

EXTENSIONS OF REMARKS

SENATOR ROBERT C. BYRD, COL. JOE BARTLETT, MINORITY CLERK OF THE U.S. HOUSE OF REPRESENTATIVES, AND COLUMNIST HOLMES ALEXANDER RECEIVE HONORARY DEGREES AT SALEM COLLEGE COMMENCEMENT—SENATOR BYRD DELIVERS COMMENCEMENT ADDRESS

HON. JENNINGS RANDOLPH

OF WEST VIRGINIA

IN THE SENATE OF THE UNITED STATES

Friday, May 21, 1971

Mr. RANDOLPH. Mr. President, "What Americans are prone to take so lightly and so much for granted, citizens in closed societies would give anything to possess." So spoke Senator ROBERT C. BYRD, as he addressed the recent Salem College commencement.

The meaningful remarks of Senator BYRD were heard by an attentive and appreciative audience of 1,200 persons. They were told that—

If the energy that has been wasted on needless demonstrations and confrontations had been channeled into constructive activities, more problems could have been solved and more citizens could have enjoyed the benefits our system can provide.

Because of the timeliness of my esteemed colleague's challenge, and the confidence we share, as Senators, in his opinions, I shall include his address at the conclusion of my remarks.

Mr. President, my beloved alma mater Salem College, is located in Harrison County, W. Va. It was founded in 1888 as an independent liberal arts school with the assistance of the Seventh Day Baptist Church, and dedicated men and women who have lived good lives in the hills.

Last Sunday there were 186 graduating seniors, 120 of whom were from outside the State. Most of the student body is drawn from the surrounding States of the East and Midwest.

Three outstanding West Virginians received honorary degrees during the commencement ceremonies. Each received an honorary doctorate. They are: Senator ROBERT C. BYRD, Col. Joe Bartlett, the minority clerk of the U.S. House of Representatives who delivered the baccalaureate address, and Holmes Alexander, author and noted Washington columnist who also addressed the Centurion breakfast, during graduation week activities.

Senator BYRD, the distinguished majority whip of the U.S. Senate, certainly realizes the importance of education. He was graduated from Mark Twain High School, in Stotesbury, as class valedictorian. He attended Beckley College. While serving in the West Virginia House of Delegates and State Senate, he attended Morris Harvey College in Charleston, Marshall University in Huntington, and Concord College in Athens.

While serving in the U.S. Senate, he was graduated cum laude from American

University Law School. This is indicative of the perseverance of Senator BYRD and his dedication to helping himself that he might help other people. He is the only West Virginian who has served in both branches of our State legislative bodies, and both bodies of the U.S. Congress.

Senator BYRD, as majority whip, holds the highest post of Senate leadership responsibility ever attained by a legislator from West Virginia. Through hard work, long hours on the job, parliamentary acumen, attention to details, and a broad understanding of the process of government, he has gained respect which cuts across party lines.

The citation presented on the awarding of his degree, by President Duane Hurley, able educator, reads as follows:

Meticulous technician in governmental procedures, Senator Robert Carlyle Byrd is singled out by Salem College for special recognition during West Virginia's Homecoming '71. The record shows this son to be a political craftsman and statesman devoted to the welfare of the people and putting the common good above personal gratification and gain.

Therefore, in recognition of your meritorious record as a public servant, the Salem College honors committee (representing all facets of the College community) has validated the awarding to you of the time-honored degree, Doctor of Laws (honoris causa).

Col. Joe Bartlett, a native of Clarksburg, came to Washington in 1938 on a 30-day House page appointment for having been selected as "America's typical schoolboy patrolman."

He was graduated from the page's school during World War II and enlisted in the Marine Corps. In 1945, when only 19 years of age, he was appointed chief page and as such was the youngest chief page in the history of the House.

During the Korean war, Bartlett again served his Nation and when he returned he became the reading clerk. In May 1970, after 30 years of congressional service, Joe Bartlett was elected minority clerk of the U.S. House of Representatives, the ranking staff position of his party.

He has been awarded the George Washington Honor Medal from the Freedoms Foundation of Valley Forge and has been honored by the U.S. Jaycees for outstanding service.

The following citation was read when the doctor of laws degree was awarded:

Dorsey Joseph Bartlett, you are highly respected among your fellow West Virginians for a devoted life of service to mankind by performing specialized governmental tasks. You have "grown up" in the halls of legislation, and you "stand tall" in the ranks of public servants.

For faithful continuity in your professional career, for exemplary understanding of the Congressional process, and for the faithful discharging of your duties, Salem College takes pleasure in recognizing you in this special way during West Virginia's Homecoming '71.

With the approval of faculty and students, and by the authority of the Board of Trustees, I now have the honor of conferring upon you, Dorsey Joseph Bartlett the dis-

tinctive degree of Doctor of Law (honoris causa), granting you all the rights and privileges of that degree, and causing you to be appropriately hooded for that degree.

With this diploma goes the congratulations and admiration of the people here assembled in the name of Salem College.

Holmes Alexander, the renowned Washington columnist, was born in Parkersburg and spent much of his boyhood in the Clarksburg area.

He served in World War II, was highly decorated and was discharged as a major.

The gifted journalist writes a 5-day-a-week syndicated column for over 140 newspapers nationwide and is the author of more than a dozen well known books, including "With Friend Possessed"; "The American Talleyrand: The Career and Contemporaries of Martin Van Buren"; "The Life of Aaron Burr"; and "American Nabob."

He graduated cum laude from Princeton University and did postgraduate work at Johns Hopkins University.

Upon his presentation of the degree of doctor of letters, the following citation was read:

On wings of the printed word the influence of this stalwart "product" of the hills of West Virginia has flown into the far corners of the world. Combining a keen mind, astute insights, and an incisive pen, he has unselfishly used his talents in the interests of good citizenship and good government. He has helped to create a favorable image for his home State.

It is particularly fitting then, this Homecoming Year for West Virginia, that the Salem College Board of Trustees should recommend and the faculty confirm the awarding to you—Holmes Moss Alexander—an honorary degree in literature.

Mr. President, it was my honor and privilege to present Senator BYRD for his degree while former Governor Cecil H. Underwood presented Joe Bartlett, and Cecil B. Highland, Jr., presented Holmes Alexander.

The commencement invocation was given by the Reverend Father Thomas Gornick, Sacred Heart Parish, Salem, and the benediction was read by Rabbi Eli J. Kahn, Tree of Life Congregation, Clarksburg.

Mr. President, our cherished friend, and a member of the College Board of Trustees, Dr. M. S. Harvey, of Akron, Ohio, introduced Senator BYRD. I request unanimous consent to have the commencement address by Senator BYRD printed in the RECORD at this point.

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

ADDRESS: SALEM COLLEGE COMMENCEMENT
(By ROBERT C. BYRD)

Dr. Hurley, Senator Randolph, Governor Underwood, Dr. Harvey, members of the 1971 graduating class of Salem College, members of the faculty, parents, and friends: I am honored, indeed, to have been asked to speak at this commencement.

I share the sense of pride in this graduating class which I am sure that its members feel. I know that parents, professors, and the officials of Salem College join in sharing that pride, as well. This is a day of

fulfillment. I offer my sincere congratulations to the members of this class. Each of you has my best wishes for the future.

Obtaining a college degree is an individual matter; but the community at large also has a stake in what the college graduate does with the education which he has received. The achievement of this class is an affirmation of the promises which this Republic offers to all who strive to secure an education. Your performance in the future is a matter of importance to the total community. Society needs you and the skills which you have acquired.

James B. Conant, when he was president of Harvard University, once wrote that a primary concern of education in the United States should be—and I quote—"to cultivate in the largest possible number of our future citizens an appreciation of both the responsibilities and the benefits which come to them because they are Americans and are free."

He made that statement a quarter of a century ago, when our country was far more unified in purpose and direction than it is today. But his words, I think, have even greater validity now in the troubled and divisive time in which this class is graduating.

Instead of asking what they can do for their country, all too many Americans at this point seem to be most interested in what they can do to their country.

It is especially disturbing to hear from many—who apparently consider themselves to be among the intellectually elite—that they think the American system has failed. I do not believe that the system has failed; it has not failed. I would say, on the contrary, that some of our citizens have failed the system.

They have failed in their understanding of America and in their reading of its history. They have failed in their response to the obligations and responsibilities of citizenship. And, most importantly, they have failed in their appreciation of the priceless benefits which the American system provides for the individual.

"Happy is the man that findeth wisdom," the proverb says, "and the man that getteth understanding." Today's citizen needs education and skills; but he also needs wisdom, and the understanding that it can bring.

We need understanding about what the American system really is, how it came about, and the hopes and possibilities it holds for all of our citizens. We need clear vision, born of wisdom, for the future, and we need an accurate understanding of the past. We cannot deal intelligently with either the contemporary scene or the future unless we understand the past and what has gone before. Twenty-twenty hindsight is not to be ridiculed where the lessons of history are concerned.

It is true that the total body of man's knowledge may have doubled, or even tripled, in the lifetime of the members of this graduating class. Some may be inclined to say, "There is so much that is new that we must know—things are changing so fast—that we don't have time to bother about the past." But there is a dangerous fallacy in that attitude. Human nature has not changed appreciably over the centuries of recorded history; fundamentals and principles do not change. Our swiftly-advancing technology is new and ever-changing. But no leader of the modern world has yet improved upon, or even equaled, the systems of ethics, morality, and human conduct devised by ancient religious and philosophical thinkers.

You who are members of this graduating class are not isolated from the past. No man is an island to himself. You are what you have inherited from your ancestors plus the experience you have had thus far. You are a part of all that has gone before.

When we think of America and our system we should think of them in that way. We cannot separate them from the past out of which they grew.

When the delegates to the Constitutional Convention met in Philadelphia in the summer of 1787, they did something that had never been done before. Systems of government had always evolved before that, with the strong ruling the weak. The idea of a group of elected delegates drawing up a document which was to be the fundamental instrument of government, with the ultimate power vested in the people, was a bold new concept in the history of man.

The men of vision who set up our system, as we all know, devised a government of checks and balances, in which every group could be represented but no branch of government would clearly dominate. So careful were those men—and so well were they versed in the lessons of past history—that in the course of almost 200 years, the American people have felt it necessary to amend the Federal Constitution only 15 times after the Bill of Rights was added.

The flexibility of our Constitution is even more impressive when one considers the changes that have occurred in the world during those two centuries. Of the countries in existence when our Constitution was ratified, the United States is one of very few which has the same form of government today as in 1789. Governments have since come and gone throughout the world, but ours has remained, strong and resilient, capable of meeting the needs of a changing America.

The stresses applied to our government have been severe and they have been frequent. It has withstood civil war and foreign wars, and determined opposition from militant minorities. It has weathered good times and bad, booms and panics, and the devastating worldwide depression of the thirties. It is all too easy—if one does not think of what has gone before, or does not know of it—to think that we are the first or only Americans to be faced with problems. Yet, even the most cursory glance at history will disabuse one of such a heroic view. We have great problems today—the problems of a dynamic, expanding, progressive society—but no age has been without problems, and no country has been without problems.

I believe that the American system can solve the problems and survive the challenges it faces, if you and I, and all who want the system to survive, respond constructively to the responsibilities which are ours.

We not only have the responsibility of understanding our system, but we also have the more important responsibility of working within the system, and of giving the system a chance to work. There are no instant answers or easy solutions to our national problems. It has taken mankind thousands of years to come this far. Civilized progress may seem too slow for those who demand Utopia now. But there will be no progress at all if those who wish to destroy the system are permitted to tear it down. What would they put in its place? What sensible alternatives do they propose?

Mobs in the streets, and violence and destruction are not sensible alternatives for anything. No system can permit government policy to be made or influenced by mass demonstrations and terrorism and civil disorder. Only through orderly, democratic processes can this or any free society or nation move toward sensible and effective action on national issues.

If the energy that has been wasted on needless demonstrations and confrontations had been channeled into constructive activities, more problems could have been solved and more citizens could have enjoyed the benefits our system can provide.

I am not thinking of affluence and mate-

rial well-being alone when I speak of benefits. Our system offers those who are a part of it more than that, important as those things are.

We all know that the standard of living in our country is the highest that any system has yet produced, and that even what is now thought of as poverty, for those who fall below an arbitrary income level, is, in many instances, only relative poverty when comparisons are made. Millions in really poverty-stricken countries around the world would be glad to exchange places with Americans in even our lowest income brackets.

This is in no way meant to minimize the plight of those in our country who are genuinely in need—and who should be helped—but only to point out that we in America have such a high living standard that poverty here would be prosperity in many, many other countries.

I said earlier that our system offers something far more important than material considerations. It offers opportunity and freedom under law. No one need stay in poverty if he is willing to work. No one need remain uneducated if he is willing to learn. No one need stay at the bottom of the ladder if he is willing to make the effort to climb.

Our system—and that is its greatest worth—guarantees the individual citizen the highest degree of personal freedom the world thus far has known.

Think of what freedom in one's personal life, freedom to come and go, freedom of expression in art and literature and in politics would mean for millions now restricted by Communist and other authoritarian regimes around the world.

What Americans are prone to take so lightly and so much for granted, citizens in closed societies would give anything to possess.

So prodigal is our country with its gift of freedom for the individual that the very opponents of freedom can stand without fear on the public streets and openly advocate the destruction of the very system which protects their rights to speak freely. No system has ever offered the opportunity, the freedom, and the constitutionally-protected liberty which the American system offers.

These are the things that need to be said when one hears the chants of hate and sees the acts of violence by militant extremists who would pull down our system and destroy opportunity and freedom and liberty.

The great challenge before our society today is the preservation of those rights for all Americans.

History will judge your generation in this respect—as it will judge mine—on the basis of performance. The judgement will be made by comparing what is accomplished against what was possible. Under the American system, beleaguered though it may be on some fronts, the possibilities for accomplishment by your generation are enormous beyond description.

So, on this important day, I would hope that you and I and all Americans would heed the words of a very great American, Oliver Wendell Holmes, Jr., who said many years ago:

"It is now the moment when by common consent we pause to become conscious of our national life and to rejoice in it, to recall what our country has done for each of us, and to ask ourselves what we can do for our country in return."

Mr. RANDOLPH. One of the delightful events on campus was the luncheon hosted by President Hurley and his gracious wife, Shireen, attended by commencement participants, including officers of the college board, members of the faculty, and honorees.

THE REVOLUTIONARY TACTICS OF
"PEACE"

HON. JOHN G. SCHMITZ

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. SCHMITZ. Mr. Speaker, another wave of violent "nonviolence" has subsided in the Capital. After a week or so of disruption that saw over 12,000 arrests, Rennie Davis, one of the army of peace generals, and currently appealing his Chicago incitement-to-riot conviction, has declared a "tactical retreat," but vows that his revolutionary multitudes will return in 6 to 8 weeks for more "mass civil disobedience." Davis promises, less than seriously one supposes, that—

They are going to have to fall every young person in America before we are stopped.

Davis' message has been interpreted by much of the news media as an anguished expression of youthful determination and idealism—Davis is 31. Our molders of opinion in many cases have depicted the protestors as nonviolent, apolitical youngsters interested only in getting across their message of peace. The police and civil authorities, on the other hand, are portrayed as repressive or unreasonable in their use of force to insure some semblance of peace and protection to the residents and workers in our Nation's Capital.

The practice of shifting blame from the revolutionaries to the authorities is a seasoned and practiced Communist tactic. Oppression, as defined by the Communists, is resistance by the authorities to the imperatives of revolutionary change. Thus, by this reasoning, provocation becomes resistance and revolutionary violence becomes self-defense. As Bettina Aptheker, an early student revolutionary and a member of the Central Committee of the Communist Party, U.S.A., said in the New York Times:

I am in favor of using whatever political force is necessary to secure and defend the revolutionary transformation of this society. This includes the possible use of armed force. But what force may be necessary is primarily determined by the degree of violent resistance to change offered by the ruling powers that be. (emphasis added)

This is much like convicting a raped woman of assault for denying the wishes of the rapist—after all, he was only seeking a little love.

Putting the onus on the defenders of society has been assiduously developed by the Communist, Josef Stalin, in a 1934 interview with H. G. Wells, proclaimed:

You are wrong if you think that the Communist are enamored of violence. They would be very pleased to drop violent methods if the ruling class agreed to give way to the working class.

It was astonishing to those of us viewing a television panel show in Washington, D.C., to hear one protest leader proclaim that violence during the demonstrations "depends entirely on the reaction of the police." Stalin could not have said it better.

Napoleon recognized the value of this tactical concept. Every conqueror, he

said, is "always a lover of peace; he would like to make his entry into our state unopposed."

When Nicolai Lenin, Communism's premier theoretician, read the Napoleon quote in General Carl von Clausewitz' influential book, "On War and Warfare," he scribbled a comment in the margin of the page, which translates, "Ha-Ha! Shrewd!"

Mr. Davis and his comrades have learned their violent catechisms well; and while they are not "peaceful" nor "idealistic" as some would lead us to believe, they certainly are "shrewd."

Whether they succeed as conquerors depends largely on how shrewdly we, as guardians of American liberty, understand their well-rehearsed tactics.

OLD TRUTH-HOLDERS

HON. G. WILLIAM WHITEHURST

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. WHITEHURST. Mr. Speaker, the American Revolution Bicentennial Commission is continuing to discharge its responsibility as directed by Congress to encourage, develop, plan, and coordinate the 200th anniversary celebration of this Nation. The Commission's meeting in Dallas, Tex., May 6-7, 1971, was helpful to both the Commission and the attending members of State bicentennial commissions in the southern region. The exchange of information and plans on a face-to-face basis is a valuable technique and deserves encouragement. Full Commission meetings are planned for other areas of the country.

The spirit and enthusiasm expressed at the Dallas meeting was heartening. There is so much this country has to offer, it has come so far, and its future contains such great promise. Certainly the Nation is not all good, but neither is it all bad.

I was pleased to read the editor's note written by Ralph Graves, managing editor of Life magazine in the May 21, 1971, issue, that not everything is wrong with the country, even though we sometimes act as though it is.

I detect a welcome call for citizen responsibility in the article. Graves' comments make enjoyable reading. I include the text at this point in the RECORD:

[From Life magazine, May 21, 1971]

THIS COUNTRY ISN'T KID STUFF ANYMORE

We have all lived through a very rough decade in the United States. I am not going to recite here the 25 most familiar criticisms that have been flung against our own country by our own citizens. I have flung a few myself, and I am sure you have. With so many sincere criticisms from so many different segments of our society, from far left to far right and every graduation in between, there must indeed be something wrong. But that doesn't mean that everything is wrong, even though we sometimes act as though it did.

In five years the United States will be 200 years old. This is kid stuff compared to the old countries of Europe, to say nothing of really ancient countries such as China and Japan. And yet 200 years is a very long survival time for a country founded on such an

idealistic premise as ours. The democratic city-states of ancient Greece, which we all learned to admire in school, turned into tyrannies. The Republic of ancient Rome fell into the hands of the Caesars before Christ was born. The French Revolution—*liberté, égalité, fraternité*—became Napoleon's personal empire inside of 20 years. In our own time, the Russian Revolution that overthrew the autocratic czars was in the grip of the infinitely more autocratic Joseph Stalin in less than 20 years. Yes, England has been around a long time and is still there, but the English system evolved and changed over centuries and never has had anything so formal and clear-cut as a constitution. When we started this country, we planted our feet and said clearly just what we intended to create.

We are a young nation if we count only years of nationhood, but an old nation in terms of dedication to an ideal. The Old World may call us kids, but we aren't. We started out, 195 years ago, saying, "We hold these truths . . ." (It is no more necessary to cite which truths we hold self-evident than it is to cite the major problems facing America today.) We have held these truths a long, long time. We may be a young country, but we are old truth-holders.

For all the fallings in our society, we can still lay claim to the self-evident truths. We are different from the Old World countries in our special sense of dedication. Cynicism is not our style—even though there is much to be cynical about. Neither is pragmatism—although there is plenty of call for that too. And neither is giving up—simply writing it all off and proclaiming that the whole system is no good.

We could still turn ourselves into a worldly Old World country: there are lots of them available as models. And we could still dismiss the system: there are models for that, past and present. Either way, we would survive—as a country.

But it wouldn't be *this* country. Survival is simply not enough, and the fact that we have always insisted on more is what really distinguishes us. That should be worth something, not only to us but to the rest of the world. The United States isn't kid stuff anymore, no matter how all of us—young and old and middle-aged—have been behaving. America, with all its current calamities, still shines. The truth-holders should not let go.

RALPH GRAVES,
Managing Editor.

DIFFICULTY ENCOUNTERED IN
ATTEMPTING TO REACH A JUST
SETTLEMENT WITH THE NORTH
VIETNAMESE GOVERNMENT

HON. MANUEL LUJAN, JR.

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. LUJAN. Mr. Speaker, I have recently received a letter from a citizen of the First Congressional District of New Mexico which I represent, Mrs. Mary E. Strong.

She has commented on her efforts to send a letter to the North Vietnamese representative to the Paris peace negotiations. The letter was returned marked "refused."

I believe this exemplifies the difficult situation that our President faces in attempting to reach a just settlement with the North Vietnamese Government.

Mary Strong has shared an invaluable lesson with us, and I call this to the attention of my colleagues and all who read this RECORD.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76 AS PROPOSED BY THE NATIONAL URBAN COALITION—CHAPTER 1

HON. JOHN BRADEMAS

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. BRADEMAS. Mr. Speaker, during the past 2 years a new expression has been added to America's political lexicon—"the need to reorder our priorities."

Because a growing number of Members of Congress—of both political parties—have become convinced that the present emphasis in Federal spending is out of balance, they are reviewing these priorities more closely with an eye toward focusing our limited tax dollars on programs to help meet our most pressing national needs.

The 91st Congress acted to cut back wasteful spending—much of it in the military budget—in order to make more resources available to create employment opportunities for jobless men and women, to eliminate poverty and hunger, provide adequate housing, strengthen our health services, control pollution, rehabilitate our cities, develop our rural areas, and to improve our system of education.

This effort to reorder the Nation's priorities is continuing in the 92d Congress, with the support of many individual citizens, as well as public interest groups.

Mr. Speaker, one group which has played a particularly valuable role in the campaign to change our national priorities is the National Urban Coalition. Indeed, the National Urban Coalition has developed a definite set of proposals for the sound expenditures of Federal funds.

These proposals are contained in Counterbudget: A Blueprint for Changing National Priorities 1971-76, a most impressive document prepared by a number of persons knowledgeable about the specific issues confronting the Nation today, and edited by Robert S. Benson and Harold Wolman of the National Urban Coalition staff. Jack Hood Vaughn is the very able president of the organization.

Sol Linowitz, the distinguished chairman of the National Urban Coalition, said in releasing the report:

We hope and anticipate that our proposals will spark a more informed, more sharply focused public debate over how resources ought to be allocated to obtain the goals most Americans share.

Certainly, Mr. Speaker, there is no lack of problems in America which we must meet if the American people are to build the kind of free society which the Founding Fathers of this Republic intended. And certainly, Mr. Speaker, these problems cannot always be reduced to politically partisan issues.

Mr. Speaker, because we believe the National Urban Coalition Counterbudget makes a genuinely significant contribution to the national dialog on priorities, 15 Democratic and 10 Republican Members of the House of Representatives are

today joining to insert these proposals in the CONGRESSIONAL RECORD.

I would emphasize, Mr. Speaker, that the various Members participating in this effort do not necessarily endorse all of the recommendations included in the Counterbudget. We insert this document in the RECORD in order to draw attention to the crucial questions it raises in the consideration of national priorities.

Mr. Speaker, I include chapter 1 of the "Counterbudget" at this point in the RECORD:

CHAPTER 1. INTRODUCTION

We looked comprehensively and searchingly at how our nation's priorities could be reordered within the context of the realities of the federal budget and the American economy. Our report constitutes a broad statement of public needs in America and recommendations for meeting those needs.

America today is a tangle of paradoxes. Our Gross National Product doubles in a decade, yet our cities and states teeter on the edge of bankruptcy.

Our doctors transplant whole organs and heal the most complex disorders of the human body, yet our infant mortality rate exceeds that of many European countries.

Our Congress passes civil-rights laws of sweeping dimensions, yet discrimination still denies jobs and housing to millions of Americans who want and need them.

Our people buy increasing quantities of consumer goods every year to enjoy a higher standard of living, yet we experience a deterioration in the quality of American life as the production and use of these goods destroys the human environment.

It is not that we are making no progress.

We are progressing. However, the realization that progress is occurring sends expectations soaring and widens the gap between what we are as a nation and what we wish to be. Tensions and frustrations build. For despite the fact we are moving forward in many areas in absolute terms, relative to our rising aspirations we often seem to be standing still.

Our failure to resolve these paradoxes and close the gap between our hopes and reality has driven an increasing number of Americans to ask whether we are using to best advantage the massive human and material resources at our command.

As a result there has been increasing discussion of the need to reorder our national priorities. Congress and the President have participated in and encouraged this public debate.

The Joint Economic Committee, at hearings on national priorities in 1970, stressed "the need for Congress to question searchingly the adequacy of the 1971 budget with respect to the share of the budgetary resources allocated to social problems, and . . . the need for similar searching inquiry into the adequacy of the proposed cuts in defense spending."

On July 20, 1970, President Nixon's Committee on National Goals called for:

"Constructive public discussion of alternative priorities and policies, with all groups of people participating. The fruits of this public discussion should be incorporated into policies aimed at alleviating the problems or enhancing the opportunities."

Three years previously, President Lyndon Johnson's Commission on Budget Concepts (whose Chairman David Kennedy was President Nixon's first Secretary of the Treasury) recommended that private organizations devote themselves to a study of priorities by preparing five year projections of future needs and revenues.

We have accepted that challenge. But we also have attempted to move beyond the easy rhetoric of "reordering priorities" to infuse more precision and clarity into public debate. It is for this reason that we have chosen the federal budget as our vehicle for examining priorities. For, as Kermit Gordon, former Director of the Bureau of the Budget, observes in the foreword to the Brookings Institution analysis of the 1971 budget:

"Even though the spotlight of public attention and concern is today sharply focused on the issue of priorities in American society, the public is neither well informed nor much concerned about the composition—as opposed to the total size—of the budget of the Federal government. This is a singular inconsistency, for the President's annual budget is the vehicle for the most important and comprehensive collection of priority decisions which our society makes in the course of a year."

In order to eliminate this inconsistency, we looked comprehensively and searchingly at how our nation's priorities could be reordered within the context of the realities of the federal budget and the American economy. Our report constitutes a broad statement of public needs in America and recommendations for meeting those needs. But it is not merely a "wish list" of lofty aspirations. Rather it proposes a detailed federal budget offering careful estimates of the costs of recommended programs and revenues for each of the next five years. In addition, we have included an assessment of the probable consequences of its recommendations on various sectors of the American population and on the national economy.

One need be neither a fiscal expert nor a budget analyst to follow the format of our budget. Indeed, it is our hope that this Report will make the federal budget comprehensible for those readers who have never examined one before. It is essential that concerned citizens learn to handle this document, otherwise national priorities will continue to be set within the closed ranks of whatever administration is in power. As long as secrecy prevails, the public's role in charting the nation's future must remain one of reaction—reaction too often characterized by frustration, a sense of impotence and, worse, ignorance.

We do not expect everyone to agree with all our recommendations. This is as it should be. Because of the comprehensiveness of the federal budget, it is probably impossible for any two people to be in complete agreement on how public resources should be allocated.

But persuading others to accept our priorities is not our primary purpose. Instead we wish to stimulate a vastly more informed public debate on what national priorities ought to be. If we succeed in raising "reordering national priorities" from its present status as a near-cliche to a topic marked by meaningful and disciplined discussion, we will consider our efforts a success.

DEVELOPING COUNTERBUDGET

The task of constructing an entire federal budget is admittedly not an easy one, but it is certainly within the capabilities of a public interest organization representing concerned citizens.

We began with a vision of America as we would like it to be and a belief that public policy must play an important role in translating that vision into reality. We then framed six broad public policy goals for the next five years. These goals, approved by the National Urban Coalition Steering Committee, called upon the Federal Government to:

Achieve full employment with a high level of economic growth and reasonable price stability;

Provide all citizens with an equal opportunity to participate in American society and in the shaping of governmental decisions affecting their lives;

Guarantee that no American will go without the basic necessities: food, shelter, health care, a healthy environment, personal safety, and an adequate income;

Rectify the imbalance in revenues between the federal government and state-and-local government;

Assure adequate national security against military threats from abroad;

Meet our obligations to assist in the economic development of the world's lesser developed nations.

Next we considered how the federal government could move towards meeting these six goals during 1972-1976. Staff and consultants prepared resource papers in every major area of federal activity (education, crime, housing, and so forth). In these papers we attempted to ascertain the distance between present conditions and our goals by setting forth estimates of quantitative and qualitative needs in each area. Alternative policies and programs to move us closer to our goals then were suggested and their costs projected. Finally, we recommended specific policies and programs from among these alternatives.

However, the total costs of all our preferred alternatives far exceeded preliminary estimates of available revenues, even after including additional revenues from reform designed to make the tax system more equitable. This meant difficult choices would have to be made, choices that are the very essence of setting priorities.

The first choice we confronted was how to divide America's resources between the public and private sector. Since the amount of desirable outlays exceeded available revenues, one possible solution was to increase the amount of available revenues through raising taxes. This decision was a difficult one, for it involved choosing between the portion of our public needs we wished to meet and the level of taxes we were willing to pay. Almost everyone would like to maximize the former and minimize the latter, but that combination is not logically possible. We chose to recommend increasing the amount of revenues available in order to meet a higher portion of our public needs than are now being met. But we were not willing to raise taxes to the staggering level necessary to allow us to make the public outlays we felt were desirable.

After projecting how much revenue would be available each year under recommended changes in federal tax structures and rates, we were able to calculate a target level for budget outlays for each year. This level was based on the full employment surplus concept—outlays were set equal to slightly less than the amount of revenue the federal government could be expected to collect if the economy were operating at full employment.

We then had to make another set of excruciating choices. Faced with a scarcity of resources, we had to decide what set of desirable outlays was most desirable.

The criteria for our choices should be made quite explicit. We chose the set of budget outlays which, in our judgment, would move America farthest towards our vision of what it should be, and, specifically, towards our six broad policy goals. This criterion compelled us to allocate federal dollars to programs based on what they could accomplish. We rejected the tendency to look solely at the amount of money spent on an activity as an indicator of accomplishment. Instead, we focused on comparing the expected gains to American society resulting from spending scarce federal resources for various purposes. We tried to allocate funds for those programs which promised the largest benefits per dollar invested.

Comparing the benefits to be gained from spending scarce resources for various purposes, we eventually arrived at our target

level of expenditures by eliminating those outlays which we expected would move us the least distance towards our goals.

Hundreds of people—including our own Steering Committee members, academic experts, and former governmental officials—participated at various points in this priority-setting process. Meetings were held with leaders representing business, labor, local governments, Blacks, Mexican-Americans, American Indians, white ethnics, religion, education, youth, women, local Urban Coalitions, and social welfare organizations. The recommendations in this final Report reflect consideration of the diversity of views and points of consensus which emerged from these discussions.

Finally, we sent the entire budget to independent consultants who assessed its probable impact on the national economy and on labor markets. Dr. Otto Eckstein, former member of the Council of Economic Advisors analyzed the overall economic impact of our proposals, and Dr. James Scoville of the Institute of Labor and Industrial Relations at the University of Illinois examined manpower impact issues. Their conclusions are presented in Chapter 21 and 22 respectively.

SUMMARY OF RECOMMENDATIONS

The result of this extended period of discussion and deliberation was a set of priority choices for best utilizing limited national resources to achieve our six major goals. The budget recommendations² described in the following pages and in Table 1:2 reflect these choices.

Program Priorities: Our first priority should be to assure that every American possesses the basic necessities of life. People usually lack these necessities because they lack the income to purchase them. Outlays for programs which put more money directly into people's pockets without first filtering funds through a large bureaucracy will produce immediate benefits and move us well along toward the achievement of one of our basic goals. In some cases, even people with moderate incomes may be unable to purchase necessities because resources are in short supply or are poorly distributed. Housing and health-care are areas in which this frequently occurs. Accordingly, outlays for increases in housing and in the supply of trained health personnel also promise large social returns for each tax dollar invested.

Therefore, it is in these human development programs that we recommended the largest absolute increases in budget outlays. We propose that health expenditures rise by \$51.6 billion between 1971 and 1976. Most of this increase is simply the product of funneling current private payments for health services through a new government National Health Insurance trust fund, though important programs concerned with the supply and distribution of health resources also are included in the total. Social insurance expenditures—primarily Old Age Survivors and Disability Insurance (Social Security) and unemployment insurance—are recommended to increase \$35.6 billion.

Recommended outlays for income support would rise by \$28.7 billion and would end poverty, as officially defined, in America by 1975. Although income support programs can provide either cash or in-kind (food stamps, social services, etc.) assistance, we strongly prefer the former since cash assistance allows families the freedom and responsibility to allocate their resources according to their personal priorities. As a result, we recommend phasing out the food stamp program once all Americans are assured a non-poverty income.

Our recommended outlays for these new and revised programs, together with proposed changes in the federal income tax and social security payroll tax, would have a significant impact on income distribution in America.

TABLE 1:1.—SELECTED EXAMPLES OF CHANGES IN 1976 DISPOSABLE INCOME¹

(Families of 4; current dollars)

Disposable income under present laws	Disposable income under recommended changes	Change in disposable income
\$0.....	\$4,708	+4,708
\$3,574.....	5,907	+2,332
\$4,931.....	6,871	+1,940
\$6,054.....	7,522	+1,468
\$7,784.....	8,454	+671
\$9,909.....	10,061	+152
\$11,305.....	11,185	+120
\$14,051.....	13,678	-373
\$19,363.....	18,588	-774
\$35,355.....	32,708	-2,647

¹ Includes changes in income maintenance programs, Federal income tax, social security tax, and special tax on individuals to finance National Health Insurance. Does not include value of in-kind income such as health care, food stamps, housing subsidies, or day care subsidies. Since health care would be provided free under NHI, none of the disposable income would have to be spent for health purposes. Does not include changes we hope to induce in State and local tax systems (the table assumes State and local taxes are maintained at present rates and structures).

Education outlays increase by \$11.1 billion. We believe the federal government's principal role in early, elementary, and secondary education must be to assure that every student leaving the public school system possesses the information and skills to participate successfully in the economy. It is both easier and less expensive to provide these skills to students already in school than to older youths and adults who have fallen into the pool of the unskilled jobless. Accordingly, our recommended outlays for education emphasize the increased availability of pre-school training, elementary programs aimed at achieving high performance levels in reading and mathematics, and career preparation and placement programs in all of the nation's secondary schools.

Traditional manpower programs, which have concentrated on training unskilled youth have not proved very successful at preparing participants for work; we have chosen to shift our efforts for dealing with this challenge to the education system. The outlays we do recommend for manpower training programs are primarily for upgrading the skills of presently employed workers, unemployed adults, and women re-entering the labor market. Total recommended outlays for manpower training programs remain nearly stable.

Our budget also recommends significant increases in spending for social and physical development. New programs would provide \$9.6 billion in direct fiscal relief for states and localities, while metropolitan development outlays would increase by more than \$6 billion. States and localities will and should continue to provide the essential day to day services—police and fire protection, education, sanitation, transportation, and many others. Needs in these areas are, of course, much greater than the assistance we recommend. States and localities properly should be expected to bear the major share of the burden of raising revenues to pay for these services. Our primary reason for recommending increased federal outlays for these purposes is to provide states and localities with a better capacity for providing quality services to their residents. At the present time many states and localities lack that capacity due to poorly trained personnel, inequitable tax systems, and inefficient government organization. We have tried to tie incentives for improving the capabilities of these jurisdictions to our proposals for increased federal assistance. As a part of a fiscal relief strategy designed to improve the quality of services, we have recommended the establishment of a \$4.5 billion public service employment program to allow states and localities to provide needed services they are presently unable to pay for. Altogether direct federal assistance to states and localities

would rise from their 1971 level of \$30 billion to \$52 billion in 1976.

Outlays for certain other purposes that constitute a high priority do not increase by large absolute amounts. This is either because present expenditures are low and it takes time to "gear up" or because benefits would be slight from additional outlays above the healthy increases we recommend. For example, recommended spending for law enforcement and criminal justice increases by 310 per cent—a higher percentage increase than for any other purpose. Yet, the absolute increase in expenditures is less than \$3 billion. Foreign economic assistance is another example. Assisting in the economic development of the world's lesser developed nations is one of our six goals and we do recommend increasing outlays by \$4.5 billion above the current \$3.0 billion level. Yet, we still fall short of providing the 0.7 per cent of GNP official aid recommended as a goal by the World Bank's Commission on International Development because we do not feel aid dispensing institutions can productively absorb more.

Setting priorities forces us to decide spending in some areas is less important than in others. Although the needs in the area of environment protection and restoration are indisputable, we concluded that it was relatively more important to direct resources in the next five years towards ending poverty, reforming education, and improving the ca-

pabilities of states and localities to provide quality services. As a result we recommend that outlays for environment and natural resource programs increase by only \$1.8 billion—53 percent above present levels. Even so, federal support for pollution control efforts would triple—from \$0.7 billion to \$2.1 billion—between 1971 and 1976. With programs funded at this level we hope to prevent further deterioration of the environment and to set up the structure for dealing comprehensively with pollution after 1976.

Outlays for transportation also would remain nearly stable, increasing by only 12 per cent—not enough to cover inflation which will be about 16 1/2 per cent between 1971 and 1976. Within transportation, we recommend shifting \$1.8 billion from highway programs to mass transit where these tax dollars would yield much higher public benefits. We already have a superb highway system, while nearly every one of our urban transit systems is in desperate need of expansion and refurbishment.

The amount we spend on rural development and agriculture is a reflection of our previous lack of ability to change priorities as circumstances change. A substantial portion of the \$6 billion we spend in this area supports obsolete and wasteful programs. American society would benefit if some outlays for these programs were redirected to other purposes. We suggest the price support

component of agricultural subsidies be eliminated and replaced by our income support program. Total spending for agricultural programs should decrease while spending for rural industrial development should rise. The net result would be a small real dollar decrease in total spending for rural development and agriculture.

The largest recommended reduction in outlays is for national defense and military assistance—a cut of \$24 billion from the present level of \$74.5 billion to \$50.4 billion in 1976. This recommended cutback is based on a careful assessment of U.S. international interests and the potential military threats posed by other nations to our security. Assuring adequate national security against military threats from abroad is one of our six basic goals and second to none in terms of importance.

The critical question is what level of expenditures is required to provide adequate national security. A close scrutiny of the present Pentagon budget reveals a number of programs that either contribute little to our national strength or actually reduce our safety by fueling a continuation of the arms race. The total strength and security of our society would be increased by reallocating the \$24 billion in military funds for such programs to domestic public uses where the American taxpayer will receive more for his money.

TABLE 1-2.—SUMMARY OF BUDGET OUTLAYS

[In millions of dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1979
Human development:							
Employment and manpower training.....	2,806	2,968	4,349	6,293	7,305	7,936	8,381
Economic conversion.....	178	216	1,944	1,906	292	161	127
Social insurance.....	47,665	50,932	56,527	61,088	66,499	71,754	83,268
Income support.....	11,300	13,587	19,961	20,357	31,338	39,302	39,962
Health.....	17,257	19,140	19,745	24,335	61,180	63,990	68,850
Education.....	9,351	10,075	10,846	12,334	16,776	19,099	20,494
Subtotal.....	88,557	96,918	113,289	126,313	183,390	202,242	221,082
Social and physical development:							
Fiscal relief for States and localities ¹		3,750	5,100	6,995	7,875	8,835	9,600
Metropolitan development.....	2,520	3,078	4,216	6,456	7,781	8,726	8,858
Housing.....	1,678	1,973	2,139	2,473	2,719	3,261	3,753
Transportation.....	7,763	8,279	7,707	7,645	7,707	8,263	8,735
Environment and natural resources.....	3,374	4,116	3,882	4,352	4,581	4,921	5,183
Family planning and population growth.....	87	140	287	506	341	270	249
Rural development and agriculture.....	5,871	6,136	5,453	5,816	5,943	5,968	5,945
Research and development ²	5,956	5,894	5,955	6,265	6,590	6,980	7,265
Subtotal.....	27,249	33,366	34,739	40,508	43,537	47,224	49,588
Society under law:							
Law enforcement and criminal justice.....	932	1,285	1,799	2,272	2,942	3,338	3,811
Equal opportunity.....	111	130	185	228	257	261	263
Consumer protection.....	110	128	138	158	180	198	211
Subtotal.....	1,153	1,543	2,122	2,658	3,379	3,797	4,285
International affairs:							
National defense and military assistance.....	74,500	76,000	60,240	50,335	48,550	0,025	50,425
Foreign economic assistance.....	2,993	3,240	3,500	4,760	5,410	56,245	7,445
Subtotal.....	77,493	79,240	69,740	55,095	53,960	56,270	57,870
Other:							
Interest.....	19,433	19,687	19,687	22,220	23,900	25,680	28,670
Maintenance of the mortgage market.....	-977	-230	-230	-170	-130	-100	50
Postal Service ³	2,353	1,333	327	300	330	360	400
Other Government activities ⁴	6,491	7,092	6,771	7,049	7,329	7,620	7,952
Subtotal.....	27,300	27,882	26,555	29,399	31,429	33,560	37,072
Less:							
Duplications.....	-1,800	-1,946	-1,978	-2,178	-3,711	-3,987	-4,249
Employer share, employee retirement.....	-2,486	-2,461	-2,461	-2,660	-2,880	-3,120	-3,375
Interest received by trust funds.....	-4,711	-5,310	-5,310	-6,707	-7,557	-8,159	-8,788
Total.....	212,755	229,232	230,824	242,428	301,377	327,827	353,485

¹ The fiscal relief heading includes a proposed new program of general aid to elementary and secondary education, with funding beginning at \$1,000,000,000 in 1972 and building to \$4,000,000,000 by 1976. These funds would entirely serve educational purposes even though a major motive for proposing the program is the need for fiscal relief to States and localities. For further discussion, see chs. 6 and 7.

² Includes NASA, AEC, and basic research activities supported by the National Science Foundation. Other R. & D. activities are included in the various functional area budgets.

³ The decline in recommended Federal outlays for support of the U.S. Postal Service reflects an assumed implementation of the President's Commission on Postal Organization recommendation that postal subsidies (free and reduced rate mail and other public service costs) be limited to 3 percent of total postal revenue requirements.

⁴ Other Government activities for 1971 determined as the residual factor after all specifically analyzed programs were accounted for. This figure then was used as a base and adjusted in subsequent years by the following index combining forecasted price and population (as a proxy for workload) growth:

1971.....	100.0
1972.....	104.3
1973.....	108.6
1974.....	112.9
1975.....	117.4
1976.....	122.5

Although our budgets call for more federal outlays in nearly all areas of domestic affairs, we do not intend simply to increase funding for existing programs. Throughout the Report we recommend new programs, reforms in existing programs and, in some cases, elimination of existing programs.

By 1976 our budget reflects significant expenditures for new programs such as:

- National Health Insurance;
- Public service employment;
- Cash assistance for the poor and near poor (replacing the present welfare system);
- Pre-school education;
- General aid to elementary and secondary education;
- Elementary and secondary education grants for meeting minimum federal reading and mathematics objectives;
- A career preparation program tied to secondary schools;

A higher education loan program with repayment tied to a percentage of future income;

Grants for upgrading local police department personnel;

A discharge fee system to curb pollution;

A long term whole farm land retirement program (to replace the present agricultural subsidy programs);

A series of programs designed to produce reform in the tax systems and structure of states and localities.

Our 1976 budget also includes expenditures for programs in which we recommend major reforms—and, in many cases, increased expenditures. These include:

Social Security and unemployment insurance

- Food stamps
- Social services
- Model cities
- Manpower training
- Consumer protection

The 67 per cent increase in total federal outlays we recommend between 1971-1976 includes major shifts in the portions of the federal budget spent for various purposes. Health, which in 1971 accounted for only 8.1 per cent of federal outlays would account for 19.5 per cent in 1976; income support would increase from 5.3 per cent to 11.3 per cent. National defense and military assistance outlays, on the other hand, would fall from 35.0 per cent of total federal outlays to 14.3 per cent in 1976.

TABLE 1.3.—SHARE OF FEDERAL OUTLAYS
[In percent]

	1971	1976
Employment and manpower training.....	1.3	2.4
Economic conversion.....	.1	.....
Social insurance.....	22.4	23.6
Income support.....	5.3	11.3
Health.....	8.1	19.5

	1971	1976
Education.....	4.4	5.8
Fiscal relief for States and localities.....	.....	2.7
Metropolitan development.....	1.2	2.5
Housing.....	.8	1.1
Transportation.....	3.6	2.5
Environment and natural resources.....	1.6	1.5
Family planning and population growth.....	.....	.1
Rural development and agriculture.....	2.8	1.7
Research and development.....	2.8	2.1
Law enforcement and criminal justice.....	.4	1.1
Equal opportunity.....	.1	.1
Consumer protection.....	.1	.1
National defense and military assistance.....	35.0	14.3
Foreign economic assistance.....	1.4	2.1
Net interests.....	6.9	5.6
Other activities.....	1.7	.....
Total.....	100.0	100.0

REVENUES AND ECONOMIC POLICY

Our budget proposes that federal outlays rise from their 1971 total of \$212.8 billion to \$353.5 billion in 1976—an increase of nearly \$141 billion. This increase will be possible only if additional revenues are collected by implementing new tax measures and producing a healthy rate of economic growth—both of which will require an active federal role.

Restoration of full employment represents the first step towards putting the national economy back on a sound footing. The federal government can contribute greatly to the attainment of this objective by stimulating economic growth through the enactment of sizeable budget deficits in 1972 and 1973.¹ Creation and support of a large public service employment program is another federal ac-

	1971	1972	1973	1974	1975	1976
GNP.....	1,004	1,094	1,190	1,288	1,388	1,489
GNP price deflation.....	100.0	103.3	106.5	109.7	113.0	116.4
Consumer Price Index.....	100.0	104.1	108.2	112.3	116.6	121.0
Unemployment rate.....	5.6	5.0	4.0	3.5	3.5	3.5

These projections suggest then that 1976 federal revenues under existing tax laws will amount to \$284 billion. Since our 1976 budget outlays are nearly \$70 billion greater than these expected resources, it is clear that additional revenues will be necessary to finance our recommended outlays.⁷ These revenues will have to be raised through taxation.

We have recommended changes in the social security and unemployment insurance payroll taxes, a new tax on individual incomes and corporate payrolls which will finance a significant portion of National Health Insurance, and increased reliance on user charges, particularly for certain transportation purposes. The total additional revenue from these tax changes would amount to slightly more than \$44 billion—still \$24 billion less than would be needed to pay for the

Footnotes at end of article.

TABLE 1.4.—THE BUDGET AT A GLANCE¹

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Receipts.....	194,193	217,593	213,600	241,900	303,500	328,100	353,505
Outlays.....	212,755	229,232	230,824	242,428	301,377	327,827	353,480
Surplus (deficit).....	(18,567)	(11,639)	(17,124)	(528)	2,123	273	15

¹ Budget outlays on the unified budget basis employed here do not include tax expenditures—selective reductions in tax liabilities designed to achieve particular social and economic objectives. Tax expenditures have the same fiscal impact as a direct increase in budget outlays. Examples of tax expenditures include deductions for mortgage interest on owner-occupied homes, medical expenses, and charitable contributions, the exemption of interest on State and local debt, and the exclusion of interest on life insurance policies. Tax expenditures for all purposes totaled \$47,200,000,000 in 1969.

THE SCOPE OF CHANGE

Our proposed budgets hardly portend revolutionary changes. Under our recommendations, the public sector would receive a higher portion of America's total economic resources, but still not as high a portion as in

most Western European countries. Federal government spending, which has remained a virtually constant 20 per cent of GNP since 1950, would increase under our recommendations to 23.7 per cent of GNP in 1976.

Similarly the new programs we propose, al-

though innovative, can hardly be considered radical. Most are already seriously and widely discussed as public policy alternatives; many have long been law in Western European democracies.

tion that would serve to reduce the jobless rate and increase economic activity. In addition, a monetary policy that will assure the liquidity necessary for such an expansionary fiscal policy is essential. Reducing unemployment from its present 6 per cent level to the full-employment standard of less than 4 per cent will require a real growth rate of more than 5 per cent a year between now and 1974 with a rate of at least 4 per cent in the years thereafter. If such expansionary fiscal and monetary policies are to be pursued without engendering a runaway inflation, the federal government will have to resort to much stronger measures to prevent excessive price and wage increases than those being used today. The first step ought to be the full application of the great power of the office of the President on uncooperative corporations and labor unions. If suasion proves inadequate, serious consideration should be given to adoption of formal price-wage guidelines or—as a last resort—price and wage controls.

Rapid economic growth without excessive inflation also will serve as a major source of the additional tax revenues so sorely needed at all levels of government. Financing our recommended programs will take about \$159 billion in new federal revenues over the next five years—the difference between estimated 1971 federal revenues of \$194 billion and required 1976 revenues of \$353 billion. We estimate⁸ that the rate of economic growth required to restore full-employment will produce \$90 billion in new federal tax revenues. This fiscal dividend of \$90 billion will account for 55 per cent of the \$159 billion in total new federal revenue needed.

recommended \$353.5 billion in outlays we propose.

We recommend reforms in federal estate and gift taxes and individual and corporate income taxes primarily to make these taxes more equitable. These reforms would yield nearly \$6 billion more annually in taxes.

