use nuclear weapons; only the President has that power. What greater and more solemn responsibility could any man have, involving the life of every man, woman and child on this earth?

I am also willing to trust the same individual to have the power—when necessary—to roll back the price of essential civilian and military supplies to the far from depressed levels of May 25, 1970, if the national needs of this country so require—if that is necessary to stop an inflation spiral, or prevent the collapse of the dollar. No President has had equivalent power since June 30, 1953. As a Democrat, but more importantly as an American who loves her country, I am willing to give that power now to a Republican President.

This is not a new political judgment on my part. I have not been newly persuaded as part of some sort of political conspiracy—or, to use the colorful imagery of the minority report on H.R. 17880, an "election year squeeze play" or "devious Democratic demagogery"—that it would be a good "political gimmick" to saddle a reluctant Republican President with more economic power than he intends to use in order to berate him at election time for not having rolled back prices.

#### SUPPORT FOR SENATOR CAPEHART'S ATTEMPT TO SAVE STANDBY CONTROLS IN 1953

Mr. Chairman, I was one of a very few new Democratic Members of the House of Representatives to come to Congress in the same month that General Dwight D. Eisenhower took office as President of the United States in January 1953. We were then involved in the Korean war, and we had controls in effect over prices, wages, salaries, and rents. These controls had been among a series of programs instituted in the Truman administration to halt the tremendous inflationary surge which had begun with the start of the Korean war in June 1950, modified a bit after the successful Inchon landing led by General MacArthur, in September, and then expanded into a frightening spiral when the Communist Chinese poured across the border into North Korea, and our troops were forced far down into South Korea.

The Defense Production Act was enacted in September 1950, but the controls were not put into effect until late in January 1951. Once they were imposed, the inflation was stopped, and prices fell. The controls played a very important part. They served notice that the Government was not willing to stand aside and let prices, wages, salaries, and rents skyrocket in response to individual decisions of millions of Americans looking out primarily for themselves alone.

President Eisenhower chose to terminate most of these controls during his

first month in office. He just ordered them stopped. He then opposed legislation to extend the power for price, wage and salary controls beyond June 30, 1953. I thought that was a terrible mistake—not in terms of a 1953 crisis, but in terms of the country's future preparedness against renewed inflation danger. The Republican chairman of the Senate Banking and Currency Committee, Senator Capehart of Indiana, who had been strongly opposed to the principle of controls when in the minority, attempted to keep in the Defense Production Act the power for standby economic controls after June 30, 1953. But President Eisenhower gave him no encouragement on this legislative objective, and, in fact, opposed it. As a freshman Member of the House, I supported the Capehart proposal for standby controls. But in the absence of administration support, Senator Capehart finally surrendered on the issue.

Ever since then, I have felt that we should have standby economic powers in our basic defense mobilization statute—the Defense Production Act. But this is the first time we have succeeded, in all of the years since 1953, in having standby powers other than credit controls approved in committee and recommended to the House as part of the Defense Production Act. I am sorry the effort now is related directly to the fact that we are in an inflationary crisis. I think it would have been far better to have enacted these powers during a period of relative stability in the economy. But we have guarded in this bill against the possibility of having the bill itself set off further inflationary demands by setting a rollback date to last May—so that anyone who planned to increase prices in expectation of a price freeze would be on notice that a price increase in anticipation of controls could be set aside under this legislation.

PEOPLE ARE EMBITTERED BY CONTINUED  
INFLATION

Mr. Chairman, the Members of this House all know how angry, how bitter, how frustrated, their constituents are today over the constantly increasing cost of living. Wage agreements now coming up for renewal must, of necessity, call for substantial increases in hourly rates just in order for the workers to stay even with living cost increases. If we stand helplessly by, and provide no machinery for coping with inflation, we invite much worse inflation.

Passage of title II of this bill, providing discretionary powers over prices, wages, salaries and rents, when added to existing credit control powers, would serve notice that this Nation has the full ability to protect its people against worse inflation. We will have done all that is within our own power to do as Members of Congress to combat a price and wage spiral, just as we did all in our power as Members of Congress last December to combat interest rate inflation. We can give the President the necessary tools. Whether they are used must be his decision. He is fully capable of defending himself against political attack for what-

ever decision he chooses to make in this regard. But if we refuse to provide him the standby powers a President should have in reserve against national economic disaster, what defense can we give for our inaction?

Last December, when we passed the standby credit control legislation, many Members raised the same objections which are now being raised to title II of this bill. Events since then have shown that the Republic did not tumble, the President did not panic, and the decision we made has been fully endorsed by outstanding conservative as well as liberal economists.

Interestingly enough, some of the Members who voted against giving the President the credit control powers last December are now calling upon the President to use those powers to reduce high interest rates. I, too, believe he should use them. But the question we decided in December on credit controls, and which we must decide now on other types of direct economic controls, is merely whether to have the powers in existence, not when they should be used. We will be out of session during much of the time between now and next February 28. It would not be a simple matter to pass the necessary authority if suddenly needed late this year. Let us do it now, and hope it does not have to be used at all.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentlewoman from New Jersey (Mrs. DWYER).

Mrs. DWYER. Mr. Chairman, one of the most significant features of the pending bill, the extension of the Defense Production Act, provides a method for establishing uniform cost-accounting standards for defense contractors. This is also, I believe, a rather misunderstood feature of the bill.

As one member of the Committee on Banking and Currency, I want to make it absolutely clear that I favor uniform cost accounting standards in the defense contracting field, and I have supported this objective for several years. It has become painfully evident in recent years that the absence of uniformity and consistency in the cost accounting practices of defense contractors has made it all but impossible to determine accurately whether the costs claimed by contractors are fully justified. This difficulty has contributed to the huge cost overruns reported by a number of defense manufacturers in connection with Government procurement of various weapons systems. I wholeheartedly agree with Admiral Rickover, for whom I have the greatest respect, that Congress must act to tighten up the accounting loopholes through which so much of our limited Federal resources seem to be slipping. I am also convinced that the bill, as reported by our committee, can result in the establishment of effective uniformity in such cost accounting standards.

Some critics, Mr. Chairman, have contrasted unfavorably the cost accounting standards provisions in our committee bill with the similar provisions in the bill recently approved by the other body. While one can argue that one method

of establishing uniform cost-accounting standards may be superior to another method, I believe that in our present case the net effect of the two versions would be pretty much the same. The two provisions differ only in degree, not in purpose.

Both the Senate-passed bill and our committee bill would establish a five-member cost accounting standards board which would develop cost accounting standards designed to achieve the necessary uniformity in the cost accounting practices of defense contractors. The principal difference between the two bills relates to the manner in which Congress would review these standards prior to their promulgation. Under the Senate bill, the standards recommended by the board would become effective if after 60 days Congress failed to pass a resolution rejecting the proposed standards. In the committee bill, the standards recommended by the board would be submitted to Congress and implemented by specific legislation.

In my personal judgment, the procedure to be followed under the committee bill would be preferable. The committee bill, for example, requires the board to recommend its standards no later than June 30, 1971, whereas the Senate bill has no such deadline for board action. Second, the committee bill would permit Congress to exercise its own judgment on the individual standards recommended by the board, whereas the Senate bill would limit Congress to a choice of either accepting the standards completely or rejecting them in their entirety.

In view of the acknowledged difficulty in devising standards applicable to all defense-oriented industries, I believe Congress should reserve for itself the right to judge the final product in all its detail, especially since the standards will have the full power and effect of law. Otherwise, Congress would be abdicating a substantial part of its lawmaking authority to an independent, nonelected board.

In taking this position, Mr. Chairman, I am acting on the assumption that the committee bill and the Senate-passed bill indicated that the Congress is at last ready to act effectively to assure the efficiency of defense procurement practices. I do not believe we can afford any unnecessary delay in establishing the proposed cost accounting standards board or in acting upon their recommendations when the board has completed its work. In view of the substantial effort which has already been made in determining the feasibility of applying uniform cost accounting standards to defense contracts—and I refer to the report of the Comptroller General on this subject which was authorized by the 1968 extension of the Defense Production Act—the period of time provided in the committee bill for the board to formulate its recommendations would appear to be adequate.

As the committee's report points out, more than 86 percent of total defense procurement in the fiscal year 1969, \$36 billion, were spent on negotiated defense

contracts. Since competitive pricing conditions do not govern when contracts are negotiated, the usual pricing restraints of the competitive marketplace are not fully operative. In such a situation variations in cost accounting practices lead to differences in prices and costs which can be substantial and inequitable. Clearly, Congress and the Federal Government have an obligation in this period of high defense spending to minimize as much as possible such inequities and the substantial losses to which they can lead.

Mr. PATMAN. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Wisconsin (Mr. REUSS).

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

Mr. REUSS. I yield to the gentleman from North Carolina.

Mr. TAYLOR. I thank the gentleman. Mr. Chairman, 6 weeks ago I sent a questionnaire to all boxholders in the 11th Congressional District of North Carolina. I received 15,000 replies.

The first question was:

Do you favor the Administration's policy of tight money and high interest rates to fight inflation?

The reply: 41.7 percent said "yes" and 58.1 percent said "no."

The second question was:

Do you favor Government control of prices, wages and credits to stop inflation?

The reply: 57.2 percent said "yes" and 42.8 percent said "no."

The point is that the majority of those answering saw a need for legislation of this kind.

Mr. REUSS. I thank the gentleman from North Carolina. The findings of his constituents, which he has just presented for the RECORD, I might say, are in complete accord with the view expressed in congressional district after congressional district, that the great majority of our people are sick and tired of inflation and that they are willing to accept price-wage controls in order to stop it in its tracks.

Indeed, in the congressional district represented by the distinguished gentleman from Pennsylvania (Mr. JOHNSON) he reported that some 69 percent of his constituents favor wage-price controls.

Inflation is not getting better; it is getting worse.

Inflation continues its inexorable way upward. This week the Labor Department reported that for July the wholesale price index rose five-tenths of 1 percent, to an index number of 117.6 over the 1957-59 average of 100, a 3.8-percent increase over a year ago. This contrasts with a wholesale price index of virtually no increases in March and April, and an advance for May and June of only two-tenths of 1 percent per month. On a seasonally adjusted basis, the index rose three-tenths of 1 percent, contrasted with an increase of only one-third of that, one-tenth of 1 percent for June.

The increase is worst in farm products, tires and tubes, machinery and equipment.

Meanwhile, the Consumer Price Index has been rising at an annual rate of over 5 percent.

Not only are the administration's anti-inflationary policies not working, they have produced an alarming increase in unemployment to more than 5 percent of the work force, a stagnation which means that we will lose around \$50 billion of goods and services this year which never will be produced, a sharp selloff in the stock market, and a liquidity squeeze.

The lesson from history, particularly in the late 1950's, is that economic policies which rely exclusively on fiscal and monetary measures, such as the administration's, lead to unjustified price increases in the concentrated industries long after general demand has slackened off. In steel, in automobiles, in tires and tubes, in machinery, in aluminum, in oil and chemicals, and in many other industries where prices are frequently set by a few producers rather than by the atomized action of many, prices and wages can be counted upon to continue to rise. This is so because the concentrated firms, apprehensive of lessened profits, are able to increase their prices in an effort to maintain profits. The recent testimony before the Joint Economic Committee of Dr. John Blair makes this clear. I shall insert his testimony following my remarks.

The President has recently set up a Productivity Commission. It contains representatives of the Government, of labor, and management. Its avowed aim is to attempt to work out noninflationary price-wage policies.

The position of labor in such negotiations is clear and understandable. Labor cannot fairly be asked to accept wage restraints at a time when prices, salaries, rents, and everything else go uncontrolled.

Title II of the bill before us gives the President the power to put a temporary freeze on wages, prices, salaries, and rents. The language is identical with that used in legislation in both World War II and the Korean conflict in order to enable the President to deal with inflation. Under title II, the President would have the power, through next February, to impose ceilings, either general or selective, on any of these components to eliminate unjustified increases which may have been put into effect after the bill's introduction on May 2, 1970. Such ceilings may be fixed at levels no lower than those prevailing on May 28.

It is envisaged that the President, if he elects to use the power which title II would give him, would impose a freeze for not more than 2 or 3 months—the time required to work out with labor and management a noninflationary incomes policy to hold the line over the next difficult year or two.

Such a short-term temporary freeze would require no large bureaucracy. Since commodities are not in short supply, it would not require the rationing apparatus which proved so oppressive in earlier periods. By promoting stability, and by the power to use a ceiling date as early as May 28, the administration

would be in a position to protect the good citizen who has maintained reasonable stability in recent weeks, as against the profiteer who has attempted to get an advantage for himself.

Congress cannot itself legislate a price ceiling. Only the executive branch can decide on the timing, possible exceptions, equity provisions, and removal of the ceilings.

The Congress, by its willingness to give the President these powers, assumes an equal share of the responsibility.

The need for title II was dramatized at our hearings by testimony in its favor by Kenneth Galbraith, who was in charge of price control during World War II; by Gov. Michael DiSalle, who handled the problem during the Korean period; and by former Under Secretary of the Treasury, Robert Roosa. The AFL-CIO testified in its favor, on the understandable ground that across-the-board burden sharing is the only fair way to fight inflation.

Last December, this Congress gave the President another necessary tool of inflation control—the power to impose selective controls on credit, so that our scarce credit resources would not be squandered on unnecessary plant and equipment, inventory accumulation, conglomerate takeover financing, and foreign investment adventures, and could instead be channeled to where it is needed—places like housing, State, and local government, and small business. The President has declined to use the authority thus given him. Had he done so, much of the present liquidity squeeze could have been avoided.

Title II seeks to give the President power to deal with wage-price, cost-push inflation, just as last December's credit control legislation sought to give him power to combat credit inflation.

It is up to Congress to give the President the tools he needs to combat inflation. Title II is a way to do this. Its use can bring inflation under control, without increasing unemployment and causing the economy to stagnate.

Dr. Blair's statement follows:

STATEMENT BY DR. JOHN M. BLAIR, HEARINGS OF THE JOINT ECONOMIC COMMITTEE, JULY 14, 1970

Mr. Chairman and Members of the Committee, the proposition to be examined here is that the price structure is composed of two different types of prices: one consisting of prices which change frequently, react to an economic downturn by declining and are generally responsive to changes in supply and demand; the other consisting of prices which change only infrequently, react to a downturn by either remaining relatively stable or actually increasing, and in short are not responsive to changes in supply and demand; and further that the former type of behavior is characteristic of unconcentrated products while concentrated industries tend to display the latter type of behavior. Obviously, to the extent that this proposition is valid, measures designed to reduce overall demand, whether monetary (reductions in the money supply, increase in interest rates) or fiscal (increase in taxes, reductions in government expenditures), can be expected to result in price reductions in the unconcentrated, flexible-price areas but not in the concentrated inflexible-price fields.

The proposition can be examined by analyzing the price movements of broad groups of commodities and of individual products. Particularly important are differences in price behavior during economic recessions, of which there have been three since World War II—the recessions of 1948–49, of 1953–54 and of 1956–58. The first part of this presentation will examine the movements of groups of commodities, differentiated according to their frequency of price change, over the period, 1947–58, which encompasses each of these recessions. The second part consists of an analysis, covering the same period, of pairs of products which are subject to much the same changes in demand but differ markedly in terms of both the level of concentration and the frequency of price change. In the third part an effort will be made to ascertain whether the differences in price behavior, as revealed in the earlier recessions, are repeating themselves in the current year.

#### THE B.L.S. "QUINTILE" STUDY

Information on the price trends of product groups, classified according to their frequency of price change, is available in a special report prepared by the Bureau of Labor Statistics.<sup>1</sup> In the study each of 1,789 products in the Wholesale Price Index was classified according to the frequency of the products' price changes during the 3-year period, 1954–56; these represented all of the 1,900 products in the Index with the exception of certain items whose prices are secured on a confidential basis, certain seasonal products, and a few items for which the price series obtained by the Bureau of Labor Statistics was not suitable for the purpose of the study. The distribution of the products into five categories or "quintiles," according to the frequency of change, was as follows:

Flexibility group (quintile)	Number of price changes	Number of products
I.....	0 to 2.....	370
II.....	3 to 4.....	308
III.....	5 to 7.....	405
IV.....	8 to 14.....	355
V.....	15 to 36.....	350

Since the Bureau of Labor Statistics computes its price series on a monthly basis, the greatest possible frequency of change was 36; an example is natural rubber, which during the 3-year interval had 36 changes, of which 14 were decreases and 22 were increases. At the other extreme were products which had no price changes at all during this period, of which synthetic rubber is an example. As compared to the periods used in similar studies, which embraced both sharp downswings and upturns, the 3-year period used in the Bureau of Labor Statistics study for classifying the products was one of relative stability in the economy as a whole and in the price structure. Hence, it is not surprising that most of the products have a relatively low frequency of change. Only one of the five classes, or quintiles, can properly be rated as "flexible" in the usual and traditional sense of the term. This is quintile 5, which consists of products having 15 or more price changes in the 3-year period. In order to determine whether price trends of flexible products have been different from inflexible price products the movement of quintile 5 can be compared with the movements of quintiles 1 and 2, the former having 0 to 2 changes and the latter, 2 to 4. By virtually any standard the products in these two quintiles can be regarded as highly inflexible.

Chart 1 shows the trend from 1947 to 1958 for each of these five groupings of the 1,789 commodities. The period encompasses three economic downturns, those of 1948–49, 1953–54, and 1956–58. During the first the Federal

Reserve Board's index of industrial production for manufacturing dropped by about 6 percent; during the latter two fell by 7 percent.<sup>2</sup> Under virtually any definition all three would thus qualify as "recessions".

During the first two downswings a comparison of the behavior of the least flexible groups with that of the most flexible is a study in contrasts. During 1948–49 stability in quintiles 1 and 2 contrasted with a pronounced decline in quintile 5. In 1953–54 the flexible group again recorded a noticeable decrease, but this time the two inflexible groups actually moved upward, repeating this anomalous behavior in 1956–58. Although these upward movements were of limited magnitude, any increase in price during a recession is significant. During the last downswing the most flexible group also moved upward, a form of behavior which was in sharp contrast to its movement during the two preceding recessions. The explanation is to be found in the composition of quintile 5, itself. Nearly two-thirds of the weight of this grouping was made up of farm products (35.6%) and processed foods (28.8%). Apart from marginal operators the farmers who have come to account for the bulk of agricultural production closely resemble in their operations small manufacturers in a typically competitive industry. Both are essentially fabricators; the small manufacturer buys raw materials and semi-finished products; the farmer buys fertilizer, fuel, seeds, insecticides, and other supplies. The manufacturer uses tools and machinery of one type or another to fabricate the materials into finished products; the tools of the farmer are agricultural machinery which requires a substantial capital investment. Both employ hired labor forces and for their outside financial requirements both operate largely on the basis of borrowing from commercial banks. But perhaps the most important similarity is that no single enterpriser, or even small groups of producers, in either farming or the typical competitive industry has a sufficiently large share of their product's total output to be able to significantly affect the price.

For a short-term period, there is, however, one important difference; the output of the farmer (and thus his price) is more directly and severely affected by influences over which he has no control. Of these the most important is the weather which was one of the factors responsible for an increase in farm prices in 1958. According to the Department of Agriculture, "freeze damage brought smaller supplies and higher prices for vegetables in the first half of the year and for citrus fruits."<sup>3</sup> It was also a year of reduced supplies of both hogs and cattle: "Prices of hogs and cattle are substantially higher this year (1958) than last, reflecting reduced marketings of meat animals."<sup>4</sup> Finally, the 1958 downswing had little effect on the demand for food: "Consumer incomes were well maintained, and sales at retail food stores in the first nine months of the year averaged 6 percent above the same period of 1957."<sup>5</sup>

Another apparent anomaly is the relatively limited magnitude of the increase, both over the entire period and its three stages, by the least flexible group. Again the explanation is to be found in its composition. Nearly half of the weight of quintile 1 was made up of two commodity groups—textile products and apparel (16.6%) and chemicals and allied products (22.7%). Many apparel items are sold on a "price-lined" basis, with competitive rivalry taking the form of changes in quality rather than price. Although recently improved the price indexes for chemicals have for years been regarded as the weakest series in the B.L.S. wholesale price index. Because of their conspicuous failure to reflect changes shown by "realized" prices, the chemical series have simply been excluded from studies of price flexibility based on the B.L.S. indexes. At the same time it

appears that at least some segments of the chemical industry have been experiencing an intensification of price competition, which of course would act as a restraint upon price increases.

An interesting comparison is provided by a contrast of quintile 2 with quintile 4. Although not at the extremes, the difference in flexibility was significant; products in the former experienced only 3 to 4 changes during 1954–56 while those in the latter group had from 8 to 14. What makes this comparison significant is not only its avoidance of the unusual problems inherent in the farm and food products of quintile 5 and the apparel and chemical products of quintile 1 but the similarity in their composition. Of the total weight of all products in quintile 2 41.8 percent is made up of the two commodity groups: metals and metal products and machinery and motive products; in quintile 4 the proportion represented by these two groups is 43.8 percent. In both, the remainder was widely dispersed among other commodity groups.

As can be seen from Chart 1 [chart not printed in Record], the relative stability of both quintiles 2 and 4 in 1948–49 had by 1953–54 given way to a divergence in behavior. A clearly discernible decline in the more flexible group was accompanied by a definite upward movement in the less flexible class. Again, during the 1956–58 downturn quintile 2 moved steadily upward, while quintile 4, after rising in 1957 fell back in the following year.

As is invariably the case, the brunt of each of the three downswings fell on the durable goods sector. The output of durable goods fell 10% in 1948–49, 11% in 1953–54, and 14% in 1956–58. Because of the greater reduction in demand the trend of the different quintiles within durable goods is of greater significance than their behavior in terms of all commodities.

The behavior of the most flexible group in durable goods is consistent. In each of the three downswings quintile 5 registered a noticeable decline. In contrast, the adjustment of the two inflexible groups took the form of a slight upward movement, which was particularly noticeable in the case of quintile 2. Thus, within the sector of the economy most severely affected by a recession the price behavior of the most flexible product grouping, in terms of frequency of change, accorded perfectly with the expectations of classical theory. But the behavior of the least flexible groups was inexplicable under either classical theory or more recent theories of monopolistic competition since under the latter the expectation would be, not that oligopolists would raise prices, but that they would merely abstain from cutting them.

It is recognized that the B.L.S. study contains no data on concentration and therefore cannot be cited as evidence of a relationship between concentration and any particular type of price behavior. Nonetheless, the showings of limited amplitude of change during downswings on the part of products with low frequency of change is in accord with accepted theories of monopolistic competition, which suggest that during periods of falling demand oligopolistic prices will tend to be rigid in terms of both frequency and amplitude. The reluctance of each oligopolist to make a price reduction because of his expectation that it would immediately be matched would imply that in such industries prices would be changed only infrequently and the amount of the change would be limited. This inhibition (and the ability to implement it through the control of output) would of course not be present in unconcentrated industries where a falling off in demand would presumably be accompanied by falling prices; the price changes, in other words, would be both frequent in number and extensive in amplitude. These theo-

Footnotes at end of article.

retical expectations are indirectly reinforced by empirical findings that during the great depression of 1929-32 frequency of change was directly related to amplitude and that amplitude was directly related to the level of concentration.<sup>6</sup>

PRODUCTS WITH COMPARABLE DEMAND

A more direct way of ascertaining the effect of concentration on price behavior is of course to determine the statistical relationship between the two in terms of individual industries. For the Great Depression Means found a "rough relationship" between the share of the industry held by the four largest companies and the amplitude of price change between 1929 and 1932.<sup>7</sup> In arriving at this finding Means had eliminated industries which failed to meet standards that he regarded as necessary for a meaningful analysis: industries such as bakery products sold principally on the basis of local or regional rather than national markets; industries such as meat-packing with a narrow margin between the cost of materials and the value of shipments; and industries, such as chemicals, for which the B.L.S. wholesale price series appeared to be clearly inadequate.

The study has been criticized as statistically inadequate and theoretically irrelevant. The statistical criticism centers on the oft-cited alleged shortcomings in the B.L.S. price data, a matter which is examined at greater length in Appendix A. Here it may briefly be noted that comparisons between B.L.S. and Census "realized" prices (which reflect all discounts and concessions) reveal, with some exceptions, a remarkable similarity in the direction and extent of change; <sup>8</sup> that using the B.L.S. data to analyze price inflexibility is invalid only if unreported changes in discounts and concessions are assumed to be relatively more important in industries of high than of low concentration—an assumption which flies in the face of their known prevalence in such unconcentrated fields as apparel and lumber; and that the criticism loses most of its force when prices are being raised, since it taxes credulity to assume that at the very time when producers are increasing their reported prices they are simultaneously granting further discounts and concessions.

The last consideration is of particular relevance at the present time. Prof. George I. Stigler has recently been quoted in the press as saying: "I am absolutely confident that there has been extensive price cutting during the slowdown of the past six to eight months; but these cuts have not showed up in the government's WPI."<sup>9</sup> Prof. Stigler's "conviction" would have a considerable

measure of plausibility if reported prices were being maintained at relatively stable levels. Under such conditions it is easy to visualize that under a facade of unchanged quoted prices producers are actually scrambling for business by offering greater discounts and concessions. It is much more difficult to visualize that this is taking place when the reported prices are being raised, which, as will be brought out later, is exactly what is happening in many concentrated industries. A more logical assumption would be that producers who are raising their reported prices would accompany this effort to increase revenues by narrowing their discounts and concessions.<sup>10</sup>

The theoretical criticism centers on differences in the postponability of demand. Thus it has been held that the ability of the buyer of an automobile to postpone his purchase results in the adjustment to a downswing taking the form of a reduction of output rather than price. In contrast, it is to be expected that the production of nonpostponable items, such as food, will be maintained, with the adjustment therefor falling on price. But, as Ralph C. Wood observed: "Two very different points are involved in this argument. To assert—with much justice—that durable goods frequently attain high inelasticities of demand in times of depression is not to explain why the individual producer has to concern himself with what the market as a whole, or any appreciable portion of it, will take. . . . Under pure competition the individual seller is not directly concerned with the elasticity of demand of the whole market; at the market price which he views as given and as something over which he has no control, demand for his product is perfectly elastic."

Wood concluded by observing that the argument does ". . . provide a very useful suggestion as to why price policies in certain industries are what they are; but they do not show how it comes about that an individual seller is able to have a price 'policy'."<sup>11</sup>

The argument can also be met empirically through a comparison of the price behavior of different products which are similarly affected by expansions or contractions in demand but which differ greatly in the control of the market, as reflected by the level of concentration. Such an analysis is presented here for 16 pairs of products. While both members of each pair are subject to much the same changes in demand, one member is a concentrated, inflexible-price product; the other is an unconcentrated, flexible-price product. In order to make a comparison between products which differed in terms not only of concentration but also in terms of frequency of change, the products were

drawn from the B.L.S. "Quintile" study. Since the only really flexible group in the B.L.S. study is quintile 5, the starting point in drawing the comparisons was the products in that group. Inasmuch as nearly half of its products (accounting for nearly two-thirds its value) are farm products and foods and there are few such products in the other quintiles, this limitation imposed a severe limitation on the numbers of comparisons which would be developed. To this initial limitation certain other restrictions have been added in order to make the analysis more meaningful:

(a) Comparisons are made only where the insensitive product had 4 or fewer changes in the 1954-56 base period (i.e. products in quintiles 1 & 2).<sup>12</sup>

(b) Because of their known past inadequacies, no use has been made of B.L.S. price series for chemical products.

(c) No comparisons were made involving products typically sold on a "price-lined" basis.

The one further step is the determination of which products are subject to reasonably comparable demand forces. Here the test was not whether one product was an exact substitute for another, although in several instances (e.g. the comparison between pig iron and steel scrap) such was the case.<sup>13</sup> Rather, the concept employed is whether the products used in a given comparison are subject to the same general expansions or contractions in demand.

For a few of the flexible-price products concentration ratios were not available, but it is known that their level is relatively low and in each case well below the inflexible products with which they are compared. The use of copper and brass as market-price products is based on a number of unusual circumstances. While concentration is relatively high for domestic copper refining, the available domestic concentration ratios in the past substantially overstated the actual control of the market. These commodities were sold on the world market during the period surveyed, and their prices were immediately responsive to international developments. Also the available concentration figures ignore the ever-growing role played by secondary metals, which unlike steel scrap, are not subject to rust and thus tend to be a perpetually increasing source of supply. In the case of brass, these competitive factors are reinforced by the activities of custom smelters who, operating on the basis of a fixed margin between the ore price and the refined metal price, are comparatively indifferent to the level of prices.

The concentration and price data for the 32 products involved in the analysis are shown in the following table:

16 PAIRS OF PRODUCTS WITH COMPARABLE DEMAND—CONCENTRATION RATIO AND FREQUENCY AND MAGNITUDE OF PRICE CHANGE, 1953-58

Concentration ratio (4 cos.)	Commodity	Frequency of change, 1954-56			Indexes (1947-49=100)					
		Total	Negative	Positive	1953	1954	1955	1956	1957	1958
65	Pig iron, basic	3	0	3	136.5	138.3	141.4	149.9	160.0	163.0
5	Steel scrap, No. 1 heavy melting	31	12	19	115.1	83.6	113.6	149.9	133.5	101.1
75	Steel billets, rerolling, carbon	3	0	3	148.6	160.6	167.7	177.7	198.7	205.7
(1)	Red brass ingot	23	8	15	136.8	141.6	196.6	205.4	158.6	140.9
72	Steel bars, hot rolled, carbon	5	1	4	136.7	145.2	152.1	166.9	183.4	191.9
47	Yellow brass rod	16	7	9	(1)	143.2	159.2	177.0	140.4	123.2
60	Steel sheets, hot rolled, carbon	6	2	4	133.7	139.4	144.8	158.3	175.6	181.0
89	Aluminum sheets	5	0	5	130.0	134.2	142.2	153.1	162.0	163.4
46	Copper sheets	16	5	11	n.a.	151.0	174.7	193.2	164.4	156.9
82	Aluminum ingot, primary	6	0	6	131.2	136.9	148.6	163.5	172.9	169.0
28	Aluminum ingot, secondary	32	14	18	123.6	114.2	158.4	149.7	125.5	122.0
65	Steel pipe, black	5	0	5	134.7	141.4	150.7	168.7	185.4	191.6
46	Copper tubing	15	4	11	(1)	144.6	163.9	179.7	158.1	153.6
92	Structural steel shapes	4	1	3	138.2	143.8	151.9	162.9	187.5	195.3
20	Douglas-fir timbers (construction)	34	12	22	119.9	123.0	142.9	153.5	135.4	125.7
69	Steel bars, concrete reinforcing	7	2	5	141.0	153.7	158.8	169.7	184.1	190.8
20	Douglas-fir dimension (construction)	34	14	20	120.7	121.7	134.0	133.3	122.3	119.4
87	Gypsum wallboard	1	0	1	120.2	121.1	121.1	124.9	124.9	129.4
18	Plywood, Douglas-fir, interior	17	9	8	107.1	103.0	106.1	97.4	88.7	89.6
73	Roofing shingles, asbestos	3	0	3	130.3	133.5	133.5	140.0	150.4	151.9
17	Oak, red, flooring select	24	8	16	113.5	114.2	128.0	132.2	118.5	118.0

Footnotes at end of table.

Concentration ratio (4 cos.) Commodity	Frequency of change, 1954-56			Indexes (1947-49=100)					
	Total	Negative	Positive	1953	1954	1955	1956	1957	1958
(*) Crude petroleum, Oklahoma-Kansas.....	0	0	0	115.7	120.2	120.2	120.2	130.0	130.8
30 Lubricating oil, cylinder stock, Pennsylvania.....	15	4	11	67.8	40.9	44.1	70.8	76.6	59.4
54 Synthetic rubber, neoprene GN.....	0	0	0	128.5	131.7	131.7	131.7	131.7	131.7
(*) Natural rubber, No. 3 r.s.s. <sup>4</sup>	35	12	23	117.8	122.0	202.7	178.3	161.7	141.0
37 Container board, test liner, Cent.....	1	0	1	117.8	120.9	120.9	124.8	126.1	126.1
(*) Ponderosa pine box boards <sup>4</sup>	36	16	20	128.1	114.0	125.3	125.1	114.3	110.2
79 Viscose staple, 1.5 d.....	2	2	0	99.7	96.8	96.3	92.7	88.3	91.0
(*) Wool tops.....	36	15	21	114.7	112.5	99.9	95.9	108.8	88.5
78 Viscose filament yarn, 100 d.....	4	1	3	104.4	104.3	104.7	107.4	113.0	103.4
19 Wool yarn, Bradford, weaving.....	31	18	13	114.0	111.3	100.5	100.9	109.5	95.1
81 Salt.....	4	1	3	123.2	145.6	143.4	152.1	157.1	160.1
(*) Pepper, whole black.....	36	27	9	179.9	103.4	63.3	44.5	38.2	36.7

<sup>1</sup> Not available.

<sup>2</sup> Holdings of privately owned timberlands on the west coast in the hands of the 4 largest owners are estimated to be less than 20 percent of the amount held by all private ownership.

<sup>3</sup> Supply limited by Government controls.

<sup>4</sup> The producers of natural rubber are numbered in the thousands. The small holdings produce roughly half the world's supply of natural rubber, the balance coming from independently owned estates.

For the most part the figures on concentration are the ratios computed by the Census Bureau based on the 1958 Census of Manufactures. The principal exceptions are the products of the steel industry for which concentration ratios compiled by the American Iron and Steel Institute accord more closely with the product definitions used by the Bureau of Labor Statistics. Using the first pair as an example, it will be seen that the four largest firms produced 65% of the Nation's output of pig iron; that during 1954-56 only 3 price changes were reported by the B.L.S., all of which were increases. In contrast, while no precise concentration ratio is available, the collection and handling of steel scrap is known to be an extremely unconcentrated area, the 4 largest firms probably accounting for less than 5 percent of the collections. But of 36 opportunities, a change in price was reported in 31, of which 12 were decreases and 19 increases.

For the concentrated products the 4 largest companies produced, on the average, 72% of the output; for those unconcentrated products for which figures are available the average was 27%; if figures were available for the other unconcentrated products, the average would have been even lower. During the 3-year base period the concentrated products averaged 3.3 price changes, or a little over one a year; they averaged 2.8 increases and only .5 decreases. In contrast, the unconcentrated products averaged 27 changes, or three-fourths of the opportunities. Increases and decreases were more evenly distributed, the unconcentrated products averaging 11.6 decreases and 15.4 increases. These differences between the two sets of products are pervasive. In 14 of the concentrated products the share held by the 4 largest companies was 60 percent or higher; in 7 of the 11 unconcentrated products for which ratios are available the share of the 4 leaders was 30 percent or less, the three exceptions being the copper and brass products which have been included for the reasons cited above. Among the concentrated products the maximum number of price changes was 7; among the unconcentrated the minimum number was 15.

The question at issue here is whether any significant difference existed in the price behavior of these two types of products. The answer can be seen in the following four charts, each of which shows the price movements from 1953-1958 for four pairs of commodities. [Charts not printed in RECORD.]

The first comparison is between the price of pig iron and of steel scrap. Used as raw materials in the production of steel, the demand for both is governed by the steel operating rate. The behavior of steel scrap is illustrative of the type of price movements typically displayed by flexible-price products. A decline in price during the 1953-54 downswing was followed by an increase during the

1954-56 recovery and then by a further decline in the recession which began during the middle of 1956. In sharp contrast, the price of pig iron moved slowly upward during the 1953-54 downturn, rose at a more rapid rate during the 1954-56 recovery, and continued to advance during the 1956-58 recession.

The next comparison involves two semi-finished products, steel billets and brass ingots, both of which are used as materials by semi-integrated producers. As compared to the other steel products which are purchased by the customers of steel producers rather than by their smaller semi-integrated competitors, the price increase for steel billets during the 1953-54 downswing was unusually pronounced, averaging 8 percent. The price continued to rise during the subsequent recovery as well as in the 1958 recession. Reflecting weakness in world copper markets, however, the price of red brass ingots, after peaking in 1956, fell sharply during the next two years. The demand for the other products shown on the chart is determined by the general level of metal-working activity. The contrast between steel bars and yellow brass rod is a repetition of the pattern displayed by steel billets and brass ingots. The final comparison on the chart contrasts the price behavior of two inflexible-price products, steel sheets and aluminum sheets with a similar but flexible-price product, copper sheets. Except for the fact that aluminum sheets advanced at a slower rate during the 1958 recession, the trends of the former two products displayed a remarkable symmetry. Whatever the reason, this similarity in behavior reveals that the aluminum producers certainly did not take advantage of the opportunities presented by steel price increases to promote the use of their product as a substitute material. In contrast to the relatively steady upward movement of both steel and aluminum sheets, the price of copper sheets fell sharply during 1956-58.

For two of the sets of products shown on Chart 4 demand is largely determined by changes in metalworking activity, while in the other two the principal determinant is the level of construction activity. In the case of the former, both of the flexible-price products, secondary aluminum ingot and copper tubing, exhibited marked declines during both recessions, whereas, with one exception, their inflexible-price counterparts moved upward. This exception was a slight price decline in primary aluminum ingot during 1957-58, attributed in part to the competitive pressure of lower priced foreign supplies. In the case of the latter two products, there was no deviation from the general pattern on the part of the inflexible-price products. Both structural steel shapes and concrete reinforcing bars moved steadily upward throughout the entire period. During the 1956-58 period this was in sharp contrast to market declines in price manifested by their uncon-

centrated counterparts—Douglas fir timbers and Douglas fir dimension.

In the case of two of the products shown on Chart 5, the level of construction activity is again the principal determinant of demand. For the other two, it is the use of automobiles, trucks and related products. Douglas-fir plywood declined noticeably in both downswings; red-oak flooring, although remaining virtually unchanged during the earlier decline, dropped significantly during the latter. Their concentrated counterparts, gypsum wallboard and asbestos roofing shingles, moved irregularly upward throughout the period. Particularly striking is the contrasting behavior of asbestos shingles and oak flooring during the 1956-58 recession. Insofar as market behavior is concerned, concentration ratios for either the production or refining of crude petroleum are largely irrelevant. The controlling factor is a system of government controls over supply. Through market demand proration, particularly in Texas and Louisiana, and through a quota on imports, supply is limited to anticipated demand. No such controls exist in the Pennsylvania lubricating oil industry, which is composed of a substantial number of small producers. The effect of government controls over supply is dramatized by the difference in price behavior. Pennsylvania lubricating oil suffered price decreases during both recessions while in each crude petroleum moved upward. The price of synthetic rubber is the most inflexible of any of the commodities included in this analysis, remaining unchanged throughout the entire period, with the exception of a slight increase of 2.5 percent occurring during the recession of 1953-54.

This stability is in striking contrast to the precipitous rise in the price of natural rubber in 1955, when automobile production reached its then alltime high of 7.9 million cars. When automobile output slumped in 1958 to 4.2 million cars, the price of natural rubber moved sharply downward.

The first comparison on Chart 6 involves packaging materials—container board versus ponderosa pine box board. Although the extent of their movements was not as pronounced as the case of most other products, in both recessions the flexible product declined while the inflexible-price commodity rose. The two comparisons involving textile products present a number of exceptions to the general pattern typically displayed by the other commodities. Thus, the price of the concentrated product, viscose staple, suffered a slight decline in the first downswing and the ensuing upturn. However, part of the loss was recovered by a price increase in 1957-58, which was accompanied by a decrease in the price of its counterpart, wool tops. The concentrated product, viscose yarn, remained unchanged during the earlier downswing, though declining in 1958. In the final comparison a precipitous and sustained decline in the price of pepper was ac-

<sup>4</sup> Ponderosa pine No. 3 board used as reasonably equivalent in price movement to box board.

Sources: Price data: Bureau of Labor Statistics. Concentration ratios: Steel products: American Iron & Steel Institute (U.S. Senate Subcommittee on Antitrust and Monopoly, "Administered Prices: Steel" (S. Rept. 1387, 85th Cong., 2d sess.), p. 70); others: U.S. Senate Subcommittee on Antitrust and Monopoly, "Concentration Ratios in Manufacturing Industry, 1958," pt. 1, table 4.

complicated by a substantial and, except for 1954-55, uninterrupted increase in the price of its concentrated counterpart, salt.

In the following summary table covering the two recessions, 1953-54 and 1956-58, the industries are distributed in accordance with their price change during both downswings. Generally speaking, the pattern was one of price decreases in the unconcentrated, flexible-price fields and of increases in the concentrated, inflexible-price industries. Thus, in the 1956-58 recession all but 3 of the 17 concentrated industries had price increases; in 2 of the 3 exceptions the decreases were less than 2 percent, while in the third it was only 3.7 percent. In contrast, all of the unconcentrated industries had decreases, each of which was 5 percent or more (with 9 having decreases of 15 percent or more). During the earlier downswing the contrast, while less pronounced, was still marked. In 15 of the 17 concentrated industries prices moved upward, while in 8 of the 13 unconcentrated industries decreases were recorded, and all of the 5 exceptions were quite small, the largest being an increase of only 3.6 percent.

DISTRIBUTION OF INDUSTRIES BY PERCENTAGE PRICE CHANGE, 1953-54 AND 1956-58

Number of industries by percentage change	1953-54		1956-58	
	Concentrated	Unconcentrated	Concentrated	Unconcentrated
-15 and over.....	0	3	0	9
-10 to -14.....	0	1	0	4
-5 to -9.....	0	1	0	3
Under -5.....	2	3	3	0
No change.....	0	0	1	0
Under +5.....	10	5	2	0
+5 to +9.....	3	0	5	0
+10 to +14.....	1	0	3	0
+15 and over.....	1	0	3	0
Total.....	17	13	17	16
Not available.....		3		

THE 1970 DOWNTURN

Will the divergence of price trends which characterized the recessions of the forties and fifties repeat itself during the current economic downturn? While there has been a definite slowing down in the rate of economic activity (capacity utilization in

manufacturing dropping from 84.5% to 79.5% between the first quarters of 1969 and 1970)<sup>14</sup> the current downturn has not reached the dimensions of the earlier recessions. As compared to its 1969 level, the index of industrial production for manufacturing had by May of this year fallen only 3.2%.<sup>14</sup> Furthermore, no distributions of the B.L.S. price series, in terms of either frequency of change or level of concentration, are currently available, and the downturn has not yet affected enough non-durable industrial products to permit meaningful comparisons of pairs of products affected by similar demand factors.

Nonetheless, a cursory review of recent price movements suggests the possibility that much the same pattern may again be developing. Since the purpose of the restrictive monetary and fiscal measures taken during the past year and a half has been "to dampen" the pressure of demand, it should be instructive to ascertain which products have responded thus far in 1970 by declining in price. The 2,000-odd individual products in the B.L.S. Wholesale Price Index are classified into 200 product groups. On the basis of a just-completed review, I found that price declines (amounting to more than half a percentage point) took place between March and May in 42 of these groups.<sup>15</sup> Their distribution is as follows:

Product groups with price decreases<sup>1</sup>—  
March-May 1970

<b>Farm and food products:</b>	
Livestock and meat products.....	7
Poultry and eggs.....	4
Fats and oils.....	3
Animal feeds.....	2
Other farm and food products.....	5
<b>Total.....</b>	<b>21</b>
<b>Industrial commodities:<sup>2</sup></b>	
Textile products.....	5
Hides and leather.....	3
Lumber and building materials.....	5
Plastics materials and products.....	2
Scrap materials.....	3
Other industrial commodities.....	4
<b>Total.....</b>	<b>22</b>

<sup>1</sup> Of more than .5 percentage points.

<sup>2</sup> Anthracite, fertilizer materials, pharmaceutical preparations (ethical), small arms ammunition.

Over nine-tenths of the categories are flexible-price, unconcentrated product groups. This is true of all 21 of the groups in farm and food products; it is true of all 5 in textile products; of all 3 of the categories in hides and leather; of all 3 scrap materials; of 4 of the 5 groups in lumber and building materials; of the plastics groups; and of anthracite—or a total of 39. The four exceptions are gypsum products (with a concentration ratio of 84%), fertilizer materials (particularly potash and superphosphate), small arms and ammunition, and ethical pharmaceutical preparations (most of whose individual products are highly concentrated). In short, the characteristics of the products which have reacted to the current downturn by falling in price are about what would have been assumed on the basis of the recession behavior of Quintile 5 and of the individual unconcentrated products, examined earlier.

The same body of evidence would suggest that at least some of the concentrated industries would react to a general economic slowdown by an increase in price. Except for the few product groups noted above, it is evident that prices in concentrated industries have certainly not declined. Indeed, price increases in such industries have been rather commonplace, as is evident from the price behavior of ten industries shown in the attached table. In each, the four largest firms produced in 1963 more than half of the output;<sup>16</sup> the simple average of their concentration ratios was 70%. Moreover, each is an important field, with a value of shipments in 1963 of more than a billion dollars. That the ability to raise prices during a period of economic decline is not a function of the characteristics of the product is indicated by the widespread dispersion among different industry groups. Represented are industries in producer goods and consumer goods, in durable goods and in non-durable goods:

CONCENTRATION RATIOS AND PRICE INDEXES OF 10 SELECTED CONCENTRATED PRODUCTS—1968-69; 1970 (6 MONTHS)

Industry	Concentration ratio (1963) (percent)	Price indexes (1957-59=100)								Percent increase, January-June 1970
		Year		1970						
		1968	1969	January	February	March	April	May	June	
<b>Primary metals:</b>										
Steel mill products.....	51	108.5	113.7	115.5	117.7	118.4	118.7	120.5	122.0	5.6
Primary aluminum.....	93	102.0	107.9	111.6	111.6	111.6	115.6	115.6	115.6	3.6
<b>Petroleum, chemical, and rubber products:</b>										
Gasoline.....	(1)	97.2	99.2	96.1	95.7	95.0	95.9	100.4	96.9	.8
Soap and synthetic detergents....	68	107.6	109.8	110.6	110.6	110.8	110.8	111.8	111.6	.9
Tires and tubes.....	72	98.7	98.2	101.7	101.7	101.7	101.7	101.7	106.7	5.0
<b>Electrical machinery:</b>										
Motors and generators.....	50	95.4	100.4	104.6	105.7	107.0	107.6	108.2	109.2	4.4
Electric lamps/bulbs.....	92	114.3	110.5	110.6	110.7	113.5	115.0	115.2	115.1	4.1
<b>Food and related products:</b>										
Biscuits and crackers.....	71	127.2	129.3	134.0	136.3	138.6	140.9	140.9	140.9	5.1
Distilled spirits.....	56	97.2	97.2	97.2	98.6	98.6	98.6	100.7	100.7	3.6
Cigarettes.....	80	115.8	121.8	125.0	125.0	125.0	125.0	125.0	134.8	7.8

<sup>1</sup> Market controlled by Government restraints.  
<sup>2</sup> Estimate effective July 1.

Sources: Concentration ratios: Bureau of the Census, "Concentration Ratios in Manufacturing Industry, 1963." Price indexes: Bureau of Labor Statistics.

Of all the industries in the country none has a greater effect on the general price level than steel. Because it is the industrial underpinning of the economy, an increase in the price of steel raises directly or indirectly the cost of doing business in virtually every field of enterprise. Since consumers do not buy steel as such, it is not included in the Consumer Price Index, nor is its true importance reflected in any price index. This is because an increase in the price of steel, by the time it reaches the ultimate con-

sumer, will have "pyramided" until it is a multiple of the steel price increase itself. Pyramiding is the natural consequence of efforts by sellers at each successively higher stage of fabrication and distribution not only to cover the actual higher costs to them but also to preserve their customary percentage margin. *The Wall Street Journal*, for example, explained how a \$6 a ton steel price increase was transformed into a \$75 increase in the price of a tractor:

"Immediately after the steel price hike, prices of stampings from a supplier went up 4 percent too. Forgings shops raised prices.

Machine shops passed along the increase. Components such as wheels, hydraulic systems, and axles arrived with higher price tags. Where costs of that tractor totaled \$1800 on July 1, several months later they were \$1875."<sup>17</sup>

Similarly, referring to a \$4 a ton increase in the price of steel sheets and strip, *Iron Age* observed: "Consideration of all factors has a cumulative effect that swells a \$5 material cost increase into \$25."<sup>18</sup>

During the 10-year period between the latter '50's and later '60's, the price of steel products remained relatively stable; in 1968

its index was only 8.5 percent above the 1957-59 average, or an average increase during the decade of less than 1 percent a year. But in 1969 the pace was accelerated, the index rising by 5 percent. This has been followed by further increases in 1970; in June the index was 5.6 percent above the January level. Commenting on this upward movement the *Wall Street Journal* states:

"Certainly the steel price trend over the past year has given the inflation fighters nothing to cheer. A long series of price boosts over the past 12 months pushed the Government's index of steel-mill product prices in May 6.9% above the year earlier mark and 10.5% above the level at the beginning of 1969. And this doesn't count price boosts averaging nearly 5%, effective June 1, on sheet steels that account for more than a third of the industry's total tonnage. Overall, this year's price increases have covered products accounting for 90% of the industry's volume, and prices on some products have been raised twice this year.<sup>18</sup>

The 1970 increases, it should be noted, have been taking place while steel production was declining. Thus in the first quarter of 1970 steel ingot production was down to 33.6 million tons as compared, for the same period, to 34.4 million in 1969 and 36.5 million in 1968; indeed, 1st quarter 1970 production was 3.4 million tons, or 9 percent, below the 2nd quarter of 1968.

The aluminum industry has evidenced much the same pattern of behavior. By 1968 its price was only 2 percent above the 1957-59 average. But in 1969 the index moved sharply upward, rising by 5.9 percentage points. Further increases were recorded in 1970, the latest having taken place in April. By June of this year the price of primary aluminum had risen 3.6 percent above the January level.

With supply limited by prorationing and import quotas to, or slightly below, anticipated demand, the major oil companies have been able to raise prices of petroleum products in 1969 and again in 1970.<sup>19</sup> At current levels of gasoline consumption, an increase at retail of one cent a gallon costs the consuming public approximately \$800,000,000, of which about \$500,000,000 is retained by the refining companies, with the remainder going to dealers and distributors. The 1969 advance was accompanied by a price increase to domestic crude producers; no such increase has been made in 1970. Describing the latest price advance, the *Wall Street Journal* stated:

"Mobil Oil Corp. raised its gasoline prices to service station dealers and wholesale distributors nationwide, except in Oregon and Washington. It is the second successive year in which a major oil company has taken such a previously unprecedented action. In February 1969, Texaco Inc. raised nationwide its wholesale prices for gasoline and the prices at which it buys crude oil. That touched off increases of varying amounts by most of the nation's major oil companies.

"Mobil boosted its 'tankwagon' prices to dealers 0.7 cents a gallon and its prices to distributors 0.55 cents a gallon. Increases in prices to dealers in 1969 averaged about 0.6 cents a gallon and resulted in average retail price boosts to motorists of about one cent a gallon."<sup>21</sup>

Contrary to some expectations the 1969 increase did "stick." The fate of the 1970 advance, however, is uncertain. Although the index rose from 95.0 in March to 100.4 in May, much of this gain has apparently been eroded away, as the June quotation has fallen to 96.9.

In 1968 the price of tires and tubes was slightly below the level of 10 years earlier. After remaining almost unchanged in 1969, the price has been increased twice thus far in 1970. After a 4 percent advance, which was reflected in the series for January, a further raise was announced, effective July 1,

which incidentally is estimated in the accompanying table. The latter advance was of the "raising-prices-to-meet-competition" variety. On June 13 the industry's largest producer, Goodyear Tire & Rubber Company, announced an increase of 5 percent on passenger tires and 6 percent on truck and farm tires. Nine days later these increases were matched by B. F. Goodrich. According to the *Wall Street Journal*, "Goodyear and Goodrich were the first two companies to sign new contracts with the United Rubber Workers union. They attributed the price increases to higher costs under that contract and to higher materials and distribution costs. Industry sources expect other major producers to follow the price increases after their labor contracts have been signed and ratified by union members."<sup>22</sup>

Even if the added costs from the new wage contract were the same for each company, they would constitute a justification for raising prices to the same identical level only if the different companies had identical unit costs, which in view of the obvious differences in their profit rates appears to be most unlikely. Adding a constant increment to differing bases does not yield identical totals.

Another large-scale, concentrated industry in this broad grouping is soap and detergents. During the decade ending in 1968 its price had risen at an average rate of .7 percent a year. In 1969 the pace advanced to 2 percent a year, which, if the present trend continues, will be matched in 1970.

During the 1957-59 base period prices of electrical machinery had undoubtedly been inflated by the conspiracies disclosed in the celebrated "Philadelphia" price-fixing case. It is therefore not surprising that in 1968 the price of motors and generators was 5% lower than ten years earlier. In 1969, however, the price was raised 5 percent, which has been followed by further advances in 1970. By June 1970 the price was 4.4 percent above the January level.

Of the 10 industries shown in the table, only electric lamps was significantly lower in price in 1969 than in 1968. But as a result of increases in February and April, the price by June of this year was higher than in 1968 and 4.1 percent above the January figure.

Contrary to the trend of farm and food prices generally, a number of concentrated farm-based industries have enjoyed price increases during 1970. An example is biscuits and crackers which by 1968 had risen over a quarter in price during the past decade. Increases in 1970 brought it by June to a level 5.1 percent above the January level.

Two increases in 1970 have raised the price of distilled liquor 3.6 percent above the January quotation.

The cigarette industry provides a striking illustration of declining consumption accompanied by rising prices. In 1969 the price was raised 8 percent, or 35 cents a thousand. Effective June 1, 1970 it has been increased again, this time by 45 cents a thousand, raising the index to 7.8% above the January figures. The managing director of the Wholesale Tobacco Distributors of New York is quoted as saying that the increase, amounting to at least 2 cents a pack or 20 cents a carton, would "most definitely" be passed on to retail consumers.<sup>23</sup> As in the case of a number of other industries cited here, leading cigarette manufacturers raised their prices at about the same time, by the same amount to the same level.<sup>24</sup>

#### CONCLUSION

Over the years a substantial body of knowledge has been gradually developed through empirical studies concerning the actual behavior of prices. A central conclusion is that the price structure is composed of two very different types of prices, one the prices of classical economic theory which are sensitive to changes in demand in relation to

supply; the other the prices of concentrated industry which change infrequently and are generally not responsive to short-run changes in supply and demand. From the material presented here, it is clear that during downturns the former continue to display the type of behavior expected under economic theory. It would also appear, however, that the latter have been exhibiting a type of behavior which is inexplicable under any body of theory—classical or monopolistic.

Monetary and fiscal restraints designed to arrest increases in the general price level will succeed in their purpose to the extent—but only to the extent—that the price structure is composed of the former type of prices. While constituting only a fifth of the number of products in the Wholesale Price Index, the products in the most flexible category, Quintile 5, accounted for 37 percent of its weight. If to these commodities there are added those products in Quintile 4 which, though changing somewhat less frequently, behave in the same general manner, about half of the price structure in terms of weight could be estimated to be composed of products which respond to a reduction in demand with a decline in price.

At the same time it must be recognized that a substantial proportion of the other half is composed of products whose price behavior during downturns can only be regarded as perverse. These include a number of strategically important basic industries, such as steel and aluminum. Because of the pyramiding effect described above, the effect of their price increases is considerably greater than would be indicated by their weight in the overall price index.

Barring a severe depression, the probabilities are that while the effect of price declines in the flexible-price sector will be sufficient to slow down the rate of advance in the general level of prices, the price increases in the concentrated sector will continue to cause it to move upward.

In a paper on this same general subject delivered before the American Economic Association in 1959, I concluded by saying:

"Except in periods of severe depression, the analysis presented above suggests that in oligopolistic industries, other factors being equal or unequal, prices will rise. And unless these increases are offset by price declines in atomistic industries, the result will be a rise in the general price level."<sup>25</sup>

Eleven years later I see no reason to alter that conclusion, except to note an apparent acceleration in the rapidity with which the divergence between the two types of prices has developed during the current downswing.

#### FOOTNOTES

<sup>1</sup> U.S. Dept. of Labor, Bureau of Labor Statistics, *Frequency of Change in Wholesale Prices: A Study of Price Flexibility*, by Henry Ernest Riley.

<sup>2</sup> Since the index of industrial production was the same in 1956 and 1957, either year could be taken as the beginning point for the third recession. Except for a sharp decline in automobile production, the 1958 downturn was confined largely to producers' goods, which began to experience a contraction of demand around the middle of 1956. No decrease occurred during 1958 in either real consumer income or the production of non-durable goods. Because it is more relevant to the area of the economy in which the economic decline was centered, the year 1956 is used in this analysis as the beginning point for the third recession.

<sup>3</sup> U.S. Dept. of Agriculture, "The Agricultural Outlook for 1959," Nov. 17, 1958.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> Cf. 74th Congress, 1st Sess., Sen. Document No. 13, *Industrial Prices and Their Relative Inflexibility*, by Gardiner C. Means, Jan. 17, 1935; and National Resources Committee, *The Structure of the American Economy*,

Pt. 1, 1939 (prepared under the direction of Gardiner C. Means.)

<sup>7</sup> National Resources Committee, *The Structure of the American Economy*, op. cit.

<sup>8</sup> Also part of the statistical criticism is a study by Willard Thorp and Edward Crowder in which no relationship between concentration and depression price flexibility was found to exist (T.N.E.C. Monograph 27, *The Structure of Industry*, 1941). It differed from the Means' study in two respects: the use of the Census realized figures for its price data and its failure to employ standards, such as those used by Means, to eliminate products which are not meaningful for this type of analysis (cf. John M. Blair, "Means, Thorp and Neal on Price Inflexibility," *Review of Economics and Statistics*, Nov. 1956.)

<sup>9</sup> *Washington Evening Star*, June 25, 1970.

<sup>10</sup> Some indications that increases in reported prices are being accompanied by a withdrawal of concessions are provided by the business press. Thus the same news account which described a recent price increase by tire manufacturers stated: "Both Goodyear and Goodrich said they will pay freight allowances only on shipments of 500 pounds or more, compared with the current 400-pound minimum." (*Wall St. Journal*, June 22, 1970). Similarly, an announcement of a price increase for gasoline was accompanied by a withdrawal of price supports to dealers:

"Mobil also announced it is withdrawing all temporary price allowances paid to dealers. This so-called 'price protection,' is a guaranteed minimum margin in cents per gallon for dealers regardless of how low pump prices go. It is used to protect dealers during local gasoline price wars. Over 99% of Mobil's 35,500 service stations are operated by independent dealers who make their own retail pricing decisions. But removal of such allowances would encourage restoration of normal prices, since it transfers the burden of local price wars to the dealers from the company." (*Wall St. Journal*, March 26, 1970, emphasis added)

<sup>11</sup> Ralph C. Wood, "Dr. Tucker's 'Reasons' for Price Rigidity", *American Economic Review*, Dec. 1938, p. 669.

<sup>12</sup> Some steel products were reported by the B.L.S. to have had five or six changes during the 36-month period, falling just outside of quintile 2. During this period there were only four changes in the base prices of most steel products. The additional changes represented changes in the so-called extras, some of which are incorporated as price changes by the B.L.S. Since other products have analogous charges, modifications of which are not treated by the B.L.S. as price changes, changes in extras should properly be ignored in comparing the flexibility of different products.

<sup>13</sup> Where substitutability does exist, the expectation would be that if changes in demand were the determinant of price changes, the price of a flexible product would decline less during a downswing than its inflexible-price counterpart. At the outset of a downswing buyers would attempt to shift to the sensitive declining product from the insensitive stable product, thus tending to shore up the demand for the former and weaken it for the latter. If despite this, the price of the flexible product throughout the downswing declines more than that of the inflexible item, changes in demand become even less persuasive as the explanation for changes in price.

<sup>14</sup> *Federal Reserve Bulletin*, May 1970, p. A-62.

<sup>15</sup> See Appendix B.

<sup>16</sup> An exception is gasoline, the market for which is controlled through market demand prorationing and import quotas.

<sup>17</sup> *Wall Street Journal*, June 23, 1950.

<sup>18</sup> *Iron Age*, April 25, 1963, p. 90. The journal went on to say:

"One automotive steel purchasing agent

estimates the increased cost to automakers would be \$25 per car for sheet steel in a typical low-price, standard-size auto. This estimate allows a profit for component manufacturers and other suppliers. It doesn't include any added profit for the automaker. For this reason, the average 1964 auto may cost \$50 more than 1963 models."

<sup>19</sup> *Wall St. Journal*, June 19, 1970.

<sup>20</sup> The relatively low level of the gasoline price index in terms of the 1957-59 base period is traceable in good part to the inflationary conditions in this industry during the first Suez crisis in 1957.

<sup>21</sup> *Wall St. Journal*, March 26, 1970.

<sup>22</sup> *Wall St. Journal*, June 22, 1970.

<sup>23</sup> *Wall St. Journal*, May 29, 1970.

<sup>24</sup> The move was announced initially on May 22 by American, followed on May 24 by Lorillard, on May 25 by Liggett & Myers, and on May 27 by Brown & Williamson. (*Wall St. Journal*, May 29, 1970.)

<sup>25</sup> "Administered Prices: A Phenomenon in Secret of a Theory", *American Economic Review*, May 1959, vol. XLIX, No. 2.

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

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

Mr. WYLIE. Statistics are being referred to about polls being conducted over the country. I should like to share the results of a poll which I took in my own congressional district. I have come to rely on the judgment of the people in my district. On my questionnaire, I asked the question:

Do you favor the imposition of mandatory wage and price controls by law?

The answers were "yes" 37 percent and "no" 63 percent.

This response is different, apparently, from the results of the questionnaire which the gentleman in the well has sent out. I think it is appropriate to indicate that not everyone favors mandatory wage and price controls.

Mr. REUSS. Entirely; though nationwide polls conducted by national polling agencies have shown that, nationwide, there is a balance in favor of price-wage controls.

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

Mr. REUSS. I yield to the gentleman from Pennsylvania.

Mr. MOORHEAD. Mr. Chairman, in the deliberations of the House Banking and Currency Committee on H.R. 7880, the Defense Production Act, many members expressed serious concern about the inflationary tide in our economy. In fact, measures were added to the bill which would give the executive branch more power than it presently has to act against inflation in wages and prices. My purpose today is to point out that the provision in the act establishing uniform cost accounting standards in defense contracts will also be an effective anti-inflationary tool, although it is directed at a different form of inflation.

This other form of inflation I refer to is the inflated cost of defense equipment due to cost overruns on defense contracts. Uniform cost accounting standards would not eliminate all cost overruns, of course, but such standards could have a significant effect on the overrun problem.

We have all heard about serious cost

overruns on defense projects in the last year. I need not recite all the problems the Defense Department encountered on the C-5A, the main battle tank, and numerous other weapons systems to remind you that cost overruns are adding hundreds of millions of dollars to the cost of defense equipment each year.

At the heart of the overrun syndrome, as you know, is the "buy in" concept. Using this device, contractors provide a low initial estimate for the costs of weapons systems in order to "buy in" on the production contracts; then, when actual costs run much higher than the estimate, the contractor requires the Government to shell out millions of dollars above the original price before the weapons system is delivered.

The public needs protection from this kind of gimmickry. The taxpayers, of course, deserve better treatment in return for the \$40 billion they pay annually for defense procurement. But at the same time, legitimate business enterprises, which do not indulge in such practices, deserve to be protected as well. Uniform cost accounting standards would provide this protection by making it possible for Government contracting officials to get a better picture of the actual costs and profits to be recognized on a defense contract before the contract is entered into. This would have a chilling effect on those contractors who like to estimate low costs when they are selling something to the Government, but then report considerably higher costs when it comes time for the Government to foot the bill.

I believe this is what the Comptroller General had in mind when he said, in his report on uniform accounting standards, that contractors use one method for estimating costs used in contract proposals and another method for reporting the same costs in their day to day operation. Thus it is possible to inflate a cost estimate for bid purposes by selecting the appropriate generally accepted cost accounting method. The Comptroller General recommended that this Congress establish a requirement for uniform cost accounting standards so that defense contractors cannot manipulate the more flexible "generally accepted accounting principles" on future contracts.

Admiral Rickover, in testimony this spring, also discussed the effect that uniform cost accounting standards would have on the overrun problem. Here is what he said:

It would have a salutary effect on cost overruns in this sense: Today, since the government does not know how its money is being spent, it can be spent by unwise, inefficient, or uneconomical methods. . . . As far as cost overruns are concerned, accounting standards would help to show things as they are.

The concept of uniform cost accounting standards on defense contracts has been widely billed as an infringement on the prerogatives of industry. Many representatives of the large defense contractors have contended that uniform cost accounting standards would seriously hurt them. I believe the passages I have quoted from the Comptroller General's report and from Admiral Rickover's testimony indicate that uniform cost account-

ing standards would protect legitimate defense industry from their competitors who make use of the "buy in" technique. At the same time it would protect the taxpayers against the need to pay out millions of dollars above estimated costs on defense contracts because of cost overruns.

Industry—and particularly small business—would benefit from uniform cost accounting standards in other ways as well. A representative of the National Aerospace Services Association testified that uniform accounting standards would help industry in several ways. They would decrease the number of disputes between Government and its contractors; they might lighten the recordkeeping requirements on small companies; and they would provide "clarity of relationships and some automatic protection of contractor's rights."

Further, uniform cost accounting standards can be expected to increase efficiency in the defense industry. Accounting standards would assure businessmen definite cost figures from which to judge performance and compare different manufacturing processes. They would provide a measure of comparability in competing bids, so that bidders could have better information as to why their costs were too high.

Mr. Chairman, whenever we consider protective legislation—such as the bill calling for uniform cost accounting standards—it is essential that we consider the cost of the protection. We would not want to be in the position of prescribing a cure that is more expensive than the illness. This question has been considered in the matter of uniform cost accounting standards, and the Comptroller General found that the cost of implementing cost accounting standards would not be excessive. Let me quote from the Comptroller General's testimony before the Senate Banking and Currency Committee:

I would like to emphasize in this connection the fact that there has been a lot of uneasiness on the part of industry, and they will so testify here, that this is going to add to their cost and to the government's cost because we are dealing with the situation where most of these contracts are on a cost basis. We do not see this. I think we have adequate basis to support our contention that there will not be a net additional cost . . . we do not see that the cost of accomplishing the objectives that the bill has in mind would be excessive.

For the reasons I have stated, Mr. Chairman, I am convinced that uniform cost accounting standards would provide a significant degree of protection against cost overruns and the "buy in" syndrome. I agree with the Comptroller General that such standards could be implemented without excessive cost. I think it is essential that this session of Congress establish the requirement for uniform cost accounting standards on defense contracts.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan (Mr. BROWN).

Mr. BROWN of Michigan. Mr. Chairman, the bill we are discussing today has three basic purposes. First it extends the

Defense Production Act until June 30, 1972. Second, it establishes a Cost Accounting Standards Board charged with the duty of proposing cost accounting standards by June 30, 1971. Third, it establishes broad standby authority for the President to impose wage and price controls.

Mr. Chairman, I have no argument with the first purpose and only slight objection to the second, but serious objection to the third.

First of all let me mention my objection to the provisions of the bill relating to cost accounting standards. For background let me review with you my remarks set forth in my additional views in the report on this bill. At that time I said, directing your attention to the report, that many questioned the possibility and feasibility of establishing identifiable standards. But then I said:

Frankly I think it is possible both to determine their feasibility and advisability under the approach of the so-called Rees amendment which forces standards to be drafted but defers implementation until the Congress at a later date determines that which we have talked about as standards are identifiable as standards and as such are feasible and advisable.

From the foregoing you will note I do not reject an attempt to develop cost accounting standards, but I do have two changes I hope my colleagues will recognize as improvements in the bill.

First the Cost Accounting Standards Board should not be chaired and appointed by the Comptroller General of the General Accounting Office, as desirable as that may sound at first blush. As an alternative I will offer an amendment consistent with the recommendations of the Comptroller General to have such board appointed by the President. This amendment will read as follows:

There is established a Cost Accounting Standards Board which shall be independent of the executive departments consisting of five members appointed by the President.

Second, slightly better than 6 months' time is hardly enough for the board to be appointed and to get organized and to formulate the proposed cost accounting standards. Therefore, Mr. Chairman, I will offer an amendment to change the board's reporting date from June 30, 1971, to January 31, 1972. This amendment needs little or no discussion.

But let me discuss the composition of the Board. Almost all, if not all, of those who appeared before our committee urged the appointment by the President of an independent board. Even the Comptroller General whose advice the Congress should take agrees with this position.

He urged us not to do the very thing the bill as reported does.

I am quoting from the testimony of the Comptroller General when he said:

We question whether the GAO should become deeply involved in the administration of negotiated contracts. The responsibility for administration of contracts including promulgating, interpreting, and administering cost-accounting standards seems basically an executive branch function. Rules and regulations covering Federal Government procurement are now a function of the executive

branch. There does not appear to be any reason to divorce the promulgation of cost-accounting standards from the executive branch.

In addition, he said:

An independent Board appointed by the President might well have greater prestige and attract more capable members. It could not be accused of having any bias by reason of having worked on the feasibility study or any preconceived ideas of what the standards should be.

To make sure that I had Mr. Staats' position clearly understood, I asked him:

Is it not your position that theoretically and philosophically the rulemaking function should be separated from the oversight function? In other words, in your day-to-day review on behalf of the Congress of contracts, their negotiation and their implementation, are you not in a better position, if you have not been the one who has promulgated the accounting standards, to critique those standards?

Mr. Staats replied:

I think that is true generally. This is a hard line between rulemaking and auditing. We never want to get ourselves in a position where our independence is compromised by virtue of our having participated to an undue extent in the administrative decision or in the operations which are essentially the function of the executive branch. We being an agent of the Congress believe our function can best be discharged by analyzing and assessing how well the executive branch has done its work and formulating suggestions and ways in which we think they can be improved either by administrative action or by legislative action.

Later on he agreed with Professor Anthony, who testified before the committee, as follows:

That is the reason we came to the conclusion we did that an independent board appointed by the President made up of both Executive Branch and outside representatives would be a better forum for this type of matter.

Mr. Chairman, I suggest that with reference to such delegations of authority it is axiomatic in the Federal bureaucracy that anyone, or any agency, able to claim jurisdiction does so. When the GAO says it should not in this case, there must be at least a few who feel that it has overpowered, though maybe underexpressed, reasons for saying so.

Now, let me talk to you a moment about a part of the bill, title II which would give to the President unlimited, unguided, uncontrolled authority to impose and implement wage and price controls.

At the outset, let me express my serious doubt, if disagreement, about the value of wage and price controls as a means of assisting in the control of our present inflation and destabilized economy.

Mr. Chairman, wage and price controls can be effective in an economic situation where a shortage of goods creates excessive demand and as a result prices are forced upward without an improvement in the quantity or quality of such goods. Rationing is a necessary complement to such wage and price controls.

But wage and price controls are not effective when the inflation is a result of

a cost-push situation not involving any shortage of goods or excessive demand for unavailable goods. Even former President Johnson in the economic report of the President transmitted to the Congress in January 1969, through the Council of Economic Advisers, said:

Mandatory price and wage controls are no answer. Such controls freeze the market mechanism which guides the economy in responding to the change in pattern and volume of demand; they distort decisions on production and employment; they require a huge and cumbersome bureaucracy; they impose a heavy and costly burden on business; they perpetuate inevitable injustices. They are incompatible with a free enterprise economy and must be regarded as the last resort appropriate only in an extreme emergency such as all-out war.

Mr. Chairman, those are not my words. Those are the words of the same gentlemen, or at least the spokesmen for the same gentlemen, who are advocating title II in this bill.

Nevertheless, despite this testimony to the contrary, I would defer to the will of this body and vote for standby controls if this body and the Congress will act in a responsible way and retain for itself the authority and responsibility which it should exercise and bear.

Mr. Chairman, no Member of this Congress who has criticized the failure of the Congress to be responsible with respect to international affairs can claim any personal or political integrity if he supports this legislation as presently written.

The electorate is sick and tired of the Congress passing the buck to the President under broad grants of authority and then claiming immunity from criticism by virtue of the almost unlimited delegation of its constitutional prerogatives.

The Congress owes to the people it represents a duty of fidelity—not just fidelity with respect to the people's money and taxes, but fidelity with respect to the power and authority of the people which are vested in the Members of this body.

As in the case of international affairs, the Congress should provide the tools and make the basic decision as to whether or not they should be utilized; so, too, on the domestic scene emergency tools should be made available and the Congress should determine when they are to be used.

In each case, it is the President's duty and responsibility not to make the policy decision, but to implement and carry out—to execute—the congressional decision.

The amendment I will offer to the title, a substitute for all of the title II language, does make a proper distinction between the legislative and executive functions. To permit timely action, even emergency action, for the imposition of wage and price controls, and yet retain within the Congress its proper policy decision role, my amendment authorizes a joint committee of the Congress to impose wage and price controls. The implementation of those controls is then properly left to the President.

The joint committee authorized to exercise this authority consists of the Joint Economic Committee, the Speaker and minority leader of the House, and the majority and minority leaders of the Senate. I would be remiss if I did not mention that the chairman of this joint committee should be the chairman of the Joint Economic Committee who is presently the chairman of the Committee on Banking and Currency of this House. Two or three members of the Committee on Banking and Currency of the House from the other side of the aisle also serve on that joint economic committee. Certainly nobody could be more reflective of the expertise and wisdom of the Congress in matters of this kind.

Adoption of my amendment would show that this House is a responsible body. Rejection of it will be further proof to the people that we are irresponsible, that we do place politics above policy, and the welfare of the people.

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

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

Mr. BROWN of Michigan. I yield to the gentleman from Illinois.

Mr. MICHEL. Mr. Chairman, I am definitely opposed to title II of this bill.

I am reminded of several visits to the White House over the years and two of them are worthy of mention here.

One was a meeting presided over by President Kennedy with a number of members of our Appropriations Committee and several other committees. We were talking about the budget and during the discussion of holding expenditures in line the President said the last thing he wanted to do was impose wage and price controls.

Again during the Johnson administration I can recall the President making essentially the same statement in a similar meeting.

Mr. Chairman, I should like to turn now to my specific reasons for opposing title II of H.R. 17880. We are all aware of the fact that contract negotiations have recently begun in Detroit between the UAW and the automobile companies. However, we may not all be aware of the adverse effects which wage and price controls may have on these negotiations and on collective bargaining in general.

In the first place, there is a strong possibility that controls would be self-defeating in the area of collectively bargained wages. For example, the temporary nature of the proposed freeze would seriously limit the effectiveness of any negotiations. Since union contracts are negotiated for periods of 2 or 3 years, unions would be forced to adopt one of several bargaining approaches if their contracts expired during the freeze period. All of these approaches are undesirable. One possibility would be to negotiate for wage increases to become effective at the expiration of the freeze period. In that event, there is a strong likelihood that wage increases after the freeze would be larger than those which would have been negotiated in the absence of

a freeze. In any case, the unions would certainly insist that any eventual settlement include an allowance for wage increases foregone during the freeze. This would only delay the increases which would have resulted from normal bargaining. In the interim, however, much confusion and uncertainty would have been added to the bargaining process.

Another alternative would be to negotiate a contract with a provision for reopening negotiations at the expiration of the freeze. Much time and energy would be wasted and what incentive would there be to bargain seriously when the results are only temporary and the whole process is soon to be repeated anyway?

A third alternative would be to drag out negotiations until the freeze expires, with or without an extension of the old contract. This places a heavy strain on labor-management relations and detracts from a healthy working relationship.

There are also other problems related to the bargaining process which are caused by wage and price controls. The fortuitous circumstance of when a contract expires plays a major role in the level of wages frozen for a particular group. And what is to be done about deferred wage increases under an existing contract which become payable during a freeze period? I submit that title II would seriously detract, if implemented, from the orderly and effective bargaining process in this country and that it should be rejected.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio (Mr. WYLLIE).

Mr. WYLLIE. Mr. Chairman, this is the season when it becomes more and more difficult to separate fact from fiction. As an election draws near, the facts surrounding an issue are frequently clouded by barrages of hollow rhetoric. Slogans and trite phrases are offered as instant solutions which, if not accepted, will presumably cause us to suffer the anguishes of complete disaster.

This year is no exception. We have a perfect example of instant solutions before us today in the form of title II of H.R. 17880. As you know, title II gives the President authority to implement wage and price controls at his discretion.

Yet a look at the record should make it very clear that controls are a wrong and damaging answer to the problem of inflation. The problem of inflation is being resolved—and resolved effectively—by the current economic policies of the administration.

If this body really believes that controls are necessary, it should act more responsibly and enact mandatory measures now rather than sidestepping the issue—and the responsibility—by passing the buck to the President.

Most simple answers are appealing and wage and price controls are no exception. But before we become enchanted by their simplistic appeal, let us look more closely at their past record. I have in mind three periods over the last 30 years in which this country experienced wage and price controls in one

form or another. There is, first of all, the 4 years of their application during World War II. This was followed by a brief resumption of such controls during roughly 2 years of the Korean conflict. And, finally, we have witnessed a watered down form of controls—called guidelines—which were used during the last administration.

In each of these instances, the record is poor. Yet during World War II and again during Korea, everything favored the successful use of controls. The country was united throughout both conflicts. The population sacrificed greatly to promote the war effort—and did so willingly. Nevertheless, during World War II, prices still rose 38 percent. Rationing became the order of the day, and the black market developed into a commonplace.

All this occurred despite controls, despite great patriotic sentiment for the objectives of controls, and despite a bureaucracy of 250,000 employees needed to administer the control program.

The record during the Korean war is no better. From the outbreak of the war in June, 1950—which triggered expectations of further wage and price controls—prices increased roughly 6 percent until mandatory controls were applied in January, 1951. In the following year of controls, prices advanced an additional 9 percent. Again, despite controls, public support, and a gigantic administrative bureaucracy, the experiences of World War II were repeated.

More recently, the Johnson administration tried to control the results of massive deficit spending by imposing wage and price guidelines. As we all know, those guidelines proved completely ineffective, and, consequently, were quietly abandoned.

I think the record is very clear on wage and price controls. And I think it should be clear to Members on both sides of the aisle. For otherwise, how can we explain the following statement appearing in the last annual report of the Council of Economic Advisers under President Johnson? I quote:

Mandatory price and wage controls . . . freeze the market mechanism which guides the economy in responding to the changing pattern and volume of demand; they distort decisions on production and employment; they require a huge and cumbersome bureaucracy; they impose a heavy and costly burden on business; they perpetrate inevitable injustices. They are incompatible with a free enterprise economy and must be regarded as a last resort appropriate only in an extreme emergency such as all out war.

One basic conclusion I draw from my review of wage and price control history is this: So long as economic policy is highly expansionary, wage and price controls have virtually no hope of success. This was the case in World War II, in the Korean war, and in the last 4 years of the previous administration. Economic policy in each of those periods was highly expansionary. Despite controls—or guidelines—prices rose, and rose rapidly. Neither massive bureaucratic machinery nor mobilized public support such as we enjoyed in World War II could stem the tide. Even during those

years, prices increased well above 9 percent a year—a rate of inflation exceeding our present experience at its peak several months ago.

Today it is obvious that our monetary and fiscal policies are moving in the right direction to halt inflation. Excess demand has been eliminated. Inflationary expectations have been altered. We are currently in the final phase of the transition to economic stability.

For example, the structure of interest rates has decreased greatly over the past several months. Treasury bill rates are down 1.8 percent from their 1969 peak. Further, the wholesale price index from the first to the second quarter of 1970 advanced at a rate of 1.7 percent per year. By contrast, wholesale prices were increasing at a rate of 4.6 percent a year from the last quarter of 1969 to the first quarter of 1970. Finally, the consumer price index for both May and June shows an annual rate of increase of 4.8 percent—down from the 6 percent annual rate registered in the spring.

These facts unmistakably indicate that the rate of inflation is falling. When placed in perspective, the conclusion is even more encouraging. The administration's plan all along has been one of cooling the economy to get at inflation. Because of the time lapse between changes in the pace of economic activity and the resulting impact on prices, there is a several month lag between economic slowdown and price slowdown. This we are now beginning to witness. We can expect to see even more success in the coming months.

Further, this has been, and is being, accomplished without pushing the economy into stagnation or a recession. The second quarter GNP figures clearly indicate that the economic decline has bottomed out. With moderate growth in the money supply, as well as removal of the surtax, we can expect economic activity to continue its upward trend in the third and fourth quarters of this year.

The administration's economic policies are working and they are working with the minimum of pain necessary to bring inflation under control. Wage and price controls are obviously unnecessary. Not only would they be useless, but they would entail creation of a gigantic bureaucracy.

For the many reasons I have cited, I can only conclude that the provisions contained in title II of H.R. 17880 are the wrong medicine for the inflation ailment. There is nothing to be gained by imposing wage and price controls. Yet, as I stated, if Congress is convinced that controls are necessary, then let it enact mandatory controls now. To do less, to pass the responsibility onto the Presidents, clouds the issue and sets up a smokescreen of fiction which engulfs the facts at hand.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania (Mr. WILLIAMS).

Mr. WILLIAMS. Mr. Chairman, H.R. 17880 is basically a good bill and contains provisions for uniform cost-accounting standards for defense contractors, which I favor.

However, title II of H.R. 17880, relating to wage and price controls, must be amended. It serves no useful purpose. It has no economic merit. And it represents a patently partisan display of irresponsible statesmanship. At a time when the economic environment requires moderate and responsible policy courses, grounded in fundamental analysis and action, title II is a combination smokescreen and boondoggle, designed only to confuse and politicize a vital issue.

This so-called Economic Stabilization Act of 1970, which is title II, is not directed toward a restoration of economic health and stability. By thrusting upon the President the authority to temporarily "stabilize" prices, wages, rents, and salaries; and by implying that such a course of action is feasible, costless, and effective, passage of title II would perform a great disservice to the American people.

The record on this issue is clear. The facts are persuasive and unambiguous. I take this opportunity to review the issues for the benefit of my colleagues and my fellow citizens.

Title II of H.R. 17880 authorizes a mandatory regime of price and income controls. On its face, this represents an extreme course of action; one only reserved for the highest and most serious of economic emergencies. In other words, proponents of such control measures must bear the burden of proof that the need for such controls is overwhelming.

I do not make this as a partisan point. Let me read a commendable statement on the desirability of such controls:

The most obvious—and least desirable—way of attempting to stabilize prices is to impose mandatory controls on prices and wages. While such controls may be necessary under conditions of an all-out war, it would be folly to consider them as a solution to the inflationary pressures that accompany high employment under any other circumstance. They distort resource allocation; they require reliance either on necessarily clumsy and arbitrary rules or the inevitably imperfect decisions of government officials; they offer countless temptations to evasion or violation; they require a vast administrative apparatus. All these reasons make them repugnant. Although such controls may be unfortunately popular when they are not in effect, the appeal quickly disappears once people live under them.

That policy statement on direct price and wage controls was offered by Gardner Ackley, James Duesenbury, and Arthur Okun—the Council of Economic Advisers—in their annual report, February 1968. It has my wholehearted support.

I know some of my colleagues would want us to believe that certain highly regarded economists support controls at this time. That is simply not true. Respected economists of all political persuasions find them repugnant, and only to be even considered during periods of massive military mobilization. Our experience with the bureaucratic morass of wage and price boards during World War II and the Korean war certainly reinforce this conclusion.

So this part of the record is clear: Proponents of controls always bear a

heavy burden of proof, and their proof must be extremely convincing.

But no one steps forward today with a convincing economic brief in support of controls. Rather, the weight of the evidence resides completely on the anticontrol side of the question. However, we can encounter conditions in our economy, due to continued inflation caused by deficit spending, which would make such controls desirable.

As I have noted, controls are always a last policy alternative. We resort to controls only when forced by extreme economic circumstances. For the United States, this has meant during periods of intensive military mobilization. Controls are the ultimate necessity forced on us by the shortages and scarcity generated by superheated demands on our productive resources. Fighting major wars and satisfying civilian demands are not compatible activities. Government controls—over production, distribution, prices, and incomes—are necessary.

But, the summer of 1970 does not yet find our economy with any of these "control-prone" symptoms. We do not have conditions of military buildup, of product and labor shortages, of excess demand for output. Quite the contrary, Americans in uniform are now rapidly decreasing in number, not increasing as they were during most of the 1960's. Coordinated application of responsible monetary and fiscal policies have largely removed excess demand from our economy. On the economic evidence, this is clearly not the time for controls.

A case for controls did exist in the summer of 1965. Had we then known, as we now can see with hindsight, that a massive military buildup was to be undertaken, and that responsible monetary and fiscal policies were not going to be put in place, we might have given serious consideration to the control alternative. Indeed, former Treasury Secretary Joseph W. Barr recently admitted:

My rule of thumb, if I ever have any public service again, is that if anyone deploys as many as 100,000 troops on foreign soil, you go for a tax increase and complete controls across the board.

But the economic policy failures of the Vietnam escalation period cannot be permitted to distort our analysis of today's economic climate.

Today's facts do not support any need for controls. The severe inflationary pressures generated by the overheating of 1965-68 are finally on the wane. Wholesale price increases are decelerating, industrial commodity prices are declining, and consumer price rises have stopped accelerating. Moderate expansion can resume and inflation can be brought under control.

Fundamental policy actions, based on a hard analysis of the current environment, are the appropriate prescription for the economic ills of overheating. There is no room for the irresponsibility of giving the President the temporary power to institute a regime of price and wage controls.

One final point about title II, as presently written, deserves emphasis. This is the manner in which price and income controls are presented for our consider-

ation. The bill before us seeks to give the President an authority only until February 1971. It strikes me as the height of irresponsible statesmanship for this House to thrust upon the President the temporary authority to impose such controls.

If this body truly desires to see economic controls imposed, then let it so indicate by directly considering that question and keep the responsibility where it belongs, right here in the Congress.

An amendment to title II will be offered today to give the Joint Economic Committee of the Congress, with the minority and majority leaders of the other body, and the Speaker and minority leader of the House, the power to invoke controls when they deem it necessary and authorizes a sum of money to accomplish the initial steps.

I call on my colleagues of both parties to support the amendment as it represents political responsibility. Title II, as now written, does not deserve our consideration.

Mrs. HECKLER of Massachusetts. Mr. Chairman, will the gentleman yield?

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

Mrs. HECKLER of Massachusetts. Mr. Chairman, I rise in support of the amendments to the Defense Production Act. While I am not completely satisfied with the provisions of the bill, I believe that, even with sections I would prefer to see modified, the bill represents a step forward.

The Defense Production Act was originally enacted in 1950 to assure a sufficient supply of national resources for defense needs. This still remains our goal.

Beyond this basic effort, however, we must make certain that the taxpayer gets full value for his money in providing resources for our defense agencies. This bill takes that extra step forward as we move toward methods to insure full value for the defense dollar.

The Department of Defense is by far the biggest purchaser in Government with the result that the opportunity for irregularities in procurement, inadvertent or otherwise, is greatly increased. In addition, more than 86 percent of defense procurement is on negotiated contracts rather than competitive bidding.

I think Vice Adm. Hyman G. Rickover clearly explained the situation during hearings before our Banking and Currency Committee when he said:

I believe that defense contractors must be accountable for the expenditure of public funds. Throughout Government there are strict rules pertaining to personal accountability. Travel vouchers must be verified, and so on. Those involved in the disbursement of Government funds must document their expenditures in detail and make a proper accounting of such expenditures to the Government.

Large defense contractors, however, are not being held accountable to the U.S. Government for their expenditure of public funds. . . .

The bill establishes a Cost-Accounting Standards Board which will investigate the current situation in military procurement and report to the Congress within

a year its recommendations for cost-accounting standards. The standards are to be applied to defense contractors and subcontractors and be designed to achieve uniformity and consistency in cost-accounting practices.

This procedure allows the Congress to take final responsibility for the setting of uniform standards, but provides the necessary expert advice we should have prior to the final decision.

In my opinion, a significant feature of the bill is the consideration it gives to small business. It is important, I think, to make certain that legislation we adopt will not require smaller businesses to give up defense contracting because of standards that might be unduly expensive for a small business to afford or unnecessarily stringent to render a small business unable to comply.

The bill provides that at least one of the members of the Cost-Accounting Standards Board be particularly knowledgeable of the needs and problems of small business.

It is particularly important that small business have a voice in the formulation of decisions by the Standards Board. I am confident the industries with the largest defense contracts can adjust relatively easily to whatever standards are developed. But, I do not want to see any small businesses forced out of doing business with the Defense Department because of standards aimed primarily at larger contracts.

I do not want to give the impression that I believe this bill will end all procurement problems. Nonetheless, it will allow us to gain greater insight into military procurement problems and to seek out effective, timely solutions to problems as they arise.

Mr. WIDNALL. Mr. Chairman, I yield 3 minutes to the gentleman from Ohio (Mr. WHEALEN).

Mr. WHEALEN. Mr. Chairman, I rise in opposition to title II of H.R. 17880. I do so because I believe that this title contains at least five defects.

First, this measure, by authorizing a wage freeze, denies labor any benefits which might otherwise be derived from its increased productivity. However, H.R. 17880 fails to provide for profit and dividend stabilization. Thus, business ownership would be permitted to reap, in the form of expanded profits, all of the cost savings accruing from productivity gains. This hardly is equitable.

Second, title II fails to authorize the rationing power which inevitably must accompany any wage-price-rent-profit-dividend stabilization program.

Third, H.R. 17880 does not authorize any fund to underwrite the thousands of jobs which will be required to administer and enforce any economic freeze.

Fourth, by ending the President's discretionary authority 7 months from now, the bill fails to recognize the administrative-timetable required to implement such a program. During the Korean war, for example, many sectors of our economy were never touched by the wage and price control program which was in effect at that time.

Fifth, the authority provided in title I expires on June 30, 1972. Since title II

expires at midnight on February 28, 1971, it is evident that the committee feels that no economic stabilization program would be feasible or desirable beyond that date.

It would be folly, in my opinion for the President to implement for 7 months the authority extended him in title II.

The Congress, in this bill, simply has not given him the tools, the time, or the funds to do that job, even if it were desirable, which in my opinion it is not.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. WHALEN. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. The gentleman mentioned the cost of administering a wage and price control program. Would not the gentleman agree that the administration of a proposed wage-price control program, following the experience the past would indicate, would probably cost in the area of \$1 billion to \$1.5 billion to administer the program?

Mr. WHALEN. Probably so. The program cannot be effectuated by the President merely saying we are going to have a wage and price freeze. It has to be administered. It has to be enforced.

Mr. PATMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. ADAMS).

Mr. ADAMS. Mr. Chairman, I rise in support of H.R. 17880, to amend the Defense Production Act of 1950, and in particular I want to indicate my support of title II, which gives to the President discretionary authority to issue orders and regulations to stabilize prices, rents, wages and salaries at levels of not less than those prevailing on May 25, 1970.

This discretionary presidential authority would expire on February 28, 1971. It is envisaged that a freeze would be applied and it would probably only be necessary for 2 or 3 months. I have supported this proposal because the President would then have authority to make adjustments in orders and regulations as deemed necessary to prevent any inequities and could terminate the freeze at any time when the economic factors indicated inflation had been stopped. If the Congress were to enact a mandatory program, then it would take weeks and months to terminate such a program by congressional action if conditions indicated that such a program should be terminated before February 28, 1971.

Last year I supported the legislation whereby the President was given authority to impose selective controls over any or all forms of credit when he deemed such action necessary or appropriate for the purpose of preventing or controlling inflation which had been caused by an extension of excessive credit. This proposal became law in December 1969 as Public Law 91-151.

The administration has not used these credit controls but instead has continued to rely on tight money, high interest rates, and a limitation on domestic expenditures such as health and education to combat inflation.

This Congress has balanced the budget for the last 2 years with a budget surplus of \$3.2 billion during the last year of the Johnson administration—fiscal

year 1969—and the first year of the Nixon administration with a surplus of \$1.5 billion—fiscal year 1970. If it goes out of balance this year it will be because the Government is paying more interest on the national debt—\$1.8 billion—and has received less in tax receipts—estimated \$3.5 billion—because of the recession.

What is far worse is—the effect of the administration policies is to destroy those industries dependent on borrowing funds and a prosperous economy. In those areas of the country dependent on such industries we have a depression.

In my district in Seattle the economic conditions are intolerable. The commercial airplane industry, the lumber and construction industry, and smaller businesses have borne the brunt of the high interest rate, tight money policies of the administration, and we have a depression right now. Unemployment in our area is over 10 percent, according to the national figures, but when you consider underemployment and those who do not report in the unemployment statistics, the rate is probably much closer to 15 percent and going up steadily. The Boeing Co. alone, which in the Seattle area is tied closely to the business trends because it produces commercial aircraft, has dropped from an employment of over 101,000 less than 2 years ago to less than 50,000, and employment is still dropping. The annual report of the company shows that the backlog of unfilled orders for commercial jet airliners is steadily falling because the airlines are unable to finance the purchase of additional aircraft and the company cannot continue to carry aircraft in its inventory.

The same conditions prevail in the lumber and construction industry which is our second largest industry. Our people in the lumber industry are without jobs because the national housing market is depressed. Those who are involved in the local housing industry are out of work because no one can afford to borrow to buy a house and thus no new housing can be started.

Many of us have predicted this would happen for nearly a year because all the indicators pointed to it in the middle of 1969. In speech after speech we have warned how this would happen and why. I tried to summarize this for the newspaper publishers of my State in May of this year. I want to tell you today some of the things I told them about recession and inflation—the results of an undeclared war and why the present policies of the administration have not and cannot correct the situation by simply creating a national recession.