Despite all these increased yields, federal revenues in 1976 would still fall about \$18 billion short of total outlays in our budget. Therefore, we urge adoption of a 10 per cent surtax on individual income and corporate profits to make up this deficit. However, we recommend that this surtax be instituted only after the economy has returned to full employment and only after we have achieved tax reform designed to make our tax system more equitable.

These spending and revenue recommendations would produce the following budget patterns:

In fact, we have been criticized by some

people for our lack of daring and farsightedness. Our only defense is that we consciously worked within a five-year framework; our budgets are for 1972-1976 and not for the year 2000. Much of what we hope will be accomplished by the latter year simply cannot be accomplished by 1976 because of economic, manpower, and time constraints.

Despite the significant increase we propose in the federal budget, our recommendations do not imply a burgeoning federal bureaucracy of a great increase in federal power at the expense of states and localities.

Most of the higher cost new programs recommended require little administrative effort other than determination of eligibility—which can be accomplished through recourse to existing Social Security or Internal Revenue records which are highly mechanized. Many of the recommended federal programs providing aid to states and localities are designed to strengthen the capabilities of those jurisdictions to cope with their own problems.

Nor are we laboring under any illusions that more spending, in itself, will allow us to accomplish our goals. More federal spending—viewed as an investment which will provide widespread benefit to the American people—clearly is necessary. The social costs of not making this investment would be far higher than the actual expenditures we recommend. But it is true that money alone can not assure we reach our goals. Reform is needed at all levels of government.

On the federal level, the amount of red tape required of applicants for federal aid must be greatly reduced. The interest of the consumer and of the public must be built into the federal decision-making process to counterbalance the special interests that have too often dominated in the past. Finally, the federal government must develop its capacity to evaluate, with maximum candor, the efficacy of its own programs. All too often, federal programs have an impact far removed from original intent. Until we are able to evaluate our efforts, a truly rational formulation of public policy will be impossible, even by men of the best will.

State and local governments must be far more responsive to the needs of their citizens than they have been in the past. More and better planning will be necessary if these jurisdictions are to make effective use of increased federal funds. So will cooperation among adjoining metropolitan jurisdictions, since so many physical and social problems span legal borders. In particular, suburban jurisdictions must contribute to the solution of problems in the central cities; they must be prevented from intensifying the city's problems by maintaining segregated schools and housing. All of these developments should be encouraged by incentives and/or requirements that are tied to receipt of federal funds.

Finally, a word about commitment. No one doubts that we possess the resources and knowledge to reach our goals. What we have lacked in the past has been the will. William James once defined courage as "the capacity to will effectively." This is the capacity we must summon. If we do, we can find again the reserves of vitality that can lead us to the attainment of our ideals as a nation—whether they be in this set of national priorities or in one that the reader may wish to devise for himself.

FOOTNOTES

¹ Years are federal Fiscal Years unless otherwise stated.

² Charles Schultze, *Setting National Priorities, The 1971 Budget*, Washington, D.C. Brookings Institution, 1970, p. vii.

³ All dollar figures are "current"—i.e., adjusted for inflation—rather than "real".

Thus since we project inflation as measured by the consumer price index, will be 21% between 1971-1976, \$121 billion in 1976 would purchase the same amount of goods and services that \$100 billion can purchase in 1971.

⁴ As measured by the GNP deflator; the consumer price index can be expected to rise by 21%.

⁵ Our recommended budget expenditure levels are set at the full employment surplus level, the level of revenues which would be produced if the economy was at full employment. For 1974-1976, when we assume that full employment will be achieved, our proposed budgets show very slight surpluses of revenues over outlays. In 1972 and 1973, actual deficits are recommended because full employment will not have been achieved.

⁶ We base our revenue projections on the following key economic assumptions:

⁷ Nearly \$115 billion of our proposed outlays in 1976 will be financed from revenues raised through trust funds such as unemployment insurance, social security, and a significant portion of health insurance outlays. This is an increase of \$55 billion over similar 1971 outlays. As a result, while total outlays would increase by \$140 billion, outlays from general revenues and other federal funds would increase by only \$85 billion—from \$153.5 billion to \$238.5 billion.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 2

HON. JAMES G. O'HARA

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. O'HARA. Mr. Speaker, I include chapter 2 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 2. EMPLOYMENT AND MANPOWER

Nearly 25 years ago, America pledged itself to full employment . . . The pledge undertaken in 1946 remains a promise rather than a reality . . . we can reduce unemployment, in the long run, far below the figure of 3.8 per cent termed 'full' employment . . . while still retaining stable prices.

There is no more sharply meaningful national economic indicator than the rate of unemployment. The production of the American worker and the purchasing power of the paycheck he or she brings home are the energy poles of the American economic dynamo. When a worker is laid off not only is his production lost—his purchases are curtailed, his credit is cut off, and his savings are drained. The dynamo loses a bit of its energy.

Each increase of 0.1 per cent in the rate of unemployment translates to 86,000 men and women made idle. The economic cost of their enforced idleness is enormous, but the damage in terms of personal lives—the effects of unemployment on individuals, families, and communities—should be of equal concern in making the governmental choices which affect the level of employment in the nation.

Recognizing the debilitating impact of unemployment, America nearly 25 years ago pledged itself to full employment. The Employment Act of 1946 declared that the federal government has the responsibility for creating and maintaining "conditions under

which there will be afforded useful employment opportunities, including self-employment, for those able, willing and seeking to work, and to promote maximum employment, production, and purchasing power."

In December 1970, however, the unemployment rate exceeded six per cent, a figure far beyond any definition of "full employment." The unemployment rate is much higher for youth and much higher still for black youth.¹ The pledge undertaken in 1946 remains a promise rather than a reality. The goal of public policy has already been declared, but we have not yet taken the necessary steps towards fulfilling it.

The first step towards full employment is to improve the performance of the American economy. If the economy is operating at or near full capacity, unemployment will be low. Therefore, maximum utilization of America's prodigious productive capacity together with maintenance of a healthy rate of economic growth (in excess of 4 per cent over the long-term) should be the primary goals of national economic policy.

A high level of aggregate demand (total demand for goods and services) in the economy will ensure the availability of jobs. But historically, high levels of demand and unemployment rates below 4 percent have been accompanied by price instability.

This association of events has given rise to the assumption that an unemployment rate near 4 per cent represents "full employment" and that attempts to reduce the unemployment rate further will have an inflationary effect on wages and prices, since all workers who possess useful skills will already be fully employed. However, manpower specialists are aware that the rate of unemployment we call full employment (the President's 1970 *Economic Report* assumes a 3.8 per cent unemployment rate as the "full employment" indicator) is not the best we can achieve but reflects correctable defects in the labor market. Acceptance of a 4 per cent rate of unemployment represents a loss to the nation of the productivity and purchasing power of millions of workers. These "structural" deficiencies include:

A. Mismatch of skills between job seekers and available jobs;

Inadequate mobility in the labor market which makes it difficult to match job seekers with available jobs within their skill range;

Racial, sexual, and religious discrimination in the labor market.

By successfully attacking these structural problems and by achieving high levels of productivity increase, we should be able to reduce unemployment, in the long run, far below 3.8 percent while still retaining stable prices (less than a 3 percent increase yearly). However, in the short run, there will continue to be problems in achieving simultaneously high levels of employment and price stability. There are several alternative policies to cope with this short-run dilemma:

A. Decrease aggregate demand (through monetary and fiscal policies) and accept higher levels of unemployment in order to achieve stable prices.

B. Decrease aggregate demand but expand public service employment as unemployment increases, paying for the expanded public service employment out of increased taxes.

C. Accept higher price levels in order to avoid higher unemployment.

D. Institute short-term guidelines or controls on credit, wages and prices in order to maintain high employment and stable prices.

Traditionally America has opted for alter-

¹ More than nine per cent for those aged 20-24; 14 percent for Negroes within that age group.

native (A), while most Western countries facing the same dilemma have opted for alternatives (B), (C), and/or (D). As a result, except during wartime, America has not been able to move its unemployment rate much below 4 percent without "unacceptable" price inflation. However, as the example of European countries has shown, the unemployment rate can be pushed much lower if we are willing to revise our attitude concerning what constitutes an "unacceptable" rate of inflation. We strongly recommend that a higher rate of inflation be accepted in the short-term, if that factor should prove necessary for the reduction of unemployment significantly below 4 percent. The short-term cost of such a policy, is preferable to the irretrievable social and human misery brought on by unemployment. Paul Samuelson, Nobel Prize economics laureate, has recently declared his conviction that, however undesirable, we may have to live with a 4 percent rate of price increase for the next few years.

If inflation exceeds even this level (4 percent) we recommend that efforts to decrease aggregate demand not be concentrated solely in the area of monetary policy. Higher interest rates have an adverse impact on the average American through the higher cost of credit, both consumer and mortgage. Raising taxes—particularly after the tax reform recommended in Chapter 21 of this report—would result in decreasing excess demands for goods and services where such demands are really excess: at the higher income levels. In order to avoid unemployment, tax increases to combat inflation should be accompanied by an expanded public service employment program. However, if fiscal policy is to be effective it must become more flexible. The President must be given some power to raise or lower taxes within specified limits, as the economic conditions warrant.

Should moderate fiscal and monetary efforts not be sufficient, serious consideration should be given to short-term selective controls or incentives over credit wages and prices as a preferable alternative to massive efforts to cut demand. There is a variety of possible policies: "jawboning", guidelines, creation of a wage-price review commission, and direct governmental controls. Any one or some combination of these incentives or controls might prove a greatly desirable alternative to high unemployment and sluggish growth.

Indeed, the American economy must achieve still higher growth rates to absorb the expected rapid increase in the civilian labor force. Growth in the labor force—which we estimate will easily exceed ten million people between now and 1976²—will occur because:

The number of Americans eligible to enter the labor force will increase by 15 million between 1970-1976.

² Unless otherwise indicated, each reference to a year is to the federal fiscal year (F.Y.)

Military personnel, not counted as part of the civilian labor force, are being reduced. In 1971, there were 3,000,000 Americans in the military. Under our recommendations, only 2,000,000 people would be serving in the armed forces in 1976. As a result more Americans will enter the civilian labor force. (Measures to help ex-military and military-related workers to enter peacetime jobs are discussed in Chapter 3.)

A higher percentage of women can be expected to enter the labor force due to changing perceptions of the role of women in our society, greater provisions for child care, and the gradual breakdown of sexual discrimination in the labor market. In 1969 approximately 43 per cent of American women were in the labor force compared to 33 per cent in 1949.

As opportunity for employment increases, "discouraged workers" will enter or re-enter the labor force. According to 1970 Labor Department estimates, nearly 700,000 people were not in the labor force because they felt they would not be able to get a job. These people are not counted as unemployed. If they were, the December 1970, unemployment rate (seasonally adjusted) would have been 6.8 per cent, rather than 6.2 per cent.

In addition to a substantial increase in the labor force, America will be absorbing the uncertain impact of advancing technology and automation. It is clear we will be able to produce more goods with fewer workers. Some economists have predicted a permanent employment crisis with machines replacing men as the major productive resource. Such a crisis has not proved as imminent as earlier proponents of this thesis once argued. But the possibility is nonetheless real and threatens most basic assumptions of manpower planning, including a fundamental value of American society—the "work ethic."

Work has long been viewed as a normal condition of life for American men; it is increasingly becoming so for women. Indeed the lack of employment on the part of an able-bodied male adult has been viewed traditionally as a sure sign of moral unworthiness. At the same time human labor was and is necessary to produce the goods America desires. But if the technology of the future enables us to continue increasing production while employing a relatively smaller portion of the labor force, would work still be considered desirable for moral reasons?

Some economic philosophers, such as Robert Theobald, suggest that we must abandon our adherence to the work ethic and accept leisure rather than work as the normal and desired condition of most Americans. There are public policy choices which would hasten movement towards this kind of society. Examples of such policies include the setting of a very high minimum wage or a very high level of guaranteed income; either would tend to encourage substitution of capital for labor in the production process.

However, many other observers insist that

the work ethic continues to be valid and neither can nor should be changed. In their view, work should be the normal condition for most Americans and public policy choices should ensure that widespread unemployment does not result from advancing technology and increasing productivity. Policy choices which would enhance this kind of society include devices permitting more people to be employed for shorter periods of time (shorter work weeks, longer vacations, etc.) or a conscious acceptance of less productivity and efficiency in order to keep more Americans employed.

These are fundamental choices—the path taken will shape America's future. Clearly, however, within the next five years—our time framework—attitudinal changes are likely to be incremental rather than basic. During that time, the work ethic will not disappear and full employment will remain a primary American value and goal. Although the impact of technology during that immediate period is uncertain, we can say with confidence that the trend towards more jobs in services and human relations will continue and accelerate. This will occur partly because goods-producing jobs are more easily automated and partly because rising income and education have created a greater demand for services, both in the private and public sectors.

PUBLIC SERVICE EMPLOYMENT

In order to avoid a serious long-term unemployment problem, jobs must be created and skills developed in sectors which will grow as a result of these changing demand patterns.

In the private sector, jobs will be created as a matter of course in response to consumer demands as long as a healthy growth rate is maintained. The public sector, however, does not respond as directly to changes in demand. Nevertheless, it is in the public sector where much of the increased demand for services exists.

It is difficult to project precisely the total national scope of need. The National Commission on Technology, Automation, and Economic Progress has estimated that the public sector as a whole could productively absorb several million additional employees, mostly in jobs which are needed, but do not now formally exist. These jobs are not being done because, unlike the private sector where the cost of labor is paid for by selling products, public employee wages must be paid from extremely scarce tax revenues.

In a 1968 sample survey taken for the National Urban Coalition, mayors of 34 cities of over 100,000 population listed the numbers of additional workers they then needed to carry out necessary municipal services but could not hire chiefly due to lack of revenues. Their response indicated that the nation's 130 cities over 100,000 population had an immediate need for more than 140,000 new employees in 13 categories of municipal services ranging from education to police. The needs of these cities have undoubtedly increased since 1968.

TABLE 2.1.— PROJECTION OF ADDITIONAL NONPROFESSIONAL PUBLIC SERVICE JOB POSSIBILITIES IN 130 CITIES WITH POPULATION OF 100,000 OR MORE, BY POPULATION SIZE, 1968

Function or program	Population size				Function or program	Population size			
	Total (130 cities)	100,000-250,000 (80 cities)	250,000-750,000 (40 cities)	750,000 or more (10 cities)		Total (130 cities)	100,000-250,000 (80 cities)	250,000-750,000 (40 cities)	750,000 or more (10 cities)
Total	141,144	44,920	40,580	55,644	Library	3,159	1,176	908	1,075
Antipollution enforcement	900	568	232	100	Police	11,616	2,360	3,916	5,340
Education	39,134	10,704	15,000	13,430	Fire	5,390	2,720	1,648	1,022
General administration	5,313	2,864	1,236	1,213	Recreation and parks	14,359	5,696	2,900	5,763
Health and hospitals	18,790	6,120	6,596	6,074	Urban renewal (or rehabilitation), including Model Cities	7,800	5,304	1,104	1,392
Highway and/or traffic	7,179	3,608	2,168	1,403	Sanitation	7,534	2,816	1,868	2,850
Housing codes and inspection	1,473	440	576	457	Welfare	18,497	544	2,428	15,525

Note: Based on replies of 34 cities. Excludes answers to "other" categories.

Source: Harold Sheppard, *The Nature of the Job Problem and the Role of New Public Service Employment*, January 1969, the W. E. Upjohn Institute for Employment Research, p. 25.

Very limited public service employment programs already exist, but the federal government does not now provide salary support for participants. The lack of salary support greatly limits the potential usefulness of these programs. We recommend that the federal government provide state and local governments and non-profit public service organizations with a grant of \$4500 yearly for each job created. The recipient jurisdiction would be required to match that grant with at least a \$1000 contribution of its own. The grant would primarily apply towards salary and initial training costs, but could also be applied towards administrative cost. The employee would receive at least the national minimum wage or the prevailing minimum wage in the area, whichever is higher.

The federal government would specify the categories of jobs for which grants could be used. Eligible categories would include both paraprofessionals and professionals in health, law enforcement, education, environmental control, etc. In order to qualify for grants, recipient governments or organizations would have to ensure that the created jobs provide entry level employees with opportunities for advancement.

We estimate that state and local governments could absorb 250,000 public service jobs during 1972 and an additional 350,000 the following year. By 1976, a total of one million public service jobs should be created by the recommended program; the number could be further expanded if unemployment rises occurred. Total employment would increase by more than the number of public service jobs created since these new jobs would likely be held by individuals who tend to consume a relatively high portion of their incomes, thereby boosting aggregate demand.

The precise impact on the unemployment rate of this recommended public service employment program is difficult to assess because it is unclear how many of the newly created jobs would go to the unemployed and how many to those just entering the labor force. However, we estimate the unemployment rate would be reduced to 4.0 per cent in 1973 and to 3.5 per cent or below thereafter. This would mark the best nonwartime national performance in forty years. Federal outlays for this public service employment program would amount to \$1.1 billion in 1972, and \$4.5 billion in 1976. However, these outlays would be partially offset by increased taxes paid by the workers entering the public service jobs.

IMPROVING STRUCTURAL DEFICIENCIES

Manpower training programs are intended to provide jobs for participants while at the same time lowering the unemployment rate. Judged by these criteria, the programs have been a disappointment. Without changes, there is no reason to expect improvement.

In theory, manpower training programs can reduce unemployment rates that are already relatively low. By training workers in areas of skill shortages (i.e., alleviating "bot-

tleneck" problems) and linking training programs directly to job openings in these areas, the total number of people employed can be increased and the inflationary effects of labor scarcity reduced. Unfortunately, efforts to train for bottleneck areas have not shown success in the past; manpower training programs during periods of high employment have not led to jobs. Rather they have served as income maintenance programs for participants.

During times of less than full employment, manpower training programs cannot be expected, even in theory, to lead directly to a job or to affect the unemployment rate significantly. In a tight job market, job openings requiring relatively low skills are scarce. In the absence of a job creation program and with no change in the national economy's performance, the only way significant numbers of people can become employed directly as a result of manpower training programs is if they replace currently employed workers.

The justification of manpower training programs during times of less than full employment is either as a form of income maintenance (since they provide living allowances) or as an opportunity for the unemployed to acquire relevant skills so that when the economy improves they will be in a position to secure jobs. Particularly as advancing technology renders many present skills outmoded, manpower training programs can play an important role in upgrading the abilities of the labor force.

Present manpower training programs have focused almost totally on the unemployed and particularly on unemployed youth. These programs have not by themselves been very successful. Enrollees are usually very unskilled when they enter; when they leave they are often unable to find employment utilizing the modest skills they may have acquired. The recommended public service employment program (including the training associated with it) would seem much more appropriate a program for unemployed youth. Manpower training programs in the future should concentrate on skill upgrading, particularly for the underemployed poor and lower-middle income workers and for labor force re-entrants.

In 1970, 1,350,000 individuals³ were enrolled in manpower training programs. We expect this number to rise to nearly 1,900,000 by 1976.

Administration of manpower training must undergo a great deal of improvement if these efforts are to be effective. Currently there is a bewildering patchwork of programs, many of them with separate delivery systems. There is almost unanimous agreement that the various programs should be consolidated and that manpower funds should be distributed with greater attention to local need.

³ Expressed in man-years. Since the average period in a program is less than one year, many more individuals actually participated.

We proposed that a portion of federal manpower funds be set aside for consolidated manpower grants to cities over 75,000 in population. A city would be eligible for this grant upon presentation to the federal government of a manpower plan satisfying clear federal standards. The remaining portion of federal manpower and training funds would be given to states, upon receipt of a state manpower plan, for distribution among their various localities under 75,000 population. A federal distribution formula based on local unemployment rates, total number of unemployed, and per capita income would determine allocation of the funds among various cities and states.

In order to encourage widespread participation in manpower training programs, day-care facilities should be made available to all enrollees. Indeed, our recommendations on day care, Chapter 6, would make these facilities available.

Better basic education, more effective attacks on racial and sexual discrimination, improved labor market mobility and effective manpower training programs will all be necessary if we are to achieve high employment with reasonable price stability. We recommend (Chapter 6) significantly increased funding for all levels of education, and particularly for career preparation and continuing education. The civil rights section (Chapter 16) explicitly outlines adequately funded programs to achieve an end to racial and sexual discrimination in employment.

A major barrier to labor mobility is the ineffectiveness of present job placement services. Federal responsibility in this area lies with the Federal-State Employment Service system. The ability of this system to respond to the needs of the unemployed has been seriously questioned.

An effective job placement system must be nationwide in scope. The present, largely state-controlled system is obsolete. Foremost among the changes needed is the federalization of the Employment Service to permit it to pursue national policy and national goals. A second basic change would entail a significant upgrading of Employment Service personnel through training. Establishment of some higher salary positions would attract more qualified persons. We also recommend intensive research efforts to develop more effective job placement systems including further development of computerized job banks. These actions combined with reforms in unemployment insurance (Chapter 4) should make involuntary unemployment both less difficult financially and shorter in duration.

We recommend that a relocation allowance be provided as an adjustment benefit for workers displaced from defense-related industries during the next two years (Chapter 3). The impact and cost of this program should be studied to determine if it should be extended to include other unemployed workers.

TABLE 2.2.—EMPLOYMENT AND MANPOWER
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Public service employment ¹	97		1,125	2,700	3,150	3,937	4,500
Number of jobs (thousands)			(250)	(600)	(750)	(875)	(1,000)
Manpower training grants ²	1,585	1,809	1,293	2,050	2,463	2,246	2,074
Vocational rehabilitation ³	604	620	676	703	730	758	787
U.S. Employment Service Administration	344	363	450	500	550	575	600
Research and development	176	176	250	340	412	420	420
Total	2,806	2,968	4,394	6,293	7,305	7,936	8,381

¹ Public service includes mainstream and public service careers.

² Child care components not included here; they are included instead in education budget.

³ Vocational rehabilitation includes veterans vocational rehabilitation.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 3

HON. F. BRADFORD MORSE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. MORSE. Mr. Speaker, I include chapter 3 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 3. ECONOMIC CONVERSION

We are already in the midst of a substantial defense cutback, yet unemployed defense workers receive virtually no assistance in their efforts to find employment in an economy with virtually no growth.

The sharp defense spending cut expected at the end of the war in Southeast Asia will produce jarring economic hardship for some segments of American society. The experience is hardly new in America. Government policy changes such as military demobilization, closing of military bases, and liberalization of trade agreements all have caused acute adjustment problems for certain workers, companies, and geographical areas. The federal government has in the past done little to alleviate the undesirable side effects of its policy changes. However, the major shift in government spending—from overseas destruction to building at home—recommended in this report requires federal action to assure that these side effects do not become insuperable political obstacles.

We are already faced with major conversion problems as our military involvement in Southeast Asia—and defense spending associated with it—winds down. These conversion problems will be intensified by any further reductions in the defense budget. We have recommended a real decrease in defense spending of approximately \$12 billion beyond that which is directly attributable to a decrease of spending in Vietnam.

Defense spending is currently an important component of our economy. At the height of the Vietnam War (1968) more than 10 percent of our national labor force was employed in defense-related jobs. This percentage has already dropped substantially due to decreased Vietnam spending and is expected to reach 7.4 percent by the end of 1971.¹ Assuming that the additional cuts in the defense budget we recommend are made, defense related employment should fall to about 5.5 percent of the national labor force by 1973 and well below 5 percent by 1976.

The decrease in defense employment will occur in three areas: armed forces personnel, Department of Defense civilian employees, and employees of defense-related industries (military hardware producers and their primary suppliers). After our recommended cuts, 3.6 million fewer Americans would be employed in defense jobs by 1973 than in 1968. According to Defense Department estimates, nearly 2.2 million of these jobs will have disappeared by June 1971.

TABLE 3:1.—DEFENSE RELATED EMPLOYMENT AND PROJECTIONS
(In millions)

	End of fiscal year—				
	1968	1971	1972	1973	1975
Defense related employment:					
Armed Forces.....	3.5	3.6	2.1	2.0	2.0
Civil service.....	1.3	1.1	1.0	.9	.9
Industry defense-related.	3.5	2.4	2.2	1.9	1.9
Total.....	8.3	6.1	5.3	4.8	4.8

Footnotes at end of article.

The resulting unemployment will hit certain skills, industries, and geographic areas. Large numbers of highly trained specialists—engineers, physicists, systems analysts—will lose their jobs, as will even larger numbers of skilled workers—craftsmen, foremen, and operatives. The aircraft, ordnance, and communications and electronics industries will be particularly hard hit. Since these industries are concentrated in a few geographic areas, the economy of those areas will also suffer. Seattle, Los Angeles, San Diego, Ft. Worth, Bridgeport, and Cambridge-Boston are already feeling significant stress.

Yet the federal government has no clear policies to relieve these problems of its own making. Although we are now in the midst of a substantial defense cutback, unemployed defense workers receive virtually no assistance in their efforts to find employment in an economy with virtually no growth.

The problem of economic conversion is not one without precedent for the U.S. economy. Defense spending fell from 37.5 percent of GNP at the end of World War II (1945) to only 6.6 percent in 1947. In the same period, almost 10 million men and women were demobilized from the armed forces. However, post-World War II conversion was bolstered by a backlog of savings and consumer demand which has been pent up during four years of total mobilization.

Economists agree that maintenance of aggregate demand (total demand for goods and services) is the primary requirement for assurance of a smooth transition period, and that the federal government must assure other expenditures are substituted for declining defense outlays. Certainly there will be no difficulty finding alternative uses for federal funds. There are tremendous unmet needs—in metropolitan development, health, housing, income maintenance, fiscal relief to states and localities, education, pollution control and other areas. We have recommended increases totaling \$54 billion in federal non-defense spending by 1973 (over 1971 levels). These spending increases should assure a healthy growth rate in the overall national economy and prevent any rise in the national unemployment rate. Nonetheless, there will be microeconomic problems concentrated among the occupations, industries, and geographical areas we have already mentioned. Specific policies must be devised to deal with these problems.

Unemployed Workers: Programs suggested elsewhere in the report will do much to ease the conversion of workers from defense-related to other employment. These include improvements in unemployment insurance, a cash assistance program, and a public service employment program (See Chapter 4). However, a more specific supplementary program of assistance should be provided immediately for the "conversion unemployed."

The model for such a program already exists for workers displaced as a result of the Trade Expansion Act of 1962. Provisions from that Act could form the basis of an adjustment assistance program meeting the needs of former defense workers.

The new program would guarantee eligible workers an income equal to 75 per cent of their previous salary for a year. A former defense worker working at another job at less than 75 per cent of his previous salary would receive adjustment assistance sufficient to bring his total salary to the guaranteed level. Some lower paid recipients would become eligible for cash assistance grants (with the adjustment grants considered earned income). Workers receiving adjustment assistance would, of course, not be eligible for unemployment insurance.

Suitable employment for some workers might only be available in other cities or states. Therefore we recommend eligible workers be provided with a relocation allowance to give them the necessary mobility for seeking other jobs. The relocation allow-

ance would cover moving expenses plus a "tiding over" payment equal to 2½ weeks of the worker's previous salary. We estimate total costs of such programs would be \$1.6 billion in 1972 and \$1.4 billion in 1973.²

The defense-related unemployed should also be given preference in the proposed public service employment program and manpower training programs. The unique component of the "conversion unemployed" population will be scientists, engineers, and technicians whose skills are directly related to military needs and are no longer in great demand in the economy. The education and talents of these individuals constitute a valuable national resource. They should be directed toward new needs and problems. We can expect—and our budget would encourage—increased demand for engineering and design skills in mass transit, pollution control and housing. We propose "conversion fellowships" be made available to enable highly skilled people to return to school for retraining in whatever area they wish. The conversion fellowship would pay full tuition for two years and would provide a \$6,000 living allowance the second year (the recipient would be receiving adjustment assistance the first year). One hundred thousand of these fellowships would be made available over the next three years.

Military discharges, many of whom are unskilled, will also need better programs to aid their re-entry into civilian life. The number of discharges is now about double that of pre-Vietnam years (about 1 million in 1970 compared to 550,000 yearly from 1963-1965). Approximately 840,000 and 580,000 servicemen will be discharged in 1972 and 1973 respectively under our recommended defense posture. Discharges would level off at 400,000 through 1974-76.

The unemployment rate of war veterans aged 20-29 was 6.5 per cent in March, 1970, a full percentage point above that of non-veterans of the same age. Clearly present programs of pre-discharge counselling and training must be greatly improved and expanded. Counselling should be available to all and training in civilian employment skills should be offered. Cost of these programs would be \$100 million in 1972, and \$65 million in 1973. In 1971, the total cost for these programs was \$14 million.

Veterans education (G.I. Bill) participation rates are far below those experienced with World War II veterans. Approximately 15 per cent of Vietnam veterans are now enrolled in schools. We should attempt to increase participation to 20 per cent by 1974. Less than 10 per cent of military discharges participate in Veterans On-the-Job Training programs; a figure which we expect to increase to 15 per cent immediately and fall back to 10 per cent by 1974.

Disadvantaged Areas: Some states and localities face localized depressions as large defense-related industries or military bases are closed or cut back.

The Office of Economic Adjustment in the Department of Defense was set up in 1961 to provide planning and technical assistance for communities suffering the consequences of defense cutbacks of any kind. However, the Office has worked solely with communities affected by shutdowns of military bases. It has assisted more than 100 communities. The Economic Development Administration (EDA) also is authorized to assist communities where bases have closed (if unemployment exceeds the national average by 50 per cent). Assistance includes grants and loan guarantees for new or expanding commercial or industrial firms.

We recommend that a new Office of Economic Conversion be created to provide technical and planning assistance to communities affected by declines in defense-related spending or other government-induced conversion problems. The office would also coordinate (but not run) other governmental programs which can assist

such communities. Primary among these would be EDA assistance, which should be made available to affected communities.

Disadvantaged firms: A number of economic conversion schemes have proposed mechanisms to encourage defense firms to diversify or convert to civilian production. However, there is widespread doubt concerning the ability of major defense contractors to convert effectively. In many cases top management is unfamiliar with the competi-

tive world of the commercial market place; major defense concerns often have low capitalization, limited generalized marketing capacity, and insufficient experience in producing high-volume output at low unit cost. It is not surprising that there is a discouraging history of failure in commercial diversification efforts by defense firms. In this context, there is no compelling reason to artificially protect defense firms from the healthy competition of the market. Those

which are able to adapt will survive of their own accord.

FOOTNOTES

¹ Years are federal Fiscal Years unless otherwise stated.

² This estimate assumes 720,000 laid-off defense workers with an average previously weekly salary of \$200 for an average duration of 12 weeks in 1972, and 660,000 in 1973. We estimate 30 per cent of the total laid off will move at an average cost of \$450.

TABLE 3:2.—ECONOMIC CONVERSION

[Outlays, in millions of current dollars]

	Administration—		Urban coalition recommendations—				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Adjustment assistance.....			1,347	1,228			
Relocation assistance.....			212	199			
Conversion fellowships.....			90	267	174	39	
Predischarge counseling and manpower training.....	14	13	98	71	51	52	54
Veterans on-the-job training ¹	164	203	197	141	67	70	73
Total².....	178	216	1,944	1,906	292	161	127

¹ Counted here rather than in budget for employment and manpower training.

² Veterans' education outlays subsumed under education budget and not included in totals here

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 4

HON. LOUIS STOKES

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. STOKES. Mr. Speaker, I include chapter 4 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 4. INCOME MAINTENANCE; SOCIAL INSURANCE AND INCOME SUPPORT

As a consequence of our recommendations, poverty in America would be officially eliminated.

The budget proposed in this report is a budget for a growing, productive America. Programs and policies assume an economy providing a high level of employment and a government goal of assuring a decent job at a decent wage for all Americans. Therefore we expect most Americans will continue to rely on wages and salaries from employment for a high portion of their income. As a result, recommendations made elsewhere probably will affect most Americans more than specific proposals in this chapter.¹

Yet there are some Americans who do not receive an adequate share of the benefits of the economy even when it is operating at full capacity. For these Americans, wages from employment will not suffice. In 1969, nearly 24 million persons lived on incomes below the subsistence level as calculated by the Census Bureau (\$3,743 for a family of four in 1969).² Projections suggest that in 1976, under present income maintenance programs, 21 million will still be below the poverty line.³

There is not space in this report, nor is there any longer need, to justify federal efforts to eliminate poverty. That goal is clearly stated in the Economic Opportunity Act of 1965, and it has been incorporated to some degree in almost every activity of the federal government. Numerous government programs are designed to assist poor people to become independent wage earners; these range from training of individuals to pro-

grams to stimulate the economic growth of regions. From our projections above, it can be seen that we expect these efforts, in a growing economy, to have significant effects in reducing the number and percentage of Americans living in poverty. Nevertheless there will remain, in 1976, the 21 million people unable to pay for basic needs, and additional millions lacking an acceptable standard of living even though they are able to sustain themselves.

The continued existence of poverty will have widespread consequences. Inadequate income not infrequently means inadequate health, housing, and education. In addition, society as a whole suffers both through loss of economic productivity (resulting in a lowered Gross National Product) and through unrealized human potential.

The causes of poverty and inadequate income are many—inadequate employment opportunity in the economy, lack of skills, disability, old age and family responsibilities. Income maintenance programs to supplement income from productive employment must be designed to deal with people in these widely divergent circumstances. Present government programs provide both *in-kind assistance* (food stamps, housing subsidies, Medicare) and *cash assistance*. There are two basic ways the government supplies cash: *social insurance*, such as Social Security and Unemployment Compensation, and *income support* such as Aid to Families with Dependent Children and Old Age Assistance.

In general, we favor cash rather than in-kind assistance since the recipient is provided with a greater degree of personal freedom and dignity in determining how to allocate his personal resources. However, in those cases where supply (particularly in housing and health care) does not readily expand to meet increased demand from low-income families, in-kind assistance must be continued, at least until the imbalance is corrected.

Present social insurance programs are deficient in both the extent of coverage and benefit levels. Social Security, probably the soundest of all income maintenance programs, nonetheless does not provide adequate benefits for many recipients. Large numbers of workers are not covered by Unemployment Insurance: Those who are covered receive an average of only 34 percent of their previous weekly wage.

Present income support programs, particularly Aid to Families with Dependent Children (AFDC), have been widely criticized by

nearly all elements of American society. AFDC's defects include the following:

Benefit levels vary widely from state to state and are insufficient almost everywhere.

The program is structured in many States to encourage family break-ups.

The program affords recipients little incentive to work.

Both kinds of programs must be expanded to assure every household an adequate income. Greatly improved social insurance programs must be provided for Americans who, through age, disability or involuntary unemployment, no longer earn income. In addition, new and effective programs of income support are needed for those whose income is inadequate. As a consequence of our recommendations for these programs, poverty in America will be officially eliminated by 1975.

Income Maintenance⁴

Social insurance and income support programs are intricately joined pieces of a national income maintenance policy. The objective is to design programs which will fit the needs of people in a variety of situations and which can be administered efficiently. The most dramatic changes we suggest from present programs are in the area of income support.

Income Support Programs: Alternative income support plans which have been suggested to replace AFDC include:

(a) reform of the present public assistance system;

(b) institution of a child allowance;

(c) a wage subsidy approach; and

(d) institution of a cash assistance program structured along the lines of President Nixon's Family Assistance Plan (FAP).

Alternative (a) is beyond consideration. The present AFDC program is demeaning in fact and concept, for the reasons cited above. Piecemeal reforms will not suffice. The President's Commission on Income Maintenance (the Heineman Commission) termed the system "untenable."

Child allowances would provide monthly payments of an equal amount per child to all families with children. Since every family would receive an equal amount per child, it is argued that there would be no stigma attached to receiving the assistance. However, since allowances would not vary with family income, such a program would tend to redistribute income from single people to families and from small to large families but not between income groups. As a result, allowances would be paid to many families not

Footnotes at end of article.

in need. Although a part of these payments could be recouped through income taxation, the cost of even a moderate allowance would be high and still leave many families in poverty. The Social Security Administration has calculated that a plan providing \$600 yearly per child would have a gross cost of \$43 billion and a net cost of \$28 billion after taxes (assuming present income tax exemptions for children were eliminated).

Wage subsidy proposals (alternative c) would provide a government subsidy to make up the difference between an employee's wage and a standard set by the federal government. Such an approach seems to be based on the false assumption that most present recipients of public assistance are employable and can be "moved off welfare" into private employment. Unfortunately, the vast majority of present public assistance recipients are aged, blind, disabled, or women with young children.

Wage subsidy proposals also suffer from two significant difficulties. First, they act as a subsidy to the employer, who can keep wages low while knowing the government will contribute up to the standard level. Secondly, since wages are not tied to family size, a wage subsidy program would not be a very effective income support device for large families.

We recommend that the present welfare system be replaced by a cash assistance grant (CAG) program similar in mechanism to the Administration's Family Assistance Program. Such a program would provide for a cash allowance based on family size, but reduced by an established percentage (for example, 50 per cent—or 50 cents) for each one dollar earned.

For example:

(a) Suppose the annual cash assistance level for a family of four is set at \$3,500.

(b) Suppose a particular family earns \$2,000.

(c) Then 50 percent (or fifty cents) of each dollar earned (50 percent of \$2,000 = \$1,000) would be subtracted from the total provided from the cash assistance grant (\$3,500)—\$1,000.

(d) leaving a cash assistance grant of \$2,500.

(e) and making a total family income of (\$2,000 earned + \$2,500 cash assistance) = \$4,500.

The major policy variables involved in devising such a program are:

Coverage: households eligible for receiving the cash assistance grants (CAG).

The size of the *basic cash allowance:* the amount of cash assistance a household with no other income would receive. The basic cash allowance varies with family size.

The per cent (called the *offset tax rate*) applied to each dollar of earned income in order to reduce the size of the basic cash allowance.

Let us look at each of these critical policy choices more closely.

Coverage: The Administration proposal would cover only families with children, thereby excluding single individuals and childless couples, including most of the aged. Single individuals and the aged have particularly high rates of poverty. The President's Commission on Income Maintenance has suggested universal coverage. However, the wider the coverage, the greater the total program costs will be.

We recommend households with children and households whose head is under 65 be covered by CAG; childless households headed by the elderly should be dealt with separately because of their special needs.

The Size of the Cash Allowance: The Administration's original proposal would have given \$500 each for the first two family members and \$300 for each additional member—\$1,600 for a family of four. The President's

Commission on Income Maintenance proposed an allowance of \$2,400. Some groups have called for a goal of an allowance equal to the poverty line, while the National Welfare Rights Organization wants the allowance be pegged to the Bureau of Labor Statistics (BLS) low-income standard of living budget. They call for an allowance of \$5,500. The higher the level of the cash allowance, the higher total program costs will be.

What is an adequate level for a cash allowance? As a goal, it is completely inconsistent to advocate a level below "the poverty level." The official poverty level (\$3,743 for a family of four in calendar year 1969) was established as the income level below which a family becomes dependent upon a variety of social programs to survive. It is just such a condition of dependency that income maintenance is designed to eliminate.

The official poverty level, however, has been repeatedly criticized as inadequate. It is constructed from a Department of Agriculture economy food plan which is designed for "emergency or temporary use when funds are low." For households of three or more, the poverty line is three times the cost of the 1963 economy food plan, adjusted for cost of living increases. Miss Mollie Orshansky, who devised the line, terms it, "The lowest amount of income which would make possible a level of living conforming to minimally acceptable American consumption standards."

Is the poverty line inadequate? Miss Orshansky comments, "Whatever the rationale for the poverty line, it should be relative over time. The line should be adjusted periodically to take into account the rising real standard of living enjoyed by the majority of Americans. However, the official poverty line (\$3,743 in 1969) has not been so adjusted." As a result, Miss Orshansky suggests that by 1976, the poverty level should be adjusted upward 25 percent (from \$4,708 to \$5,898 for a family of four in 1976). We will, therefore, use a figure 25 per cent above the Social Security Administration (SAA) poverty line to represent the *target* poverty level basic cash allowance for our Cash Assistance Grant program.

Unfortunately, a basic cash allowance equalling the target poverty level by 1976⁵ would involve an inordinate cost—\$51.6 billion, assuming we used a 50 per cent offset rate. Instead, we recommend a basic cash allowance which approaches the target poverty level by increments. By 1976, the allowance would reach the SSA poverty level as currently defined (for that year \$4,708 for a family of four); by 1980, it would, hopefully, have reached the full target poverty level for that year. Total costs for CAG in 1976 would be \$28 billion.

The Offset Rate: The third policy consideration, the offset rate, is of importance because it helps determine both the total cost of the program and the degree to which the program will impair the incentive to work. Lower offset rates strengthen the incentive to work—but at the same time, raise the total cost of the program. This occurs because the lower the offset rate, the more income a recipient can earn before his cash allowance disappears.

Work incentives—as distinguished from work requirements—are a relevant consideration in every non-slave society. Rational human beings will work only when they perceive it is worth their while to do so. Thus, many people would not work if they knew that for each dollar they made, the government would immediately tax away 75 per cent of it. This is particularly true if they

are guaranteed a minimum level of income sufficient to meet basic needs, whether they work or not. The alternatives to providing work incentives are either instituting a restrictive work requirement or leaving many necessary jobs in the economy unfilled.

If the offset rate is high the work incentive is weakened. Using our CAG program as an example, in 1976 a family of four would receive \$4,708. If the offset tax were as high as 75 per cent, a family head working full time and earning \$5,000 would lose all but \$1,000 of his cash assistance; his total income (before taxes) would be about \$5,900, an increase of only \$1,200 for a year's full time work.

An infinite number of alternatives exist for setting the CAG offset rate. The most attractive options include:

(1) A consent offset rate on gross income: 50 per cent is the figure most frequently mentioned.

(2) A constant offset rate applied to income net of taxes and net of loss of benefits from in-kind programs (housing subsidies, food stamps, day care) which cut off at certain income levels.

(3) A progressive offset rate on income (gross or net), increasing as income rises.

A progressive offset rate would be a helpful compromise between work incentives and program costs. The operation of one possible set of progressive offset rates, in terms of earnings and total income based on the 1976 cash assistance level of \$4,708 for a family of four, is shown below.

Earnings	Offset rates	Offset tax percent	Total income
0 to \$3,000.....	35 percent of income.		
Over \$3,000.....	\$1,050 plus 50 percent of income above \$3,000.		
<hr/>			
Earnings:			
\$0.....			\$4,708
\$1,000.....	35		5,358
\$2,000.....	35		6,008
\$3,000.....	35		6,658
\$4,000.....	50		7,158
\$5,000.....	50		7,658
\$6,000.....	50		8,158
\$7,000.....	50		8,658
\$8,000.....	50		9,158
\$9,000.....	50		9,658
\$10,000.....	50		10,158
\$10,316.....	50		10,316

Low offset rates at low levels of earned income would make low-income jobs still relatively attractive since the worker would be able to keep most of his earnings. Under the scheme above, a worker earning \$4,000 would have a total income of \$7,158 or \$2,450 higher than had he not worked at all (if he had not worked at all he would have received \$4,708). A higher offset rate for moderate levels of earning would keep cost down and not be too much of a work disincentive since the alternative—not working—would greatly reduce total income. Thus a worker earning \$6,000 would only be able to keep \$500 of his next \$1,000 of income; his total income would be \$8,158. However, should he decide not to work at all, his total income would fall from \$8,158 to \$4,708—undoubtedly enough to keep him working.

Unfortunately, this set of progressive offset rates combined with our basic cash allowance of \$4,708 in 1976 would make the program quite expensive—over \$36 billion in 1976.

We are left to consider a flat offset rate of 50 per cent on earned income—a figure recommended both by the Heineman Commission, and the President in his 1970 legislative proposal for a Family Assistance Pro-

Footnotes at end of article.

gram (FAP). The figure is a reasonable trade-off between work disincentives and total program cost. Assuming a basic allowance of \$4,708 for a family of four and an offset rate of 50 per cent on earned income, a worker earning \$6,000 would have a total income of \$7,708, whereas, if he had no income from employment he would receive \$4,708. The difference between working and not working, therefore, amounts of \$3,000—or a more than 60 per cent increase in income. Probably, this would not provide very much of a work disincentive.⁶

The degree of work disincentive associated with the cash assistance program is not solely determined by the offset rate. The provisions of other programs and laws (food stamps, housing subsidies, day care, state, local and federal taxes) also diminish the take-home value of an additional dollar earned, since the subsidies decrease as income increases. We must look at the cumulative impact (the cumulative marginal tax rate on earned income) and attempt to relate the CAG program to other programs in such a way as to diminish the work disincentives.

One technique designed to reduce the cumulative marginal tax rates is to calculate some of the marginal taxes on individual programs on the basis of a dollar already reduced by other marginal taxes. Thus the CAG offset tax rate on earned income could be applied to net (after-tax) income rather than gross income.⁷

We recommend a system in which the CAG offset (50 percent) rate is calculated on earning minus the amount lost through added housing and day care payments, federal, state, and local income taxes, and the social security payroll tax. Total costs for our program (with a basic cash allowance of \$4,708) would be \$28 billion in 1976.

In summary, our initial program would be very similar to the President's proposal. We would begin in 1972 with a basic allowance of \$2,400 for a family of four and would cover only families with children. (States which presently have higher public assistance payments would be required to supplement the federal effort to that level. The federal government would provide 30 percent of this supplement.) In 1973, the CAG program should expand to cover all households headed by persons under 65 or elderly persons with children. The basic allowance would also increase in stages until it reached the Census Bureau poverty level in 1975. The allowance would climb to 25 percent above the poverty level by 1980.

Administration of CAG: The program should be completely administered by the federal government, with a minimum of regulation and investigation. The model should be the income tax system rather than the present welfare system.

We have tried to ensure that the recommended program will not destroy incentives to work. However, the Administration's 1970-71 proposal went a step further and required employment or the seeking of employment by the able-bodied head of a family as a requirement for receiving assistance. If the recipient refused to work his or her share of the family's cash assistance would have been cut off. The Administration specifically exempted women with pre-school children. The Heineman Commission, on the other hand, suggested no work requirement.

We foresee no possibility of recipients choosing not to work in numbers large enough to affect either the cost of the program or the manpower supply of the nation. However, it is quite possible to imagine the demoralizing effect of even a few obviously

able workers supported in idleness by taxpayers, particularly in times of rising taxes. Thus we recommend that the administrators be provided with the following means of dealing with the problem.

Unemployed recipients of working age (with the exception of women with children under 16) would be required to register with the U.S. Employment Service and would be expected to accept a decent job offer (not paying below the minimum wage) or if lacking skills, to enroll in training to prepare them for employment. If a person refuses reasonable opportunities for employment or training, that part of the cash assistance grant attributable to his or her presence in the family would be terminated. Needless to say such a sanction will require sophisticated safeguards to assure that recipients are not subject to administrative prejudice. It is equally important that the procedures be fully spelled out and relatively automatic so that "enforcement" does not become an absorbing concern of program administrators.

(II) Social Insurance Programs.

Unemployment Insurance: Unemployment insurance is designed to provide cash benefits to regularly employed workers during limited periods of involuntary unemployment. Since it is an insurance program, benefits are based primarily upon previous wage levels rather than current income needs. Most states provide benefits for a maximum of 26 weeks, although during times of high unemployment, the period has been expanded temporarily to 39 weeks.

However, there are several major shortcomings in the existing unemployment compensation program:

(A) **Limited Coverage:** As of 1969, over 57 million workers were protected by unemployment insurance, but 13 million (18 per cent) were not. 1970 legislation will extend coverage by 1973 to approximately 4.75 million additional workers in small firms, non-profit organizations, and state hospitals and institutions of higher learning. Farm workers, domestic workers, and most state and local government employees will remain uncovered. In 1968, 64 per cent of those persons unemployed during the year were, for one reason or another, ineligible to receive unemployment insurance benefits.

(B) **Variations Between States in Benefit Payments:** Benefit levels are set by individual states and consequently vary widely. The weekly benefit amount is a set fraction of the claimant's previous quarterly or weekly wage up to a maximum amount. Both the set fraction and the maximum vary by state. The maximum benefit ranges from 31 per cent of the average weekly wage of covered workers in Alaska, Michigan, and Washington to 61 per cent of the average weekly wage of covered workers in Hawaii. Benefits, as of May, 1970, averaged \$49.30 per week, but state averages varied from \$33.57 per week in West Virginia to \$58.63 per week in Connecticut.

(C) **Inadequate Insurance Benefits:** At least 40 per cent of claimants fail to get benefit equal to half of their weekly wage. The major reason for this is that maximum benefits in most states have continually fallen as a per cent of average weekly wage. Currently, more than half of all claimants are eligible for the maximum benefits. Repeated urgings to states by the President and Congress to increase benefits have so far been ignored. The goal, set first by President Eisenhower in 1954, that 80 per cent of covered workers receive, if unemployed, a benefit of one-half their regular wage, has not been approached.

(D) **Inadequate Duration of Benefits:** Approximately 25-25 per cent of all workers

who receive benefits have not found employment when their benefits end. This figure rises to 33 per cent during recessionary periods. The 1970 Employment Security Act included a provision to extend unemployment benefits an additional 13 weeks whenever national unemployment rates exceed 4.5 per cent for three consecutive months.

Clearly additional changes are called for. Coverage should be extended to include farm workers and domestic workers. In addition, the federal government should establish a minimum federal benefit standard of 50 per cent of the worker's weekly wage loss, up to a maximum of \$6,000 per year. Average weekly benefits would increase from about \$50 currently to \$113 in 1976. The federal government should also require that no state have a maximum period of payment of less than one year.