I outlined the problem as follows:

#### INFLATION DURING RECESSION

During the last year, the cost of living in the United States as shown by the Consumer Price Index went up 6.7 percent which was the highest rate of inflation since 1947. The projection for January indicates an annual increase at a rate of 7.2 percent. This represents extreme inflation when compared to the period from 1958 to 1965, when the rate of increase of cost of living was only ap-

proximately 1.3 percent per year, which was well below the increase in production. This meant that during the 1960's, the real per capita income in America went up, whereas now it is not.<sup>1</sup>

During the period from 1961 to 1965, we had an expanding economy in America, which was reflected in an improved standard of living for most of our citizens. A very sophisticated approach to the economy was started by the Kennedy administration to break the cycle of recessions which had occurred in 1954, 1958, and 1960. I will discuss later why these recessions occurred, and why they are occurring again as we return to the old policies of the 1950's.

The Government policies that produced this expanding economy were basically first, a 7 percent investment tax credit to encourage business expansion, second, the maintaining of interest rates at a low level, third, an easy money supply, and fourth, a reduction in taxes. This produced a smoothly running economy, where the increases in the price level were more than matched by the increase in actual production, and the President, through use of wage and price guidelines and the power of the Presidency, prevented the monopolistic portions of our basic materials economy from raising prices and causing a cost-push inflation. Unemployment was reduced from 6.7 percent in January of 1961 to 4 percent by January of 1966, and the rate of growth of the economy accelerated. It is interesting to note that defense spending, which was \$51.6 billion in 1962, had also been steadily declining to \$50.8 billion in 1963, and in 1964 it reached a low of \$49.9 billion. This indicates that defense spending was not necessary to sustain the economy.

The main cause of the inflation which occurred starting in 1965, and which plagues us today, is the war in Vietnam. In 1965, the economy was expanding and the industrial plant was running at about 90 percent of capacity which meant that any further stimulus to the economy would be inflationary. The most dangerous stimulus that any government can apply to a country's economy is to go to war. The reason is very simple. The government raises money through taxes, or even worse, borrows money that it does not have and pays this money to people in the country to produce goods which are not used in the economy, but are sent out of the economic stream of the country and never returned. The result of this is that money appears in the economy without an equal number of goods being produced for purchase. Therefore, unless you drain that excess money off in some fashion, it is available to bid up the price of the existing goods in the economy.

There are two basic ways to prevent this from happening. The first is to increase taxes by the amount that you are spending on the war. Then the money which is paid out for the war goods by the Government is in turn taken back

<sup>1</sup>In the 1960's the real per capita income increase was 35 percent and personal consumption went up 45 percent.

from the people and does not enter the economic stream of the Nation, and you try to build the war materials out of surplus capacity in the industrial plant. In this fashion, the war goods and war money are both left outside the economic market and do not affect it.

A second method is to apply income, rent, salary and price controls so that people cannot pay more for the goods even though they have money, and at the same time, try to persuade those people to place the extra money which they have in savings—preferably Government bonds—so that this excess purchasing power can be used in the economy at a later time to help the economy if it is sliding into a recession.

Neither of these approaches was used, although many of us urged the administration to indicate to the people that we were in a war and that the whole Nation and its economy must go to war, and not just those who were being drafted.

This was not done because other voices prevailed. Both the last administration and this one have believed that the economy was strong enough and expanding at a rapid enough rate so the Federal Government could produce war goods through extra plant capacity and could take in enough money through increased tax receipts to pay for the war. The original Kennedy policies had been so successful that there was some hope of accomplishing this if the action in Vietnam was only to be a very limited affair. For example, between 1965 and 1968, the Federal receipts because of the expanding economy increased by \$37 billion. This would have allowed the economy in the domestic area to continue operating as it had in 1965 and still spend \$10 billion per year on the war with a balanced Federal budget. This occurred because the same tax rates applied to a much larger economy will generate more tax dollars for the Federal Government. The original Kennedy theory had been that this money would be used to improve the quality of life in America by expanding necessary domestic programs.

The tragedy however, is that starting in 1965, the amounts of money poured into Vietnam far exceeded any ability of the economy to keep up. The number of troops was raised from a few thousand advisers in 1964 to 184,000 men by the end of 1965, and by November of 1968, had nearly tripled to 538,000 men. This was accompanied by a heavy increase in spending. In 1966 the defense expenditures in Vietnam increased over \$10.5 billion so the total defense budget went over \$60 billion. In 1967 the budget of the Defense Department spending for Vietnam for the fiscal year was predicted to be \$19.4 billion, and in fiscal year 1968, \$21.9 billion. During this period, the total budget for the Defense Department jumped to \$80.7 billion per year. The effect of these increases in defense spending, starting in 1965, was to stimulate the already stimulated economy. The result was that consumer prices between late 1965 and October 1966 climbed at a 3.7 percent annual rate, and

the wholesale price index, which had been rising at about 1 percent to 1½ percent annually, jumped more than 3 percent in 1966.

Many of us at that time supported the concept of a war tax, but this was rejected because of the continued statements by the military that the war would soon be over. The hope of the administration was that the war would end quickly and the expanding economy could stand a brief, small 1- or 2-year deficit and not go into inflation. I remember well in September of 1967, I finally arrived at the conclusion that this was an indefinitely expanding war, and I started to oppose the administration's policies. The surtax was being proposed, and I refused to support it unless there was tax reform, and unless it was called a war tax so the people would know, and would try to apply traditional brakes to a war economy. Finally, in July of 1968, a 10-percent surtax was added but this did not cover the cost of the war and was not called a war tax. Then a program had to be started to reduce government spending in the domestic area to pay for the war. This went into effect in 1968, and the war was paid for from these Government revenues in order to prevent pumping more money into the economy.

However, between 1965 and 1968, while the expanding economy produced extra Federal receipts of over \$37 billion, the budget expenses increased \$60 billion—\$31 billion for defense and \$21 billion for nondefense. We thus financed the war by inflation. By 1968, the Government came to the conclusion that this war was going to continue, and the 1968 policies reflected the traditional budgetary controls advocated by Keynesian economists. What many people today do not realize is that we had a budget surplus—the Government taking more money out of the economy than it was putting in—starting with the summer of 1968, so the budget for the fiscal year 1969, which ended on June 30, 1969, had a surplus of \$3.2 billion. This has continued since then, and there is a projected surplus of \$1.5 billion for the year ending June 30, 1970, and a budget surplus of \$1.3 billion for the year ending June 30, 1971. Thus, the war in Vietnam was financed by inflation, and cutting domestic spending.

It is very important to know who got most of the money, and who suffered most under the inflation. During the Vietnam War, corporate profits after taxes increased very substantially from \$38.4 billion in 1964 to \$51 billion in 1968, thus, corporations as a whole were doing quite well with a profit increase of 24.7 percent. The average worker during this period of time increased his average working gross in the manufacturing industries by 15.9 percent, and if you compare money incomes with price increases, manufacturing workers increased only 6 percent during that same period. If you compare this with the profits cleared by corporations during this period of time, it is plain that wage earners have been carrying their share of the expenses of this war.

#### THE JOHNSON ADMINISTRATION STARTED LATE TO COMBAT WAR INFLATION WITH FISCAL RESTRAINTS

The Johnson administration, faced with the problem of how to pay for the war, rejected the systems used in World War II and the Korean war. Those inflationary controls were basically to control wages and prices by either direct price controls or firm guidelines, to increase taxes, to place excess profits taxes on corporation profits, and to inform the Nation that they were at war, and, therefore, individuals should control their spending and be prepared to do without certain domestic programs. The Johnson administration did try to maintain wage and price guidelines, and it was moving to increase taxes—the surtax—and to slow down business expansion by removing the 7-percent investment tax credit. It did not take the essential step, however, of explaining to the people that we were in fact in a protracted and expensive war. In fact, nobody called this a "war" at first. One has no way of knowing the eventual effect of these policies, because the Nixon administration in January 1969 abandoned this approach and returned to the old-fashioned laissez faire monetary policies of the 1950's.

#### THE NIXON ADMINISTRATION CANNOT CONTROL WAR INFLATION WITH MONETARY RESTRAINTS

The Nixon administration policy views the American economy as being similar to that which Adam Smith saw in 18th century England—many small producers competing in the marketplace for the favor of many buyers. In such a dreamlike world, if one restricts credit, people cannot buy and thus demand goes down and prices must go down as inflationary pressures lessen. In such a world, it is neither necessary nor desirable for the Government to intervene to protect the consumer against price increases. This is solely the function of the natural workings of the market. This picture in the United States in 1970 is of course a myth for much of the American economy is controlled by giant semimonopolies, operating in an administered price field. They offer their goods to the American people at prices determined not by the law of supply and demand, but by all charging the same follow-the-leader price. These corporations have tremendous internal financial resources, and enjoy private advantageous relationships with large lenders, which make them totally immune from restrictive monetary policy. They can only be controlled by either direct wage and price controls, or by using the power of the Presidency through wage and price guidelines to shield the rest of the American public from their power.

The keystone policy established by the Nixon administration is based upon the doctrines advocated by Prof. Milton Friedman, by Prof. Arthur Burns, the new Chairman of the Federal Reserve Board, and basically, the heads of the Treasury Department. The Secretary of the Treasury, and the two Under Secretaries, are respectively from Continental Illinois of Chicago, Chase Manhattan of

New York, and the former executive director of the American Banking Association.

The policy which has been evolved is very simple. You maintain a balanced budget to prevent the flow of any more inflationary money into the economy, you provide a zero increase in the money supply<sup>2</sup> and you maintain high bank reserve requirements to prevent any expansion in that area. You do not control interest rates so that the price paid for money will be set by the marketplace. Selling money is what banks do, and interest is what they charge, but the Government controls how much money will be available. So in a free market where the demand for money is constantly increasing because of increasing population and a rising quality of living, when you do not expand the money supply the demand for money soon outruns the supply and, therefore, the price of money, that is, the interest rate, goes up. In 1964, the prime rate, which is the minimum interest on 90-day loans to corporations, was 4.99 percent. In 1968, the rate was 6.68 percent, but in 1969, it jumped to 8.21 percent and the projection of many economists is that it can go even higher. Even worse, the lack of money supply sucked money from long-term paper needed to finance airplanes, housing, schools, and so forth, into the low-risk, lucrative, short-term paper. It has become so bad that last week the gilt-edge bonds of American Telephone & Telegraph Co. went on the market at 9.19 percent, the highest in history.

A second facet added to the monetary program has been to stop Government expenditures in the domestic area. In September of 1969, the President called for a voluntary cutback in the construction of schools, hospitals, and highways, and the result of this was to freeze \$1.2 billion in Federal funds and \$300 million in State matching funds together with \$260 million in State controlled funds. On September 4, the Federal Government froze \$1.8 billion in construction of strictly Federal projects. In January, the President vetoed any increase in domestic spending for education.

The result of this action is that the giant corporations, and those who are in the protected administered-price area, manage to continue at an even keel, but those areas of our economy who still depend on the classical capital market to borrow money are devastated. These are all the farmers who need financing for next year's crop, the small businessman needing credit from his local bank for inventory, the municipality or school board that wants to construct some socially needed public facility, and the home-builder and home buyer. Those in the administered price area can pull in their belts and prepare to ride out the storm by building fewer cars, producing less rubber, selling a smaller amount of oil or steel, and at the same time raising the prices on these items. This cutting back also traditionally leads to a reduction

in payrolls by laying men off. Today, unemployment is rising in both the administered price area and the nonadministered price area because they are either going out of business or have had to shut down for lack of financing.

This produces rising prices because of so-called push-cost-push inflation. For example, when steel prices rise, this causes the price of everything that uses steel to increase. A look at the statistics rapidly bears this out. The prices of steel, because of Presidential actions to hold down these prices, had only risen 7.1 percent in 8 years until 1969, but in that 1 year steel mill prices rose 6.7 percent, and in January of 1970 the price of rolled steel went up 3 percent more. In 1968, the price of basic raw materials for many industries rose only 2 percent, but in 1969 it rose 11 percent.

In addition to this cost-push inflation, you have credit inflation. With no controls over the money market, the large city banks which control a great portion of this market are free to place their money wherever they wish. They have, therefore, increased their lending to business for unnecessary capital expansion—we are only using 80 percent of plant capacity now—for inventory accumulation, and for conglomerate takeovers. This type of lending activity has increased by more than 12 percent in the last year. In addition, the larger businesses, to whom most of the loans are made, do not mind the high interest rates, because Uncle Sam picks up half of the cost, with an income tax deduction. They can all move together to increase the price to cover the cost. The small businessman is trapped, and must add on to the price of his goods the increase in the cost of the money he borrows, or he goes out of business. Finally, the consumer who buys on credit must pay a much higher price because of the higher interest charges.

This is why you have inflation rising at a rate of over 6 percent per year and at the same time have a recession occurring in the country. We simply cannot continue to apply old-fashioned methods to a modern sophisticated economy.

Therefore, Mr. Chairman, I am supporting this bill today because it does provide additional controls which can be used to stop inflation without stopping the economy.

Many of us in depressed areas are also supporting many temporary relief programs until the economy can be restored to an even keel. This includes an emergency public works program which was introduced by Congressman McFALL and myself and many others this week. Also we must have additional Federal support for our State unemployment compensation funds such as was recently passed by the House and full Federal funding for the depressed area for 13 weeks after the regular benefits are exhausted. This latter bill is being prepared now. I want to emphasize that these are only temporary relief measures. We need this bill to help correct the imbalances in our economy.

We also urge the administration again

to release the freeze on funds in the economically depressed areas such as Seattle. We have projects already authorized and funded which, if built, would help relieve the unemployment in our area.

I, therefore, urge my colleagues to support this bill which will complete a congressional program of giving the President all the tools he needs to combat inflation without creating unemployment and a recession. If the President uses the credit controls of Public Law 91-151 and the income and price controls of this bill he can then change the present monetary and fiscal policies that is producing our present recession and still control inflation. I hope he will do this so our Nation can move back to prosperity once again.

Mr. WIDNALL. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois (Mr. CRANE).

Mr. CRANE. Mr. Chairman, I rise to speak in opposition to title II of this bill—H.R. 17880—which would grant the President an undesired and unworkable authority to impose wage-price controls.

This is a legislative hybrid with the authority for a new OPA hastily grafted onto a piece of routine legislation. Wage-price control authority was never sought by the previous administration when it might conceivably have worked. Why would controls willingly be imposed by this administration when they will not work? Indeed, it is well known that this authority would not be used. On June 17, the President stated:

The Congress knows I will not impose controls because they would do more harm than good.

Title II seems to be primarily political in motivation. Possibly that accounts for the lack of any reasoned economic justification in support of this far-reaching legislation. Those who would support title II must count on the President having the good sense to rescue the Congress from its folly. As we know, the President and those who advise him on economic matters are unanimous in believing that the orthodox policies are working, and equally unanimous in their insistence that wage-price controls will not work in the present situation.

But perhaps it is felt that this is just Republican economics, and reflects a purely partisan point of view. Consider, if you will then, the following forceful statement:

We could conceivably travel the route to mandatory controls on prices and wages. But the vital guiding mechanism of a free economy is lost when the Government fixes prices and wages. We did not impose such regulations on our businessmen and our workers during the recent years of military buildup and hostilities. We surely must not turn down this path—a dead-end for economic freedom and progress.

And who is warning us against taking a turn down that dead end path? It is President Johnson in his January 1969 Economic Report. Later in that same report, his Council of Economic Advisers gave it as their professional opinion that price and wage controls are first, incompatible with a free enterprise economy

<sup>2</sup> From June 1969 to February 1970, the Federal Reserve Board maintained a zero increase in the money-credit supply.

and second, a last resort appropriate only in an extreme emergency such as all-out war. The first condition is repugnant to freedom-loving Americans, and the second condition does not exist.

Wage-price controls were condemned by the last administration and will not be used by this one. Under the circumstances, one would have expected some new and convincing arguments in support of wage-price controls—supported by the independent testimony of recognized experts in the field. Far from it, all we have is the usual rhetoric about high interest rates, high unemployment rates, and rising prices and reference to public opinion polls. This has all the signs of a hastily conceived political effort; none of the marks of reasoned and carefully researched legislation.

What is the judgment of professional economists of both political parties on the usefulness of authority such as is contained in title II? Simply that wage and price controls are potentially useful only in emergency situations when demand is excessive, or potentially excessive, and when resources must be shifted rapidly from peacetime to wartime pursuits. Certainly those are not the conditions we face at present, or will face in the foreseeable future. Demand is not excessive. Application of the orthodox policies of general economic restraint has successfully removed excess demand. Resources are gradually being shifted back to peacetime uses and defense expenditures are falling, not rising. Title II reads like some 1965 draft legislation, long buried in the files, that comes conveniently to hand in an election year. On economic grounds, this obviously is not the time for wage-price controls. On political grounds, supporters of this legislation seem willing to pretend that it is.

The orthodox policies—fiscal and monetary—are working. They will be supplemented by the Productivity Commission and inflation alert actions announced by the President. What are some of the signs that the conventional approaches are working? Let me briefly note the following:

The more sensitive price indexes are falling or rising at a slower rate. The June 1970 index of industrial materials prices—one of the National Bureau's leading indicators—had declined 4 percent below the February peak and has since fallen still further. The more comprehensive wholesale price index rose at a seasonally adjusted annual rate of 1 percent during the second quarter, compared to more than a 4-percent rate during the first quarter. A slower rate of advance in consumer prices will soon be emerging.

Productivity apparently rose substantially during the second quarter. In his July 21 testimony before the Joint Economic Committee, Secretary of Labor Hodgson estimated that productivity growth was at an annual rate of between 3 and 4 percent. This contrasts with an earlier slowdown and actual decline in productivity.

Interest rates have been coming down. By last Friday, the 3-month Treasury

bill was about 1¼ percent below the peaks of late last year. Key long-term rates have been coming down in recent weeks. New Aa corporate and municipal bond yields are down from three-fourths to 1 percent since mid-June.

Just at the time when the orthodox policies are showing clear signs of success, this legislation would be the worst possible step to take. It would raise real fears that the Congress is capable of charting an irresponsible course in the economic field to seek votes in an election year. It would raise false hopes that there is some magical cure through legal edict for an inflation of long standing. And, on the part of those who support this legislation, it would demonstrate a touching faith that the President will rise above political considerations and abstain from doing what title II would permit.

Actually, we know that the President will not use this authority but that does not excuse us from meeting our own responsibilities and abstaining from deceptive legislative maneuvers.

I urge that title II be voted down to show that the Congress is as responsible on matters of general economic policy in an election year, as in any other.

Mr. PATMAN. Mr. Chairman, I yield such time as he may require to the gentleman from Montana (Mr. MELCHER).

Mr. MELCHER. Mr. Chairman, at this particular time I am extremely reluctant to vote in favor of wage and price controls. They are strong, last resort, economic medicine which bear very undesirable side effects.

However, the inflation situation in the United States has become so serious that I believe we should approve standby controls, in the hands of the President of the United States, to let him, the Federal Reserve Board, the Treasury, business, labor, and everyone else know how extremely seriously the Congress regards the economic situation and that, if other actions and voluntary restraints do not get the job of inflation control done quickly, Congress is prepared for this last-resort measure to bring the crisis to an end.

In my State, farmers are being forced off the land, businesses are finding it impossible to stay open, citizens on fixed income are increasingly oppressed, and unemployment is increasing because of continuously rising interest and costs.

Recently, we have been subjected to a barrage of propaganda that the inflation-deflation has hit bottom. Actually, it was an argument that the rate at which the inflation and recession were worsening had slowed up. We had not hit bottom at all, we were just sinking a little slower.

This week, the figures are again out showing that not even the rate of inflation has fallen; it marches on.

These standby controls are tools the President may want to use during the next few weeks if the forces of inflation are not halted.

Mr. PATMAN. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. HANNA).

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

Mr. HANNA. I yield to the gentleman from Missouri.

Mr. RANDALL. Mr. Chairman, I support H.R. 17880, which is a measure to amend the Defense Production Act of 1950. Title II of that bill is entitled "Cost of Living Stabilization." It is suggested that the title should be cited as the "Economic Stabilization Act of 1970." It is not such a complicated measure. It simply provides Presidential authority to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevalent on May 25, 1970.

The title is flexible because it gives the President the power to enter such orders and make such regulations as well as adjustments as may be necessary in order to prevent gross inequities.

Section 203 delegates the performance of any function under this title to such offices, departments, and agencies of the United States as he may deem appropriate.

In the ensuing sections there is a provision for a fine of \$5,000 as a penalty and authority is granted to the President to seek injunctions in the proper district court to enjoin such acts or practices as may be in violation of any regulation or order under this title.

Finally, the authority to issue and enforce orders and regulations under this title will expire at midnight, February 28, 1971, but of course with the saving clause that such expiration shall not affect any violations or punishment of contempt committed in violation of any injunction prior to March 1, 1971.

Our friends on the other side of the political aisle have worried about the cost of administration. They say there will be a lessening of freedom, that this approach is the bureaucratic way of controlling inflation or the easy way out.

The ranking member of the committee has said since it took 60,000 persons in World War II and 16,000 in the Korean conflict, translated into today's wage levels it could take as much as a billion and a half dollars a year to enforce wage and price controls. Of course, such a statement is purely speculative, but worse still, it is ridiculous when we recognize that the entire cost for administering wage and price controls in the Korean conflict was \$91 million.

Mr. Chairman, today we are facing full-blown inflation coupled with recession. Those who were taxpayers are now unemployed and drawing unemployment compensation. Who is guilty? Well, certainly those who have advocated and pursued only the traditional and conventional controls of inflation, and that means monetary controls such as exorbitantly high interest rates. This approach does nothing to control inflation. Those who advocated the fiscal method of raising taxes found that increasing the surtax did not work. In fact, it may even have been inflationary.

We gave the President authority for credit controls in Public Law 91-151.

If we enact this bill today, we will provide the President with all the tools he needs. Certainly he will need tools and will need to use these tools if he expects to halt the march of today's inflationary recession.

We all deplore the charge that today's effort is a partisan one. It is not a question of whether we are Democrats or Republicans, it is not a question of who wins or loses in November. The facts are the people want and expect some action to curb inflation, and if we are remiss in not providing him the authority, then of course the President can say he has no power to act. Polls in our own district as well as nationwide show a clear balance of people in favor of wage and price controls. Once again, it is not a question of partisanship or even how the polls may read, but it is a question of what is the best thing we can do for the economy, and that means what is best for the country.

Those who say we are trying to embarrass the President cause some of us to question their sincerity in such a statement. They forget the President has appointed a Productivity Committee. This should show that he is interested at least in finding out about the facts of inflation. Who can say we are trying to embarrass the President by making available to him other tools which he may either use or omit to use at his own discretion?

Mr. HANNA. Mr. Chairman, I take this time simply to point out something that I think should not go unobserved; that is, in providing these powers to the President I trust that Members of the House will not think we are going to be in the position of the historical military man who is always fighting the war that is just over instead of the war that lies ahead. And I see no reason to project the possibility that the only way the President can exercise his powers is to set up an OPA a la the exercise experienced in World War II but, rather, an opportunity for tremendous innovation and utilization of these powers in a flexible manner; a use much more appropriate to the conditions of the time.

Mr. Chairman, I would suggest that since the President has already appointed a sort of oversight commission, to aid and assist the effectiveness in abating price and wage inflation, he might set up some kind of quasi-judicial board which could cite incidents of price increases and bring those requiring it to the board and have them indicate the justification for such increases and to prove such rises are not contributing to inflation. In the case of a wage request by a union, to bring certain demands before such board to indicate that productivity actually justified the increase in wages and would not be a contributory factor to inflation.

Mr. Chairman, this is only one instance of the type of approach that could be utilized. That does not necessarily mean you are going to get into any of the terrible conditions that have been projected here as being potentially possible.

Further than that, even if the President does not use the power, it does rep-

resent in his arsenal of weaponry that wonderful standby authority which could be greatly needed.

Mr. Chairman, it is universally true that when you get to the place where you say to another person you either do this or else, if you have not been in the position to describe "else," you will be in the position of the Irishman who was working on a railroad who came in muttering very strongly and I asked old Mulvihill, "What is the trouble?" "Mickey," he says, "it is that blathering skite down at the roundhouse." He says, "You know what he said to me?" I said, "No." He says, "You are either going to do it this way or else." So I says to him, "Well, I will take 'else.' She is not such a bad old girl."

If you are not able to describe that "else" is not such a bad old girl, there is no sense in telling people that you either do this or else. What this does is tell the President that there is a sufficiently unattractive "else" to persuade acceptance of his first alternative, which I am sure would be some degree of voluntary restraint.

Mr. WIDNALL. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. ANDERSON).

Mr. ANDERSON of Illinois. Mr. Chairman, I was very interested to listen earlier this afternoon to the remarks of the distinguished chairman of the committee in which he disclaimed any intention of being partisan in what he had to say. Come now, Mr. Chairman, I think we ought to be very candid and not be disingenuous to the point of failing to admit what we are doing here this afternoon here on the floor of the House of Representatives.

Mr. Chairman, it seems to me as I read the report, the majority report of the committee, if the chairman of the Democratic Committee, Mr. Larry O'Brien, needs a new writer, I would suggest that he secure the services of whomever wrote the majority report. Some of the smog that infects Washington and the eastern seaboard has certainly permeated this Chamber, because there is certainly better scholarship at the committee table on the majority side of the aisle. I see some of my dear friends over here who I regard very highly. I am sure they are very competent in their own right and they know better than to suggest that the conditions that pertain today are not the conditions that warranted price controls in World War II, when 50 percent of our GNP was going into the war effort or during the Korean war when a much greater percentage of our GNP was involved. The conditions are simply not the same.

Now, I am led to ask for this time mainly because of my interest in what the gentleman from California (Mr. HANNA) just said about the language of the bill, section 202 of the Presidential authority and I wonder just exactly what that language does imply.

Does it imply willingness or a desire of the Members on the Democratic side of the aisle to really get to the heart of the problem, to be selective in the application of controls to the kind of "cost-

push" inflation that is really confronting the country or, to use the words of the chairman just a few moments ago, do they just want a shotgun in the corner that we are simply going to spray across the entire landscape? If we do, we will not solve the problem.

But I for one am concerned about some of the real reasons for inflation in our economy today. One of the contractors in my district called me on the telephone literally in desperation the other day and told me that the operating engineers were picketing his front door and shutting him down at a cost of \$5,000 a week to his business because he would not sign a contract increasing wages from the present \$6.40 an hour level to \$11.05 an hour that the operating engineers wanted.

By December 1, 1972, under that contract—and I suppose maybe it has already been signed by the time I deliver these remarks on the floor—those fellows who drive the end loaders and the operating equipment are going to be under a contract that will give them \$11.05 an hour by December of 1972.

These are the things we talked about the other day when we said we are pricing the average American out of the market for a home. We have gotten to the point where 60 percent of the people in the country now cannot afford a house any more because of the inflated costs.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WIDNALL. Mr. Chairman, I yield 1 additional minute to the gentleman from Illinois.

Mr. ANDERSON of Illinois. Mr. Chairman, if you want to write a bill, to bring some meaningful legislation on the floor of this House, if you want to attack the "cost-push" inflation instead of just indulging in some political gamesmanship, then give us that kind of legislation. I for one will stand up here in the well of this House and support such a bill, and will vote for it.

But do not suggest with this kind of legislation, and after reading the report, that there is anything in it other than the most blatant—blatant—partisanship; that the majority are trying to do anything other than write a little scenario for the election campaign in 1970. I for one do not believe the American people are going to be fooled by it.

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

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

Mr. WINN. Mr. Chairman, is the gentleman aware that in the construction industry today in Kansas City that the common laborers are asking a 138-percent increase over a 3-year period of time?

Mr. ANDERSON of Illinois. I was not aware of that precise figure, but is certainly illustrates the point I tried to make earlier.

Mr. PRICE of Illinois. Mr. Chairman, the stabilization of the American economy must remain of utmost concern to us. Last year we took a positive step in

granting the President the power to control interest rates and regulate credit. Unfortunately, the administration did not take advantage of this given authority and the unstable conditions that have plagued this country have not been alleviated.

The policies of this Nation must be changed. All facets of the economy have been adversely affected. Unemployment remains high; there is a crisis in housing; home mortgage interest rates are at a new high. Inflation must be brought under control; the recession in other sectors must be ended.

Title II of this bill gives the administration discretionary authority to issue orders to stabilize prices, rents, wages, and salaries. This power, coupled with the authority granted last year, could enable the President to cut inflation while, at the same time, guard against a worsening recession.

The state of the economy will not improve unless the administration makes an effort to accomplish this. Since the President has not requested the necessary authority, we must take the initiative and grant him the tools that can restore the confidence and the stability in the American economy.

Mr. LEGGETT. Mr. Chairman, today we are considering a bill which gives the President the power to really attack inflation and stop it in its tracks without the solitary reliance on measures that deliberately flirt with recession. For the first time in our history, we are suffering inflation and recession simultaneously, up till now thought impossible. The stringent monetary and fiscal policies of the administration, intended to combat inflation, instead have stagnated the economy. Unemployment is up well above 5 percent nationally. Minorities and the young are hardest hit. Our GNP which had shown steady dramatic growth since the early sixties, has leveled off and there may even be an absolute decline unless there is a change in policy. The construction loan and credit market, because of deliberate policy decisions on the part of the administration, for all practical purposes, is closed to the vast majority of Americans, especially those who most need the help. In the bond market, interest rates have risen from 4½ percent to 9 percent in 18 months. Long-term mortgages, in every State, are now at least 9¼ percent. Increased unemployment, a liquidity squeeze in the credit market, an outright depression in the construction industry, these are the results of the administration's sole reliance on restrictive monetary and fiscal policy. These are policies which most hurt those who have already been most affected by inflation: the poor, the unemployed, those on fixed incomes. These, we are told, are the inevitable side effects of the fight to stop inflation.

I think it is obvious by now that the fight to end inflation is not to be won without new tools, new weapons in the fight. The Consumer Price Index and the Wholesale Price Index have continued their steady rise. This month saw the greatest rise in the Wholesale Price Index in 6 months 0.6 percent.

This bill gives the President another policy tool, the discretionary power to impose wage, salary, price and rent controls for a limited time. Many have long urged the President to adopt this policy. Polls show the people favor this method of stopping inflation, allowing the economy to cool off. This policy will not hurt the poor, the unemployed or those on fixed incomes. It will not impose an undue burden on one segment of the population. In conjunction with the discretionary power to selectively control credit, which was given to the President last December, this measure offers an alternative to what we have been seeing.

I hope the situation improves and there is no need to impose wage, salary, price and rent controls immediately. However, with any more months like July, in which the wholesale price rise accelerated, the controls will surely be useful and should be imposed.

Our Nation cannot suffer through a recession without sacrificing the goals we have set for the future. We cannot afford to follow a policy which deliberately induces economic decline. This bill allows the President to follow an alternative path and really come to grips with the problem of inflation.

Mr. DERWINSKI. Mr. Chairman, in discussing the proposed legislation on wage-price controls, I think it is important to view it from the perspective of the average American worker, for we must remember that he is the one who will be most directly affected by such controls.

A man who has worked hard and is due for a raise can be expected to resent a freeze on wages or a reduction of his raise. This is especially true when a worker has seen others receive substantial raises a few months ago—when inflation was at its peak—yet, no action was taken at that time. The institution of such controls at this time, when inflation is slowing, would almost condone excessive wage demands. Furthermore, wage controls might cause many workers to leave their jobs to seek higher paying positions elsewhere and this would not be beneficial for the establishment of a stable job market. Or would proponents of controls also freeze people in their jobs?

To many workers, the imposing of wage and price controls represents an intrusion by the Government, and an attempt to manage their way of life.

Think how you would feel if you were told that your raise had to be restricted because of Government controls on wages, and then you went home and read that the Congress had not controlled Federal spending in line with the President's request.

The blame in such a case would rest upon the Democrats, those here in Congress.

Such a reaction can hardly be unexpected, for a restriction on wages and prices would seem to strike at the very core of our own free enterprise system. Our Government has many ways in which it can help to balance the economy—but to resort to wage and price re-

striction would seem to admit failure on the part of the Congress to effectively meet its responsibilities.

There are sound, encouraging signs in the economy. If we now decide that it is time to impose such controls, then I do not see how we can expect any feeling other than resentment.

Therefore, in all fairness to the American worker, I feel that now is not the time to restrict his wages, and I strongly oppose the proposed legislation for wage and price controls.

Mr. ROUSSELOT. Mr. Chairman, I wish to state that, although I could not be present on the floor of the House to vote on consideration of H.R. 17880, the Defense Production Act Extension and Economic Stabilization Act, I am firmly opposed to attempts to force on the President unwanted discretionary authority to impose wage and price controls. Had I been able to be present for the debate, my vote would have reflected my view that I will have no part of any attempts to put the administration in an embarrassing position on this matter. Wage and price controls are not consistent with my concept of the proper functioning of our free enterprise economy based upon private initiative. Therefore, I favor the administration programs for controlling inflation; that is, reducing unnecessary and inflationary Government spending, and I do not favor any action in title II of H.R. 17880 which would enact a freeze on wages and prices.

Mr. BOGGS. Mr. Chairman, H.R. 17880 granting the President discretionary authority to freeze prices, rents, and wages is a measure of unique importance. Its passage will mark this as one of truly great historic significance. I am confident that when economic historians of the future view this occasion, they will place it alongside the Revenue Act of 1964 as an outstanding example of the implementation of modern economic thought by the Congress.

Six years ago the Congress following some 20 years of urging by economists, placed its stamp of approval on the new economics. The 1964 tax legislation had as its primary objective the deliberate creation of a large budgetary deficit. Those of us who fought for its successful enactment argued that only through such a stimulative fiscal policy could the economic stagnation inherited from the 1950's be cured and full employment attained. The Nation's economic development subsequent to 1964 more than fulfilled the prophecies of success which we supporters of the legislation had made. The deliberately created budgetary deficit resulted in a remarkable expansion on the part of the private sector of our economy. The gross national product literally leaped upward. Full employment was achieved within a relatively short time. Tax revenues greatly increased, yielding a surplus for new and expanded social welfare programs.

Mr. Chairman, title II of H.R. 17880 is in effect complementary to the Revenue Act of 1964. As Congress, in passing that measure belatedly but I believe once and for all, assigned to the intellectual garbage can many traditional but archaic

concepts of the budgetary process, so the House today by providing the President with discretionary authority to establish a price-wage freeze will take official cognizance of newer insights and tools in regard to inflation which have been developed by the more modern and sophisticated practitioners of economic science.

Mr. Chairman, the past year and a half has witnessed the utter and unqualified failure of traditional monetary and fiscal policies to reverse the inflationary spiral. Not only has the administration failed to stop inflation, latest figures on the cost of living indicate that prices rose in the first 6 months of this year at a 6 percent annual rate, but of equal significance its application of a tight money policy has brought on a recession. The gross national product has failed to grow for the first time in a decade and unemployment is now officially recorded at a million higher than when President Nixon assumed office. Administration spokesmen concede that a further rise is in prospect for the near future.

The effort by this administration to counter the type of inflation we are now experiencing by tight money and high interest rates is regarded by modern economists in much the same way that present day physicians view the 18th century practice of bloodletting. As physicians must utilize different drugs to combat different viruses, so must we stand ready to combat inflation of different origins with specific remedies. Traditional "demand-pull" inflation lends itself to control by traditional fiscal and monetary policies. President Nixon's administration, however, in employing these weapons under current conditions fails to recognize that our present inflation bears none of the characteristics of demand-pull inflation. The latter is invariably the result of shortages in manpower and productive capacity. We possess a superabundance of both at the present time. Unemployment is high and rising, while unutilized plant capacity is at its highest level in many years.

Mr. Chairman, the Nation is now in the grips of what economists term "cost-push" inflation. The bulk of price rises today emanates from the monopolistic or semimonopolistic giants which dominate such a significant portion of the American economy. So strong are these monopolies, so great are their internal financial resources that they are all but immune from the effects of a restrictive monetary policy. The prices they choose to charge are not set by the traditional supply and demand forces of the marketplace, but rather theirs is an administered price structure set on the basis of what the traffic will bear. As they raise their prices ever upward, organized labor is then compelled to ask for higher wages and an ever escalating spiral of inflation ensues.

Mr. Chairman, there is only one way that that spiral can be terminated. Let us give the President the type of authority contained in H.R. 17880 to freeze prices and wages. He will then be in a position to shield the American people against that cruelest tax of all—unbridled inflation.

Mr. BLATNIK. Mr. Chairman, I give my support in general to H.R. 17880 but will limit my remarks to title II of that bill known as the Economic Stabilization Act of 1970.

Inflation has been growing like a tidal wave and unless stopped by firm action in the form of wage-price controls we all will be carried away when the wave finally breaks.

The normal remedies of fiscal and monetary control have been tried and found wanting. They must be supplemented by wage-price controls. The years 1962-66 saw inflation held down to something like 1 percent a year. The year 1967 saw our dropping of wage-price guidelines, a drastic increasing of Vietnamese aid, and resulting increase in inflation.

The cost of living in 1969 was up 6 1/2 percent—the highest increase in 18 years; wages showed a slight average increase—but average take-home pay showed a decrease. And in 1970, ignoring for a moment the high rates of interest and unemployment, the cost of living is approaching 7 percent.

Mr. Nixon waved the magic wand of rhetoric on June 17. We all admit that his words gave hope to our ears, but his actions have given nothing to our pocketbooks. Unemployment is still up, prices are still rising, interest is still exorbitant and the same problems are still with us.

Mr. Nixon gave us what appears to be remedies—but after we have seen them in action—they look more like problems. In fact, one of his measures seemed to anticipate the failure of all the others. He asked for a bill enlarging unemployment insurance coverage, which, while good in itself, seemed to accept the failure of his other economic paraphernalia.

Mr. Nixon asserted that he "would not take this Nation down the road of wage and price controls" and that wage and price controls "rob every American of a very important part of his freedom." With the possible exception of Mr. Nixon, the rest of us surely would feel unsafe traveling a road without its speed limit signs or warning markers, where the only freedom preserved was that of reckless driving.

Mere exhortation to the economy are as words written by the sand—washed away with the next wave of inflation. It is by wage-price controls passed into law that men can stand erect against the rising inflationary tides.

The present issue is subtle but serious. Political democracy cannot flourish under all economic conditions. Economic decisions are mirrored in the political world and as such political democracy demands an economic system that supports the ideals of liberty and equality. An inflationary democracy will inflate democracy away. The German people under the Weimer Republic soon found rampant inflation to be the parent of revolutionary dictatorship. The working middle class and those with fixed incomes were subverted. Revolutions are not made by laws, but by their perversion or by their absence.

All age groups are affected—each in a different way. Young married couples

are finding it very difficult if not impossible to obtain a home loan. They also have been scared away by high interest rates and this has to be considered a major factor in the sagging housing industry.

On the general matter of inflation Mr. Nixon has tried to give the housing industry the appearance of health by including mobile homes in tabulating the number of units constructed—a dubious first for any administration. By the time a working-class family pays the principle and interest on a \$20,000 house it has spent \$55,000. Average families have to take their chances either with usurious interest rates on mortgage payments or pollution problems from overcrowded cities.

These high loan rates effect not only individuals but our State and local government as well. Municipal bonds—tax-exempt, it may be added—are marketed at a 7.5-percent yield which is double the rate of last year. This means that schools, firehouses, streets, and desperately needed sewage disposal plants are either deferred or not built at all.

In fact—present interest rates anticipate built-in inflationary increases and so they are abnormally high—thereby both anticipating and helping inflation. It is only by breaking this cycle with strong governmental action that wages and prices will be guided by figures that represent production and not inflation.

In order to insure justice for our elderly citizens, Congress has had to increase social security payments. Many of these would not have been necessary had not inflation been with us. The insurance policies—saved over the period of a lifetime—have their benefits robbed by inflation.

Those in their middle years are becoming more and more desperate in their search for financial security. Mutual funds are becoming less and less attractive as a "hedge" against the future for two reasons: First, the general instability of the stock market; and second, inflation shows no signs of slowing down. In an effort to offset this they may then stretch their loan ability dangerously thin by buying land, a cottage, or another type of investment. But the unemployment rate is ever creeping into this area and so these solutions may not prove workable.

Last year I held hearings on Congressman Reuss' bill about wage-price guidelines; and if Mr. Nixon had acted last year that is all that would be needed—guidelines. He has let the situation deteriorate and so now we need stronger medicines—medicines that might be a little more bitter to the taste than guidelines—but medicine that is necessary if we are to put on the brakes on an overheated, accelerating, inflationary spiral, in order to restore economic health.

It would have taken some courage to set wage-price guidelines. It is going to take even more courage to set wage and price controls. If Mr. Nixon likes to work in a crisis situation he certainly has one now. The sad part about it is that all this could have been prevented.

Mr. Nixon's policy of wait and see has

turned into one of wait and talk. This does nothing for the common good. In view of the Presidential talkathon, Congress, as servant of the people and sentinel over their rights, liberties, and happiness, ought to act for the common good by passing appropriate and proportionate legislation.

The legislation ought to cover the entire countryside of inflation. To only trim the weeds out of the cornfield while ignoring the growth elsewhere is unjust as well as ineffective.

If sacrifices are to be made it is only fair to ask that they be made by all those concerned. There can be no favoritism at a time like this. The AFL-CIO Executive Council on the National Economy, has, in its policy statement of May 12, 1970, adopted a similar position concerning governmental direction:

The AFL-CIO will cooperate, so long as such restraints are equitably placed on all costs and incomes—including all prices, profits, dividends, rents and executive compensation, as well as employees' wages and salaries. We are prepared to sacrifice as much as anyone else, so long as there is equality of sacrifice.

In the matter of wage-price guidelines—Mr. Nixon has showed a particular unwillingness to cooperate. In this, Mr. Nixon may soon be standing quite alone. Some of the President's own tribe are beginning to have doubts. Administration appointee Arthur F. Burns, Chairman, Board of Governors of the Federal Reserve System, admitted on May 18, 1970, to the American Bankers Association that—

We should not close our minds to the possibility that an incomes policy, provided it stopped well short of direct price and wage controls and was used merely as a supplement to overall fiscal and monetary measures, might speed us through this transitional period of cost-push inflation.

That was Mr. Burns over 2 months ago. Well, the situation is worse. But even that statement, although reserved, is quite telling in view of Mr. Burns' position. As previously mentioned, the AFL-CIO was for wage-price guidelines, as long as there was equality of sacrifice. This chorus extends across the ocean, for on June 8, the Bank for International Settlements urged the Nixon administration to adopt an incomes policy or else the U.S. inflation could set off a severe worldwide recession.

We find wage-price guidelines in West Germany, Canada, the Netherlands, Great Britain, Austria, Belgium, Denmark, Norway, and France. The traditional weapons against inflation—tight money and a right fiscal policy—are not working. They have to be supplemented with wage-price controls.

Let us consider objection to wage-price controls.

The free market system is in jeopardy. There are some who say this whenever the government even so much as casts an eye at the economy. But Adam Smith in the "Wealth of Nations" said as far back as 1776 when the role of government was smaller, that the government ought to set a legal limit on interest

rates. Perhaps the conservatives ought to read their own books.

This is a move by the Democrats to embarrass Mr. Nixon. The country is already embarrassed by its economic condition and a President who shifts his tactics from wait and see to wait and talk. The country cannot wait any more.

President Nixon has already said that he does not want wage-price controls. There is an old adage which says that "he who would lead must serve." No one forced Mr. Nixon to accept the office of President. When he accepted the office of President from the American people he also accepted its responsibilities. This is no time to turn a deaf ear to the needs of the people.

Congress ought to set wage-price controls. This is a Republican smokescreen designed to blur the responsibility of the Executive. The Republicans often blame the Democrats of running roughshod over the Constitution by ignoring the functions of the legislative, executive, and judiciary. Well now here is the rub. We Democrats want Congress to pass a law and have the President enforce it. The Republicans want Congress to pass a law and Congress to enforce it. They evidently do not place any faith in Mr. Nixon.

Every wage and price increase will have to be looked into. The prior statement would be true only if there were no known and posted wage-price limits. Imagine a road without any signs. Those who wanted to promote harmony would either have to go to the road department and ask for the law, or the road department would have to tell each one individually—truly a cumbersome process. On the other hand, since the Government failed to post any signs it could only say that "Jones" was speeding; it could not, without injustice, do anything about it. A government is despotic which would hide rules from its citizens.

Not all wage and price increases will be stopped. If this kind of reasoning were taken seriously, then courts should shut their doors, "because not all criminals are caught." Congress might be criticized for not acting, but not because human beings carry out the laws.

They are ineffective—The record shows that from 1962-66 wage and price guidelines played their part in limiting inflation to 1 percent a year. After their demise we saw inflation rise. Besides, the AFL-CIO, it will be recalled, showed a favorable disposition toward guidelines, and believed them to be effective.

They are not voluntary in origin—If the AFL-CIO calls for guidelines, if the representatives of the people call for guidelines, if the free market price of May 25, 1970, is used as a base, if adjustments are allowed to prevent gross inequities, then, if this is oppression, we need more of it.

Inflation has implications that reach deep into the very heart and fiber of American life. If we are to preserve our democracy then we cannot allow it to be inflated away by an unwise or a do-nothing policy.

The above measures I outlined are clearly within the powers of Congress.

Another source of inflation, however, is the Vietnamese war, which is presently in the hands of the President. And so for a while, the President must wage this inflationary battle alone.

In his speech, Mr. Nixon bravely asserted that American "import policy will be reviewed to see how supplies can be increased to meet rising demands, without losing jobs here at home." But it seems that the cattlemen have both the "bull" and the American public by the horns, for Mr. Nixon has reduced by 60 million pounds the amount of meat imports suitable for hamburger, hot dogs, and other such meat products. The American housewife knows what this means. And this move certainly did not make any friends in the countries so affected. These and other moves were reflected in the wholesale price index released just a few days ago. Of course, there was another increase—this time the highest in 2 months.

The drapery is pulled back, Mr. Nixon. We have heard your words, and where you have acted, we have seen your deeds. They are a study in inconsistency.

The American people deserve more, and a responsible Congress must give it to them, as we here propose to do.

Mr. ASHLEY, Mr. Chairman, I rise in behalf of H.R. 17880, the Defense Production Act, legislation which I sponsored with 11 other Democratic members of the House Banking and Currency Committee.

Extension of the Defense Production Act is not controversial, but a considerable divergence of views surrounds two amendments that were adopted by the committee and give rise to the measure before us.

These amendments have to do with the question of whether and when the Comptroller General and others shall promulgate regulations establishing uniform cost-accounting standards for defense contractors. We, the 11 original sponsors of this legislation, felt this was necessary in order to reduce the massive cost overruns, late delivery and nonperformance that have been associated with military procurement. I want to make it clear that I favor a uniform cost-accounting procedure.

During the committee session it became apparent that a majority of the members favored a standard system of accounting for defense contractors but were reluctant to authorize the Comptroller General to promulgate regulations in the absence of further congressional review and approval of the standard accounting system. During the discussion and parliamentary proceedings that evolved, a motion to strike the standard accounting system requirement was offered. Had this amendment not been adopted, the title on uniform cost-accounting procedures would have been eliminated entirely in our committee. Adoption of the amendment afforded the gentleman from California (Mr. REES) the opportunity to offer an amendment establishing a commission headed by the Comptroller General to report back to the Congress within 1 year with specific recommendations for implementing a

standard system of accounting for defense contractors. Recognizing that the votes were not available to pass the language as originally introduced by me and others, I voted to preserve the principle involved which assures further consideration by Congress next year.

Title II, which is designed to help end the wage-price spiral and to stabilize the cost of living, was adopted by the Committee without amendment, as offered by the original sponsors. This title grants the President authority to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970. The authority would expire February 28, 1971.

Mr. Chairman, the Nation needs to eliminate exorbitant cost overruns in our defense industry and the establishment of uniform cost accounting will help achieve this purpose. Equally pressing is the need to stop inflation and restore stability in our economy. The stand-by Presidential authority to impose temporary controls can contribute much to this end.

Mr. GONZALEZ. Mr. Chairman, in considering the question of establishing uniform cost accounting standards for use on Government contracts, Members of the House must deal with the problem that faces all generalists in an age of specialization. We are dealing with a subject—cost accounting—that is highly technical. It involves a great deal of latitude in judgment and interpretation. Only a few of us are qualified to pass on detailed questions of accounting techniques and formulae. I am sure that both the opponents and proponents of this measure can raise sophisticated technical questions that we in the House do not know how to answer.

Therefore, in dealing with this question, we have to rely on our own accounting experts—the Comptroller General and his staff—as well as our general knowledge of the defense contracting situation. After considering the Comptroller General's report on uniform cost accounting standards as well as some basic facts of life about defense procurement, I have concluded that uniform cost accounting standards are essential for economy in defense contracts.

As you know, Mr. Chairman, the Comptroller General, after an 18-month study by his own staff, and consultations with the Defense Contract Audit Agency, prominent accounting professors, and a large number of industrial concerns, concluded that uniform cost accounting standards are both feasible and desirable for defense contracts. Of course, I am aware that spokesmen for the defense industry have disagreed with this conclusion. But when Congress' own accountant, whose only interest is the public interest, makes a recommendation on an accounting matter, I am inclined to follow his advice. Moreover, some general truths about defense contracting indicate that uniform cost accounting standards are needed. No one can contest the fact that we need to make great improvements in procurement procedures for de-

fense equipment. It is elementary that any Government agency spending \$40 billion a year for its equipment must have an accurate picture of where its \$40 billion is going. Without uniform cost accounting standards the Defense Department cannot get an accurate picture.

The result is that we are spending more than we should for defense equipment. How much more is debatable; but almost everyone agrees that the lack of uniform cost accounting standards is costly. Admiral Rickover, a man whose judgment and estimates I have come to respect over the years, has determined that \$2 billion per year could be saved by the use of such standards. Mr. J. S. Seidman, a partner in a New York accounting firm, arrived at roughly the same figure in an independent estimate. The Comptroller General of the United States while not suggesting a particular dollar figure, has stated that uniform cost accounting standards would result in a substantial savings to the Government. Mr. Chairman, I may not be able to understand all the technical accounting questions involved in this bill, but I can understand saving \$2 billion.

But even if there were no savings directly attributable to uniform cost accounting standards, I would favor the bill, because it seems right to me. It seems right to me that the Government should know what profits its contractors actually earn on Government contracts. It seems right to me that, on sole source procurements where there is no competitive pressure to keep the price down, the Government should have some basis for determining whether the contractor's proposed price is reasonable or whether it is exorbitant.

In his report on the need for uniform cost accounting standards, the Comptroller General listed 120 separate cases where contractors had taken advantage of the present flexibility in accounting on Government contracts. These cases reported incidents of charging the Government twice for the same work; hiding unallowable direct costs and overhead charges; charging civilian business costs to defense contracts; failing to credit the Government with refunds and discounts to which it was entitled. It does not seem right to me that such practices should be allowed to continue, particularly where the taxpayers' money is involved. The Comptroller General found that uniform cost accounting standards could help guard against these practices.

Admiral Rickover recently told the Committee on Banking and Currency about a defense supplier who has increased the price of a particular component used on nuclear submarines by 400 percent within 6 years. This contractor has not revealed the basis for the cost increase; since there is no competition for this component, the Government has no grounds to determine whether the increase is justified or not. And without uniform cost accounting standards the Government can obtain no information with which to negotiate a more reasonable price.

There is a fundamental issue of prin-

ciple running through all these examples. It is this: The Government ought to know the actual cost incurred and the actual profits earned by the contractors who reap the benefits of \$40 billion per year expended on the military budget. Because I believe in this principle, because I believe in saving money for the taxpayers, and because I believe that we should take the Comptroller General's word for it when he speaks on accounting matters, I urge Members of the House to support the provision calling for uniform cost accounting standards to be used on defense contracts.

Mr. BINGHAM. Mr. Chairman, I want to commend the chairman and majority members of the Banking and Currency Committee for their dedicated work on this legislation, the Defense Production Act extension, and particularly for the defense cost accounting and economic stabilization provisions. The tragically wasteful record of defense costs and cost overruns that this Nation has experienced over the past decade requires firm remedial action. It is clear that these cost overruns contribute in a major way to the punishing inflation that currently plagues the American public, so I think it is most fitting that wage, price, and rent control authority should be a part of this legislation.

My major disappointment about this bill is that it leaves the whole matter of imposing these controls in the hands of the President, who has indicated he will not use them.

I am persuaded that an immediate freeze on wages and prices would do a great deal to curb inflation and ease the economic pinch that so many middle and lower income families are experiencing. However, in order to avoid re-creating a huge OPA-type bureaucracy, the freeze should be limited to major corporations whose prices have a major effect on the economy. Similarly, the freeze on wages should be limited to those situations where wages are set by national collective bargaining. Such a limited program of wage and price controls, which has been recommended by Ambassador John Kenneth Galbraith and a number of other prominent economists, would have the advantage of terminating the major inflationary pressures in the economy without imposing undue hardships on smaller businesses.

I have come to this conclusion reluctantly, Mr. Chairman, because I remember along with most Members of this body, how much the controls imposed during World War II and the Korean war were despised, and how difficult they were to administer. But the impact of the current inflation can no longer be tolerated. In a questionnaire I sent to the registered voters in the 23d District of New York last May, 54 percent responded favorably to the idea of imposing wage and price controls as a means of bringing the economy under control, and similar support appears to exist across the country.

Unfortunately, the economic stabilization provisions of the bill before us will not put into effect the immediate limited wage and price freeze for which so many Americans are hoping. This bill is a step

in the right direction, and for that reason I intend to support it. But I do not feel that the American public should be deceived about what this bill does. As I have already pointed out, giving the authority to impose wage, price, and rent controls to the President, as this bill does, will almost certainly accomplish nothing.

I feel, therefore, that the Congress and the public should regard this legislation only as a first step toward wage and price controls, and that the Banking and Currency Committee should consider additional legislation that would go beyond what is in this bill. With that in mind I recently introduced legislation—H.R. 18618—which would establish an independent board of economic experts with authority to impose a wage and price freeze. This or similar legislation, compatible with the provisions of the bill now before the House, providing assurance of firm action to control wages and prices should be the next order of congressional business.

I have also recently introduced legislation to establish an excess war profits tax on industry for the duration of our military presence in Indochina. Such a tax goes hand-in-glove with the stronger wage and price freeze legislation I have introduced. Such measures were passed within a few months after the start of the Korean war. They are long overdue in this war, and should also be high on our agenda for Congressional action to insure real economic stability.

Finally, in regard to the defense cost accounting provisions of H.R. 17880, I am pleased to note that ample provisions have been included by the committee to insure that undue hardships are not imposed on smaller contractors, and that no attempt is made in this legislation to impose inflexible standards on all contractors. Nevertheless, I am convinced of the need for uniform cost accounting standards, and I do not agree with opponents of this measure who argue that existing requirements in the armed services procurement regulations and elsewhere are adequate. Too many instances of excessive profits and scandalous cost overruns in the defense industry have been revealed recently to support such a claim. Passage of this bill will effect substantial progress toward uniform cost accounting and subsequent major savings in our vastly overexpanded defense budget, and it deserves enthusiastic support.

Mr. MONAGAN. Mr. Chairman, in view of the economic difficulties which the country faces today, we should support H.R. 17880, the Defense Production Act Amendments, which provide the President with discretionary authority to freeze and thereby stabilize prices, rents, and wages.

Current statistics clearly indicate that the administration's so-called "game plan" for rationalizing the economy is not working. The twin evils of inflation and recession continue to plague the country. Only recently the Labor Department revealed a sharp rise in prices for the month of July. According to the preliminary report for this month, the wholesale price index rose five-tenths of 1

percent, the sharpest rise in wholesale prices in 6 months. The July index figure stands 3.8 percent above last year's July figure.

While prices sharply climb, the level of unemployment also continues to rise. At the end of June, the Connecticut State Labor Department reported that State unemployment had risen 45 percent in the past year and was now above the national average. My own area, the Fifth District of Connecticut, provides sobering testimony to this fact. In Waterbury, for instance, 8.8 percent of the labor force are reported without jobs. The Waterbury unemployment office disbursed \$915,527 for 18,046 weeks of unemployment in June of 1970 compared to only \$363,836 for 8,076 weeks in the same period of 1969.

These figures are startling. Such statistics do not begin to reflect the repercussions of this unemployment in terms of human dislocation. Whole families are affected by having a breadwinner out of work. All too often minorities are hurt most. Those people who can least afford an income loss are sometimes first to be dropped from the payrolls. Nor do these figures reflect the amount of overtime pay which has been eliminated, a lost source of income that many families depend on. Inflation affects the wage earner in other areas. The liquidity squeeze has drastically reduced the amount of capital available for everything from home loans to student loans. I learned recently that because of restriction of assets the four largest banks in Connecticut might not be able to provide student loans for the coming year under the guaranteed student loan program.

Clearly the economic slump must be halted. The administration bears a heavy responsibility to the Nation to do its utmost to achieve economic stability. This, it has failed to do. In the first session of this Congress, the House, with my support, passed legislation which provided the President with machinery to control credit transaction and interest rates. On December 23, 1969, the bill was signed into law, yet now, some 7 months later, the President has still to take any action under this law to stabilize the economy. The situation has clearly worsened in that time.

Passage of title II of the Defense Production Act Amendments would make clear the sense of the Congress that inflation be fought. Title II will give to the President discretionary authority until February 28, 1971, to control wages and prices. This is standby authority to be invoked by the President when and if he determines economic conditions warrant its use. It would permit the President to stabilize prices, wages, and rents at levels of not less than those prevailing on May 25, 1970.

When used in conjunction with the previously granted authority to impose selective controls over credit, title II provides the President with an adequate and effective means of controlling inflation while providing for healthy economic growth.

The time for stabilization has clearly arrived. Our economy faces serious diffi-

culties in all quarters. Too many people are squeezed between unemployment and inflation. The President should and must take effective action. Title II of this bill will provide him with the necessary tools. The selective credit controls given to the President earlier plus the wage-price-rent discretionary authority proposed in this legislation will provide the President with the appropriate measures to rationalize our economy.

Mr. PATMAN. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. Pursuant to the rule, the Clerk will read the bill by title instead of by section.

The Clerk read as follows:

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

#### TITLE I—DEFENSE PRODUCTION ACT AMENDMENTS

##### § 101. Extension of Act

SEC. 101. Section 717(a) of the Defense Production Act of 1950 is amended by striking out "June 30, 1970" in the first sentence and inserting in lieu thereof "June 30, 1972".

SEC. 102. Section 702 of the Defense Production Act of 1950 is amended by adding at the end:

"(f) The term 'defense contractor means any person who enters into a contract with the United States for the production of material or the performance of services for national defense."

SEC. 103. Section 712(e) of the Defense Production Act of 1950 is amended by striking out the words ", which shall not exceed \$100,000 in any fiscal year."

SEC. 104. Title VII of the Defense Production Act of 1950 is amended by adding at the end thereof the following new section:

"SEC. 718. (a) The Comptroller General, as an agent of the Congress, shall promulgate cost accounting standards designed to achieve uniformity and consistency in the cost accounting practices followed by defense contractors and subcontractors under Federal contracts. Such promulgated standards shall be used by all relevant Federal agencies and by defense contractors and subcontractors in estimating, accumulating, and reporting costs in connection with the pricing, administration, and settlement of all negotiated prime contract and subcontract defense procurements with the United States Government.

"(b) The Comptroller General is authorized to make, promulgate, amend, and rescind rules and regulations for the implementation of cost-accounting standards promulgated under subsection (a). Such regulations shall require contractors and subcontractors to disclose in writing their cost-accounting practices including methods of distinguishing direct costs, and to agree to a contract price adjustment, with interest, for any increased costs incurred by the United States because of the contractor's failure to comply with duly promulgated cost-accounting standards or to follow consistently his disclosed cost-accounting practices in pricing contract proposals and in accumulating and reporting contract performance cost data.

"(c) The rules, regulations, cost-accounting standards, and modifications thereof promulgated hereunder shall have the full force and effect of law and shall become effective not less than thirty days after publication in the Federal Register.

"(d) For the purpose of determining whether the contractor or subcontractor has complied with duly promulgated cost-accounting standards and has followed consistently his disclosed cost-accounting practices, the contracting agency concerned and

the Comptroller General or any representative of either shall have the right to examine and make copies of any documents, papers or records of such contractor or subcontractor.

"(e) (1) There shall be established in the Office of the Comptroller General a Cost-Accounting Standards Advisory Board of no more than five members to be appointed by the Comptroller General. The Board shall be comprised of members both from the Federal Government (with the consent of the head of the agency concerned) and from outside the Federal Government. One member shall be selected by the Board as its Chairman. The Board shall advise the Comptroller General in the preparation of cost-accounting standards and of regulations implementing such standards. The Board shall also review promulgated standards and regulations and, as it deems appropriate, make recommendations to the Comptroller General with respect to such existing standards or regulations.

"(2) The Comptroller General may appoint personnel from the Federal Government (with the consent of the head of the agency concerned) or from outside the Federal Government to serve on advisory committees and task forces to advise the Comptroller General and the Board in carrying out their functions and responsibilities under this section.

"(3) Members of the Board and other appointees under this subsection who are officers or employees of the Federal Government shall receive no compensation for their services as such but shall continue to receive the compensation of their regular positions. The appointment of Board members and others under this subsection from outside the Federal Government may be without regard to chapter 51, subchapters III and VI of chapter 53, and chapter 75 of title 5, United States Code, and those provisions of such title relating to appointments in the competitive service. Appointees under this subsection from outside the Federal Government shall receive compensation at rates fixed by the Comptroller General not to exceed the rate prescribed for level V in the Federal Executive Salary Schedule if serving full time and not to exceed one two-hundred-and-sixtieth of such rate for each day of actual duty (inclusive of travel-time) if serving on a part time or intermittent basis. While serving on an intermittent basis away from their home or regular place of business, appointees under this section shall be allowed travel expenses in accordance with section 5703 of title 5, United States Code.

"(4) The Comptroller General, after consultation with the Chairman of the Board, shall have the power to appoint, fix the compensation of, and remove an Executive Secretary, without regard to chapter 51, subchapters III and VI of chapter 53, and chapter 75 of title 5, United States Code, and those provisions of such title relating to appointment in the competitive service. The Executive Secretary of the Board may be paid compensation at a rate not to exceed the rate prescribed for grade 18 of the General Schedule (5 U.S.C. 5332).

"(f) All departments and agencies of the Government are authorized to cooperate with the Comptroller General and the Board and to furnish information, appropriate personnel with or without reimbursement, and such other assistance as may be requested by the Comptroller General.

"(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that further reading of title I be dispensed with, and that the title be printed in the RECORD and open to amendment at any point.

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

There was no objection.

The CHAIRMAN. The Clerk will report the first committee amendment.

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

The CHAIRMAN. The Chair will count.

Eighty-one Members are present, not a quorum. The Clerk will call the roll.

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

[Roll No. 246]

Abbott	Edwards, Calif.	O'Neal, Ga.
Addabbo	Edwards, La.	O'Neill, Mass.
Alexander	Erlenborn	Pelly
Anderson,	Esch	Pollock
Tenn.	Eshleman	Powell
Annunzio	Evins, Tenn.	Price, Tex.
Ashbrook	Fallon	Purcell
Aspinall	Farbstein	Quie
Ayres	Fish	Quillen
Baring	Flynt	Rallsback
Barrett	Ford,	Rarick
Beall, Md.	William D.	Rees
Berry	Foreman	Reid, N.Y.
Biaggi	Gallagher	Relief
Bingham	Gilbert	Rhodes
Blanton	Griffiths	Riegle
Bolling	Hagan	Roudebush
Brasco	Hall	Rousselot
Bray	Hansen, Wash.	Ruppe
Brook	Harsha	Ryan
Brooks	Harvey	Scherle
Broyhill, N.C.	Hawkins	Scheuer
Burton, Utah	Hays	Sebellius
Bush	Henderson	Shipley
Button	Hull	Slack
Caffery	Ichord	Smith, Calif.
Carey	Johnson, Calif.	Smith, Iowa
Celler	King	Snyder
Chisholm	Kluczynski	Stanton
Clancy	Kyl	Steiger, Wis.
Clark	Latta	Taft
Clawson, Del.	Leggett	Teague, Calif.
Clay	Lloyd	Teague, Tex.
Collins	Long, La.	Tiernan
Conyers	Lujan	Tunney
Corbett	Lukens	Van Derlin
Cowger	McClory	Wampler
Cramer	McCloskey	Watkins
Culver	McCulloch	Watson
Cunningham	McEwen	Welcker
Daddario	MacGregor	Wiggins
Davis, Ga.	Mann	Wilson, Bob
Dawson	Mathias	Wilson,
de la Garza	Matsunaga	Charles H.
Dellenback	Meskill	Wolf
Denney	Michel	Wyatt
Dennis	Monagan	Wyder
Dent	Montgomery	Wyman
Devine	Murphy, N.Y.	Zion
Diggs	Myers	Zwack
Donohue	Nix	
Dowdy	Olsen	

Accordingly the Committee rose; and the Speaker having resumed the chair (Mr. DELANEY) chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17880, and finding itself without a quorum, he had directed the roll to be called, when 279 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. When the Committee rose, title I had been read, and the Clerk was about to report the first committee amendment.

The Clerk will report the first committee amendment.

COMMITTEE AMENDMENTS

The Clerk read as follows:

Committee amendment: Page 1, line 5, insert the following: "§ 101. Extension of Act".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: Page 1, line 6, strike "Sec. 101."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 1, line 7, strike "June" and insert "July".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 2, strike line 1 and all that follows down through line 8 on page 6 and insert the following:

"§ 102. Definitions

"Section 702 of the Defense Production Act of 1950 (50 U.S.C. App. 2152) is amended—

"(1) by inserting 'space,' after 'stockpiling,' in subsection (d); and

"(2) by adding at the end thereof a new subsection as follows:

"(f) The term 'defense contractor' means any person who enters into a contract with the United States for the production of material or the performance of services for the national defense.

"§ 103. Uniform cost-accounting standards

"Title VII of the Defense Production Act of 1950 is amended by adding at the end thereof a new section as follows:

"COST-ACCOUNTING STANDARDS BOARD

"Sec. 719. (a) There is established, as an agent of the Congress, a Cost-Accounting Standards Board which shall be independent of the executive departments and shall consist of the Comptroller General of the United States who shall serve as Chairman of the Board and four members to be appointed by the Comptroller General. Of the members appointed to the Board, two, of whom one shall be particularly knowledgeable about the cost accounting problems of small business, shall be from the accounting profession, one shall be representative of industry, and one shall be from a department or agency of the Federal Government who shall be appointed with the consent of the head of the department or agency concerned. The term of office of each of the appointed members of the Board shall be four years, except that any member appointed to fill a vacancy in the Board shall serve for the remainder of the term for which his predecessor was appointed. Each member of the Board appointed from private life shall receive compensation at the rate of one two-hundred-sixtieth of the rate prescribed for level IV of the Federal Executive Salary Schedule for each day (including traveltime) in which he is engaged in the actual performance of duties vested in the Board.

"(b) The Board shall have the power to appoint, fix the compensation of, and remove an executive secretary and two additional staff members without regard to chapter 51, subchapters III and VI of chapter 75 of Title 5, United States Code, and those provisions of such title relating to appointment in the competitive service. The executive secretary

and the two additional staff members may be paid compensation at rates not to exceed the rates prescribed for levels IV and V of the Federal Executive Salary Schedule, respectively.

"(c) The Board is authorized to appoint and fix the compensation of such other personnel as the Board deems necessary to carry out its functions.

"(d) The Board may utilize personnel from the Federal Government (with the consent of the head of the agency concerned) or appoint personnel from private life without regard to chapter 51, subchapters III and VI of chapter 53, and chapter 75 of title 5, United States Code, and those provisions of such title relating to appointment in the competitive service, to serve on advisory committees and task forces to assist the Board in carrying out its functions and responsibilities under this section.

"(e) Except as otherwise provided in subsection (a), members of the Board and officers or employees of other agencies of the Federal Government utilized under this section shall receive no compensation for their services as such but shall continue to receive the compensation of their regular positions. Appointees under subsection (d) from private life shall receive compensation at rates fixed by the Board, not to exceed one two-hundred-sixtieth of the rate prescribed for level V in the Federal Executive Salary Schedule for each day (including traveltime) in which they are engaged in the actual performance of their duties as prescribed by the Board. While serving away from their homes or regular place of business, Board members and other appointees serving on an intermittent basis under this section shall be allowed travel expenses in accordance with section 5703 of title 5, United States Code.

"(f) All departments and agencies of the Government are authorized to cooperate with the Board and to furnish information, appropriate personnel with or without reimbursement, and such financial and other assistance as may be agreed to between the Board and the department or agency concerned.

"(g) The Board shall by June 30, 1971, recommend to Congress cost-accounting standards designed to achieve uniformity and consistency in the cost-accounting principles followed by defense contractors and subcontractors under Federal contracts. The Board shall also recommend uniform bid procedures and bid forms for Government agencies to require to be used by all contractors and subcontractors to whom the recommended cost-accounting standards would apply."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the amendment be dispensed with, and that it be printed in the RECORD.

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

There was no objection.

AMENDMENT OFFERED BY MR. HANNA TO THE COMMITTEE AMENDMENT

Mr. HANNA. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. HANNA to the committee amendment:

On page 9, line 18, after "1971," add the words "and each June 30 thereafter."

Mr. HANNA. Mr. Chairman, this is simply to allow the reporting of these

recommendations during the life of the Board, which is set up for 5 years, to give ample time for them to develop effective standards.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. Mr. Chairman, I thank the gentleman for yielding.

As I understand the amendment offered by the gentleman from California (Mr. HANNA), he changes the date to June 30, 1972, and after the date of June 30, 1972, he adds "and each June 30 thereafter"?

Mr. HANNA. That is correct.

Mr. BROWN of Michigan. Mr. Chairman, I am sure there is no objection to the amendment from this side of the aisle.

Mr. HANNA. Mr. Chairman, I thank the gentleman.

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from California (Mr. HANNA) to the committee amendment.

The amendment to the committee amendment was agreed to.

Mr. MINISH. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I would like to address my remarks to title I, section 719 of the legislation before us. This portion of the bill deals with cost accounting and establishes a Cost Accounting Standards Board, consisting of the Comptroller General and four members appointed by him.

Unfortunately, the authority of this Board is restricted to recommending by June 30, 1971, uniform cost accounting standards for Federal negotiated defense contracts. As originally introduced by myself, Chairman PATMAN, and 10 co-sponsors, this section included authority for the Comptroller General to examine a contractor's books to determine compliance with the standards and included a provision that contractors disclose in writing their cost-accounting practices. Hopefully, these worthwhile provisions will be restored to the bill before it is signed into law.

Testimony before our committee by Adm. Hyman Rickover brought home to me, and I am sure, to other members of the committee, the great importance of thorough cost accounting. I should like to quote from the distinguished Admiral's testimony on pages 235, 236, 237, and 238 of the hearings:

In my work I find it is virtually impossible, without spending months reconstructing each supplier's books, to discover what defense equipment really costs to manufacture or how much profit contractors actually make in producing it. The problem is the extreme variability of accounting practices—the lack of uniform cost accounting standards. Costs on some contracts are not considered as costs on other contracts. Contractors price contracts under one accounting system, yet charge their costs under a different accounting system. On most defense contracts there is no requirement that the

contractor keep meaningful cost records. In these circumstances, it becomes virtually impossible to determine true costs.

FIRM KEEPS NO COST RECORDS

Admiral RICKOVER. I am presently negotiating with one of the Nation's largest defense contractors to procure equipment for a nuclear powered submarine. The company's quoted price is greater by a factor of four than the price we paid the same company for the same equipment a few years ago. I have tried to find the basis for this large price increase, but it has been impossible because the company claims to have no adequate cost records for this piece of equipment. The company says it did not keep records of actual costs on previous orders. Further, it refuses to keep cost records on this order—records which would allow us to determine whether the actual costs of manufacture really support the large increase in price.

This company is the only supplier of this equipment, so the Navy has no alternative but to pay the high price. Thus we will never know what it costs to make equipment or what profit the contractor is making. Yet, this is one of the largest companies in the United States.

Situations like this occur often. As a result, my staff and I spend far too much time dealing with contracting problems. This distracts us from our principal duty—the development and application of nuclear power for Naval ships.

My interest in accounting thus stems from my professional responsibilities as a government official, as well as from my personal concern as a taxpayer. The views I express on this subject are my own and are probably not those of my superiors.

For several years I have been arguing for uniform accounting standards before various congressional committees. But it was this committee which, in 1968, took the initiative by reporting out a bill requiring establishment of uniform cost accounting standards for defense contracts. That bill created an uproar among industry associations, accountants, and the Department of Defense. Financial executives of company after company went on record stating that contrary to the conclusions of your committee, uniformity in cost accounting was unreasonable, infeasible, and unnecessary.

UNIFORMITY FEASIBLE AND NECESSARY

Since then, the General Accounting Office has determined that your committee was, in fact, absolutely correct; that uniform cost accounting standards are both feasible and necessary for defense contracting. The Department of Defense and the professional accountants now recognize the problem. Only defense industry groups, which have a vested interest in the present state of accounting anarchy, remain opposed. The question before you today, therefore, is not "Should we establish such standards?" but rather, "How shall we go about setting the standards?"

Basically there are three issues facing this committee. First, who should set the standards? Second, at what point should defense contractors be required to give proper accounting of their expenditures of Government funds? Third, how long is Congress willing to wait for uniform cost accounting standards to be implemented? These are the three issues I will address.

WHO SHOULD SET UNIFORM COST ACCOUNTING STANDARDS?

The General Accounting Office is the logical choice to develop and promulgate uniform cost accounting standards. It has the necessary accounting expertise; it has many years of experience with government procurement; it will place the public interest first.

The Comptroller General and his office, legally and in fact, are the accounting experts of government. The GAO has an experienced staff that is well grounded in accounting and defense contracting matters, and trained to look out for the public interest. The GAO is an arm of Congress—responsible only to Congress and to the public. The Comptroller General was given a 15 year term of office to preserve his immunity from outside pressures. As a result, he and the GAO can be completely objective in matters affecting the public interest.

It has been suggested that the establishment of uniform cost accounting standards would be outside the scope of the Comptroller General's responsibilities. I disagree. Here is an extract from the GAO's charter as set forth in the Budget and Accounting Act of 1921:

"The Comptroller General shall investigate at the seat of Government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts, and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in a special report at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures."

Moreover, the Budget and Accounting Procedures Act of 1950 states:

"The Comptroller General \* \* \* shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency \* \* \*"

Thus the job of developing and promulgating uniform cost accounting standards is entirely within the scope of his charter.

The General Accounting Office, the Department of Defense, the professional accountants, and the defense industry representatives, have recommended that a special board be established in the executive branch to formulate uniform cost accounting standards. The board would include representatives from industry, from the accounting profession, and from government.

The Senate Banking and Currency Committee called for an independent board appointed by the Comptroller General and chaired by him. But the board, not the GAO, would have responsibility for setting the standards.

I do not agree that it is necessary or desirable to create a special board to set uniform accounting standards—particularly a board dominated by representatives from industry and the accounting profession. I believe the job can and should be done by the General Accounting Office within its present charter. However, Congress will have to require the GAO to do so and that is the purpose of the legislation you are considering today.

You cannot expect industry accountants to put the public interest first in establishing uniform cost accounting standards.

Neither can you turn this job over to public accountants. Despite their best effort at objectivity and professionalism, public accountants depend on industry for their livelihood. They are paid by industry to represent industry, and unless they represent industry, their services will not be retained. After a lifetime of working in this environment, public accountants have adopted the industry viewpoint. "Whose bread I eat, his song I sing."

Establishing a special board to develop uniform cost accounting standards is a good way of insuring that nothing will ever get accomplished. In all likelihood such a board would end up representing the industry it deals with, rather than the taxpaying public, as is the case with our regulatory agencies.

AMENDMENT OFFERED BY MR. BROWN OF MICHIGAN TO THE COMMITTEE AMENDMENT

Mr. BROWN of Michigan. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Michigan to the committee amendment.

On page 7, line 2, strike all after "(a)" through "General", on line 7, and insert:

"There is established a Cost Accounting Standards Board which shall be independent of the executive departments consisting of five members appointed by the President."

Mr. BROWN of Michigan. Mr. Chairman, I will not take a great deal of my colleagues' time in explaining this amendment since I discussed it during the general debate.

I will only point out to my colleagues on the floor that which is very apparent and known by my colleagues on the committee and that is that all of the testimony before the committee was to the thrust of my amendment, that the Cost Accounting Standards Board should be appointed by the President and be an independent agency within the executive department.

Even the Comptroller General, who is certainly the adviser to the Congress, urged the committee to adopt the approach that my amendment would permit, and that is a Presidential appointment, rather than, as the bill presently provides, a board appointed by the Comptroller General and chaired by him. It was the Comptroller General's position, among many others, that he is not in as good a position to criticize and argue against standards, accounting standards, if he has been one who has been very much involved in their promulgation. He would much prefer to maintain the independence that he presently has and to be able to attack, to be able to advocate amendment, modification, et cetera, of those regulations, and he can do it best by not having participated in their promulgation.

This amendment would be consistent with the testimony before the committee. It is consistent with basic governmental policy. I urge its adoption.

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

The CHAIRMAN. The gentleman from Texas is recognized.

Mr. PATMAN. I hope the Members will listen to what I have to say, because the amendment is a very important one. We have it written in the bill that this Board, to which the President is really opposed—he does not want any kind of board—but this Board shall be: A Cost Accounting Standards Board. Many people insist that this provision will save \$2 billion a year if we have this Board. This Board shall consist of the Comptroller General of the United States, who shall serve as the chairman. We could not have a better one. And four

members to be appointed by the Comptroller General. Listen to this language:

Of the members appointed to the Board, two, one of whom shall be particularly knowledgeable about the cost accounting problems of small business—

It is very important that small business be taken care of in this bill, and the amendment would strike out that language, strike it out entirely. Small business would be protected. An expert would be there to protect small business.

The gentleman from Michigan advocates that the one who should be in charge of the Board should be the President, and he would appoint every one of the members, every one of them. He does not even want the Board. It has been said that the surgeon who wields the knife should want the patient to live. Here you would be placing in charge a surgeon to wield a knife who does not want the patient to live. Let us give small business a fair chance.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. In the gentleman's statement about the attitude of the President, the Chairman is quite inaccurate. First, I do not think the gentleman can point to any significant statement from the President to the effect that he is opposed to the cost accounting standards provisions of this bill. Second, the language referred to as being stricken is not stricken. The same language that is in the chairman's bill would continue to be there. The only difference is that the President would appoint the Board instead of the Comptroller General.

Mr. PATMAN. Oh, no. On page 7, line 2, the amendment would strike out all after—a—through "General" in line 7. That is the part that the gentleman says was not stricken out. It is stricken out by the amendment. Then the gentleman would insert something that takes an aboutface in relation to what is intended by this law. It goes in the opposite direction and takes a stab at small business.

Mr. WAGGONNER. Mr. Chairman, will the gentleman from Texas yield?

Mr. PATMAN. I yield to the gentleman from Louisiana.

Mr. WAGGONNER. Am I confused, or is not the purpose of the Defense Production Act to protect the legislative branch of Government?

Mr. PATMAN. Certainly, the gentleman is right.

Mr. WAGGONNER. This being the case then, it would seem to me it would be the height of wisdom to allow the legislative branch of Government to control the membership of this Board rather than the executive branch of Government.

Mr. PATMAN. And may I say that the General Accounting Office is the only independent agency in our Government. It is independent of the Executive, and it is an agency of the Congress.

Mr. WAGGONNER. If the gentleman

will yield further, of course, the Library of Congress falls into the same category.

Mr. PATMAN. Yes, sir; but in this particular case involving this Board, the General Accounting Office is absolutely independent.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. Mr. Chairman, is it not the position of the General Accounting Office as an arm of the Congress that this Board should be appointed by the President?

Mr. PATMAN. No. This Board should be appointed as we reported it. The committee passed on it. It is a good amendment and it should not be repealed as would be done by the amendment offered by the gentleman from Michigan.

Mr. WILLIAMS. Mr. Chairman, I move to strike the last word.

I would like the Members of this House, Mr. Chairman, to understand that what we are talking about is uniform cost accounting standards which must be adhered to by all defense contractors. Just simply saying that uniform cost accounting standards are something we all agree with really does not help to solve the problem. The fact of the matter is this is a really complex matter.

The Comptroller General and the General Accounting Office is an arm of the Congress. They have actually studied this subject of uniform cost accounting standards for a period of over 18 months. They have issued a report consisting of more than 500 pages. Yet the Comptroller General and the General Accounting Office after this extensive study have not been able to recommend uniform cost accounting standards.

Keeping in mind that anything which is recommended by this Cost Accounting Standards Board has to be reviewed, has to be critiqued by the Comptroller General and General Accounting Office, and the Comptroller General has made the suggestion that this Cost Accounting Standards Board should be appointed by the President.

The amendment offered by the gentleman from Michigan starts at the top of page 7 and runs down to line 7. It does not affect in any way the specifications which follow that have to do with the type of people who will comprise the membership of this board.

Then, if the amendment of the gentleman from Michigan is adopted, when the Cost Accounting Standards Board makes its report, the report will be reviewed by the Comptroller General and the GAO, and they feel they will be in a better position to make an impartial appraisal of the recommended uniform cost accounting standards for the benefit of this Congress.

So the gentleman from Michigan is really attempting to achieve something which the Comptroller General has recommended in the hope that the Cost Accounting Standards Board will be able to come up with recommendations, which to date the Comptroller General and the General Accounting Office have not been able to produce.

Mr. Chairman, I urge support of this amendment.

Mr. BLACKBURN. Mr. Chairman, I move to strike the last word, and I rise in support of the amendment.

Mr. Chairman, I do not want to drag out this debate any longer than is necessary, but I find it absolutely necessary to respond to the statement of my chairman that the General Accounting Office wanted authority to administer this board. I quote from Mr. Staats, the Comptroller General himself, in his testimony before the committee, when he said:

We question whether the GAO should become deeply involved in the administration of negotiated contracts. The responsibility for administration of contracts including promulgating, interpreting, and administering cost-accounting standards seems basically an executive branch function.

Mr. Chairman, this is Mr. Staats, himself, who was testifying before our committee. He went on further in support of the position, I might add, of the gentleman from Michigan, Mr. BROWN, and said:

An independent Board appointed by the President might well have greater prestige and attract more capable members. It could not be accused or having any bias by reason of having worked on the feasibility study or any preconceived ideas of what the standards should be.

Again, that is a statement by Mr. Staats, the Comptroller General.

Finally let me call to the attention of the Committee the statement of Mr. Staats in which he agreed with Prof. Robert N. Anthony of Harvard Business School:

Yes, I think this is correct. That is the reason we came to the conclusion we did that an independent board appointed by the President made up of both executive branch and outside representatives would be a better forum for this type of matter.

Mr. Chairman, in view of the testimony of Mr. Staats himself, I believe the Committee must support the position of the gentleman from Michigan (Mr. BROWN).

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

Mr. BLACKBURN. I am happy to yield to the gentleman from Texas.

Mr. PATMAN. I believe the gentleman is talking about where it was proposed that the Commission would promulgate regulations. Our amendment in the bill is only for a study commission. It is entirely different from what the gentleman is talking about.

Mr. BLACKBURN. Mr. Chairman, I am sure that many different minds can disagree on different matters. I am afraid, however, that the Comptroller was addressing this matter at the time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan (Mr. BROWN) to the committee amendment.

The question was taken; and on a division (demanded by Mr. BROWN of Michigan) there were—ayes 47, noes 55.

Mr. BROWN of Michigan. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. BROWN of Michigan and Mr. PATMAN.

The committee again divided, and the tellers reported that there were—ayes 73, noes 81.

So the amendment to the committee amendment was rejected.

The CHAIRMAN. The question is on the committee amendment, as amended.

The committee amendment, as amended, was agreed to.

The CHAIRMAN. The Clerk will read. The Clerk read as follows:

#### TITLE II—COST OF LIVING STABILIZATION

##### § 201. Short title

This title may be cited as the "Economic Stabilization Act of 1970".

##### § 202. Presidential authority

The President is authorized to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970. Such orders and regulations may provide for the making of such of such adjustments as may be necessary to prevent gross inequities.

##### § 203. Delegation

The President may delegate the performance of any function under this title to such officers, departments, and agencies of the United States as he may deem appropriate.

##### § 204. Penalty

Whoever willfully violates any order or regulation under this title shall be fined not more than \$5,000.

##### § 205. Injunctions

Whenever it appears to any agency of the United States, authorized by the President to exercise the authority contained in this section to enforce orders and regulations issued under this title, that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation or order under this title, it may in its discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the agency, any such court may also issue mandatory injunctions commanding any person to comply with any regulation or order under this title.

##### § 206. Expiration

The authority to issue and enforce orders and regulations under this title expires at midnight February 28, 1971, but such expiration shall not affect any proceeding under section 204 for a violation of any such order or regulation, or for the punishment for contempt committed in the violation of any injunction issued under section 205, committed prior to March 1, 1971.

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent that further reading of title II be dispensed with and that the title be printed in the RECORD and open to amendment at any point.

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

There was no objection.

AMENDMENT OFFERED BY MR. BLACKBURN

Mr. BLACKBURN. Mr. Chairman, I offered an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLACKBURN: On page 10, strike out lines 5 through 11 and insert in lieu thereof the following:

"§ 202. Statutory freeze

"Prices, rents, wages, and salaries are frozen at the levels prevailing on May 25, 1970. The President shall promulgate orders and regulations to carry out the preceding sentence. Such orders and regulations may provide for the making of such adjustments as may be necessary to prevent gross inequities".

On page 11, after line 17, add the following new section:

"§ 207. Authorization of appropriations

"There are authorized to be appropriated such sums not exceeding \$2,000,000,000 as may be necessary to carry out the provisions of this title."

Mr. BLACKBURN. Mr. Chairman, I think the chairman of my committee would agree that when I agree with his position that I exercise every vigor in defending his position, and in like manner, I am confident that the chairman of my committee would not feel any lesser of me if I use an equal vigor when I conclude that his position is in error.

Mr. Chairman, this particular title, title II, is the biggest political charade that has been exposed to the American public since my entry into public life.

Mr. Chairman, the charade in this title shows on the face of the title itself in two instances. It reveals, first of all, that this authority would expire in February of next year, which means for all practical purposes it could not exist for more than 6 months.

Mr. Chairman, the second grievous deficiency in the title shows that there are no funds authorized for the President if he chooses to implement wage and price controls. And, to draw the analogy that the chairman of the committee drew, we provide the President with a shotgun in the corner but we have not provided the President with any shells for his shotgun. So, we would be sending the President out to defend the castle with an unloaded shotgun.

Let us look for a moment at what would happen and exercise a little commonsense. Let us review a little of the history of wage and price controls.

How in the name of commonsense, Mr. Chairman, could the President implement in 6 months a program dealing with an estimated \$12 to \$14 million wages and prices throughout this country? During World War II when we had wage and price controls there were employed several hundreds of thousands of employees involving enormous expenditures. Today those expenditures for the same type of administration as during World War II would run between \$1 and \$1.5 billion per year.

Now, Mr. Chairman, what I am doing is saying to the gentlemen on both sides of the aisle who really believe that wage and price controls are the answer to our country's economic ills, to stand up and be counted and vote for mandatory wage and price controls. However, I say this, they really do not want them. Through the offering of this amendment I am

giving them the opportunity to vote for them if, as I say, they really want them. But, Mr. Chairman, they are playing political gamesmanship. They want to reap whatever benefits they can from this situation but at the same time they do not want to assume any of the responsibility for the disruption of our Nation's economy and the inconvenience and the trouble it will cause our citizens throughout the land.

Mr. Chairman, such hypocrisy must be exposed for what it is and that is the reason for my amendment.

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

Mr. BLACKBURN. I am happy to yield to the distinguished Speaker.

Mr. McCORMACK. Mr. Chairman, as I understand the amendment offered by the gentleman from Georgia, it would provide for mandatory controls. Is that correct?

Mr. BLACKBURN. That is correct.

Mr. McCORMACK. Mr. Chairman, I would ask the gentleman from Georgia if he has conferred with the President of the United States as to whether or not the President favors mandatory controls?

Mr. BLACKBURN. Mr. Chairman, I will state to the distinguished Speaker that I have not, but my understanding is that the President does not want mandatory wage and price controls.

Mr. McCORMACK. The President does not want mandatory wage and price controls?

Mr. BLACKBURN. That is my understanding.

Mr. McCORMACK. And we Democrats are giving the President the discretionary power to meet the terrible situation that exists in the country, the question of inflation, if he desires to do so.

The gentleman from Georgia a moment ago said that he did not himself favor mandatory controls; is that right?

Mr. BLACKBURN. That is true.

Mr. McCORMACK. The gentleman also used the word "hypocrisy." I do not like to use that word. But certainly the gentleman, when he said he personally is opposed to mandatory wage and price controls, and then offers the amendment that he has, if I were arguing a case to a jury I would say that the gentleman from Georgia is markedly inconsistent.

Mr. BLACKBURN. Mr. Speaker, I appreciate the observations you have made. And, Mr. Speaker, what I am doing is giving you Democrats the opportunity to stand up and vote for these controls if you honestly want them, because the President says he will not use and does not want wage and price controls.

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

Mr. BLACKBURN. I yield further to the distinguished Speaker.

Mr. McCORMACK. Mr. Chairman, I would state to the gentleman from Georgia that it is very nice for the gentleman to do so, but being Democrats I believe we are quite capable, in spite of all of our differences that exist at times, of taking care of ourselves, and we appreciate the

concern of the gentleman, but we doubt very much the sincerity with which the amendment is offered at the present time.

Mr. BLACKBURN. We will be able to count that sincerity in numbers in just a moment, Mr. Speaker.

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

Mr. BLACKBURN. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, the gentleman from Massachusetts says there is a terrible situation in this country, yet in this hybrid bill that is offered here today, under the euphonious title "Cost of Living Stabilization," not a dime is provided in order to facilitate putting this thing in operation.

Mr. BLACKBURN. I appreciate the gentleman from Iowa mentioning that point.

Mr. GROSS. If the situation is so terrible, why did the sponsors not put in a dollar or two?

Mr. BLACKBURN. I appreciate the observations made by the gentleman. I think it is important to note that the Democrat-controlled Congress normally will very generously provide funds for every program, but not for this one.

The CHAIRMAN. The time of the gentleman has expired.

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

Mr. Chairman, I understand, I think, the motive behind the amendment which has been offered by the gentleman from Georgia (Mr. BLACKBURN).

I think also that the majority ought to fish or cut bait on whether they think wage and price controls are necessary, or they are not. It seems ludicrous to me that the majority would want to give the President of the United States this power, but at the same time not provide any money for that purpose, as the gentleman from Iowa (Mr. GROSS) has just pointed out.

But as I mentioned earlier concerning the questionnaires which I mailed to the constituents in my district, and on which I placed the question as to whether they would favor the imposition of mandatory wage and price controls, and on which 11,236 replies came back, 37 percent of the people who responded said yes, and 63 percent said no. I therefore urge defeat of the amendment.

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

Mr. Chairman and Members of the Committee, I for one would like to set aside the notion that anybody here, especially myself, is reacting to what some have called partisan efforts today. There is nothing partisan about what I have to say, or what I am going to do. I have walked across this aisle and voted with my Republican friends on about as many occasions in the 91st Congress as anybody, and also in previous Congresses when we had a Democratic President and Congress, as any Member in this Chamber—and I think the Members know that.

I intend, when I think it best, to continue doing so.

My position with regard to wage and price controls has been consistent, and it remains consistent. I have felt for quite some time that wage and price controls were needed if we were going to save the economy of this country.

Politically unpopular, though it was, 3 years ago this fall I took a public position for wage and price controls, it was necessary in my opinion I said if we were going to dampen the fires of inflation before damage was done to the economy of this country that we could not undo.

I believe now that I was right and I think my case is even stronger now than it was then. Events since then have borne me out. Wage and price controls must go hand in hand. You cannot have one without the other.

But I am opposed to mandatory controls being placed into operation by the legislative branch because of the history of past wage and price controls.

Think with me for a moment and you will recall that never in the history of this country have we had wage and price controls except during a time of war—and who would deny that this is not a time of war?

Never in the history of this country have we in the legislative branch of the Government ever invoked wage and price controls. We have never done more than to provide the discretionary tools that the executive branch of the Government could utilize in invoking wage and price controls.

It would be difficult, I admit, even now divided as we are to make wage and price controls work. It never has been easy and it never will. But the decision we have to make is whether or not we want to let inflation continue to run rampant without providing the maximum in the way of tools to control it.

The gentleman from Illinois (Mr. ANDERSON) earlier today said there was no similarity and that the conditions were in no way the same now as they were during World War II when this country was spending 50 percent of its gross national product on the war. I submit the gentleman is exactly right.

But I say to you in all sincerity that he has made the greatest argument in the world for standby wage and price controls. The situation is not the same. We have inflation now, which we did not have then—because we do not have wage and price controls now. We dampened the fires of inflation and we prevented the fires of inflation from fanning out into open flame during World War II because we in time took the preventive action that we needed to invoke wage and price controls.