The increases in outlays necessitated by these changes can be covered by raising the payroll tax base from its present level of \$2,800 to \$6,000. In addition, the Federal government should drop the provision which allows states to vary their unemployment insurance tax according to "experience ratings." The desire to achieve lower state unemployment insurance tax rates provides an incentive to deny benefits to as many unemployed persons as possible. We recommend that the federal government give states the option of either imposing on employers a 2.4 per cent (2.0 per cent after 1974) payroll tax on the \$6,000 wage base, or not adopting the tax and having employers in the state pay a 2.7 per cent tax directly to the federal government. Under either alternative, 0.4 per cent of the tax would go to support a federally administered U.S. Employment Service; the remainder would be more than sufficient to cover projected outlays for unemployment insurance benefits.

INCOME MAINTENANCE FOR THE ELDERLY

More than 25 percent of Americans who have passed the age of 65 are living in poverty. This is more than twice the poverty rate of the entire population. Our goal is to assure that all elderly households have at least a poverty level income by 1975. Improvements and revisions are necessary in both Social Security (OASDI) and Old Age Assistance (OAA) in order to achieve this goal.

I. Social Insurance: Social Security has been and will continue to be the cornerstone of the present income maintenance system for the aged. The program was constructed and has been since supported as a social insurance system. When an insured worker or his spouse reaches the eligible retirement age, benefits are paid to him in relation to his earlier payroll contributions. However, benefit payment patterns deviate from strict insurance concepts in several respects: (1) Those who earned a relatively low income during their employment years receive a higher percentage of total benefits than their percentage of total contributions; (2) Benefits are not financed solely from the total contributed by present recipients when they were employed, but also out of the contributions of present-day workers; (3) Benefits are reduced by some percentage of any income currently earned by recipients. In short, Social Security has taken on some aspects of income support programs while continuing to operate as an insurance program.

The conflict between income support and income insurance objectives within the Social Security program suggests two alternative paths OASDI might follow:

Return OASDI to a strict insurance program. This could only be accomplished after either an adequate cash assistance grant program which covered the elderly were en-

Footnotes at end of article.

acted, or after OAA were expanded enough to ensure the elderly poor a decent income. Maintain Social Security as a mixed income insurance-income support program and improve the programs benefit levels and eligibility requirements.

We accept the second alternative and recommend several changes in the present Social Security law. First, we recommend that the minimum benefit be raised from its present level of \$64 per month (\$96 per couple) to \$100 per month (\$150 per couple). This would assure all single beneficiaries a total of at least \$1,200 yearly and would go far to reduce poverty among the elderly. We also recommend that all Social Security benefits be increased 5 per cent immediately and by an additional 5 per cent in 1973, and an additional 10 per cent in 1976. These recommended increases should be in addition to automatic benefit increases as the cost of living (Consumer Price Index) increases.

To finance these benefit increases, changes will have to be made in the Social Security payroll tax. First, however, if we are going to maintain and improve the income-support aspects of Social Security, we must diminish the present regressive effect of the tax.

The present payroll tax—as of 1970, a flat rate on the first \$7,800 of income—is an inequitable manner of financing what is, at least partially, an income redistribution program. We recommend that the OASDI wage base be increased immediately to \$15,000 and be again raised to \$16,000 in 1974, and \$17,000 in 1976. The OASDI employee tax could then be decreased from its current 4.8 per cent level to 3.2 per cent in 1972, rising to 3.8 per cent in 1973, 3.9 per cent in 1974, 4.1 per cent in 1975 and 4.5 per cent thereafter. During 1972 and 1973, an additional 0.8 per cent payroll tax would cover the Hospital Insurance portion of OASDI. This tax will disappear when National Health Insurance goes into effect in 1974. OASDI benefits, which totaled \$36.0 billion in 1971, would total \$66.2 billion in 1976.⁵ Contributions to the OASDI trust fund would total \$60.6 billion in the latter.

II. Income Support: Old Age Assistance: In order to assure a poverty level income for every elderly household, the income support program for the elderly, Old Age Assistance (OAA), must also be greatly improved. Federal benefit standards should be set so that by 1976 all single recipients will be guaranteed an allowance of \$175 monthly (\$240 for couples)—the poverty level income. These payments would be reduced 50 cents for every dollar of income earned and one dollar for every dollar of Social Security received. The program should be completely federally administered and, by 1974, all program costs should be borne by the federal government. OAA outlays under such a program would rise to \$7.1 billion in 1976.

INCOME MAINTENANCE FOR THE DISABLED

Recommendations made above for the old age (retirement) portion of OASDI should also apply to the survivor and disability portions. Other income support programs for the disabled—Aid to the Blind (AB) and Aid to the Permanently and Temporarily Disabled (APTD)—must also be improved. A minimum benefit level of \$110 per month should be instituted in 1972, at which time, the federal government should assume full responsibility for administering these programs. Recipients of AB and APTD should be eligible to receive CAG or OAA as well; their AB or APTD benefits would count as unearned income, reducing their CAG or OAA payment.

Veterans with service-connected disabilities and survivors of servicemen killed in service are eligible for Veterans Compensation.

Outlays are expected to increase from \$3.3 billion to \$3.8 billion in 1976 as a result of Vietnam deaths and disabilities and a newly enacted 10 percent increase in benefits.

The Veterans Pension Program also acts as an income support program, primarily for the elderly. Veteran's pensions are essentially public assistance payments made available to veterans as a reward for military service during periods of war. Veterans with a non-service connected incapacitating disability and with income below \$1,800 (\$3,000 with dependents) are eligible. However, if they are over 65, they are automatically considered 90 per cent disabled for purposes of the program. Since the revisions recommended above in OAA will provide elderly veterans with equivalent benefits, we see no need for this program to continue. Accordingly, we recommend veterans' pension payments be reduced \$1 for every dollar of CAG or OAA received. Ultimately, this will eliminate the veterans pensions program. By 1976, outlays will have fallen to \$400 million from their present level of nearly \$2.4 billion.

IN-KIND SERVICES

I. Food Stamps: The fact that millions of Americans are inadequately fed and suffering from various stages of malnutrition has been amply documented. According to a Department of Agriculture study, only 37 per cent of families with income under \$3,000 maintained good diets. *Hunger USA* estimated the number of Americans suffering from malnutrition at more than 10 million. Malnutrition is a major factor retarding the intellectual development of children, a primary cause of ill-health, and a not unimportant contributor to lower productivity rates of workers.

The food stamp program, the major "in-kind aid" food program, is quite inadequate. Food stamps are sold to families who may use them to purchase foods of greater value than the cost of the stamps. In calendar year 1970, over 6 million people participated in the food stamp program.

Another food program, the Commodity Distribution Program distributes farm surpluses of certain nonperishable foods in order to supplement the diet of poor families. The program currently reaches about 3 million people.

Participation in the two programs has fallen far short of the total number in need, and indeed of the total number eligible. The Senate Select Committee on Nutrition and Human Needs reported in 1969 that the two programs together serve only 44 per cent of Americans who are so poor that they must have assistance if they are to escape malnutrition, and only 26 per cent of the 24 million Americans whose income falls below the official poverty line.

Neither program is designed to assure a participating household an adequate diet; both are administered under local welfare requirements, and therefore, exclude many of the poor. The exclusions, plus the reluctance or inability of many persons to buy Food Stamps, account for the low rate of participation.

The Cash Allowance Grant program previously recommended would ultimately make both programs unnecessary. People would have enough money to buy food. Our immediate recommendation, however, is a temporarily expanded food stamp program covering all poor families. Such a program could quickly eliminate hunger in the United States. This goal is both well within our reach and not inordinately costly.

We recommend that in 1972, every family of four be eligible for \$1,200 worth of food stamps, to be reduced by 25 cents for every

dollar of annual income above \$840. (The cash assistance grant would be counted as income). Unlike in the present program, recipients would not have to buy the food stamps; they would be provided free. Since the basic CAG allowance would increase to the poverty level by 1975, the food stamp program would gradually diminish. Total outlays for the food stamp program would rise from their 1971 level of \$1.5 billion to \$4.2 billion in 1972; by 1976, outlays would fall back to \$680 million.

An alternative would be to provide a lower basic CAG allowance and to indefinitely maintain the food stamp program separately. We do not recommend this alternative because of our preference for cash rather than in-kind assistance. However, since the health and well-being of children is a social concern, we recommend continued assistance in child nutrition. Accordingly, we recommend the school lunch program be expanded and a new school breakfast program be instituted, thus ensuring school children at least one, and, in some cases, two well-balanced meals every school day.

II. Social Services: The adoption of this report's proposals in the health, education, and manpower areas would move many social services (like day care, manpower counseling, and family planning) from public assistance to new administrative settings. In addition, the institution of an effective income maintenance program such as CAG would eliminate the investigative and eligibility determination functions long performed by social workers associated with AFDC.

The implementation of CAG can be expected to displace some of the estimated 85,000 present social workers in agencies largely supported by public assistance funds. Many social workers would undoubtedly "follow" a function like day care to its new administrative domain. Others would continue casework related to other programs. In addition, there should be a major new effort to extend to all who need them the social services available in a community. We recommend the institution of a federally funded outreach program, building on several existing demonstration models. Social workers would inform citizens about social services, and in addition, be advocates for their clients in dealings with various service bureaucracies in the community. The outreach program would be run from neighborhood service centers wherever they exist. The centers would house many of the available community services under one roof (see Chapter 8).

The outreach program could be financed by 75 percent federal matching grants for operating costs to state and local public welfare agencies. Federal funds should also be made available to retrain present social workers who wish to participate in the outreach program. We estimate a program gradually increasing to involve 25,000 outreach workers by 1976 would cost approximately \$250 million by that year.

Major new federal initiatives are also needed in child welfare and services for the aging. A substantial increase in funds is needed for child welfare programs. Locating children in adopted or foster families, group homes, or institutions are worthwhile services which more than pay their way in lessened institutional expenses and remedial programs later on. The President has recommended a massive increase of Federal funds for these programs as well as establishment of minimum national standards. We recommend his proposals be accepted. We also recommend a major new program of adoption subsidies to encourage the adoption of hard to place children (see Chapter 12).

Footnotes at end of article.

TABLE 4.1.—INCOME MAINTENANCE¹

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed 1972	1972	1973	1974	1975	1976
Social insurance:							
OASDI ²	35,980	39,498	41,310	47,064	51,196	55,711	66,187
Unemployment insurance ³	5,439	4,76	8,369	6,756	7,628	7,928	8,546
Veterans compensation.....	3,323	3,582	3,582	3,640	3,670	3,730	3,760
Federal retirement and disability.....	2,923	3,266	3,266	3,628	4,005	4,385	4,775
Subtotal.....	47,665	50,932	56,527	61,088	66,499	71,754	83,268
Income support:							
Cash assistance:							
Cash assistance grant (CAG).....		502	7,015	6,966	17,962	27,258	28,030
State supplement.....			898	943	170	131	124
Old-age assistance (OAA).....	1,509	1,665	3,874	4,533	7,280	7,050	7,140
Aid to the blind (AB).....	60	62	103	121	146	134	150
Aid to disabled (APTD).....	662	797	1,470	1,720	1,789	1,778	1,857
Veterans pensions.....	2,392	2,526	912	937	604	515	400
AFDC.....	3,002	3,719					
In kind:							
Social services.....	892	1,144	750	754	738	743	797
Food stamps.....	1,490	1,941	4,154	3,682	1,922	938	680
Commodity distribution.....	487	527	110				
School lunch and breakfast.....	673	667	641	666	691	718	746
Other.....	133	36	34	35	36	37	38
Subtotal.....	11,300	13,587	19,961	20,357	31,338	39,302	39,962
Total.....	58,965	64,519	76,488	81,445	97,837	111,056	123,230

¹ Cost estimates for OASDI, CAG, OAA, AB, APTD, State supplement, veterans pensions, and food stamps were derived through use of the Urban Institute's computer simulation model.

² Includes railroad retirement.

³ Excludes conversion assistance payments in 1972 and 1973.

FOOTNOTES

¹ These include an economic policy which assures maximum utilization of our productive capacity and consequently high levels of growth and employment, a public service employment program providing 1 million jobs by 1976, a higher minimum wage (\$2.50 by 1976) with increased coverage, and short term wage, price and credit controls if necessary. (See Chapter 2)

² More than 45,000,000 Americans currently have incomes below the Bureau of Labor Statistics poverty level, which represents the lowest standard of living consistent with well-being (\$5,948 for a family of four). Years are federal Fiscal Years unless otherwise stated.

³ These estimates as well as cost estimates for most of the income maintenance programs discussed in this chapter are derived from the "Income maintenance simulation model" of the Urban Institute.

⁴ Income maintenance for the elderly and disabled are considered in separate sections of this chapter.

⁵ Years are federal Fiscal Years unless otherwise stated.

⁶ Since work disincentives are not a consideration with income not obtained from employment, we recommend higher offset rates on such income—60 per cent on the first \$3,000, 75 per cent on non-earned income between \$3,000-5,000 and 100 per cent on any non-earned income over \$5,000.

⁷ For example, instead of applying a 50 per cent offset tax rate to the next dollar earned by a family earning \$4,000, the rate could be applied to that dollar minus \$.20 paid in federal income and Social Security tax. The CAG offset tax under this system (equal to 50 per cent of income after taxes, which in our example is \$.80) would be \$.40 rather than \$.50.

⁸ Totals include railroad retirement.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 5

HON. MARTHA W. GRIFFITHS

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mrs. GRIFFITHS. Mr. Speaker, I include Chapter 5 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 5. HEALTH

We must rectify the shortage of health manpower and facilities and create a resource distribution pattern which insures access to care for all.

American health care presents a major national paradox. No other nation contributes as much to medical research. No other nation provides better training for its doctors. Some U.S. citizens enjoy a quality of health care unsurpassed anywhere in the world. We particularly excel at providing crisis care for some serious illnesses; we have modern facilities and superbly capable technicians which keep alive patients who would die in any other setting. For the health practitioner, the U.S. health system is the best in the world with regard to working conditions and the income it provides.

Yet by clear statistical measures, the health care provided to American citizens is inferior. We rank 13th among industrial nations in infant mortality, 7th in maternal mortality, 18th for men and 11th for women in life expectancy. Special geographical and cultural patterns may prevent the United States from ever ranking first in these and other health care indices, but we were performing relatively better a decade ago and have been steadily falling back since.

A significant part of the responsibility for

the current state of health care rests with the most important person in diagnosis, prescription and treatment—the American patient. The best way to improve our health is for us to take care of ourselves, but we don't or won't. This is partly because we receive inadequate health education. Worse, although we claim concern for our health, we hardly show it by our diets, our drinking and smoking habits, or our speeds on the highways. If these habits don't improve, the degree of improvement possible in American health care is limited. But the current failures of health care extend far beyond personal health care habits.

We receive a poor return from our investment in professional health services. Our annual per capita expenditure of \$305 on personal health services is the highest of any nation. Yet, serious illness is synonymous with financial disaster for most Americans. Private insurance covers only 35 per cent of total health care needs for Americans under age 65. An estimated 35-45 million people with incomes below or near the Census Bureau's poverty standard can't pay for adequate medical care. When such families must have care, it is frequently of low quality provided under demeaning conditions. Higher income families receive episodic care, often lavishly provided. Middle class Americans as well as the poor are often defeated by the size and disorganization of the health-care institutions which purport to serve them.

The availability of health care to Americans is also seriously unbalanced. Many people, particularly those in inner-city and rural areas, lack the point of entry into the system—the family doctor.

SOURCES OF THE PROBLEM AND OBJECTIVES FOR CHANGE

In seeking the roots of these inadequacies, we tend to assign blame to one who personifies the health system to most of us—the doctor—much in the same way the policeman personifies the entire law enforcement and criminal justice system. In both cases,

we oversimplify greatly. The medical profession shares heavily in the responsibility for our current health situation, but not because of any lack of compassion, concern, or professional excellence of doctors as individuals.

The inefficiencies and decay causing our monumental problems rest in the entire health care system—or more accurately, non-system—of which doctors constitute only one important part. These problems generally can be summarized under four headings:

(a) An absence of national health policies out of which goals, objectives and strategies can emerge.

(b) A shortage of manpower, equipment and facilities.

(c) An uneven distribution of services.

(d) Spiraling medical costs that do not result in increased services.

Many institutions share responsibility for creating these problems and allowing them to grow.

Private insurance carriers have failed to stimulate the organization of efficient health care—something they have the financial muscle to do through bargaining with providers of care or through simply broadening insurance coverage to encompass a wider range of services. Currently, most private health insurance plans artificially increased the proportion of care which is provided in expensive hospital settings, and discourage less expensive ambulatory and preventive care.

Hospitals and medical schools have generally failed to work diligently to improve their efficiency. Medical societies and professional organizations have frequently limited access to health professions and limited advancement by people employed in health occupations.

The federal government's attempts to intervene—mainly Medicare and Medicaid—have proved by one measure counter-productive. These programs have inflated costs along the same perverse patterns as private insurance plans—that is, by pumping more funds into payments for medical services, particularly those provided in hospitals, without any compensating increase in the supply of providers of care—and have failed to be the lever they could have been to bring about a balanced pattern of care. These programs also discriminate against the mentally ill in a variety of ways. We will have more to say later about special assistance for the mentally ill and mentally retarded.

Medicare and Medicaid provide the federal government with nearly as much purchasing power as all private health insurers combined. Thus, the federal government is by far the most powerful and potentially the most sophisticated purchaser in the health field. If the government made effective use of its power as a purchaser, it alone could stimulate the health system to greater responsiveness.

Federal leadership must concern itself with "governing" the health care system; building on the marvelous technology and skill which now exist a system which can improve the health of all. Two fundamental objectives should guide our efforts at improving the health care system during the next five years. We must rectify the shortage of health manpower and facilities and create a resource distribution pattern which insures access to care for all. Further, we must provide the financial means, and the incentives, for more efficient organization and utilization of these resources to make real the goal of comprehensive medical care for all U.S. citizens. One without the other is an empty promise.

SUPPLY AND DISTRIBUTION OF HEALTH RESOURCES

Numbers and distribution of health personnel and facilities are of greater impor-

tance than financing schemes in determining the number of people who can receive health services and the quality of the services they receive.

Manpower.—The more pressing supply need is for manpower. There is not enough trained health manpower to care for all Americans. The poor suffer most because health practitioners are generally less willing to practice in inner-city or rural areas, but everyone suffers the consequence—even if only through higher costs paid for health services.

The most urgent manpower requirement is for more paramedical personnel and nurses. Both can extend the reach of physicians by taking over some of the initial patient contact responsibilities. Although current government efforts support training of 85,000 paramedical personnel yearly, the U.S. health system could productively absorb trained personnel at nearly three times that rate; the training pace should be stepped up accordingly. Particular stress should be given to physicians' assistants, dental assistants (particularly dental technicians), mental health workers, and neighborhood health aides. As a critical prerequisite to such expanded training assistance, a companion effort must be made to overcome both physician and patient resistance to treatment involving paramedical personnel.

The supply of nurses can be increased both through expanded training programs and through special efforts to recruit back some of the 550,000 qualified nurses who have dropped out of the labor force. Imaginative programs offering nurses opportunities for upgrading to positions of nurse clinician and pediatric assistant could serve both to fill pressing needs and to provide a powerful attraction in such a recruiting campaign.

Because of long lead-time required for training, it is already too late to take actions now which will have much effect on the supply of doctors (including psychiatrists) and dentists during the next five years. But we must prepare now for more distant needs. The Carnegie Commission on Higher Education projects a need for expanding medical and dental school enrollment during the 1970's by, respectively, 50 per cent and 20 per cent. Many of these new places should be filled by women and members of minority groups. Currently, only 8 per cent of all medical students are women; only 2 per cent are Black, even fewer are Spanish-speaking citizens.

These expansion goals could be attained through a combination of three measures advocated by the Commission: a) shortening the curriculum from 4 to 3 years for an M.D. or D.D.S. degree; b) expanding enrollment at existing schools an average of 10 per cent; and c) founding ten new medical schools above and beyond the 27 new ones being started. The new schools should be geographically located in areas now underserved. Medical schools and the university health science centers of which they are a part should assume broader roles in continuing education, training of other health-care personnel, and advising on improved ways to provide health care throughout their regions.

Increased federal financial support, primarily in the form of cost-of-instruction supplements given directly to educational institutions, will be essential if medical and dental schools are to survive and shoulder these expanded responsibilities.

Altogether, we suggest that Federal support for health manpower development should increase by 80 per cent during the next five years, increasing from its present level of \$931 million to \$1.7 billion by 1976.* Nearly half of this total would be directed to the training of doctors and dentists.

Construction.—Not as critical a require-

*Years are federal Fiscal Years unless otherwise stated.

ment to the improvement of health care as increased manpower, but still important, is a continuing program of federal assistance for the construction, purchase, and remodeling of health facilities. The Administration quite soundly has recognized that the Hill-Burton program has well served its original primary purpose of relieving hospital bed shortages. A much higher proportion of future federal hospital facilities aid should be in the form of loan guarantees and interest subsidies.

But there remains a major need for renovation of existing hospitals and outpatient facilities and for additional new long-term and ambulatory care facilities including those designed for the aged, mentally ill, and mentally retarded. The largest dollar requirement will be for ambulatory care facilities serving widely diversified purposes—from mobile dental clinics to nursing offices in public housing for the aged, as well as conventional multi-purpose medical clinics.

We recommend only modest increases in federal assistance for construction of skilled nursing homes, now \$12 million a year, even recognizing the seemingly insatiable recent demand for such facilities. We know far too little about the best ways of serving the health and physical needs of the aged.

There is some evidence which suggests that expanded home health care and other ambulatory health services make greater sense in many cases than placement in a skilled nursing home. Nursing homes may be treating the economic disorders as well as the physical ailments of the elderly; aged people who cannot afford decent housing end up being placed in nursing homes at government expense. For these people, our income maintenance proposals combined with a recommended expansion of public housing programs will make possible a happier, perhaps healthier, alternative. Some careful social research is called for to guide federal investments in this burgeoning field—25 per cent of all U.S. health expenditures are incurred by the 10 per cent of the population 65 and over.

Distribution of resources.—These recommended increases in the supply of health resources are necessary but far from sufficient responses to the fact that many Americans—mostly located in inner-city or rural areas—do not have adequate access to health services. Where these resources are distributed is also important. Currently the federal government does little to assume effective resource distribution.

The most attractive way of meeting these shortages would be to persuade more physicians and other medical practitioners to establish private practices in these areas. The federal government can and should provide incentives (through Medicaid, National Health Insurance, location of federally funded health facilities, and other leverage points) for practitioners to locate in underserved areas, but past experience suggests there are limitations on how influential dollar incentives can be. Doctors and other health practitioners pick locations for environmental and cultural advantages as well as money. An increase in the total health manpower supply, if deployed solely according to individual private market decisions, is likely to provide some relief to underserved areas, but mostly to bolster the supply in well-served locales.

Given these limitations, a number of supplementary approaches should be attempted to bring professional care to residents of underserved areas. Broader support should be given to: special transportation programs to aid citizens for whom access is a serious barrier to care; upgrading and expansion of selected existing outpatient clinics; and a thorough trial of the helpfulness of primary-care diagnostic service facilities to screen and identify those in need of further care by a physician.

By far the most promising approach, though, in terms of quickly providing medical services to large numbers of people, is the community health center—a concept which has proven highly successful in government demonstration programs. We recommend a sixfold increase—from 84 to 500—in the number of such centers; a program scope which would enable these centers to serve 6 million people by 1976, most of whom otherwise would receive virtually no health services at all. The nucleus for such a network of centers could be provided by existing government generalized care centers (operated by the Office of Economic Opportunity and the Department of Health, Education and Welfare) and some autonomous mental health and mental retardation facilities. In order to staff an operation of this magnitude, a domestic health service corps should be created. Support of the entire operation would require an increase in federal outlays for community health centers from \$300 million yearly in 1971 to \$1.5 billion in 1976.

If community health centers are to succeed in providing appropriate, quality health services, their organization and operation must meet several important criteria. First, the centers must be linked wherever possible to private general practitioners, specialists, and hospitals; a community health center is only one link in the health-care network. Second, it is essential that the centers, backed up where possible by other local health resources, possess fully the same quality of facilities and mix of doctors, dentists, psychiatrists, and paramedical personnel as would be available in communities served by more fully private networks. Community health centers staffed by domestic health service corps personnel cannot be allowed to offer an inferior brand of health services to their clientele. Mechanisms to assure that quality services are provided must include a strong community role in decisions about the location of, services provided by, and manner of operation of the health centers.

FINANCING AND ORGANIZING HEALTH SERVICES

The above efforts aimed at improving the supply—both amount and distribution—of health services should receive our primary emphasis during the next few years. But two other changes are absolutely required before all Americans can hope to receive quality health care: 1) more efficient means of organizing the delivery of health care; and 2) some means of paying for the care of those citizens who cannot themselves afford it.

These two concerns are inextricably interwoven. Only through more productive use of the supply of medical manpower (which will be scarce in many localities even after the intensive efforts we recommend) will there be enough practitioners to provide care for every citizen. The most powerful single influence on how existing resources are utilized is the pattern through which health services are financed. We must eliminate financing incentives which encourage care to be chosen on criteria other than health need (e.g. hospitalization over outpatient care, crisis care over preventive medicine). Current financing methods created these warped incentives; improved financing methods can be the lever for eliminating them.

It is clear that the invisible hand of the private marketplace has failed to work toward significantly lowering medical costs by improving resource utilization. And as long as we view adequate health care as a basic right which should be available to all citizens, a private market responsive only to those who bid the highest for services will not be sufficient to perform the entire task.

None of these observations are new, but past and current efforts to develop solutions have proved inadequate.

New alternatives.—A number of new approaches—ranging from tax credits for consumers with minimal changes in the organization of health service delivery to a national health service—are being suggested to solve these problems. Most suggested approaches fall somewhere between these extremes, clustering around two basic new approaches to health insurance:

(A) A broadening of private insurance coverage—both as to the number of people and kinds of medical services covered—combined with enlarged federal government assumption of health care costs for the poor and near-poor through an improved successor to the Medicaid program. All Americans could be covered by these combined programs.

(B) A unitary National Health Insurance (NHI) plan including almost all Americans and covering almost all kinds of medical care. NHI, which would be financed through a government trust fund and partially supported by new taxes, would replace Medicaid, Medicare, and private insurance coverage. This approach is advocated by the AFL-CIO and the Committee for National Health Insurance.

Certain features are common to both these approaches. Supporters of both recommend that coverage be limited to a package of basic services. There is considerable disagreement about precisely which services should be included (whether, for example, full costs of dental care, prescription drugs, or psychiatric care should be covered), but almost everyone feels the coverage must be broader than current conventional private insurance coverage while stopping short of paying for expensive special treatment such as the use of kidney machines.

There is also agreement that all Americans should be eligible for coverage by broad health insurance. Most people also agree that the public, whether working through area-wide health planning agencies or other similar community organizations, should have a stronger voice about the ways in which health services are provided in their communities, under whatever plan.

Thoughtful advocates of both approaches also suggest utilizing the government portion of financing to create incentives for prepaid group practice and other promising organizational forms for health care delivery. Their objective is to orient the health system toward helping people to stay well, toward health maintenance, instead of only toward getting well. The prepaid group practice approach advances this objective by requiring a single fee, paid in advance by clients, covering most needed services. Conventional insurance plans really offer "sickness insurance," since they provide reimbursement only for a far more selective set of medical expenses.

Prepaid group practice plans, in other words, assume broad responsibility for keeping their members sound of body. They can generally achieve this result more efficiently than conventional plans through encouraging preventive care, by eliminating artificial biases toward expensive hospital care, and by centralizing bookkeeping and other managerial functions. The prepayment feature of such plans also provides an incentive for efficiency, forcing the providers of medical care to share the financial risks of illness with the patient.

New health insurance approaches should be judged by how well they:

1. Provide access to care;
2. Prevent financial hardship as a result of illness;
3. Respond to consumer demands;
4. Retain an element of competition as to type of service delivery;
5. Promote efficiency and economy by making all parties cost conscious;

6. Assure quality of care;
7. Be easily and inexpensively administered;
8. Be generally acceptable to providers and consumers.

Plans could be devised under either of the basic alternative approaches we are examining which would meet all of the above criteria to some substantial degree. We feel that the NHI approach offers the best prospect for achieving the objectives concerned with access, cost, and efficiency. The NHI approach offers greater opportunities and incentives for cost savings in the following areas:

Provide more health services in less expensive settings—notably more in ambulatory facilities and doctor's offices, fewer in hospitals;

Utilize less expensive personnel, especially senior paramedical personnel, to provide services and perform tasks they can perform equally effectively as doctors;

Eliminate profits and minimize administrative costs for the health insurance function (a unitary NHI approach would cut red tape considerably because a single standardized set of forms would replace multiple sets);

Emphasize preventive care and thereby discover illnesses before they become too serious (although cost savings here could well be initially offset by the fact that more illnesses would be discovered and treated); and, most important,

Control rates charged for medical services.

The most compelling argument for NHI is that it is an insurance program of sufficient scope to encompass cultural and long-term factors affecting the nation's health. For instance, the expectable benefits of preventive care in terms of overall improvements in American health are fairly well established, but a private insurance carrier cannot justify including such services in his coverage. The initial costs would be high, because many treatable conditions would be uncovered in preventive examinations, and the benefits would only be perceptible over a very long period.

NHI, however, functioning as both a social and fiduciary institution might well encourage investment in the health of future generations and be concerned with such things as the health effects of the environment, food product manufacturing, and population pressures.

A system can be devised under the NHI approach which, in conjunction with the health resource recommendations already discussed, will quickly make possible the provision of a basic package of quality health services to all Americans. Accordingly, we recommend that a National Health Insurance plan be adopted, beginning nationwide in 1974. A one-year test of NHI should be conducted the previous year in three representative states in order to identify and develop solutions to operational problems.

Admittedly, there is a large element of judgment in the timetable for implementing NHI, a schedule directly related to how rapidly resource and distribution improvements occur. Pressing that timing decision is the fact that the longer NHI implementation is delayed, the more expensive it is likely to be due to interim inflation of medical costs under present inefficient health delivery systems.

Interim Medicaid reform.—To extend immediately some minimum level of care to millions more citizens, we recommend an interim series of changes in the Medicaid program consistent with the suggestions of the 1970 HEW Medicaid Task Force. The most important of these suggestions are:

Convert Medicaid to a program with a uni-

form minimum level of health benefits financed entirely by federal funds, with a further federal matching of state contributions for certain types of supplementary benefits and for individuals not covered under the minimum plan.

Additional groups should become eligible for Medicaid until all persons with incomes at or below the poverty level are covered.

Medicaid, along with other government medical financing programs, must become concerned with promoting effective delivery of health care and encouraging the spread of innovative health care systems including group practice.

Medicaid was designed to assure the availability and financing of comprehensive health care to all the nation's poor and near poor, but only one-third of that potential clientele is now being served. Program costs now are about \$6 billion annually, slightly over one-half paid by the federal government. Immediate full implementation of the Medicaid Task Force recommendations would require additional federal outlays of \$6-\$8 billion during the coming two years. We cannot afford that much so soon in view of other priorities; therefore full attainment of the goals will have to await NHI implementation. We do recommend, however, that the federal Medicaid contribution be increased by \$1.5 billion in 1972 and \$2.5 billion in 1973 and be used to advance the Task Force's goals as far as possible. It is likely that this nearly 50 per cent increase in total funds for Medicaid will make possible full federal funding of minimum health services for all eligible persons reached; however, the benefit package will have to be slightly less broad than the Task Force envisaged.

Nature of the proposed NHI system.—At best, these revisions to Medicaid are stopgap measures, helping to smooth the way for the introduction of National Health Insurance. NHI can make a tremendous contribution toward improving the health status of Americans. If this contribution is to be realized, however, the kind of NHI program is critically important. We recommend a plan whose financing is based on social insurance principles with a large contribution from general revenues, and which provides both resources and incentives for bringing about changes in the organization and delivery of care.

Incentives must be arranged so that providers of medical services largely are reimbursed on a capitation rather than a fee-for-service basis. What the capitation approach means is that providers are paid so much for each person they agree in advance to provide medical services for during a set period of time, regardless of how many such services that person actually requires. This approach, of course, differs from the more conventional fee-for-service arrangement under which doctors charge patients for each specific service provided.

While capitation payment methods—normally the way payments are made under prepaid group practice arrangements—should be encouraged because they tend to encourage efficiency, choice of payment method can still be preserved for consumers and providers. One way would be to reimburse providers under any of several payment approaches, but in no case pay more than could have been reimbursed on a capitation basis. Use of a variety of methods of organizing service delivery, with built-in standards of performance, can stir up innovation and provide healthy competition among different payment and delivery methods—thus maximizing the possibilities for continuing system-wide improvements.

The payment plans must also provide incentives for practitioners to locate in areas presently underserved. The most direct incentive would be a bonus in addition to regular fees.

Without incentives such as the above to promote efficient forms of medical care organization and improved patterns of resource distribution, we risk repeating on a larger scale the disastrous impact of the introduction of Medicaid. In that instance, greater demand for health services was created with no companion provision either for increases in the supply of health resources or incentives for more efficient organization of health delivery mechanisms. The result was predictable: spiraling costs and earnings of medical practitioners without comparable increases in services provided.

Coverage should be provided for a basic package of health services for all Americans including full payment for maternal and child health services, annual physical check-up examinations, and active (as opposed to purely custodial) mental health care. The result of such coverage patterns should be a much more preventive care oriented system. Prescription drugs and dental services should be initially partly paid for by NHI.

On the surface, NHI would seem to cost a great deal. We estimate that \$64.6 billion of the \$68.9 billion recommended for federal health programs in 1976 would go for this purpose. We propose that funds for NHI be raised through employer contributions of 3 percent of payroll, a 5 percent surtax on individual incomes, and a residual contribution from general federal revenues. Employer and individual taxes would raise \$29 billion in 1976. The remaining \$38 billion would come from general revenues, about half of that replacing what current federal health programs outlays would have been in 1976. *It is important to understand that the amounts we are talking about are not fundamentally additional to what our society now pays for medical care: rather NHI financing would be largely in place of current financial payments to private health insurance companies or directly to doctors and other medical practitioners.* Total personal health care expenditure in 1970 amounted to \$67 billion.

It is also important to understand that the kind of National Health Insurance proposal we are recommending is a unique approach, building on our current medical care system and tailored to specific American needs. We are not recommending adoption of socialized medicine, as practiced in Britain and several other European nations, with all that approach implies for government control over health practitioners.

All the foregoing programs and recommendations assume continued diligent attention to improving the quality of medical care. NHI needs to incorporate mechanisms for maintenance of professional standards, licensing of facilities, periodic retraining for practitioners, and public involvement in review of the system.

Support for development of improvements in the organization and delivery of health resources should immediately be increased by 25 per cent—from \$188 million to \$235 million—with the emphasis on benefits of the type expected from prepaid group practice. Provision is also made for a modest expansion of funding for biomedical research to \$1.4 billion in 1976 in order that better quality care will be possible in the future.

Impact of NHI on other government health activities.—Many current Federal government health activities—notably Medicaid, Medicare, Maternal and Child Health Serv-

ices, the crippled children's program, care for merchant seamen and American Indians, community mental health centers, and other federally supported health center—would, beginning in 1974, receive their financial sustenance through NHI although in some instances they would still require government provided staff and facilities.

With the institution of NHI, the need for a separate Veteran's Administration health care network to provide care for a special population would largely disappear (the exception would be special care for injuries unique to warfare). Most Veteran's Administration health facilities and personnel should convert to serving the general public; assets could be transferred to local non-profit groups. A particularly important dividend from such a conversion would be broader use of the excellent VA professional and semi-professional mental health manpower and manpower training facilities—both areas of strength within the Veteran's Administration system, and badly needed nationwide.

MENTAL HEALTH

Mental health and mental retardation services historically have been the unwanted stepchild of the medical establishment. Partly to compensate for this historical neglect, we are singling out these services here for special attention. Only during the last decade have these services inched into the mainstream of American health services. With the development of effective community mental health education programs, widespread use of tranquilizing and anti-depressant drugs, extensive research, and numerous community mental health and mental retardation service programs, there has been a reduction in the severe incidence of mental health and mental retardation. In the area of mental illness alone, federal, state, and local governmental efforts over the past 15 years have reduced the mental hospital patient load by nearly 50 percent, saving an estimated \$12 billion in care and construction costs. Of particular importance in reducing the occurrence of mental retardation has been better care and nutrition for pregnant mothers and very young children.

This recent experience justifies confidence that continued investments in such research, education, and treatment programs will provide significant social dividends. The mentally ill and mentally retarded draw heavily upon services of other programs—specifically welfare, vocational rehabilitation, and education programs. Reduced occurrence of mental illness and retardation can lead to significant reductions in the costs of these public programs.

While tremendous progress has been made, not enough Americans requiring mental health or mental retardation services are being served. This inadequacy stems both from insufficient funding and poor coordination between the various federal agencies providing these services. The shortage can be met during the next five years by: a) continued expansion of the community mental health center—probably double the currently funded 500 such centers will be needed—and mental retardation services programs, b) expansion of mental health and mental retardation services in general health facilities, and c) use of Veteran's Administration facilities and personnel, now run on a total annual budget of \$339 million, to help meet the needs of regions surrounding the 39 communities in which they are located.

The implementation of NHI, along with our other recommended health program measures, would go far toward providing basic health care, preventive as well as curative, for all Americans.

TABLE 5-1.—HEALTH^{1,2}
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations						Administration		Urban coalition recommendations				
	Esti- mated 1971	Pro- posed 1972	1972	1973	1974	1975	1976		Esti- mated 1971	Pro- posed 1972	1972	1973	1974	1975	1976
Manpower training and educa- tion.....	931	1,010	1,130	1,310	1,390	1,520	1,670	Medicare and Medicaid.....	11,395	13,254	13,820	14,445			
Construction of facilities.....	417	435	355	350	395	310	320	National health insurance ⁴				3,375	57,400	60,000	64,600
Community health centers and other resource distribution programs.....	550	621	705	970	*255	*380	*405	Biomedical research.....	1,259	1,370	1,285	1,320	1,340	1,375	1,440
Care for veterans, Indians, and other special groups.....	1,867	1,939	1,960	2,075	*100	*100	*105	Disease prevention and control.....	239	233	210	200	200	200	200
								Other.....	599	278	280	290	100	105	110
								Total.....	17,257	19,140	19,745	24,335	61,180	63,990	68,850

¹ Excludes health programs of the Department of Defense; specialized health activities of NASA, the Atomic Energy Commission, and the Department of Agriculture; and foreign health activities.

² Because health costs are expected to rise faster than either the consumer or the Federal Government price index, the following special price index was employed: 1971, 100.0; 1972, 105.8; 1973, 111.3; 1974, 115.5; 1975, 122.8; 1976, 129.5.

³ A substantial portion of the costs of care provided in community health centers and care for government wards would be absorbed in these years by national health insurance.

⁴ Based on cost estimated supplied by the committee for national health insurance. Those estimates were developed with the help of the Social Security Administration.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRI- ORITIES 1971-76—CHAPTER 6

HON. ORVAL HANSEN

OF IDAHO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. HANSEN of Idaho. Mr. Speaker, I include chapter 6 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 6. EDUCATION

Every American leaving the public schools must possess the communication and mathematical skills required for participation in the national economy.

Education in America is a community concern. By far the major share of the cost of the U.S. public school system is paid from local and state taxes. Locally elected school boards are the policy making bodies for schools throughout the nation. Only through such decentralized operation can the values, aspirations, and histories of the nation's various subcultures play the part they must in the education of the young. But one objective of education in America is to equip citizens to take part equally in the life of the whole nation. The federal government is the instrument which ensures the conditions of equality of opportunity for all citizens to take advantage of their full range of opportunities.

The federal policies recommended in this chapter are designed to stimulate change in education methods, but in all cases to preserve and bolster the responsibility of the community to determine what changes will be made and how, or to elect not to change at all.

Our recommendations are grouped in policy categories corresponding to four segments of the education system. These are: (1) Early, Elementary, and Secondary Education; (2) Higher Education; (3) Adult Education; and (4) the Arts and Humanities.

EARLY, ELEMENTARY, AND SECONDARY EDUCATION

A new conventional wisdom is emerging in American education circles. Growing numbers of teachers, administrators, and laymen concur in the belief that public schools must abandon many traditional education forms and attitudes if today's youth are to be prepared to participate fully in a modern, technological society. No fundamental agreement exists as to what ought to replace these traditional elements.

Yet very little change and experimentation

actually are taking place in the nations' elementary and secondary schools. There are a few innovations based on a systematic re-appraisal of school objectives and methods. However, most of what is masquerading as educational change is merely elaboration of traditional programs and techniques.

Why have most schools behaved so cautiously in the face of increasingly daring education rhetoric?

We believe there are two principal reasons. To begin with, few exhortations for change leveled at the schools have been accompanied by proven policy alternatives: it is clearly easier to call for better schools than to propose concrete steps for improving them.

Secondly, even with the introduction of sound programmatic and methodological alternatives to chart the future, the disincentives to change currently confronting most school administrators and teachers still would outweigh the incentives to change. Over the years, delicate and complex relationships are constructed in school districts between boards of education, school administrators, teachers and teachers' unions and other community institutions. Jurisdictions and spheres of influence are painstakingly negotiated to reduce conflict and create stability. There is understandable reluctance on the part of those whose positions and prerogatives are defined by this structure to alter it—whatever its educational merits or liabilities—because of the friction and insecurity certain to result in the short-run.

Some critics have concluded that this stubborn resistance to the demand for change is possible only because of the public schools' monopolistic hold on education, a position that allegedly permits them to ignore public criticism without fear of losing public resources to competitors. Educational vouchers (a program for giving education tax dollars to children rather than institutions) and performance contracts with private concerns are frequently discussed means of compelling public schools to change or perish by breaking their monopoly and making public education subject to the forces of competition in the market place.

Because some public school systems perform admirably, and because of important egalitarian values that only effective public education can hope to provide a democratic society like ours, we believe the public schools are worth saving. And in our view, no sustained, comprehensive, nation wide effort to produce public schools capable of filling local and national educational requirements has yet been attempted.

The federal elementary and secondary education programs recommended in this budget constitute an attempt to define the federal government's role in such a campaign to reform public education. All of

these programs have one unifying objective: to offer communities sufficient new incentives for innovation and experimentation to make the benefits of purposeful change outweigh the short-term costs of abandoning the status quo. Only after it has been demonstrated that the balance cannot be tipped in favor of change would we be willing to recommend support for alternatives to the present system of public education.

DEFINING THE FEDERAL ROLE

Federal aid to elementary and secondary education in 1971 is expected to be about \$3 billion—less than 10 percent of total public expenditures for elementary and secondary education in the United States. In order to exert a major influence on the shape of future educational development, this proportionately small federal contribution will have to be concentrated in a limited number of critical program areas.

Management of the aggregate aspects of the American economy is by necessity a federal function. With enactment of the manpower training, public-sector employment and income maintenance programs proposed in this budget, the federal government also will have accepted the full responsibility for matching supply and demand in the labor market and supporting those for whom no place can be found.

We believe this assumption of responsibilities will win for the federal government the right to insist on the inclusion of two specific objectives on every local education agenda:

(1) Every American leaving the public schools must possess the communication and mathematical skills required for successful participation in the national economy; and

(2) Every student must acquire adequate information and experience in school to allow selection of a career objective consistent with his abilities and aspirations and the opportunity to pursue it through access to college, a job-training program or a full-time job upon graduation from high school.

EARLY EDUCATION

Approximately 50 per cent of an individual's full intellectual development occurs during the first five years of life—before most children are placed in a planned learning environment. In addition, there is growing evidence that much of what is learned during the first five years is a necessary precondition to later intellectual and social development. By failing to provide planned, purposeful education for many of our children during their early years, we not only waste learning opportunities but may destroy future opportunities as well.

Nearly 80 per cent of the four million five-year-olds in the nation now attend kinder-

garten. But, of the approximately 11 million youngsters aged two through four in this country, only 23 per cent of the four-year-olds, 9 per cent of the three-year-olds and almost none of the two-year-olds currently are enrolled in pre-kindergarten education programs. Thus, about 75 per cent of these 11 million children will not experience so much as one year of formal teaching during the intellectually critical first five years of their lives. Present federal programs, primarily Head Start and Title I of the Elementary and Secondary Education Act, provide pre-kindergarten education to less than 5 per cent of these 11 million youngsters.

Because all children can benefit from pre-kindergarten education, and because many may require formal early education to realize their full intellectual potential in later years, we recommend making learning programs available to all children between the ages of two and four on a voluntary basis. This is consistent with the federal commitment to provide equal education opportunities and with our objective of providing every American child with the reading and math skills required for economic success in our society.

Two kinds of pre-kindergarten programs are needed: 1) full-day (10-12 hours) child care programs for children of working mothers, and 2) shorter (3-4 hours) programs for children with non-working mothers. The full-day program, which would provide care for children between the ages of a few months and four years, would have a large educational component; the shorter programs, enrolling only two-, three-, and four-year-olds, would be completely educational. We estimate the cost of a quality full-day program for each child at \$1750 a year, and the cost of the half-day program at \$500.

Making early education available to all children could be approached in each of several different ways:

(A) By adding the provision of universal free pre-kindergarten education to state and local educational responsibilities.

(B) By establishing a state or federal subsidy for families that cannot afford the full cost of pre-kindergarten education for their children.

(C) By providing universal free pre-kindergarten education financed entirely with federal funds.

If a sufficient number of early education teachers and paraprofessionals were available to enable all 11 million children in the age bracket two to four—as well as the 1.5 million children under two who have working mothers—to attend pre-kindergarten schools, the total cost of such a program is estimated to be \$10 to \$15 billion a year. This cost would be prohibitive, given available public resources and competing priorities, no matter which level of government assumed the responsibility for this program. Alternative (B) then, which would restrict subsidies to those who could not afford to pay the full cost of pre-kindergarten education, would be the only fiscally feasible approach. And given the financial problems facing most state and local education agencies, this partial subsidy program would have to be funded federally.

In reality, we lack the training capacity to rapidly expand the number of early education personnel; it is estimated that only 4,000 to 5,000 pre-kindergarten teachers are being graduated each year. Therefore, a meaningful early education subsidy program would have to be coordinated with a federal plan to increase significantly the number of pre-kindergarten teachers and paraprofessionals trained each year.

We recommend spending \$700 million for student aid and institutional support over the next five years to train an additional 80,000 early education teachers and 160,000 new paraprofessionals. This would enable us to increase the national pre-kindergarten enrollment for two-, three-, and four-year-olds from the present figure of 1.3 million to 2.6 million by 1976, while raising the enrollment of children of working mothers in the ages from infancy to two years to 500,000. The increases would constitute a significant step toward our ultimate objective of making quality pre-kindergarten education available and financially feasible for all who desire it.

The federal subsidy program we recommend would pay the full cost of early education for children from families earning less than \$4,000 a year. Children from fam-

ilies with annual incomes between \$4,000 and \$16,500 would receive a partial subsidy determined by a sliding scale. In instances where applications outnumber available openings, preference would be given to children from families earning less than \$6,000.

We would favor placing these pre-kindergarten programs under the supervision of the local public school system. Continuity between pre-kindergarten programs and elementary school appears essential if early education gains are to be sustained. Furthermore, since we would be holding public schools accountable for providing students with specific reading and math skills, these schools ought to be given every opportunity to contribute to their students' early education. However, in those instances when a public school system could not or would not be responsible for providing pre-kindergarten programs, state accredited private schools would be eligible for federal subsidy funds. In either case—public or private—early education programs enrolling children with federal subsidies would have to comply with federal desegregation requirements and include federal reading and math objectives.

Finally, it should be made clear that good pre-kindergarten programs are no substitute for needed improvements in elementary education. Pre-school learning cannot take the place of what should be learned in elementary school; it is preparation, just as what is learned in elementary programs should prepare a student for what he will encounter in secondary school.

Indeed, the title "pre-school" is misleading. We suggest that education for two-year olds be considered the first grade. School attendance would not be mandatory until the fourth grade (what is now kindergarten). But parents would be aware that children were undergoing definite intellectual and social development during the first three grades that should be provided for at home for children not enrolled in early education programs. Viewing developmental programs for children aged two to four as early education instead of as pre-school would do much to heighten awareness in this country of the importance of learning during the first five years of life.

TABLE 6:1.—EARLY EDUCATION (PRESCHOOL)

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Development programs ¹			1,164	1,492	1,657	2,145	2,606
Teacher training.....			78	85	132	169	235
Research and Development.....			51	62	75	88	90
Total.....	402	425	1,293	1,639	1,864	2,402	2,931

¹ Cost of child care programs and construction and facilities are merged into totals for development programs.

ELEMENTARY SCHOOL ACHIEVEMENT PROGRAM

According to the best estimates which can be made from the limited data available, approximately 20 per cent of the children in the United States fail to attain the level of literacy required for available employment. In certain poverty areas, this figure reaches 75 per cent or more. More than 9 million children now enrolled in the public schools eventually will enter the labor market illiterate unless public education is changed.

Performance figures in mathematics, the other skill area so essential for participation in the present American economy, are quite similar.