Well, the result of not having done it before now is that inflation is running rampant in this country. As a further result, you will have to agree, the growth rate of personal income exceeds the growth rate of increased productivity—and inflation marches on.

Then, what does this particular bill do? Look at page 10 of the bill. It does

not do anything in the world except to provide to the President of the United States yours and mine the authority, if he wants it, to do something further about controlling inflation and invoking, if he thinks it is necessary, wage and price controls. He is not required to do anything. I admit he inherited a mess, but we must help him find answers.

It provides wages and price controls at levels not less than those prevailing on May 25. Why last May 25? So that fear will not be cast upon the waters and on wages and prices and will not make them go up—and wages and prices cannot go up.

They are retroactive back to this date—to expire on February 28, 1971. Why? Because it will give the new Congress a change to reevaluate what the circumstances are, and do something else if something else is needed at that time.

But this being an election year, the Congress being out of session for a while this fall, this will be just a tool and not a total answer for the President of the United States to implement and help control the fires of inflation if he chooses and only if he chooses.

If he does not want to use it, he does not have to use it. I will say to you, simply this, if he does not want to employ standby controls, he certainly does not want mandatory controls.

Have you read yesterday morning's paper? All the economic indicators indicate that we have been fanning the fires of inflation and that inflation is becoming more and more pronounced and we are having more and more difficulty than we had anticipated. Reliable indexes continue to increase.

Yes, I say to you that standby controls, even mandatory controls, would not be the full answer but it would be another tool in his arsenal of weapons, that he could employ if he thought them necessary to fight inflation.

This is not a brand new tool. It is an unused one.

Answer me this question, if you will. This has to do with the trade bill that is being considered in the House Committee on Ways and Means which gives the President discretionary authority to invoke import quotas.

Mr. GERALD R. FORD. Mr. Chairman, I do not intend to object, but I do wish to give warning now that, so far as I am concerned, no one will get more than 5 minutes after this opportunity is given.

Mr. WAGGONNER. I thank the gentleman.

The CHAIRMAN. The gentleman from Louisiana is recognized for 2 additional minutes.

Mr. WAGGONNER. If it is all right in the trade bill now being considered by the House Committee on Ways and Means to allow the President discretionary authority under the triggering device being devised there to control the import of textiles and other goods into this country, my friends, is it not appropriate to give him this consideration to let him have this discretionary authority here as well? We have done it in military

sales. We have done it in foreign aid. We have done it in so many other areas, I submit to you that we can do it right here and not infringe on the authority of the President of the United States.

The gentleman from Michigan had asked me to yield.

Mr. BROWN of Michigan. I thank the gentleman for yielding. The gentleman had stated that the May 25 date becomes the date of the freeze on wages and prices. If the gentleman has read the bill, he will have noted that nothing is done by the May 25 date except freeze prices and wages at a level not lower than they were on that date. It has absolutely no efficacy toward control of inflation, and, there is no efficacy to the bill because there is no money provided to administer its provision and no time for implementation. If you want to be honest in this bill, why do you not put in the important November date that you are aiming at by this legislation?

Mr. WAGGONNER. Let me say to the gentleman that I do want to be honest about it, and I think a retroactive date is absolutely necessary because it will prevent a further surge of wages and prices in the future if the fear is created that wage and price control will result from the discretionary authority provided here. There is no margin date but it must be retroactive.

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

Mr. Chairman and Members of the Committee, I, like the gentleman from Louisiana, want to make it amply clear that I am for this title II because I think it is the best choice. I think the President is in a much better position to administer wage and price guidelines than is the Congress. But I want to say here and now that if we give him this authority and he does not exercise it within a reasonable time, I, for one, would be willing to vote on the floor of this House for the House and for the Senate to impose such a wage and price freeze with guidelines to follow. I am willing to do that because I think it is essential that it be done.

I am also willing today to vote for an amendment which would add a reasonable amount of money so that the President could properly administer this kind of program, because I think it is essential that it be done and that it be done now.

Let me show the Members of the House something which I received recently from a constituent of mine. It is a short note which states, "Is this what we, as small businesses, have to look forward to?" I will show the article to which the note refers to the Members of the House. It is an ad in my local newspaper.

I want Members of the House to know that this is the type of thing that happens all over the Puget Sound area today, and it is happening because of the economic and fiscal policies of this administration. That is a clever ad, but it is also a tragic commentary on the type of thing that is happening to all of us;

to business, to labor, to the common people of this Nation today.

President Nixon took office promising us to fight the twin ills of inflation and recession. I submit to you that he has offered an ingenious compromise: both at once. We are experiencing both of these today. Everything that should be going up is going down, and everything that should be going down is going up. The cost-of-living is up at an annual rate of almost 6 percent, unemployment is up by almost 60 percent, the stock market is down by some \$300 billion, 300 points on the Dow-Jones and housing starts are down 55 percent.

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

Mr. MEEDS. I yield to the gentleman from Louisiana.

Mr. WAGGONNER. Mr. Chairman, I am not blaming just this administration. If we are going to be honest, we have to blame everybody, including ourselves, for this problem.

Mr. MEEDS. Mr. Chairman, I am quite willing to do that, but I say we have to have some answers to the type of thing that is occurring in the United States today. I am not accusing the administration of bad faith with regard to this. I know they inherited a difficult problem, the problem of trying to fight inflation. I do not accuse the administration for 1 minute of bad faith, but I accuse them of bad judgment in the type of fiscal policies which they are undertaking. They maintain that they can fight inflation in this Nation with high interest rates and tight money. I have heard this policy called Nixonomics, or deceleration of the economy, as well as many other things, but no matter what we call it and how we cut it, what it really amounts to is calculated unemployment.

In the Puget Sound area unemployment has gone from 3.2 when President Nixon was elected to almost 10 percent today. The aerospace industry, housing, construction, and wood products industries have suffered incredible retardation.

All of this has been done in the name of controlling inflation—a commendable goal—but inflation has not been halted. Indeed it has been accelerated under the policies of the administration. The cost of this inflation, high interest, and recession is almost beyond belief:

Higher-interest rates in the past 18 months are costing us between \$5 and \$8 billion additional each year in serving our national debt.

Inflation has added a \$100 billion annual factor to our gross national product and is costing untold suffering to our elderly and others on fixed incomes.

The slowdown in our economy is costing us \$55 billion annually in productivity. This amount alone would yield an additional \$5.5 billion in Federal taxes.

The necessity of imposing wage and price restraints constitutes a difficult alternative—but we must have an alternative to policies which are costing this Nation billions of dollars in inflation tax, lost productivity, lost tax base, and high interest. And the real cost does not show

on the financial balance sheets—that is the loss of savings, potential, and aspirations of millions of Americans.

Mr. WILLIAMS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I would like to call to the attention of the distinguished gentleman from Washington (Mr. MEEDS) the fact that interest rates today are high because there is such great competition for every available American dollar. Because of the deficit spending for which the gentleman has been voting for many years, our Treasury Department is soaking up all of the money in sight in an effort to refinance maturing Federal obligations that we cannot pay off. When we have the Treasury Department in the money market paying 7½ percent to 8 percent to borrow money, there is not any money left over for business or anybody else.

Just this week in the other body, recognizing the fact that businesses cannot borrow money today, a Member of the other body introduced legislation providing for \$5 billion in Government guaranteed loans for business.

The gentleman from Washington also said if the President does not use controls which we would give him under title II, the gentleman is in favor of voting for mandatory wage and price controls. I say to the gentleman that this amendment offered by the gentleman from Georgia gives the gentleman the opportunity to do this today.

Also, the distinguished gentleman from Louisiana (Mr. WAGGONNER) made the statement he is against mandatory controls. At the same time, I submit for his consideration on page 10, section 202, we are giving the President the power to use mandatory controls.

I would also say if any Member of this House really believes that wage and price controls right now are the answer to our economic woes, the amendment of the gentleman from Georgia (Mr. BLACKBURN) gives that opportunity.

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

Mr. WILLIAMS. I yield to the gentleman from Louisiana.

Mr. WAGGONNER. Mr. Chairman, I think the record will reflect what the gentleman from Louisiana said is that he was against the Congress doing it, and that it should be a tool provided by the Congress to be utilized by the President, as has always been done before.

Mr. WILLIAMS. I understand the gentleman to say he was against mandatory controls.

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

Mr. Chairman, I intend to support this amendment because I think it is about time that this Congress started reflecting a little responsibility. I am tired of hearing gentlemen primarily from the other side criticize the abdication of authority and responsibility by the Congress with respect to international affairs.

I am equally critical and I am sure the electorate will be equally critical of the House of Representatives abdicating its

responsibility and its authority with respect to the domestic issue which is as closely related to the warmaking power of the President as could possibly be.

Let us put our money where our mouths are. Are we for responsible representation in the House of Representatives or are we against it?

I have an amendment which I will offer which will give the House and the Congress an opportunity to retain some of that authority, some of that responsibility, and I hope this body will adopt it, but, pending adoption of my amendment, I intend to support this.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia (Mr. BLACKBURN).

Mr. BLACKBURN. Mr. Chairman, I demand tellers.

Tellers were refused.

The question was taken; and on a division (demanded by Mr. REUSS) there were—ayes 9, noes 61.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. PUCINSKI

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

The Clerk read as follows:

Amendment offered by Mr. PUCINSKI: On page 10, line 8, after "wages," insert "interest rates."

Mr. Chairman, I offer this amendment because I believe that we cannot effectively address ourselves to the problem of inflation unless we include in our efforts stand-by powers to deal with the high cost of money.

If my amendment is adopted, section 202 would read:

The President is authorized to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, interest rates, and salaries at levels not less than those prevailing on May 25, 1970.

I am merely adding to the existing language in the bill the words "interest rates."

Under the proposal before us today, the President would have standby powers to stabilize prices, rents, wages, and salaries.

It occurs to me, that the wage earner in this country should not be the individual who must carry the full burden of inflation. Obviously, wages play a role in the upward spiral, but I do not believe it would be fair to blame the wage earner alone.

Nor do I believe that we ought to penalize the businessman by freezing his prices when he, too, is caught in a price-cost squeeze which he must reflect on prices to his customers.

Nor do I believe that the property owner; the man who owns a six-flat in my District and is caught in a spiral of rising costs, should be the only one to pay for inflation by freezing his rents.

Each of these is a contributing factor and must be dealt with, but it occurs to me that we cannot effectively deal with the totality of the problem until we also address ourselves to the high cost of money.

The distinguished chairman of this

committee has stated on a number of occasions here in the House, that under prevailing interest rates in America, a family will have paid \$58,000 in principal and interest on a \$22,000 home before the mortgage is finally paid off.

We know, for instance, that 85 percent of Americans purchase their automobiles on time payments, usually spread over a period of 36 months. The increased interest rate on the cost of financing this automobile mortgage must be considered in the total price of the product to the auto purchaser.

Mention has been made here of deficit spending, and the fact that Government deficits contribute to inflation. Surely, no one will quarrel with that, but the fact remains that the \$2½ billion deficit which President Nixon experienced in fiscal 1970 was not only the result of Congress going beyond his request for funds. This \$2½ billion deficit occurred because earnings for fiscal 1970 did not come up to the President's expectations and reduced earnings resulted in reduced revenue into the Treasury.

Earlier today, the majority leader of the other body, said that Congress will reduce the President's budget request by \$6½ billion in fiscal 1971. And even with this anticipated reduction, administration economists are predicting another deficit in 1971. This deficit will occur not because of over spending by Congress, but because of the deplorable state of the Nation's economy when earnings continue to slide downward and anticipated revenues are just not coming into the national treasury at the rate projected by the President when he submitted his budget for 1971. Ours is a consumer-debt nation. The cost of money is a fundamental part of inflationary spirals and no one can attempt to deny that.

Secretary of the Treasury Kennedy recently said that interest rates are coming down. We pray that this statement is correct and we hope that will continue to be correct. If, indeed, the interest rates are coming down as Mr. Kennedy claims, then the President will never have to use the amendment I am offering today. The President will not have to use the standby powers we are giving him in this language as regards interest rates. If, on the other hand, Mr. Kennedy is not correct and the interest spiral continues, my amendment would give the President the right to freeze interest rates at not less than those prevailing on May 25 of this year. In other words, Mr. Chairman, if interest rates go below the May 25, 1970 level, fine, they can keep going down as much as possible with no interference from the White House. But it is only if they should keep going up that the President could use his powers under this act to freeze them at the May 25, 1970 level.

Mr. Chairman, I honestly believe that if there is to be fair play in trying to address ourselves to this horrible problem of inflation, we must not only look at prices, rents, wages, and salaries, but we also must look at interest rates which, in my judgment, constitute one of the most serious contributing factors toward inflation.

It is for these reasons that I hope the chairman of this distinguished Committee will accept my amendment so that the President will then have very broad powers to deal with inflation on a number of significant economic fronts at the same time. I urge the adoption of this amendment.

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

Mr. PUCINSKI. I yield to the gentleman from Texas.

Mr. PATMAN. I have conferred with several of my colleagues on the committee, and we are ready to accept the amendment.

Mr. PUCINSKI. I thank the gentleman.

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. PUCINSKI).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. WYLIE

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

The Clerk read as follows:

Amendment offered by Mr. WYLIE: On page 10, strike line 1 and all that follows through page 11, line 17.

Mr. WYLIE. Mr. Chairman, I rise to support the amendment of H.R. 17880. If there is anything this Nation does not need it is another morass of bureaucracy, trying to implement unwanted and unneeded wage-price controls.

The President correctly points out that wage and price controls only postpone a day of reckoning—and in so doing, rob every American of a very important part of his freedom.

If we only look at the history of past wage and price control actions, we have reason enough to avoid them now. In 1969, President Johnson's Council of Economic Advisers rejected such controls.

I submit that in a period when the number of Americans with jobs is the highest in history, and in a period when the average real income of Americans is higher than ever before, we are not in "the extreme emergency" to which the gentlemen on the other side of the aisle refer.

Furthermore, history shows that such controls can be enforced only by an army of bureaucrats, and we do not need such an army.

This bill authorizes standby controls for 6 months with no money.

Chester Bowles, who directed the Office of Price Administration from 1943 to 1946, says price controls would be "a dreadful mistake today." In an interview last month he noted that the controls were authorized in 1942—but it took until the spring of 1943 before they became effective. Redtape was everywhere. The standard joke during World War II was that Lincoln needed only 267 words for his Gettysburg Address, but it took OPA 22,000 words to establish the price for a head of cabbage.

During the Korean war, sellers had to compute their own ceilings—based on

average prices in the week preceding the freeze order. The inequities become obvious when you realize that some stores may have been conducting sales—and some others may have just raised prices. Other stores were dealing in seasonal items. What happened? Retail outlets frequently just changed a product enough to make it qualify as a new item—subject to a new ceiling.

Inequities were bound to result—and did.

In his statement of November 9, 1946, terminating wage and price controls, then President Harry Truman said that the administration of price control "is an extraordinarily difficult and complex business—and it can work successfully only if the people generally give it their support."

And in this connection, Mr. Truman noted:

Industry has sought the removal of price controls while labor has sought removal of control of wages. Both have insisted that removal of these controls would lead to increased production and fewer work stoppages.

Mr. MOORHEAD. Mr. Chairman, I rise in opposition to the amendment and in support of title II of H.R. 17880 which provides the President with standby wage-price controls. Our economy is tormented today by three concurrent dilemmas—recession, inflation, and stagnation. Whether you call it a "mini-recession," a "misdirection," a "severe retardation" or the old "rolling-readjustment"—real GNP has failed to rise in the last two successive quarters. Most economists agree that economic sluggishness and growing economic slack will be the order of the day for the rest of 1970, and our GNP gap will grow sharply—at an annual loss of production of around \$40 billion. In other words, the continuation of unduly restrictive policies runs the risk of letting as much as \$1 billion a week of American productive potential run to waste.

Although the unemployment rate abated slightly in June, the unemployment picture is still weakening—and the human costs of unemployment continue to rise. Most economists testifying before the Joint Economic Committee—JEC—last week during the mid-year economic review argued that if we do not move to a more expansionist policy, unemployment will rise substantially this year to a peak of around 6 percent, which means, in human terms, 820,000 more Americans unable to find jobs than there are today. These figures of course do not reflect the concentration of joblessness. One need only be reminded that at our 4.7 percent current rate of unemployment—blacks experienced over twice that rate and for black teenagers it's a staggering 34 percent unemployed.

The specter of inflation continues simultaneously to haunt the American consumer. Yesterday, we were presented with the depressing news that the wholesale price index jumped 0.5 percent—its largest 1-month increase in 6 months. The cost of living index continues to rise, it takes a heavy toll in economic distortion and inequity.

This is a strange set of circumstances for anyone who has read an economics I text. Economic theory has it that there is a tradeoff between price stability and employment, that is in an inflating economy, as unemployment rises, prices should tend to come down. This is more than a little difficult to sell to the consumer who sees his dollars worth less and less, particularly if he's an unemployed worker.

But this administration continues to cling adamantly to its game plan of restrictive fiscal and monetary policy, while continually blaming the previous administration for our current problems.

I would not attempt to exonerate the previous administration from all blame for today's inflation. It is deplorable, however, for the Nixon administration to deny its responsibilities and take extensive refuge in the fact that it inherited an inflationary economy.

Preoccupation with a static past can breed irresponsibility and preclude action in the public interest. The Nixon administration may be guilty in this respect, because it does not seem to appreciate the significance of recent developments. Most of the eminent economists testifying before the JEC the past couple weeks agreed that excess demand, which caused the inflation in the last few years, has been eliminated. It is no longer a problem. Continued efforts to dampen demand are therefore not relevant to the economy's changed conditions. On the contrary, they are at this point pernicious because of the stagnation they are promoting.

It is essential to realize that today's inflation is of a "cost-push" or "price-pull" variety and cannot be cured by a further reduction of demand. Its causes are cost pressures which have their origin in the propensity of concentrated industries to boost prices despite declining demand and excessive wage increases won by powerful unions.

It is because of this fundamental change in the nature of the situation that tight money, fiscal frugality, and widespread unemployment can be expected to reduce demand but not curtail inflation.

The existence of the cost-push inflationary dilemma was clear at the time of the JEC hearings on the economic report in January. I, for one, recommended at that time a strong return to wage-price guideposts and jawboning on the part of the President—in order to halt the wage-price spiral. These recommendations were unfortunately rejected by the administration.

However, now the administration is coming on a little late and a little weak with the Council of Economic Adviser's "inflation alert"—which Professor Solow wryly characterized as having "all the potential for action of a notice from the Weather Bureau saying that it rained last Thursday."

Even Chairman McCracken of the CEA—the President's top economic adviser—could only say to the JEC that the alert "may have some marginal effect in some cases." That is one hell of a heart-

ening statement about a policy that is supposed to deal with one of the most serious problems we face in the country today—inflation.

These are simply not strong enough measures. Unless we in the Congress do something, there is simply going to be little or no moral restraint and no effective self-restraint, in the wage-price field.

A considerable part of the problem stems from this administration's almost theological adherence to a hands-off policy in the wage-price field—a policy which, as one economist put it, delights labor, pleases business, puzzles the financial community both here and abroad, and shortchanges the public. Recently, both *Fortune* magazine and *Business Week* have come forth with pointed editorials strongly urging the adoption of a meaningful incomes policy.

Direct intervention and leadership—for the public interest—not mandatory controls, is needed to accompany appropriate fiscal and monetary policies for stabilization.

However, if this course is not pursued vigorously, some kind of temporary wage-price controls may be necessary.

Mr. Chairman, the most important fact to emerge from the Joint Economic Committee's hearings is that the inflation of the present and the near future will be the doing of concentrated industries, capable of administering prices, and large unions, with sufficient muscle to demand big wage increases. Monetary and fiscal controls are impotent in the face of prices and wages which do not respond to normal market laws of supply of demand. And yet these policies continue, with their predictable recessionary impact.

Permit me to quote excerpts from the testimony of Dr. John Blair, former chief economist for the Senate Subcommittee on Antitrust and Monopoly, offered a lucid explanation of this phenomenon to the JEC last week:

The price structure is composed of two very different types of prices; one of the prices of classical economic theory which are sensitive to changes in demand in relation to supply; the other the prices of concentrated industry which change infrequently and are generally not responsible to short-run changes in supply and demand. . . . Monetary and fiscal restraints designed to arrest increases in the general price level will succeed in their purpose to the extent—but only to the extent—that the price structure is composed of the former type of prices.

Continuing, Blair points out that:

About half of the price structure in terms of weight could be estimated to be composed of products which respond to a reduction in demand with a decline in price. At the same time it must be recognized that a substantial proportion of the other half is composed of products whose price behavior during downturns can only be regarded as perverse . . . barring a severe depression, the probabilities are that while the effect of price declines in the flexible-price sector will be sufficient to slow down the rate of advance in the general level of prices, the price increases in the concentrated sector will continue to cause it to move upward.

If intervention and leadership are not forthcoming on this problem from the

administration what can be done to prevent big business and big labor from fostering "cost-push" inflation? Professor Galbraith suggested in his testimony before the Banking and Currency Committee:

The proper course is, under legislative authorization, to freeze all prices and wages as of some recent date. This should be for a period of about six months. This assures all concerned that the spiral has come to an end. Where prices and wages are set by the market rather than by corporate and union power, there is no need to continue the freeze. This means that all retail prices, all farm prices, all wages not covered by collective bargaining controls, all prices of firms employing fewer than a hundred (possibly even a thousand) workers should be released from control. The point is important. Where neither corporations nor unions have power to shove up prices and wages the government, obviously, does not need to prevent shoving. Some of these prices and wages will rise but that is a market decision. One needs only to control through public action those prices that are privately controlled.

Mr. Chairman, if current trends continue, a wage-price freeze may be necessary to protect the public interest. That is why I strongly support title II of the Defense Production Act providing the President with standby authority "to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970."

I hope that a freeze will not be necessary, because controls of this kind are undesirable, if they are avoidable. But I believe the President should be equipped with the authority to employ them in an emergency. I also believe we may be approaching such an emergency. And I believe the Congress should express in advance its unequivocal support of the President, in the event he finds a wage-price freeze essential to the economic well-being of the Nation.

The passage of this provision, I might add, will do one thing more. It will enhance the President's persuasive power to such an extent that he may not have to resort to the actual use of this authority. The President will be able to tell business and labor leaders, "If you go through with unduly inflationary price and wage hikes, I will be forced to take advantage of the backing of the Congress and institute a wage-price freeze."

An earlier Republican President advised of the virtue of speaking softly, but carrying a big stick. Mr. Nixon has spoken of lowering our voices. If he wants to do that, he had better have the big stick of title II.

Moreover, since the amendment provides for a retroactive freeze, it cannot be criticized on the grounds that it will encourage labor and business to "jump the gun," boosting wages and prices before the President establishes a freeze. This would be a possibility, if the amendment provided for a freeze based on wage and price levels extant at the date of invocation.

Mr. Chairman, neither business nor labor is really benefitting from the inflationary spiral. One JEC witness noted:

Surely both labor and business must realize that they are on a treadmill that is getting no one anywhere. Instead, each firm and union feels it has to run ever faster just to be sure that it stands still. I believe that a great many of the leaders on both sides now know that this is a losing game, and that the country's interests, as well as their own, justify their committing themselves to some degree of wage and price restraint, offered in return for a simultaneous commitment of restraint by others—in a pattern of mutual de-escalation.

Mr. Chairman, I hope that business and labor do need only a nudge in the right direction. I think the passage of title II can serve as that nudge. If that is not enough, I urge the President to take stronger measures to bring cost-push inflation under control, while encouraging monetary and fiscal relaxation to get the economy out of its current rut and on the road toward sustainable growth and full employment so that we can get on with the work that needs to be done in this country.

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

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

Mr. LOWENSTEIN. I want to congratulate the gentleman on his powerful analysis of the serious economic situation we find ourselves in today. I am startled to hear some of my Republican friends say that the President, who is so willing to use authority he probably does not have in some areas, is so reluctant to be given authority he might need in others. Does he for some reason enjoy exercising authority only when he probably has not got it? Be that as it may, it seems to me kind of irresponsible not to give him the authority granted in this bill in view of his own description of the economic problems the Nation faces.

Mr. MOORHEAD. I think that is correct. By giving him that authority we may insure that he never needs to invoke it. And, that is why I believe it should be kept in the discretion of the President.

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

Mr. MOORHEAD. I yield to the distinguished majority leader.

Mr. ALBERT. Mr. Chairman, I too, want to compliment the gentleman upon his statement.

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

Mr. Chairman, I rise in support of this amendment.

Title II in this bill is completely unnecessary. It is completely impractical.

I have made a study and some research in regard to World War II and the price and wage controls that were placed upon our economy during that period of time. I want to take just a moment here to give us a brief résumé as to the results of my study and research and the history as to what happened immediately preceding our entrance into World War II and during the wartime.

On May 28, 1940, President Roosevelt established the National Defense Advisory Committee which had broad powers in the field of wage and price controls. On January 30, 1942—and this

was about 6 weeks after Pearl Harbor, the Congress passed the Emergency Price Control Act which, again, gave further powers and detailed more of those powers to an agency of the Government to control prices and wages in the United States. At the same time and during the same month, January 1942, President Roosevelt established by Executive order the National War Labor Board. Now, let me give you some results as to what occurred in the next 3 or 4 months after this legislation was enacted into law by the Congress.

Between December 1941 when Pearl Harbor occurred, and April 1942, consumer prices continued to increase and they increased at a rate of 1.1 percent per month.

From December 1941 to October 1942, they continued to increase at .8 percent per month which is almost 10 percent a year.

In October 1942, the Congress passed the Stabilization Act of 1942 because the price and wage controls were not working and were not bringing inflation under control.

President Roosevelt requested further legislation. Let me give you the results after this, and I will go back, first, from January 1941 to October 1942 when consumer prices increased 18.1 percent or at an average of slightly under 1 percent a month. From October 1942 to April 1945 they had dropped to 4.3 percent over that period of time or about .72 percent per month.

Then, we finally got control of the situation along in August of 1943, and from August 1943 until August 1945, the last 2 years of the war, we only had an increase of .15 percent per month during that period of time. But it took us until April 1943 to really get this thing under control, inflation.

Title II is an idle gesture to give standby controls to the President until next February 28. How much good do you think that will do?

Mr. Chairman, I support the amendment.

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

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

An editorial appeared not long ago in the Kansas City Star entitled, "How To Trap the President."

It suggested the Congress may be trying to embarrass the President. I think we all recognize the competence of President Nixon, and if he does not want to be trapped, he cannot be trapped. It's going to be quite a task for anyone to embarrass President Nixon.

Earlier in the debate reference was made to the article in the Wall Street Journal about wholesale price increases. It pointed out prices rose 0.5 percent in July or the most in 6 months. The sub-headline is as follows:

Preliminary figures seen as setback for the administration in fight against inflation.

This quote is not a figment of my imagination. It is from the Wall Street

Journal which I see so many of the Members on both sides of the aisle read regularly.

Now I predict based on this article there will be increasing inflation. Nearly every economist predicts inflation will continue. If this is so, Mr. Nixon may be glad, perhaps by November, that we passed this bill here today. Instead of opposition from the other side of the aisle, there should be the realization that come November our work today will not be regarded as a trap, or as embarrassment. Rather, Mr. Nixon may well want to use those tools before November. He will have nothing to use, if we do not enact this bill today.

Now exactly where are we? Some of the Members have said that we are not acting in good faith, or that we are not really sincere.

Some time ago I introduced my own bill, providing for price and wage controls. I thought it was meritorious legislation. It did not create a huge new bureaucracy. The reason it was introduced was because of the answers that we received when we submitted our 1970 opinion poll to our constituents. The gentleman from Ohio (Mr. WYLIE) quoted from his poll saying his people were not in favor. Well, I sent out 70,000 questionnaires.

Many thousands were returned. The questionnaires contained the following question:

In order to control inflation, do you favor the use of wage-price controls?

Seventy-one percent said, "Yes, we want controls." Then, also contained was the question:

Are you against such controls?

Only 28 percent said "No, we do not want such controls." Thus as to our own district, two-thirds, and almost three-fourths preferred controls.

In the debate earlier the gentleman from Illinois (Mr. ANDERSON), I believe, was talking about the situation in his district with respect to wages. He said, I believe, that some wage rates had gone up from \$6.35 to \$11 an hour. Yet, how can he or any of us expect the wage earners to accept lower wages if nothing is done to put a ceiling on prices and rents?

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. RANDALL. In just a moment. Let me finish.

Mr. ANDERSON of Illinois. Will the gentleman yield just on that point?

Mr. RANDALL. Just briefly.

Mr. ANDERSON of Illinois. Mr. Chairman, does the gentleman suggest that when last year we had an inflation break in the Consumer Price Index of approximately 6 percent, and I think between 1965 and 1970 you had inflation, I believe, of about 11 percent as an accumulative figure, how do you suggest that we can possibly work against increasing inflation with increases of the kind that I described?

Mr. RANDALL. The gentleman can get his own time. He has already had

some time. But let me address myself to his observation.

All I am saying is that the situation of the wage rates of the gentleman's district also exist in the greater Kansas City district. I believe the gentleman from Kansas (Mr. WINN), made some brief remarks about wage demands of 138 percent increase in the Missouri-Kansas area. I submit that if we pass this bill today and the other body concurs we will create a psychological atmosphere that may settle the Kansas City strike and also head off some other strikes in the future.

Mr. Chairman, I do not have a crystal ball or can predict what will happen when the roll is called, but I suspect that many of those who are speaking against wage and price controls as partisans, when the moment of truth arrives there will be very few who will want to be in the position to deny the President of the United States the means to curb inflation. I repeat, when the roll is called this bill will be passed by an overwhelming vote.

The CHAIRMAN. The time of the gentleman has expired.

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

Several of the Republican Members have suggested that somehow this provision to give the President standby authority which he may impose at his discretion constitutes some sort of dark, sinister plot to embarrass the President.

There are many areas of governmental activity, of course, in which discretionary authorities of this type exist.

Congress has authorized standby controls in the farm programs, in the administration of the draft, and in the trade and tariff legislation to name but a few. I am not aware that any of these has ever been predicated upon a purpose of producing presidential embarrassment.

Often the very existence of discretionary power to act in extreme cases serves as a psychological deterrent which makes exercise of the authority unnecessary.

Obviously something must be done to curb inflation. This offers to the President an additional weapon. Personally, I think wage and price and rent and credit guidelines would be far more effective and far less hurtful to the American economy and the American public than continued reliance upon the discredited and misbegotten policy of ever higher interest rates.

I can assure the gentlemen who sit on the Republican side of this Chamber that it is far from my purpose to embarrass the President by word or deed. I realize that when the President of the United States is embarrassed, I am embarrassed because my country is embarrassed.

I should think the President would be more gravely embarrassed, however, if he were confronted with a continuing rise in inflation and unemployment, and a continuing decline of the stock market, in the face of the demonstrably ineffective means that have been heretofore attempted as a hedge against inflation, and had no other tools that he could employ to cope with these contingencies.

During the administration of Presi-

dent Johnson I supported a move on the floor of this House by the gentleman from Wisconsin (Mr. REUSS) to give to President Johnson standby authority in the field of credit controls. The President had not asked for such authority, but I thought it a good idea, a useful congressional initiative, and supported the Reuss motion. I certainly assure my colleagues of the House that I did not do that in an effort to embarrass my friend, then President Johnson.

Similarly, I want to assure every Member of this House that I am speaking not in an effort to embarrass the President of the United States, but in an effort to assert the strong feelings of the House that something should be done and something more effective than this demonstrably counterproductive and potentially ruinous policy of increasing interest rates.

Now if you take the position that you do not want to support this bill—then just what do you recommend? What should we do to halt inflation? Continue the present policy? Increase interest rates still further? What is your alternative?

Someone says that it is politics. Politics in what sense? Politics perhaps in the sense that Webster defines politics as the science and art of government. It falls on us, the Representatives of the people of the United States, to try to devise ways and means that will effectively halt the tide of inflation.

I just wonder what you are going to say when you go back home. Are you simply going to say that you are against inflation? Then what are you for? Higher interest rates—higher than they are today?

Today a \$20,000 house will cost to amortize the loan over a 30-year period at today's interest rates—\$38,000 in interest alone—or almost twice the cost of the house itself—\$58,000 in principal and interest, almost three times the value of the house. The increase in interest rates over the past 2 years has sapped the economy of some \$35 billion this year—more than the cost of the war in Vietnam.

There is nothing partisan about inflation, my friends. It hits Democrats and Republicans alike. There is nothing partisan about unemployment. Unemployment is no respecter of persons. There is nothing partisan about rising interest rates and there is nothing partisan about a decline in stock values. I suspect that the latter may even affect Republicans more adversely than it does Democrats.

But I should simply like to suggest that what we are trying to do here is to offer to the President of the United States one more tool that he may, at his discretion, employ. If anybody finds anything bad about that, I do not know what it is.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that debate on this amendment, and all amendments thereto, do now close.

#### PARLIAMENTARY INQUIRIES

Mr. BROWN of Michigan. Mr. Chairman, a parliamentary inquiry. Is it the suggestion of the gentleman that debate

close on this amendment, and all amendments thereto—but not on all amendments to title II?

Mr. PATMAN. Only on this amendment, and all amendments thereto.

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

Mr. WILLIAMS. I object.

The CHAIRMAN. Objection is heard.

Mr. WILLIAMS. Mr. Chairman, a parliamentary inquiry. Do I understand the gentleman from Texas is proposing that we cut off debate on the amendment right now?

Mr. Chairman, my parliamentary inquiry is this:

Does the gentleman propose to close off all debate on this amendment right now?

Mr. PATMAN. Yes.

The CHAIRMAN. That is the understanding of the Chair.

Is there objection to the request of the gentleman from Texas (Mr. PATMAN)?

Mr. MARTIN. Mr. Chairman, I object.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that debate close in 5 minutes on this pending amendment, and all amendments thereto.

Mr. MARTIN. Mr. Chairman, I object.

#### MOTION OFFERED BY MR. PATMAN

Mr. PATMAN. Mr. Chairman, I move that all debate on the pending amendment, and all amendments thereto, close in 10 minutes.

The CHAIRMAN. The question is on the motion offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. ANDERSON of Illinois) there were—ayes 66, noes 39.

So the motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania (Mr. WILLIAMS).

Mr. WILLIAMS. Mr. Chairman, the previous speaker, the distinguished gentleman from Texas (Mr. WRIGHT) asked a question: How are we going to stop inflation if we do not pass title II of this bill?

The answer to the question is very simple. All we have to do is to start to get the U.S. Government out of the money market so that more money is available and interest rates will go down, money will become less tight, and inflation will end.

The distinguished gentleman from Pennsylvania (Mr. MOORHEAD) also painted a very dire picture of the economic plight of this country at the present time. The only way I believe we could have solved the present problem in accordance with his thinking was to have taken action on the previous amendment, which would have invoked wage and price controls by the Congress at this time.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois (Mr. ANDERSON).

Mr. ANDERSON of Illinois. Mr. Chairman, the previous speaker has suggested to this House that with the passage of this legislation we would

somehow be equipping the President with a very valuable tool which he simply would have to use. Let me point out that it was none other than Mr. Leonard Woodcock, who is now president of the AFL-CIO, who testified before the Banking and Currency Committee in June of this year on the subject of a temporary freeze, which is all that this legislation would provide, saying:

Violations of the temporary price freeze would be rife since no firm tempted to violate would seriously believe that the government would spend the enormous sums that would be required, over a period of years after the freeze had ended, to do even a half-way thorough job of investigating the massive accumulations of records that would have to be kept and to prosecute violations. (In the current absence of the national unity and patriotic fervor that reinforced price controls during World War II and the Korean War potential violators would be largely free of the inhibitions of conscience.) Nor would they be deterred by Title II's penalties—even if they grossly overestimated the likelihood of being caught in violation. A fine of \$5,000 is a fleabite compared to the gains that would be obtainable by many companies through illicit price increases."

In short, he effectively gave the lie to the argument that a temporary wage-price freeze could easily be employed as an anti-inflation tool.

What we face today is primarily inflation in the service part of the economy, where inflation has amounted to about 34 percent since 1965, as opposed to about 11 percent inflation in the price level of durable goods. That is precisely the sector of the economy—the services sector—where it would be impossible to impose this kind of a temporary freeze without a huge bureaucratic machine that could not possibly be employed before the freeze had expired. So do not try to make this House or the American people believe that in passing title II you are passing anything other than a politically contrived sham.

This is the political season, so I have no objection to my friends on the Democratic side of the aisle indulging in their favorite pastime as long as they are not allowed to pull the wool over the eyes of the American people.

The CHAIRMAN. The Chair recognizes the gentleman from Nebraska (Mr. MARTIN).

Mr. MARTIN. Mr. Chairman, I would merely like to point out that in his remarks a few moments ago the gentleman from Texas (Mr. WRIGHT) said that interest rates were at an extremely high point. I would like to point out to the gentleman that he has forgotten that interest rates were included by an amendment to this bill.

The date is May 25 when the peaking interest rates were approximately the highest since before the Civil War, and since that time the interest rates have gone down, so the gentleman by this action would be setting interest rates at the highest point in more than 110 years.

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

Mr. REUSS. Mr. Chairman, the issue before us is simply this.

The mir-ry, which seeks to strike

title II, says, in effect: Gaze upon the grinding inflation that we have, the ever-increasing unemployment, the stagnating gross national product, the liquidity squeeze, the balance-of-payments crisis, the selloff in the Wall Street stock market, all of them the fruits of our policy; these are good, and nothing more must be done.

On this side of the aisle, we believe that more is needed.

That is the sole and simple issue. If we believe something must be done to stop inflation, give the President these powers. Preserve title II.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa (Mr. GROSS).

Mr. GROSS. Mr. Chairman, I yield to the gentleman from Michigan (Mr. CEDERBERG).

Mr. CEDERBERG. Mr. Chairman, I listened with interest to much of the debate this afternoon. Obviously, it is a very partisan debate, trying somehow to place blame on the Nixon administration that has been in power only about a year and a half.

I noticed a few days ago the genial chairman of the Democratic National Committee, Mr. O'Brien, apologized to the American people and especially to the young people for the way in which the Democratic administration—and he was part of the Johnson and Kennedy administrations—became involved in a war in Vietnam and all of these activities. I think along with that apology to the American people, it might not be a bad idea if the chairman of the Democratic National Committee in this apology would also include an apology to the American people for the complete fiscal mismanagement of the economy during the time that they were in power.

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. PATMAN) to close the debate.

Mr. PATMAN. Mr. Chairman, I hope this amendment is defeated.

Mr. Chairman, I yield to the gentleman from Wisconsin (Mr. REUSS).

Mr. REUSS. Mr. Chairman, on the point introduced by the gentleman from Michigan (Mr. CEDERBERG) a minute ago, that somehow this inflation from which we are now suffering was something inherited from the previous administration and, therefore, there is nothing that can be done about it; well, the Democratic Party in 1961, when it came to power, inherited a 7-percent unemployment rate from its predecessors, but instead of bellyaching and saying nothing can be done about it, something was done about it. Unemployment was cut in half and the Nation is the better for it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio (Mr. WYLIE).

The question was taken; and on a division (demanded by Mr. WYLIE) there were—ayes 48, noes 71.

So the amendment was rejected.

Mr. PATMAN. Mr. Chairman, I wonder if we can agree on a time for consideration of the remainder of the bill. What about 20 minutes, or something like that?

Mr. WYLIE. Mr. Chairman, I have another amendment.

The CHAIRMAN. Does the gentleman from Texas make a unanimous-consent request?

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all debate on the remainder of the bill and all amendments thereto conclude at 4:20 p.m.

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

Mr. GROSS. Mr. Chairman, reserving the right to object—

The CHAIRMAN. The gentleman from Iowa reserves the right to object.

Mr. GROSS. Mr. Chairman, I withdraw my reservation. I may have an amendment.

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

There was no objection.

AMENDMENT OFFERED BY MR. WYLIE

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

The Clerk read as follows:

Amendment offered by Mr. WYLIE: Page 10, strike line 8 and insert in lieu thereof the following: "rents, wages, and salaries in connection with all contracts with any agency of the United States at levels not less than those pre-".

The CHAIRMAN. The Chair will recognize Members standing at the time the limitation of debate was entered for approximately 4 minutes each.

The Chair recognizes the gentleman from Ohio (Mr. WYLIE).

Mr. WYLIE. Mr. Chairman, I will be brief in support of my amendment.

If we are going to give the President standby authority for wage and price controls we ought to do it right. We ought to provide a means for a reduction in Federal spending, which is the real cause of the inflation we now face.

On my questionnaire, to which I referred a little earlier, I had another question, "Do you favor voluntary wage and price controls as a prerequisite to getting Government contracts?" Those who said "yes" were 59 percent, and "no" were 41 percent.

This amendment would give the President authority, if he wanted to use it, to agree with contractors who produce a goods or service, to produce them at a fixed price during the pendency of the contract.

We know about the cost overruns on the C-5A, on the F-111 on the Cheyenne helicopter and other Government contracts which have contributed to the inflation. This amendment would simply say that the President could issue such wage and price regulations as he deemed necessary in contracts with agencies of the Federal Government. If the President chose to institute such controls, they would be a prerequisite to obtaining certain contracts, and the contractor could voluntarily enter into wage and price agreements with the Government for the length of the contract.

I believe, as I have said, if we are going to give the President this standby authority we should make it apply on a discretionary basis so it could be applied to the cost overrun types of Government contracts. This would avoid the suggestion of the evils of wage and price controls covering the entire economy.

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

Mr. WYLIE. I am glad to yield to the gentleman from Wisconsin.

Mr. REUSS. I had difficulty understanding the gentleman's amendment. Am I correct in my sensing that his amendment would wipe out the power contained in title II, to empower the President to control prices, rents, wages, and salaries?

Mr. WYLIE. And interest rates. It would give authority to the President so that he could apply wage and price controls on Government contracts only.

Mr. REUSS. Then it would, in effect, wipe out title II; would it not?

Mr. WYLIE. No; I would not admit it would wipe out title II. It would give the President discretionary authority to fix wages and prices if he saw fit as a prerequisite to a company or a corporation getting a Government contract. As I say, I believe that this would provide the President with the power to reduce the cost overrun-type contract such as we have seen on the C-5A, the F-111, and the Cheyenne helicopter, which have contributed significantly to inflation.

Mr. Chairman, I submit that the big reason for the inflation that we now have is the cost of running the Government—excessive Government spending.

Mr. REUSS. Will the gentleman yield further?

Mr. WYLIE. Yes; I yield to the gentleman.

Mr. REUSS. The time has passed when a point of order could be made against the gentleman's amendment. I must say that I would have made one had I realized what the amendment does, because in fact it duplicates the amendment which was just voted down, which, if it had passed, would have taken away the power of the President to stabilize wages and prices.

Mr. WYLIE. Apparently I have not explained my amendment understandably to the gentleman from Wisconsin. I do not intend that it wipe out title II, although I favor that. I intend it to apply, as I say, to contracts with the Government and not to apply to all segments of our economy across the board, including the private sector.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio (Mr. WYLIE).

The amendment was rejected.

AMENDMENT OFFERED BY MR. BROWN OF MICHIGAN

Mr. BROWN of Michigan, Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Michigan: Strike all of title II, page 10 line 1 through page 11 line 17, and insert:

"TITLE II—COST OF LIVING AND ECONOMIC STABILIZATION

"FINDINGS AND SHORT TITLE

"Sec. 201. (a) The Congress determines it is essential to the Nation that the economy be protected against inflationary pressures and economic destabilizing influences; that the responsibility for maintaining a stabilized economy is a joint one to be shared by both the Congress and the President; that wage and price controls are necessary to effectuate this national policy; and, that the proper function of the Congress in this joint

responsibility is the freezing of wages and prices pending implementation by the President of such policy through adjustments upward or downward of prices or wages heretofore or hereafter established.

"(b) Consistent with the foregoing determination, this title may be cited as the 'Economic Stabilization Act of 1970.'

"PRICE AND WAGE STABILIZATION

"Sec. 202. No price, rental, commission, margin, rate, fee charge, or allowance paid or received on the sale or delivery, or the purchase or receipt by or to any person, of any material or service, including salaries, wages, or any other form of compensation, shall be in excess of those prevailing as of the date of adoption of the resolution provided for in section 209 of this title, unless and until an adjustment in the same shall have been approved in accordance with section 203 of this title.

"PRESIDENTIAL AUTHORITY

"Sec. 203. (a) The President is authorized notwithstanding section 202 hereof, to order or approve an adjustment in any price, rental, commission, margin, rate, fee charge, or allowance paid or received on the sale or delivery, or the purchase or receipt by or to any person, of any material or service, including salaries, wages, or any other form of compensation heretofore or hereafter established, which he may deem appropriate consistent with the findings and national policy set forth in section 201 of this title.

"(b) The President shall implement this section by the issuance of such rules, regulations, and orders as he shall deem appropriate and which may be necessary to prevent gross inequities. To effectuate the purpose contemplated by this title, the President shall be entitled, by regulation, subpoena, or otherwise, to obtain such information from, require such reports and the keeping of such records by, make such inspection of the books, records, and other writings, premises or property of, and take the sworn testimony of, any person as may be necessary or appropriate, in his discretion, to the enforcement or the administration of this title and the regulations or orders issued thereunder. In case of contumacy by, or refusal to obey a subpoena served upon, any person referred to in this subsection, the district court of the United States for any district in which such person is found or resides or transacts business, upon application by the President, shall have jurisdiction to issue an order requiring such person to appear and give testimony or to appear and produce documents, or both; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

"DELEGATION

"Sec. 204. The President may delegate the performance of any function under this title to such officers, departments, and agencies of the United States as he may deem appropriate.

"PENALTY

"Sec. 205. Any person who willfully violates any provision of this title or any rule, regulation, or order issued thereunder, shall be guilty of a misdemeanor and shall, upon conviction thereof, be subject to a fine of not more than \$10,000.00, or imprisonment of not more than one year, or both.

"INJUNCTIONS

"Sec. 206. Whenever it appears to the President or to any agency of the United States, authorized by the President to exercise the authority contained in this section to enforce the rules, regulations and orders issued under this title, that any person has engaged, is engaged, or is about to engage in any acts or practices which constitute, or will constitute, a violation of any rule, regulation, provision or order under this title, he or it may bring an action, in the proper district

court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the President or such agency, any such court may also issue mandatory injunctions commanding any person to comply with any regulation or order under this title.

"EXPIRATION

"Sec. 207. The authority to issue and enforce rules, regulations and orders promulgated under this title expires at midnight, February 28, 1972, but such expiration shall not affect any proceeding under section 205 for a violation of any such rule, regulation, or order, or for the punishment for contempt committed in the violation of any injunction issued under section 206, committed prior to March 1, 1972.

"APPROPRIATIONS AUTHORIZATION

"Sec. 208. There are hereby authorized to be appropriated such sums, not exceeding \$2,000,000,000, as may be necessary and appropriate for the carrying out of the provisions and purposes of this title by the President and such agencies as he may designate or create.

"EFFECTIVE DATE

"Sec. 209. (a) The provisions of sections 202, 203, 204, 205, 206, and 207 of this title shall become effective upon the adoption of a resolution by the Joint Committee invoking the mandate of section 202.

"(b) The 'Joint Committee' referred to in this section 209, shall consist of the Joint Economic Committee of the Senate and House of Representatives, the Speaker and minority leader of the House of Representatives, and the majority and minority leaders of the Senate. The Joint Committee shall be chaired by the chairman of the Joint Economic Committee."

Mr. PATMAN (during the reading). Mr. Chairman, I ask unanimous consent to dispense with further reading of the amendment and that it may be printed in the RECORD and be open to amendment at any point.

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

There was no objection.

Mr. BROWN of Michigan. Mr. Chairman, the amendment that I am offering is one offered in the Committee on Banking and Currency and which failed on a straight party line vote. I trust that my offering it here in the House will not find it receiving a similar fate.

What my amendment does is retain in the Congress the authority to make the policy decision of imposing wage and price controls. Then it gives to the President, once that policy decision has been made, the authority to implement that decision.

What my amendment does is this. I want to put it in sharp focus and make it as clear as it can be. It asks this question: Is this House unwilling to entrust to itself a policy decision that which it will delegate to the President?

My amendment then goes on and provides funds for the implementation of wage and price controls for all of those who think that they should be implemented and provides guidelines and standards under which they may be carried out. It does not, as title II presently provides, grant to the President unlimited authority in the decisionmaking and

the implementation of wage and price controls.

Furthermore, we have been discussing here the question of wage and price controls, but there is nothing in title II which relates to controls. Title II of the bill before us only establishes a floor below which prices and wages cannot go.

Read the bill, gentlemen. The amendment that I propose would establish a joint committee. The Congress acting responsibly would delegate to this committee, consisting of the Joint Economic Committee, the Speaker of the House and the minority leader of the House as well as the majority and minority leaders of the Senate, the authority to impose a freeze on wages and prices and after that freeze has been ordered, a proper policy function to be determined by the Congress, the President can implement and adjust wages and prices upward or downward to maintain economic stabilization and eliminate inequities which may exist in prices at the time that the freeze is imposed.

Gentlemen, you cannot abdicate your responsibility or hide behind the failure to make a decision in this regard. You are not going to have an opportunity. You are going to be held responsible.

Mr. Chairman, I would suggest to my colleagues, if you are interested in the public welfare, if you are interested in this Nation, if you are interested in the economy, that the Congress in partnership with the President make the determination on wage and price controls and then let the President implement that action as it should be done.

Frankly, Mr. Chairman, I dislike the idea of wage and price controls. As I said earlier, I think they are ineffective for the type of inflation we have. But I dislike even more the failure of this Congress, of the House of Representatives, to face up to its responsibilities when it has the vehicle to do so through my amendment which will permit it to accept the responsibility to retain the authority for the imposition of wage and price controls. I say this, Mr. Chairman, because if my amendment is not adopted, I intend to support whatever may be an opportunity for the Congress to accept its responsibility rather than to abdicate that responsibility irrespective of what position that puts me in on wage and price controls.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania (Mr. MOORHEAD).

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

Mr. Chairman, the amendment purports to put into the Joint Economic Committee a power to set in motion mandatory price and wage controls. At the very time an emergency might arise where congressional action would be necessary, the Congress might not be in session and the committee could not be called together to act quickly enough.

Mr. Chairman, the second point is that this is a matter which will have to be administered by the President of the United States. This amendment would take away all power from the President. There would be no Presidential partici-

pation in the decision to invoke price and wage controls.

Finally, Mr. Chairman, the gentleman from Michigan (Mr. BROWN) says he really does not like price and wage controls. I agree with the gentleman, but giving to the President the authority to invoke them would permit the President to call the parties to the White House and say, "Look, if you go ahead with these inflationary actions, I will invoke the power that the Congress has given me."

That very power might obviate the need for price and wage controls. But that action is an executive action. No legislative committee, no matter how brilliantly constituted, can properly take an executive action.

Therefore, Mr. Chairman, I submit that we have properly exercised our legislative powers and given to the President the power to execute his Executive power and urge that the amendment be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan (Mr. BROWN).

The question was taken; and on a division (demanded by Mr. BROWN of Michigan) there were—ayes 21, noes, 53.

So the amendment was rejected.

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

Mr. Chairman, I have been puzzled all day by the language in this bill which reads—and I will read the first sentence of section 202:

The President is authorized to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, and salaries at levels not less than those prevailing on May 25, 1970.

The question I would like to have answered is what is magic about May 25, 1970?

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

Mr. GROSS. Of course, I yield to the gentleman.

Mr. REUSS. Mr. Chairman, in reply to the inquiry of the gentleman from Iowa, may I say that the magic is simply this: that was the date upon which the introduction of the bill was announced. The bill was in fact issued a day or two afterward—or 1 week afterward—and this was in order to prevent profiteering. It was felt that the President should have the power if he wishes to exercise it to roll back—

Mr. GROSS. How would this stop profiteering? In the name of all that is holy, how could you pick that kind of a date? It must have more substance than the date the bill was introduced. The date the bill was introduced has no effect upon the economy or finances of this country one way or another.

Surely, you do not mean to tell me that you predicate wage, price, and other controls on the date of May 25, 1970; that the implementing date of this legislation is based merely on the fact that the bill was introduced in Congress on that day?

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

Mr. GROSS. I yield to the gentleman from Nebraska.

Mr. MARTIN. Mr. Chairman, I would be glad to shed a little further light on that, because the chairman of the Committee on Banking and Currency was asked in our hearings before the Committee on Rules as to why May 25, 1970, was selected, and his answer was that this was picked out of thin air.

Mr. GROSS. I thank the gentleman from Nebraska. Then the fact is that the committee wrote into this legislation that the wage, price, and salary levels be not less than those prevailing on May 25, 1970, and the date is some ethereal thing to which not the slightest importance can be attached, one way or another.

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

Mr. GROSS. I hesitate to do so because the gentleman from Texas was very reluctant to yield to me earlier.

Yes, I will yield to the gentleman briefly, but please do not take all of my time.

Mr. PATMAN. The gentleman would not want to make it lower, would he?

Mr. GROSS. If you are going to give the President the untrammelled power to control the economy of this country, if you are going to delegate that kind of power, then the answer is a resounding "Yes." Incidentally, I have always admired the gentleman from Texas for his agility. The gentleman comes down here in the well of the House day after day and raises unshirted hell about the powers that have been delegated to the Federal Reserve Board, but the gentleman was perfectly willing to turn over the credit of the United States to the Federal Reserve Board 2 or 3 months ago, and in this bill he is willing to turn over the economic power of this country to the Executive without the declaration of an emergency of any kind.

Mr. Chairman, this is legislative and political gimmickry at its worst. It allegedly provides the President with power to put wage, salary, price, rent, and interest controls into effect immediately but it provides not one solitary dollar to put this ponderous machinery in gear.

It establishes a meaningless date of May 25, 1970, and says that wages, salaries, prices, rents, and interest rates shall not be lower than those prevailing on that date. Then it provides for the adjustment of inequities which apparently means that an inequity at a lower level would have to be adjusted to an inequity that might prevail at a higher level on May 25, 1970.

Moreover, no President should be delegated the awful power to take over the economy and finances of this Nation without having declared an emergency and the reasons therefor. And no Congress should delegate to the President such untrammelled power without requiring such a declaration.

I am willing to give the President emergency powers but I want him to tell the citizens of this Nation that there is an emergency that necessitates those powers. This bill is a monstrosity in that it holds out false hopes to the citizens of this Nation.

Mr. PATMAN. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I think that a reading

of the section is very clear. You must have a date. And when I was asked in the Committee on Rules as to how the date was fixed, of course it was picked out of the thin air insofar as the introduction of the bill.

We prepared the bill, and it was several days before it was introduced. We did not know when it was going to be introduced, it depended upon certain factors, but we did want a date fixed, and it was based upon the introduction of the bill for the reason that there would be all kinds of inequities and injustices if you did not have a date.

And if you will read the last sentence:

Such orders and regulations may provide for the making of such adjustments as may be necessary to prevent gross inequities.

You have some flexibility there. You must have a date. You could not have a better one—no one could suggest a better one.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. BROWN of Michigan. Let us assume that a totally inequitable wage increase and price increase occurred on May 24. This bill says that you must continue it. There would be no possible way that you could eliminate that inequity except to raise all other prices and wages a comparable inequitable amount.

Mr. PATMAN. If you want to offer an amendment to make the date earlier, then offer it and see how much support you get.

Mr. BROWN of Michigan. The legislation is so bad, it is unamendable, to make it good.

The CHAIRMAN. The Chair recognizes the gentleman from California (Mr. HANNA) to close debate.

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

Mr. HANNA. I yield to the gentleman.

Mr. STRATTON. Mr. Chairman, I rise in support of the pending legislation, the Defense Production Act, especially title II which provides the President with standby authority for imposing controls on wages, prices, salaries, and rents for a temporary period.

I have long urged the adoption of such standby authority as a means of combating the present inflationary spiral that has hit all of us. Now there are those who tell us that this inflation is abating, that we do not have to worry too much about it from here out. But, those who argue this way had the rug rather neatly pulled out from under them just yesterday when wholesale prices suddenly rose by a whopping five-tenths of 1 percent for the preceding month. This certainly makes it obvious that we have not yet defeated inflation by a long shot.

Yet, at the same time the economy is slow and sluggish. Something needs to be done to stimulate the economy and to prevent mounting unemployment, and that something would almost certainly have to be money, whether through a budget deficit or an expansion of the

money supply. Either way the immediate result of such action would be to feed the fires of inflation still further.

That is why temporary controls are so important: to allow us to stimulate the economy enough to prevent a recession from turning into a depression, but do it without further aggravating our present inflationary problem.

I do hope this legislation will be enacted, and I certainly hope the President, in spite of what he has been quoted as saying, will make effective use of this authority.

#### PARLIAMENTARY INQUIRY

Mr. HANNA. Mr. Chairman, a parliamentary inquiry.

Mr. Chairman, there is no amendment pending before the Committee at the present time; is there?

The CHAIRMAN. The gentleman is correct.

Mr. HANNA. In other words, after this there will be a vote on the bill?

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

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. DELANEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 17880) to amend the Defense Production Act of 1950, and for other purposes, pursuant to House Resolution 1168, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

#### MOTION TO RECOMMIT OFFERED BY MR. BLACKBURN

Mr. BLACKBURN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. BLACKBURN. I am, Mr. Speaker. The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BLACKBURN moves to recommit the bill H.R. 17880 to the Committee on Banking and Currency with instructions to report the same back to the House forthwith with the following amendments:

On page 10, strike out lines 5 through 11 and insert in lieu thereof the following:

#### "§ 202. Statutory freeze

"Prices, rents, wages, and salaries are frozen at the levels prevailing on May 25, 1970. The President shall promulgate orders and regulations to carry out the preceding sentence. Such orders and regulations may provide for the making of such adjustments as may be necessary to prevent gross inequities."

On page 11, after line 17, add the following new section:

#### "§ 207. Authorization of appropriations

"There are authorized to be appropriated such sums not exceeding \$2,000,000,000 as may be necessary to carry out the provisions of this title."

Mr. PATMAN. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered. The SPEAKER. The question is on the motion to recommit.

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

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

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll. The question was taken; and there were—yeas 11, nays 270, not voting 149, as follows:

#### [Roll No. 247]

#### YEAS—11

Andrews, Ala.	Conte	Miller, Ohio
Blackburn	Fraser	Ottinger
Brown, Mich.	Hicks	Sisk
Colmer	Johnson, Pa.	

#### NAYS—270

Abernethy	Dingell	Hungate
Adair	Dorn	Hunt
Adams	Downing	Jacobs
Albert	Dulski	Jarman
Anderson,	Duncan	Jonas
Calif.	Dwyer	Jones, Ala.
Anderson, Ill.	Eckhardt	Jones, N.C.
Anderson,	Edmondson	Jones, Tenn.
Tenn.	Edwards, Ala.	Karth
Arends	Eilberg	Kastenmeier
Ashley	Evans, Colo.	Kazen
Beall, Md.	Evins, Tenn.	Kee
Belcher	Fascell	Keith
Bell, Calif.	Feighan	Kleppe
Bennett	Findley	Koch
Betts	Fisher	Kuykendall
Bevill	Flood	Kyros
Blester	Flowers	Landgrebe
Bingham	Foley	Landrum
Blatnik	Ford, Gerald R.	Langen
Boggs	Fountain	Lennon
Boland	Frelighuysen	Long, Md.
Bow	Frey	Lowenstein
Brademas	Friedel	McCarthy
Brinkley	Fulton, Pa.	McClure
Broomfield	Fuqua	McDade
Brown, Calif.	Gallianakis	McDonald,
Brown, Ohio	Garmatz	Mich.
Buchanan	Gaydos	McFall
Burke, Fla.	Gialmo	McKneally
Burke, Mass.	Goldwater	McMillan
Burleson, Tex.	Gonzalez	Macdonald,
Burlison, Mo.	Gooding	Mass.
Burton, Calif.	Green, Oreg.	Madden
Byrne, Pa.	Green, Pa.	Mahon
Byrnes, Wis.	Griffin	Mailliard
Cabell	Gross	Marsh
Camp	Grover	Martin
Carter	Gubser	May
Casey	Gude	Mayne
Cederberg	Haley	Meeds
Chamberlain	Halpern	Melcher
Chappell	Hamilton	Mikva
Clausen,	Hammer-	Miller, Calif.
Don H.	schmidt	Mills
Cleveland	Hanley	Minish
Cohelan	Hanna	Mink
Collier	Hansen, Idaho	Minshull
Conable	Hansen, Wash.	Mize
Corman	Harrington	Mizell
Coughlin	Hastings	Mollohan
Crane	Hathaway	Moorhead
Culver	Hébert	Morgan
Daniel, Va.	Hechler, W. Va.	Morse
Daniels, N.J.	Heckler, Mass.	Morton
Davis, Wis.	Helstoski	Mosher
de la Garza	Hogan	Moss
Delaney	Hollifield	Murphy, Ill.
Derwinski	Horton	Murphy, N.Y.
Dickinson	Hosmer	Natcher
Diggs	Howard	Nedzi

Nelsen  
Nichols  
Obey  
O'Hara  
O'Konski  
Olson  
Passman  
Patman  
Patten  
Pepper  
Perkins  
Pettis  
Philbin  
Pickle  
Pike  
Pirnie  
Poage  
Podell  
Poff  
Pryer, N.C.  
Price, Ill.  
Price, Tex.  
Pryor, Ark.  
Pucinski  
Randall  
Reid, Ill.  
Reuss  
Roberts  
Robison  
Rodino  
Roe

Rogers, Colo.  
Rogers, Fla.  
Rooney, N.Y.  
Rooney, Pa.  
Rosenthal  
Roth  
Roybal  
Ruth  
St Germain  
Sander  
Satterfield  
Saylor  
Schadeberg  
Scheuer  
Schmitz  
Schneebell  
Schwengel  
Scott  
Shriver  
Sikes  
Skubitz  
Smith, N.Y.  
Springer  
Staggers  
Steed  
Steiger, Ariz.  
Stephens  
Stokes  
Stratton  
Stubblefield  
Stuckey

Sullivan  
Symington  
Talcott  
Taylor  
Teague, Tex.  
Thompson, Ga.  
Thompson, N.J.  
Thomson, Wis.  
Udall  
Ullman  
Vander Jagt  
Vanik  
Vigorito  
Waggonner  
Waldie  
Watts  
Whalen  
Whalley  
White  
Whitehurst  
Whitten  
Widnall  
Williams  
Winn  
Wold  
Wright  
Wylie  
Yates  
Yatron  
Young  
Zablocki

NOT VOTING—149

Abbutt  
Addabbo  
Alexander  
Andrews,  
N. Dak.  
Annunzio  
Ashbrook  
Aspinall  
Ayres  
Baring  
Barrett  
Berry  
Blaggi  
Blanton  
Bolling  
Brasco  
Bray  
Brock  
Brooks  
Brotzman  
Broyhill, N.C.  
Broyhill, Va.  
Burton, Utah  
Bush  
Button  
Caffery  
Carey  
Celler  
Chisholm  
Clancy  
Clark  
Clawson, Del.  
Clay  
Collins  
Conyers  
Corbett  
Cowger  
Cramer  
Cunningham  
Daddario  
Davis, Ga.  
Dawson  
Dellenback  
Denney  
Dennis  
Dent  
Devine  
Donohue  
Dowdy  
Edwards, Calif.  
Edwards, La.

Erlenborn  
Esch  
Eshleman  
Fallon  
Farbstein  
Fish  
Flynt  
Ford,  
William D.  
Foreman  
Fulton, Tenn.  
Gallagher  
Gettys  
Gibbons  
Gilbert  
Gray  
Griffiths  
Hagan  
Hall  
Harsha  
Harvey  
Hawkins  
Hays  
Henderson  
Hull  
Hutchinson  
Ichord  
Johnson, Calif.  
King  
Kluczynski  
Kyl  
Latta  
Leggett  
Lloyd  
Long, La.  
Lujan  
Lukens  
McClory  
McCloskey  
McCulloch  
McEwen  
MacGregor  
Mann  
Mathias  
Matsunaga  
Meskill  
Michel  
Monagan  
Montgomery  
Myers  
Nix

O'Neal, Ga.  
O'Neill, Mass.  
Pelly  
Pollock  
Powell  
Purcell  
Quile  
Quillen  
Rallsback  
Rarick  
Rees  
Reid, N.Y.  
Reifel  
Rhodes  
Riegler  
Rivers  
Rostenkowski  
Roudebush  
Rousselot  
Ruppe  
Ryan  
Scherle  
Sebellius  
Shipley  
Slack  
Smith, Calif.  
Smith, Iowa  
Snyder  
Stafford  
Stanton  
Steiger, Wis.  
Taft  
Teague, Calif.  
Tiernan  
Tunney  
Van Deerlin  
Wampler  
Watkins  
Watson  
Weicker  
Wiggins  
Wilson, Bob  
Wilson,  
Charles H.  
Wolff  
Wyatt  
Wydler  
Wyman  
Zion  
Zwach

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. McCloskey for, with Mr. Rhodes against.

Until further notice:

Mr. O'Neill of Massachusetts with Mr. Hall.  
Mr. Annunzio with Mr. Andrews of North Dakota.

Mr. Addabbo with Mr. Harsha.

Mr. Gettys with Mr. Ashbrook.

Mr. Brasco with Mr. Harvey.  
Mr. Rivers with Mr. Devine.  
Mr. Fulton of Tennessee with Mr. Dennis.  
Mr. Rostenkowski with Mr. Ayres.  
Mr. Fallon with Mr. Corbett.  
Mr. Donohue with Mr. Cowger.  
Mr. Daddario with Mr. Meskill.  
Mr. Wolff with Mr. Foreman.  
Mr. Huff with Mr. Berry.  
Mr. Henderson with Mr. Broyhill of Virginia.  
Mr. Aspinall with Mr. Bray.  
Mr. Blaggi with Mr. King.  
Mr. Kluczynski with Mr. Erlenborn.  
Mr. Johnson of California with Mr. Del Clawson.  
Mr. Tiernan with Mr. Brotzman.  
Mr. Blanton with Mr. Brock.  
Mr. Brooks with Mr. Clancy.  
Mr. Carey with Mr. Fish.  
Mr. Celler with Mr. Button.  
Mr. Davis of Georgia with Mr. Broyhill of North Carolina.  
Mr. Dent with Mr. Eshleman.  
Mr. Edwards of Louisiana with Mr. Cramer.  
Mr. Flynt with Mr. Hutchinson.  
Mr. Ryan with Mr. Dellenback.  
Mr. Shipley with Mr. Cunningham.  
Mr. Hays with Mr. Kyl.  
Mr. Montgomery with Mr. Bush.  
Mr. Matsunaga with Mr. Collins.  
Mr. Long of Louisiana with Mr. Burton of Utah.  
Mr. Barrett with Mr. Watkins.  
Mr. Clark with Mr. Esch.  
Mr. William D. Ford with Mr. Denney.  
Mr. Abbott with Mr. Latta.  
Mr. Alexander with Mr. Lloyd.  
Mr. Caffery with Mr. Michel.  
Mr. Mann with Mr. Roudebush.  
Mr. Van Deerlin with Mr. Smith of California.  
Mr. Monagan with Mr. Stafford.  
Mr. Purcell with Mr. Pelly.  
Mr. Gallagher with Mr. McEwen.  
Mr. Clay with Mr. Taft.  
Mr. Gray with Mr. Lukens.  
Mr. Gilbert with Mr. Reid of New York.  
Mr. Leggett with Mr. Bob Wilson.  
Mr. Smith of Iowa with Mr. Lujan.  
Mr. Gibbons with Mr. Quile.  
Mr. Ichord with Mr. Ruppe.  
Mr. Baring with Mr. Myers.  
Mr. O'Neal of Georgia with Mr. McCulloch.  
Mr. Charles H. Wilson with Mr. McClory.  
Mr. Rarick with Mr. Sebellius.  
Mr. Edwards of California with Mr. Teague of California.  
Mr. Dowdy with Mr. MacGregor.  
Mrs. Griffiths with Mr. Wydler.  
Mr. Slack with Mr. Zwach.  
Mr. Watson with Mr. Scherle.  
Mr. Hagan with Mr. Quillen.  
Mr. Rees with Mr. Mathias.  
Mr. Hawkins with Mr. Pollock.  
Mr. Wiggins with Mr. Snyder.  
Mr. Stanton with Mr. Steiger of Wisconsin.  
Mr. Wyatt with Mr. Wampler.  
Mr. Nix with Mr. Weicker.  
Mr. Farbstein with Mrs. Chisholm.  
Mr. Reifel with Mr. Rallsback.  
Mr. Wyman with Mr. Rousselot.  
Mr. Conyers with Mr. Riegler.

Mr. HOGAN changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the passage of the bill.

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

The yeas and nays were ordered.

The question was taken; and there

were—yeas 257, nays 19, not voting 154, as follows:

[Roll No. 248]

YEAS—257

Abernethy  
Adair  
Adams  
Albert  
Anderson,  
Calif.  
Anderson,  
Tenn.  
Andrews, Ala.  
Arends  
Ashley  
Beall, Md.  
Belcher  
Bennett  
Betts  
Bevill  
Blester  
Bingham  
Blatnik  
Boggs  
Boland  
Bow  
Brademas  
Brinkley  
Broomfield  
Brown, Calif.  
Brown, Ohio  
Buchanan  
Burke, Fla.  
Burke, Mass.  
Burlison, Mo.  
Burton, Calif.  
Byrne, Pa.  
Byrnes, Wis.  
Cabell  
Carter  
Casey  
Cederberg  
Chamberlain  
Chappell  
Clausen,  
Don H.  
Cleveland  
Cohelan  
Collier  
Colmer  
Conable  
Corman  
Coughlin  
Culver  
Daniel, Va.  
Daniels, N.J.  
de la Garza  
Derwinski  
Dickinson  
Diggs  
Dingell  
Dorn  
Downing  
Dulski  
Duncan  
Dwyer  
Eckhardt  
Edmondson  
Edwards, Ala.  
Eilberg  
Evans, Colo.  
Evins, Tenn.  
Fascell  
Felghan  
Findley  
Fisher  
Flood  
Flowers  
Foley  
Ford, Gerald R.  
Fountain  
Fraser  
Frelinghuysen  
Friedel  
Fulton, Pa.  
Fuqua  
Galifanakis  
Garmatz  
Gaydos  
Gialmo  
Goldwater

Gonzalez  
Goodling  
Gray  
Green, Oreg.  
Green, Pa.  
Griffin  
Gubser  
Gude  
Haley  
Halpern  
Hamilton  
Hammer-  
schmidt  
Hanley  
Hanna  
Hansen, Idaho  
Hansen, Wash.  
Harrington  
Hastings  
Hathaway  
Hébert  
Hechler, W. Va.  
Heckler, Mass.  
Helstoski  
Hicks  
Hogan  
Hollifield  
Horton  
Howard  
Hungate  
Jacobson  
Jarman  
Johnson, Pa.  
Jones, Ala.  
Jones, N.C.  
Jones, Tenn.  
Karth  
Kastenmeier  
Kazen  
Kee  
Keith  
Kleppe  
Koch  
Kuykendall  
Kyros  
Landrum  
Langen  
Lennon  
Lowenstein  
McCarthy  
McClure  
McDade  
McDonald,  
Mich.  
McFall  
McKneally  
McMillan  
Macdonald,  
Mass.  
Madden  
Mahon  
Mailliard  
Marsh  
May  
Mayne  
Meeds  
Melcher  
Mikva  
Miller, Calif.  
Miller, Ohio  
Mills  
Minish  
Mink  
Minshall  
Mize  
Mizell  
Mollohan  
Moorhead  
Morgan  
Morse  
Morton  
Mosher  
Moss  
Murphy, Ill.  
Murphy, N.Y.  
Natcher

Nedzi  
Nelsen  
Nichols  
Obey  
O'Hara  
O'Konski  
Olson  
Ottinger  
Patman  
Patten  
Pepper  
Perkins  
Pettis  
Philbin  
Pickle  
Pike  
Pirnie  
Poage  
Podell  
Pryer, N.C.  
Price, Ill.  
Price, Tex.  
Pryor, Ark.  
Pucinski  
Randall  
Reid, Ill.  
Reuss  
Roberts  
Robison  
Rodino  
Roe  
Rogers, Colo.  
Rogers, Fla.  
Rooney, N.Y.  
Rooney, Pa.  
Rosenthal  
Roth  
Roybal  
Ruth  
St Germain  
Sander  
Satterfield  
Saylor  
Schadeberg  
Scheuer  
Schmitz  
Schneebell  
Schwengel  
Shriver  
Sikes  
Skubitz  
Smith, N.Y.  
Springer  
Staggers  
Steed  
Steiger, Ariz.  
Stephens  
Stokes  
Stratton  
Stubblefield  
Stuckey

NAYS—19

Anderson, Ill.  
Blackburn  
Brown, Mich.  
Burlison, Tex.  
Camp  
Conte  
Crane

Davis, Wis.  
Gross  
Hosmer  
Landgrebe  
Long, Md.  
Martin  
Passman

Poff  
Schmitz  
Scott  
Wold  
Wylie

## NOT VOTING—154

Abbutt Erlernborn Pelly  
 Addabbo Esch Pollock  
 Alexander Eshleman Powell  
 Andrews, Fallon Purcell  
 N. Dak. Farbstain Quile  
 Annunzio Fish Quillen  
 Ashbrook Flynt Rallsback  
 Aspinall Ford, Rarick  
 Ayres William D. Rees  
 Baring Foreman Reid, N.Y.  
 Barrett Fulton, Tenn. Reifel  
 Bell, Calif. Gallagher Rhodes  
 Berry Gettys Riegle  
 Biaggi Gibbons Rivers  
 Blanton Gilbert Rostenkowski  
 Bolling Griffiths Roudebush  
 Brasco Grover Roussetot  
 Bray Hagan Ruppe  
 Brock Hall Ryan  
 Brooks Harsha Scherle  
 Brozman Harvey Sebelius  
 Broyhill, N.C. Hawkins Shipley  
 Broyhill, Va. Hays Slack  
 Burton, Utah Henderson Smith, Calif.  
 Bush Hull Smith, Iowa  
 Button Hutchinson Snyder  
 Caffery Ichord Stafford  
 Carey Johnson, Calif. Stanton  
 Celler King Steiger, Wis.  
 Chisholm Kluczynski Stratton  
 Clancy Kyl Taft  
 Clark Latta Teague, Calif.  
 Clawson, Del. Leggett Teague, Tex.  
 Clay Lloyd Tiernan  
 Collins Long, La. Tunney  
 Conyers Lujan Van Deerlin  
 Corbett Lukens Wampler  
 Cowger McClory Watkins  
 Cramer McCloskey Watson  
 Cunningham McCulloch Welcker  
 Daddario McEwen Wiggins  
 Davis, Ga. MacGregor Wilson, Bob  
 Dawson Mann Wilson,  
 Delaney Mathias Charles H.  
 Dellenback Matsunaga Winn  
 Denney Meskill Wolff  
 Dennis Michel Wyatt  
 Dent Monagan Wyder  
 Devine Montgomery Wyman  
 Donohue Myers Zion  
 Dowdy Nix Zwach  
 Edwards, Calif. O'Neal, Ga.  
 Edwards, La. O'Neill, Mass.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. O'Neill of Massachusetts for, with Mr. McClory against.  
 Mr. Button for, with Mr. Steiger of Wisconsin against.  
 Mr. Lujan for, with Mr. Fish against.  
 Mr. Winn for, with Mr. Grover against.  
 Mr. Latta for, with Mr. Erlernborn against.  
 Mr. Rhodes for, with Mr. Roussetot against.

Until further notice:

Mr. Annunzio with Mr. Ayres.  
 Mr. Dent with Mr. Bob Wilson.  
 Mr. Gettys with Mr. MacGregor.  
 Mr. Addabbo with Mr. Pelly.  
 Mr. Matsunaga with Mr. Broyhill of Virginia.  
 Mr. Brasco with Mr. Corbett.  
 Mr. Henderson with Mr. Brock.  
 Mr. Teague of Texas with Mr. Hall.  
 Mr. Biaggi with Mr. King.  
 Mr. Hull with Mr. Devine.  
 Mr. Brooks with Mr. Bray.  
 Mr. Wolf with Mr. Reid of New York.  
 Mr. Johnson of California with Mr. McCloskey.  
 Mr. Delaney with Mr. Cramer.  
 Mr. Fulton of Tennessee with Mr. Michel.  
 Mr. Carey with Mr. McEwen.  
 Mr. Gallagher with Mr. Harvey.  
 Mr. Rivers with Mr. Andrews of North Dakota.  
 Mr. Tiernan with Mr. Dennis.  
 Mr. Daddario with Mr. Meskill.  
 Mr. Monagan with Mr. Clancy.  
 Mr. Fallon with Mr. Myers.  
 Mr. Hays with Mr. Bell of California.  
 Mr. Long of Louisiana with Mr. Quile.

Mr. Aspinall with Mr. Kyl.  
 Mr. Celler with Mr. Smith of California.  
 Mr. Blanton with Mr. Broyhill of North Carolina.

Mr. Davis of Georgia with Mr. Berry.  
 Mr. Barrett with Mr. Watkins.  
 Mr. Charles H. Wilson with Mr. Scherle.  
 Mr. Clark with Mr. Esch.  
 Mr. Donohue with Mr. Rallsback.  
 Mr. Rostenkowski with Mr. Hutchinson.  
 Mr. Shipley with Mr. Roudebush.  
 Mr. Edwards of Louisiana with Mr. Bush.  
 Mr. Stratton with Mr. Taft.  
 Mr. Farbstain with Mr. Conyers.  
 Mr. Rees with Mr. Hawkins.  
 Mr. Ryan with Mr. Powell.  
 Mr. Van Deerlin with Mr. Nix.  
 Mr. Tunney with Mr. Clay.  
 Mr. William D. Ford with Mrs. Chisholm.  
 Mr. Leggett with Mr. Pollock.  
 Mr. O'Neal of Georgia with Mr. Mathias.  
 Mr. Dowdy with Mr. McCulloch.  
 Mr. Kluczynski with Mr. Lukens.  
 Mr. Mann with Mr. Lloyd.  
 Mr. Montgomery with Mr. Quillen.  
 Mr. Purcell with Mr. Reifel.  
 Mr. Gilbert with Mr. Riegle.  
 Mr. Rarick with Mr. Ruppe.  
 Mr. Hagan with Mr. Sebelius.  
 Mr. Slack with Mr. Snyder.  
 Mrs. Griffiths with Mr. Stafford.  
 Mr. Smith of Iowa with Mr. Stanton.  
 Mr. Gibbons with Mr. Teague of California.  
 Mr. Flynt with Mr. Ashbrook.  
 Mr. Edwards of California with Mr. Burton of Utah.  
 Mr. Abbutt with Mr. Collins.  
 Mr. Alexander with Mr. Cunningham.  
 Mr. Caffery with Mr. Del Clawson.  
 Mr. Ichord with Mr. Cowger.  
 Mr. Dellenback with Mr. Wampler.  
 Mr. Denney with Mr. Watson.  
 Mr. Eshelman with Mr. Zwach.  
 Mr. Wyatt with Mr. Foreman.  
 Mr. Welcker with Mr. Harsha.  
 Mr. Wiggins with Mr. Zion.  
 Mr. Wyder with Mr. Wyman.

Mr. THOMPSON of Georgia changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. Pursuant to the provisions of House Resolution 1168, the Committee on Banking and Currency is discharged from the further consideration of the bill (S. 3302) to amend the Defense Production Act of 1950, and for other purposes.

The Clerk read the title of the Senate bill.

## MOTION OFFERED BY MR. PATMAN

Mr. PATMAN. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. PATMAN moves to strike out all after the enacting clause of S. 3302 and insert in lieu thereof the provisions of H.R. 17800, as passed, as follows:

TITLE I—DEFENSE PRODUCTION ACT  
AMENDMENTS

## § 101. Extension of Act

Section 717(a) of the Defense Production Act of 1950 is amended by striking out July 30, 1970" in the first sentence and inserting in lieu thereof "June 30, 1972".

## § 102. Definitions

Section 702 of the Defense Production Act of 1950 (50 U.S.C. App. 2152) is amended—

- (1) by inserting "space," after "stockpiling," in subsection (d); and
- (2) by adding at the end thereof a new subsection as follows:

"(f) The term 'defense contractor' means any person who enters into a contract with the United States for the production of material or the performance of services for the national defense."

§ 103. Uniform cost-accounting standards  
 Title VII of the Defense Production Act of 1950 is amended by adding at the end thereof a new section as follows:

## "COST-ACCOUNTING STANDARDS BOARD

"SEC. 719. (a) There is established, as an agent of the Congress, a Cost-Accounting Standards Board which shall be independent of the executive departments and shall consist of the Comptroller General of the United States who shall serve as Chairman of the Board and four members to be appointed by the Comptroller General. Of the members appointed to the Board, two, of whom one shall be particularly knowledgeable about the cost accounting problems of small business, shall be from the accounting profession, one shall be representative of industry, and one shall be from a department or agency of the Federal Government who shall be appointed with the consent of the head of the department or agency concerned. The term of office of each of the appointed members of the Board shall be four years, except that any member appointed to fill a vacancy in the Board shall serve for the remainder of the terms for which his predecessor was appointed. Each member of the Board appointed from private life shall receive compensation at the rate of one two-hundred-sixtieth of the rate prescribed for level IV of the Federal Executive Salary Schedule for each day (including traveltime) in which he is engaged in the actual performance of duties vested in the Board.

"(b) The Board shall have the power to appoint, fix the compensation of, and remove an executive secretary and two additional staff members without regard to chapter 51, subchapters III and VI of chapter 53, and chapter 75 of title 5, United States Code, and those provisions of such title relating to appointment in the competitive service. The executive secretary and the two additional staff members may be paid compensation at rates not to exceed the rates prescribed for levels IV and V of the Federal Executive Salary Schedule, respectively.

"(c) The Board is authorized to appoint and fix the compensation of such other personnel as the Board deems necessary to carry out its functions.

"(d) The Board may utilize personnel from the Federal Government (with the consent of the head of the agency concerned) or appoint personnel from private life without regard to chapter 51, subchapters III and VI of chapter 53, and chapter 75 of title 5, United States Code, and those provisions of such title relating to appointment in the competitive service, to serve on advisory committees and task forces to assist the Board in carrying out its functions and responsibilities under this section.

"(e) Except as otherwise provided in subsection (a), members of the Board and officers or employees of other agencies of the Federal Government utilized under this section shall receive no compensation for their services as such but shall continue to receive the compensation of their regular positions. Appointees under subsection (d) from private life shall receive compensation at rates fixed by the Board, not to exceed one two-hundred-sixtieth of the rate prescribed for level V in the Federal Executive Salary Schedule for each day (including traveltime) in which they are engaged in the actual performance of their duties as prescribed by the Board. While serving away from their homes or regular place of business, Board members and other appointees serving on an intermittent basis under this

section shall be allowed travel expenses in accordance with section 5703 of title 5, United States Code.

"(f) All departments and agencies of the Government are authorized to cooperate with the Board and to furnish information, appropriate personnel with or without reimbursement, and such financial and other assistance as may be agreed to between the Board and the department or agency concerned.

"(g) The Board shall by June 30, 1971 and each June 30 thereafter, recommend to Congress cost-accounting standards designed to achieve uniformity and consistency in the cost-accounting principles followed by defense contractors and subcontractors under Federal contracts. The Board shall also recommend uniform bid procedures and bid forms for Government agencies to require to be used by all contractors and subcontractors to whom the recommended cost-accounting standards would apply."

#### TITLE II—COST OF LIVING STABILIZATION

##### § 201. Short title

This title may be cited as the "Economic Stabilization Act of 1970".

##### § 202. Presidential authority

The President is authorized to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages, interest rates, and salaries at levels not less than those prevailing on May 25, 1970. Such orders and regulations may provide for the making of such adjustments as may be necessary to prevent gross inequities.

##### § 203. Delegation

The President may delegate the performance of any function under this title to such officers, departments, and agencies of the United States as he may deem appropriate.

##### § 204. Penalty

Whoever willfully violates any order or regulation under this title shall be fined not more than \$5,000.

##### § 205. Injunctions

Whenever it appears to any agency of the United States, authorized by the President to exercise the authority contained in this section to enforce orders and regulations issued under this title, that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of any regulation or order under this title, it may in its discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. Upon application of the agency, any such court may also issue mandatory injunctions commanding any person to comply with any regulation or order under this title.

##### § 206. Expiration

The authority to issue and enforce orders and regulations under this title expires at midnight February 28, 1971, but such expiration shall not affect any proceeding under section 204 for a violation of any such order or regulation, or for the punishment for contempt committed in the violation of any injunction issued under section 205, committed prior to March 1, 1971.

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 17880) was laid on the table.

#### GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed and to include extraneous matter.

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

There was no objection.

#### LEGISLATIVE PROGRAM FOR NEXT WEEK

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

Mr. ARENDS. Mr. Speaker, I have requested this time in order to ask the distinguished majority leader if he will advise us as to the program for next week.

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

Mr. ARENDS. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, in response to the inquiry of the distinguished Republican whip, we have finished the business for the week and will ask unanimous consent to go over upon the announcement of the program for next week.

Monday is Consent Calendar day.

Also there is scheduled for the consideration of the House on Monday the following suspensions:

H.R. 18260, Environmental Education Act.

H.R. 11032, to prohibit the interstate transportation of salacious advertising. House Resolution 562, U.S. participation in U.N. Conference on Human Environment.

H.R. 1002, to adjust the rates of tax on cigars.

H.R. 2076, withholding of city income taxes on Federal employees.

S. 2484, to authorize marketing agreements for papayas.

Also, H.R. 6715, to authorize the Narrows unit, Missouri River Basin project, Colorado, under an open rule with 1 hour of debate.

For Tuesday and the balance of the week the program is as follows:

Tuesday is Private Calendar day.

Also, H.R. 18546, The Agricultural Act of 1970, under an open rule with 4 hours of general debate.

H.R. 17654, continued consideration of the Legislative Reorganization Act of 1970.

H.R. 18434, political broadcasting amendments, subject to a rule being granted.

S. 1933, the Railroad Safety and Hazardous Materials Control Act, under an open rule with 2 hours of general debate.

H.R. 8298, the water carrier mixing rule, under an open rule with 2 hours of general debate.

H.R. 17809, prevailing rate pay system for Government employees, subject to a rule being granted.

This announcement is made subject to the usual reservation that conference re-

ports may be brought up at any time and that any further program may be announced later.

Mr. ARENDS. I thank the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, if the gentleman will yield further, I have been asked whether a rule may be asked for on the agricultural bill on Monday. I had not been given any advice to that effect, so I assume that it will be on Tuesday.

Mr. ARENDS. Might I say to the gentleman that I have heard the same thing; that they would like to consider the rule on the agricultural bill on Monday.

Mr. ALBERT. I will state to the gentleman from Illinois that that is all right with me. The announcement, as far as I am concerned, is subject to further consultation with the gentleman from Mississippi (Mr. COLMER) and the gentleman from Texas (Mr. POAGE) that if desired, and if we have sufficient time, they may undertake to consider the rule on the agricultural bill on Monday.

We do have a long program. I would say that it is almost certain, barring some unforeseen change, that we will meet on Friday again next week because we expect to adjourn for 3 weeks on the following Friday.

There are a number of bills, some of which of course do not have rules. Also, we do have the Legislative Reorganization Act on the schedule, and everyone well knows that we cannot finish that bill in 1 day.

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

Mr. ARENDS. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, I thank the gentleman for yielding.

Is it really intended to come back to this abomination known as the Legislative Reorganization Act, that is, next week, if at any time?

Mr. ALBERT. If the gentleman will yield further, it is intended to come back to the Legislative Reorganization Act of 1970, Mr. Speaker, if we finish the agricultural bill in time. I do not know how long the agricultural bill will take. It will obviously take a full day, and maybe more than a day.

Mr. GROSS. There are obviously 4 hours of general debate on it under the rule.

Mr. ALBERT. That is correct.

Mr. GROSS. I was in hope, as I think many of the other Members were, that if we never saw the Legislative Reorganization Act again it would be too soon. And I hope that the gentleman from Oklahoma will see fit not to program that again for action next week.

Mr. ALBERT. Mr. Speaker, if the gentleman will yield further—

Mr. ARENDS. Might I say first that I am pleased to thank the gentleman from Iowa for his observations.

Now I will gladly yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, I might add that this announcement has been made, and the program has been scheduled, after consultation with the gentleman from California (Mr. SISK) who is handling this bill. Of course, the gentle-

man knows that the House is going to finish consideration of the Legislative Reorganization Act, not necessarily by next week, but some time as soon as we possibly can.

Mr. ARENDS. That is a little better.  
Mr. Speaker, I thank the gentleman.

#### ADJOURNMENT TO MONDAY, AUGUST 3, 1970

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

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

There was no objection.

#### DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule may be dispensed with on Wednesday next.

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

There was no objection.

#### GENERAL LEAVE TO EXTEND

Mr. LOWENSTEIN. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may be permitted to extend their remarks on the subject of my special order given on yesterday, Thursday, July 30, 1970.

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

There was no objection.

#### ORDER OF AHEPA

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

Mr. BURKE of Massachusetts. Mr. Speaker, I consider it a great privilege to have been able to speak at the 38th annual district No. 8 convention of the Order of AHEPA held in Brockton, Mass. on Sunday, June 14.

AHEPA, the American Hellenic Educational Progressive Association, which now numbers 46,000 persons among its member organizations, stands as a firm and enduring link between the achievements and values of Hellenic civilization and contemporary American society. The objectives and purposes of the Order of AHEPA are a clear reflection of the remarkable qualities of Hellenic civilization that find expression in American life. Consider, for example, the first five objects and purposes of AHEPA:

First, to promote and encourage loyalty of its members to the country of which they are citizens;

Second, to instruct its members in the tenets and fundamental principles of government;

Third, to instill a due appreciation of the privilege of citizenship;

Fourth, to encourage interest and active participation in the political, civic, social, and commercial fields of human endeavor; and

Fifth, to pledge its members to oppose political corruption and tyranny.

These objectives, so central to democracy in America, were central also to democracy in Greece, and one cardinal purpose of the Order of AHEPA is to insure that the flow of the precepts and ideals of Greek democracy continues to serve as a constantly revitalizing current in American government.

During the course of the 38th annual convention, Ahepans heard from many outstanding leaders, including Mayor John Sullivan, city of Brockton and Senator James F. Burke, statehouse, Boston.

I would like to insert at this point in the RECORD the program of the 38th annual district No. 8 convention of the Order of AHEPA:

GRAND BANQUET PROGRAM OF ORDER OF AHEPA  
38TH ANNUAL DISTRICT NO. 8 CONVENTION,  
JUNE 12-14, 1970, BROCKTON, MASS.

#### HEAD TABLE GUESTS AND SPEAKERS

Bishop Demetrios.  
Fr. George Stephanides, Annunciation Greek Orthodox Church.  
Mayor John Sullivan, City of Brockton.  
Mr. Paul Maharis, District Governor of District #8.

Mrs. Joanna Panagopoulos, grand president, Daughters of Penelope.

Mr. William Tsaffaras, Supreme Trustee representing Supreme President.

Congressman James A. Burke.  
Senator James F. Burke.

Mr. Harry Demeter, Representing Governor and Mrs. Sargent.

Judge George N. Covett.  
Mrs. Rosalie Papoutsy, District Governor, Daughters of Penelope.

Mrs. Chris Johns, Scholarship Chairman of District.

Mr. Basil Milonas, Scholarship Presentation, Grand Raffle Drawing, Benediction.

Mr. Steve Siogros, President, Lord Byron Chapter #59.

Mr. Chris Tsaganis, Banquet Chairman.

Mr. E. Charles Giannaros, Mr. James Mihos, Co-Chairmen.

Dr. Louis Bosen, Toastmaster.  
Dr. John Lingos, President Annunciation Greek Orthodox Church.

Miss Maria Alexson, District Governor, Maids of Athens.

Mr. John Johns, District Governor, Sons of Pericles.

Mrs. Helen Fountas, President, Daughters of Penelope, Brockton.

Mr. Theodore Kyriakides, President, Sons of Pericles, Brockton.

Mr. John Maniatis, Supreme Governor, Order of Ahepa.

Dr. Monte Kofos, Supreme Athletic Director of Ahepa.

Miss Kathy Venturatos, Grand President, Maids of Athens.

Mr. Nicholas P. Bobis, Supreme President, Sons of Pericles.

#### LEGISLATION TO REQUIRE THE OPEN DATING OF PACKAGED FOODS—VII

The SPEAKER. Under a previous order of the House, the gentleman from New York (Mr. FARBSTEIN) is recognized for 30 minutes.

Mr. FARBSTEIN. Mr. Speaker, fresh products supposedly line the supermarket shelves. But only the store manager knows for sure and sometimes even he is mystified because the freshness dates are

indicated in complicated letter and number codes on the products to keep the consumer from knowing them.

Several months ago, I introduced H.R. 17005 to require the last date an item could be sold to appear on the label as an indication to the shopper of how fresh the food item is.

This legislation has sparked a growing public awareness of the existence of food codes and concern over the significant amount of out-of-date food being sold to the public. One manifestation of this is the fact that 60 Members of the House have joined in cosponsoring this legislation. Another is the number of feature articles on food coding which have been appearing in newspapers across the country.