There is no existing federal program designed specifically to raise the reading and math performance of all American children to the level necessary for real economic opportunity. Title I of the Elementary and Secondary Education Act does not specify what benefits children should receive from

the programs funded. The framing of education objectives is left to the local school districts. Furthermore, those Title I funds invested to date in reading and math programs have had no significant measurable impact on the reading and math performance of the great majority of students enrolled in these programs according to Office of Education evaluations.¹

Listed below are the most frequently discussed federal alternatives for improving reading and math skills.

(A) Granting more time and resources to the present Title I program which seeks to improve the education of "educationally disadvantaged" students by distributing compensatory funds under a formula reflecting the geographical distribution of school-age children from low-income families.

¹ Title I/Year II, U.S. Office of Education, U.S. Government Printing Office, 1968.

(B) Continuing the present Title I program with more specific reading and math performance objectives.

(C) Transforming Title I into a program providing strong financial incentives and operational support to induce elementary schools with children not making sufficient progress toward federally-defined minimum reading and math performance standards to formulate plans to raise the performance of such children to at least those standards. Evaluation of local school performance would be by nationally devised and administered tests, and funds would be distributed on the basis of student performance deficiencies measured by those tests rather than family income.

(D) Shifting federal attention from existing education programs to the quest for new approaches by funding a large number of experimental schools that eventually

might provide new models for the public schools.

(E) Putting federal education dollars into programs such as educational vouchers and private performance contracting in order to stimulate the creation of alternative education institutions in the private sector to compete with and possibly supplant the present public school system.

We reject alternatives (A) and (B) in the belief that the present Title I emphasis on increasing education expenditures for the poor rather than improving the performance of all underachieving students fails to offer the incentives for change and experimentation which improved performance will require. Also, we find the Title I assumption that poor children should be singled out for help because they are "culturally deprived"—implying that the home life provided by poor parents is qualitatively inferior—a gratuitous and arrogant position which encourages many poverty-area schools to demand different children instead of developing different programs for the children they receive.

We would not favor the adoption of alternative (E) at this time because of our strong, previously stated preference for strengthening the public school system instead of creating a companion education system.

We recommend instead a new federal education program on the elementary level combining alternatives (C) and (D): a reading and math achievement-oriented Title I with incentives for change together with a new federal role in developing and evaluating experiments in local schools which would serve as models for such change. The ultimate goal of this restructured and refocused Title I program would be to enable all groups of children in the nation to attain the same reading and math performance levels, independent of geographic, cultural and economic differences. However, our more immediate objective within the five-year life of this budget is to assure that every American leaving the public schools possesses at least the minimum communications and math skills required for successful participation in the national economy, as defined in terms of absolute performance standards set by the U.S. Office of Education.

Allocations of funds would be based on reading and math achievement levels instead of family income. Each qualifying State would receive \$300 annually for every child in kindergarten through the sixth grade not progressing at an acceptable rate toward the federal minimum math and reading standards.

To qualify for these new Title I funds, a state education agency would have to secure a comprehensive multi-year reading and math achievement plan from each public elementary school with eligible students in the state. Each school's plan—negotiated jointly by the staff of that school, parents from the school community, and representatives from the local and state education agencies—would have to contain specific reading and math achievement objectives which meet or exceed federal minimum standards, a description of how the school intends to attain those objectives, and criteria for evaluating the success or failure of the plan which are acceptable to all of the parties involved and consistent with U.S. Office of Education guidelines.

However, for the federal government legitimately to hold the states and individual elementary schools accountable for meeting the reading and math achievement objectives in their plans, the Office of Education would have to identify existing programs and develop demonstration programs in public schools able to raise the reading and math performance of students to national norms. Such school programs do exist in impoverished as well as affluent neighborhoods,

but not in sufficient number or diversity to guarantee that each new Title I school would find a model that has succeeded in circumstances similar to its own. The Office of Education also would have to create a system of federal support teams to disseminate information about successful elementary school programs and other federal research findings to state education agencies.

It is important to note that the federal role of testing and model development would not require a large bureaucracy. Technical support for individual schools and the administration of teacher retraining would be strictly a state task, thereby ensuring that the support and evaluation functions would be performed by different groups.

The timetable for implementing this new Title I program would be determined largely by the dispatch with which the Office of Education could identify and create successful experimental elementary programs. We estimate that some Title I schools would be prepared to put achievement plans into operation by 1974, while the majority would require an additional year of preparation. In the interim, we recommend continuing the present Title I program with the added stipulation that all program funds be directed at improving reading and math skills.

We believe the incentives provided by this new Title I program to change traditional elementary education attitudes, methods and curricula would be compelling. The additional \$300 in federal funds for every eligible student would assure widespread individual school participation in the program. State involvement would be secured by making active participation a condition for receiving funds under a massive federal general education assistance program proposed later in this section.

However, participation in the program is not the ultimate objective. To attain our real objectives, incentives to succeed also would have to be present. Our Title I plan would create three such incentives.

First, to qualify for Title I funds, a state would have to agree to assume temporary control of individual elementary schools which fail to attain the objectives in their achievement plans. If, in turn, the state were unable to raise achievement in that school to national norms over a given period of time, the Title I funds received by the state for eligible students in that school would be given directly to the students in the form of federal educational vouchers to be used for supplementary instruction from other sources. At that point, the state and the local education agency involved also would lose a proportionate share of the federal general education assistance money they were receiving. Thus, the state, the local education agency, and the individual school all would share a financial incentive to succeed.

Second, since failure to meet achievement objectives would entail significant financial losses for both state and local education agencies, education bureaucracies would be more likely to reward administrators on their ability to create and direct successful achievement programs than has tended to be the case in the past. To the extent that this success required changes in educational forms and content, the current disincentives to change operating in many school systems would be weakened and hopefully overcome.

Third, the Title I achievement objectives would give the public a yardstick for measuring one aspect of school performance. Elected education officials and school systems going to the voters for additional tax revenue would be under heavy political pressures to attain their individual school objectives.

Can we be sure that all participating schools would change, and change for the better?

It is conceivable that some participating schools would be able to meet achievement

objectives without abandoning present rigid teaching patterns or altering the rest of their education program, but we would be providing children with important reading and math skills previously denied them.

In fact, we believe that concerted school efforts to teach all children reading and math skills would bring about fundamental and desirable changes in the entire program of most participating schools. Programs which in recent years have succeeded in significantly raising student performance employ a wide variety of teaching methods and forms of school organization. Clearly there is no one method or technique that ensures successful learning.

All of these programs appear to have in common three elements: 1) specific and sequentially defined achievement objectives, 2) the expectation that students can attain these objectives, and 3) regular support services for teachers and evaluation of student performance. Any school that approaches reading and math in this fashion would be almost certain to depart from the traditional practices found in most schools with underachieving students—a departure that would affect every phase of the school's operation.

Many education critics point out that changes are needed in the area of emotional development as well as in skill performance. We agree. We believe that the abilities this program fosters—to read, to use mathematics—contribute greatly to a person's self esteem in our society. And it is our hope that the expectation by school officials that children can learn, which appears to be a necessary condition for meeting achievement objectives, plus parent participation in Title I planning, will combine to make schools more humane.

The federal cost of giving the states \$300 for every public elementary school student not making adequate math and reading progress would be \$2.1 billion by 1976. We recommend providing an additional \$100 million in Title I funds to the states to help develop and operate the state support teams the Title I achievement plans require.

A federal Office of Education Evaluation, reporting directly to the U.S. Commissioner of Education, would be responsible for administering reading and math achievement tests to every public elementary and secondary education student in the nation at the beginning and end of every school year. The annual cost of this testing program would be approximately \$500 million.

Funds for the identification and creation of model elementary programs would come from federal education research and development expenditures discussed later in this section.

CAREER PREPARATION FOR SECONDARY SCHOOL STUDENTS

Selecting and securing an occupation has become an enormously complex task in the United States. As the demand for unskilled and semiskilled labor has diminished, success in the economy increasingly requires an understanding of the labor market, a set of specific skills, and enough basic education to permit later retraining to adapt to changing skill demands.

These requirements for economic success are of recent vintage, the products of the highly specialized and rapidly evolving American economy of the post-World War II period. Parents and many school counselors, the traditional sources of career education, no longer possess the expertise needed to prepare young people for entry into today's labor market. Most secondary schools, isolated as they are from structural changes in the economy, have failed to respond to this growing gap in their students' education, clinging instead to anachronistic curricular tracks and vocational programs designed for an America of fifty years ago.

The cost to the nation's young people of this failure to be relevant is staggering: an

estimated 50 per cent or more of the high school-age youth in this country are *not* securing the preparation and assistance they require to choose and enter an occupation commensurate with their abilities and aspirations.

One of every four young persons drops out of school before graduating, an act which condemns an individual to compete for one of the diminishing number of low-skill, low-paying jobs or to endure the bitter subsistence struggle of the hardcore unemployed. Perhaps even more tragic is the plight of the 25-50 per cent of our youth who do complete high school, who play the game by society's rules, only to experience the same failure in the labor market as their companions who drop out. For these young men and women, a high school diploma is a frustrating ruse that raises future expectations without providing the competence to realize those expectations.

There are two basic public policy alternatives for dealing with this national problem:

(A) We can ignore the school system and concentrate public resources on training and employing those men and women who fall into the pool of unskilled, unemployed labor after failing to find a place in the economy upon completing their formal education.

(B) Or we can attempt to stop the flow of people into this pool of the unskilled unemployed by restructuring the secondary school to ensure that all students receive the education, experience and assistance needed to enter college, a job-training program or a full-time job with a future *directly* upon graduating.

Currently, it is the first course we are pursuing. Only 10 per cent of today's high school-age students receive vocational technical instruction; and more than half of these students are receiving this training in home economics and agriculture. Those in the academic curriculum are prepared solely for college, despite the fact that many academic students either do not go to college or never graduate. And those pushed into "general education"—the third and most populated of the traditional high school curricula—are prepared for nothing.

The federal contribution to career preparation programs for the nation's 18 million public secondary students is expected to total \$300 million in 1971. At the same time, the federal government will invest approximately \$1.7 billion in manpower programs to attempt to train and place 1.5 million people who have been left unskilled and jobless by the education system.

This present allocation of federal resources makes no sense in either economic or human terms. Training an adult who is likely to have a family that must be supported during the training period is far more difficult and expensive than preparing a secondary or post-secondary student already in school.

Therefore, we recommend adopting alternative (B): a restructuring of secondary education to provide every student with the information and experience he needs to select a career objective consistent with his abilities and aspirations *and* the opportunity to pursue that objective through placement in a post-secondary education or training institution or in a full-time job upon graduating from high school. Career preparation for all students would replace the traditional vocational track.

Making good on these new national rights for secondary school students will require the establishment of four separate but coordinated programs:

First, the revised Title I reading and math achievement program we proposed at the elementary level should be continued into secondary school for those students still lacking the basic education skills economic success demands. We recommend a crash reading and math achievement program providing \$300 in federal funds for each eligible

secondary student in the nation, a sum sufficient to finance tutorials and other highly concentrated and individualized teaching forms.

This new Title I secondary program, operating under the same federal procedures and requirements as its elementary counterpart, would cost \$1.5 billion a year by 1976. However, as the elementary program took effect in succeeding years, this secondary effort would be reduced greatly in size and cost.

Second, we recommend the establishment of a Career Education Program for all of the nation's 18 million public secondary students. The objective of this program would be to provide every young person with the information and experience required for realistic career planning.

On the junior high level, this program would consist primarily of in-school exploration of career alternatives. However, in the senior high school, the emphasis would shift to the placement of students in work-related adult activities outside the school. Here the objective would not be specific job training, but rather the opportunity for all students to learn about the labor market, employer expectations, career alternatives and necessary educational preparation by observing and participating in real occupational activities in the community.

We recommend funding this program with 70-30 federal-state matching grants. To qualify for these grants, which would allocate funds on the basis of public secondary school population, a state first would have to obtain a multi-year career education plan from each local school district, to be negotiated jointly by local school officials, parents, representatives of local business and labor organizations, officials of post-secondary education and training institutions in the area, and state education officials. Each plan would have to contain specific career education objectives consistent with federal guidelines, a timetable for attaining these objectives, and the means for measuring progress toward them.

The federal government's principal responsibility would be the identification and development of successful career education programs in a variety of school and community settings to serve as models for state and local school district plans. Ongoing support to assist local school districts to attain their objectives would be supplied by state education agencies.

We estimate the federal cost of this national Career Education Program, including expenditures for training and retraining teachers and counselors, at \$2.5 billion a year by 1976.

Third, present federal vocational education programs should be revised to complement the other secondary education programs we are proposing.

In the course of their career education experience, we would expect many secondary students to discover occupational fields which capture their interest. When this happens, they should be able to obtain broad career preparation in these fields while still in high school. The main purpose of such career preparation would be to provide students with the information and skills required for success in the more specific training programs offered after graduation by employers and post-secondary schools. For example, students interested in the health field would all benefit from courses in physiology and laboratory practices, whatever their specific health career objectives.

Therefore, we recommend using current federal vocational education funds to encourage states to develop these broad career preparation programs to replace many of the present narrow-skill programs.

In those remaining instances in which specific skill training can be delivered most efficiently while a student still attends high school, precautions must be taken to ensure

that this training will adequately prepare the student for a real place in the economy upon graduation. Too many present vocational education programs—particularly those in home economics and agriculture—are unrelated to the needs of the labor market.

In order to guarantee relevance in both the broad career preparation and the skill programs, we urge federal guidelines requiring the participation in formulation of vocational course plans of employers and educational institutions who are expected to receive the graduates of these programs. The skill programs also would have to include provisions for actually placing students in related jobs upon satisfactory completion of the training provided.

Fourth, we recommend the creation of a federally financed career placement program operating in all of the nation's public senior high schools to ensure that every graduating student has the opportunity to enter a college, a job training program, or a full-time job with a future immediately following commencement. This is the final bridge we propose building between the public school and the world for which it presumably is preparing its students.

Placement programs departing from present guidance and counseling methods currently operating in a few school districts around the country have demonstrated that virtually all of the students in a senior class can be placed within four months of graduating at a cost of less than \$75 per student. In the program we are proposing, schools also would be required to maintain contact with their graduates for a full year following initial placement.

We estimate the federal cost of this placement program at \$293 million a year by 1976.

Like our proposed elementary programs, these four secondary school-oriented programs are designed to attain a limited federal objective. However, in implementing these career-oriented proposals to break down the barriers between the school and the adult community the high school graduate eventually must enter, we also believe the federal government would be providing the framework and incentives for introducing more relevance into the entire secondary program and for replacing the present rigid curricular system with a more flexible and functional structure.

OTHER SPECIAL IMPACT PROGRAMS

Education for the Handicapped: At present, 40 per cent of the six million handicapped children in the nation between the ages of 5 and 19 are receiving special education services. We recommend expanding current programs to increase the proportion of children served to 60 per cent by 1976. This will require training 40,000 teachers for the handicapped each year for the next five years. The total cost to the federal government of expanding school programs and teacher training would be \$183 million a year by 1976.

Indian Education: We recommend that the Bureau of Indian Affairs spend \$1,000 for each of the 62,000 Indian pupils enrolled in the Bureau's schools, and an additional \$3,000 per pupil for the 61 per cent of these pupils enrolled in boarding schools. We also strongly support the recommendation of the Carnegie Report that control of Indian education be transferred to Indian communities within five years. We estimate the federal cost of Indian education at \$216 million a year by 1976.

Desegregation Assistance: The racial integration of students in elementary and secondary schools must remain a national goal of the highest importance, both because it is right in a society committed to equality and because it is beneficial to all of the students involved if implemented thoughtfully. We therefore support President Nixon's proposal to provide \$1 billion in federal funds to assist school districts in the process of desegregating their education systems. To

ensure that these funds are carefully and constructively used, we recommend spreading their expenditure over the next four years.

Bi-Lingual Education: We recommend greatly increasing federal funds for bi-lingual education from the 1971 figure of \$25 million a year to \$58 million in 1976. Effective bi-lingual education is not a one way street in which only non-English speaking children are taught English; a program also must teach English-speaking children to understand and respect the language and culture of the non-English speaking peoples with whom they live.

Nutrition and Health: Malnutrition and poor health are unacceptable in a society as advanced as ours. They also are serious obstacles to learning. Therefore, we recommend the enactment of a new title in the Elementary and Secondary Education Act to provide every poverty area elementary and secondary school with federal funds to hire a staff person whose sole responsibility is to ensure that existing public nutrition and health programs are available to meet the needs of the children in that school.

Research and Development: Under the new programs we recommend for early, elementary and secondary education, the federal government would assume responsibility for identifying and developing successful programs in a number of different educational areas to serve as models for schools attempting to improve their own programs. This new responsibility, along with an increased commitment of resources for basic education research, would raise annual federal research and development expenditures for early, elementary and secondary education to \$500 million by 1976.

General Education Assistance: In order to help states and localities close the growing gap between education expenditure needs and revenues, we recommend initiating a program of large-scale federal general education assistance to the states. These block grants, which would total \$4 billion a year by 1976, could be used for whatever educational purposes the states and localities desired.

However, to be eligible for this federal assistance, a state would have to meet the following conditions: 1) a state would have

to assume at least 55 per cent of all non-federal elementary and secondary education expenditures; 2) kindergarten attendance must be mandatory; 3) a state would be responsible for ensuring that all public schools with eligible children participate in the new Title I program we proposed, and 4) a state would be prohibited from passing through federal assistance to local school districts, which fail to allocate resources and services equitably between schools in a district.

Funds would be distributed to the states on the basis of school population, state need, and state and local revenue-raising efforts. States would be required to allocate the funds equitably among their local school districts taking into account need. This inclusion of need as an allocation factor would ensure that localities now receiving impact aid (aid to school districts in areas with large amounts of non-taxable federal property) would qualify for a relatively larger share of the general assistance money. The change would permit termination of the present impact aid program.

TABLE 6.2.—ELEMENTARY AND SECONDARY EDUCATION

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
Elementary reading-math achievement (title I).....	1,275	1,415	1,265	1,299	1,433	2,051	2,112
Secondary reading-math achievement (title I).....			764	793	1,390	1,434	1,480
Career preparation.....	262	1,286	450	460	2,912	3,009	3,112
Staff development.....	169	171	77	128	200	236	211
Desegregation assistance.....	100	300	300	300	150	150	.....
Indian education.....	157	182	188	194	203	210	216
Bilingual education.....	25	125	25	30	44	56	58
Handicapped.....	34	134	55	84	112	145	183
Impact aid ²	512	1,487	.....	.....	.....	.....	.....
Health and nutrition.....	.....	.....	40	80	80	80	80
Research and development.....	200	246	300	400	450	475	500
Other.....	779	712	514	538	565	591	625
Total.....	3,513	3,858	3,978	4,306	7,539	8,437	8,577

¹ Included in administration's revenue sharing proposal scheduled to be implemented Jan. 1, 1972. ² Included in general education assistance.

II. HIGHER EDUCATION

Like so much in contemporary American life, higher education in the United States is both enormously successful and profoundly troubled. By providing intellectual excellence and creative scholarship in a system of mass education which accommodates 40 per cent of the nation's college-age population, our institutions of higher learning serve as the model of the democratization of higher education. At the same time, partly as a result of their rapid development and democratization, our universities and colleges are being torn today by the most basic conflicts over purpose, power and structure.

The issues and questions raised by this dialectic of success and difficulty are central to the development of American higher education and, consequently, critical to the future character of our society. The central responsibility for resolution of these issues must be accepted by the universities and colleges themselves, in some cases aided by the states and localities which provide the major share of their financial support. The federal government, though, must contribute to the solution of these problems by structuring its higher education assistance programs in ways which nurture movement toward improvement and innovation in areas such as:

Structural organization. The traditional four year B.A. program increasingly seems an inappropriate frame of reference for many seeking higher education. Federal assistance should foster attempts to develop wider diversity of structures, including such forms as the Urban Grant University, one- and two-

year degree programs, and continuing and vocational education.

Resource utilization. Enormous capital, technological, and human resources are invested in the higher education system. For the most part, these fixed resources are incompletely and inefficiently utilized. Federal assistance programs should require innovative approaches (such as full-year and full-day use of facilities) to improve resource utilization.

Access. For a variety of reasons, all Americans do not enjoy equal opportunities to receive higher education. Minority applicants still are stymied by discrimination in college admission and loan approval policies at some institutions. Many intellectually qualified, but financially poor students are unable to obtain the funds needed to pay for higher education.

It is our contention that the two principal federal objectives in the area of higher education during the next five years should be: a) ensuring equality of access to institutions of higher education, and b) expanding the capacity of those institutions to handle rapidly increasing enrollments.

Direct Student Aid: Increased student aid is necessary to eliminate the economic barriers which still prevent many qualified students from receiving the benefits of higher education. Currently 48 per cent of all college students come from families in the top income quartile in the nation while only 7 per cent come from the bottom quartile. The chance that a student in the top half of the income range will go to college

is three times as great as for one from the bottom half.

There are two alternative federal approaches for ensuring equal access to higher education:

(A) Directing federal financial assistance primarily to students prevented from attending college by inadequate incomes.

(B) Federal financing of the full cost of higher education for all Americans wishing to enter college, regardless of income.

Alternative (B), federal financing of universal higher education, is certainly consistent with our belief that higher education is a national resource of major importance. However, we estimate that such a program would cost \$35-\$40 billion a year by 1976—a prohibitive price given the amount of federal resources we expect to be available during the next five years.

Therefore, we recommend the first alternative, concentration of a smaller number of federal dollars primarily on those students who otherwise could not afford to pursue an education beyond high school. Since the much-discussed proposal of federal tax credits for education expenses would benefit higher income families relatively more than lower income families, we reject it outright. Instead, we counsel relying on more direct forms of student aid such as scholarships, work-study grants, subsidized loans and guaranteed loans.

In the past, the major emphasis of federal student aid has been focused upon students from lower and middle income families through a mix of scholarships, Educational Opportunity Grants and work-study pro-

grams. The present Administration has sensibly attempted to increase the absolute amount and percentage of scholarships and subsidized loans to needy students, while restricting those in higher income brackets to loans which the government simply guarantees against default.

We recommend that this shift in emphasis be continued and accelerated to provide \$2.2 billion in total aid by 1976 to needy students (those from families with earned incomes below \$8,500), a 350 per cent increase over current outlays.

This amount of federal assistance in the form of Educational Opportunity Grants, work-study grants and direct loans would enable approximately 1.6 million low-income students to receive an average of \$1,250 a year in aid; today roughly one million low-income students receive an average assistance allotment of only \$450.

Students whose family income is above \$8,500 should be aided through federally guaranteed loans obtained from private lenders (students from low-income families would also be eligible for such loans). During 1969-70, tight credit markets made it difficult for many students to obtain these guaranteed loans. To remedy this situation, the Administration has proposed creation of a National Student Loan Association (NSLA).

The NSLA would play substantially the same role in student loans as the Federal National Mortgage Association does for home loans (i.e., buying loans made in the private sector, thus making more money available for additional private sector loans). Student loans would be made at market rates of interest, but NSLA, after purchasing the loan, would charge borrowers no more than 7 per cent interest. It is estimated that NSLA, purchasing new loans at an annual rate of \$2 billion, would have \$9 billion in guaranteed loans in its portfolio by 1976. This \$9 billion could provide 4.5 million students with guaranteed loans averaging \$600.

We also recommend that students be given the choice of repaying the NSLA through two different mechanisms:

- (A) By repaying the actual value of the loan, plus interest over a specified number of years in the conventional manner; or
- (B) By agreeing to pay a small (but fixed)

percentage of their annual income for every \$1,000 of debt incurred.

The latter form of payment might prove particularly attractive to students from poor families since it would greatly diminish their fear of not being able to repay debts incurred to finance their education. The same approach might also prove attractive to universities since it might more readily make possible increases in tuition charges up to a level more fully approximating the total cost of student's education.

Institutional Aid: The student aid programs we are recommending should induce an even greater number of students to enroll in college than is currently projected. The increased enrollment will exacerbate the financial crisis already facing many colleges and universities. Costs of instruction and operating costs will continue to rise faster than tuition receipts. Additions of buildings and facilities also will be needed. The Carnegie Commission has recently reported that state and local governments will be unable to provide much additional support for higher education institutions. Many private institutions are already suffering from the inability to coax higher contributions from alumni and the private sector.

Therefore, we recommend that the federal government reverse its recent trend away from institutional support, increasing its assistance from \$850 million in 1971 to about \$1,100 million in 1976 (excluding aid to medical schools). Particular attention needs to be given to the astronomically growing network of community colleges.

As the total amount of institutional aid grows, the form of that aid should change in order to improve educational access. Currently, about 60 percent of federal institutional support is in the form of construction grants or loans and 40 percent in grants for general operating purposes. We recommend that these proportions be reversed. General operating grants should be provided to eligible institutions in the form of a cost of education supplement on a dollar-for-dollar matching basis with Education Opportunity Grants. Those institutions enrolling students receiving Educational Opportunity Grants would automatically receive matching institutional aid. Colleges and universities would have a financial incentive to recruit qualified low-income students. Small absolute de-

creases in construction assistance are merited because universities are most readily able to raise funds privately for this purpose. All federal higher education construction assistance should incorporate incentives for improved utilization of facilities.

Research: The federal government currently supports 75 percent of all university research. Of the \$500 million in federal funds proposed for university research and training in 1971,² about \$350 million (70 percent) is for academic research, \$101 million for teacher training, and \$48 million for educational research.

We recommend holding the total amount of federal support for university research constant over the next five years in real dollar terms. But we believe funds for academic research should be reduced by \$200 million; the \$200 million should be reallocated to educational research (\$50 million) and research in teacher training (\$150 million).

Vocational Education: The two-year community college is the educational institution best situated to provide career training to high school graduates and members of the labor force seeking new occupational opportunities. Yet most of these schools continue to favor courses that prepare students to transfer to four-year colleges rather than career-oriented programs, while, only an estimated 15 percent of all students entering community colleges ever transfer to four-year schools.

In order to stimulate the rapid growth of vocational education programs in community colleges, we propose to do the following: a) expand federal vocational education assistance to post-secondary institutions from the present level of \$125 million a year to \$400 million a year by 1976; and b) give preference to community colleges emphasizing career preparation programs when distributing direct federal assistance rather than to institutions of higher education, except when college transfer courses are essential to fill an educational void in a particular area. Federal guidelines also are needed to ensure that vocational programs in publicly supported post-secondary schools correspond to the realities of the labor market.

² Excluding outlays for biomedical research, which are examined in Chapter 5.

TABLE 6.3.—¹ HIGHER EDUCATION
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Direct student aid.....	2,489	2,762	2,604	3,177	3,877	4,506	5,014
Institutional aid.....	849	699	888	935	1,014	1,081	1,112
Research.....	501	566	594	572	582	577	557
Vocational education.....	124	200	200	250	300	350	400
Total.....	3,963	4,227	4,286	4,934	5,773	6,514	7,083

¹ Excludes outlays for medical schools, which are covered in health chapter.

III. ADULT EDUCATION

Education traditionally is regarded in this country as an exclusive right of children and young adults. When Americans acquire the responsibilities of a family and a job, they tend to assume that the opportunity for further formal learning is automatically forfeited. This prevailing view of formal education as a youth activity is particularly damaging at a time when so many Americans already in the labor force are beginning to realize that more education is the key to protecting themselves against technological obsolescence and to improving their economic and social standing.

Therefore, we recommend an expanded federal adult education program with two major objectives:

First, more Americans who are vocationally handicapped by deficient language, reading and math skills should have access to adult basic education courses. Because of the status higher education enjoys and because many men and women in need of basic education associate public elementary and high schools with past academic failings, adult basic education should be offered by community colleges and local universities whenever possible. More operational research is needed to develop better ways to convince people to enroll in such programs. Federal support for these programs should increase from \$80 million in 1971 to \$150 million in 1976.

Second, support for continuing education should be revamped to assure coordination

with the increased emphasis on career upgrading recommended in Chapter 2 for manpower training programs. As a result, outlays for continuing education can be sharply reduced in 1972. We recommend the establishment in 1973 of a program to encourage people already in the labor force to seek further vocational training. This program would seek to build bridges between community colleges—and other post-secondary institutions which provide career training—and working men and women desiring new occupational opportunities. Funds would be used to inform adults of existing vocational programs and to provide incentives to post-secondary institutions to develop accessible courses for different segments of the working population.

TABLE 6.4.—ADULT EDUCATION
[Outlays in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Basic.....	80	83	90	120	140	145	150
Extension.....	160	171	175	180	185	190	195
Continuing and career upgrading.....	376	442	220	305	325	360	400
Other ¹	740	729	650	660	720	775	825
Total.....	1,356	1,425	1,135	1,265	1,370	1,470	1,570

¹ Other includes support for training of federal professional employees and foreign students at U.S. educational institutions, assistance to educational institutions in foreign countries, support of the Smithsonian Institution and the Library of Congress, and several other miscellaneous educational activities.

IV. ARTS AND HUMANITIES

We recommend long overdue increases in public support for the arts and humanities—increases that are essential if we wish to improve the quality of life for many Americans. This would mean increased grants to a highly diverse spectrum of professional American

artists and cultural ensembles, with particular attention to raising performers' salaries to a level demonstrating acceptance of the "arts" as a valid occupation. A larger commitment of federal funds also would permit the accelerated development of community theatre, art and dance projects as well as an

expanded public broadcasting program. We recommend that federal support of the arts, humanities, and broadcasting increase four-fold—from \$66 million to \$280 million—during the coming five years.

TABLE 6.5.—ARTS AND HUMANITIES
[Outlays in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
National Foundation for Arts and Humanities.....	38	64	55	80	105	135	175
Public library services.....	51	34	45	46	48	51	53
Public broadcasting.....	28	42	50	64	77	90	105
Total.....	117	140	150	190	230	276	333

TABLE 6.6.—EDUCATION
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
Early education (preschool).....	402	425	1,293	1,639	1,864	2,402	2,931
Elementary and secondary education.....	3,513	3,858	3,978	4,306	7,539	8,437	8,577
Higher education ¹	3,963	4,227	4,286	4,934	5,773	6,514	7,083
Adult education.....	1,356	1,425	1,135	1,265	1,370	1,470	1,570
Arts and humanities.....	117	140	150	190	230	276	333
Total.....	9,351	10,075	10,846	12,334	16,776	19,099	20,494

¹ Excludes outlays for medical schools, which are covered in health chapter.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 7

HON. HOWARD W. ROBISON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. ROBISON of New York. Mr. Speaker, I include Chapter 7 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 7. FISCAL RELIEF FOR STATES AND LOCALITIES

There is ample evidence that inadequacy of state and local services is today a contributing factor in the decline of many areas.

Our large central cities are now caught in a financial crisis. Many of them may be unable to meet their present expenses. Rising costs and an increased demand for services in the face of a shrinking revenue base have brought about this imminent disaster. The revenue base has diminished as jobs and middle-income families have left the inner

city for the suburbs, and it has been difficult, if not impossible, for the central city to tap wealthier suburbs for revenue.

Cities rely on the property tax for the bulk of their revenues. As inner city property has declined in value, rates have had to be increased. The property tax is now both overburdened and inequitable. In order to help meet this crisis, federal and state aid to cities was increased by more than 400 per cent between 1955-1968, yet such aid still amounted to only 23 per cent of city revenues in 1968, compared to 15 per cent in 1955.¹

States, too, have seen drastic increases in expenditures over revenues. The dilemma of states is due partly to their unwillingness to tax themselves either adequately or fairly. Although 41 states now have individual income taxes, only \$7.6 billion—less than 20 per cent of total state revenue—was collected from that source in 1969. General and selective sales taxes accounted for \$24 billion of state revenues in that year. Most state tax revenues are collected from taxes, like the general sales tax, which are not progressive in their impact.

¹ Years are federal fiscal years unless otherwise stated.

The federal government collects about 11.5 per cent of all personal income in income taxes, while states collect only one per cent of personal income. If state income taxes had averaged three per cent of personal income in 1969, states would have collected an extra \$15 billion.

STATE AND LOCAL REVENUE AND EXPENDITURE PROJECTIONS

Estimates of state and local expenditures and resources between now and 1976 represent little more than guesswork. Since 1965 there have been at least six studies projecting state and local expenditures and revenues for 1975.²

These projections vary wildly. Yet the variations are the result of sober and reasonable differences in basic assumptions (such as the rate of growth of the economy and the probable increase in prices), evaluations

² These studies were conducted by Professor Dick Netzer in 1965, the Joint Economic Committee in 1966, the Tax Foundation in 1966 and again in 1968, the Committee for Economic Development in 1968, and William Robinson in 1969. Since all these use 1975 rather than 1976 as the year for their projections, we have also used 1975.

of the effects of federal grants (the extent to which they stimulate or replace state and local spending), and estimates of how much state and local services will be improved and expanded.

The most recent study, that of William Robinson of the Office of Budget and Management, is one of the few which projects expenditures to cover not only increased needs but some of the needed improvements in state and local services as well.

There is ample evidence that inadequacy of state and local services is a contributing factor in the decline of many areas. For instance, poor city schools are driving middle-income families to the suburbs; archaic transportation systems are choking business and industries in the cities; and starvation-level welfare programs are forcing people to leave rural areas. These areas cannot be rescued by slight increases in past levels of service.

Robinson has set an "aspiration level" for the scope and quality of education and welfare and has projected the costs of achieving this level. We have used Robinson's figures for the two services he projected (welfare and education) and, using a rather simpler form of his calculation method, set aspiration levels³ for other state and local services. Assumptions as to population growth, GNP growth, and price increases are those used throughout this report. Thus we project total state and local expenditures for 1975 at \$252 billion.

Robinson projects 1975 revenues from state and local taxes at \$108.7 billion, assuming no change in present tax laws. He estimates fees and charges will account for an additional \$34 billion, while increase in net debt will total \$15 billion. State and local revenues, excluding federal grants-in-aid, will total \$157.8 billion in 1975, or \$94.2 billion less than projected expenditures. Assuming the present level of federal grants-in-aid to states and localities is maintained (\$30 billion),⁴ the state-local revenue gap would be approximately \$67 billion.

SUGGESTED ALTERNATIVE APPROACHES

The policies and actions of the federal government can determine, to a great extent, whether state and local governments will be able to meet the challenges the projected revenue gap represents.

³ Clearly aspiration levels *ought* to be the relevant base for calculating expenditures. By projecting expenditures at the present level of inadequacy (or even at the same rate of quality increase) we would render the revenue gap an innocuous problem. States and localities could always avoid a revenue gap by keeping expenditures down and by providing less adequate services than previously provided (or services that do not improve at the same rate as previously established).

Following Robinson's method we have calculated the average annual rate at which various government services improved from 1962-67, measured by the increased in expenditures *not* accounted for by population and price changes. This rate was then doubled to project the expenditures we estimate will be required for state and local governments to provide adequate services for these purposes in 1975.

We then added expenditures for pre-school education and pollution control, services which states and localities were not providing to any significant extent during 1962-67 but should be providing by 1975. We estimated state and local expenditures of about \$15 billion yearly by 1975 would be necessary to achieve high quality pre-school and pollution control programs.

⁴ Not adjusted for price increases.

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Clearly the single most important federal responsibility is to ensure a healthy and growing economy. Economic growth alone accounted for 55 per cent of increased state revenues between 1966-68; the remainder resulted from new and increased taxes, mainly sales tax. Under the conditions of full employment assumed for 1973 and thereafter, state and local jurisdictions would receive a \$6 billion annual "fiscal dividend" from economic growth with no change in taxes or rates.

The federal government can also intervene directly in state and local financing in a variety of ways. The major mode of federal assistance has been grants for specific purposes (categorical grants), usually hedged with requirements to ensure that the federal funds do not supplant local funding (maintenance of effort) and that the recipient government contribute some part of the total cost of the funded program (matching money). Such assistance has the effect of greatly increasing the services offered through local governments, and increasing their expenditures.

Still more federal efforts are needed to relieve state and local fiscal problems and a variety of new modes of providing relief have been proposed. Following are the major options, some of which could be combined into a larger package.

Revenue Sharing: A number of ideas on revenue sharing have been advanced; generally all entail distributing a set percentage of annual federal revenues directly to states. The recipient state would be required, in turn, to pass some of these funds directly to incorporated jurisdictions within its boundaries. The Administration's 1970 proposal would have provided states with \$5 billion annually by 1976, approximately 30 per cent of which would go directly to local governments. This would provide a mere pittance to the large cities most in need. Under this proposal, for example, Philadelphia, whose expenditures will be well over \$1 billion by 1975, would receive \$21 million—or less than 2 per cent of its budget—in revenue sharing. Chicago would receive about the same amount, while Los Angeles would receive \$18 million, Detroit—\$13 million, Seattle—\$4 million, and Indianapolis—\$3 million.

It would, of course, be possible to structure a revenue sharing program which would provide money directly to cities rather than states.

Block Grants: The federal government could appropriate an amount of money yearly for cities and states in addition to present grant-in-aid funds. The block grant could be used at the discretion of the recipient government for a variety of purposes within broad federal guidelines. Currently most federal grants are categorical—they can be utilized by recipients only for specific functions set forth in law (e.g., Medicaid, vocational rehabilitation, compensatory education, etc.). The Model Cities program, however, does provide cities with some discretionary funds.

Expansion of present categorical grant programs: The federal government could increase the funds of a large number of categorical grant programs to states and localities and institute new programs for specific purposes as needed. This would ensure adherence to national guidelines, but would severely limit local discretion and application of funds to purposes other than those specifically designated in legislation. A variation would be to consolidate various categorical grants in a functional area (man-

power, education, etc.) thereby providing states and/or cities with a block grant for each area. Total funding for the functional block grants could also be increased to exceed the sum of various previous program grants.

Assumption of costs: The federal government could completely fund program costs which are now partially borne by states. The two most important candidates for federal assumption of costs are public assistance and health (Medicaid) programs, both of which have proved quite expensive to states. Assumption of welfare and health costs would save states about \$11 billion in 1976. At the same time a general aid program for education would relieve both state and localities of a part of their most severe burden. Localities, which currently finance more than 50 per cent of public school costs, would be greatly aided if states were to assume a much greater portion of these costs, a result which could be encouraged through federal incentives attached to a general aid program.

Tax Credit: States and localities find it politically difficult to make use of income taxes, partly because of the high federal income tax on their citizens. A tax credit allowing citizens to subtract a percentage of their state and local income tax from their federal income tax liability would greatly encourage states and localities to make better use of their own revenue base. Alternatively, in order to avoid simply subsidizing citizens rather than governments, the federal government could provide a grant to states and/or localities equal to a percentage of total state or local income tax revenues.

The recommendations in this report, if implemented, will affect state and local governments, and the problems they face, in several ways. For instance, the reduction in defense expenditures will create temporary unemployment, which will strain state and local resources; special provision is made for federal assistance to such affected areas. (See chapter 3) Other recommended federal actions will have such long-term effects as improving the health of the nation and reducing crime (by relieving some of the conditions causing it), which will eventually lighten some of the burdens of state and local governments.

But probably the major effect of the implementation of this budget would be to increase the responsibilities of state and local governments for providing a higher quality of services.

Several recommendations of this report would have immediate effects on state and local governments—on the scope of their responsibilities, the quality of their services, and their ability to finance their activities—and have been designed with these effects in mind.

These recommendations, summarized below, comprise this budget's "package" of assistance to state and local governments. They affect the finances of these governments in the following ways: by supporting the conditions for economic growth; by increasing present federal grants-in-aid; by taking over some program costs presently borne by states and cities; and by providing direct federal assistance to states and local governments. The net impact of these recommendations will nevertheless leave a substantial requirement for new funds from state and local revenues. As will be seen from analysis of the assistance package, certain measures are designed to encourage and assist states and localities to make use of more equitable

forms of taxation, particularly the graduated income tax, as well as to increase their revenues.

Following are the major elements of the state and local assistance package.

Federal assumption of all state and local costs of present federal public assistance programs and Medicaid (about \$8 billion in 1971). Both programs now flow entirely through state and local budgets. Under our recommendations the federal government would not only assume full costs but would provide assistance directly to recipients. State and local expenditures would be reduced by some \$20 billion, but nearly 50 per cent would be offset by the disappearance of \$9 billion direct federal aid for public assistance and Medicaid.

Federal assumption of a portion of state and local education costs through a general aid to education program, which would provide about \$4.0 billion by 1976 (see Chapter 6). General aid to education would be available only to states which provided at least 55 per cent of the revenues raised by the state and its localities for public elementary and secondary education (presently only 18 states meet this criterion; the average state share of state-local education costs is 44 per cent). The formula distributing the funds should be based on need (population and per capita income) and state share of education cost (the higher the state's share relative to other states, the greater the funds received). The requirements and incentives built into this program for the states to assume a higher portion of education costs would result in reduced pressure on the over-burdened local property tax.

An increase in funding for a variety of present grant-in-aid programs to states and localities. Presently federal aid to states and localities amounts to about \$30 billion, \$10.0 billion of which is for Medicaid and public assistance. We have already noted that under our recommendations the federal government would take over all state and local spending for these purposes (see Chapters 2 and 5). If federal aid (minus Medicaid and public assistance) were to be maintained at present levels it would amount to \$20.0 billion in 1975. Our recommendations in this report would, by 1975, increase federal grants-in-aid to states and localities (excluding revenue-sharing, general aid to education and model cities, which are discussed) to \$39 billion, nearly a doubling of the present amount.

A revenue sharing plan which would automatically distribute 0.5 per cent of personal income (\$5.4 billion by 1976) back to states which, in turn, would be required to pass 50 per cent of the funds directly to localities. The funds could be used for any legal purposes. However, only states with graduated

state income taxes (36 currently) would be eligible to receive funds. The formula distributing the funds among states would be based on need (population and per capita income), tax effort (states with a high ratio of revenue raised through taxes to state personal and corporate income would receive more funds), and reliance on state income tax (states which relative to other states collect a high portion of their tax revenue through the income tax would receive a greater share of funds). The last two criteria would be of particular importance.

An expanded Model Cities program (1.8 billion yearly by 1976) which would focus on the entire city rather than on only one neighborhood. Unlike money municipalities receive from revenue sharing, model cities funds would only be used for new program purposes and not for operating costs of on-going programs. Entire metropolitan areas ought to be eligible to submit applications as an incentive for greater metropolitan planning and coordination. 60 per cent should be required to be spent, as a minimum, in low-income neighborhoods.

Altogether these measures would reduce the state-local revenue gap from \$94 billion to \$17 billion. States and localities must either forgo this \$17 billion of needed expenditures or raise it through their own revenue systems. Approximately a 15-20 per cent increase in state and local revenues over that projected under present laws and rates will be necessary. We have suggested in our recommendations for providing fiscal relief a variety of strong incentives for states and localities to undertake badly needed reform of their tax systems. Without more equitable tax systems, prospects of raising \$17 billion of added revenues are dim.

TABLE 7.1.—STATE-LOCAL REVENUE GAP, 1975

[In billions of dollars]	
State and local expenditures	252.0
State and local revenues, excluding federal aid	157.8
Revenue gap (assuming present tax laws and rates)	94.2
Federal aid:	
Assumption of all State and local expenditures for Medicaid and public assistance	28.0
Remaining revenue gap	66.2
Federal grants-in-aid to States and localities, maintained at 1971 levels (excluding aid for Medicaid and public assistance)	20.0
Remaining revenue gap	46.2
Additional Federal grants-in-aid recommended	19.0
Remaining revenue gap	27.2
Fiscal relief programs:	
Revenue sharing	5.1
Remaining revenue gap	22.1
General aid to education	3.6
Remaining revenue gap	18.5
Model cities (new funds)	1.3

TABLE 7.2.—FISCAL RELIEF TO STATES AND LOCALITIES

	Outlays, in millions of current dollars]						
	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Revenue sharing		3,750	4,005	4,350	4,700	5,060	5,425
General aid to education			1,000	2,500	3,000	3,600	4,000
Interest subsidy for State and local securities			95	145	175	175	175
Total		3,750	5,100	6,995	7,875	8,835	9,600

Remaining revenue gap	17.2
New State and local taxes needed	17.2
Total	0

The total amount of direct federal aid to states and localities (categorical grants and fiscal relief programs) would rise to \$52.2 billion in 1976, a \$20 billion increase over 1971 aid.⁵ Recommended federal aid to states and localities would amount to \$51.5 billion⁶ in 1972, compared to the Administration's estimate of \$38.3 billion.

STATE AND LOCAL BORROWING

About half of all state and local capital spending is financed through borrowing in the tax-exempt securities market. However, it has become increasingly difficult for state and local governments to obtain such funds. Interest rates on municipals have soared from 3.18 per cent in 1962 to over 6.5 per cent in 1970. As a result, some jurisdictions were unable to borrow funds since interest rates exceeded the ceiling they were legally allowed to pay; others hesitated to borrow because of the high cost of repayment.

Nonetheless, state and local capital outlay needs are projected at \$56 billion in 1976 compared to \$34 billion in 1971. This suggests a need for approximately \$28 billion of long-term municipal financing in 1976, an increase in net long-term debt of \$13 billion over 1975 levels. While interest rates on municipals are likely to fall from their present levels, it is impossible to forecast with precision where they will come to rest. A gross estimate is that rates will be between 4.5 and 5.5 per cent by 1976. We recommend that the federal government provide subsidies to states and localities equal to one-half the difference between market interest rates and 5 per cent. We assume that these subsidies will be necessary for new issues of municipals through 1974. Subsidy payments would, of course, continue for the life of the loan.

⁵ The 1976 total does not include any federal aid for public assistance or Medicaid, since these programs would no longer be in existence. They would be replaced by a cash assistance grant program and National Health Insurance, both fully administered and funded by the federal government.

⁶ Although we recommend complete federal administration and funding of public assistance programs occur immediately we have nonetheless included the federal costs of public assistance in our 1972 totals in order to make them comparable with the Administration's. In our plan federal public assistance payments would go directly to families rather than to states.

COUNTERBUDGET: A BLUEPRINT
FOR CHANGING NATIONAL PRI-
ORITIES 1971-76—CHAPTER 8

HON. THOMAS L. ASHLEY

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. ASHLEY. Mr. Speaker, I include chapter 8 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 8. METROPOLITAN DEVELOPMENT

During the past two decades, the central city has deteriorated physically and services have not kept pace with either needs or expectations; metropolitan areas have grown in an unplanned and inefficient way.

The daily life of most Americans is carried on within the unmarked boundaries of areas surrounding and centered upon cities. Today 65 percent of our population lives in the country's 233 Standard Metropolitan Statistical Areas (SMSA's).¹ Metropolitan areas are growing, and as they grow they are irretrievably shaping the conditions under which most Americans will spend their lives.

America's population increased by 21 million between 1960-70 and, according to census estimates,² is expected to increase by 80-100 million between 1970 and 2000. Nearly 85 percent of the increase between 1960 and 1970 occurred in metropolitan areas where 65 percent of the population now resides. While the population in metropolitan areas is increasing rapidly both in absolute and percentage terms, most of this increase has occurred in suburban and outlying areas (30 percent population growth between 1960-69) rather than in central cities (only 2 percent population growth between 1960-69).

The desirability of further metropolitan and suburban concentration has increasingly been called into question. Several critics have suggested an immediate need to formulate a conscious policy on the distribution of future population growth. A number of alternatives have been suggested:

(A) Stem migration to metropolitan from non-metropolitan areas by encouraging the growth of population in smaller regional centers. However, in-migration from rural areas is a relatively minor factor in the growth of large metropolitan areas, amounting to about 6 percent of net metropolitan growth during the 1960's.

(B) Develop large numbers of self-sufficient new towns predominantly in non-metropolitan areas. The National Committee on Urban Growth Policy, for example, has recommended we build 100 new cities of at least 100,000 population and 10 new cities of at least one million population. However, it is questionable whether such new cities

¹ The Census Bureau defines a Standard Metropolitan Area as follows: Except in New England, a standard metropolitan statistical area is a county or group of contiguous counties which contain at least one city of 50,000 inhabitants or more, or "twin cities" with a combined population of at least 50,000. In addition to the county, or counties, containing a central city or cities, contiguous counties are included in an SMSA if, according to certain criteria, they are essentially metropolitan in character and are socially and economically integrated with the central city.

In New England, SMSA's consist of towns and cities, rather than counties.

² Series D of the United States Bureau of the Census.

would be economically viable without imposition of strong central controls on business location decisions. They would also be quite costly, since they would not be able to take advantage of existing infrastructure. Even if these new towns and cities were constructed on the scale proposed, they would still account for less than 25 percent of future population growth between now and the year 2000.

(C) Accept the fact that American citizens prefer to live in metropolitan areas and that 80 per cent of future population growth will occur there. However, attempt to channel that growth into less densely populated metropolitan areas through incentives or even controls over business location.

(D) Accept the fact that 80 per cent of future population growth will occur in metropolitan areas and provide appropriate aid to ensure that development within those areas will be well planned to serve human needs.

Americans have shown a preference for metropolitan living which, we believe, will be impossible to reverse. Accordingly, the most reasonable assumption for the future is that at least 80 per cent of future population growth will continue to occur in metropolitan areas. Most of the population growth in these areas will result from natural increase rather than migration. It would be useful to institute research and demonstration projects in order to determine what kind of incentives would be necessary in order to stimulate an increased movement of jobs and people from more crowded to less crowded metropolitan areas. However, we doubt that such research would reveal a panacea. It is clear we must become more concerned about the quality of development within metropolitan areas.

During the past two decades the central city has deteriorated physically and services have not kept pace with needs or expectations; metropolitan areas have grown in an unplanned and inefficient way. Public policy should be devised to reverse these trends.

A major impediment to a concerted effort is that the needs of central city development are currently counterposed against the needs of suburban development as though the two were mutually exclusive. In reality, the cities and suburbs are integral parts of a larger system—the metropolitan area. Concentrating on either central city or suburban development, to the exclusion of the other, will merely result in greater problems for the entire metropolitan area.

Most people assume the population of suburbs is drastically different from the population of cities. This is a misconception. The term suburb encompasses a vast diversity of municipalities ranging from high-income, low-density areas at the one end to low and moderate income high density areas at the other. The latter are growing quickly as the central city population simply expands into contiguous suburbs. David Burch, in a study published in 1970 by the Committee for Economic Development concludes:

The effect of these shifts on the inner suburbs and, eventually, on the outer suburbs may be quite dramatic. Already, inner-suburb densities are approaching those of central cities, and increasingly this density growth is attributable to the poor and the Blacks. These inner suburbs can thus expect to experience many of the same problems experienced by the central cities during the first half of this century, and, in fact, they may resemble today's central cities in many ways.³

³ David L. Burch, *The Economic Future of City and Suburb*, Committee for Economic Development, New York, 1970, p. 36.

AID TO CITIES

Two diametrically opposed alternatives have been suggested as public policy towards cities:

Maintain them at the lowest possible level of operating support; or

Rebuild them through both physical and social investment.

We strongly urge the latter alternative be the goal of federal policy towards cities, although we also caution against too great an emphasis on bricks and mortar. We would emphasize more fully companion programs serving human needs of city residents, programs which would make cities better places in which to live and work.

Model cities.—We have already suggested increasing the funding for the Model Cities program to \$1.8 billion annually by 1976⁴ (see Chapter 7). That program originally provided selected cities with discretionary funds (an amount equal to 80 percent of the local share required for federal programs under a Model Cities plan) for use in a target low-income neighborhood. It should be changed so that these discretionary funds could be used anywhere within the city's boundaries. In effect, Model Cities could become a form of block grants to cities.

We recommend expanded funding providing the following conditions are tied to the funds:

A minimum of 60 percent of the funds be spent in low-income neighborhoods; and

Appropriate mechanisms for citizen participation be utilized in determining how the funds be spent.

Community action agencies and OEO.—While Model Cities funds should be applicable throughout the entire city, community action programs should continue to be aimed solely at low-income areas. Local Community Action agencies (CAA's) administer both national programs (e.g., Head Start, Legal Services, Upward Bound) and local initiative programs designed by the individual CAA to meet the area's specific needs. The national programs are discussed throughout this report. Many of the local initiative programs, developed through extensive citizen participation, have been quite successful; however, funding for them has remained nearly constant during the past several years at less than \$300 million. We recommend local initiative CAP funds be increased to \$750 million yearly by 1976.

One of the most successful efforts of the local initiative programs has been the creation of neighborhood centers, many of which bring together under one roof information on the whole range of government and private services available to neighborhood residents. This is a highly desirable objective both because service delivery is more effective and because it fosters a sense of community. Therefore we recommend that The Department of Housing and Urban Development's (HUD) Neighborhood Facilities Program—which now provides municipalities a two-thirds federal grant for construction of multipurpose neighborhood centers and one-stop service centers—be expanded in the following ways:

Funding be greatly increased from a present level of \$40 million annually to \$200 million annually by 1976. Approximately 1800 of these facilities could be established between 1971-76 with federal funds committed totaling less than \$1 billion.

The grants be utilized for building neighborhood city halls which could be used by the mayor's office to provide liaison with neighborhoods. The city halls could also be

⁴ Unless otherwise indicated, each reference to a year is to the federal fiscal year (F.Y.).

used to house ombudsmen-like city officials who would provide aid to constituents.

An experimental OEO program to encourage the establishment of local Community Development Corporations, run by a partnership of local business interests and target area residents, merits special attention. Since the program's inception in 1967, 35 corporations have been established to set up new business ventures and, at the same time, train local residents for managerial positions. It is hoped that after five years these corporations will become self-supporting. The program should continue on an experimental basis until these corporations have been operating long enough to be evaluated carefully.

Urban renewal.—Urban Renewal has been a disappointment to many of its early admirers. The program was originally intended primarily as a means of tearing down slums and providing standard housing for the poor. The 1949 Act creating Urban Renewal authorized the building of 810,000 units of public housing on cleared slum land. Yet, Urban Renewal has actually resulted in a net loss of housing. The program has been criticized because it has too often destroyed well-functioning neighborhoods. It has ignored the needs of residents forced to move from these neighborhoods, often ending up in other slum areas.

Until quite recently, Urban Renewal was most frequently utilized to increase a city's tax base by building luxury apartment and office buildings on the cleared land. While few would deny that this is one function of Urban Renewal, other objectives were lost in the almost total preoccupation with this function during the 1950's and first half of the 1960's.

Even in executing these distorted priorities, Urban Renewal was not a completely successful program. Regulations and administrative requirements were complex and time-consuming and for a variety of reasons, delays in programs were common. A study done by HUD revealed that of 288 Urban Renewal programs completed by 1966, the modal time for completion was between six and nine years. Furthermore, there were another 226 programs not yet completed in 1966 which had already been in existence more than nine years; 89 of these were more than 12 years old.

Widespread public discontent with the Urban Renewal program has resulted in several legislative and administrative changes of direction which, in aggregate, now appear to make the program a more useful tool in the necessary task of rebuilding our cities.

First, HUD regulations issued in 1967 significantly altered the shape of the program. Priority of selection (there are always more applications than funds) was to be given to applications which "contribute effectively to the conservation and expansion of housing for low and moderate income families; the development of employment opportunities and the renewal of areas with critical and urgent needs." The Housing Act of 1968 reinforced this mandate by requiring that all future renewal projects: A) be developed primarily for residential use; B) provide a majority of units for low and moderate income families; and C) reserve not less than 20 per cent of the total for low-income families. The same act also increased relocation assistance payments to displaced occupants and promised more assistance in finding suitable housing. The Housing Act of 1969 stipulated that for every unit of moderate-income housing removed during renewal, another low-income or moderate-income housing unit must be built in the renewal area. Unfortunately, all these provisions apply only to projects approved after the law passed. We recommend these requirements be made regulation to programs already approved but still in the planning stage.

An attempt to overcome the delays and administrative complexities which had plagued the program was also initiated in legislative authorization in 1968 for Neighborhood Development Programs (NDP's) under Urban Renewal. NDP's are small-scale projects (often in noncontiguous areas) which can be expected to be completed within a year. The NDP is particularly useful for improving existing neighborhoods.

At the end of 1969, grant applications totaling \$1.9 billion were being considered with only \$1 billion available for contract authorizations that year. We recommend a moderate annual increase in the amount made available for new contracts, for both NDP's and longer term projects, with NDP's receiving two-thirds of the total. When expansion of these programs occurs, there will also be greater demand for other programs associated with renewal, such as code enforcement and demolition assistance grants.

Recreation.—HUD has recently focused its open-space program to emphasize small parks and playgrounds in heavily populated central city areas, particularly in low-income areas. In 1971 HUD spent \$13 million to finance 62 such parks, far fewer than the number of applications, and nowhere near the number needed.

We recommend 500 of these parks be created annually, an eight-fold increase over present efforts. Federal grants would cover the cost of acquisition, clearance, relocation, and development. The typical park would be about two-and-one-half acres and grants would average \$200,000 per park.

Although we recommend increased funding for urban parks, we strongly oppose transferring funds from open-space projects to urban parks. Open-space programs usually encompass more land (the average is 50 acres) in less densely populated areas of the metropolis. The need for open space is greater than ever; it is needed to provide recreation and ecological protection for lakes, forests, and water basins, all of which are threatened by urban sprawl. Outlays for open-space in 1971 (including small amounts for beautification and historic preservation programs) were \$72 million. We recommend that these grants be increased so that they equal the amount spent on center cities—a total of \$121 million for each in 1976.

District of Columbia.—Washington, D.C. is the only major city in the country which is forbidden an elected government. Congress should rectify this indefensible injustice immediately. Moreover, federal payments to the District's budget—which amounted to \$143 million or 15 per cent of the D.C. operating budget in 1971—should be roughly doubled. Capital spending support also must increase during the next five years to finance construction of a subway system in the Washington metropolitan area.

PLANNED DEVELOPMENT IN METROPOLITAN AREAS

We now commonly view America as consisting primarily of a large number of metropolitan areas in which social, physical and economic functions are highly interdependent even though there may exist a multitude of governmental jurisdictions. The extent of America's metropolitanism can be measured by the increase in the number of Standard Metropolitan Statistical Areas (SMSA's) as well as the population growth within them.⁵

However, it is important to emphasize that, while America is a metropolitan nation by the Census definition (SMSA), and an urban nation by the Census definition of urban (incorporated municipalities of 2,500

⁵ The number of SMSA's has increased from 170 in 1953 to 233 in 1969; residents of SMSA's now account for 65 per cent of total American population compared to 42 per cent in 1900.

or more), it is nonetheless not a nation dominated by large cities, as many people imagine. Richard Forstall's study in the 1966 Municipal Year Book makes this clear. Forstall breaks America's 1965 population into the following five territorial aggregates:

	Percent of total U.S. population
Territorial aggregates:	
Metropolitan cities (50,000 or more) --	30.4
Incorporated suburbs of 10,000 or more -----	14.4
Metropolitan remainders (suburban areas outside incorporated places of 10,000 or more) -----	17.1
Nonmetropolitan urban places of 10,000-50,000 -----	29.0
Nonmetropolitan remainders (towns and villages below 10,000 and rural areas) -----	9.2

At this time, America's large cities are about balanced in population with its small towns. Even the more sophisticated cliché that we are, in reality, a suburban nation is presently inaccurate. Clearly we are becoming one. However, suburbs with more than 10,000 residents now comprise less than 15 per cent of the population. A plurality of America's population is still small town and rural, although suburbs will soon become the plurality.

Despite the popular belief that metropolitan expansion and suburbanization have already largely occurred, the 1970's should witness an acceleration of these trends. Unless new policies are adopted, an unfortunate byproduct of growth will surely be the further proliferation of "urban sprawl", characterized by "substantial bypassed tracts of raw land between developing areas and a scattering of urban development over the rural landscape."⁶

Sprawl is usually condemned because of its ugly appearance. But its major deleterious effects or the increased costs of providing basic services such as water, sewer lines, electricity, and transportation, and foreclosure of options for future efficient land use within an integrated metropolitan area.

The federal government should encourage planned development within a metropolitan area by making aid available only to jurisdictions and developers presenting plans consistent with metropolitan area plans. (Such plans are already required by the federal government as a condition of receiving many forms of federal assistance.) Plans should relate public facilities and services to projected residential needs; they should also include provisions for some housing for low-income and moderate-income families.

Aid to planned developments (including but not limited to new towns) must be sufficient to encourage such development, but should not subsidize development costs which can be borne by the developer himself. Using these criteria, new or additional federal aid is recommended in three areas: land acquisition and development, public facilities construction, and planning.

Land acquisition and development.—Developers often have enormous difficulty at the outset merely in assembling land at reasonable prices. Indeed, the spiralling cost of land is a primary cause for sprawl, since developers are forced to leap beyond closer, more expensive land in order to obtain cheaper land on the metropolitan fringe.

A variety of proposals have been suggested for dealing with this problem: land tax reforms, possibly including a tax on land appreciation; a Federally chartered public-private land development corporation; a Federal land development agency; and Federal

⁶ Advisory Commission on Intergovernmental Relations (ACIR), *Urban and Rural Growth*, p. 12.

aid to state land development authorities. We prefer the last mentioned alternative as the only one that is both potentially effective and consistent with America's tradition of decentralization. Federal aid in the form of grants and loans to partially defray the cost of acquiring land, particularly in metropolitan fringe areas, could be granted to state land development authorities upon their request.

The aid would have to be substantial enough not only to provide adequate means of financing the program, but also to entice states to create land development agencies. Once land was acquired, the state land development agency could hold it for a period of years and then sell it to a developer (either public or private) for development according to a satisfactory plan. The developer would buy the land at cost plus a small profit to the state, a price far below what he would have paid had the land continued to appreciate on the private market.

Creators of planned developments and new towns also often find it difficult to obtain financing; even if they are successful locating funds, they may find it difficult, at least initially to repay even moderate-term loans. A well-planned development does not begin to produce income until several years after the heavy initial investment. A combination of federal loan guarantees and federal loans to cover interest costs (with a deferred repayment period) would first make it easier to obtain financing since lenders would be assured repayment, and second lift some of the overwhelming initial burden from the developer. Both these programs became law in 1970 but are not yet funded. Federal outlays should reach \$240 million by 1976. Federal loan guarantees are already available to new town developers, but these guarantees, as well as new loans that would cover interest costs, should also be made available to other planned developments. It is the well planned relationship of services and facilities to human needs within a metropolitan area which must be the goal; new towns, as they are typically envisioned, are only one of a variety of means of achieving that objective.

Public facilities.—A variety of federal programs exist to provide aid to communities for development of basic public facilities and amenities. Recently, the greatest need has been for additional water and sewer facilities. The development of metropolitan areas is currently being constrained because suburban jurisdictions are unable or unwilling to finance the cost of extending water and sewer facilities to relatively underdeveloped areas. Three possibilities exist for providing aid:

A federally guaranteed loan program for water and sewer facilities.

A direct federal loan program.
An extension of the present water and sewer grant program (up to 55 percent matching grants) so that it is available to developers and small communities as well as to cities. Grants would be contingent upon the presentation of a satisfactory development plan.

We recommend primary emphasis on the last alternative, because it provides a high degree of incentive for planned development of metropolitan areas. The present grant program has been providing only about 30 per cent of total cost; we suggest that the grant be stabilized at 50 per cent of cost, and that the federal government guarantee loans obtained on the private market for the balance. Such a loan guarantee program should be available as well to developers who do not qualify for the grants.

HUD estimates that an average expenditure of \$2,000 for water and sewer facilities will be necessary for each new housing unit (13.3 million projected between 1972-1976), indicating that a significant expansion of the water and sewer grant program both for planned developments and for cities will be necessary.

In addition, nearly 60 million Americans, 40 million of them in urban areas, are not now served by any sewer system. Federal outlays averaging \$585 million annually from 1973-76 would be sufficient to provide 20 million of these urban residents with sewage facilities by 1976. Total outlays for water and sewer facilities grants should reach \$1.6 billion annually by 1976, a seven-fold increase over present outlays. It is estimated that these outlays would finance nearly 20 per cent of the total cost of water and sewer expenditures in that year.

Additionally, in order to encourage well planned metropolitan areas, it would be desirable—as the 1970 Housing legislation proposed—that the federal government bear an additional 20 per cent of the total cost of all infrastructure programs qualifying for grant assistance, if the applicant is a planned development or new town.

Planning and coordination.—In order to promote planned metropolitan development, grants for comprehensive planning assistance should be made available to developers who seek federal assistance. Comprehensive planning grants are already available to cities, states, metropolitan regions and new town developers. In some cases, receipt of federal aid is contingent upon development of such a plan. We recommend that by 1975 all public and private bodies be required to present a comprehensive plan as a prerequisite for any federal aid, and that use of the federal aid be consistent with that plan.

Unfortunately, comprehensive planning by municipalities cannot, by itself, bring about

a well planned metropolitan area. A metropolitan area consists of a multiplicity of legal jurisdictions whose interests and policies sometimes coincide and sometimes conflict. Even when interests do coincide, policies and planning are often uncoordinated.

The federal government can provide incentives for better metropolitan planning coordination. We recommend strengthening present federal laws which require that a locality's application for any federal assistance first be submitted to an area-wide planning agency for review. Disapproval by the metropolitan agency should be binding unless specifically reversed by the federal government.

Our emphasis on planning will require at least double the number and total cost of yearly planning grants. Additionally, there will be a need for more and better planners. Most municipalities simply do not have the capacity to undertake the kind of planning our policies would require. We therefore recommend intensive efforts to train planners and urban affairs experts by federal offers of financial support to students attending graduate institutions in these fields. Outlays averaging \$18 million yearly could produce 15,000 professionals with a five-year period (assuming an 18-month graduate program with federal grants providing \$4,000 per year). Currently approximately 1,000 people receive professional planning degrees annually.

URBAN SOCIAL RESEARCH AND EVALUATION

One of the most cogent criticisms of federal social programs is that, when initiated, they are usually not based on empirically derived data, and when implemented, they are not evaluated carefully to determine whether and how well they are doing what they were intended to do. Without such knowledge, policy choices may often represent little more than hunches or acceptance of fads. A concerted effort is needed to remedy this situation. Well devised and evaluated experiments such as the income maintenance experiment in New Jersey and the school voucher experiment in Boston, both under the auspices of OEO, are excellent prototypes. Similar experiments are needed in the area of criminal rehabilitation, manpower mobility, and population distribution. In addition, present programs must be regularly evaluated, not from the narrow Government Accounting Office "green eyeshade" perspective, but by well-trained social scientists, in order to determine program effectiveness and impact. These evaluations should be conducted by a separate independent agency working in cooperation with the operating agencies. We have recommended outlays of \$500 million for these purposes in 1976.

TABLE 8.2.—METROPOLITAN DEVELOPMENT
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Aid to cities:							
Model cities.....	380	450	900	1,500	1,700	1,800	1,800
CAA programs (local initiative).....	240	225	400	600	650	700	750
Urban renewal.....	1,082	1,300	1,500	1,938	2,336	2,536	2,322
Urban recreation.....				106	110	117	121
District of Columbia.....	261	300	350	400	500	600	700
Other.....	113	108	157	244	322	338	432
Subtotal.....	2,076	2,383	3,307	4,788	5,618	6,091	6,325
Aid to planned developments:							
Loans to planned developments.....	-3	-5	30	70	120	180	240
Water and sewer facilities grants.....	226	284	500	1,030	1,250	1,590	1,615
Supplementary public facility grants:							
Supplementary public facility grants.....	1	2	20	55	85	120	140
Planning assistance.....	52	50	60	80	80	90	90
Planning scholarship grants.....			6	12	18	24	27
Open space.....	72	100	80	106	110	117	121
Other.....	2	0	3	5	10	14	.....
Subtotal.....	350	431	699	1,358	1,673	2,135	2,233
Urban social research and evaluation.....	94	114	210	310	490	500	500
Community development special revenue sharing.....	0	150	.....	.....	.....	.....	.....
Total.....	2,520	3,078	4,216	6,456	7,781	8,726	8,858

COUNTERBUDGET: A BLUEPRINT
FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 9

HON. WILLIAM S. MOORHEAD

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. MOORHEAD. Mr. Speaker, I include chapter 9 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 9. HOUSING

During mid-1970, HUD Secretary Romney estimated that 80 per cent of American families could not afford the average cost of a new home.

The Housing Act of 1968 set a ten-year goal that, if implemented, should assure sufficient housing for newly formed households and virtually eliminate sub-standard housing in America. The first year's (1969) goal was met by fudging figures (including 363,000 mobile homes excluded from the original estimates). Second-year goals were revised downward, and the housing industry's performance still fell short 60,000 units. Meanwhile families continue to be formed at a record rate, sub-standard housing continues to deteriorate, and a national effort to upgrade the quality of life is threatened with becoming a struggle against an impending crisis.

The President's First Annual Housing Report (1969) estimated ten-year needs at 26 million housing units, 6 million of which would have to be federally subsidized low-income housing and moderate-income housing. Thirteen million of these units were to be provided between 1972-76, including 3.3 million of the subsidized units.

The ten-year goal would require an annual production of 2.6 million housing units. Housing starts have averaged only 1.5 million annually since 1960, and we have produced as many as 2 million units in only one year in the last two decades. Indeed, fixed investment in residential structures in constant dollars has not significantly increased over the last two decades and has fallen precipitously as a percentage of GNP. During the past five years housing investment has averaged about 3.2 per cent of GNP. It has fallen below 3 per cent in the current year. Housing investment of 4 per cent of GNP will be necessary to generate production of over 2.5 million units annually.

THE MORTGAGE MARKET

If investment in housing is to increase as a percentage of GNP, something else must decrease; resources must be shifted from other areas to housing. This shift will, quite likely, be brought about only through government policy. Several alternatives exist:

A) An increase in personal and corporate taxes sufficient to provide a sizeable (\$10 billion) annual surplus in the federal budget. The federal government could then repay \$10 billion of its outstanding debt, thereby making an extra \$10 billion available for investment. Most of this repaid debt, it is hoped, would be invested in residential structures (other investment demand having been largely satisfied).

This alternative, implying a forced shift mostly from private consumption expenditures to housing investment, appears hopeless. The demand for federal funds for other priority items makes a budget surplus of this magnitude most unlikely.

B) A decrease of \$10 billion in present federal outlays which would provide the same situation as alternative A) but without any

increase in taxes. Resources would shift from the government sector to the investment sector, mostly to housing. This alternative appears undesirable, since the nation's aggregate needs dictate a rather significant increase in federal budgetary outlays rather than a decrease.

C) Initiation of a government program providing \$10 billion annually in direct housing loans. Unlike the first two alternatives this would directly add \$10 billion to federal outlays. However, the \$10 billion would have to be raised in precisely the manner already discussed—either through raising taxes or cutting other federal expenditures. Rather than repaying public debt and hoping most of the repaid money would be invested in housing, no debt would be paid off. The extra \$10 billion would be invested directly in housing by the government.

D) Selective credit controls which would insure that more funds within the investment sector were invested in housing. This could be accomplished in a variety of ways such as an investment credit for housing analogous to the former 7 per cent investment credit for business, or a requirement that lending institutions (particularly private pension funds and mutual funds) invest a specified percentage of their funds in residential mortgages. The result would be a shift of resources within the investment sector from business investment and consumer credit into housing.

The last alternative appears to be the most attractive because it is both most direct and most workable. It is unlikely that the first two alternatives would accomplish fully the desired objective unless some form of credit control directed the additional funds into housing. During most of 1970, financial institutions were generally ignoring the mortgage market, primarily because interest rates for alternative investments were higher. Increasing mortgage interest rates in an attempt to make them competitive priced many Americans out of the market. During mid-1970, HUD Secretary Romney estimated that 80 per cent of American families could not afford the average cost of a new home. Recent actions taken to lower interest rates throughout the economy have reinvigorated the housing sector to some extent.

Historically, low-income families have not been able to afford new housing, occupying instead the housing vacated by higher-income families moving into new homes. Such used housing is often expensive to rehabilitate and maintain and located where public and private services are declining.

Several federal government programs—public housing, rent supplement, and home ownership and rental subsidy programs—provide low-income residents and moderate-income residents of specified housing units with subsidies. These programs produced an average of 60,000 new and rehabilitated units annually between 1964-1968. During calendar 1970, however, nearly 400,000 units of federally subsidized housing were produced; it is estimated an additional 450,000 units will be built during calendar year 1971. An average of 660,000 units will be needed annually between 1971-1976.

Most federal housing activity, however, is directed toward providing assistance to families with middle-level incomes or above. FHA guaranteed mortgage loans have literally financed the movement of the middle class to the suburbs. Since 1950 over 4 million single-family homes have been financed by FHA insured mortgages, most of which have been loans to middle-income families. (The median family income of FHA loan recipients in 1968 was \$10,597; less than 10 per cent of the borrowers had incomes under \$7,000).

Federal income tax provisions which allow homeowners to deduct their mortgage interest and property tax payments not only subsidize primarily middle-income families, but also favor homeowners over renters. Low-

income families are disadvantaged because: 1) they are disproportionately renters; 2) those who are homeowners usually take the standard rather than the itemized deduction, thus nullifying their subsidy; and 3) those low-income homeowners who do itemize find their deduction worth less than that of their higher-income counterpart with the same deduction because of the progressivity of the federal income tax.

These deductions cost the federal government \$4.5 billion in lost revenue in 1969. In order to reduce this unwarranted subsidy to higher-income families, we recommend a ceiling be placed on the maximum allowable deduction for both mortgage interest and property tax payments. The ceiling (\$500 for mortgage interest and \$300 for property tax deductions) would allow most low-income families and middle-income families to continue to take full advantage of the deductions but would reduce the subsidy received by higher-income individuals. Such a provision would yield \$1.5 billion in added annual federal revenues by 1976.

Several alternatives have been suggested for providing adequate housing for Americans with insufficient income to compete on the private housing market:

A) Greatly expand and restructure present government housing programs, including expansion of eligibility, change of subsidy formulas, program consolidation, and a broadening of program purposes to encompass social goals such as racial integration throughout the metropolitan area.

B) Institute a new federal housing program in which the federal government, as the "houser of last resort," would build housing in areas where housing needs remain unmet.

C) Scrap present housing programs and provide all families below a specific income level with cash subsidies which could be applied to any housing unit. The risk in this approach is that landlords would simply raise rents, thereby transferring a large portion of the subsidy to themselves. Rent control laws might very well be needed to make certain the subsidy benefited the recipient family.

D) Encourage federal research and development into production techniques designed to cut housing costs. HUD's present Operation Breakthrough program is an effort to determine how much costs can be cut through these techniques. Although these efforts are commendable, it appears extremely unlikely that costs can be cut enough to make a major difference.

Although, in principle, we prefer approach C, we fear that adopting such an approach without first greatly increasing supply would mean a windfall to landlords. We believe experiments with housing subsidies are in order, but, at least for the span of years under consideration, we fall back on alternative A—that present programs be restructured and greatly expanded.

In order to produce the required 660,000 units yearly, annual federal outlays must reach a level of \$3.5 billion by 1976. However, the 660,000 annual need estimate is based on an assumption of adequate performance in the non-subsidized sector. Any shortfall in that sector would require increased production in subsidized housing, since the private market would not then be providing adequate used housing units to lower-income households. If such a shortfall, for whatever reasons, should occur, we recommend increased funding for federally subsidized housing above the target level now specified. And if local obstacles block needed housing for low and moderate income families, the federal government should assume the responsibility as "houser of last resort"—alternative B.

The present programs also need to be restructured. First, housing must be viewed as a service designed to serve social purposes rather than simply as a physical structure. High-cost public housing projects which re-

¹Years are federal Fiscal Years unless otherwise stated.

semble concrete jails surely do not serve social goals. The recent de-emphasis on project type construction should continue, as should efforts to allow tenants (in public housing as well as other federally subsidized housing) the opportunity to purchase their dwellings. Public housing management must be upgraded and the rights and responsibilities of tenants made more explicit. Funding for tenant services and housing counselling for low-income families, programs now existing on a shoestring, should be greatly increased.

One of the most important social purposes to be pursued is integration of the entire metropolitan area. The moral imperative of integration, the relative scarcity of land in many central cities, and the increasing movement of employment opportunities to the suburbs all attest to the necessity of building a significant portion of the federally subsidized housing in suburban jurisdictions. These jurisdictions currently resist subsidized housing through a variety of legal devices such as large-lot zoning laws which make the cost of housing too high for low-income families. Localities which either prevent or make no allowance for the provision of federally subsidized housing programs should suffer a cutoff of all other federal aid. If this does not provide the desired results we would recommend the federal government be given the power to suspend local ordinances which prevent the building of federally subsidized housing. (Secretary Romney supported such a proposal in HUD's

1970 legislative recommendations). A further possibility would be federal acquisition of local land to be used for subsidized housing.

Present housing programs must be greatly simplified and rationalized. There are too many programs entangled in too much red tape. Eligibility requirements and subsidy levels differ for each program. A major criticism of these programs is that they neither reach down to the poorest families nor extend high enough to ensure adequate housing for families at all income levels. An expansion of funding ought to allow also for an expansion of coverage. In addition, both for administrative simplicity and for equity reasons, subsidy formulas should be changed so that they are similar for all programs. For instance, recipients might pay a set percentage of their income towards rent. Residents of all federally subsidized housing could, for example, be required to pay 20 percent of their first \$3500 of income and 25 percent of their next \$6500 towards the cost of their housing. A family with an annual income of \$6000 would pay \$110 monthly for rent; a family with an annual income of \$10,000 would pay \$200 monthly.

RESEARCH

The housing industry has been notoriously slow in developing modern industrial production and management techniques. HUD, historically, has done little to come to grips with this problem; 1971 outlays for research and development amounted to only \$45 mil-

lion (up from an infinitesimal \$1.8 million in 1968).

HUD is now placing major emphasis on Operation Breakthrough, which is an effort both to test new housing prototypes and to encourage mass production techniques through the aggregation of markets. Unfortunately, Breakthrough has been severely hindered by the unwillingness of Congress to appropriate adequate funds and by the fear of many local communities that Breakthrough projects will be an undesirable intrusion on their way of life. Nonetheless, Breakthrough accounts for a major portion of HUD R&D funds.

The President's Committee on Urban Housing (Kaiser Committee) has recommended HUD research and development efforts be funded at the level of \$100 million. We recommend that the R&D spending level reach \$100 million in 1974. Research and development priorities should be:

—The application of available technology—and to a lesser extent the development of new technology—to the physical, managerial, and planning needs of housing and urban development. This would include demonstration programs.

—The establishment of experimental municipal and metropolitan development centers to strengthen research and planning capacities at those levels.

—Continuous evaluation of ongoing programs and projection of likely consequences of prospective programs.

TABLE 9.1.—HOUSING¹

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Federal housing subsidies.....	1,633	1,948	2,074	2,393	2,619	3,161	3,653
Research and development.....	45	25	65	80	100	100	110
Total.....	1,678	1,973	2,139	2,473	2,719	3,261	3,753

¹ Excludes Department of Defense housing expenditures.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 10

HON. EDWARD I. KOCH

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. KOCH. Mr. Speaker, I include chapter 10 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 10. TRANSPORTATION

The heaviest transportation needs are now appearing in the sectors receiving the least federal spending. The most critical and insufficiently met needs are in urban areas—where the greatest number of persons suffer from the severest transportation problems...

The transportation system in the United States today clearly illustrates, in its marvels and its horrors, the stimulating effects of bold federal programs and the chaos where government fails to act.

The jet airways and interstate highways which criss-cross the nation are truly modern marvels which would not have been possible except through nationwide planning and massive federal spending. Travellers and goods can move from city to city with unprecedented speed and ease. But inside the cities—where most Americans spend most of their time, and where most of the country's

goods must be delivered—decrepit local mass transit and delivery systems threaten to cancel out the gains these great programs have provided. It is now time for the federal government to complete the job so boldly started.

The importance of the transportation sector of our national life looms large in economic, as in other, terms.

Operating transportation companies (railroads, airlines, trucking, barge lines, etc.) and their suppliers employ about 4.7 million workers and generate some \$87 billion worth of national product. The auto industry and its suppliers and servicing networks represent an additional 4.7 million employees and \$83 billion of national product. Government agencies employ another 800,000 in transportation activities. In total, about 10 million employees and \$170 billion in gross national product make up the transportation sector of the economy, exclusive of transportation functions of national defense, education (school busing), and the like.

Historically, there has been more than ample federal budgetary support and public sanction for transportation programs. However, federal support for transportation has become heavily balanced in favor of highways and aviation. Other sectors—particularly mass transit and railroads—have suffered by comparison. (See Table X.)

The heaviest transportation needs are now appearing in the sectors receiving the least federal funding, with the most critical and insufficiently met needs in urban areas, where the greatest number of persons suffer from the most severe problems deriving from

transportation. These include pollution and congestion.

A greater portion of government transportation funding should go to urban areas. Moreover, the present allocation of resources within urban transportation, which greatly favors urban highways as opposed to urban mass transportation, needs to be drastically changed. A reallocation in favor of mass transport is critical if we are to make a serious effort to overcome traffic congestion and to provide urban residents, particularly those with low incomes, the mobility they need to adjust to the exodus of jobs from the central city to the suburbs.

TABLE 10.1.—FEDERAL AID TO TRANSPORTATION

[1971¹ outlays, in millions of dollars]

	Outlays	Percent
Mass transit.....	215	2.8
Highways.....	4,880	62.9
Aviation.....	1,620	20.9
Railroads.....	48	0.6
Water.....	1,000	12.8
Total.....	7,763	100.0

¹ Years are Federal fiscal years unless otherwise stated.

It should be noted that nearly 63 per cent of the transportation outlays during 1971 was for highway construction and improvement, most of it to be spent in non-urban areas. Although private automobile owners derive some benefit from these expenditures, the chief beneficiary is the trucking indus-

try inasmuch as highways are designed and constructed—at considerable additional expense—to meet truck use standards. And programs such as the supersonic transport, airport development, Coast Guard aid to shipping and recreational boating, and Corps of Engineers navigation expenditures almost exclusively accrue to specialized, generally upper-income clientele groups rather than a broad spectrum of the population.

Federal participation in transportation is necessary and justified to assure transportation services deemed in the national interest. Direct subsidies to transportation can be economically justifiable if the marginal benefit to society as a whole exceeds the marginal public investment cost. However, user charges rather than a subsidy are called for when the beneficiaries can afford to support the service themselves or when the service is not considered socially important.

HIGHWAYS

Federal expenditures for highways in 1971 amounted to about \$3.1 billion for the interstate program (cost shared 90 per cent federal, 10 per cent state and local), and another \$1.9 billion for other federal aid programs, such as the ABC system (primary and secondary highways—costs shared, 50-50 with state and local governments), TOPICS (Traffic Operations Program to Increase Capacity and Safety), and highways beautification. Most of these expenditures are paid out of the Highway Trust Fund which receives its revenues through federal highway fuel taxes.

Up to a point, highway construction is a major contributor to society's welfare. Today, however, we have by far the world's finest network of highways, while many of our other forms of transportation go crying for funds. As of October 1970, approximately 30,595 miles of an originally proposed 42,500-mile interstate highway system were completed, and a good portion of the remaining part was in various states of progress, so that only 1,659 miles of the initial system remained to be initiated.

We therefore recommend setting back the target date for completion of the system from 1977 to 1980. The system would eventually be completed as planned, but with smaller annual outlays. The first deferrals should be of those parts of the interstate system which are slated to pass through cities. In the past, these links have been built with disregard of community needs and often with wide-scale destruction of residences and property, particularly in low-income areas. Clearly more time and effort are necessary to plan these routes, with participation of all interests, including the citizens whose neighborhoods are to be destroyed. As a result of this slow-down, total federal highway outlays (including the ABC system) should decrease from their present level of \$4.9 billion to \$3.1 billion in 1976. Inasmuch as outlays are divided nearly evenly between rural and nonrural interstate highway construction, the postponing of one-half of the urban construction would effect the \$1 billion savings, in addition to providing additional planning time for consideration of urban social needs. A further result of these steps would be the growth of a large surplus in the Highway Trust Fund, should it continue to collect revenue under present laws.

Ideally, the Highway Trust Fund itself should be scrapped and all future highway funding should occur through direct appropriations. When it was inaugurated during the 1950's the Highway Trust Fund provided a timely response to an overdue public in-requirement; but since the monies are sheltered in a trust fund, it is legally impossible to transfer them.

If it is not politically possible to end the Highway Trust Fund, we recommend the law be amended to authorize use of trust fund monies for mass transit and other

urban transportation improvements. This broadened use of highway funds would not be a redirection of funds into unrelated areas. It would permit the federal government to obtain the maximum benefit from highway expenditures in the urban areas by funding transportation improvements which will relieve traffic pressures on and promote more efficient use of federal highways.

MASS TRANSIT

Many urban transportation problems still await a concerted effort at solution. These include commuter problems (both getting people from the suburbs into the city and some city dwellers out to the suburbs), coordination between transportation systems, pedestrian circulation, the improvement of city streets, and goods movement.

A critical part of the solution to these problems will be improved and enlarged urban mass transit, both bus and rail.

Since World War II, public transportation has suffered from increasing operating expenses, decreasing profits, and a diminishing clientele. Fares have risen dramatically, driving away more customers, and operating income has turned to deficit. Private enterprise is withdrawing from transit as it perceives new capital and retained earnings to be inadequate for replacement of machinery and equipment. In 1969, at a time when the public transit system was certainly less than self-sufficient, the federal government spent 30 times more on roads than on all types of mass transit.

Federal outlays for mass transit programs have not yet begun to approach their needed size. They represent less than three percent of 1971 federal aid to transportation. Estimated need over the next decade, according to the Rapid Transit Institute and the American Transit Association, is \$20 billion—\$17.5 billion of which is for rail transit. A federal government program now exists to provide 60 percent matching funds for capital outlays to mass transit systems, but less than \$600 million has been spent on this program since 1965. We recommend that these grants increase from \$215 million in 1971 to \$2.0 billion in 1976—and we expect these outlays should increase further during the latter part of the decade. From 1971-1974 we recommend that outlays be used primarily for improvements in existing bus, rail and commuter facilities and for planning and research of the kind discussed below; we wish to avoid duplicating the mistake of poorly planning the location of highways in our metropolitan areas. From 1974-1976 and beyond, we envision most of the mass transit funds being spent for hardware and installation of new rail systems or extensions of existing systems.

Expenditures on research and development for mass transportation have been negligible. Among the topics needing further study are: appropriate use of the various transportation modes, means of cost reduction, improvements in vehicle comfort, reducing the emission of pollutants, transportation land use, and factors affecting transportation demand.

The federal government should expand research, training, and technological development in all its urban transportation programs. Rigorous attention needs to be directed to inadequacies in knowledge, technology, and trained personnel—all of which seriously impede transportation improvement.

OTHER TRANSPORTATION MODES

To the extent transportation services benefit specific groups—particularly higher-income groups—and are not considered to be in the national interest, they should increasingly be reimbursed by their beneficiaries through payment of user charges, rather than be paid from general revenues. Included in this category, to varying degrees are: aviation and airway systems development, Army Corps of Engineers navigation projects, Coast Guard aids to commercial

navigation and recreational boating, and merchant marine activities.

The aggregate result of implementing this policy in each of the above areas would be to reduce net federal support for these activities from \$2.8 billion in 1971 to \$0.4 billion in 1976. More specific examination of two areas—inland waterway navigation projects and the merchant marine activities—will illustrate the wisdom and equity of such measures.

Inland Waterways Navigation Projects: The Army Corps of Engineers' major navigation functions have included maintaining rivers for barge navigation, building harbors for shipping, and construction of dams and reservoirs for flood control. The Corps' navigation work literally makes it possible to have a large inland water carrier industry, but the operating costs of users are completely subsidized. Any boat or barge operator can pass through enormously expensive lock systems free of user charges. Since projects are not set up to produce sufficient revenue to be self-supporting, there is no way to determine which projects now do or could pay for themselves, which cannot (but are nonetheless in the national interest and deserving of subsidy), and which cannot stand such tests. Instituting selective user charges for different forms of navigation usage would be the most effective way to determine both which projects are sensible undertakings and how much in operating subsidies is needed for each existing one.

The 1971 level of spending for the program was \$411 million. User charges should be set at a level sufficient to collect at least \$80 million annually. This should be sufficient to discourage most unwarranted new capital spending and to cover a high percentage of operating costs.

Merchant Marine: The Maritime Administration awarded almost \$230 million in ship construction subsidies and \$188 million in ship operating subsidies in 1971.

Construction differential subsidies (CDS) pay one-half of the difference between costs of construction in U.S. yards and foreign yards. The Merchant Marine Act of 1970 tripled the ship construction subsidy program, authorizing construction of 300 ships over the next ten years. Because of the new construction, the 1970 act will add at least an additional \$100 million yearly in federal outlays to subsidize the merchant marine, even though it will lead to gradually reduced subsidy rates (from 50-55 per cent to 35 per cent by 1975).

Operating differential subsidies (ODS) pay the difference in operating costs between U.S. and foreign ships. Because most of the operating cost difference is wages, about 80 percent of every wage dollar paid by subsidized operators is ultimately paid by the federal government.

Two justifications are normally advanced for merchant marine subsidies. The primary rationale is in terms of national defense considerations: the subsidies assure a large fleet of ships will be available to carry essential cargo during wartime. Charles Schultze has recently questioned this rationale on several grounds:

"1. The operating and cargo preference subsidies keep some 400 U.S. flag ships engaged in foreign trade. But there are also 440 unsubsidized ships owned by U.S. firms operating under flags of convenience (primarily of Panama, Honduras, and Liberia) that are contractually committed to serve the United States in time of emergency. In addition there are the merchant fleets of our NATO allies, totaling 7,600 ships. While national security considerations do affirm the need for a U.S. flag fleet in case of war, that requirement needs to be put in the context of these other shipping assets.

"2. Ironically, unless the President declares a national emergency, it turns out to be very difficult for the Defense Department to gain access to subsidized ships in limited war

situations. During the early days of the Vietnam war, U.S. flag operators—subsidized all these years for national defense purposes—were most reluctant to give up their commercial business and carry defense cargo to Vietnam. Indeed, more foreign flag operators offered ships to the Defense Department than did U.S. operators.

"3. Primarily because of naval work, the American shipbuilding industry is the largest in the world. However, of 110,000 production workers, only 7,500 are normally employed in building subsidized ships."¹

Efforts to justify the subsidies as a means of making the U.S. shipping industry competitive are even more questionable. There is no society-wide justification for subsidizing easy access to less costly foreign ships. Indeed, we do have easy access—only six per cent of U.S. trade is carried on U.S. ships.

However, eliminating all maritime subsidies (immediately) would have an intolerable employment effect. This would lead to an end of the U.S. merchant marine and the jobs of those presently employed and those who would have been trained for the future. Instead, we support a staged phasing out over the next five years with the recommendation that some of the subsidy reduction be used for pensions and retraining for those who are displaced.

The supersonic transport: This plane has recently become an object of considerable public controversy. It has been argued that the SST represents a grave atmospheric

¹ Charles Schultze et al., *Setting National Priorities: The 1971 Budget*; (Brookings Institution, 1970.) pp. 175-176.

danger, particularly in terms of air and noise pollution. In addition, this plane has been termed technologically questionable in design and performance and commercially questionable in marketability, partly because it is expected to be inordinately expensive.

Proponents of the SST have built their case on the impact on our balance of payments if we do not produce the SST. They argue that U.S. is currently a heavy exporter of planes. If the Concorde (the British-French competitor to the SST) grabs a large share of the market, we shall become a net importer. National status is also an aspect. It is asserted that the United States must follow the lead of other industrialized nations to remain competitive in the market.

We recommend scrapping the entire SST project, after a phaseout in 1971. The negative repercussions weigh far too heavily against the public interest to allow SST to be continued. The improvement in our balance of payments account from building the SST is far from assured; the Concorde may prove to be far superior to and more marketable than any U.S. built SST. As for the prestige argument, national status hardly can hinge on so marginal a commercial achievement as SST.

Railroads: The current financial difficulties of railroad companies have brought into question their continued existence. While freight service has remained economically viable, the devastating effect of the passenger service deficit has brought several railroads near the brink of bankruptcy. A number of plans to keep the railroads in operation have been advanced, including the following: 1) a \$750 million loan guarantee

program for weak railroads; 2) an \$8-10 billion federal investment to modernize the railroads; 3) nationalization of the railroads; and 4) a federally chartered corporation to take over passenger service.

Congress has approved legislation to establish a federally chartered private rail passenger corporation which would provide essential corridor and long haul passenger services. The corporation is supposed to revitalize passenger services, and by achieving both economies of consolidation and reductions in routes served, bring rail passenger service losses from the present level of \$250 million annually to a hoped for break even point. \$40 million in government assistance will be provided to inaugurate the corporation. The corporation in turn will provide \$100 million in loans to railroads which could not otherwise meet their required entrance fees, and \$200 million in loan guarantees. Railroads participating in the corporation will be required to provide it with financial support (cash, equipment or service) as a condition of ending passenger service.

The amount of federal assistance should be sufficient to maintain adequate railway passenger service along heavily traveled urban corridors. It will not be sufficient to maintain a truly national passenger service system. However, the case for public subsidy of such a national system appears dubious in view of the existence of other effective competing transportation modes: airplanes, buses, and private automobiles. We therefore would not recommend significantly greater federal aid to the corporation.

TABLE 10.2.—TRANSPORTATION
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Mass transit capital grants:							
Buses.....			160	154	129	134	139
Improvement of existing rail transit facilities.....			189	264	225	233	242
Extend existing rail transit systems.....			120	162	196	233	103
New transit systems.....					281	1,166	1,413
Commuter railroads.....			194	169	112	58	61
Research and development.....			70	100	100	75	50
Subtotal.....	215	327	733	849	1,043	1,899	2,008
Highways.....	4,880	4,923	4,100	3,765	3,445	2,980	3,070
Civil aviation.....	1,387	1,553	1,850	2,115	2,380	2,680	3,010
Supersonic transport.....	233	281	10	0	0	0	0
Other: ¹							
Coast Guard ²	233	243	243	243	258	273	288
Merchant marine.....	356	467	315	282	225	147	125
Inland navigation (Corps of Army Engineers).....	411	428	386	349	306	224	169
Railroads.....	48	57	70	42	50	60	65
Total.....	7,763	8,279	7,707	7,645	7,707	8,263	8,735

¹ These figures are gross outlays not offset by revenues from recommended user charges.

² Includes Coast Guard search and rescue, aids to navigation, and safety components.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 11

HON. FRED SCHWENDEL

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. SCHWENDEL. Mr. Speaker, I include chapter 11 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 11. ENVIRONMENT AND NATURAL RESOURCES

Even within the context of limited federal spending, certain actions must be taken at once to prevent pollution from becoming so

serious a problem as to defy control later in the decade.

In 1970, national attention for the first time was focused directly on the deteriorating condition of the environment. It is now recognized that pollution not only degrades the quality of American life, but threatens health and property as well. Accompanying this new consensus is increasing awareness that the national economy is not oriented to protect the environment and the natural resources which sustain contemporary civilization and life itself. Ecological laws cannot be suspended; resources are not unlimited, although we have treated them as such.

Pollution is actually only one element among many in all production and consumption cycles. The generation of products from raw materials eventually results in wastes; it is only when these waste materials are not successfully recycled (broken down to become the raw materials of new production

processes) or when they accumulate in dangerous concentrations, that pollution emerges as a major problem. As a result, maintenance of tolerable levels of pollution involves more than removing wastes from fouled water or air; it also requires effective recycling, limiting wastes formed during production (or creating waste in its most advantageous form), and recognizing that the price of some production processes may be too high if our health and our environment are at stake.

POLLUTION CONTROL

We are slowly beginning to recognize the effects of various forms of pollution of human health. With increasing frequency, consequences can be measured in terms of illness and attendant higher health costs. The United States Bureau of Health has estimated that air pollution costs the average American \$65 a year. Those living in heavily polluted areas may lose \$200 annually to higher medi-

cal bills, household maintenance, and other expenses. Total costs to the nation are enormous: air pollution is estimated to cost Americans \$13.5 billion annually just in property damage from soiling, corrosion and abrasion of materials. Water pollution costs the country at least an additional \$12 billion annually.

There is indisputable need to control the factors causing pollution and degradation of the environment. But the price of control will be high. The Federal Water Quality Administration has estimated that during the next five to seven years Americans must spend at least \$35 billion (and perhaps \$70 billion) to control water pollution alone. The National Air Pollution Control Administration estimates \$15 billion in expenditures are needed to control air pollution during the same period.

Costs borne by the federal government will be determined by the policies and programs adopted in the immediate future. We have serious reservations about spending large sums on pollution control at this time, in view of the many other unmet needs also competing for federal resources.

We believe meeting these more immediate human needs ought to have top priority in the near future. Massive spending at this time would almost certainly involve false starts and waste of effort and money since the nation has so little experience in the technology, economics, and organization of pollution control. A crash program based on today's scanty knowledge and preparation could do damage to our economy and result in political backlash which might well retard pollution control progress.

The program we recommend is designed to bring under control those pollutants which are determined to be an immediate threat to the nation's health; to provide adequate surveillance and control to assure that conditions do not worsen to the extent that they will be uncontrollable five or ten years hence; and to begin the establishment of an effective, nationwide pollution control mechanism based on comprehensive knowledge and integrated with our political and economic systems. Human health must be protected now and future calamity averted, but the slow, expensive process of repairing the damage already wreaked on our part of the globe must wait until the 1970's when research has produced the means and the economy the funds, to handle that task.

Policy alternatives for dealing with pollution problems vary according to what society is willing to pay in order to achieve certain levels of control, and to whom the bill is delivered. Among suggested alternatives—not all mutually exclusive—are the following:

(A) Strict enforcement of present pollution laws and of standards based upon health criteria. Federal activities now reflect this policy, but standards are not strict enough, and enforcement attempts have been characterized by arbitrariness and lack of enthusiasm. Enforcement techniques need considerable strengthening.

(B) Initiation of a pollution discharge fee system. Such an approach would focus more of the social costs of pollution on the polluters themselves (private and public), and would serve as an incentive to limit pollution. As pollution fees were added to production costs, producers would be encouraged (in order to lower fees and thereby cut expenses) to reduce pollution to the point at which any further efforts to abate would be more expensive than the fees themselves. Desirable levels of pollution reduction could be attained by raising or lowering fees as required. Under this approach, most of the costs would probably be passed eventually to consumers in the form of higher prices.

(C) Payment of federal subsidies or tax write-offs to businesses, either for purchase of pollution control equipment or for development of new equipment and alternate production methods resulting in less pollution. This proposal would place the cost of

pollution more directly on the American public as a whole, since subsidies would be financed through increased federal taxes. Presently the federal government allows a tax credit ranging from 33 to 44 per cent for every dollar of capital investment undertaken for pollution control purposes.

(D) Granting of federal matching funds or loans to states and localities for construction of new pollution control facilities. A federal program now provides up to 50 per cent in matching funds for liquid waste treatment facilities construction, but funding has been limited (see Chapter 8).

As Congress has recognized, the foremost consideration in pollution control programs at this time must be protection of human health.