I have previously inserted some of these into the RECORD. At this point I would like to insert a particularly informative article by Susan Sachs, food editor of the Fort Lauderdale News, which recently appeared in that paper.

The article follows:

TALENT'S NEEDED TO CRACK CODES ON FOOD PACKAGES

(By Susan Sachs)

Every day millions of housewives walk through electric eye doors of supermarkets expecting to fill their baskets with fresh meat, bread and other perishable products. But unless they are experts at cracking codes, their chances are slim of bringing home truly fresh groceries.

On nearly every package in the store is a letter or number code telling when food was packaged, until what date it may be safely purchased or anything else manufacturers want to explain to their salesmen or to store managers.

Rep. Leonard Farbstein (D., New York) has different ideas for the purpose of these codes. In November 1969, he introduced H.R. 14816 legislation to require open dating of packages. This would be an addition to the Truth-in-Packaging Act passed in 1966.

Each manufacturer and each food store chain has its own coding system. One common system involves a series of numbers. If a package of hot dogs is coded 2253, it means the meat should be sold before May 25. To figure out this expiration date, add the first number to the last number for the month and numbers in between indicate the day. Thus if bologna is stamped 3093, housewives can safely buy it until June 9.

However, it is not always that simple. Many egg packers don't use any codes. If they do devise a code, it must be registered with the state, explained Tom Wheeler, Fresh Eggs Inc.

"Companies sometimes put the expiration or packaging date on the carton. Some codes use the number of the day in the year; others the number of days left in the year."

One egg carton in a chain store near Holiday Park was marked "137" and was still prominently displayed on the 140th day of the year. However, most housewives do not automatically know that May 20 is the 140th day. Thus, the code would seem to have little value to them.

There is no state law requiring the dating of milk and many store managers cannot read the company codes.

"When one of my customers asks me the freshness of milk," said one West Broward food store manager. "I can't give them a specific date. By the time I learn codes on some of these products, the companies have developed a new system."

Freshness of milk is important to the housewife, Florida has no state law requiring the dating of milk, such as those in New York City and Chicago. Dairy distributors

say they have a self-inforced dating code to inform their own store representatives. This doesn't help the average shopper who usually has no idea where the code is imprinted or what it means.

When calling milk distributors for an explanation of the code, this reporter got little response to the question. One representative asked, "Do you know how General Mills or General Foods code their products? When you find out, then call me back."

Although General Mills didn't reveal their decoding instructions, they did explain the general concept.

"We do code our packages according to plant location and date it is packed," explained Nan Holland, who works in the General Mills public relations department in Minneapolis, Minn. "It enables us to go through the grocery store for pick-up purposes."

"If we did use an open coding date, the customer would choose the new date. It's human nature to pick the newest one. Eventually this would cost the consumer more money."

This rising price theory is the argument used by the food industry. However, some store managers disagree.

"The open coding would simplify my work. At first, the companies might lose money but I think once the novelty wears off, things will go back to normal. We really only have to worry about perishable items anyway," said the manager of a chain store near Holiday Park.

"I would like to see a simplified code," said the West Broward store owner. "The average housewife wants to get in and get out of the grocery store. She doesn't want to spend time digging in the back for a carton of milk."

With a clearly stamped date, this digging won't be necessary, according to Farbstein's bill. Shoppers will no longer wonder why the same brand and same type of milk will last for a week one time and only a few days on another occasion.

In a survey conducted by Farbstein's staff and the Democratic Consumer Action Committee of the Washington, D.C., Committee, only three out of the 18 Washington, D.C., food stores had completely fresh packaging of surveyed product lines.

In conjunction with this survey, three Ft. Lauderdale stores were selected to represent three economic areas in the city. In a Coral Ridge supermarket, most of the fresh ground beef, pork chops and chicken had been packaged that morning. They use a letter code with "A" for Monday through "F" for Saturday.

John Person, former butcher and grocery store owner, cautions that codes change from store to store.

"Hamburger is made every day. So compare the code on that package with other meats to find out how fresh they are. Of course, a shopper must go to the same store to figure out the system. It's almost like a trade secret."

In a supermarket near Holiday Park, the ground beef was again marked with a "C," indicating that it was fresh. But many packages of pork chops and chicken had been packed two days earlier, with an occasional package marked "F," indicating the meat was already four days old.

The assistant meat manager at this store explained that he checks the meat counters several times a day. He would take any spoiled meat out of the display case.

"We never reduce the price on any meats. We either sell it at full price or take it off the shelves."

In a supermarket in the northwest section, most meats again were packaged that morning, with a few packaged the previous day.

Luncheon meats in the three stores did not always pass the freshness test. The Coral Ridge and Holiday Park stores had several

packages of hot dogs that were more than a week past their expiration dates.

As the Holiday Park assistant manager began pulling these off the shelf, he explained that they were beginning to discolor.

"Also, see the gas in this package of luncheon meat? That means the vacuum packaging is no good and it must be taken off the shelf."

While searching for codes on egg and milk cartons in the northwest section store, a young woman pushing a cart carrying groceries and a squirming child stopped and asked if this was part of a comparison shopping trip.

"I saw you writing down things and thought you might be a comparison shopper. Oh, you're trying to find out codes. Well, I sure wish they would put some dates on milk. In New Jersey, they did and I sure didn't have to worry about how fresh it was."

She selected a carton from the back and slowly pushed her cart on down the aisle. For her and other housewives, grocery shopping is a chore which might be made a little easier with the help of open code dating.

#### TAKE PRIDE IN AMERICA

The SPEAKER. Under a previous order of the House, the gentleman from Ohio (Mr. MILLER) is recognized for 5 minutes.

Mr. MILLER of Ohio. Mr. Speaker, today we should take note of America's great accomplishments and in so doing renew our faith and confidence in ourselves as individuals and as a nation. Americans can indeed be proud of the many medical programs sponsored by the Government as well as private organizations to assist many of the underdeveloped nations of the world. For example: Project Hope with over 4,000 volunteer medical personnel have brought tremendous medical assistance to millions of the world's people free of charge.

#### ORGANIZED CRIME CONTROL ACT

The SPEAKER. Under a previous order of the House, the gentleman from Virginia (Mr. POFF) is recognized for 5 minutes.

Mr. POFF. Mr. Speaker, Subcommittee No. 5 of the Judiciary Committee still is considering S. 30, the Organized Crime Control Act of 1969.

One provision of title X of the bill—proposed section 3577—would codify the almost universal practice of lower Federal courts in not imposing upon the sentencing process the restrictive rules of evidence properly applicable only in a trial of guilt. But see *Verdugo v. United States*, 402 F. 2d 599 (9th Cir. 1968). When S. 30 was being debated on the Senate floor, however, an amendment to that provision was offered which would have extended the trial-type rules of evidence, including the suppression rule, to the sentencing hearing. After full debate, it was defeated by a vote of 63 to 11—CONGRESSIONAL RECORD, pages 962-965.

I now wish to bring to the attention of all members a thoughtful and scholarly decision by Judge Weinstein of the U.S. District Court for the Eastern District of New York, in the case of *United States v. Schipani* (7 Crim. L. Rptr. 2244, June 24, 1970, decided June 4, 1970), which supports the Senate's decision.

In that case, Judge Weinstein denied Schipani's motion for reduction of a 3-year prison sentence for tax evasion. The prison term was longer than is usual in tax prosecutions, primarily because the court had concluded, on the basis of transcripts of conversations overheard through illegal wiretapping, that the defendant was a professional criminal and that his unreported income was the proceeds of organized crime. The defendant's motion to reduce the sentence rested on his argument that illegally obtained evidence, since it is inadmissible under the suppression rule, must also be disregarded when sentence is imposed.

In rejecting that contention, Judge Weinstein noted the wide variety of factors relevant to the imposition of an appropriate sentence, including "the possibilities of rehabilitation, general or specific deterrence, protection of potential victims by incapacitating socially dangerous offenders, and maintenance of respect for legal norms." In view of those factors, he stressed that "as much reliable data as possible on the background of the individual defendant is essential to any intelligent choice among the available alternatives," and that "any information which may lead to a better understanding of the needs of the defendant and of society may, and should, within the limitations of due process, be considered."

Noting several well recognized existing exceptions to the suppression rule, Judge Weinstein analyzed the practical impact which adoption or rejection of the exclusionary rule for sentencing would have. He reasoned that "absent some special situation, no appreciable increment in deterrence—of illegal investigative conduct—would result from applying a second exclusion at sentencing after the rule has been applied at the trial itself," and that such application would interfere with effective sentencing in a number of ways. As Judge Weinstein concluded:

The purposes of the exclusionary rule, analogous cases, and practical considerations in the administration of justice all lead to the conclusion that no arbitrary rule excluding from the consideration of the sentencing judge all illegally seized evidence should be adopted. Where the evidence is reliable and it is perfectly clear that it was not gathered for the purpose of improperly influencing the sentencing judge, evidence should be accorded whatever probative value it may have....

The decision in the Schipani case is a sound application of the general rule announced by the Supreme Court in *Wilkins v. New York*, 337 U.S. 241 (1949), that proper sentencing requires access to the fullest information possible, without regard to the rules of evidence, even where those rules have constitutional bases. Judge Weinfeld's opinion is closely reasoned and carefully supported with citations of other decisions and scholarly writings. Those concerned with promoting effective and enlightened sentencing in Federal cases, and interested in the provision included in S. 30 for that purpose, would do well to study the Schipani decision and the authorities collected there.

The opinion follows:

[U.S. District Court Eastern District of New York, 63 CR 237]

UNITED STATES OF AMERICA, PLAINTIFF v.  
JOSEPH F. SCHIPANI, DEFENDANT  
APPEARANCES

Edward Neahr, United States Attorney for the Eastern District of New York, 225 Cadman Plaza East, Brooklyn, New York, attorney for plaintiff.

David G. Trager, Esq., of counsel.

Jacob P. Lefkowitz, Esq., 150 Broadway, New York, New York, attorney for defendant.

The defendant has moved, pursuant to Rule 35 of the Federal Rules of Criminal Procedure, for reduction of the sentence imposed by this Court upon his conviction for tax evasion, 26 U.S.C. § 7201. On the facts, and in the exercise of discretion, this motion would have been denied out of hand were a troublesome question of law not posed: in imposing sentence may the court consider facts and inferences drawn from illegally obtained evidence suppressed at trial? For the reasons below, we hold that in some cases, including this one, such evidence may be utilized in sentencing.

#### I. FACTS

Following reversal of the defendant's conviction (*Schipani v. United States*, 385 U.S. 372 (1966)), a motion to suppress illegally obtained wiretap evidence was granted. *United States v. Schipani*, 289 F. Supp. 43 (E.D.N.Y. 1968). After a second trial, the defendant was convicted on the basis of untainted evidence. 293 F. Supp. 156 (E.D.N.Y. 1968), *aff'd*, 414 F. 2d 1962 (2d Cir. 1969), *cert. denied*,—U.S.—(1970). The same judge who presided at the suppression hearing imposed sentence. In deciding upon a sentence the Court considered data introduced at the hearing on the motion to suppress but excluded at the trial. Illegal wiretapping of conversations involving the defendant and his associates established that the defendant was a criminal figure, and that his undeclared income was the proceeds of organized crime. *United States v. Schipani*, 289 F. Supp. 43, 46, 47, 48 (E.D.N.Y. 1968).

Defendant was sentenced to three years' imprisonment on each count, to run concurrently, 18 U.S.C. § 4208(a)(2). In addition, a committed fine of \$2,500.00 was imposed on each of the five counts, for a total of \$12,500.00.

#### II. BASES FOR SENTENCE

This sentence was the maximum that could be imposed consistent with due process after the second trial. *North Carolina v. Pearce*, 395 U.S. 711 (1969). The jail term was far longer than would be expected in a routine tax case. See, e.g., Craig, Sentencing in Federal Tax Fraud Cases, 49 F.R.D. 97 (1970). A primary reason for severity was the court's conclusion that the defendant was a "professional criminal." ALL Model Penal Code § 7.03(2)(b) (P.O.D. 1962). See Wechsler, Sentencing, Correction, and the Model Penal Code, 109 U. Pa. L. Rev. 465, 480-83 (1961); Turnbladh, A Critique of the Model Penal Code Sentencing Proposals, 23 Law & Contemp. Problems 544, 546-47 (1958).

In deciding upon a sentence appropriate to an individual defendant, a variety of needs must be considered. *Williams v. New York*, 337 U.S. 241, 246 (1969); *United States v. Mitchell*, 392 F. 2d 214 (2d Cir. 1968). Among them are the possibilities of rehabilitation, general or specific deterrence, protection of potential victims by incapacitating socially dangerous offenders, and maintenance of respect for legal norms. See ABA, Standards Relating to Sentencing Alternatives and Procedures, 62-63 (Approved Draft, 1968); L. Empey, Alternatives to Incarceration, 1-6, 70 (1967); Advisory Council of Judges of the National Probation and Parole Association, Guides for Sentencing, 1-5 (1957); Ohlin & Remington, Sentencing Structure: Its Effect Upon Systems for the Administration of

Criminal Justice, 23 Law & Contemp. Problems, 495, 496-99 (1958); Note, Procedural Due Process at Judicial Sentencing for Felony, 81 Harv. L. Rev. 821-25 (1968). A sentence reflects a prediction of future events based largely upon the defendant's past and the court's sociological conceptions.

As much reliable data as possible on the background of the individual defendant is essential to any intelligent choice among the many available alternatives. "The aim of the sentencing court is to acquire a thorough acquaintance with the character and history of the man before it." *United States v. Doyle*, 348 F. 2d 715, 721 (2d Cir. 1965). Any information which may lead to a better understanding of the needs of the defendant and of society may, and should, within the limitations of due process, be considered. ABA, Standards Relating to Probation, 34-39 (Tent. Draft, 1970); *Williams v. Oklahoma*, 358 U.S. 576 (1959); *Gollaher v. United States*, 419 F. 2d 520, 530 (9th Cir. 1969); *Heidrich v. United States*, 373 F. 2d 540 (5th Cir. 1966).

Recognizing the necessity for unfettered access to information by the sentencing judge, courts have regularly upheld the propriety of wide-ranging presentence investigations and reports. As the Supreme Court remarked, "[t]here are no formal limitations on [presentence reports'] contents, and they may rest on hearsay and contain information bearing no relation whatever to the crime with which the defendant is charged." *Gregg v. United States*, 394 U.S. 489, 492 (1969). See also, e.g., *Williams v. New York*, 337 U.S. 241 (1949); *United States v. Doyle*, 348 F. 2d 715 (2d Cir. 1965).

Fairness, accuracy, and procedural due process do limit the sources which may be considered by the sentencing judge. See, e.g., *Townsend v. Burke*, 334 U.S. 736 (1948); *Scott v. United States*, 419 F. 2d 264 (D.C. Cir. 1969); *Haller v. Robbins*, 409 F. 2d 857 (1st Cir. 1969). See generally Note, Procedural Due Process at Judicial Sentencing for Felony, 81 Harv. L. Rev. 821 (1968). But such restrictions are designed to protect the integrity of the sentencing procedure rather than the legality of earlier stages of the prosecution.

The broad acceptance of hearsay presents a striking example of the scope of presentence investigations and the quality of materials which may be considered by the sentencing judge. See, e.g., *Williams v. Oklahoma*, 358 U.S. 576 (1959); *Davis v. United States*, 179 F. 2d 640 (9th Cir. 1950). Limits on the use of hearsay at sentencing depend solely upon assessment of probative force. *United States v. Doyle*, 349 F. 2d 715, 720 (2d Cir. 1965). But cf. *United States v. Rao*, 296 F. Supp. 1145, 1148, (S.D.N.Y. 1969) (hearsay indicating defendant's underworld connections does not constitute a predicate for punishment).

In the instant case the questioned evidence consists largely of admissions by the defendant and declarations against panel interest by his associates; its probative value is high, and even its status as excludable hearsay is questionable. See e.g., 4 J. Wigmore, Evidence § 1048 (8d ed. 1940); 5 *Id.* §§ 1361, 1476, 1477; 6 *Id.* § 1766; Committee on Rules of Practice and Procedure, Preliminary Draft of Proposed Rules of Evidence for the United States District Courts and Magistrates, 46 F.R.D. 161, 331-34, 339-43, 385-87 (1969); C. McCormick, Handbook of the Law of Evidence §§ 239, 255 (1954); *Donnelly v. United States*, 228 U.S. 243, 277 (1913) (Holmes, J. dissenting). The accuracy of these out-of-court statements, and of the inferences which may readily be drawn from them, was not questioned either at allocation or at the hearing on the motion to reduce sentence. It was therefore appropriate to accord them substantial weight in the sentencing decision unless they should not have been considered because of factors not relating to probative force.

#### III. APPLICATION OF EXCLUSIONARY RULE

##### A. Purposes of exclusionary rule in fourth amendment cases

The primary purpose of the exclusionary rule in the case of Fourth Amendment violations is to discourage unconstitutional acts outside the courtroom by law enforcement officials. It is assumed that illegal searches and seizures will not be undertaken if they will have no meaningful effect. *Mapp v. Ohio*, 367 U.S. 643 (1961); *Weeks v. United States*, 232 U.S. 383 (1914); *Pizzarello v. United States*, 408 F. 2d 579, 586 (2d Cir. 1969) (civil case); J. Maguire, Evidence of Guilt § 5.02 (1959); B. J. George, Constitutional Limitations on Evidence in Criminal Cases 39-42 (1966).

Since the exclusionary rule has a pragmatic orientation, it is to be expected that it will not be unnecessarily applied. There are a number of well recognized instances permitting reliance upon evidence obtained in violation of the Fourth Amendment.

Illegally seized evidence may be considered by a parole board in deciding to revoke parole. *United States ex rel. Sperling v. Fitzpatrick*, F. 2d—(2d Cir. 1970). The similarity of functions between a sentencing court and a parole board is apparent. As is the case with the parole board, "[t]o apply the exclusionary rule would tend to obstruct . . . accomplishing . . . remedial purposes" of the sentencing procedure. *Id.* at—. A court, as well as a parole board, needs all possible information that may lead to insights into the character of the defendant. Both are vested with "the broadest discretion consistent with due process to act upon reliable evidence" in determining treatment. *Id.* at—.

Grand jury proceedings constitute a second area in which the use of illegally obtained evidence is not absolutely forbidden by the exclusionary rule. *United States v. Blue*, 384 U.S. 251, 255, n. 3 (1966); *Lawn v. United States*, 355 U.S. 339, 348-50 (1958). Cf. *United States v. Tane*, 329 F. 2d 848 (2d Cir. 1964). The important protective function of the grand jury is held not to be vitiated by the use of some illegally obtained evidence so long as the government proves the defendant's guilt at the trial through untainted evidence.

A third clear exception to the exclusionary rule in Fourth Amendment cases is to be found in the continuing application of the doctrine of standing. *Alderman v. United States*, 394 U.S. 165 (1969). Although wiretap evidence may be the product of an unlawful search and seizure, coconspirators or codefendants who are aggrieved "solely by the introduction of damaging evidence" "have been accorded no special standing." *Id.* at 172. Such evidence, although illegally obtained, may be used at trial without violating the deterrent policy of the exclusionary rule.

Finally, evidence obtained through an unlawful search and seizure may be used to a limited extent to impeach the credibility of a criminal defendant who has made untruthful assertions at trial on his direct case. *Walder v. United States*, 347 U.S. 62 (1953); Committee on Rules of Practice and Procedure, Preliminary Draft of Proposed Rules of Evidence for the United States District Courts and Magistrates, 46 F.R.D. 161, 191 (1969). Cf. *United States v. Guglielmini (II)*,—F. 2d—(2d Cir. 1970) (improperly obtained statement may be used to impeach a non-defendant witness); (*United States v. Fox*, 403 F. 2d 97, 103 (2d Cir. 1968) *Walder* not applicable to *Miranda* situations). But see *United States v. Birrell*, 276 F. Supp. 798, 817 (S.D.N.Y. 1968).

##### B. Exclusionary rule in sentencing

Despite the analogous cases just discussed, it has been held that use of an involuntary confession at sentence warrants its being set aside. *United States ex rel. Brown v. Rundle*,

417 F. 2d 282 (3d Cir. 1969); *United States ex rel. Rivers v. Myers*, 384 F. 2d 737 (3d Cir. 1967); *Armstrong v. United States*, 256 F. 2d 294, 297 (4th Cir. 1958) (dictum). Whatever the merits of such rulings, they are not applicable here. The original rationale for the rule against coerced confessions was lack of reliability. 3 J. Wigmore, *Evidence* § 822 (3d ed. 1940); Miller, *The Supreme Court's Review of Hypothetical Alternatives in a State Confession Case*, 5 *Syr. L. Rev.* 53 (1958), reprinted in *Selected Writings on the Law of Evidence and Trial* 847, 848 (W. Fryer ed. 1957). Thus, even when there is no coercion, courts, led—or misled—by the genesis of self-incrimination and confession rules in fears of unreliability, might exclude on sentencing illegally obtained but trustworthy confessions.

No such a historical or theoretical basis for exclusion is presented in cases arising under the Fourth Amendment, which was adopted for entirely different purposes. See, e.g., *Katz v. United States*, 389 U.S. 347, 350 (1967). Decisions excluding the use at sentencing of confessions obtained in violation of the Fifth Amendment are not persuasive Fourth Amendment precedents.

On principle, exclusion of illegally seized evidence on sentencing would seem to be generally unwarranted. In unlawfully searching and seizing property or conversations the government runs the risk at trial that its entire case against the defendant will be found to have been irrevocably tainted and that the evidence obtained against him—as part of a general criminal investigation—will be held inadmissible. See, e.g., *Silverthorne Lumber Co. v. United States*, 251 U.S. 385 (1920); *Nardone v. United States*, 308 U.S. 338, 341 (1939); *United States v. Paroutian*, 229 F. 2d 486 (2d Cir. 1962); *United States v. Schipani*, 289 F. Supp. 43 (E.D.N.Y. 1968). Absent some special situation, no appreciable increment in deterrence would result from applying a second exclusion at sentencing after the rule has been applied at the trial itself. Cf. *Amsterdam, Search, Seizure, and Section 2255: A Comment*, 112 *U. Pa. L. Rev.* 378, 389 (1964).

There are few cases which deal directly with the use of unlawfully seized evidence at sentencing. J. Maguire, *Evidence of Guilt* § 5.03 at 181 (1959). The only federal case we have found that is arguably on point is *Verdugo v. U.S.* 402 F. 2d 599, 4 CrL 2102 (9th Cir. 1968). *Verdugo* was remanded for resentencing because the trial judge had relied upon a presentence report which, in turn, had been based upon illegally seized evidence.

The *Verdugo* opinion is predicated upon the fact that the search which had produced the improper evidence was conducted outside the course of the regular criminal investigation. It was undertaken, not to obtain evidence to support an indictment and conviction, but to recover contraband and thus to enhance the possibility of a heavier sentence after the basic investigation had been completed. At the time of the illegal search government agents had more than enough evidence on hand to secure a conviction of the defendant on what later became the first count of the indictment. The questioned search was made "to locate a wholesale supply of heroin. . . . [T]he agents went to Verdugo's home 'to look for the contraband and to make an arrest to get the same.'" *Id.* at 612. This evidence was used as the basis for a second count of the indictment, subsequently dismissed on motion by the government after the motion to suppress had been granted.

In *Verdugo* and similar cases, if a trial judge were permitted to consider the illegally obtained evidence in passing sentence, law enforcement officials would have little to lose, but much to gain, in violating the Fourth Amendment. If their search were upheld as valid, there would be evidence sufficient to justify the additional count (and,

of course, it could be considered in sentencing on the original count). If the search were declared invalid, the Court would nevertheless be able to consider this strong evidence that the defendant was more than a mere dabbler in narcotics and was, in fact, a major trafficker. Without exclusion in such a situation, there would be no deterrence to violation of the Fourth Amendment. As the Court noted in *Verdugo*,

"Quite different considerations would apply if the object of the search were to obtain evidence to support a single charge on which the defendant was later convicted. If the additional evidence was necessary to obtain any conviction at all, the danger of exclusion at trial would afford a substantial deterrent to an illegal search. If the additional evidence was not required for conviction, both the deterrent effect of the exclusion of illegally seized evidence of the same offense at sentencing and the incentive to conduct legal searches to obtain such evidence would appear to be minimal." *Id.* at 612, n. 21. (Emphasis in original.)

The case now before us differs substantially from *Verdugo*. The evidence excluded at trial was gathered in a basic investigation of the defendant and a number of suspected members of an organized crime syndicate. It was offered to support all of the counts of the indictment, which differed only as to the taxable years involved. It cannot be said that this information was gathered for any purpose other than the indictment and conviction of the defendant and his criminal associates, and it cannot be said that application of the exclusionary rule at sentencing in this and similar cases would have any appreciable deterrent effect.

#### C. Practical considerations

Several practical considerations support the conclusion that the exclusionary rule should not be rigidly applied to the sentencing process. First, sentencing has traditionally been left to the discretion of the trial judge. Note, *Procedural Due Process at Judicial Sentencing for Felony* 821, 822-23 (1968). No statement of his reasons for imposing sentence is ordinarily required. *But cf. United States v. Latimer*, 415 F. 2d 1288, 1291 (6th Cir. 1969). Frequently, the decision will rest on the application of unarticulated principles and factors lying at the threshold of the conscious. The oft noted wide variation in sentences suggests how powerful in advocacy is the individual judge's background.

A seriously enforced requirement that the exclusionary rule be applied in sentencing would require the judge to explain the basis of his decision and would expand appellate review far beyond its present scope. Perhaps such changes are desirable, but reforms of this nature should not be attempted by indirection. Compare ABA, *Standards Relating to Appellate Review of Sentences*, 50-53 (Approved Draft, 1968).

Another, and more serious, practical consideration weighs against the adoption of an absolute exclusionary rule in the imposition of sentences. It would be almost impossible for a district judge, who has screened proffered evidence on the motion to suppress, to banish it entirely from his mind at sentencing. This problem is similar to that raised and resolved in *United States v. Smith*, 337 F. 2d 49, 53-54 (4th Cir. 1964), *cert. denied*, 381 U.S. 916 (1965), where the court refused to hold that a sentencing judge should disqualify himself under 28 U.S.C. § 455 from passing upon a motion under 28 U.S.C. § 2255. See also, e.g., *United States v. Halley*, 240 F. 2d 418 (2d Cir.), *cert. denied*, 353 U.S. 967 (1957); *United States v. Valentino*, 283 F. 2d 634 (2d Cir. 1960).

One reason for the practice of assigning the trial judge to sentencing is his familiarity with all aspects of the case. He has seen and observed the defendant; he is aware of the

strengths and weaknesses of the prosecution; and he has had the opportunity to hear and evaluate any character testimony offered. Much of this knowledge might be detrimental if a fixed exclusionary rule were to be adopted in regard to sentencing. To require the trial judge to pick and choose among the items of evidence and the impressions which he has received at and before trial would be to require an unusual degree of self-awareness and control.

An impractical rule of total suppression would almost invite self-deception by a judge forced to deny that he had considered a factor that was strongly influencing his subconscious reactions. The judge's capacity to ignore such information is probably better than a juror's, but it is limited. Cf. *Bruton v. United States*, 389 U.S. 818 (1968); Committee on Rules of Practice and Procedure, *Preliminary Draft of Proposed Rules of Evidence for United States District Courts and Magistrates*, 46 *F.R.D.* 161, 192-93 (1969). As was noted in the context of legal conclusions,

"we well know how liable the best minds are, notwithstanding their utmost care, to a bias, which may arise from a preconceived opinion . . ." Iredell, J. in note to *Hayburn's Case*, 2 *Dall.* 408, 414 (1792).

The difficulty in separating the elements of any decision is even greater when factual determinations are involved. This same argument of judicial frailty would also, of course, apply in a case such as *Verdugo v. United States*, 402 F. 2d 599 (9th Cir. 1968), discussed *supra*, requiring some illegally obtained evidence to be excluded on sentencing. But we ought not compound the difficulties by unnecessarily broadening the exclusionary rule.

Finally, the Federal Rules of Criminal Procedure do not require the court to permit inspection of presentence reports by defense counsel. F.R.Cr.P. 32. Even the proposed changes in Rule 32 would not mandate disclosure in all circumstances. Committee on Rules of Practice and Procedure, *Preliminary Draft of Proposed Amendments to the Federal Rules of Criminal Procedure for the United States District Courts* 62-63, 65-67 (1970). See also ABA, *Standards Relating to Sentencing Alternatives and Procedures* 213-25 (Approved Draft, 1968). These reports—ordinarily not part of the appellate record—usually do not specify sources. Without such disclosure, it is quite possible that in many instances the use of excludable evidence in a presentence report would pass unnoticed by the trial court, defense counsel, and appellate tribunals. Unless specific disclosure of all sources becomes the rule rather than the exception (*Good v. United States*, 410 F. 2d 1217 (5th Cir. 1969); *United States v. Crutcher*, 405 F. 2d 239 (2d Cir. 1968), *cert. denied*, 394 U.S. 908 (1969); *Baker v. United States*, 388 F. 2d 931 (4th Cir. 1968); *United States v. Conway*, 296 F. Supp. 1284 (D.D.C. 1969)), any application of a general exclusionary rule to sentencing would be of little value. Moreover, the extension to post-trial situations of burdensome motions to suppress is not a step which ought to be taken unless the necessity is clear.

In the process of eliminating some of the fictions and pretensions of the law to afford more practical protections to defendants, we ought not create rules inviting mendacity. Compare *United States v. Mitchell*, 392 F. 2d 214, 218 (2d Cir. 1968) (Kaufman, concurring) ("it ill comports with the integrity of the judicial process to vacate a ruling below and remand for what will of necessity be a formalistic and meaningless imprimatur.").

#### IV. CONCLUSION

The purposes of the exclusionary rule, analogous cases, and practical considerations in the administration of justice all lead to the conclusion that no arbitrary rule exclud-

ing from the consideration of the sentencing judge all illegally seized evidence should be adopted. Where the evidence is reliable and it is perfectly clear that it was not gathered for the purposes of improperly influencing the sentencing judge, evidence should be accorded whatever probative value it may have. Because as complete as possible an understanding of the defendant is so important in sentencing, any exclusion of evidence should be undertaken reluctantly. No useful purpose would be served by exclusion in this case.

The motion for reduction of sentence is denied. The defendant is directed to surrender to the United States Marshal to commence service of his sentence on June 15, 1970.

So ordered.

Dated: Brooklyn, New York, June 4, 1970.

### CONSPIRACY AGAINST PUBLIC UNDERSTANDING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. FINDLEY) is recognized for 10 minutes.

Mr. FINDLEY. Mr. Speaker, after reading the full text of the farm bill (H.R. 18546) I have concluded that it is a conspiracy against public understanding. Unfortunately public interest has centered so exclusively on the level of limitations on individual payments that the true conspiratorial character of the bill has gone unnoticed.

Hidden loopholes and an unreported deal, if left uncorrected, will add hundreds of millions of dollars to program costs, produce undeserved payments and cropping advantages for certain farmers, and result in a program even more costly and ineffective than the present one.

The most flagrant item of obscurity does not appear in print either in the bill or the committee report. It is an agreement that acreage left unplanted by cotton farmers under the normal management practice of "skip row" planting will qualify as set-aside acres under the provisions of the new bill. Last year, when no cotton diversion was required, 2 million acres were planted using the practices which would be covered for the first time in this deal.

This agreement enables cotton farmers in the semiarid States such as Texas and Arizona to qualify for big cotton payments without idling 1 square inch of land beyond their normal production practices.

The stipulation was agreed to by the

Department of Agriculture under pressure from cotton belt interests but was not mentioned in the bill or the report. Under the silent agreement in this bill, unplanted land where two rows are skipped and left unplanted will be counted as set-aside acreage. This practice makes maximum use of water and sunlight for bigger cotton yields.

The deal means many of these cotton farmers will not have to retire any additional land to qualify for big payments. My amendment prohibits skip row planting.

A second scandalously large cost to American taxpayers involves the mysterious slippage of 22.7 million acres of conserving base between 1966 and 1969. Conserving base land is cropland which must be left idle without payments in addition to the normal annual diversion requirements for which payments are made.

This base acreage is subject to adjustment by county ASCS committees and was adjusted downward in every State except Vermont during the 1966-69 period. This reduction results in additional land being brought into production competing directly and at high cost with other cropland. I am proposing an amendment which will establish a conserving base for each State. This proposal would permit downward adjustment in individual conserving bases only if corresponding upward adjustments were made somewhere else in the State.

The 22.7 million acreage slippage in the conserving base represents at the very minimum a \$1 billion annual loss to the taxpayer in reduced efficiency of the program and the introduction of new cropland to production. The massive erosion of the Nation's conserving base has seriously undercut the effectiveness of programs and added to their cost. Accompanying tables show a 3-year drop of 22.7 million acres to a new 1969 level of 100,252,573 acres. This drain must be plugged before further irretrievable loss occurs.

The State-by-State inventory of acres eligible for set-aside will provide an additional check against the erosion of conserving base acres. It will also prevent a recurrence of the costly expansion of acres eligible for set-aside, similar to the 9.2-million-acre expansion of the feed grain base which occurred during the early 1960's.

To its credit, the Department of Agriculture attempted to establish a new production base concept, in order to halt the conserving base erosion. This effort obviously was blocked by the committee. The paragraph in the committee report on page 62, to me, shows clearly the determination of the report's author to protect the status quo in the conserving base, which means more of the same slippage.

The bill, while requiring an acreage set-aside for each of the three crops, substitutes that objective by permitting planting, grazing, and harvesting of the diverted or set-aside acres of commercial crops. These compete in the marketplace with the same crops covered by this act.

Language of the bill provides directly for the planting and harvesting of such crops as safflower, sunflower, and flaxseed which all compete directly with cottonseed and corn oil which are both covered by the bill, and with soybeans which are not included under the direct payment programs, and indirectly with all other commodities. Even cotton can be planted on the cotton set-aside acres.

Grazing of the set-aside acres permits competition for feed grains which are also supported under the bill and included in the acreage reduction provisions. In separate amendments I will seek to prohibit grazing or harvesting of set-aside acres.

Attached to these remarks is a series of tables which show the necessity for correcting these costly program-wrecking features.

Table A shows the massive slippage of conserving base acres in 1966-69 and where it occurred.

Table B gives details of the 9.2 million-acre growth of the feed grain base in the early 1960's. The enlargement from the 1959-60 average has been referred to as "phantom acres."

Tables C and D show the wide range in cost of land diversion under various programs over the years. The cost per acre per year ranges from \$5.80 under cropland conversion to \$261.33 per acre under the 1968 cotton program.

Table E shows the ratio of program cost to crop value of the major crops in recent years. Cotton shows consistently the worst ratio from the standpoint of taxpayers with feed grains the best.

Finally are the texts of my amendments to close slippage loopholes:

TABLE A.—CONSERVING BASE AND CROPLAND RATIOS 1966 AND 1969 FEED GRAIN AND WHEAT COTTON FARMS

State	Conserving bases (1966)	Conserving bases (1969)	Cropland (1969)	Portion 1969 conserving bases are of 1966	State	Conserving bases (1966)	Conserving bases (1969)	Cropland (1969)	Portion 1969 conserving bases are of 1966
				conserving bases (percent)					conserving bases (percent)
Alabama	1,561,307	1,084,777	6,335,183	79	Maine	117,515	109,055	140,762	93
Arizona	420,695	240,552	1,448,032	57	Maryland	662,987	603,398	1,791,220	91
Arkansas	1,347,210	1,256,987	7,953,162	93	Massachusetts	100,468	93,570	126,219	93
California	2,065,247	2,009,218	8,203,112	97	Michigan	3,286,413	1,951,509	10,129,727	59
Colorado	4,592,336	3,725,837	10,678,345	81	Minnesota	4,456,868	3,237,594	22,212,857	73
Connecticut	109,500	106,202	147,403	97	Mississippi	1,505,911	977,097	7,632,658	65
Delaware	62,766	46,859	494,828	75	Missouri	5,913,025	5,522,385	18,476,262	93
Florida	647,510	460,977	1,970,730	71	Nevada	158,347	153,884	272,233	97
Georgia	2,513,253	1,377,204	8,294,002	55	New Hampshire	61,277	58,563	68,563	96
Idaho	2,490,354	1,893,845	5,707,813	76	Montana	7,673,518	7,163,578	14,723,801	93
Illinois	3,489,772	2,281,054	24,929,675	65	Nebraska	4,527,420	3,951,974	20,457,800	87
Indiana	2,950,881	1,802,585	14,515,089	61	New Jersey	272,502	250,405	726,468	92
Iowa	4,865,137	3,085,782	26,949,716	63	New Mexico	488,040	177,308	2,280,139	36
Kansas	7,486,407	6,446,275	29,857,481	86	New York	2,994,963	2,688,942	5,564,191	89
Kentucky	7,129,901	6,683,527	10,094,204	93	North Carolina	1,784,499	1,094,905	7,103,809	61
Louisiana	1,323,174	1,240,618	4,585,617	94					

State	Conserving bases (1966)	Conserving bases (1969)	Cropland (1969)	Portion 1969 conserving bases are of 1966 conserving bases (percent)
North Dakota	7,982,424	6,643,410	27,122,395	83
Ohio	3,428,831	2,846,498	12,650,311	83
Oklahoma	2,532,054	1,891,915	12,887,114	75
Oregon	1,637,363	1,570,823	3,906,253	96
Pennsylvania	3,196,488	2,934,308	6,345,308	92
Rhode Island	8,572	7,934	13,088	92
South Carolina	1,246,893	659,916	4,731,740	53
South Dakota	4,155,079	3,397,654	17,601,913	82
Tennessee	4,121,581	3,626,960	8,532,436	88
Texas	4,663,687	2,869,045	35,778,092	61

State	Conserving bases (1966)	Conserving bases (1969)	Cropland (1969)	Portion 1969 conserving bases are of 1966 conserving bases (percent)
Utah	934,897	913,616	1,727,449	98
Vermont	352,528	368,572	440,052	105
Virginia	1,744,976	1,472,201	3,694,686	84
Washington	3,138,000	2,925,267	7,015,290	93
West Virginia	456,000	449,538	670,503	99
Wisconsin	5,446,890	5,041,492	11,764,249	93
Wyoming	930,527	876,958	1,812,574	94
United States (48 States)	123,035,993	100,252,573	430,284,374	81

TABLE B.—FEED GRAIN BASE, 1961-69, UNITED STATES  
[National base acreage (based on 1959-60 average)]

Year	Acres (in millions)			Total
	Corn	Grain sorghum	Barley	
1961	87.3	20.5	(1)	107.8
1962	86.4	20.9	16.1	123.4
1963	90.0	24.4	17.9	132.3
1964	90.1	24.5	17.9	132.5
1965	90.3	24.5	18.0	132.8
1966	90.4	24.7	18.0	133.1
1967	90.4	24.7	(1)	115.1
1968	90.4	24.7	(1)	115.1
1969	90.4	24.7	18.0	133.1

Year	Acres (in millions)		
	Acreage planted	Acreage diverted	Total
1959	82.7	—	82.7
1960	81.4	—	81.4
1961	65.9	19.1	85.0
1962	65.0	20.3	85.3
1963	68.8	17.2	86.0
1964	65.8	22.2	88.0
1965	65.1	24.0	89.1
1966	66.3	23.7	90.0
1967	71.1	16.2	87.3
1968	65.1	25.4	90.5
1969	64.3	27.2	91.5

1 Not included.

Source: 1961-66, pp. 46, 47—Feed Statistics Through 1966, Stat. Bulletin No. 410, USDA 1967-68, p. 24—Supplement for 1969 to Feed Statistics, Stat. Bulletin No. 410, 1969, p. 20—Feed Situation, February 1970, No. 232.

Source: 1959-61, pp. 6, 46, 47—Feed Statistics Through 1966, Stat. Bulletin No. 410, 1962-67, pp. 8 and 24—Supplement for 1969 to Feed Statistics, Stat. Bulletin No. 410, 1969, p. 20—Feed Situation, February 1970, No. 232.

TABLE C.—GOVERNMENT FARM PROGRAM COST COMPARISONS, 1961-69 LONG TERM LAND RETIREMENT PROGRAMS

Year	Soil bank			Cropland conversion			Cropland adjustment		
	Diverted acres (millions)	Program dollar cost (millions)	Cost per acre	Diverted acres (millions)	Program dollar cost (millions)	Cost per acre	Diverted acres (millions)	Program dollar cost (millions)	Cost per acre
1961	28.5	\$338.0	\$11.86	—	—	—	—	—	—
1962	25.8	311.2	12.06	—	—	—	—	—	—
1963	24.3	295.7	12.17	.1	\$3.6	\$36.00	—	—	—
1964	17.4	200.1	11.50	.1	.2	2.00	—	—	—
1965	14.0	160.2	11.44	.4	8.5	21.25	—	—	—
1966	13.3	144.7	10.88	.4	1.5	3.75	2.0	\$47.7	\$23.70
1967	11.0	128.6	11.69	.6	3.2	5.33	4.0	80.1	20.02
1968	9.2	113.6	12.35	.5	3.0	6.00	4.0	80.5	20.12
1969	3.4	40.4	11.88	.5	2.9	5.80	4.0	77.6	19.40

TABLE D.—GOVERNMENT FARM PROGRAM COST COMPARISONS, 1961-69

Year	Feed grain				Wheat				Cotton							
	Diverted acres (million)	Diversion payments (million)	Comparative payments (million)	Program cost (million)	Cost per acre	Diverted acres (million)	Diversion payments (million)	Comparative payments (million)	Market certification (million)	Program cost (million)	Cost per acre	Diverted acres (million)	Diversion payments (million)	Comparative payments (million)	Program cost (million)	Cost per acre
1961	25.2	\$781.9	—	\$781.9	\$31.03	—	—	—	—	—	—	—	—	—	—	—
1962	28.2	843.7	—	843.7	29.92	10.7	\$285.5	—	—	\$285.5	\$26.68	—	—	—	—	—
1963	24.5	462.9	\$383.0	845.7	34.53	7.2	163.4	—	—	242.6	33.69	—	—	—	—	—
1964	32.4	889.2	—	1171.2	36.15	5.1	32.7	—	\$410.2	442.9	86.84	0.5	—	\$39.3	\$39.3	\$78.60
1965	34.8	950.7	—	1381.9	39.71	7.2	36.9	—	472.3	509.2	70.72	1.0	—	69.3	69.3	69.30
1966	34.7	703.4	—	1295.1	37.32	8.3	26.2	—	655.2	681.4	82.10	4.6	\$284.7	489.4	774.1	168.28
1967	20.3	324.7	—	867.1	42.71	—	—	—	727.1	727.1	—	4.9	323.3	611.7	935.0	190.82
1968	32.4	741.0	—	1369.0	42.25	—	—	—	747.4	747.4	—	3.0	145.0	639.0	784.0	261.33
1969	38.5	(1)	(1)	1643.3	42.68	11.5	(1)	—	(1)	857.5	74.57	—	—	828.1	828.1	—

1 Not available.

TABLE E.—CASH FARM RECEIPTS VS. COMMODITY CREDIT CORPORATION COSTS

Calendar year	Wheat		Feed grains		Cotton—Upland and E. L. staple	
	Cash receipts	CCC costs	Cash receipts	CCC costs	Cash receipts	CCC costs
1966	\$1,947.7	\$207.4	\$3,718.3	\$1,527.0	\$1,758.8	\$604.9
1967	1,917.1	547.5	3,767.9	1,440.6	1,095.0	1,242.0
1968	1,920.2	452.3	3,585.0	1,228.2	1,163.0	1,231.5
1969	1,589.0	454.1	3,801.0	1,198.9	889.0	761.9
1970 (estimated)	662.4	—	—	1,810.3	—	823.8
1971 (estimated)	699.5	—	—	1,679.7	—	905.9

## STATE-BY-STATE INVENTORY AMENDMENT

Amendment to be offered by Mr. FINDLEY to H.R. 18546, page 57, beginning on line 21:

"SEC. 805. The Secretary is directed to establish not later than January 1, 1971, an inventory for each state which will show:

"(1) The cropland other than conserving base which was diverted under a program or tilled in the crop years 1968 or 1969 or prior to August 1 in 1970; and

"(2) The total conserving base in 1970.

"Only the acreage in subsection (1) shall be eligible as set aside under the various provisions of this Act.

"Acreage left unplanted because of skip-row practices shall not be eligible as set aside.

"Any downward adjustments of individual farm conserving bases must be offset by upward adjustments on other farms within the state."

## SET-ASIDE AMENDMENT

Amendment to be offered by Mr. FINDLEY to H.R. 18546, page 57, after line 21, add the following new section; to read as follows:

"SEC. 806. Notwithstanding any other provision of this Act, the Secretary shall not permit grazing or harvesting of any acreage diverted or set aside pursuant to this Act, except where he determines such action is necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of agricultural commodities."

## ANNIVERSARY OF WARSAW UPRISING DAY, AUGUST 1, 1944

The SPEAKER. Under a previous order of the House, the gentleman from New York (Mr. ROONEY) is recognized for 15 minutes.

Mr. ROONEY of New York. Mr. Speaker, let not one of us forget the meaning of Warsaw Uprising Day to every man, woman, or child of Polish birth or extraction.

August 1 has long been a day of sacred significance to the Polish people because on this day 26 years ago came the tragic end of a gallant fight by Polish patriots in the Nazi-dominated city of Warsaw.

There are few accounts on the pages of history of greater bravery and truer love of freedom than mark this day. Few times in history have enslaved and oppressed people shown such courage and dauntless determination to right the wrongs to which they were being subjected.

Month after month the brutality of the Nazi occupiers became increasingly more brutal and more inhumane. Day after day the people of Warsaw suffered indignities and pain. Finally, a people who have never lost the spirit of freedom could stand the yoke of Hitler's slave masters no longer and launched a telling revolt. Warsaw citizens—men, women and children—began a courageous battle with their oppressors against overwhelming odds. For 2 nightmarish months the patriots fought and died for freedom. Day after day the gutters in the streets ran red with Polish blood. The Nazis summoned heavy reinforcements and an all-out war against the Warsaw people was waged. By the end of the

hostilities the Nazis had slain over 200,000 people—many of them murdered only after hours and days of heinous torture. Many of these mass murders took place under the eyes of the Russian Communist troops who did nothing to help the Nazi victims.

The revolt ended, the rebels were dead as were many of the oppressors, but the Nazis continued the enslavement. Some people bemoaned what they thought of as a futile, wasted effort. But such was not the case. The story of the bravery of the Warsaw people flashed across the world. The tales of heroism filtered into allied military posts and men fighting the common axis enemy took heart and renewed their determination to call a halt to Nazi domination of freedom loving people. The whole free world gloried in the valiant stand being made in Warsaw. Morale was lifted and even with the sad announcement of the unfortunate results, people still felt uplifted.