Discharge Fee System. New legislation as well as more vigorous enforcement of present laws will be required to ensure that pollutants are not permitted to accumulate in dangerous concentrations and that individuals are compensated for health injuries resulting from pollution. But these actions alone will not stop environmental deterioration. Nor would it be sufficient to limit federal efforts to cleaning up pollution after it has been produced. Accordingly, we recommend that planning begin immediately to establish a mechanism for operating a pollution discharge fee system. Fees would be levied on all pollutants discharged into air or water after 1976.*

The fee system would put the costs of pollution into the calculations which now guide our decisions to produce and consume.

Because environmental costs have, as a whole, been ignored in the past, pricing and output decisions have not reflected the full costs to society of production of goods. As a result, in many cases consumers have purchased more goods produced by high pollution processes than they would if these very real social costs were included in the prices of products on the market. A discharge fee system would ensure that the costs of pollution were included in production costs, and, as a supplement to federal health standards, would provide a powerful incentive to curtail production of excessive wastes.

Too rapid a changeover to a fee system could have undesirable effects upon the national economy. Some firms might be forced out of business with consequent hardship for employees and communities; sharp price increases could occur as businesses passed pollution costs to consumers.

To minimize these possible consequences the fee system would be phased in over a two-year period, beginning in 1975, in order to permit the orderly development of workable standards and to give producers time to alter production methods or find other means of controlling their emissions of pollutants. The most severe pollution problems would be attacked first with the result that some producers would have less time than others to prepare to operate under the fee system. We recommend that all the fees paid during the first two years of the program be held in escrow, and that the producers required to pay fees during that period be entitled to get back those fees earmarked to defray the actual costs they incur in reducing emissions. Unreturned fees would revert to trust funds at the end of the two years.

Regional Associations: Because the effects of pollution frequently extend beyond state jurisdictions, a regional mechanism is required to deal with pollution control problems. Regional associations should be established to administer the fee system and set acceptable pollution levels in their areas. Representatives of involved states and municipalities would make policy decisions. Prior to establishment of the associations, the Environmental Protection Agency would set standards for permissible emissions and min-

imum fees for pollutants, and would authorize research to assess pollution control needs. States and some interstate blocs have already been designated as regional jurisdictions to set and enforce air emission standards. In the future, these regions should be redefined in terms of water, air and waste management needs.

Under the fee system, corporate and municipal polluters would be required to apply for permits through state licensing bureaus; without a permit, any level of pollution would be illegal. Permits would specify types and amounts of discharges produced by each source. Levels of discharge would be verified by inspections, and penalties would be instituted for exceeding limits. Each regional association would adjust fees for various pollutants in a pattern related to that region's pollution control objectives (though fees could never drop below the national minimum). Charges would be subject to semi-annual review.

In some cases, either when non-polluting production techniques are readily available, or when production of goods with little social importance creates great amounts of harmful wastes, pollution should be forbidden entirely.

Facilities Grants: By means of financial incentives, the federal government should encourage regional associations—rather than municipalities—to apply for pollution control facilities grants. Grants to associations would cover 60 per cent of capital outlays for facilities construction; grants to individual jurisdictions, only 40 per cent of costs. To receive any funds at all, municipalities or associations would have to guarantee that participating firms would pay a fee for services commensurate with the cost of treating their wastes. An additional 10 per cent grant would be awarded to regions which institute nonregressive taxes to defray waste treatment costs and which require local elections of officials to serve as directors of the regional associations.

Some have objected to the fee system as a "license" to pollute, seeking instead total cessation of polluting activities. They suggest that damages can be remedied and the quality of life restored by vigorous enforcement of new, strictly prohibitive laws. Pursuit of that goal, however, would reduce the American standard of living to a level most people would not and should not have to accept. The real question is: How much pollution are we willing to permit in order to enjoy our technological advantages, once health threats have been eliminated?

Immediate Control Measures: Ultimately, a discharge fee system would reduce pollution to levels deemed nationally acceptable, and would provide a portion of the funds needed to construct pollution abatement facilities. But the federal government should not remain inactive while awaiting the completion of research and organizational efforts for the new system. Despite limits on immediate federal spending, certain actions must be taken at once to prevent pollution from becoming so serious a problem as to defy control later in this decade.

We recommend that the government be permitted to seek injunctions forcing polluters to cease operation if they have not rectified violations of standards within 72 hours of receiving notice. Also needed are expanded federal enforcement staffs, a responsive citizens' complaint mechanism, and reorganization of federal administrative offices in order to improve efficiency within agencies as well as to make it possible for the Environmental Quality Council to assess present programs effectively.

Immediate federal actions are also required in the following areas:

Water Pollution: Many municipalities, burdened by insufficient revenues and high interest rates, badly need new or improved waste treatment facilities. Estimates of total expenditures required for municipal treat-

*Years are federal Fiscal Years unless otherwise stated.

ment facilities during the next five years range from \$10 billion to more than \$25 billion. However, recent innovations which may greatly increase the efficiency of existing facilities raise hopes that by 1976 additional processes may also be available, lessening necessary capital requirements for new plant construction. We therefore recommend that until 1975, when regional associations can assess needs for new facilities, only grants funding improvements in existing facilities or those providing facilities for new towns and planned developments be awarded. Two billion dollars in federal contract authority would be obligated for these purposes between 1972 and 1974, sufficient to meet more than 55 percent of the need as estimated by the Federal Water Quality Administration. By 1975, when regional associations are to be in operation, grants would be made available for new facilities construction as well. Federal outlays would average \$925 million annually during the five year period. In 1971 outlays were only \$422 million.

Air Pollution: The primary federal role in air pollution control should be to provide increased funds for research. Study should focus upon development of pollution control devices suitable for installation on internal combustion vehicles, lesser-polluting engines; and more efficient incineration systems. Research must also provide additional information concerning the effects of air pollutants on human beings and plant and animal life, as well as the levels of emissions injurious to human health.

Additional funds will be required to enlarge the staff of the National Air Pollution Control Administration. Manpower training expenditures should be stepped up from an estimated \$3 million in 1971 to \$11 million by 1976 in order to provide sufficient qualified technicians to properly enforce pollution control legislation. Research expenditures, estimated at \$55 million in 1971, should be increased to \$90 million by 1976. Abatement and control expenditures (including costs of control equipment, prosecution of charges, and administration of programs) should rise to \$150 million by the same year.

Solid Waste Treatment: The total cost of disposing of solid wastes produced in America each year has been estimated at about \$4.5 billion. In addition, an estimated investment of \$835 million annually for five years would be required just to upgrade existing collection and disposal operations to acceptable sanitary levels. Included in federal programs should be a major research effort to increase the efficiency of solid waste collection and disposal by municipalities. Research spending should increase from its 1971 level of about \$5 million to \$68 million by 1973. If new, successful techniques have been developed by 1975, construction grants for solid waste treatment facilities would be awarded to regional associations and municipalities, requiring a federal contribution of about \$125 million in 1976. Funds for abatement and control, primarily to finance demonstration projects, would increase from \$7 million in 1971 to \$110 million in 1974, and level off at \$100 million in 1976.

Noise Abatement: Before laws can be proposed to protect Americans from irritating and often dangerous levels of noise, it will be necessary to conduct research leading to the establishment of permissible limits of noise production and the development of materials and techniques for containing or protecting from noise. We need to determine what degree of noise is tolerable—and safe—in aircraft, urban mass transit systems, heavy and construction equipment and automobiles. Further, noise limits should be included among performance standards applied to household appliances, toys, and office machines. These criteria should be developed with consideration of the hidden costs of noise pollution such as loss of property value,

damage to health (including hearing), and the nuisance cost of unnecessary noise. We particularly recommend a federal program financing research into the effects of excessive noise on human health, in order to facilitate institution of noise standards.

Within three years, airplanes should be required to meet stricter noise standards for engines, set and enforced by the National Aeronautics and Space Administration.

NATURAL RESOURCES

America's richness in natural resources—land, water, timber, and minerals—has been the foundation of our marvelously productive industry and agriculture. The federal government has long been concerned with husbanding some of these resources. Its responsibility to assure that all resources are utilized wisely and economically and for the good of all is growing as our growing population and standard of living multiply the nation's demands for the relatively fixed supply.

Land Use: Until a land use policy or set of national development priorities is established in the United States, it will remain difficult for the federal government to encourage economic growth and to protect the environment as well. Present land laws promote neither of these goals efficiently.

We recommend that Congress determine a basis for land use priorities—a flexible set of goals toward which resources, management, protection, and development can be directed. While these goals are being formulated in the course of the next two years, we recommend that necessary information be gathered for determination of which federal lands should be sold or purchased, which should be improved, and what uses would be most advantageous for the various tracts of the federal government's more than 750 million square miles of land (about a third of the land in America).

Other land use problems must also be solved if the public interest is to be served.

Indian and Alaskan land claims must be settled and satisfactory compensation provided; water rights legally belonging to Indians must be restored. We should study the feasibility of moving all Indian programs out of the Department of the Interior into a separate federal corporation, run by Indians.

A portion of the monies in the Land and Water Conservation Fund should be directed towards development of urban parks (see Chapter 8). Outlays from the Land and Water Conservation Fund for purchase and maintenance of national and state park lands should remain relatively constant until the research recommended above is completed and analyzed.

Research should be directed toward improving damaged lands, developing more effective forest fire and flood control techniques, and controlling insect damage without use of long-life pesticides.

The Forest Service should be moved from the Agriculture Department to the Interior Department in order to eliminate duplication of services and to reduce some costs. Funds spent for certain projects under the 1902 Reclamation Act should be halved as Corps of Engineers irrigation and flood control activities are merged with these Bureau of Reclamation activities (see Chapter 13). Mining operators and other users of public or private land should be required by law to rehabilitate the lands they use.

Public Works—Irrigation and Water Resources Projects: Water resources projects have made a significant contribution to American development. But while national needs have changed, budget allocations for construction of these projects have continued to expand. As a result, enterprises of questionable justification have been undertaken, and in some cases, federal programs have worked at cross purposes.

Costs-to-benefits ratios are utilized by the Corps of Engineers to measure anticipated benefits against expected construction costs; projects for which benefits would not at least equal costs are rejected. The Corps has been criticized by economists for misusing cost-benefit analysis; furthermore, cost-benefit ratios projected by the Corps have not in the past proven to be very accurate. The 1967 report of project costs revealed cost "overruns" of more than 300 per cent.

Corps flood control projects in areas where investments should never have occurred have at times stimulated development in those areas beyond that which the projects could protect. Bad floods have later damaged expensive buildings, causing losses more extensive than those that would have occurred if the Corps projects had not been constructed. Irrigation projects have also been criticized; projects approved between 1964 and 1967 cost an average of \$122,000 per farm served, according to economist Charles L. Schultze. Many of these projects have subsidized high-income farmers by providing facilities to increase agricultural output, while other federal projects simultaneously pay to reduce output.

Corps navigation projects should be transferred to the Department of Transportation when the Interior Department assumes the Corps of Engineers' flood control, irrigation and power projects. The transfers would eliminate numerous duplications of resources and personnel (for instance, the Corps in 1971 spent \$462 million for flood control and irrigation projects, while Interior's Bureau of Reclamation spent \$70 million for similar activities). With centralized responsibilities and stricter standards to determine necessary projects, irrigation and flood control public works budgets could be reduced by 50 per cent for the Bureau of Reclamation and by 30 per cent for the Corps of Engineers. These cuts would not become effective, however, until 1973 when the economy is expected to be better able to sustain reductions in construction activity than during the current period of high unemployment. In addition, user charges should be instituted for flood control project construction and for all federally constructed waterways (see Chapter 10).

Ocean Policy: Oil, sewage, and chemical wastes spilled into the ocean in recent years, both from the nation's river system and directly from ships, oil rigs, or off-shore dumping, have caused widespread pollution. Many fish and shellfish have been destroyed, and others made unsafe to eat. The American fishing industry has been commensurately damaged. One million of the nearly 11 million square miles of America's shellfish producing waters have already been declared unsafe due to pollution. Highest priority now should be given to prevention of further ocean degradation, by (a) development of effective countermeasures, now virtually nonexistent, to protect life against oil spills, (b) banning of all pesticides with long life periods, and (c) studying marine life to determine possible techniques to counteract effects of these pesticides, oil, and other dangerous pollutants already in the biosystem.

The Sea Grant program providing monies to universities for marine-resource related studies should be funded at \$30 million annually for 1972 and 1973 and \$50 million thereafter, with the stipulation that research be directed toward the goals mentioned above. The program was funded at \$20 million in 1971. An additional \$80 million should be spent in 1973, and \$150 million annually by 1976, for research and experimental projects aimed at organizing a coastal management system, determining efficient means of counteracting the pollutants mentioned above, and developing technology to prevent and correct oil spills and other exploitive damage.

Until these problems are solved, funding levels for development programs should increase only incrementally. To guarantee ocean protection, the Coast Guard's functions (excluding transportation and defense

activities) should be moved to the National Oceanic and Atmospheric Administration. There the Coast Guard should serve as an enforcement arm, prosecuting violators of new stricter regulations against dumping

solid wastes and pollutants, and of regulations guaranteeing that oil rigs meet stringent safety specifications, with \$50,000 daily fines for violators of these regulations even if oil spills do not occur.

TABLE 11.1.—ENVIRONMENT AND NATURAL RESOURCES

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Pollution control:							
Water: Grants for construction of waste treatment facilities	422	1,000	570	975	1,000	1,025	1,050
Air	49	105	105	131	147	155	162
Solid waste	10	42	42	83	123	199	254
Noise			5	13	22	20	17
Research ¹	181	221	221	287	323	380	405
Other	29	74	111	130	138	176	
Subtotal	691	1,358	1,017	1,600	1,745	1,917	2,064
Natural resources:							
Land use and recreation	1,493	1,576	1,578	1,536	1,579	1,678	1,723
Oceans ²	650	722	827	903	915	973	1,033
Public works: Flood control and irrigation ³	540	460	460	313	342	353	363
Subtotal	2,683	2,758	2,865	2,752	2,836	3,004	3,119
Total	3,374	4,116	3,882	4,352	4,581	4,921	5,183

¹ Includes research in air, water, solid waste, noise, radiation, and pesticides.
² Includes NOAA and Coast Guard funds not covered in transportation budget.

³ Corps of Army Engineers and Bureau of Reclamation.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 12

HON. PAUL N. McCLOSKEY, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. McCLOSKEY. Mr. Speaker, I include chapter 12 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 12. FAMILY PLANNING AND POPULATION GROWTH

Stopping population growth in the United States today would not eliminate any of our serious problems . . . however, it is increasingly clear that a growing population makes the solution of nearly all our problems more difficult and more expensive.

Population growth is an issue of major concern to all societies, including our own. Yet it is a difficult issue to confront with public policy. As the president of the World Bank, Robert McNamara has observed:

It is an issue that is so hypersensitive—giving rise to such diverse opinion—that there is an understandable tendency simply to avoid argument, turn one's attention to less complicated matters, and hope that the problem will somehow disappear.¹

Indeed, it is only during the past five years that the federal government has acknowledged population as an issue demanding public attention in this country.

Emerging federal policy addresses the population issue in three problem areas: domestic family planning, U.S. population growth, and international family planning and population growth. As the federal budget tends to reflect these divisions, we shall examine each area individually.

DOMESTIC FAMILY PLANNING

It is estimated that 20 per cent of all births in the United States during the nine-year period 1960-68 were "unwanted," that is, not desired by one or both of the child's parents.² Experienced by all socio-economic

groups in the U.S., this unwanted fertility carries high individual and social costs.

First, because the inability to plan the size and spacing of a family often forces women to have children too early or too late in their childbearing years, or results in inadequate spacing between pregnancies, unplanned childbearing produces an increased incidence of infant and maternal mortality and premature births. A recent program analysis by the Department of Health, Education and Welfare (HEW) concluded that provision of family planning services (information and contraceptives) would prevent pregnancies resulting in 2,173 infant deaths for every 500,000 women served each year.

Second, there is a high correlation between unwanted fertility and poverty in the United States. Unwanted children often cause an overextension of limited family resources or necessitate the withdrawal of the mother from the labor force, driving many families below the poverty line and blocking the escape route from poverty for others. American families with five or more children are 3.5 times more likely to be poor than families with one or two children.

Finally, the inability to plan the size and spacing of a family severely restricts personal and career options available to American women of all income groups.

Taking into consideration both the sizable costs of unwanted fertility and the relatively small expense required to eliminate it, both Congress and the President have declared that the opportunity for every American to plan voluntarily the size and spacing of his or her family is an important national goal. We support this goal. We do so in the belief that the opportunity to voluntarily plan one's family is a fundamental human right, independent of any national policy to increase or decrease the birth rate.

An effective federal policy to eliminate unwanted fertility must focus on the three factors responsible for most of the involuntary childbirths in the United States today: 1) Inadequate incomes which prevent many poor and near-poor women of childbearing age from purchasing the information and the most effective contraception techniques currently available to more affluent Americans through the private health system (poverty also prevents many from seeking abortions); 2) Shortcomings in existing contraceptive technology, and 3) Obstacles to the

acquisition of family planning information and techniques, such as inefficient or purposely obstructive hospital and clinic administrative practices, inadequately trained medical personnel, insufficient or poorly distributed public health information, and archaic state and local laws.

Federal programs now exist on a small scale to eliminate some of these obstacles to family planning. Through HEW's Center for Family Planning Services and the Office of Economic Opportunity, the federal government will spend \$57.5 million in 1971 for grants to public and private organizations to subsidize the delivery of voluntary family planning services to predominantly low-income women. Another \$28.3 million will be given to the Center for Population Research in the National Institutes of Health (NIH) for biomedical and behavioral research, with \$14 million of the total to be spent on contraceptive development.

To implement an effective national family planning policy, we recommend:

(A) The provision of family planning services on a voluntary basis to all Americans under the National Health Insurance (NHI) plan (see Chapter 5) beginning in 1974. This course is most consistent with our objective of making the opportunity to plan family size available to the entire population rather than to any specific groups.

(B) An expansion of existing federal grant programs to meet President Nixon's objective of eliminating all barriers to family planning by 1974. Serving all of the estimated 5.4 million women of childbearing age who are prevented by inadequate incomes from purchasing family planning services will require an annual federal expenditure of \$304 million by 1973. Beginning in 1974, this program would be replaced gradually by NHI.³

(C) A concerted federal effort to develop a variety of contraceptives that are effective, safe, inexpensive, reversible, self-administered and acceptable to various groups in the population. Improving the rhythm method should receive high priority. Such an effort would cost a minimum of \$100 million a year.

More research funds are also needed to study the health effects of contraceptives now in use and for operational research to improve the delivery of family planning services and the dissemination of related public health information.

³ Special family planning grants could not be phased out until it was certain that low-income women actually were receiving services under NHI.

¹ Address of Robert McNamara to the University of Notre Dame, May 1, 1969.

² Bumpass and Westoff, "The Perfect Contraceptive Population: Extent and Implica-

tion of Unwanted Fertility in the United States." *Science*, September 4, 1970; Vol. 169, p. 1177.

(D) A program to train 15,000 paraprofessionals to assist in providing family planning services through neighborhood health centers, hospitals, and clinics, at a cost of \$30 million.

(E) The establishment of a Population and Family Planning Administration in HEW on a par with the Food and Drug Administration, the National Institutes of Health and the Health Services and Mental Health Administration. Combining all federal population service and research programs under one administrative head would encourage coordination that has been sadly lacking.

All these recommendations assume public and private efforts to adjust health administrative practices, medical training, public education programs, and state and local statutes to reflect the intent of Congress and the President to remove all economic, technical and organizational obstacles to the practice of voluntary family planning.

Until these obstacles are eliminated, abortion on demand must be available for those who desire it to prevent unwanted births. We believe that abortion is a matter best left to individual conscience; the state should not be given the power to either compel a woman to have an abortion or constrain her from doing so. Easy access to completely effective contraceptives in the future should reduce the need for abortion as a course of last resort in family planning.

U.S. POPULATION GROWTH

In his message on population delivered to the Congress on July 21, 1969, President Nixon said:

"Only recently has it come to be seen that pressing problems are also posed for advanced industrial countries when their populations increase at the rate that the United States, for example, must now anticipate. Food supplies may be ample in such nations, but social supplies—the capacity to educate youth, to provide privacy and living space, to maintain the processes of open, democratic government—may be grievously strained. . . . I believe that many of our present social problems may be related to the fact that we have had only fifty years in which to accommodate the second hundred million Americans."⁴

If the present rate of growth in the United States continues, we shall have only thirty years to accommodate the third hundred million Americans; our population would grow from 207 million today to roughly 300 million by the year 2000.

Stopping population growth in the United States today would not eliminate any of our serious problems. Our central cities still would require rebuilding. Our environmental crises would remain unsolved owing to high levels of current consumption combined with a sophisticated and powerful technology.

However, it is increasingly clear that a growing population makes the solution of nearly all our problems more difficult and more expensive. The reconstruction of our cities during the next thirty years would be rendered considerably more complex and costly by the appearance of 75 million additional Americans in our urban areas by the year 2000. And since population growth is expected to account for nearly 40 per cent of increased consumption in the next 15 years,⁵ cleaning up our air and water by 1985 would be much more expensive with 250 million Americans than with 207 million.

Many of the benefits traditionally attrib-

⁴ "Message From the President of the United States Relative to Population Growth." Referred to the Committee of the Whole on the State of the Union, July 21, 1969.

⁵ U.S. Bureau of the Census.

uted to national population growth have disappeared as technology has replaced manpower as the principal source of economic growth and military might in the industrialized nations.

One fact is incontestable: population stabilization is inevitable in a nation with finite space and resources. Mathematics, not social policy, dictates that conclusion. Though there are differences of opinion concerning America's ultimate capacity and the time it will take to reach that capacity, there is no real debate over the eventual need to stabilize U.S. population size.

The issue is rather when and how, measured against our commitment to improve steadily the quality of life for the individual American and our responsibilities as a cohabitant with the developing nations of an increasingly crowded planet.

Policy alternatives suggested to date include:

(A) Accepting future population growth and concentrating instead on redistributing population and preparing the states and localities to serve more people.

(B) Attempting to stabilize U.S. population size by relying exclusively on efforts to eliminate all unwanted fertility by means of voluntary family planning programs.

(C) Supplementing voluntary family planning programs with non-coercive education programs and incentives to encourage a reduction of average family size to a level consistent with a stable population.

(D) Implementation of coercive measures such as laws regulating maximum family size to stabilize U.S. population size.

We view this last alternative as both unnecessary and inimical to the values of a free society. At the same time, we believe conscious, non-coercive policies aimed at lowering the birth rate in the U.S. to replacement level (when births balance deaths) are essential if coercion is to be averted in the future.

Redistribution of population is a short-term ameliorative at best and by no means an easy one to implement. Hopefully, an effective national family planning policy to eliminate involuntary childbearing will reduce the birth rate significantly; some demographers predict that alone would be sufficient to reach replacement level. But there is no way to determine *a priori* the exact impact of effective family planning programs because such programs give families only the means to limit the number of children they have—the programs do not affect the number of children families desire.

Therefore, we believe the most prudent policy is one that supplements voluntary family planning programs with non-coercive programs to encourage a desired family size consistent with a stable national population.

Developing effective non-coercive public programs to bring average desired family size to the current replacement level of 2.3 children, however, will require a great deal more information than we presently have. For example, we do not know the social, economic and psychological determinants of family size (why one family desires two children while another wants six). Therefore, federal funding for behavioral population research to determine the causes and consequences of population growth should be expanded from the 1971⁶ level of \$5 million to \$50 million.

Two programs to encourage smaller desired families should be established immediately while we await further research findings: (1) A federal adoption subsidy program modeled after the successful Maryland plan which offers families annual adoption fees to encourage adoption as a

substitute for additional natural births—this would cost \$30 million a year; (2) A population education fund of \$10 million a year to be administered by the Population and Family Planning Administration to encourage the development of public school curricula, mass media presentations and adult education programs to inform the American public of the known costs and benefits of family, national and global population planning.

INTERNATIONAL FAMILY PLANNING AND POPULATION GROWTH

Serious as the consequences of population growth in this country may be, the problems raised by the global population explosion are much more pressing. Indeed no phenomenon, with the possible exception of nuclear weaponry, casts a more threatening shadow over mankind's prospects for a better tomorrow than the planet's rapidly expanding population.

For most of man's recorded history, world population doubled every one thousand years. By 1650 A.D., this plodding geometric process had pushed the earth's population to an estimated 500 million people.

From this point modern medicine and public health programs began rapidly reducing population "doubling time" from one thousand years to the current rate of 35 years. If present population growth rates persist, the planet will contain over 7 billion people by the year 2000—with the 8 billion mark reached a scant five years later.

Failure to check this rapid growth of population poses a serious threat to survival and a virtually insuperable obstacle to progress in the developing nations of Asia, Africa and Latin America, where 90 per cent of projected world population growth will occur over the next three decades. With populations in many of these nations doubling as rapidly as every twenty years, resources which would otherwise be available to raise living standards and increase capital formation are diverted in a tragically unsuccessful effort to keep a growing dependent population of children alive; 4.5 million children are expected to starve to death this year. As the Pearson Commission Report on International Development stated: ". . . it is clear that there can be no serious social and economic planning unless the ominous implications of uncontrolled population growth are understood and acted upon."⁷

At present, the most effective American contribution to international efforts to slow world population growth would be the immediate implementation of a policy to stabilize U.S. population size. This would reduce somewhat the number of people the planet would be forced to support in coming decades. But far more importantly, this action would constitute a dramatic statement to many of the developing nations still not committed to population stabilization policies that even the wealthiest nation in the world considers a national population policy essential to her future progress and well-being.

In addition, U.S. foreign assistance is needed to support public family planning programs and population research in those developing nations such as India and Pakistan which are striving to bring their soaring population growth rates under control. In 1971, the Agency for International Development will spend \$100 million to aid developing nations' population programs. We recommend increasing this program by \$50 million a year through 1976 as part of our foreign economic assistance program (see Chapter 19).

⁷ *Partners for Development*, Commission on International Development, Praeger Publishers, Washington, 1969, p. 58.

⁶ All references to years are Federal Fiscal Year (F.Y.), unless otherwise indicated.

would reduce federal farm outlays by more than \$1 billion annually and would end an unneeded and inequitable government subsidy to the wealthy. But that step alone will not remedy the supply management problem. A workable program must be developed to replace the costly annual land diversion program.

Several alternative approaches merit consideration. Perhaps the three most important of these are:

Tight farm product marketing quotas, expressed in volume terms.

Long-term land retirement of whole farms. An easement under which the government would buy in perpetuity the rights to grow crops for market associated with plots of land.

Of these alternatives, marketing quotas would be the least expensive in dollar terms. But implementation would involve arbitrary, forcible limitation of production on American farms through government mandate, without any compensating measures. We feel such an approach, so blatantly inimical to the private entrepreneurial values upon which our economy is based, extracts too large a price to be acceptable.

Long-term land retirement and an easement system bear many similarities to each other, the chief one being a broad familiar relationship to current short-term land diversion programs. Like those current programs, both would work by paying farmers money in return for an agreement not to grow crops on their land. But there are important differences both between these new plans and between them and existing programs.

These new plans would be less expensive in the long-run than the current land diversion programs. Under present programs, the government must renew its land diversion payments each year in order to curb excess agricultural capacity. At the expiration of the annual contract, the landholder is still actively farming and is prepared to plant all his cropland if not paid again to divert a fraction of it from production. Under long-term whole farm retirement, the need for government subsidized land diversion would gradually decrease. At the expiration of the long-term (ten years would be a reasonable period) contract, the government would make no effort to divert the land of landholders who were no longer engaged in farming and who were therefore not potential contributors to excess agricultural production. An easement system, generally considered a variation on long-term whole farm retirement, would work in similar fashion and achieve similar results. The key difference would be that the easement approach would involve permanent government purchase of crop rights on particular parcels of land, rather than agreements limited to some fixed period such as ten years.

Both an easement system and long-term whole farm land retirement would "fix the leak in the boat" in place of the costly "bailing water" programs now in existence. Farmer participation would be voluntary under

both approaches, but those who choose to participate in the program would be required not to engage in farming themselves during the life of their agreement as well as to remove their land from commercial production during this period.

Choice between easement and long-term land retirement is difficult because they share more similarities than differences. An easement system would be less expensive to operate and would more conclusively achieve the desired result of supply limitation. We favor long-term land retirement, though, for two important reasons. First, we think the easement approach would provoke serious, valid public concern about permanent government control over millions of acres of land in addition to its vast current holdings. Whereas government land holdings may be highly desirable on a smaller scale for recreation, conservation, or metropolitan land use planning purposes, central control of property does not seem desirable on such a broad basis. Second, we think it would be healthy to create a logical point, even ten years away, at which any new land diversion program could be re-evaluated. A long-term land retirement program would enable such re-evaluation, whereas an easement system would not.

Our proposal would retire 70 million acres of farmland by 1976 under ten year contracts. It should be noted that though a somewhat similar approach was tried during the 1950's, our proposed program differs from that attempt in three crucial respects:

The proposed plan would not concentrate land retirement in a few communities, forcing them to bear the entire weight of the adjustment.

The proposed plan would retire whole farms, unlike the earlier scheme in which most participants retired part of their land and remained in farming.

The long term land retirement effort envisioned here is tied to a major program of rural economic development.

Other Supply Limitation Measures: Still a third important step in a movement toward a more market-oriented economy is readjustment or elimination of a series of smaller programs which have outgrown or subverted their original purposes and now aggravate the agricultural capacity problem. A \$230 million Interior Department irrigation program stems from a 1902 Reclamation Act designed primarily to help develop the West by irrigating arid lands. About half of current outlays work at cross purposes with Department of Agriculture programs aimed at limiting agricultural capacity and accordingly should be ceased. The \$152 million Agricultural Conservation program often subsidizes projects which farmers would undertake even without encouragement, with a large fraction of the money actually used to increase crop production; this pork barrel program should be eliminated. The bulk of the \$371 million spent by the Department of Agriculture on research and development is aimed at increasing agricultural productivity, which adds to the overcapacity problem. The

smallness of most individual producing units provides justification for continued government support of agricultural R&D, but greater emphasis should be placed on diversification of products and improvement of quality—and less on increasing yields.

Farm Cooperatives: The needs of two special farming groups merit a final word. Instead of off-farm migration, there are small farmers who would prefer, as is their privilege, to organize into agricultural cooperatives. As the government should assist off-farm migrants through aid to rural economic development, so should it assist these rural residents in establishing thriving, well capitalized farm units. A loan program such as the one offered through the Small Business Administration is well tailored to the needs of these agricultural cooperatives. We recommend the creation of an agricultural cooperative loan program which would operate at levels of \$5 million of outlays in 1972 and \$10 million during the following four years.

Migrant Farm Workers: The second group with special needs are the nearly one million migrant farm workers, who constitute one of the most economically and socially deprived groups in American society.

The average migrant family of four last year earned \$2,700—a sum \$900 below the poverty level.

Migratory labor is excluded from minimum wage legislation; in most states migrants are neither eligible for unemployment insurance nor covered by labor protection laws.

Migrants' use of medical care is about one-seventh that of the general population; their estimated per capita annual expenditure for health services is \$11.

Eighty percent of migrant children never enter a high school classroom.

Correcting the appalling conditions underlying these facts is a task which will require many different approaches and many years. An important start should be made by ensuring that migrants are eligible for the manpower training income maintenance, and national health insurance programs described in earlier sections of this report. But supplementary specialized programs will continue to be required to ensure access to health care, to provide remedial education and English language courses, and to encourage investment in migrant housing. Programs focused on these needs already exist, but are inadequately funded to reach the complete universe of needy migrants. We recommend an increase in aggregate funding of these special programs from the current \$107 million to an annual level of \$205 million.

Finally, migrants should be guaranteed all the rights of the majority of American workers—including unemployment compensation, the right to organize and bargain for wages, and various labor protection laws including prohibitions against the use of child labor. An important step in preventing artificial reduction of wages offered to migrant farm workers must be more effective enforcement against illegal entry of workers into the United States at the Mexican border.

TABLE 13-1.—RURAL DEVELOPMENT AND AGRICULTURE
Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Rural development:							
Rural industrial development.....	501	504	813	947	968	881	747
Extension programs.....	160	171	715	180	185	190	195
Agricultural conservation program ¹	179	150					
Other.....	79	129	114	117	120	124	128
Subtotal.....	919	954	1,002	1,244	1,273	1,195	1,070

See footnotes at end of table.

TABLE 13-1.—RURAL DEVELOPMENT AND AGRICULTURE—Continued

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Agriculture:							
Price support and related programs.....	3,203	3,624	1,657	653	668	684	700
Long-term land retirement ¹	78	70	1,200	2,288	2,340	2,394	2,450
Research.....	381	390	390	400	410	420	430
Soil Conservation Service.....	136	136	165	168	172	176	180
Consumer protection, marketing, and regulatory programs.....	210	227	225	235	245	250	260
Special migrant programs.....	108	115	128	150	172	189	205
Other.....	836	620	686	678	663	660	650
Subtotal.....	4,952	5,182	4,451	4,572	4,670	4,773	4,875
Total.....	5,871	6,136	5,453	5,816	5,943	5,968	5,945

¹ The agricultural conservation program is really an agriculture supply management program. We list it here under rural development in order to conform with the rural development category definition employed in the 1972 administration budget.

² The administration proposes that, beginning Jan. 1, 1972, all the subsidiary categories con-

tributing to this total be merged into a single revenue sharing fund.

³ Outlays for long-term land retirement would decrease in future years due to a shrinking need to renew contracts with persons who have retired whole farms.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 14

HON. CHARLES A. MOSHER

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. MOSHER. Mr. Speaker, I include chapter 14 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 14. RESEARCH AND DEVELOPMENT

A major task now facing us is to decide how the potential of science and technology can be tapped for a large number of social goals.

Research and development—three words that modern times have joined into a single familiar phrase—is still a young area of government responsibility. It was only three decades ago that World War II led to the first massive mobilization of organized knowledge in the pursuit of national goals. When this process began, no one could have foreseen that the 1970¹ federal budget would earmark \$15.9 billion for research and development—an amount 215 times greater than the \$74 million allocated in 1940.

R & D, as it is now known, has come to embrace all basic and applied research and engineering, as well as the design and development of prototypes and processes. Some activities of the federal government are almost totally devoted to it. Among them are space, oceanography, and nuclear energy. Other activities, such as defense, transportation, housing, and health, have R & D components which range in size from small to substantial. We address research and development as a separate topic because its size, its scattered nature, its effects, and its potential require integrated thinking and planning.

The past few years have shown that the period of explosive growth in federal support of R & D has reached a plateau. But major changes may lie ahead nonetheless. Disaffection with science might lead to a deliberate neglect of the nation's scientific and engineering resources, inconceivable as that may have been a few years ago. A growing number of Americans advocate such a policy

¹ Years are federal Fiscal Years unless otherwise stated.

as a positive goal. They argue that science and technology are not relevant to man's aspirations, or worse, that they create a dehumanized social environment and a poisoned natural environment.

In some ways, the present situation is comparable to the post-Sputnik period, when the national mood produced a sudden, heavy emphasis on science and education. Out of that period came some major innovations, among them a mechanism for advising the President on science policy issues and a major national effort to send man to the moon. Today, national attention has turned to the adverse side effects which can result from single-minded pursuit of technological innovation. Out of the shift must come a rethinking of the assumptions, objectives, and institutions behind the nation's science policies. In short, we are now faced with the task of deciding how the potential of science and technology can be tapped for a large number of social goals.

Before we explore this challenge, let us summarize what a close look at the federal budget reveals. In official statistics, about \$16 billion is labeled "Research and Development." The total has hovered around this level for several years, but there have been significant changes in the distribution of the sum. A shift away from defense and space and toward socially oriented activities is clearly discernible. In terms of dollars spent, it is true that 71 per cent of federal R & D funds are expended for defense and space studies, reflecting the extremely high costs of developing new weapons systems and space vehicles. But funds for defense, space and atomic energy research nevertheless have declined, while R & D funds for housing, transportation, protection of the environment, health services, education, and criminal justice have received increased attention and resources.

In order to develop recommendations for future R & D funding allocations, we conducted a careful survey of research needs and capacities in major program areas along with an examination of the effectiveness of different means of organizing research activities. Consideration was given to R & D needs both as part of particular functional activities (such as health or pollution) and in relation to an overall research strategy. Our review led us to two general conclusions:

First, we found that mission-oriented agencies (such as the National Aeronautics and Space Administration) have been successful in generating and applying technological advances in the service of well-defined policy objectives, but that these

same agencies have often paid little heed to the ways their programs affect, and often disrupt, other sectors of society.

Second, we found that in the social areas policy goals are harder to reach, partly because they are relatively abstract and partly because new mechanisms are needed for the better integration of natural and social sciences in pursuit of those goals. The argument that technology can be put to use rebuilding cities in the same way it has been used in sending men to the moon rests on shaky ground. Increasingly, we learn how small the technical component of complex social problems is and how closely these problems are tied to sensitive political issues. Further funding increases in these areas are needed, but it would be unrealistic to seek a rapid build-up of socially oriented R & D to the level, for instance, of defense and space programs.

Overall, our recommendations in all areas of federal research activity—for the period from 1972 through 1976—suggest average annual increases in total federal R & D expenditures of four per cent, approximately the long term real growth rate of the American GNP. Whether this rate is adequate and appropriate is a highly judgmental matter; standards for deciding this issue remain grossly inadequate in both the private and public sectors. All that can be said with certainty is that over the long-term, without some minimum rate of investment in research, this society will find itself economically noncompetitive in world markets and losing ground in the struggle to keep pace with many public problems. Our recommended four per cent rate of increase seems reasonable in the context of historical experience, particularly when contrasted with an estimated decline in federally funded R & D expenditures of about 2.5 per cent (about 6.0 per cent in real terms) between 1968 and 1971.

Although defense, space, and atomic energy would continue to dominate federal R & D spending under our recommendations, their share would decline from 73 per cent to 63 per cent of total expenditures.

A major part of the recommended increases should go toward the exploration and protection of man's environment: pollution control R & D should be more than doubled (to an annual level of \$405 million) and civilian oceanography should be brought up to \$525 million per year from its current \$265 million level. Space should be allowed to reach a ceiling of \$3.8 billion, which would then change only in relation to economic growth.

Altogether, we recommend the following pattern of federal R & D funding:

TABLE 14.1.—RESEARCH AND DEVELOPMENT
[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
Military:							
Department of Defense.....	7,281	7,504	6,400	6,290	6,415	6,525	7,360
Atomic Energy Commission.....	669	630	555	670	685	695	705
Subtotal.....	7,950	8,134	6,955	6,960	7,100	7,220	8,065
Economic growth:							
Bureau of Standards.....	42	46	46	49	52	55	58
Patent Office.....	52	56	56	59	62	65	68
Agriculture.....	381	390	390	400	410	420	430
Other.....	8	8	8	8	9	9	9
Subtotal.....	483	500	500	516	533	549	565
Infrastructure:							
SST.....	233	281	10				
Mass transit.....	35	63	70	100	100	75	50
Nuclear energy reactors.....	365	336	470	545	460	450	450
Other energy.....	40	150	72	124	167	187	207
Subtotal.....	673	1,730	622	769	727	712	707
Environment:							
Pollution control ²	(274)	¹ (300)	(325)	(415)	(475)	(535)	(560)
Marine science and technology ³	181	1,200	221	287	323	380	405
Space (NASA).....	265	304	389	437	446	480	525
Subtotal.....	3,368	3,151	3,100	3,200	3,400	3,600	3,800
Social programs:							
Urban social research.....	94	114	210	310	490	500	500
Health ⁴	1,259	1,370	1,285	1,320	1,340	1,375	1,440
Education.....	200	246	300	400	450	475	500
Housing.....	45	25	65	80	100	100	100
Law enforcement.....	42	59	60	67	97	125	150
Family planning and population.....	28	38	80	125	175	200	225
Subtotal.....	1,668	1,852	2,000	2,302	2,652	2,775	2,915
Basic research:							
All agencies ⁵	(2,700)	¹ (2,900)	(2,095)	(3,125)	(3,360)	(3,610)	(3,900)
National Science Foundation.....	313	425	450	675	1,000	1,300	1,500
Subtotal.....	313	425	450	675	1,000	1,300	1,500
Other:							
Central administration and strategy development.....	2	2	5	10	15	20	20
Other activities.....	1,057	960	1,033	1,065	1,097	1,130	1,164
Subtotal.....	1,059	962	1,038	1,075	1,112	1,112	1,184
Total.....	15,960	16,258	15,275	16,221	17,293	18,166	19,666

¹ Staff estimate.

² Numbers in brackets represent total outlays recommended for pollution control. Some of these funds were included under "Energy" and therefore are excluded from the total.

³ Civilian activities only.

⁴ HEW, Veterans Administration and NST only.

⁵ Funds for "Basic Research" for all agencies except NSF are included under budgets for agencies concerned.

Most of the research and development recommendations have been discussed in earlier sections of the report as part of particular functional area programs. The remainder of this section will focus on a few R & D activities—those associated with economic growth, nuclear energy, space, and basic research—which either do not fit those functional categories discussed or stretch broadly across program lines.

ECONOMIC GROWTH

During the past century, American industry has developed effective ways to use science and technology to improve manufacturing techniques and to create new products. By and large, this serves the public interest by producing increased wealth and a higher standard of living.

Government, for its part, encourages industrial innovation by granting temporary monopoly rights to an inventor and by allowing the deduction of R & D costs from taxable income. The indirect public support given to industry R & D efforts through tax deductions amounts to something more than \$5 billion a year—certainly not a small sum, but one that does not show up in the federal budget.

In recent years, new dimensions have been added to government's responsibility for industrial innovation. They result, in part, from the extremely high costs of ambitious new technological ventures, such as the development of nuclear energy and the construction of a supersonic transport. And they raise some difficult policy choices: under

what circumstances and to what extent should the government guarantee risks or provide incentives that will enable private industry to undertake new activities?

Direct government support of civilian technology is small. Compared to the indirect support provided for military and space programs, it is almost non-existent. The Department of Commerce, with responsibility for all manufacturing industries, will have an R & D budget of \$99 million in 1971. Most of these funds support such organizations as the Bureau of Standards and the Patent Office. Almost none of it supports industrial innovation. In general, funds for the Bureau of Standards and the Patent Office should grow in proportion to total research efforts since these agencies provide services for which demand grows parallel with the rate of innovation and economic growth. A national policy should be established dealing with issuance of patents created at federal expense to insure that title to such patents be held by the United States and placed in the public domain.

Some perspective on the meager federal research support given to civilian technology is provided by a comparison to agricultural research aid. The Department of Agriculture will have a 1971 R & D budget of \$371 million. While questions can be raised about the appropriateness of this particular amount, the principle of government support for agricultural R & D is soundly justified because individual producing units are small.

Should government support of industry follow the model developed in agriculture? We think not. An economy as strong as ours and business enterprises as innovative as ours do not need substantial aid from government to keep their innovation potential high. There is one exception. When innovations come along that are too costly to be privately financed, we believe that government should step in—but only if the public interest will be broadly served in a way that goes beyond a general increase in productivity and wealth. The SST, for example, does not meet this test, whereas nuclear power does since its potential benefits would be spread across most of society.

Social critics are correct, of course, in reminding us that economic growth and innovation are not ends in themselves. But the critics often forget that, short of our accepting a decrease in our standard of living, only a growing economy will produce the surplus needed to achieve social and environmental reforms. We must begin, therefore, with a look at the contribution of scientific knowledge and technological innovation to economic growth. The best evidence, perhaps, lies in the actual behavior of industry.

Industrial investment for R & D is currently nearing \$11 billion—or 40 per cent of the total U.S. expenditures for this purpose. All indicators point toward continued or increased reliance on R & D by industry. But company-financed R & D is only part of the picture. In 1970, the federal government pur-

chased an additional \$8.5 billion worth of its R & D from private industry. This amount represents 44 per cent of all industrial R & D for that year. Although it declined from 55 per cent in 1965, the figure nonetheless reflects considerable industrial dependence on government. It also raises some serious questions concerning industrial innovation.

The first of these concerns overcapacity. Since the government has paid industry to do the bulk of its research during the last 25 years, the scientific and technical resources available in the industrial sector are much larger than they would be had they developed strictly in response to market needs. This overcapacity, involving trained manpower as well as expensive installations and laboratories, tends to create pressures against government cuts in R & D spending. Some of the overcapacity may be absorbed if private industry continues to conduct larger shares of R & D on its own. But much will also depend upon whether government and the public will allow the private sector to find a more active role for its innovative potential in new areas of concern to the nation: education, provision of health services, low-income housing, and development of new towns.

A related problem arises from the high concentration of government R & D contracts in just a few industries. Dependence upon government is particularly high in the aircraft industry, in which three-fourths of R & D funds are federal in origin. Cutbacks in space and military R & D have created great difficulty for this industry.

We alluded earlier to discussions of a new role for defense and space-oriented companies in the social realm. Some contend that the key issue will be the provision of incentives by the federal government so that industry can become active in areas where no market now exists. Others argue that incentives will not work because of the special nature of these companies: they have strong

scientific and engineering capabilities, but they lack entrepreneurial initiative and marketing experience. Moreover, conversion would be further complicated by their work patterns. It has been the habit of defense and space-oriented companies to manufacture products with precision and perfection as their standard, with relatively little regard for cost. Thus, some argue, they would be violating established standards if they were to produce competitively priced goods with fewer demands for precision.

We suspect reality is somewhere between these contrasting pictures. The figures suggest that research growth will occur through expansion of fledgling markets, not through creation of brand new markets. No special incentives should be necessary if federal contract dollars are preferred. Aerospace companies should have full opportunities to compete for these contracts, but deserve no special advantages. (See also, Chapter 3, for further discussion of this subject.)

NUCLEAR ENERGY

Two developments have created a crisis in the field of energy: an unprecedented increase in power demands, and a growing concern about pollution from installations that generate power. Without new technology and a reorganization of governmental structure regulating the energy field, we cannot get what we need—more power with less pollution.

Dramatic increases in fossil fuel research—concentrating on removal of sulfur pollutants from stack gases and including sharply increased research activity by the electric power industry itself—are critical to the alleviation of this problem, particularly over the short-term. For a long-term solution, though, development of nuclear energy increasingly appears to be the most promising solution. Fossil fuel supplies are limited, and new reactor technology holds a prospect for fewer environmental hazards than either fossil fuel installations with pollution con-

trol devices or present day nuclear installations.

All federal work on nuclear energy is conducted by the Atomic Energy Commission. While our prime concern here involves a civilian activity, the production of electricity, it must be noted that an important cross-fertilization occurs between the military and civilian sectors of the AEC. This is particularly the case for naval and civilian reactor development activities. The AEC military activities budget recommendations which follow are shaped by the defense posture recommendations described in Chapter 18.

Research in the promising nuclear energy field is expensive. Without government funding of early research, it is doubtful the technology—very much in the interest of society—would be developed. The civilian nuclear power industry is still young and beset with problems. Only 2 percent of United States electric power is produced by nuclear powered plants. Increased research is essential, into thermal pollution and into ways to make use of waste heat resulting from nuclear plant operations.

Primary research efforts though should continue to be focused on the early stages of reactor development. Deciding when it is appropriate to cut off government support is difficult, but far from impossible. The AEC for example, considers that reactors utilizing Uranium 235 are now developed to the point that further development can be conducted by private industry without government assistance. We argue, on the other hand, that the AEC's effort to develop breeder reactors (so called because they permit the conversion of unusable U-238 into useable plutonium) should continue at the funding levels established by the AEC—so should advanced work on thermonuclear fusion as a source of power.

Complete funding for the Atomic Energy Commission should be as follows:

TABLE 14-2.—ATOMIC ENERGY COMMISSION

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
Military:							
Weapons.....	1,002	984	950	890	825	765	700
Naval propulsion reactors.....	168	170	175	190	205	215	225
Special nuclear and raw materials.....	187	184	185	170	160	150	135
Subtotal.....	1,357	1,338	1,310	1,250	1,190	1,130	1,060
Civilian:							
Reactor development.....	365	336	470	545	460	450	450
Special nuclear and raw materials.....	217	213	210	225	235	250	260
Basic research: Physical and biomedical sciences.....	501	460	480	480	480	480	480
Subtotal.....	1,083	1,009	1,160	1,250	1,175	1,180	1,190
Administration, receipts and miscellaneous.....	-165	-29	-65	-110	-175	-230	-285
Total.....	2,275	2,318	2,405	2,390	2,190	2,080	1,965

¹ Some allocations among subcategories based on staff estimates.

SPACE

By the end of the current fiscal year, the United States will have spent a cumulative total of \$61 billion for its space program—most of it during the last ten years. During its peak years, the NASA budget almost matched the R & D effort of the Department of Defense, thus reaching a level of expenditure that no other civilian R & D activity had previously approached.

Within broad boundaries established by the typically large scale and long duration of space ventures, spending on space projects is highly adjustable in relation to the relative claims of other national needs. The space program does offer a practical technical and scientific yield—in communications, navigation, monitoring of the environment, physics, astronomy, medicine, and manage-

ment of complex systems. But ultimately, its justification depends heavily on less concrete standards—the quest for adventure and exploration of our environment. Certainly the resultant boost to technological progress and improved management of our environment are useful ends. But as in most other areas of research, judgments of appropriate funding allocations are highly subjective.

Even though NASA is currently experiencing some comparatively lean years, the space program continues at a level that surpasses any other civilian R&D operation. The President recommended, early in 1970, that the space program should be kept on a steady course, but with less funding than in the peak years. We agree with that basic decision, and conclude that NASA budgets in the \$3 billion to \$4 billion range are appro-

priate, given the magnitude of our past investment and the challenge of the tasks ahead.

A decision must be reached toward the middle of the decade concerning further manned exploration of the planets. Until then, no new peaks in spending or dramatic cuts below present levels are anticipated. The main consideration with regard to manned planetary exploration is a balancing of the quest for adventure against competing national priorities. Most of the gains in technology and knowledge of our environment stemming from the space program could be reaped even if the program lacked a manned mission component.

Considering these factors, we feel the nation should not mount during the 1970's a man-to-Mars program, which would cost

several times as much as the \$24 billion Apollo moon program cost. Budget constraints and pressing domestic needs will not permit such a luxury. On the other hand, the opposite strategy—cutting NASA down to a budget of, say, \$1 billion—would also make little sense because, building on the substantial investments we already have made in this field, incremental expenditures now can provide substantial returns.

But this does not mean that the emphasis of our space program should remain unchanged. When the United States made its strong commitment to an intensive space program in the early 1960's, it did so for a variety of reasons: the Soviet challenge, the stature of America as a world leader in technology, the adventure of placing a man on the moon, the desire to increase our understanding of the cosmos and the earth's resources, and the scientific "sweetness" of mastering a new environment. These same elements will be present in the future, but they should be assigned different weights.

In the second decade, the excitement of space adventure needs to be replaced by a more rational approach. The over-emphasis on manned exploration must give way to the less exciting, but scientifically productive, automated missions. Greater priority must be given to activities designed to advance scientific knowledge and yield practical benefits.

A package of such automated scientific knowledge missions could be mounted at an annual funding level around \$2.5 billion. The major policy issue is the degree of supplementary manned missions—fundamentally the space shuttle, space station, and Mars expedition options—to be supported.

With total annual space funding boosted to \$5 billion, NASA estimates that both the space shuttle and space station objectives—both directed toward advancing man's ability to spend extended periods of time in space—could be achieved by 1977. Each of these programs is expected to cost \$6 billion.

In view of other pressing national needs, do we not feel a \$5 billion level of effort is appropriate.

We recommend instead a 1972-1976 space spending peak of \$3.8 billion a year. Such a spending rate would force either a slippage of the 1977 achievement date, or sequential rather than concurrent development of the two systems. If program costs turn out to be higher than these initial \$6 billion estimates, we urge a further stretching of the timetable and not higher budgets.

In view of the enormous cost of manned flights to Mars, we recommend that the United States defer such an undertaking until it can be designed and carried out on an international scale. This would require a new organizational framework. But it would be an historic achievement if the nations of this planet could work together on man's most ambitious extraterrestrial adventure.

BASIC RESEARCH

In order to be able to achieve mission-focused research and development, the United States must be able to tap a pool of fundamental scientific knowledge and capabilities. Basic research is undertaken for the purpose of constantly replenishing that pool of fundamental knowledge. Although the line of demarcation is usually fuzzy, new scientific technology and research breakthroughs generally are accomplished through utilization of techniques or relationships discovered in basic research activities.

Funded in 1971 at a level of \$2.7 billion, basic research is one of the most difficult and controversial issues in the relationship between government and science. This is largely because the relationship between investment and return eludes precise analysis.

In 1950, the National Science Foundation (NSF) was established to provide a central mechanism for the support of basic research. It was to become the general science agency of the government and its principal mechanism for the support of non-mission related scientific activities. After a difficult beginning, the challenge of Sputnik brought the NSF rapidly increasing budgets between 1960 and 1967.

During this period, NSF funds for basic

research rose from an annual level of \$68 million to \$235 million. Since then, funds have increased only moderately. But even during the period of rapid growth, the NSF has never come close to being the government's principal supplier of funds for academic research. NASA, the AEC, and the Department of Defense consistently had—and still have—higher budgets for basic research than the NSF. So did the National Institutes of Health for its biomedical research. What this means is that NSF never has possessed sufficient funds to serve, through the distribution pattern given those funds, as a balancing agent among the various scientific disciplines.

The major need, in our view, is not so much for substantial increases in total federal basic research funds as it is for stability of funding a reasonable strategy for future growth. If funds vary wildly from year to year, project work is unproductively disrupted. The ultimate effect of such uncertainties is to discourage people from entering scientific professions. One way to provide stability of funding would be to establish multiple-year financing.

Because of relative neglect for it in recent years, we do feel spending for basic research should grow at a faster rate during the 1970's than spending for other kinds of research and development; we recommend an annual rate of 7.5 per cent. To help give the National Science Foundation the larger role in basic research that its architects intended, we would recommend that basic research in all other agencies remain virtually at current levels during the next five years. Then if total government supported basic research funding—now \$2.7 billion a year—is permitted to grow at a 7.5 percent rate, the growth dividend can be channeled to the NSF. This would permit an increase in NSF basic research from \$300 million to \$1.5 billion. Thus, by 1976 the country's central science agency would oversee more than one-third of Federal funds for basic research.

Our aggregate funding recommendations for the special R. & D. programs discussed in this section follow:

TABLE 14-3.—ATOMIC ENERGY, SPACE AND BASIC RESEARCH
[Outlays, in millions of current dollars]

	Administration		Urban Coalition Recommendations				
	Estimated, 1971 ¹	Proposed, 1972 ²	1972	1973	1974	1975	1976
Atomic Energy Commission.....	2,275	2,318	2,405	2,390	2,190	2,080	1,965
NASA.....	3,368	3,151	3,100	3,200	3,400	3,600	2,800
NSF basic research.....	313	425	450	675	1,000	1,300	1,500
Total.....	5,956	5,894	5,955	6,265	6,590	6,980	7,265

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 15

HON. ABNER J. MIKVA

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. MIKVA. Mr. Speaker, I include chapter 15 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 15. LAW ENFORCEMENT AND CRIMINAL JUSTICE

The criminal justice system, if such a fragmented apparatus can be called a system, is presently ill prepared to deal effectively with the crime problem.

Crime, the cost of crime, and the fear of crime have become major factors in American

life. At the same time many of the measures advanced to cope with this increasing threat challenge our commitment to basic concepts of justice.

Even when the demagogic overstatements this subject seems to inspire in many local and national officials are discounted, there remain many indicators that crime is limiting the freedom of many Americans: Businesses fail under the weight of thefts; families move out of high-crime neighborhoods; parks and public gatherings are avoided; and most important, millions live in fear and distrust their fellow citizens. America is not what it ought to be when normal existence includes fear of crime and violence.

Statistics reveal the magnitude of the problem:

Nearly five million crimes were reported in 1969—and the Department of Justice estimates that only half of the crimes committed are actually reported.¹

¹ The crime rate is measured by reported crime. Clearly more crimes are now being re-

The 1969 total of violent crimes—murder, rape, robbery and aggravated assault—was 11 per cent higher than in 1968.

The total of reported crimes rose by 12 per cent from 1968 to 1969.

The cost of crime to the nation is staggering. Each year losses of \$20 to \$25 billion burden American society—with a disproportionately high percentage falling upon those who can least afford it—poorer members of minority groups.²

ported as a result of improved reporting and recording techniques. Therefore, to some extent the increase in the crime rate represents a statistical artifact. However, nearly all professional observers agree that a large percentage of the increase is real and cannot be accounted for by improved reporting techniques.

² Federal Reserve Board Governor Andrew Brimmer estimates that the direct cost of crime to Negroes in 1969 was \$3 billion.

A disproportionate burden is carried by residents of large cities (population over 500,000)—the location of less than 18 per cent of the population—but almost half the reported crimes. According to the FBI Uniform Crime Reports, urban areas have experienced a 120 per cent increase in reported crime (adjusted for population growth) since 1960.

The criminal justice system, if such a fragmented apparatus can be called a system, is presently ill-prepared to deal effectively with the crime problem. Primary responsibility for law enforcement lies at the state and local level, but almost without exception, state and local expenditures for criminal justice are insufficient. These expenditures totaled just over \$6 billion for 1971. Furthermore, state and local funds are allocated primarily for police. The courts and corrections and treatment components of the criminal justice system are seriously shortchanged.

Federal assistance to states and localities for law enforcement amounted to only \$447 million in 1971. Nearly \$340 million of this aid was provided by the Justice Department's Law Enforcement Assistance Agency (LEAA) which consists primarily of block grants to states, 75 per cent of which are earmarked for local jurisdictions. Each state's share is determined by population. A National Urban Coalition survey of 12 states found that most (74 per cent) LEAA funds in 1969 were spent on police forces—mostly for equipment.³ The emphasis changed somewhat for 1970, as the percentage spent on corrections—probably the most poorly funded part of the criminal justice process—doubled to 26 per cent of the total, and the amount for police dropped from 74 to 49 per cent.

The ultimate objective of federal actions should be the reduction of crime, though:

Programs (recommended elsewhere in this report) which may reduce the social and economic causes of crime.

A coordinated effort to improve the entire criminal justice system, primarily through increased federal assistance to states and localities and through incentives and requirements for reform attached to such assistance.

In the immediate future, federal assistance should provide aid for state and local criminal justice systems with incentives encouraging these jurisdictions to upgrade their police departments and improve their court, corrections, and treatment systems.

POLICE

Crime statistics measure only a part of police effectiveness. Their job more often entails social work activity such as reconciling family disputes than apprehending criminals. Although police performance is difficult to measure, recent assessments have made clear that many police departments suffer from chronic shortages of manpower, poorly trained manpower, and poor organization and administration.

Increasing the quality of police manpower is now perhaps the most important need. While police professionalism is gaining, nearly one-third of all police departments still do not require their applicants to be high school graduates, and fewer than 25 departments in the nation require a college degree. Furthermore, although police departments spend almost 90 per cent of their funds on wages, salaries are still not high enough to attract the quality of men needed. Those factors together with the poor public image of the police (related in many instances to the lack of professional attitudes on the part of policemen themselves) are clearly preventing many well-motivated and qualified people from considering police work as a career.

³ "Law and Disorder II—State Planning and Programming Under Title I of the Omnibus Crime Control and Safe Streets Act of 1968", a study prepared by the National Urban Coalition.

However, increasing the educational levels of recruits would only partially improve the quality of police departments. Greater emphasis should be given to the training of recruits, in-service training for all policemen, and special training for high-ranking officers.

The federal aid to local and state police departments through LEAA grants (requiring 60 per cent matching funds) amounted to \$282 million in 1971.⁴ Although some grants have been used to assist students enrolled in college law enforcement programs and policemen taking college courses, no direct federal incentive is provided to encourage local departments to raise educational standards for recruits.

Therefore, we recommend that federal aid to police departments be directed toward upgrading the quality of police personnel. Two types of programs appear necessary: a) a salary supplement aimed at attracting better educated recruits, and b) assistance to police departments for recruiting and in-service training, minority recruitment, police-community relations and similar purposes.

Police Salary Supplementation: We suggest, as a long-range goal, that all local police department professionals should have at least two years of college education and all chiefs, supervisors, and administrators should have a college degree. A program of federal aid is necessary to encourage local departments to raise the educational level of their manpower. Local jurisdictions should be eligible for direct federal grants, starting in 1972, in the amount of \$4,000 to \$5,000 for each college graduate on their force, provided police departments:

Establish a minimum education requirement for recruits of a high school diploma or its equivalent.

Provide incentives for college graduates and others with higher educations to enter the force by offering direct entry into jobs at higher skill and salary levels.

Establish a promotion policy which gives a greater weight to ability and achievement than to the amount of time spent on the force or in various positions on the force.

The federal grants could be used either to supplement the salaries of college graduates and those on the force with some college education (as some departments do now), or to raise all police salaries within the department.

We believe that this program will enable departments to attract at least a greater share of the graduates of college law enforcement programs. Currently only one-third of graduates from four-year programs and one-half the graduates of two-year programs enter local police departments. Better salaries would also encourage students in other degree programs to consider police work.

Assuming that the program is moderately successful, we estimate the number of college graduates on police forces would increase from 40,000 to 86,000 by 1976, when outlays would total approximately \$355 million.

Many departments could use non-police manpower to relieve trained officers of such routine jobs as issuing parking tickets, directing traffic, and clerical and other office duties. Use of paraprofessionals or police aides for such tasks would not only make police work more attractive to college graduates, but would also represent more efficient use of manpower. Federal assistance for funding such programs would be available through our recommended public service employment program (see Chapter 2).

Block Grants for Upgrading Police Departments and Personnel: We also recommend that block grants be made available to states and localities for upgrading police departments and personnel through programs including training of recruits, in-service

⁴ Years are fiscal years unless otherwise stated.

training, minority recruitment, and police-community relations.

Federal funds for training recruits must be tied to minimum program standards, including classroom instruction in social and behavioral sciences and actual street experience. The funds should also be available for teacher training courses, such as those required of recruit teachers in the FBI.

In-service training to keep policemen abreast of new developments in law enforcement techniques, and refresher courses in such subjects as social sciences, community relations, and law are virtually nonexistent except in the largest police departments. Federal funds for in-service programs should be granted only to departments which agree to require all patrolmen to participate in these programs at least once a year.

States and localities could also utilize block grants for training of local police department supervisory and command personnel, particularly in administrative management techniques. To qualify for these funds, departments would have to agree to require satisfactory completion of appropriate courses as a prerequisite for promotion to any rank above sergeant.

Programs to improve police-community relations, including more intensive efforts at minority recruitment, should also be eligible to receive federal funds.

Peculiar problems exist for a predominantly white police force which must relate to non-white communities. At the present, many police forces are in this position. For example, although Detroit's population is 47 per cent Black, its police force is only 8 per cent Black; in Newark, which is 46 per cent Black, the police force is 10 per cent Black. Increased recruitment of minority members could be expected to improve significantly police-community relations in many localities with large minority populations. As a prerequisite to receiving federal aid, discrimination in promotion policies must be eliminated.

Federal grants to upgrade the quality of police personnel under our proposals would increase to \$300 million by 1976.

COURTS

Operating inefficiencies throughout our courts have created a major snag in America's criminal justice system. Court dockets are overloaded with criminal cases and overloading delays and diminishes justice. Crimes committed by people awaiting trial have aroused public clamor for pre-trial detention despite grave civil liberties questions. Such measures would not be suggested if we were willing to tackle the tough, real task of reducing court backlogs.

Another critical problem is the disparity in the quality of justice from lower to higher courts. Ninety per cent of criminal cases are heard in lower courts. The Task Force Report from the President's Commission on Law Enforcement and Administration of Justice points out that division of the criminal courts has produced lower standards of judicial, prosecutorial, and defense performance in the misdemeanor and petty offense courts. The Report states:

"No program of crime prevention will be effective without a massive overhaul of the lower criminal courts. The many persons who encounter these courts each year can hardly fail to interpret that experience as an expression of indifference to their situations and to the ideals of fairness, equality, and rehabilitation professed in theory, yet frequently denied in practice. The result may be a hardening of antisocial attitudes in many defendants and the creation of obstacles to the successful adjustment of others."⁵

⁵ Task Force Report: *The Courts*, The President's Commission on Law Enforcement and Administration of Justice (Washington, 1967), p. 29.

In addition, almost all studies concerned with court reform have pointed out the need for better administrative procedures such as computerization of records and improved management. Relieving judges of the routine work they now handle would free them for more important judicial responsibilities. Lower level tasks could be handled by paraprofessionals or less-skilled, lower-paid officials.

The federal government is limited in what it can do to improve state and local courts. Maintenance of a fair system of criminal justice is the responsibility of state and local governments, but the federal government should encourage and finance reform.

First, however, the federal courts must evaluate and improve their own procedures, so that the entire federal court system becomes a model for upgrading, improving and expediting the administration of justice. We would be double funding for federal courts by 1976, from \$60 to \$120 million.

A second goal should be to encourage creation of federally funded model and experimental court systems in three or four states. The models should demonstrate methods for: handling court backlogs; improving physical facilities; computerizing of court administration; upgrading of court personnel and defense counselors; and training of paraprofessionals. We estimate a total annual cost, beginning in 1973, of \$25 million for these model programs. In addition, the federal government should provide funds for state surveys of court problems.

Finally, states and localities should be granted 75 percent federal matching grants specifically for court reform. In order to receive grants, states would submit to the federal government plans for reform, based on the problems revealed by the surveys. Nearly \$300 million would be available for this purpose in 1976.

LEGAL AID TO THE POOR

The Office of Economic Opportunity Legal Services Program, now operates 800 field offices and employs 2,200 lawyers—and it is reaching only a fraction of those who need assistance.

Although the American Bar Association estimates that the poor have a minimum of 5 million legal problems each year (other authorities estimate the number is closer to 10 or 15 million), OEO lawyers deal only with approximately 600,000 cases annually. We recommend an increase in both the number of Legal Service projects (from 265 to 500 by 1976) and in staff, to expand existing operations. Greater use should also be made of paraprofessionals, particularly law students, in the program. To make these improvements, outlays for Legal Services should be increased from the 1971 level of nearly \$61 million to \$131 million by 1976.

We also recommend that the program particularly emphasize assistance in cases which involve policies and administrative procedures of public agencies dealing with the poor and in cases which may alter the law, affecting significantly the lives of thousands of the poor by a single ruling. Failure to do this, in our opinion, will mean that the most important goal of this program—that of changing social institutions to make them more responsive to the needs of the poor—cannot be realized.

THE CORRECTIONS SYSTEM

Today, the enlightened public believes that the primary purpose of our corrections system should be to rehabilitate offenders. Yet, the traditional demands for punishment—deterrence of crime, and protection of the public by isolating socially dangerous individuals—have left us with a system in which rehabilitation is almost impossible.

The chances that a former convict will make a successful transition back to normal life are poor, and those chances clearly

decrease the longer a person is imprisoned. There is evidence that the detrimental effects of exposure to prison subculture actually encourage recidivism (further offenses after release).

There are about 200,000 inmates in federal and state institutions and approximately 80,000 serving sentences in local jails. If present trends continue, 60-70 per cent of these persons will commit crimes upon release and will eventually be returned to prison.⁶ According to Richard Velde of LEAA, we are not yet able "to identify with any certainty the kinds of institutional programs that can be depended upon to rehabilitate any reasonably great number of persons exposed to them."⁷

A number of states and localities have begun to experiment with minimum security institutions and community-based centers for the rehabilitation of misdemeanants, particularly juveniles and first offenders. Various graduated release programs, such as work-release (offenders work in the community, but live in an institution), and halfway houses (small residences in the community where the offender is "boarded", rather than imprisoned) have been tried for those who have completed part, or all, of their sentence.

Unfortunately, despite enthusiastic claims, there is no clear indication that offenders who participate in these programs have a lower rate of recidivism than others merely placed on probation or parole. Eugene Dolechal, Assistant Director of the National Council of Crime and Delinquency, reported seemingly contradictory conclusions after he reviewed studies of graduated release programs:

"With minor reservations, the majority of agencies administering the programs report that graduated release is beneficial to the offender and to society and should be expanded; and

"Of the research and experiments undertaken in the areas of work-release, pre-release and halfway houses, the more rigorous the methodology used, the more ambivalent or negative are the findings regarding the efficacy of these programs."⁸

We recommend that the federal government support research and demonstration projects on community-based rehabilitation and assign LEAA responsibility for collection and evaluation of data. Funds for this purpose should increase from an estimated \$58 million in 1971 to \$100 million by 1976.

Our corrections efforts must satisfy two goals: 1) protection of society from socially dangerous individuals and 2) the rehabilitation of offenders. Yet incarceration—the surest manner of protecting society—seems to inhibit efforts at rehabilitation, and partial incarceration or graduated release programs do not appear to be more effective in terms of rehabilitation than probation or parole programs. These latter procedures are far less expensive than other corrections programs. Probationers and parolees cost society between \$350 and \$1,000 per year, while those imprisoned in penal institutions cost between \$3,000 and \$8,000. Yet probation and parole programs would seem to offer the least protection to society.

The majority of those convicted of less serious offenses, in fact, are not a very serious threat to society, and studies indicate that those who do pose a threat can be identified relatively easily. In many instances,

⁶ Remarks by Richard W. Velde, Associate Administrator, LEAA, at American Correctional Association's Centennial Congress of Correction, October 1970.

⁷ Ibid.

⁸ "Graduated Release" by Eugene Dolechal, *Information Review on Crime and Delinquency*, National Council on Crime and Delinquency, 1969.

then, probation or early release on parole may provide the best change of rehabilitation. But many states make inefficient or little use of probation and parole procedures. About 28 per cent of state prisoners are released on parole each year (figures for local jails are not available), compared to 40 to 50 per cent of federal prisoners. There are also wide variations in probation procedures.

Some states have virtually no services, or at best, fragmentary services. Although the number of people placed on probation is quite high (LEAA estimates as many as 800,000 at this time), many of the offenders sent to institutions could also have been placed on probation.

We therefore recommend three federal programs encouraging local corrections systems to rely more on probation and parole. First, for each offender placed on probation who, because of the seriousness of the offense, could have been sent to a state prison, a local jurisdiction should receive a federal grant of \$2,500. This amount is intended to exceed the actual cost of probation, thus acting as an incentive for states to rely more upon and improve probation systems. We estimate that in 1976, 30,000 offenders would be placed on probation as a result of this program, at a cost of \$75 million in federal outlays.

The federal government should also provide all jurisdictions with a \$500 non-recurring grant for every person put on probation in each year. We estimate nearly 1.3 million offenders will be placed on probation in 1976; federal probation subsidies would be nearly \$650 million. Money from both of these grants would have to be spent in the corrections system, but not necessarily on probation services.

In 1970, the federal share of state and local probation and parole costs was \$5.3 million. Under our proposals, this share would rise to \$755 million in 1976.

By adopting these proposals we hope to reduce the number of persons committed to prison, but the prison population will most probably remain high. Institutions at all levels require renovation and reform, but the problem is most acute at the local level. Almost without exception, the nation's 4,000 jails are under-funded, overcrowded, and poorly operated; very few offer any rehabilitation services.

We have already pointed out that there is little evidence to suggest we know how to rehabilitate offenders incarcerated in institutions. However, job training programs, by satisfying the prisoner's most urgent need upon release, have proved moderately successful in easing the transition to a normal life. Therefore, federal support for inmate rehabilitation programs (currently estimated at approximately \$7 million) should be restricted almost entirely to education and manpower training programs.

We recommend sufficient funds be provided by 1976 to assure voluntary job training for every inmate of federal and state prisoners in the year before his release. We estimate such a program would cost \$150 million in 1976. In addition, the LEAA program of construction grants should be expanded to include federal loans and loan guarantees. Outlays for this purpose will increase from the current \$4.5 million to \$200 million by 1976.

TREATMENT

A significant proportion of those arrested by the police do not belong in the court and correction systems at all. These are people with medical problems, particularly alcoholics and drug addicts. Alcoholics represent almost one-third of all those arrested, while 23 per cent of larceny and petty theft arrests involve narcotics addicts. Many of these should, if convicted, be placed in specialized health treatment centers rather than prisons. Treatment facilities should also be available on a voluntary basis to those who are not

convicted and those not yet in the criminal justice system.

In view of the striking success of many large-scale voluntary programs for drug addicts—Washington, D.C.'s methadone treatment for heroin users is a prime example—we recommend federal matching funds be made available to cities to operate these programs. By 1976, treatment for 150,000 addicts should be available. Although alcoholic treatment programs have not proved as successful as some drug programs, we recommend federal matching funds be made available to local governments for alcohol treatment.

Research into treatment techniques for both alcoholism and drug addiction (which would reduce both the recidivism rate and undesirable side effects of present drug programs) should accompany these efforts. Outlays for these two programs should reach \$393 million by 1976.

ORGANIZED CRIME

Although organized crime directly or indirectly affects most Americans daily, few are aware of its influence or the scope of its activities. Public unawareness contributes significantly to the ease with which organized crime is able to acquire its profits and maintain its power. The President's Commission on Law Enforcement and the Ad-

ministration of Justice outlined the problem as follows:

Organized crime is a society that seeks to operate outside the control of the American people and their governments. It involves thousands of criminals, working within structures as complex as those of any large corporation, subject to laws more rigidly enforced than those of legitimate governments. Its actions are not impulsive, but rather the result of intricate conspiracies, carried on over many years and aimed at gaining control over whole fields of activity in order to amass huge profits.⁹

Most of organized crime's illegal revenue is raised with the cooperation of the public, which makes the task of law enforcement especially hard. Gambling, narcotics sales and loan sharking are the major sources of revenue. The profits from these enterprises are used to infiltrate legitimate business areas (using illegal practices such as monopoly, terrorism, and extortion to achieve success).

The illegal narcotics trade has made dangerous addictive drugs easily available in our central cities. Provision of more treat-

⁹ *Task Force Report on Organized Crime*, President's Commission on Law Enforcement and the Administration of Justice, Washington, D.C., 1967.

ment programs for narcotics addicts (see recommendations above), together with strong enforcement of the law with regard to addictive drugs, are needed to reduce organized crime's activities in this area.

The federal departments spend an estimated \$68 million on investigation and prosecutions of organized crime cases. In view of the gravity of this problem, we recommend an increase in outlays for federal activities against organized crime to \$125 million in 1976.

CRIME RESEARCH AND STATISTICS

One of the principal difficulties in evaluating present criminal justice procedures and in instituting reforms, is the serious lack of research and data in this field.

The National Institute of Law Enforcement and Criminal Justice of LEAA should continue to expand its valuable research and statistical analysis activities and should also increase research in social science areas related to criminal justice. In addition, a larger component of mental health research funds should be allocated to understanding criminal behavior.

Federal expenditure requirements to establish a central data bank, and to support the research and data collection of the National Institute of Law Enforcement and Criminal Justice, are estimated at \$150 million by 1976.

TABLE 15-1.—LAW ENFORCEMENT AND CRIMINAL JUSTICE

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Aid to police departments:							
Salary supplementation			215	235	265	305	355
Bloc grants for upgrading police departments and personnel ²	84	104	150	200	250	300	300
Other (primarily equipment)	198	263	214	240	248	268	281
Subtotal	282	367	579	675	763	873	936
Treatment programs:							
Drug addicts			140	162	225	292	363
Alcoholics			7	15	30	30	30
Subtotal	62	75	111	177	255	322	393
Courts:							
Assistance to States and localities	20	27	34	82	168	216	289
Operation and support of Federal courts	60	73	80	100	110	115	120
Legal assistance to low income citizens	61	61	73	87	102	116	131
Other	36	44	44	46	47	48	50
Subtotal	177	205	225	315	427	495	580
Aid to State and local corrections:							
Probation and parole program			200	400	589	669	755
Community-based rehabilitation			75	90	95	100	100
Physical rehabilitation and construction			90	125	150	150	200
Other ³	8	10	117	172	230	261	327
Subtotal	145	273	552	787	1,064	1,180	1,382
Federal corrections system:							
Crime research and statistics	118	177	122	126	129	133	137
Federal law enforcement: ⁴	42	59	60	67	97	125	150
Organized crime	68	76	82	100	125	125	125
Narcotics	38	53	68	75	82	85	98
Total	932	1,285	1,799	2,272	2,942	3,338	3,811

¹ This figure represents current Federal spending to upgrade police departments and personnel through LEAA programs, Justice Department, FBI and Veterans Administration. All of these programs will be replaced by a bloc grant in 1972.

² Includes intelligence and information systems, laboratory support, control of civil disorders, combat of organized crime and general police activities.

³ Includes prevention and control of juvenile delinquency, research grants to local corrections systems, and grants to prisons and jails for general activities and for personnel improvement and vocational training in prison.

⁴ Excludes all Federal Bureau of Investigation outlays, other than for organized crime and narcotics, (and for aid to police departments which will be replaced by our bloc grant).

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 16

HON. OGDEN R. REID

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. REID of New York. Mr. Speaker, I include chapter 16 of the National Urban Coalition's "Counterbudget: A Blue-

print for Changing National Priorities 1971-76" in the RECORD.

CHAPTER 16. EQUAL OPPORTUNITY

The ways in which public services are provided have a tremendous influence on which citizens benefit socially or economically from those services.

The United States must provide all citizens an equal opportunity to participate in American society and in the shaping of governmental decisions affecting their lives.

We equate equal opportunity with the assurance of individual civil rights: in voting,

health care, education, employment and housing. One of the federal government's most fundamental responsibilities is to assure that all citizens enjoy these civil rights. But government civil rights activities—once considered a specialized, clearly identifiable set of programs—can no longer be perceived in that isolated sense. Concern for civil rights must permeate the entire federal effort to provide for the national welfare of Americans. The federal government can only be effective in this mission by constantly accenting concern for civil rights in its implementation of programs responding to hunger, poverty, un-

employment, underemployment, ill health, poor housing, and inadequate education.

Discriminatory practices against racial and ethnic groups continue to deny many groups of Americans equal opportunities for self-development and enjoyment of the fruits of the American economy. Instances of discrimination range from blatant economic and social exclusion of some citizens to subtle inequities in promotion and salary practices.

While the victims of discrimination comprise a far broader swath of American society than most of us realize, denial of equal opportunity is most visibly and seriously a problem for many Black, Mexican-American, Puerto Rican, American Indian and some other minority citizens. The disadvantages of these minorities have been compounded by the indifference and insensitivity of many citizens to their plight.

Federal activities designed to protect the civil rights of all citizens must incorporate efforts to stem both discriminatory practices and the insensitivity which slows the elimination of these practices. In addition, federal civil rights guidelines must reflect a recognition that the traditional concept of civil rights is rapidly giving way to an expanded, more complex view of what is encompassed by the expression. The changing definition has resulted, in part, from the civil rights gains of the past decade, and subtle and frequently more degrading forms of discrimination which evolved to circumvent those gains, and the emerging sense of pride, self respect and self identity which now characterizes the feelings of many minority group citizens.

During the 1960's, enactment of new federal legislation and successful private and executive branch court initiatives opened previously closed doors of opportunity to minority groups. But the gains were fewer than the promises and expectations for three critical reasons. First, the new civil rights laws were enforced in a vacuum; they were not integrated into the major programs of the federal government. Indeed, federal civil rights enforcers were viewed by program officials as interlopers, disruptive to on-going operations. Many federal officials would not assume civil rights responsibilities in administering their programs. Secondly, direct enforcement efforts to support new civil rights laws and executive orders were grossly understaffed and underfunded. In almost every problem area, civil rights staffs were not even able to react to all complaints formally tendered to them—much less to actively initiate corrective proceedings. And third, since the civil rights laws contained no built-in factors to compensate for past racial and ethnic discriminatory practices, many minority citizens were unable to take advantage of new opportunities because previous wrongs had denied them the economic means and technical skills.

As a result, vast numbers of minority group citizens experienced no benefits from these civil rights advances of the past decade. Indeed, new frustrations were provoked by the unfulfilled promises of the civil rights laws of the 1960's, not only because the lack of vigorous federal enforcement of the new mandates rendered paper gains meaningless, but also because new forms of discrimination emerged.

These failures are in large part responsible for the belief within important segments of the various minority communities that the goal of civil rights enforcement—racial and ethnic integration with the dominant white society—is not the optimum solution to this nation's civil rights problem. Many believe that integration and equal opportunity are not synonymous and that economic, political, and social independence are the keys that unlock the doors to freedom in America. Such independence, rather than racial and ethnic integration, has become the civil rights goal of a growing number of minority citizens.

Federal leadership and activities in pursuit

of the goal of equal opportunity must occur on four broadly defined fronts: elimination of the effects of past discriminatory practices; incorporation of civil rights goals into all federal programs and activities; ending discrimination in federal employment; and enforcement of existing civil rights laws and directives.

ELIMINATING SKILL LEVEL AND INCOME BARRIERS

The first front must consist of measures to eliminate barriers erected by past discriminatory practices. Without such measures, citizens now denied equal opportunities will never be fully able to take advantage of corrective action.

A wide range of proposal promulgated in earlier chapters would, if implemented with sensitivity and awareness of civil rights concerns, have significant effect in lowering these barriers. Perhaps most critical of these are recommendations we set forth to improve the quality of education at all levels and increase opportunities to receive education at pre-school, higher, and adult levels. Also important are our income maintenance proposals and a broad series of employment and manpower proposals concerned with upgrading of skills, minimum wage coverage and levels, and public service employment. Minority citizens are expected to benefit more than proportionately from these recommendations.

In addition, we have made some recommendations relating to specialized programs—such as significantly enlarged outlays for bi-lingual education and adult basic education—to help citizens overcome specific handicaps like an inability to speak and write English.

Minority entrepreneurship activities of the Commerce Department, the Office of Economic Opportunity and the Small Business Administration should be given strong support. While such activities directly benefit only a few minority citizens, the symbolic importance of ownership participation cannot be overestimated.

INCORPORATING CIVIL RIGHTS GOALS INTO OTHER FEDERAL PROGRAMS

The second front for federal action—and perhaps the most important—will be the significant incorporation of civil rights considerations into all major federal program and policy decisions. This is the most effective means of providing economic, political and social independence for the majority of citizens now deprived of some of their civil rights. Only one-twentieth of one per cent of the federal budget directly supports civil rights enforcement; the manner in which the other 99.95 per cent of federal outlays is spent and the conditions placed on this spending are of far greater relevance to the provision of equal opportunity in American society.

Shoring up existing coordination and advocacy efforts will be a first, but limited, step toward this objective. Prerequisites should include an expansion of the research and reporting functions of the U.S. Commission on Civil Rights, a more formalized and systematic civil rights policy leadership and coordination role for the White House and the Executive Office of Management and Budget, and continued support for such advocacy organizations as the Cabinet Committee on Opportunity for the Spanish-speaking and the Community Relations Service.

But the most critical aspect of assuring equal opportunity through federal leverage, lies in the institutionalization of civil rights considerations into the policy decision-making apparatus of every major federal department and agency. This objective cannot be accomplished by a minor office in each agency assigned civil rights enforcement responsibilities. The experience of the past decade has demonstrated that such offices all too often tend to be shrugged off by program officers and senior officials as peripheral appendages and irritants.

The best guarantee of concern for civil rights considerations, of course, would be the appointment to senior policy positions only of persons highly sensitive to such concerns. Surely no one insensitive to such concerns should hold high federal office. However, the subtle forms now taken by discrimination demand sophisticated countermeasures and highly specialized skills.

Accordingly, also needed will be appointments of individuals in key policy-setting offices throughout the federal government—including regional offices—whose sole responsibility would be to insure that careful consideration is given to civil rights in all major programs and policies. If these persons are to be effective, a new formal requirement must be established, specifying that major agency programs and policies receive their inputs before being promulgated.

These changes and requirements may seem only subtly different from current practice, but, properly performed, their impact could be substantial. The ways in which public services are provided have a tremendous influence on which citizens benefit socially or economically from those services.

This point is well illustrated by a simple example. Assuring that all hospitals which receive federal benefits admit patients without regard to race, color, or national origin is a civil rights enforcement matter. Deciding where in a city, town or county to locate a new hospital is a program decision generally made by individuals and agencies of government that have neither sensitivities to, nor responsibilities for, civil rights matters. If the program decision about where to locate the hospital results in the facility being built in an area where, because of transportation or housing problems, it is not accessible to some citizens, then assuring that the hospital is open to all without discrimination is a meaningless gesture. What would be far more important for advancement of equal opportunity, in this and similar cases, would be the establishment of a mechanism which insured that the needs of all citizens were carefully reflected in such program decisions.

Where federal program decisions about the provision of public services have strong local dimensions—for example, the Model Cities program, elementary and secondary education aid, and highway, housing and health facilities location decisions—and important part of the solution must be improved mechanisms for community participation in the making of those decisions. Recommendations for precisely such mechanisms have been made in specific instances in many of the preceding chapters. In every case, though, community participation needs to be bolstered by official government consideration of equal opportunity concerns when basic policies and guidelines are formulated.

This important goal of reflecting civil rights concerns in major federal policy and program decisions is not an expensive one to implement. We estimate that only \$20 million more will be required annually than the \$12 million currently being spent for this purpose.

ENDING FEDERAL EMPLOYMENT DISCRIMINATION

The third important area for federal involvement must be the elimination of discrimination in its own employment practices. If for no other reason than the size and diversity of its work force, the federal government serves as the standard bearer in the employment field for the entire country. Beyond that, it cannot fairly require practices by private employers it does not meet itself.

In terms of equal employment opportunity, the current relative position of the federal government is clearly anything but a national example of equitable job opportunity. During the past decade, the ratio of Blacks to Whites in the federal service has slightly exceeded the ratio of Blacks to Whites in the total U.S. population (Black citizens constitute about 10 per cent of the total U.S.

population.) However, year after year, most Black employees consistently have been concentrated at the lower end of the salary scale within every pay plan. As of 1967, only 1.8 per cent of all federal employees earning over \$12,000 were Black. Spanish-speaking citizens (who comprise about 5 per cent of the U.S. population) fared even worse; they held only 2.6 per cent of federal jobs and a mere 0.6 per cent of all such jobs paying more than \$8,000. Strict proportionality of representation for all groups in American society should not be a government employment goal, but opportunities for such employment must be open equally to all citizens. One can reasonably infer from such statistics as those above that that goal remains far from being achieved.

Clearly there exist flaws in recruitment and promotion. A restructuring of entrance examinations and other requirements should be made to reflect more adequately the cultural diversity of the American population. Similar changes are needed in promotion criteria. Special training programs should be operated by the Civil Service Commission to help applicants and current low rank employees overcome basic educational weaknesses. Particular attention should be paid to unequal promotion practices and a general lack of cultural sensitivity pervading the military services.

ENFORCEMENT OF CIVIL RIGHTS LAWS

The final front for federal action—and one which should be emphasized only when other actions are deficient in producing desired results—is enforcement of civil rights laws and directives. For the near future, unfortunately, it appears that a dramatically more comprehensive enforcement effort will be required than exists today. For the most part, adequate civil rights laws are on the books, but they are meaningless unless accompanied by adequate enforcement.

A variety of problems common to most federal agencies with civil rights responsibilities, have prevented full enforcement of the laws and have rendered the agencies incapable of achieving their goals. Without exception, all agencies with civil rights responsibilities lack sufficient staff to carry them out at an acceptable level of effectiveness. Other problems include lack of authority and decision-making responsibility among civil rights officials in various agencies; failure to define goals and priorities in civil rights efforts; failure to co-ordinate civil rights efforts among all government departments, agencies, and boards; undue emphasis on complaint oriented rather than investigative programs; vague and unenforced compli-

ance and review efforts; and failure to collect and utilize racial and ethnic data in planning and evaluating progress toward goals. Of all these flaws, inadequate staffing is the most damaging. Consider the following examples:

During its first year of operation, the Equal Employment Opportunity Commission anticipated receiving 2,000 charges and actually received 8,000. Since that time the backlog has continued to grow and the average processing time has further increased.

The 1968 Federal Fair Housing Law mandated "affirmative action" to further the purposes of the act. The Department of Housing and Urban Development (HUD) has ignored taking the imaginative actions this language makes possible, and has neither sought complaints nor assessed patterns and practices of discrimination. In 1969, it acted only on 979 complaints received from individuals, nearly 800 of which were immediately dismissed for lack of jurisdiction. Only once was evidence turned over to the Department of Justice to bring suit where practice of discrimination was found. Part of the problem is that funds have been provided only for 105 people to staff this function.

The Department of Justice acts as lawyer for all civil rights agencies, takes legal actions on its own behalf, enters cases as a friend of the court in privately initiated suits, and under specific statutes acts directly on behalf of private parties where a general public interest is demonstrated. About 100 lawyers in the Civil Rights Division—far too inadequate a number—have to handle the vast array of Departmental responsibilities, including public accommodations; interference with rights; school, hospital, and employment suits; and voting actions.

There are numerous other areas of inadequacy. The 16,000 health care facilities which must be reviewed to assure compliance with desegregation requirements are not being inspected frequently enough. Regulatory agencies have hardly begun to use their licensing and other regulatory powers to require affirmative action programs in the various transportation, communications, and power industries. Because of the educational importance of radio and television, action is particularly needed to provide opportunities for more diverse segments of the population to participate in broadcasting.

The Department of Health, Education, and Welfare (HEW) school integration activities are deficient on many counts. In the South, where such efforts have been concentrated, recent follow-through efforts have been inadequate. Far too few actions have been

initiated at all in other parts of the country where segregation is even more of a problem. And in the focus on Black-White integration, the equally serious problems of Spanish-speaking citizens have been slighted. A 1969 U.S. Commission on Civil Rights survey documented extension segregation of Mexican-American students in the five southwestern states. Although Mexican-Americans comprise 17 per cent of the student enrollment in these states, more than 65 per cent of the Mexican-American students were in schools with 50 per cent or more Mexican-American enrollment. Twenty-two per cent were found in schools with 80 to 100 per cent Mexican-American enrollment.

Altogether, less than \$80 million will be spent this year on federal civil rights enforcement. We recommend that outlays for this purpose quickly be scaled up to a level of \$170 million—still an infinitesimal fraction of the total federal budget, but one making possible dramatic improvements in effectiveness. As citizens become more conscious of the civil rights of others, and as government program decisions reflect such concerns, then the civil rights enforcement budget should level off and eventually decline.

In summary, the foundation upon which rests an increase in the exercise of fundamental civil rights by minority citizens is the reduction of barriers posed by inadequate economic means and technical skills. Implementation of economic and social measures we recommend which are geared to this end is essential to developing the abilities of many minority citizens to take full advantage of their basic rights. With this foundation, importance also devolves to the elimination of discrimination in federal employment practices, more than doubled financial support for civil rights enforcement activities, and—most critically—the establishment of a structure and staff positions within each of the major program divisions of the various federal departments and agencies to provide an effective and decisive civil rights element in every major program of the federal government.

Clearly these recommendations speak for a high priority for civil rights and equal opportunity concerns during the coming five years. Yet all this can be accomplished with an annual expenditure level of \$263 million, an increase from \$122 million in 1971. This recommended sum is trivial in relation to our entire proposed federal budget, but its importance to those citizens who now lack equal opportunities for self-development can hardly be overestimated.

TABLE 16.1.—EQUAL OPPORTUNITY

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Coordination, advocacy, and policy input:							
White House and OMB			1	1	1	1	1
U.S. Commission on Civil Rights	3	4	5	7	7	8	8
Community Relations Service and Other Minority Citizen Advocacy Offices	6	7	8	8	8	8	8
Civil rights policy input mechanisms	12	14	24	32	32	32	32
Subtotal	21	25	38	48	48	49	49
Government employment practices: Civil Service Commission special training			10	15	20	20	20
Enforcement of laws and directives:							
Employment	30	47	50	60	70	75	78
Public school desegregation	26	120	35	40	40	35	30
Fair housing	8	9	18	25	30	30	30
Health facilities desegregation	2	3	5	8	10	10	10
Federal regulatory agencies			1	2	2	3	3
Litigation	5	6	8	10	15	17	19
Subtotal	71	85	117	145	167	170	170
Other	19	20	20	20	22	22	24
Total	111	130	185	228	257	261	263

¹ The administration 1972 recommendation reflects their assumption that these purposes will partially be carried on by the emergency school assistance program, which is designed to aid desegregation of school districts. Our recommendations regarding that program are presented in ch. 6.

COUNTERBUDGET: A BLUEPRINT
FOR CHANGING NATIONAL PRI-
ORITIES 1971-76—CHAPTER 17

HON. BENJAMIN S. ROSENTHAL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. ROSENTHAL. Mr. Speaker, I include chapter 17 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 17. CONSUMER PROTECTION

A shift in emphasis is needed to give consumer interests at least as great a priority as those of business, industry, labor and other organized groups.

Protecting the American public from dangerous products and deceptive sales techniques is now acknowledged to be a proper government responsibility. Yet, the federal government is not now adequately meeting this obligation. Probably the major reason for federal failures is that consumer interests are not adequately represented either in Congress or in administrative departments charged with enforcing protective laws. A shift in national emphasis is needed to give consumer interests at least as great a priority as those of business, industry, labor and other organized groups.

Our recommendations would necessitate both an increase in spending on consumer protection programs and a significant reorganization of the machinery to establish and enforce standards. Congress has failed consistently to give federal agencies sufficient resources to carry out consumer protection programs. However, it must be stressed that merely increasing these resources will not solve consumer problems. Reforms are needed in the operation of federal programs and in some areas, new legislation will be required. Above all, the government must demonstrate a willingness to aggressively enforce stricter consumer protection standards.

CONSUMER PROTECTION PROGRAMS

At least 39 different federal departments and agencies are responsible for protecting consumer interests. However, major responsibility is vested in the Department of Health, Education, and Welfare's Food and Drug Administration and in the Federal Trade Commission, an independent agency.

Food and Drug Administration: The Food and Drug Administration (FDA) inspects food and drug firms and tests products for safety. At the present time, it receives insufficient manpower and funds, and is "unable to cope with the challenge" of guaranteeing food and drug safety in the American marketplace. Inspections of the 100,000 food processing plants and warehouses and more than 8,000 drug manufacturers are carried out by a staff of only 552.

The entire FDA food program is operated by a total staff of fewer than 1,300, grossly insufficient personnel to test and regulate all food products on the American market. Because of the shortage of inspectors, FDA is forced to rely heavily on voluntary compliance and self-regulation by both the food and drug industries. Yet in 1969,¹ follow-up inspections of drug firms previously cited for violations revealed that 75 per cent of them had failed to correct those violations voluntarily. Such a finding strongly suggests the need for further FDA regulatory activities.

Insufficient research into the effects of food additives—partly because of funding

¹ Report of FDA Study Group to Commissioner Herbert Lay, Jr., August, 1969.

² Years are federal Fiscal Years unless otherwise stated.

deficiencies has resulted in the appearance of dangerous compounds, such as cyclamates, in marketed food products. A large scale effort is underway to reevaluate more than 600 chemicals already in the market. These chemicals were originally classified by FDA "Generally Recognized as Safe" without intensive investigation into their effects.

The FDA has often experienced difficulty in obtaining the cooperation of other departments performing related work. For many years, for example, the Agriculture Department's Pesticide Registration Program² operated with safety standards which conflicted with FDA standards. The FDA product safety program has also been hampered by the fact that at least ten other agencies test or set standards for various products. Poor inter-agency communication, as well as lack of official cooperation, mean that new standards are often slow to be adopted.

We therefore recommend an expansion of FDA food and drug research programs and increased inspections designed to ensure compliance. Sole responsibility should be given the FDA for regulation of flammable fabrics and for all mechanical and electrical household goods and appliances. (At the present time, FDA and the Commerce Department share joint responsibility in these areas.) Full implementation of these recommendations would require increasing the FDA budget from \$79 million in 1971 to \$161 million in 1976.

Federal Trade Commission: The Federal Trade Commission (FTC) is charged with investigation and prevention of monopolistic and deceptive practices—including deceptive labeling or packaging, false advertising and the sale of unsafe or harmful products—and with enforcement of Truth-in-Lending provisions. Its operations have been hindered by several factors. Principally:

Congress has consistently failed to appropriate sufficient funds to enable the FTC to carry out its responsibilities, particularly those new responsibilities assigned by Congress itself.

Limited resources have all too frequently been absorbed by actions on minor violations while larger-scale frauds have continued unchecked.

The Commission has relied too heavily on a system of voluntary compliance with the FTC regulations.

Staff investigations have been long and drawn out, due primarily to poor operational procedures.

In carrying out its overall mission, the FTC has been hampered severely by its own misplaced priorities. Its concern with minor labeling violations is certainly laudable, but it is inappropriate to concentrate large staff and financial resources on these activities if the result is inadequate funding and personnel for such programs as combating of serious local frauds, effective policing of advertising in national publications, and enforcement of voluntary compliance procedures.

Disappointing results indicate that the FTC has placed too much reliance on its voluntary compliance system. (The company in violation of the law, at FTC request, agrees to alter its practices in the future). Although this may be an efficient way for the FTC to protect consumers from a multitude of illegal practices, it can only prove effective if supported by a real threat of strong, prompt legal action. The number of instances involving legal action—never significantly high—has fallen recently from 93 in 1963 to just 16 in 1969.

FTC investigations have traditionally been extremely slow; often action is not taken on a case for several years. And the number of

³ This program has recently been transferred to a new agency, the Environmental Protection Agency.

cases handled has been shockingly small. In 1969 only 192 new investigations of deceptive consumer practices were opened by the FTC, although the agency received 12,000 complaints that year. Many more investigations should be conducted, requiring additional staff as well as improved operational procedures within the agency.

Since the appointment, in the summer of 1970, of Miles Kirkpatrick as chairman, the FTC has stepped up the number of consumer actions and improved methods of investigation and enforcement significantly. To allow the agency to continue to expand its activities, we recommend an increase in the budget of its Bureau of Consumer Protection from \$11 million to \$24 million by 1967.

To extend federal regulation in yet weak areas, consumer legislation is needed regarding both credit and packaging regulations. We recommend that:

The mailing of unsolicited credit cards be made illegal.

Consumers be permitted to request copies of their credit ratings held by any company offering credit, and to submit further evidence of good credit and request removal of incorrect information. Failure by the company to comply with such requests would leave it liable to prosecution.

Unit labeling of packages be required for all appropriate goods, with price per pound, pint, or other unit of measure on the container.

Anti-Trust Activity: The dynamics of a competitive economy normally operate to keep prices down, thereby benefiting consumers directly. The enforcement of anti-trust and anti-monopoly laws serves to remove any abnormal impediments to market competition and to deter unlawful exercise of market power or collusion among firms at the expense of the consumer. These laws cover a variety of business practices, including mergers between firms, but they are generally vague and allow for latitude in judging individual cases. The Justice Department and the FTC, which share responsibility for enforcing these laws, should intensify their surveillance and investigation of business activities, and federal outlays should increase from \$19 million in 1971 to \$22 million by 1976.