No single action of any segment of the Polish people did more to win the hearts of the American people and to build lasting bonds of friendship than did the Warsaw uprising. No one example of Polish valor has ever exemplified to a greater degree the innate love of freedom possessed by Poles.

In the end, although the uprising in Warsaw was looked upon as a defeat, it was indeed a victory of great significance.

Mr. Speaker, I know many of this body join me in congratulating the Polish people on their great reverence for the deeds of the Warsaw fighters. We want to commend our fine Polish American organizations for keeping this sacred anniversary alive and stimulating its respectful observance.

All of us must dedicate ourselves anew to battle with Poland's present oppressors and regain for her people the freedom and independence which they so deeply cherish. We and the rest of the free world have this equally sacred obligation to perform if the deaths of the people who died upon the streets of Warsaw in 1944 are to be avenged.

## FAILURE OF SMALL BANKS

(Mr. CEDERBERG asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous material.)

Mr. CEDERBERG. Mr. Speaker, during the past 18 months over one dozen small banks across the country have been forced to shut their doors due to fiscal instability. In at least six of these cases the primary cause of the failure was the use of banking instruments known as certificates of deposit or letters of credit. The banks issued these instruments after cash was found for deposit by money brokers, usually acting in the interest of a potential borrower who was found to be unstable or without collateral on his original application for funds. Several large firms specializing in brokering have been implicated in the closure of a number of the banks mentioned above.

A simple description of the mechanics of the brokered deposit-link financing arrangement is contained in the first part of an article bringing attention to the seriousness of the current situation, which appeared in the Wall Street Journal. I would like to insert that information at this point:

THE MIDDLEMEN: SMALL BANKS GO UNDER, AND AUTHORITIES ASSAIL ROLE OF MONEY BROKERS — WILL THERE BE MORE FAILURES?

(By Frederick C. Klein)

A small bank fails in Prairie City, Iowa. Another goes under in Auburn, Mich. Still another in Coalville, Utah. And Petersburg, Ky., Covington, Ga., and Aransas Pass, Texas.

All these banks have failed in the past 18 months, and Federal regulators indicate all have failed for much the same reasons. In each case big borrowers defaulted on loans or appeared likely to do so. In each case the loans were in excess of what the little banks should prudently have made and in most cases were made to persons from outside the bank's normal business area. And in each case some of the loans had been backed by deposits generated by so-called money brokers.

Money brokers are an oft-criticized breed who act as middlemen in loans that banks make to persons or corporations. Say Mr. A. wants to borrow \$100,000 from the Jones National Bank. The bank won't make the loan because it doesn't have the funds, or if it does have the money it has more credit-worthy customers to lend to. But the bank will agree to lend the money if Mr. A. can bring to the bank depositors willing to deposit \$100,000. Mr. A. doesn't know anybody with that kind of money, so he goes to a money broker. The broker finds the people, and the deal is arranged.

## THEORY—AND PRACTICE

In theory, everyone is happy. The broker is happy because the borrower pays him 3% to 5% of the loan as his fee. The depositors are happy, because they are getting 5½%, say, on their certificates of deposit (which are insured by the Government) and another 2% or so that the broker pays them out of his fee to entice them. The bank is happy, because it has new deposits and a new loan. And the borrower is happy, because he has his loan.

That's not only the way it works in theory, but also the way it works in practice a lot of the time. It isn't known how much money is channeled through brokers in the course of a year, but the total is probably somewhere around \$750 million. Seaboard Corp., a Los Angeles company that is the largest money broker in the U.S., says it will place deposits of \$130 million to \$150 million this year, up from \$50 million in 1968. These deposits probably will offset a like amount of loans, though the deposits offsetting any one loan can range from 20% to 200% of the face value of that loan. In most cases the loan is repaid to the bank, the certificates come due and the deposits are returned to the depositors and all goes well.

But sometimes—increasingly, Federal regulators say—all doesn't go well. The borrower defaults, and the bank is left with insufficient capital to carry on. Sometimes the borrower defaults because he was borrowing to finance a hare-brained scheme that failed. Sometimes he defaults because he was just a bad businessman. And sometimes, according to several court suits, he defaults as part of a conspiracy to defraud the bank.

Mr. Speaker, recent news articles in the New York Times, Los Angeles Times, and other major newspapers have at-

tempted to bring to the attention of the people the dangers of the above described schemes. For the normal small bank the transaction is a disaster—the precarious position of the borrower does not allow the bank the necessary latitude to cover the deposits made by investors and the interest thereon, and insolvency follows.

More alarming than the danger to banks and depositors, however, is the possibility that organized crime is recognizing the lucrative potential of the situation and cashing in. An exclusive article which was written by two fine, hard-working journalists of the Bay City Times, my hometown newspaper, following the failure of a small bank at Auburn, Mich., in my congressional district, dramatically points out this possibility. While it is somewhat lengthy, I would highly recommend that my colleagues take the time to review it:

**TIMES REPORTERS UNEARTH THE STORY  
BEHIND THE STORY**

(By Ray J. Kuhn)

When Federal Deposit Insurance Corporation tacked a "closed" sign on the doors of Peoples State Savings Bank of Auburn last April 16 it appeared to be just another town bank failure. There had been infrequent but recent closings of similarly structured banks. Federal and state officials involved, although apprehensive of the consequences, did not appear disturbed.

And, with the exception of litigation which normally follows bank failures, the closing seemed to be just another one of those unfortunate events, precipitated by mismanagement.

But the story of the closing brought to light a new type of a loaning device involving "letters of credit."

How could letters of credit break a bank, are they a new banking device? editors as well as readers of The Times asked.

In ferreting out the answer, reporters of The Times have uncovered a bank manipulation which has sent at least 15 banks down the drain in six years and if permitted to continue could well shake the hallowed banking structure to its foundations.

Here on this page is the story behind the story of the closing of the Auburn bank.

It was unearthed in weeks of intensive investigation by two Times staffers, Michael F. Wendland, reporter, and Alfred L. Pelouquin, city editor.

It elicited an observation from a top official of FDIC to the effect that it was only through persistence of Times reporters that the story of current bank failures which should have been told a long time ago is finally being brought into public focus.

The Times today is introducing its readers to the "Shadow Syndicate."

There will be much more to read on the same subject as the weeks go by. Ramifications surrounding the closing of the little bank in Auburn stagger the imagination.

[From the Bay City Times, June 28, 1970]  
**SHADOW SYNDICATE SEEN LURKING IN BACKGROUND OF BANK FAILURES**

(By Michael F. Wendland)

WASHINGTON, D.C.—A shadowy syndicate, operating on the law's razor edge, has infiltrated the hallowed world of American banking.

It has played the principal role in the closings of a series of small town banks, including Peoples State Savings Bank of Auburn, Mich., last April 16.

And, in at least one of the failures, the

Mafia, keystone of the nation's organized crime, has figured in a large way.

The instruments by which the syndicate gets its foot in the bank door are called "letters of credit" or "certificates of deposit" and invariably are tied in with high risk loans.

And, the victims of the complicated finance scheming are for the most part small American banks whose officers are duped into opening up their vaults to some of the sharpest confidence men in the world.

Those are the frightening conclusions heard here from top federal investigators after a sudden series of similar bank closings around the country which sent a half-score of government agencies scrambling to come up with answers to questions many say should have been asked long before.

Much of their fear stems from a growing list of names being compiled by several federal agencies, including the Federal Bureau of Investigation, the Federal Deposit Insurance Corp., the U.S. Treasury Dept., the U.S. Post Office Dept. and the Securities and Exchange Commission.

That list—said to be made up of 100 or more individuals and probably the same number of companies—forms what some key government investigators are convinced is a massive network of white collar criminals who have now turned part of their attention to the legitimate field of high finance.

Many names had been known for years for their colorful freewheeling in financial circles, always close to the most exploitable situations around but just far enough away from the arm of the law to remain respectable.

Others are new and hidden behind a mysterious web of interwoven companies linked to questionable transactions in the ripe financial markets of the world.

To the amazement of federal investigators here, it was not until the Auburn bank suddenly collapsed some two months ago that anyone outside of a handful of second-echelon officials realized something strange was going on.

Auburn was the fourth small town bank in just 15 months to close its doors after a whirlwind romance with a "money broker" from out of the area who had a plan called "link financing" to provide fresh capital for loans.

And then, just last Thursday, in a tiny farming community of 390 on the northern border of Kentucky, another bank suddenly went belly-up. It too had been having an affair with the same method of financing.

Although the practice is frowned upon by the big federal regulatory agencies, the plan is a tempting proposition for small town bankers in search of new assets.

The "broker," in a typical link financing package, promises to place large deposits in the bank on the condition that a loan is made to a third party.

Handled well, the plan can work: the bank gets large amounts of new cash, the broker collects a fee, the investors get interest on their "certificate of deposit" or "letter of credit" and the third party—who often is the one who puts the money broker in touch with the bank—gets his loan.

But if the banker is naive, the broker an unethical salesman or the third party a poor credit risk, the plan can be disastrous.

What is shaking up the officials here is that there has been a series of bank disasters lately.

And, except for the banks and most of the innocent investors who purchased the certificates of credit, the names of the brokers and others involved in the closings have often been the same.

In Auburn's case, some \$2.7 million in brokered funds were deposited in the bank—all in an eight week period this spring—by

545 investors around the country who were talked into buying a \$5,000 letter of credit which, at the end of two years, would return them \$5,700.

Although there is nothing illegal about brokered funds and tied-in loans the practice has been involved, in varying degrees, in the closing of at least 15 of some 30 banks that have shut down since 1963.

Link financing had been under suspicion for some time. But when the practice broke the Auburn bank in April, officials here found their suspicion turning to fear.

And now, they realize, the last five bank closings—Farmers Bank of Petersburg, Ky., Auburn, the Prairie City State Bank in Iowa, the First National Bank of Coalville, Utah, and the Morrice State Bank of Morrice, Mich.—indicate a dangerous pattern.

In those five closings, and in a half-dozen other banks that have failed after becoming involved with link financing, many of the same names keep cropping up.

While the exact association between the names, if they are connected at all, is still too tenuous to chart, there is a growing concern about the vulnerability of small American banks.

"There's nothing wrong with brokering money into a bank," says John J. Slocum, chief of the FDIC's liquidation division. "Just brokering money per se into a bank creates an asset. Its resultant poor loans these banks made that caused them to fail."

Slocum, who has handled 20 bank liquidations in nine states, admits, however, to having "strong suspicions" about who is behind the recent failures.

"I suspect," he said, "that some of the same guys that I ran across in the other deals are still operating. Although their names are not showing up, I can see their hands in all this."

Federal officials here say the last four closings, and many of the other banks that have failed in the past six years, indicate that small banks in particular appear to be the most vulnerable.

Besides all being located in small farming communities under 1,500, the banks were said to be "highly extended" and looking almost frantically for fresh cash.

In Auburn, the Times has learned, more than \$200,000 in "bad" loans were on the books at closing time, not counting some \$80,000 to a Sanford, Mich. resort operator.

"We find most of these banks were operating on a shoestring," one FDIC high-ranking examiner said. "They'd make loans to farmers on a handshake and not expect any payment until the crops came in, things like this. Besides, in a small town, the banker usually knows everybody and is much more inclined towards making these kind of loans."

Bad loans by small banks can make big problems and Auburn, the largest of the banks to go under because of link financing, was riding an uncomfortable position dangerously close to the minus side of the ledger sheet, the FDIC source told the Times, even though it had passed a routine bank examination in January of this year.

"We find very often that if any wheeling and dealing is going to happen, it usually occurs either immediately after an examination when there is enough time for these guys to come in and fleece the bank and leisurely move on, or when the bank's day of reckoning with those uncollectable loans is coming near," he said.

For Auburn, both those times had apparently passed when, in mid-February, a novel plan involving the sale of letters of credit was drawn up and initiated.

In the Auburn case, letters of credit purchases brought \$2,725,000 into the bank in less than two months. Of this amount, only

\$410,000, deposited in the account of the Florida broker who apparently devised the plan, was still in the bank. Some \$30,000 remains unaccounted.

The FDIC claims the rest of the money, more than \$2,300,000 had been disbursed; some 30 per cent as a loan to Graham B. Alvey and his wife, of Sanford, Mich., a business associate and two corporations; 16 per cent to Frank Harris and Robert K. Drake, of Alabama and New Jersey, who have indicated to federal officials they thought the money was a loan; a little under 2 per cent each to James McConnell of Florida and James Dondick, of Nevada, for their apparent services as "brokers" and some 34 per cent to Sumner Financial Corp. of Jacksonville, Fla., the original money broker who says almost half of its share went into a prepaid interest account.

The bank, which took on the liability of the \$2.7 million in letters of credit, was left holding the bag. Not a cent of the money funneled out was secured by collateral.

"This letter of credit thing was unbelievable to us," a federal investigator said. "In the other closings, at least they had loan agreements made out for the brokered funds. In this case, it looks like it was a free giveaway."

The bank was closed by the Michigan State Financial Institutions Bureau on April 16, about a week after banking Commissioner Robert P. Briggs says an out-of-state woman presented a letter of credit to a teller at the Auburn bank who then called authorities.

But what led federal authorities to the Auburn bank in the first place began several weeks before, the Times has learned, when FBI agents, investigating the closing of the Prairie City Bank, found \$3 million in unissued letters of credit.

The money broker who was to apparently steer the investors into Prairie City was the same Florida broker who handled the Auburn transactions.

Tracing the letters of credit found in Prairie City to a Denver, Col. printing firm, the FBI agents learned that a similar batch had been printed up for Auburn.

The Prairie City bank, the first bank shut down this year, was apparently negotiating with the Sumner Corporation at the time it was ordered closed Feb. 23 by state banking authorities for making faulty loans with some \$850,000 in brokered deposits.

Although the president of the bank claims to have abandoned the letter of credit idea shortly before officials ordered the bank closed, a confidential treasury department directive sent to government bank examiners blames the Sumner firm for causing the Auburn and Prairie City failures and warns examiners to be on the lookout for dealings of a "questionable nature" between the company and still-operating banks, the Times has learned.

An investigator for a legislative investigating committee has also told the Times that the Florida broker has been involved in "highly suspicious" financial dealings with banks in Texas, California and Ohio.

The investigator, who asked not be named, said the firm brokered funds into two banks in the two Western states in 1969 that were linked to \$100,000 loans made to an ex-convict reputedly involved in organized crime.

But there are other brokerage companies also making the list that is now being drawn up by federal agencies here.

Seaboard Planning Corp., a Boston, Mass. firm, and two of its subsidiary companies, The Times has discovered, is known to have brokered deposits into at least six closed banks, including the three most recent.

That firm is now being sued by two Kentucky banks that charge fraud in a linked

financing "scheme" that allegedly saw the banks collectively lose \$1,430,000.

McConnell and Dondick who the FDIC say received some \$38,000 each for their brokering services in the Auburn bank letter of credit transactions, have also had colorful financial careers.

Both men, in 1969, were charged by the Securities and Exchange Commission in the U.S. District Court in Maryland with violations of antifraud provisions of federal securities laws in connection with the sale of unregistered stock they allegedly had created a fictitious market for.

The two consented to the issuance of a permanent injunction forbidding them to sell the stock without admitting or denying the charges.

They are also, according to a federal investigator here, allegedly involved in a link financing transaction with an Ohio bank that lost more than \$1 million in bad loans made on brokered funds.

Government officials here admit that much more of their suspicions lie in the names that remain behind the scenes in transactions that have led to a bank's financial woes.

The Times has learned, for example, that a Florida minister, the Rev. Yancey L. Anthony, well known to investigators here for his past dealings with troubled banks has been linked to the Auburn closing.

Dr. Anthony was identified by Harris in the Auburn closing as the "titular" head of Church Mission Fund Baptist Foundation.

The foundation was to issue a \$1.5 million long term mortgage that would partially secure the loan taken out by the Sanford real estate speculator, a former official of the closed bank has told the Times.

But when the bank was closed and the FDIC began searching the records, no trace of the mortgage was found.

"We thought the deal (mortgage) was on," the former bank official said. "If it wasn't, we wouldn't have gone ahead with the thing (letter of credit transactions) without collateral."

Rev. Anthony, who says he serves as a "consultant" not an officer for the foundation, has been involved in at least one other bank closing.

A \$10,998 judgment was issued against him in U.S. District Court for the Northern District of Florida in 1967 in connection with an outstanding loan he, as "treasurer" of a small Florida company that officials say was nothing more than a "shell," had taken out in 1964 from the Crown Savings Bank of Newport News, Va.

That bank was closed in September the same year because of pyramiding loans made from brokered funds. A congressional subcommittee, which conducted 12 days of hearings on the failure, charged that the bank had been "virtually taken over by loan sharks, racketeers and persons with criminal records."

Rev. Anthony is also known to investigators of the Securities and Exchange Commission.

In May 1966, he and several other men, were enjoined by a federal judge from selling some \$14 million in unregistered bonds from a small Florida church where he was identified as the pastor.

The bonds, the SEC charged, were sold by fraud and misrepresentation by inflating the assets of the church using a variety of corporations and two "sham" banks that existed only on paper.

Then, there are still details about the Auburn closing that are puzzling federal investigators—like a series of trips made to Las Vegas, Nev. by Nellett.

Although Nellett, contacted by the Times,

admits the trips, he says they had no connection with bank business.

It is known, however, that investigators are looking into a November 1969 trip the banker made to Vegas with five other couples.

A woman, who claims to have been invited to go along but refused, has told this newspaper that she understood the four-day excursion was free, to be paid by a man whose last name is Harris, same as one of the principals involved in the letter of credit transactions.

The banker, and others on the trip including Bay County (Circuit) Judge Leon R. Dardas, have said they all paid their own way. The judge, who is a social friend of the banker, has told the Times he would disqualify himself from any court action involving the banker.

During the last visit Nellett made to Nevada in March, he told the Times, he met Harris who was on his way to Disneyland with his family.

"We met and had dinner and that was it," the banker said.

But the last trip, the banker says, was free, paid for by the hotel he was staying at.

"There's nothing unusual about that," he said, "they do that all the time if they think you're a high roller. They figure they'll make it all back at the tables. This FBI guy that talked to me kept asking all these questions about it like he never heard of it before."

All three federal regulatory agencies charged with overseeing the nation's banks have admitted concern over the increased use of link financing.

William B. Camp, comptroller of the currency and the man whose job it is to supervise America's 4,716 national banks, says it is "unsafe and unsound" for banks to use many brokers as a means of obtaining deposits.

Frank Wille, chairman of the FDIC, and Arthur Burns, chairman of the Federal Reserve Board, have both expressed similar displeasure about the increased use of brokered funds and have urged their examiners to be on the alert for "schemes" that could endanger banking deposits.

But the warning signs continue to pop up, the latest in the form of a shadowy overseas "bank" which has been making overtures to American banks.

The Bank of Sark, Ltd., St. Peter Port, Guernsey, Channel Islands, U.K., has approached several banks in this country with proposals to engage in certificates of deposit or letters of credit brokering.

"Extreme caution is urged in any dealing with the Bank of Sark," an FDIC memo dated May 22 said, warning all state insured banks under its jurisdiction that such operations may involve a "high degree of risk."

The English bank, located on an island, is quietly being investigated by the SEC and other agencies for its possible ties to fraudulent dealings in the insurance industry here and in Europe, the Times has learned.

Through a West Coast "foundation," the foreign bank is also believed to be connected with some of the companies involved in the link financing that closed several of the American banks, a legislative investigator says.

Just who is behind the sudden bank problems in the U.S. and why have they been allowed to operate?

"What you've got here is a syndicate, operating all over the country—internationally, in fact—that can work their way into any small bank and legally rob them blind in 30 days," says one FDIC legal aide here.

"There is no doubt in my mind that all these closings are connected," says a legislative investigator. "These people all know each other, their companies are interwoven

behind an umbrella and they're out to take advantage of any situation they can."

"The Mafia is directly in it," says another official.

But action is still a long way off.

Officially, banking authorities say they are awaiting the results of a court suit in Michigan that will test the validity of the letters of credit before they begin full-scale investigations.

Unofficially, the second echelon authorities say their bosses are afraid of shaking the public confidence in American banking and jeopardizing an almost God-like respect for banks that has been carefully built up over the years since the Depression.

"With the economy going the way it is these days, banking problems are a touchy subject," admits one staff man for a high level regulatory official.

"Sure, organized crime is going after the banks. But that's not all they're going after. I think it's important to keep that perspective. Banks are just a fraction of the problem."

Rep. Wright Patman, D-Texas, chairman of the House Banking and Currency Committee, told *The Times* his committee is interested "in reviewing any information brought before (us) concerning bank closings."

Patman, however, says the regulatory agencies are primarily responsible for uncovering any "questionable practices" in banks.

"Most of these bank problems can be traced back to lax or non-existent bank supervision," he said.

The General Accounting Office here, in reporting that bank closings during 1969 brought a \$2.7 million loss to the FDIC on \$11.5 million insured deposits paid, said it is unable to determine whether FDIC examinations are of sufficient scope to be relied upon to identify serious problems at insured banks.

The congressional watchdog agency said FDIC auditors refused to give them unrestricted access to files and, because they couldn't among other things, dip deep enough, they were unable to discover the scope of potential problems in open banks.

But calls for congressional action are already underway. Rep. Elford A. Cederberg, R-Bay City, Mich., says, besides asking for a full scale probe of the bank closings, he is drafting legislation that would put tighter restrictions on banks involved with brokered deposits.

In Iowa, the state banking commissioner has ordered all banks under his jurisdiction to first apply to his office and get approval before accepting brokered money.

Nationally, Wille of the FDIC and Comptroller of the Currency William B. Camp have indicated they would be in favor of tighter restrictions.

"Just talking about it isn't any good," says Rep. Garry Brown, R-Schoolcraft, Michigan's only member on Patman's powerful banking and currency committee.

"We've got to take steps to stop these small town banks from being fleeced. We don't want to regulate them to death, but we certainly should have better control."

Brown, who supports Cederberg's call for congressional action, says the method of operation in the bank closings is "very similar to the way organized crime works."

Meanwhile, the problem of link financing continues to grow.

In Nevada, Virginia and a half-dozen other states, federal officials are watching closely over banks, all reportedly deeply involved in brokered funds and high risk tied-in loans.

The only question is where will the next bank be that closes?

If federal watchdog agency officials here are right, it will be in a small town, have a

large share of poor loans on the books and have been recently involved with some strangers called "money brokers."

Mr. Speaker, in view of the dangers which are pointed out in the above news articles and the clear threat to the stability of small banks across the Nation, I believe that it is incumbent on the Congress to take legislative action to eliminate this unsound banking process. Many of our Nation's hardest working and most solid citizens are members of small communities dependent upon the stability of their local bank. We in the Congress cannot tolerate the possibility that their life's savings could be wiped out by the unscrupulous actions of brokers or the quick-money schemes which entice normally cautious bank officers into the brokered deposit-link financing arrangement.

I am today introducing legislation which would eliminate this threat. Quite briefly, my legislation would prohibit a bank from participating in the brokered deposit scheme. Since the ordinary individual could not be expected to distinguish the intricacies of such financial arrangements, my legislation places the burden squarely where it belongs: on the banker who would use the broker to find funds for a basically unsound loan—one which the bank would not make on its own assets.

Certainly the time has come when the Congress cannot sit by and watch while small banks and their depositors are systematically victimized by unscrupulous financiers. I am hopeful that the chairman of the Banking and Currency Committee will see fit to hold early and comprehensive hearings on this question and will make every effort to report legislation before the end of the current session.

The text of my legislation follows:

H.R. 18754

A bill to prohibit brokered deposits in banks and other financial institutions

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

AMENDMENT OF FEDERAL DEPOSIT INSURANCE ACT

SECTION 1. Subsection (g) of section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828 (g)) is amended by striking out the next to last sentence thereof, relating to penalties for violations of such subsection, by inserting "(1)" at the beginning thereof, and by adding thereto the following paragraphs:

"(2) No insured bank or officer, director, agent, or substantial stockholder thereof may pay or agree to pay a broker, finder, or other person compensation for obtaining a deposit for such bank. For the purposes of this paragraph, any payment made by any other person to induce the placing of a deposit in a bank shall be deemed to be a payment of compensation by the bank if the bank had or reasonably should have had knowledge of such a payment when it accepted the deposit.

"(3) Any violation by an insured bank of the provisions of this subsection or of regulations issued hereunder shall subject the bank to a penalty of not more than 10 percent of the amount of the deposit to which the violation relates. The Corporation may recover the penalty, by suit or otherwise, for

its own use, together with the costs and expenses of the recovery.

"(4) For the purposes of this subsection, the term 'payment of interest' includes an agreement to pay interest and includes payments to the depositor or any other person directly or indirectly made by any officer, director, agent, or substantial stockholder of the bank in which the deposit is made if the bank had or reasonably should have had knowledge of the agreement or payment when it accepted the deposit. The Board of Directors shall by regulation prescribe definitions of the terms 'payment of compensation' and 'substantial stockholder' and shall prescribe such further definitions of 'payment of interest' as it may deem appropriate for the purposes of this subsection. The Board of Directors shall prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this subsection and prevent evasions thereof."

AMENDMENT OF FEDERAL HOME LOAN BANK ACT

SEC. 2. Section 5B of the Federal Home Loan Bank Act (12 U.S.C. 1425b) is amended (1) by inserting "(a)" after "Sec. 5B." and (2) by adding at the end thereof the following:

"(b) No member which is an insured institution as defined in section 401(a) of the National Housing Act and no officer, director, agent, or substantial stockholder thereof shall pay or agree to pay a broker, finder, or other person compensation for obtaining funds to be deposited or invested in such member (hereinafter in this section referred to as deposits). For the purposes of this paragraph, any payment made by any other person to induce the placing of a deposit in such a member shall be deemed to be a payment of such compensation by the member if the member had or reasonably should have had knowledge of such a payment when it accepted the deposit.

"(c) Any violation by a member of the provisions of this subsection or of regulations issued hereunder shall subject the member to a penalty of not more than 10 percent of the amount of the deposit to which the violation relates. The Board may recover the penalty, by suit or otherwise, for the use of the Federal Savings and Loan Insurance Corporation, together with the costs and expenses of the recovery.

"(d) For the purposes of this section, the term 'payment of interest or dividends' includes an agreement to pay interest or dividends and includes payments to the depositor or investor or any other person directly or indirectly made by any officer, director, agent, or substantial stockholder of the member in which the deposit is made if the member had or reasonably should have had knowledge of the agreement or payment when it accepted the deposit. The Board shall by regulation prescribe definitions of the terms 'payment of compensation' and 'substantial stockholder' and shall prescribe such further definitions of 'payment of interest or dividends' as it may deem appropriate for the purposes of this section. The Board shall prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof."

THE AIR QUALITY ACT OF 1970

(Mr. ANDERSON of Illinois asked and was given permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. ANDERSON of Illinois. Mr. Speaker, I would like to commend this administration on the strong leadership it has

provided in the effort to protect and reclaim the environment. In his February 10, 1970, environment message to Congress, President Nixon announced a comprehensive 32-point program with seven major legislative proposals to abate pollution of the air and water, to establish solid waste management, and to protect park lands and public recreation. One of these proposals, the Air Quality Improvement Act of 1970, reforms and amends present pollution control laws in order to give Federal agencies a stronger hand in preventing pollution of the air and establishing high standards of ambient air quality. This is indeed needed legislation.

However, on Thursday, July 31, 1970, the Senator from Maine, EDMUND MUSKIE, indicated that this reform was unnecessary and that the existing law, the Air Quality Act of 1967, gave sufficient power to the Secretary of Health, Education, and Welfare to enforce air quality standards. This simply is not true, and I would like to submit some information regarding the effectiveness of the 1967 law.

John T. Middleton, Commissioner of the National Air Pollution Control Administration, has stated that the law's provision on testing procedures is "questionable." According to Mr. Middleton, the present act only authorizes the Secretary of Health, Education, and Welfare to test prototype vehicles. Up to this date, HEW has been testing prototype vehicles which, even though meeting the air quality standards established by NAPCA, often differ from what is manufactured on the production line. The President's clean air legislation authorizes production line testing.

Former Secretary of Health, Education, and Welfare, Robert H. Finch recently noted the need for this new power. In a letter to Ralph Nader, he reported on the testing of rental car fleets in Detroit and Los Angeles. Mr. Finch found that "more than one-half of the cars tested failed to meet the Federal exhaust standards for hydrocarbon and carbon monoxide emissions."

The 1967 act also has several shortcomings in relation to control of pollution from stationary sources. The establishment of national air quality control regions, while necessary in controlling the ambient air quality, has been time consuming due to compromise and revision delays. The act does not provide for control of pollution outside of established air quality control regions. Finally, and most important, the act's insufficient enforcement powers have hindered the Government's ability to establish and enforce effective abatement programs.

In summary, Mr. Speaker, the 1967 law is inadequate. It has not provided the protection of the environment and the public that is needed. The Air Quality Act of 1967 has created a large bureaucratic superstructure, but it has not cleared up the problem of pollution by the emission of hydrocarbon and carbon monoxide by vehicular and stationary sources.

The Air Quality Improvement Act of 1970 will alleviate this situation by strengthening Federal automobile emissions standards and by reforming enforcement procedures, including on-site inspection, so that the standards will be applied to all new autos. This legislation, as part of this administration's impressive effort to improve and enhance the environment, is a progressive proposal that is indeed necessary.

#### BILL: A MAN WHO CARED

(Mr. MILLER of Ohio asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MILLER of Ohio. Mr. Speaker, on July 19, Zanesville, Ohio lost one of its leading citizens: William O. Littick. I was deeply saddened at Bill's passing for he was a man of rare qualities. Bill was a good man and a generous man. His contribution to his business and to his fellow man were great and will long be remembered. Those who knew him will cherish his memory and sincerely miss him. I wish to bring to my colleagues attention the moving tribute paid to Bill by the staff of the Zanesville Times Recorder:

#### BILL: A MAN WHO CARED

It is difficult for us, we the people of The Times Recorder, to believe that Bill Littick is dead.

It is with deep sadness that we pay our final tribute to this man we knew, and whom we will long remember, as a newspaper and radio-television executive, humanitarian, civic leader, employer and friend.

William O. Littick was born to the newspaper business. Like his grandfather, W. O. Littick, and his father, Orville B. Littick, he had ink in his veins.

Bill could operate a linotype, take a photograph, monitor a computer, lay out an ad and write a news story. He knew first hand the workings of the various departments.

But his greatest contribution was as business manager of a progressive management team. Bill was a professional newspaper executive in every sense of the word. He was proud that The Times Recorder is the "good morning" newspaper of more than 100,000 readers in Southeastern Ohio, but he was constantly striving to make it a better newspaper with each passing day.

Bill was a man who cared about his readers.

Bill Littick, the humanitarian, did far more to help others in his all-too-brief 43 years than many of us could hope to do in two lifetimes.

Bill was long active in the Easter Seal program in behalf of crippled children and adults at the local, state and national levels, both as a worker and as a leader.

He devoted countless hours to the YMCA, the Abbot Home for Men, the Salvation Army, the Red Cross, United Fund, Bethesda Hospital and many other charitable agencies and institutions.

Hundreds of people clasped Bill's outstretched hand and found help, comfort and friendship.

Bill was a man who cared about his fellow man.

The old adage that "when you want something done, get a busy man to do it" certainly applied to Bill Littick. Because of his many interests and business responsibilities,

he was a busy man. Yet he never refused when asked to work for various community projects.

He served as president of Zanesville Jaycees, trustee of the Ohio Jaycees, president and secretary of the Rotary Club, headed the ZIP and YMCA campaigns and was long active in the Zanesville Area Chamber of Commerce and other civic organizations.

These efforts won Bill the Jaycees Distinguished Service Award as the Outstanding Young Man in Zanesville in 1962.

Bill was a man who cared about his community.

Bill Littick, the employer, was never a "Boss." He was a fellow employee . . . an associate.

His quick smile and friendly manner made working with and for him a pleasant experience. He did not demand results, he invited them.

A troubled employe always found in him a sympathetic "listener."

Bill was a man who cared about his employes.

We, The Times Recorder employes, join with Bill's legion of friends in an expression of deep sympathy to his widow, Dorbie, and their five children, his mother, Mrs. Anne Littick, and his other relatives.

It is with heavy heart that we say "30", Bill. May we find comfort in the knowledge that your contributions to your fellow man and your community will continually serve as an inspiration to others.

You will not be forgotten.

#### ANNOUNCEMENT OF HEARINGS ON REMEDIES FOR ENVIRONMENTAL POLLUTION

(Mr. ROGERS of Colorado asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ROGERS of Colorado. Mr. Speaker, I would like to announce that Subcommittee No. 4 of the Committee on the Judiciary has scheduled public hearings on H.R. 17222 and H.R. 18429, and related bills, providing for remedies for environmental pollution.

These hearings will commence on August 6, 1970, at 10 a.m., room 2226, Rayburn House Office Building.

Those wishing to testify or to submit statements for the RECORD should address their requests to the Committee on the Judiciary, House of Representatives, room 2137, Rayburn House Office Building.

#### THE LATE HONORABLE DAN KIMBALL, FORMER NAVY SECRETARY

(Mr. PRICE of Illinois asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PRICE of Illinois. Mr. Speaker, it was with great sadness that I read today of the death of the Honorable Dan A. Kimball, a former Secretary of the Navy in the Cabinet of President Truman.

My acquaintance with Dan Kimball began when President Truman named him as an Assistant Secretary of the Navy for Air. He had a distinguished record of Government service. Those who had the pleasure of working with him recognized his great ability and his integ-

ity as a Government leader and as a leader in the private industrial field.

Mrs. Price and I extend to Mrs. Kimball our most sincere sympathy.

Under unanimous consent I include a news story of Mr. Kimball's brilliant career:

DAN KIMBALL, 74, DIES; FORMER NAVY SECRETARY

(By Richard Slusser)

Dan A. Kimball, 74, a former secretary of the Navy and an industrialist who also was active in Democratic politics, died in Georgetown University Hospital yesterday after a brief illness. He and his wife, columnist Doris Fleeson, lived at 2120 S St. NW and also in Palm Springs, Calif.

Mr. Kimball was appointed assistant secretary of the Navy for air by President Harry S. Truman in 1949 and was named secretary in 1951 to succeed Francis P. Matthews. He served until the Eisenhower administration came into office in 1952.

He had long been associated with the General Tire & Rubber Co. as a manager and director and until retiring last year was board chairman of Aerojet-General Corp., the largest manufacturer of rocket engines for missiles and spacecraft in the United States.

A large man who would have stood out in a crowd just for his size, Mr. Kimball was a laughing, energetic business executive known for his quick decisions, rapid reading and understanding and determination to get things done.

He also had piloted his own plane—he was the first former Army pilot to head the Navy—and was described as a dangerous gin rummy player, heavy cigar smoker and one who was fond of wearing loud ties.

Mr. Kimball was born in St. Louis, Mo. He had to drop out of high school after two years in California and took correspondence courses in engineering while working as an electric auto mechanic. (In 1963 he was named Home Study Man of the Year by the International Correspondence School.)

Joining the Army Signal Corps' air section in World War I, he was an air cadet and flight school classmate of Gen. James H. Doolittle. After his commission, he flew pursuit planes until the end of the war.

In 1920 he joined General Tire's sales department in Los Angeles and later became manager for 11 western states. During World War II, when the firm began receiving many government orders, including some of the first for developing rockets and guided missiles, he was put in charge of the development program as director of Aerojet Engineering Corp. at Azusa, Calif., a subsidiary of the firm.

Aerojet and the old Douglas Aircraft Co. and other manufacturers developed high-altitude research rockets to obtain data from altitudes of a hundred miles and more. While with the Navy Department he was on leave as an official of both General Tire and Aerojet.

Mr. Kimball approved Navy Department civilian employe supervisors joining labor unions while he was undersecretary and was cited by the House Civil Service Committee for the way the Navy handled its loyalty-security program. He previously had been honored by the machinists union for his labor relations work at Aerojet during World War II.

In 1950 Mr. Kimball gave a party for about 40 women members of the White House Correspondents Association who were barred from the club's annual stag dinner. He jokingly called the dinner a new FEPC—"Foundation for the Elimination of Preferential Classification."

The women correspondents made him president, vice president, secretary and treasurer of the dinner committees.

Mr. Kimball was a man of countless public and private philanthropies. One of the projects that engaged his deepest interest was an Army tent factory he set up in the Watts area of Los Angeles after the 1965 riots. He gave personal attention to the establishment and operation of the plant, called the Watts Manufacturing Co.

At his insistence, all supervisory personnel were Watts residents and trained in the management divisions of his company. Employment priority was given to applicants who lacked education and could not find jobs elsewhere because of police records.

At the time of his death, Mr. Kimball was helping the Moroccan government establish a technical school for indigents. He had been interested in the project for three years.

Mr. Kimball was successful in soliciting campaign funds for Truman in the 1948 election, predicting that the President would win re-election. He also was chairman of former California Gov. Edmund G. Brown's campaign committee in 1962.

Two years ago he was a member of a group of prominent businessmen who pledged to raise more than \$5 million for Sen. Eugene J. McCarthy's presidential campaign. The group said McCarthy's anti-Vietnam war position then made him "the best political risk in American politics."

Mr. Kimball and Doris Fleeson were married in 1958. They would have celebrated their 12th anniversary tomorrow. Besides his wife, he leaves a stepdaughter, Doris O'Donnell.

Services will be Monday at the Navy Chapel, 3801 Nebraska Ave. NW., with burial in Arlington Cemetery.

#### LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows to:

Mr. HUNGATE, for August 3, 4 and 5, 1970 on account of official business.

Mr. WOLFF (at the request of Mr. Boggs), for Friday, July 31, 1970, on account of official business.

Mr. BRASCO (at the request of Mr. Boggs), for Friday, July 31, 1970, on account of official business.

Mr. ADDABBO (at the request of Mr. Boggs), for Friday, July 31, 1970, on account of official business.

Mr. BURLESON of Texas, for August 3 through 11, 1970, on account of official business.

Mr. HAGAN (at the request of Mr. ALBERT), for today, July 31, on account of official business.

Mr. RANDALL, for Monday, August 3, and Tuesday, August 4, on account of official business.

Mr. REIFEL (at the request of Mr. GERALD R. FORD), for July 30 through August 3 on account of personal affairs.

Mr. JOHNSON of California (at the request of Mr. MCFALL), for Friday, July 31, 1970, on account of official business.

#### SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. ROONEY of New York for 15 min-

utes today and to revise and extend his remarks and include extraneous matter.

The following Members (at the request of Mr. GOLDWATER) to address the House and to revise and extend their remarks and include extraneous matter:

Mr. MILLER of Ohio, for 5 minutes, today.

Mr. POFF, for 5 minutes, today.

Mr. MCDADE, for 10 minutes, today.

Mr. FINDLEY, for 10 minutes, today.

#### EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. LOWENSTEIN, his remarks which appear in the daily edition of the CONGRESSIONAL RECORD of June 12, 1970, at page 19638, to be printed in the permanent edition of the May 12, 1970, RECORD, at the point of the proceedings where the House was considering the Stephens amendment to H.R. 17548.

(The following Members (at the request of Mr. GOLDWATER) and to include extraneous matter:)

Mr. BURTON of Utah in five instances.

Mr. WEICKER.

Mr. ADAIR.

Mr. HORTON in two instances.

Mr. EDWARDS of Alabama.

Mr. GERALD R. FORD.

Mr. GUDE.

Mr. BURKE of Florida in two instances.

Mr. SCHERLE.

Mr. SCHMITZ.

Mr. BUCHANAN.

Mr. MINSHALL in two instances.

Mr. QUIE.

(The following Members (at the request of Mr. STOKES) and to include extraneous matter:)

Mr. BIAGGI in five instances.

Mr. VAN DEERLIN.

Mr. BOLLING.

Mr. LEGGETT in three instances.

Mr. VANIK in two instances.

Mr. EVINS of Tennessee in two instances.

Mr. BOLAND in three instances.

Mr. ROSENKOWSKI in two instances.

Mr. MAHON in three instances.

Mr. JONES of North Carolina.

Mr. FISHER in two instances.

Mr. NICHOLS in two instances.

Mr. KOCH in two instances.

Mr. HUNGATE in three instances.

Mr. ROSENTHAL in six instances.

Mrs. SULLIVAN in two instances.

Mr. ROBINO in two instances.

#### SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 3647. An act to authorize the Commissioner of the District of Columbia to lease airspace above and below freeway rights-of-way within the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

S. 3648. An act to provide improvements

in the administration of health services in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

#### ENROLLED BILL SIGNED

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 14619. An act for the relief of S. Sgt. Lawrence F. Payne, U.S. Army, retired.

#### SENATE ENROLLED BILL SIGNED

The Speaker announced his signature to an enrolled bill of the Senate of the following title:

S. 3348. An act to amend title 38, United States Code, to increase the rates of compensation for disabled veterans, and for other purposes.

#### BILLS AND JOINT RESOLUTIONS PRESENTED TO THE PRESIDENT

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee did on the following days present to the President, for his approval, bills and joint resolutions of the House of the following titles:

On July 30, 1970:

H.R. 16916. An act making appropriations for the Office of Education for the fiscal year ending June 30, 1971, and for other purposes.

On July 31, 1970:

H.R. 914. An act for the relief of Hood River County, Ore.

H.R. 15783. An act to amend the Railroad Retirement Act of 1937 to provide a temporary 15 percent increase in annuities, to change for a temporary period the method of computing interest on investments of the railroad retirement accounts, and for other purposes;

H.J. Res. 1328. A resolution making further continuing appropriations for the fiscal year 1971, and for other purposes;

H.J. Res. 1336. A resolution to extend the effectiveness of the Defense Production Act of 1950 to August 15, 1970.

#### ADJOURNMENT

Mr. STOKES. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 28 minutes p.m.), under its previous order, the House adjourned until Monday, August 3, 1970, at 12 o'clock noon.

#### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2267. A letter from the Director, Congressional Liaison Staff, Agency for International Development, Department of State, transmitting the second annual report on actions taken by the Agency to strengthen manage-

ment practices in the foreign aid program, pursuant to section 621(a) of the Foreign Assistance Act of 1961, as amended; to the Committee on Foreign Affairs.

#### RECEIVED FROM THE COMPTROLLER GENERAL

2268. A letter from the Comptroller General of the United States, transmitting a report on the questionable basis for approving certain auxiliary route segments of the Interstate Highway System, Federal Highway Administration, Department of Transportation; to the Committee on Government Operations.

#### REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. PERKINS: Committee, on Education and Labor. H.R. 18260. A bill to authorize the U.S. Secretary of Health, Education, and Welfare to establish educational programs to encourage understanding of policies and support of activities designed to preserve and enhance environmental quality and maintain ecological balance; with an amendment (Rept. No. 81-1362). Referred to the Committee of the Whole House on the State of the Union.

#### PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BENNETT:

H.R. 18751. A bill to amend title 10, United States Code, relating to the grade in which members of the Armed Forces are discharged or retired, and for other purposes; to the Committee on Armed Services.

By Mr. BROYHILL of Virginia:

H.R. 18752. A bill to reorganize the government of the District of Columbia by establishing a Council of the District of Columbia to replace the Commissioner of the District of Columbia and the District of Columbia Council, and for other purposes; to the Committee on the District of Columbia.

By Mr. BURLESON of Texas:

H.R. 18753. A bill to amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions; to the Committee on Ways and Means.

By Mr. CEDERBERG:

H.R. 18754. A bill to prohibit brokered deposits in banks and other financial institutions; to the Committee on Banking and Currency.

By Mr. DINGELL:

H.R. 18755. A bill to amend section 7275 of the Internal Revenue Code of 1954 (as added by the Airport and Airways Revenue Act of 1970) to require that airline tickets, with respect to the transportation of persons by air which is subject to Federal tax, show the amount of such tax separately from the cost of the transportation involved; to the Committee on Ways and Means.

By Mr. HORTON:

H.R. 18756. A bill to amend the Immigration and Nationality Act with respect to naturalization fees; to the Committee on the Judiciary.

H.R. 18757. A bill to permit husbands to be claimed as dependents for the purposes of computing educational assistance allowances for female veterans; to the Committee on Veterans' Affairs.

By Mr. ROSENTHAL:

H.R. 18758. A bill to provide minimum disclosure standards for written warranties and guarantees of consumer products against defect or malfunction; to define minimum Federal content standards for such warranties and guarantees; and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. ROYBAL:

H.R. 18759. A bill to amend the Internal Revenue Code of 1954 to permit airline tickets and advertising to state the amount of tax on air transportation; to the Committee on Ways and Means.

By Mr. BURTON of Utah:

H.R. 18760. A bill to repeal certain provisions of the Airport and Airway Development Act of 1970; to the Committee on Ways and Means.

By Mr. CORDOVA (for himself and Mr. SMITH of New York):

H.R. 18761. A bill to continue the jurisdiction of the U.S. district court for the district of Puerto Rico over certain cases pending in that court on June 2, 1970; to the Committee on the Judiciary.

By Mr. McMILLAN (by request):

H.R. 18762. A bill to amend the District of Columbia Minimum Wage Act to provide that a wage order under that act may not be revised more frequently than once a year, to change the membership on wage order advisory committees, and to limit the maximum wage under a wage order to not more than 10 percentum of the highest Federal minimum wage rate; to the Committee on the District of Columbia.

By Mr. QUIE (for himself, Mr. CAREY, Mr. AYRES, Mr. WILLIAM D. FORD, Mr. BELL of California, Mr. REDD of New York, Mr. ERLBORN, Mr. SCHERLE, Mr. DELLENBACK, Mr. ESCH, Mr. ESHLEMAN, Mr. LANDGREBE, and Mr. HANSEN of Idaho):

H.R. 18763. A bill to amend Public Law 874 (81st Cong.) to provide adequate compensation to local educational agencies for special programs designed to meet the special educational and related needs of handicapped children and of children with specific learning disabilities, and for other purposes; to the Committee on Education and Labor.

By Mr. STAGGERS (for himself, Mr. MOSS, Mr. MURPHY of New York, and Mr. ECKHARDT):

H.R. 18764. A bill to amend the Federal Trade Commission Act to provide increased protection for consumers, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. KUYKENDALL:

H.J. Res. 1339. Joint resolution proposing an amendment to the Constitution of the United States extending the right to vote to citizens 18 years of age or older; to the Committee on the Judiciary.

By Mr. MIZELL:

H.J. Res. 1340. Joint resolution to authorize the President to issue annually a proclamation designating the first week in June of each year as "National PBX Operators Week"; to the Committee on the Judiciary.

By Mr. FULTON of Pennsylvania:

H. Con. Res. 697. Concurrent resolution to repeal the Gulf of Tonkin Resolution; to the Committee on Foreign Affairs.

By Mr. PATTEN:

H. Res. 1170. Resolution expressing the sense of the House of Representatives with respect to balance of power in the Middle East; to the Committee on Foreign Affairs.