OTHER CONSUMER PROTECTION NEEDS

Consumer Protection Agency: The preceding recommendations concerning the operation of the FDA and FTC will do much to improve the effectiveness of federal consumer protection activities. However, poor coordination between the 39 different departments and agencies operating in this area, and failure of many of them to demonstrate a real commitment to consumer interests, means organizational improvements are also necessary. We therefore recommend the establishment of a new independent Consumer Protection Agency, to:

Coordinate existing programs and keep federal agencies advised of all federal consumer programs.

Represent consumer interests in proceedings of federal departments and agencies and in court proceedings initiated by these departments or agencies.

Make recommendations on programs, regulations and other decisions affecting consumers and to require agencies to reconsider decisions deemed inimical to consumers. The new agency would be required to make public the reasons for its objections to the decisions.

Prevent violations of the law or federal regulations (in a similar manner to the FTC) in cases where other department's actions are inadequate or in a case of extreme urgency (it is not envisioned that this power would often be invoked).

Gather and disseminate information, including results of government tests, and encourage and support consumer education programs.

CONSUMER LAW AND EDUCATION

There are limits to what government agencies can do to protect consumers. Adequate protection also requires a citizenry with the education tools to protect itself, including a mechanism for legal recourse by individual consumers when fraud does occur. Currently, federal law concerning permissible legal action is inadequate. Legislation permitting consumers to band together to sue the offending company (class action suits) would give the average consumer a legal recourse presently available only to the wealthy. Present law requires each complaint in a federal court to involve a sum over \$10,000. We recommend that individuals with claims of \$10 or more be permitted to join together to reach this figure.

Consumers also need legal protection against contracts or agreements signed in the home as a result of high pressure door-to-door sales techniques. We suggest that consumers, in such cases, be allowed to cancel the contract within seven days of purchase without liability for payment.

None of these recommendations can be effective if consumers do not know how to avoid deception, how to shop comparatively

and to protect their rights, and what recourses are open to them. For this reason, the new Consumer Protection Agency should be charged with disseminating consumer information and conducting education campaigns. In addition, we suggest mandatory consumer education courses in high schools and special federal programs aimed at educating the lower-income consumer.

PROBLEMS OF LOW INCOME CONSUMERS

It is likely that one group of Americans will continue to disproportionately suffer from consumer problems as a result of victimization and exploitation. The low income consumer not only has greater problems, but is more poorly equipped to solve them than his more affluent counterpart. A lack of mobility may restrict the geographic area in which he shops. Local stores, generally small with high overhead costs, may charge more than those in more affluent neighborhoods. This situation has, of course, created an ideal opportunity for unscrupulous merchandizers. Because many low income consumers attempting to deal with their problems are frustrated by a limited education or background, they are often incapable of seeking

assistance or taking action, even if they realize their legal rights are being violated. We therefore recommend:

An expansion of the Office of Economic Opportunity (OEO) legal aid program to allow service of 800,000 more consumers by 1976. Outlays for this purpose would increase from \$12 to \$30 million by 1976 (see Chapter 15).

An increase in the consumer education programs of local Community Action Agencies (CAA's) and an increase in OEO grant funds for this purpose from \$3.2 to \$6.4 million by 1976 (see Metropolitan Development section budget for funding of CAA's).

Subsidy of low income credit unions through the National Credit Union Administration (NCUA), allowing for five-year grants to cover administrative and operating costs. The OEO program which funds a limited number of these credit unions through local CAA's should be transferred to the NCUA.

Decisions affecting the deposit of federal funds, and the use to which these funds may be put, be made consistent with the needs of financial institutions which serve lower income areas, or which invest in low income credit unions.

TABLE 17.1.—CONSUMER PROTECTION^{1 2}

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
Food and Drug Administration:							
Food program.....	33	42	44	53	70	79	86
Drugs and devices.....	34	39	45	51	53	57	60
Product safety.....	5	6	7	7	7	7	7
Program direction and administration.....	7	7	7	7	7	8	8
Subtotal.....	79	94	103	118	137	151	161
Federal Trade Commission Bureau of Consumer Protection.....	11	12	13	17	18	21	24
Antitrust enforcement.....	19	21	20	20	21	22	22
Subsidies to low income credit unions:							
Office of Economic Opportunity.....	1	1					
National credit union administration.....			2	3	4	4	4
Total.....	110	128	138	158	180	198	211

¹ This table does not show all Federal consumer protection activities, only those mentioned in the text above.

² Expenditures on legal assistance for low income consumers are contained in the budget for law enforcement and criminal justice, and those of local community action agencies in the metropolitan development budget.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 18

HON. CHARLES W. WHALEN, JR.

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. WHALEN. Mr. Speaker, I include chapter 18 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 18. NATIONAL DEFENSE AND MILITARY ASSISTANCE

We must honestly recognize the highly limited degree to which foreign policy objectives can be achieved by use of conventional U.S. military forces.

In the nuclear era, no level of military spending can guarantee a nation security against external threats. Inevitably, any level of defense spending requires acceptance of some level of risk. In deciding how much should be spent on military forces, we must keep three broad propositions in mind:

1. Military expenditures are not directly productive. They provide a protective shield which enables the United States to progress toward the achievement of national goals, but they do not directly advance us toward any of those goals. We should, there-

fore, spend no more on military expenditures than is sensibly needed for national security.

2. High levels of defense spending are not needed to prop up our economy. The huge backlog of other needs is more than adequate to fill any gap in aggregate demand—after appropriate conversion and retraining measures—left by reductions in defense spending.

3. Defense spending should be geared to the scope and character of predictable enemy threats, with due consideration to the relative merits of other claims on national resources. It should not, as is often argued, be pegged to GNP.

Our assessment of defense needs for 1972-1976¹ must begin with an examination of the capabilities and intentions of potential adversaries and of our own military commitments to allied nations. We cannot project the former with any high degree of certainty because we cannot control them. We can, however, reach some intelligent judgments based on current evidence and recent trends.

The threats to United States security can be readily identified. Fortunately, we are not beset upon all sides by enemies, but real potential threats do exist. Both Russia and China possess sufficiently military might to cause considerable physical damage to the United States. We do not know whether either of these nations would take advantage of a future opportunity to advance its national interest by forcible use of that military

¹ Years are federal fiscal years unless otherwise stated.

might, but we cannot be certain they would not. It is because of these Soviet and Chinese threats that we have entered into security agreements with more than 40 nations. Accordingly, we must interpret the obligations entailed by these agreements in terms of the threats.

These same threats have existed for more than two decades—but they have not remained static. Indeed, in developing recommended levels of military spending, we must be sensitive to the changing nature of external threats to U.S. security. Central among recent changes are: 1) the shattering of the image of a monolithic Communist bloc, most visible in Soviet-Chinese clashes which have kept some troops of both countries tied down along their common border; 2) a new (more conservative) estimate of objectives achievable by major American land involvement in Asia; 3) a current close balance between U.S. and U.S.S.R. nuclear destructive capabilities, but at a much higher, and therefore more dangerous level than existed a decade ago; and 4) a limited and crude Chinese nuclear capability, juxtaposed against a less imposing threat from Chinese ground troops than was previously assumed, due primarily to logistics constraints they face beyond their borders.

Taken together, these general observations strongly suggest the possibility of smaller U.S. defense forces in the 1970's than the nation provided for in the 1960's. Current defense forces are unnecessarily large in relation to the purposes they serve. This con-

clusion is reinforced by several additional factors: (1) the strategic and technological obsolescence of much of the surface Navy; (2) capability of many of our allies to shoulder a fuller portion of the burden of their own defense; and (3) a tremendous backlog of high priority, competing domestic claims on the national dollar:

With this general background, we need next to determine in greater detail what force needs will exist in the next five years and what they are likely to cost.

We can hope that the next five years will be marked by heightened international cooperation in winding down the nuclear arms race and settling of the smaller-scale conflicts through negotiations rather than resort to arms. We can hope for broadened recognition of the role, and actual use, of the United Nations as a peacekeeping agent. We can hope that significant arms limitation agreements emerge from the Strategic Arms Limitation Talks (SALT) and any successor talks. We must work diligently, through diplomatic processes, to advance all of these ends.

But we cannot assume that any of these goals will be attained between now and 1976. Where any are, we will have then the opportunities to cut military spending further. Today, we must develop defense policies without assuming any of these improvements in international understanding.

This conclusion does not mean that U.S. military forces must or should remain static. We already have cited several changes in the international climate which do indicate the appropriateness of a lower U.S. military profile in the 1970's. Changes in U.S. military forces, though, must reflect technological and political changes which have occurred in the world, not those we wish would occur.

To simplify the analysis, we will begin by examining the requirements for an ongoing baseline force and then turn to special additional needs in Vietnam. It is not generally realized, but even at the peak of our involvement in Vietnam only about 30 per cent of the defense budget was being spent to conduct the war. The remaining 70 per cent has reflected the cost of what has come to be known as the baseline force. It is, in effect, the peacetime force that we maintain both for deterrence of enemy attack and for at least the initial stages of a conflict, which would require invoking the commitments of the United States. We will examine in turn the two major components of the baseline force—strategic forces and general purpose forces, each including required support forces.

STRATEGIC FORCES

Deterrence of nuclear attack is the fundamental purpose served by U.S. strategic forces. We deter such an attack by possessing the ability to inflict damage unacceptable to a nation which has attacked us. Thus, in order to deter an enemy strategic nuclear attack with high confidence, we must be able to convince other nations that we have the capability to absorb a massive enemy strike, delivered with little or no warning, and still strike back with devastating power.

We now possess more than sufficient forces to perform this mission. Assuming the worst about Soviet intentions and probable capabilities, U.S. strategic forces could destroy more than 40 per cent of the U.S.S.R.'s total population and more than 75 per cent of its industrial capacity. The official Defense Department standard for an effective deterrent requires destruction of 20-25 per cent of the U.S.S.R.'s population and half its industrial capacity.

Strategic offensive forces.—No efforts should be stunted in pursuit of agreements on nuclear weapon limitations at the SALT talks or any subsequent international forums. But even in the absence of such agreements, significant reductions in U.S.

strategic forces are possible without sacrificing national security—and perhaps, in fact, increasing security through a gradual winding down of the arms race. This claim rests on the assumption that recent trends in the size and composition of Soviet and Chinese strategic forces continue during the coming five years.²

Part of the reason for our current surplus capability is the maintenance of a triple deterrent—Polaris submarines, Minuteman land-based missiles, and B-52 and FB-111 bombers—with each component by itself sufficient to assure destruction of Soviet or Chinese society on a retaliatory strike.

This redundant triple deterrent can be reduced. A marginal case might be made for maintaining a mixed strategic offensive force as a hedge against the extremely low probability that the Soviet Union could develop some device to cripple our Polaris fleet. But Secretary of Defense Melvin Laird has said:

According to our best current estimates, we believe that our POLARIS and POSEIDON submarines at sea can be considered virtually invulnerable today.³

But maintaining the benefits of a mixed strategic force does not require that bomber or land-based missile forces be significantly modernized or even kept at current levels.

The strategic advantage has now shifted to sea-based deterrent systems such as Polaris; bombers and land-based missiles are increasingly vulnerable to enemy missile attack. We support current United States plans to convert 31 Polaris submarines to the Poseidon configuration (involving essentially substitution of new missiles which can carry ten warheads as opposed to three on the Polaris missiles) and to expand funding for the highly promising ULMS (underwater long-range missile system), a submarine-based system proposed as an eventual successor to Poseidon. ULMS should not, however, be rushed into production; that step should be taken *if and only if* the Soviet Union is discovered to be successfully developing a radically advanced anti-submarine warfare concept which threatens Poseidon survival.

At the same time, however, MIRVing of the land-based Minuteman missiles (that is, providing each of them with several, rather than one, nuclear warheads) should immediately cease; this program is not necessary for deterrence and would at great expense (the total program cost is estimated to be \$5.4 billion; current year spending is about \$700 million), serve only to lessen security by unbalancing the arms race. Development of a new strategic bomber, the B-1, should also cease. If this program is allowed to proceed, its eventual cost is likely to be \$15 to \$20 billion. Technological trends raise doubt that we will ever again need an advanced design strategic bomber; missiles have a growing edge in accuracy, speed, and penetration. But, we can retain the value of a bomber force with significantly fewer planes than are now on ready status. We recommend phasing out by the end of 1973 two-thirds of the current 27 bomber squadrons, thereby saving \$1.2 billion annually.

Strategic defensive forces.—United States

²The Soviet Union has been vigorously improving the capabilities of its strategic submarine fleet, but has slowed and recently ceased construction of sites for additional large land-based SS-9 missiles. The Soviet intercontinental bomber force consists of less than 150 planes and is neither being enlarged or modernized. The Chinese strategic missile force which is expected to materialize, but does not yet exist, was described by Secretary Laird as follows: "for many years to come [it] will be far too small and will lack the accuracy to pose a threat to our strategic offensive capabilities."

³Melvin R. Laird, Fiscal Year 1971 Defense Program and Budget, Feb. 20, 1970, p. 40.

strategic defensive systems are less extensive and in total less costly to maintain than the offensive weapons just described. This is so because the fundamental purpose of our strategic arsenal is deterrence, not damage limitation.⁴ The most important and least expensive of our strategic defensive forces is an enemy missile warning system consisting of radars, computers, and communications devices. This network is designed to provide us with precious minutes of warning and decision-making time between the spotting of enemy missiles and their striking of U.S. targets.

The contribution of other existing and proposed strategic defensive systems is highly questionable. The oldest and most expensive to maintain of these is the SAGE—Air Defense Command, a network of radar, interceptor planes, and ground-to-air missiles designed for defense against Soviet bombers. At one time, this was a critical purpose, but with a Soviet intercontinental bomber force of less than 150 planes (and no sign of Soviet plans to enlarge or modernize that force), air defense is now of much less relative importance. We recommend phasing out a major portion of the remaining bomber-air defense system (saving as a result \$800 million a year—slightly over half of current costs). We need to retain essentially a surveillance capability.

We also recommend the cessation of all attempts to operate defensive systems which would seek to intercept Russian or Chinese missiles launched toward U.S. targets. Such an approach, relying heavily on anti-ballistic missiles such as the Safeguard system, offers very little additional effectiveness and is extremely costly. Safeguard outlays in 1971 are expected to total \$1.5 billion; the cost of the completed system is widely disputed but almost certain to be more than \$10 billion. Moreover, to the extent the United States tries to improve its strategic defensive capability, the Soviet Union and China would be likely to consider their own capability for deterrence threatened and would add enough offensive forces to nullify our defensive measures. Such a competition is expensive, fruitless, and dangerous. The economics of this competition, moreover, favor the offense.⁵

Adoption of the above recommendations, supplemented by continued substantial expenditures for associated research and development and intelligence activities, would permit a reduction from \$16.3 billion in current strategic outlays to \$10.5 billion in 1976. These measures would leave us with an efficient early warning system and deterrent forces consisting of a large but potentially vulnerable Minuteman force, a modest sized bomber force, and the virtually invulnerable Polaris-Poseidon fleet. This reduced strategic force would still be more than adequate in a retaliatory strike and would qualify as an effective deterrent by official Department of Defense standards.

GENERAL PURPOSE FORCES

The general purpose (or conventional) force required relates more to the support of our commitments to more than 40 other

⁴Damage limitation refers to a policy of attempting to curtail destruction wreaked on American cities and offensive missiles by an enemy attack. Systems employed to limit such damage generally are designed to work by intercepting and destroying enemy missiles or bombers before they reach American targets.

⁵It is basically cheaper for one nation to buy additional offensive missiles than it is for its foe to buy enough defensive equipment to nullify those additional missiles. Because nuclear weapons carried today by missiles are devastatingly powerful, a defensive system guarding a city or a missile site cannot afford to permit a single enemy missile to reach that site.

nations than to the defense of our own territory. Outlays for baseline general purpose forces (excluding, that is, special increments for Vietnam) are estimated at \$45.2 billion in 1971. This level of spending is designed to provide sufficient general purpose forces to maintain combat capability for the initial stages of two major wars and one minor war simultaneously.⁶ The Administration has announced, however, that future planning will be based on the capability to wage only one major war and minor war simultaneously.

The Administration has suggested that fewer men will be needed to implement this posture. They have also announced that no treaty commitments to allies will be abrogated, although some will be reinterpreted. But there remains a considerable lack of clarity concerning areas of the world where U.S. interests are considered vital, and what types and numbers of general purpose forces are deemed necessary to protect those interests. The President did imply in his first State of the World Message that our major foreign commitments lie in Europe rather than in Asia. But he has revealed little of his thinking about the kinds and costs of military forces dictated by this new doctrine.

In order to derive an estimate of forces required to implement these broad policies, one must make some reasonable assumptions about the major considerations which dictated Administration development of a new doctrine. The experience of the past decade seems to contain three paramount lessons for the use of United States conventional military forces. The likelihood is that all three had some shaping influence on the new doctrine.

First, we must be strictly aware of what parts of the world are vital to U.S. interests. Conventional U.S. military forces should be committed only where those interests are affected. Treaty commitments should be invoked only when a common threat is posed to the United States and an ally—the original purpose for which all our treaty commitments were designed.

Second, we must honestly recognize the highly limited degree to which foreign policy objectives can be achieved by use of conventional U.S. military forces. Our involvement in Vietnam has proved, at a tragic price, how ineffective our forces can be, no matter how well they perform, in a guerrilla war in an unindustrialized nation.

Third, we must carefully evaluate the kinds and amounts of military equipment which will be useful should our forces be committed to some future war. Experience in Vietnam has illustrated the limitations of some kinds of highly sophisticated equipment—sophistication sometimes results in a loss of reliability or flexibility. In addition, continuing scrutiny is required to weed out systems made obsolete by changing technology.

Consideration of these factors makes possible translation of the Administration's announced broad planning assumptions into a statement of future general purpose force requirement guidelines. In general, they

⁶ It is important to understand that any such planning assumptions specifying a number of contingencies to be prepared for call only for the provision of troops to handle the initial stages of a conflict. The objective is to buy time, to make Russia or China—whichever might be an aggressor—pause and consider the nuclear catastrophe which might be unleashed as a consequence of its continuing to press an attack against conventional U.S. forces. These are sensible assumptions and objectives; the prospect of a prolonged conflict between conventional U.S. and Russian or Chinese land and/or sea forces is remote given the full spectrum of military options available to these nations.

suggest: (a) a restrictive interpretation of U.S. military commitments, with U.S. forces to be sent into action only where vital U.S. interests are threatened by China or the Soviet Union; (b) increased reliance on allies, particularly in Asia, to provide troops; (c) continued U.S. provision to allies of land-based tactical aircraft squadrons; (d) increases in the amount of weaponry supplied to all allies for their ground and air forces; (e) small reductions in airlift-sealift (although we need a modernized sealift component) and amphibious capabilities; (f) restructured and better equipped U.S. Reserve forces; and (g) an emphasis on simply designed, reliable aircraft, ships, tactical missiles, tanks, and other weapons.

There remains wide latitude for judgment as to the prudent pace and size of force reductions. Choices must be made against the yardstick provided by competing national needs, as well as the guidelines cited above. Altogether, we suggest that baseline general purpose force outlays could safely be cut to \$38.8 billion in 1976, a drop of \$6.4 billion from present levels. This would include a decrease of approximately \$1.4 billion in the cost of Europe-oriented forces and a savings of \$5 billion in Asia-oriented forces (the decrease in forces being even greater than the cost reductions due to the price increases included in cost estimates).

European force requirements.—The United States role in European general purpose force defense is to contribute to a NATO deterrent against a conventional attack by the Soviet Union or other Warsaw Pact nations. Symbolically, the most important part of the U.S. contribution has been the four Army divisions stationed in West Germany. These divisions represent only a small part of our total NATO contribution, which also includes three additional Army divisions, one Marine division and accompanying air wing, and seven Reserve divisions—all based in the U.S.—plus 16 Air Force air wings, four attack aircraft carrier groups, and a significant further complement of naval forces. All of these forces, of course, also require backup support.

Controversy is growing over the appropriate size of the U.S. contribution to NATO, with the debate focused almost entirely on U.S. manpower levels in Europe itself. To some extent, this debate has been misdirected. We agree that our NATO allies should absorb a larger portion of troop costs in the European theatre,⁷ both because of their improved economic ability to bear such a burden and because we completely finance the strategic nuclear deterrent which protects NATO countries as well as the United States. We also agree that the number of U.S. troops oriented toward Europe can be safely reduced without lessening NATO security.

But we differ with the conclusion that the way to achieve these ends is through a reduction in the four U.S. Army combat divisions stationed in Germany. To the contrary, we feel these divisions are among the highest priority items in our military arsenal in contributing to international stability. Their deterrent and symbolic values can hardly be overestimated. If these American forces were substantially reduced, the reaction of our NATO allies would likely be either hasty attempts to reach accommodation with the Soviet Union and other Warsaw Pact nations, or panicked efforts to augment existing military capabilities, including acquisition of nuclear weapons. Neither of these reactions would enhance European stability or U.S. security.

⁷ Currently the United States allocates 7 percent of its GNP for defense spending, versus an average of 5 percent for our NATO allies.

Instead of cutting into our Europe-based combat divisions, we recommend that the number of U.S. support troops in Europe be further reduced by 50,000 and that one Army division stationed in the United States, but oriented toward Europe, be eliminated from the force. Savings would exceed \$900 million a year.

Reductions in our now redundant 22-wing Europe-oriented tactical aircraft capability should accompany these changes. The present surplus is among units assigned the deep interdiction role.⁸ Prospects for success of these missions in Europe are poor because many Warsaw Pact nation aircraft are protected by shelters, and because highly developed infrastructure (e.g. roads, bridges, railroads) in Eastern European countries offers many alternative routes while those shut down by bombing are repaired. We already possess fully adequate numbers of planes for air-to-air combat and close air support roles, but new aircraft of a highly maneuverable, uncluttered design are needed for both purposes.

Altogether, we recommend that one Navy and four Air Force wings be eliminated (at an average annual savings approaching \$300 million per wing). In choosing which Air Force wings to cut, it would be wise to select U.S.-based, Europe-oriented wings in order to maximize the number of remaining wings which could be quickly flown to the Mideast and temporarily rebased there in case such a requirement emerged. We would not anticipate that U.S. forces would become directly involved in defending Israel (although the U.S. should continue to assist Israeli purchases of required military equipment), but it is prudent to retain the capability to do so effectively.

Asian force requirements.—U.S. objectives and commitments in Asia are far less clearly delineated than those in Europe. Our military involvement has changed in emphasis with shifting political currents. Major U.S. military intervention since World War II has come in two bursts—Korea and Vietnam. The deployment pattern of our Asia-oriented forces as we move into 1972 reflects primarily lingering involvement with those two nations, a large complement of naval general purpose forces, and a sizeable group of backup ground troops spread over Pacific Ocean islands and the western United States.

Major adjustments in these forces are required to conform with the Administration's announced planning assumptions and the guidelines described earlier. U.S. involvement in new Southeast Asia land wars such as Vietnam can only serve to defeat further our real national purposes. We should extricate U.S. ground forces from South Korea and Thailand as expeditiously as possible, as our involvement in Vietnam is reduced. Vital U.S. interests currently exist only in Japan and Taiwan, excluding nations such as Australia and New Zealand which provide quite adequately for their own defense. And even the threats to Japan and Taiwan are severely limited by restricted Chinese air and amphibious capability.

As the President has suggested, the future U.S. general purpose force contribution to Asian allies should consist heavily of tactical air wings. Allies will have to supply their own ground troops. U.S. military assistance funds should contribute to the cost of their weaponry.

No one knows precisely what portion of U.S. Asia-oriented forces should be elimi-

⁸ The primary assignment on deep interdiction missions is destruction of supply and communications networks (e.g. bridges, railroads, power plants). Pilots on such missions are also sometimes able to take advantage of targets of opportunity should they spot enemy tanks or airplanes caught on the ground.

nated as part of the implementation of this new doctrine. A strict interpretation of the shift to a one-and-a-half war planning assumption might suggest elimination of our eight divisions and fifteen air wings now oriented to this contingency. Such a move would be highly imprudent. Four divisions (each now costing about \$800 million a year)—including the two now in Korea along with their tactical nuclear weapons—and four wings could safely be cut. Air wings can be pruned, despite their relatively increased importance under the new doctrine, because of the net reduction in the number of allied ground divisions requiring air support. The increased vulnerability of aircraft carriers (described in detail below) suggests that the major cut should be made in carrier-based wings. The kinds of aircraft required for Asia are quite similar to those already noted for Europe.

Naval forces.—Both recommended regional force cuts include a proportionate share, larger for Asia, of recommended naval force reductions. Naval forces require singling out because, while assignable to regional contingencies, they also serve a somewhat independent requirement for control of sea lanes.

A critical aspect of realigning general purpose force levels should be recognition of the impact of changing technology on surface sea power requirements.

The number of missions which attack carriers can perform and the number of targets they can perform them against have been greatly reduced, mostly due to carrier vulnerability to modern tactical missiles. The number of carriers we operate ought therefore to be reduced. As already described in the regional analyses, we recommend the operation of only seven attack carriers—four in the Pacific and three in the Atlantic, Mediterranean, and Caribbean combined—rather than the twelve now planned by the Administration for 1972. The punch carried by carriers is the firepower of the tactical aircraft they launch. In many cases, the same mission can be performed by either a carrier-based air wing or a land-based Air Force wing. The argument for maintaining more carriers than the seven we recommend rests on the claimed loss of overseas land bases for use by Air Force wings. However, the contingency that we will be called upon to defend a nation while being denied the use of its bases must be considered highly unlikely.

Reductions in attack carriers automatically make possible similar cutbacks in destroyers and other vessels which accompany them as part of a vast flotilla, the carrier task force. Altogether, about \$450 million would be saved annually for each carrier task force retired. Changing technology has also reduced to below marginal levels the contribution of anti-submarine warfare carriers, due to increased carrier vulnerability and the development of the land-based P-3C airplane for the same mission. The remaining anti-submarine carriers should also be scrapped. That action would save more than \$400 million in annual operating costs (including support costs), and eliminate any possible need to purchase S-3A airplanes to replace older models now stationed on those carriers.

Pay.—Our estimate of outlays required to support these and other U.S. general purpose forces depends significantly on assumptions about military pay levels and the degree of investment in new weapons systems. We provide for future percentage pay increases for all military personnel equal to the percentage increases in the Consumer Price Index. No provision is made, however, for any special additional pay boost for non-careerists at the bottom grades of the enlisted ranks. We favor movement toward all-volunteer armed force, but because only 2,015,000 military personnel would be required under our recommended force levels, nearly sufficient num-

bers of enlistments would be forthcoming⁹ to preempt the need for pay supplement inducements. Complex questions concerning social equity and the racial, ethnic, and regional composition of the armed forces are involved in the issue of retaining the draft versus seeking an all-volunteer force. The determining factor, in our judgment, is that the \$3-4 billion required annually to attract sufficient volunteers if the draft were eliminated could more equitably be invested toward further raising the level of guaranteed income support for the general population—just to cite one among several desirable social goals which could not otherwise be met in our recommended budget.

Another important reason for retaining the draft is to ensure that adequate numbers of persons will be induced to join the Reserves and National Guard. Envisaged as part of the force levels recommended in this chapter is a restructured Reserve component of slightly reduced size, with the battalion rather than the division as the basic building block. If these Reserve forces are to serve any useful purpose, though, they must be kept at a higher level of readiness and provided with better equipment and leadership than they currently enjoy.

Modernization.—Our projections for weapons procurement and modernization assume continuation of recent proportions between operating and investment costs. This means that considerable funding would be available to modernize forces, but that funds would not be used to pursue refinements of large systems to achieve small increments in effectiveness. *This critical distinction is probably responsible for the difference of more than \$5 billion in the 1972 general purpose force outlays recommended by the Administration and the recommendations of this report.* Compelling needs for modernization do exist. Notable examples include sealift, close air support aircraft, and air combat fighters for both the Navy and the Air Force. No sound rationale exists though for procuring wastefully expensive, oversophisticated systems like the F-14 and F-15 fighter aircraft, the MBT-70 tank, nuclear destroyers and support ships, or the S-3A carrier-based anti-submarine airplane. In far too many such cases, the extra costs above those for more simply designed and more reliable alternative systems promise to yield little or no return in useful capability. In some instances, no new system of any type is needed.

Efficiency measures.—All the foregoing discussion has focused on force levels. Much recent public attention has been given potential savings from elimination of waste and inefficiency in defense operations. The most thorough documentation of such weaknesses, with accompanying reform recommendations, was provided in the Fitzhugh Blue Ribbon Defense Panel report. While putting an accurate price tag on the total amount of potential savings is most difficult, many military analysts suggest it could easily total several billion dollars a year. Our calculations assume that defense managers will be able to offset approximately \$600 million of annual price increases through a yearly productivity gain of slightly more than 1 per cent, made possible by such operating improvements.

Vietnam

A defense budget based upon the above changes could involve cuts totalling \$11 billion in spending for baseline forces by fiscal year 1976. These cuts are in addition to the

⁹ The Gates Commission and other defense manpower experts suggest that a 2,000,000 man force is about the breakeven point; for force sizes below that level, no extra pay would be required to create an all-volunteer force.

expected decrease in outlays due solely to Vietnam, which in 1971 totalled about \$13 billion.

Continued U.S. involvement in a war in Vietnam has tragic consequences for many facets of national will, energies, and resources. The rapid withdrawal of remaining American forces should enjoy the highest national priority. Our projections assume 250,000 U.S. troops in Vietnam on July 1, 1971, consistent with the Administration forecast and current withdrawal rates. Even with complete withdrawal of American troops by December 1972, outlays of \$6.1 billion are estimated to be required in fiscal year 1972. Annual outlays of approximately \$1 billion in 1974 and beyond reflect continuing financial support of South Vietnamese forces.

The central conclusion about national priorities to be drawn from this analysis is that a war which has consumed nearly \$100 billion in federal funds during the past six years will require—based on our projections—only 10 per cent of that amount during the next five years.

SUMMARY

In summary, major changes in the size and composition of U.S. military forces are demanded between 1971 and 1976. In several instances—notably research on a new sea-based strategic deterrent system (ULMS), sealift capacity, and modernization of Reserve forces—significant spending increases are recommended.

These increases are more than matched by recommended major decreases in spending stemming primarily from five factors:

Improved management and operating efficiencies;

Elimination without replacement of systems rendered obsolete by changing technology, combined with careful scrutiny and pruning of new weapons system modernization;

Elimination of wastefully duplicative strategic deterrent forces and a cessation of attempts to build and operate strategic defense systems such as Safeguard;

An enlarged defense manpower and dollar burden assumed by U.S. allies in both Europe and Asia; and

An end to U.S. military involvement in Vietnam (except for a residual \$1 billion annual military assistance contribution).

Altogether, we recommend that U.S. military spending decrease from \$74.5 billion in 1971 to roughly \$50 billion in 1972 and \$50 billion during the following four years. Excluding Vietnam spending, the five-year decline would be only from \$61 to \$49 billion.

In constructing a defense budget, it is important to keep clear the distinction between what is minimally required to defend the United States and what additional increment we feel it prudent to bear in order to foster our interests in the world at large. Pure defense of continental United States territory actually costs very little in comparison to the total size of our so-called "national defense" budget. Of the sums above, spending that is directly related to the national security of the United States would shift only from \$30 billion in 1971 to \$26 billion in 1976, primarily as a result of recommended reductions in strategic forces. The residual, which constitutes U.S. military assistance (broadly defined) to the defense of allied nations, would decline from \$44 billion to \$24 billion.

In fact, the term "national defense" is a highly misleading description of the total purposes served by U.S. military spending. We commonly refer to the whole by one of its parts. A more strictly accurate descriptive term for U.S. military spending might be "national defense and military assistance."

after the two central purposes. The term "military assistance" here has a much broader connotation—representing all U.S. military forces exceeding those required to defend continental U.S. territory—than in the conventional reference to arms grants and sales to other nations.¹⁰

We think this distinction is a useful one which can add precision to discussion of military force requirements. But beyond that

¹⁰ The total spent by the federal government to arm foreign nations is variously estimated between \$4 and \$7 billion a year. The wide variance in estimates is due to different definitions about what should be included, from a mixture of cash gifts, sales for credit or cash, military advisory missions, gifts from a stockpile of "excess" weapons, and use of foreign currencies generated by other programs for weapons purchases. The

purpose, the distinction is admittedly artificial. The United States does have a stake in the rest of the world. We would be shortsighted to turn our backs on the international political climate, to forego our leverage in reducing tensions. In a nuclear age, every nation stands to lose from a conflagration unforeshadowed or unchecked.

A summary description of the U.S. defense forces which would exist during 1976 if our recommendations were implemented is provided in the following table. A few comments about the capabilities of that force are in order.

The U.S. defense forces which would exist

only such aid considered in this chapter is the "Military Assistance Program" and "Support of Other Nations" (mostly special aid for Southeast Asia). Outlays for these programs were \$2.5 billion in 1971.

by 1976 (summarized in Table 18:1) if our recommendations were implemented would be fully adequate to deter any concerted strategic or conventional attack on the United States itself. The devastating second-strike destructive capability of the invulnerable Poseidon fleet, supplemented by bombers and Minuteman missiles, would deter any strategic attack. Even if some other nation had the transportation and logistics capability (which none does) to launch a major conventional assault on the U.S., our modest conventional forces would quickly fend them off. The United States would also continue to possess the strongest and largest military forces in the world earmarked for defense of other nations. Altogether then, we feel confident our recommended changes in U.S. military forces could be made without endangering the security of the United States.

TABLE 18:1.—SUMMARY MILITARY FORCE TABLE¹

	Actual 1964	Actual 1970	Administration proposed 1972	Urban coalition recommendations	
				1972	² 1976
Military personnel³ (in thousands):					
Army.....	972	1,322	942	800	702
Navy.....	667	792	704	540	502
Marine Corps.....	190	260	206	190	190
Air Force.....	856	791	753	670	621
Total.....	2,685	3,066	2,505	2,200	2,015
Strategic forces:					
Minuteman (missiles).....	600	1,000	1,000	1,000	1,000
Titan II (missiles).....	54	54	54	0	0
Polaris (submarines/missiles).....	21/336	41/656	⁴ 34/544	34/544	0
Poseidon (submarines/missiles).....	0	0	⁴ 7/112	7/112	31/496
Strategic bombers ⁵	1,277	516	510	380	190
Manned fighter interceptor squadrons.....	40	14	11	7	5
Army air defense firing batteries.....	107	40	21	12	8
General purpose forces:					
Land forces:					
Army divisions.....	161 $\frac{1}{2}$	171 $\frac{1}{2}$	131 $\frac{1}{2}$	123 $\frac{1}{2}$	111 $\frac{1}{2}$
Marine Corps divisions.....	3	3	3	3	3
Tactical air forces:					
Air Force wings.....	22	23	21	19	18
Navy attack wings.....	15	13	11	8	6
Marine Corps wings.....	3	3	3	3	3
Naval forces:					
Attack carriers.....	15	15	12	9	7
Antisubmarine carriers.....	9	4	4	0	0
Nuclear attack submarines.....	19	46	56	56	60
Escort ships.....	265	231	227	150	130
Amphibious assault ships.....	139	99	76	80	80
Airlift and sealift forces:					
Aircraft squadrons:					
C-5A.....	0	1	4	4	4
C-141 and other.....	32	17	13	14	14
Troopships, cargoships, and tankers.....	100	113	98	90	90

¹ All figures are as of June 30 of the cited year.

² With only very minor exceptions, these are the recommended force levels for the entire period from the end of 1973 through 1976.

³ Active duty military personnel, as of the end of the fiscal year.

⁴ Staff estimate of allocation between Polaris and Poseidon.

⁵ B-52, B-58, and FB-111 bombers in the active aircraft inventory.

Finally, we must reiterate the uncertainties about military plans and intentions of other nations. Our recommendations for U.S. military forces are dependent upon the international political and military assumptions set forth in the text. No five-year plan

should ever constitute a rigid operating guideline; the United States must constantly and diligently reexamine the military threats facing it. To the extent that future projections of the behavior of other nations differ from those we have assumed, U.S. forces

should be adjusted appropriately from the levels and composition we have recommended. Based on current knowledge, we consider our recommendations an appropriate set of defense policies for the 1972-1976 period.

TABLE 18:2.—NATIONAL DEFENSE AND MILITARY ASSISTANCE—MAJOR PURPOSES

[Outlays, in millions of current dollars]

	Administration ¹		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Strategic and related forces.....	16,340	16,470	12,510	11,380	11,025	11,070	10,510
Baseline general purpose and related forces.....	45,160	53,630	41,830	37,255	36,525	37,915	38,815
Vietnam.....	13,000	5,900	5,900	1,700	1,000	1,040	1,100
Total.....	74,500	76,000	60,240	50,355	48,550	50,025	50,425
Total, excluding Vietnam.....	61,500	70,100	54,340	48,635	47,550	48,985	49,325

¹ Only the totals have been made available by the administration. Allocations are based on staff estimates.

TABLE 18:3.—NATIONAL DEFENSE AND MILITARY ASSISTANCE—BUDGET PROGRAM CATEGORIES

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated 1971	Proposed 1972	1972	1973	1974	1975	1976
Strategic forces.....	7,900	7,500	5,330	4,660	4,390	4,310	3,100
General purpose forces.....	24,370	24,575	20,450	16,200	15,595	16,210	16,600
Intelligence and communications.....	5,400	5,600	5,185	5,020	5,110	5,150	5,265
Airlift and sealift.....	1,400	1,100	1,480	1,400	1,315	1,415	1,445
Guard and Reserve Forces.....	2,700	3,000	2,475	2,655	2,800	2,900	2,960
Research and development.....	5,200	5,500	4,585	4,485	4,600	4,705	5,440
Central supply and maintenance.....	8,450	9,200	6,345	4,590	4,365	4,570	4,630
Training, medical and other personnel activities.....	13,950	14,500	9,860	7,100	6,825	7,035	7,165
Administration and associated activities.....	1,600	1,600	1,320	1,195	1,090	1,205	1,225
Support of other nations.....	2,400	2,400	2,510	2,230	1,560	1,625	1,695
Military assistance program.....	1,130	1,025	700	800	900	900	900
Total.....	74,500	76,000	60,240	50,335	48,550	50,025	50,425

¹ Only the totals have been made available by the administration. Allocations are based on minor staff adjustments to translate administration-supplied total obligational authority to outlays.

COUNTERBUDGET: A BLUEPRINT
FOR CHANGING NATIONAL PRI-
ORITIES 1971-76—CHAPTER 19

HON. JONATHAN B. BINGHAM
OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. BINGHAM. Mr. Speaker, I include chapter 19 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD.

CHAPTER 19. FOREIGN ECONOMIC ASSISTANCE

As a matter of national integrity, a country founded on the principle of human brotherhood must carry this idea beyond its own borders no less than practice it within.

The substantial cuts recommended in the national defense and military assistance budget herald no return to isolationism. We strongly urge that decreases in military assistance be accompanied by well-justified increases in economic assistance to developing nations.

THE CLIMATE FOR DEVELOPMENT

The past 15 years have witnessed a remarkable, if sometimes perplexing, era of growth and development in the less developed nations of the world. During that time, international cooperation to encourage development has been of a nature and on a scale new to history. As might be expected, the results achieved have varied greatly from country to country. Social and economic conditions in some nations seem more desperate now than 15 years ago. Other nations, such as Taiwan, South Korea, and Israel, have experienced remarkable growth.

The average GNP growth rate for the less developed nations during the past decade has been 5 per cent. Population increase cut this rate to only 2.5 per cent on a per capita basis, but even this economic growth rate represents a remarkable acceleration by historical standards. Behind these statistics lie significant instances of progress in building infrastructure, large increases in school enrollment, and reductions in mortality through disease control.

Progress is now imperiled by a slackening commitment on the part of the wealthier nations, notably the United States, just at a time when the general climate for the productive use of increased capital flows to the less developed nations is quite favorable. Many of these countries now have the experience, desire, and trained personnel to shape their own development priorities; they are also mobilizing more investment resources themselves. For these reasons, such countries now have the capacity to absorb billions more aid dollars annually.

There are additional favorable trends. Other industrial countries have steadily expanded their development assistance so that, taken together, their share now equals that of the United States. In addition, international financial organizations have grown both in experience and resources. These organizations now make more than half of all development loans.

The nature and scope of the U.S. foreign aid program in the 1970's will determine whether these auspicious trends are nurtured or frustrated. U.S. aid still accounts for half the world contribution, and, by its extent, sets the tone and pace of the other aid-giving nation's efforts. In a framework of world economics, we should not be unmindful of the sobering fact that the United States, with but 6 per cent of the world's population, consumes 37 percent of the earth's resources. It is in the context of all these factors, and with the same vision of domestic economic justice and social well-being shaping this entire budgetary frame-

work, that U.S. trade and assistance policies should be shaped.

WORLD TRADE

The first requirement for rapid international development is a continuing, vigorous expansion of world trade. This will be possible only if advanced countries remove many obstacles to the growth of export earnings for less developed economies, as well as encourage the flow of private capital to these nations. Low-income countries will not be able to develop if a recent new wave of protectionist sentiment in the United States gains force. Rather, what is needed, among other measures, is an untying¹ of bilateral development lending and an international agreement extending temporary tariff preferences to developing countries on a nondiscriminatory basis. These recommendations imply a need for fundamental revisions in international economic relations and structures.

THE U.S. ASSISTANCE PROGRAM

The existing foreign economic assistance program of the U.S. Government is not one of which we can be proud. American economic assistance has actually been decreasing while the capacity of developing countries to use aid has increased. Since 1963, foreign economic assistance provided by the United States has fallen from \$3.6 billion to the \$3.0 billion estimated for 1971.²

Purposes: This decline results from and reflects a great deal of public confusion about the purposes of foreign economic assistance. We have been disappointed with the accomplishments primarily because we have been misled in our expectations. The President's Task Force on International Development (the Peterson Task Force) commented in its report to the President:

This country should not look for gratitude or votes, or any specific short-term foreign policy gains from our participation in international development. Nor should it expect to influence others to adopt U.S. cultural values or institutions. Neither can it assume that development will necessarily bring political stability. Development implies change—political and social, as well as economic—and such change, for a time, may be disruptive.³

The compelling rationale for foreign economic assistance is a blending of idealism and self-interest broadly construed. The moral imperative—to do justice, to respond to needs in a humanitarian fashion, to share—is strong and important, but insufficient by itself to build the consensus for an effective foreign aid program. The clinching argument is that aid will serve the United States' self-interest. Quoting from the Peterson report again:

... the developing countries contain two-thirds of the world's population. Their future success or failure will influence profoundly the kind of world we live in. The nations of the world are growing more interdependent—in trade, in finance, in technology, and in the critical area of political change. U.S. decision-making in such important areas as military expenditures will be influenced by the amounts of turbulence in the developing countries of the world, and U.S. prosperity will be influenced by their economic progress.

Our goal, therefore, should be to provide foreign economic assistance to help create self-reliant societies in developing countries, which, in turn, will contribute to an expanded world economy with improved prospects of world peace. In order to accomplish this goal,

¹Tying of aid is a requirement that a country receiving development grants or loans spend the money in the donor country.

²Years are federal Fiscal Years unless otherwise stated.

³U.S. Foreign Assistance in the 1970's: A New Approach, Report to the President from the Task Force on International Development, March, 1970 (Washington: U.S. Government Printing Office, 1970), p. 2.

we must significantly change not only our expectations, but also the structure of present economic assistance programs.

Emphasis on Multilateral Aid: Nearly all economic assistance experts agree that a higher proportion of aid should be channeled through international—or multilateral—institutions, rather than provided bilaterally. Among the advantages of operating through multilateral institutions generally are: a) a larger, more equal status and voice for developing nations in shaping their own development priorities; b) a diminished presence and consequently, less of an aura of paternalism on the part of the donor nations; and c) improved coordination of development programs. Even with these advantages, however, expanded multilateral aid allocations will only be effective if accompanied by a strengthening of the aid-dispensing institutions; past deficiencies in the major multilateral institutions have greatly hampered potential achievements.

Currently, only 15 per cent of U.S. economic assistance is channeled through multilateral institutions; we recommend this portion be increased by stages to 60 per cent by 1976, while bilateral aid funding is maintained at current levels in real terms.

Guidelines for Bilateral Aid: One other important way of making the U.S. aid role less political is to focus increasingly on problems and less on countries in dispensing bilateral aid.

The number one priority should be family planning programs. "No other phenomenon," reported the 1969 Commission on International Development to the World Bank (the Pearson Commission), "casts a darker shadow over the prospects for international development than the staggering growth of population."⁴ This priority is particularly appropriate in the context of the similar emphasis we are recommending for family planning programs and research in the United States (see Chapter 12).

The second priority should be given to welfare and emergency relief, mostly involving provision of agricultural commodities. This would be a continuation of current programs designed to relieve human suffering and to improve nutrition in more than one hundred countries.

In selecting additional assistance projects, priority should be given to those areas where the United States possesses distinctive competence. Particularly strong cases can be made for programs utilizing our agricultural expertise and business management skills.

The assumption by international agencies of an enlarged role would provide a desirable opportunity for the United States to become more flexible in its bilateral program. As the largest single source of development assistance, we are subjected to the constraint of responding to high numbers of demands and entreaties. Shedding our premier status as direct aid dispenser will give us more selectivity. The choices we make will be important because the magnitude of our bilateral aid program will remain substantial.

There are three major considerations which should govern our selection of programs within problem areas. First, U.S. bilateral aid should foster innovative approaches; more heretofore untried ventures, with higher acceptable risks, should be undertaken than in the past. Second, bilateral aid should contribute meaningfully to development needs as perceived by the recipient nation. This does not imply grants without any strings. Rather, it suggests granting aid where a conjunction exists between U.S. interests and recipient nation priorities.

Finally, and most important, bilateral aid should advance U.S. interests, broadly de-

⁴Commission on International Development, *Partners in Development* (Praeger, 1969), p. 55.

fined. These interests are far broader than just economic growth and short-run strategic security—concerns too often in past years held to be paramount. The interests of the United States are advanced most effectively through programs that ensure broad public participation within recipient nations in the allocation and benefit sharing of U.S. aid. In the words of the Peterson Task Force:

Development is more than economic growth. Popular participation and the dispersion of the benefits of development among all groups in society are essential to the building of dynamic and healthy nations. U.S. development policies should contribute to this end. . . . It should be a cardinal aim of U.S. foreign policy to help build an equitable political and economic order in which the world's people, their governments, and other institutions can effectively share resources and knowledge.

Under this policy prescription aid should be employed to further and encourage the efforts of those governments which are working toward very broad reform—in land-holding patterns, distribution of other private wealth, and reform of political institutions.

The form of economic assistance itself should also be changed. During the Marshall Plan era, when the focus was on aiding industrial economies, more than 90 percent of the assistance from the principal U.S. aid agency was on a grant basis. During the 1960's, when our aid went almost exclusively to less developed, capital deficient nations, less than 50 percent took the form of grants. Furthermore, the trend in loans has been toward greater use of "hard" loans (the terms

of which offer no special interest rate or repayment concessions).

U.S. economic assistance should continue to employ a combination of grants, hard loans, and soft loans; the appropriate approach depending on the kind of project and the financial capacity of the recipient nation in each case. We recommend that a significant proportion of grants be continued in the mix of aid, and that the impact of hard loans, when used, be made less onerous by blending them with grants and soft loans to the recipient country. To assure that long-range perspective is maintained, we should encourage the use of soft loans on the part of multilateral institutions and rely more heavily on them in our bilateral programs. Typically, such loans are for 50 years with no repayment required during the initial ten years and no interest charge (a 0.75 percent service charge is made).

Technical assistance should increasingly be provided on a soft loan basis rather than being provided directly by U.S. missions. The developing nations are both much more desirous and much more capable of choosing and using technical assistance experts than they were ten years ago. When they wish help in hiring U.S. technicians, our agencies should assist in recruitment. We strongly anticipate that such requests will be so numerous as to require a continuing substantial role for U.S. aid agencies. The Peace Corps has proved to be a particularly effective vehicle for certain technical assistance purposes and should continue to play an important role. Peace Corps volunteers have long served within the institutions of developing nations, working beside local technicians and under the direction of host

country supervisors. Such a pattern of employment is the probable shape of things to come in foreign technical assistance and would be fostered under the recommendations of this report.

Levels of Aid: In addition to these changes in our approach to foreign economic assistance, we strongly recommend substantial increases in the amount of aid provided. The Pearson Commission suggests a target level of official assistance equal to 0.7 percent of the GNP of each industrial nation. Currently, U.S. foreign economic assistance amounts to less than 0.3 percent of GNP. The 0.7 percent target clearly is not excessive in terms of needs in the less developed nations, and its attainment should be a U.S. goal.

There is a considerable division of opinion as to whether the major multilateral lending institutions and the United States' bilateral aid agencies together can channel this much aid in the immediate future and whether the recipient countries can absorb it. We recommend gradually increasing U.S. economic assistance outlays until they reach 0.5 percent of GNP in 1976, thus getting us slightly over halfway to the ultimate goal. Outlays for 1976 would total \$7.4 billion, still less than 2.2 percent of the total federal outlays. This amount is hardly a heavy burden on the federal budget.

The conflict which many people profess to see between foreign economic assistance and unmet needs at home is highly exaggerated. We uphold the best in American traditions and values only if we respond to both. As a matter of national integrity, a country founded on the principle of human brotherhood must carry this idea beyond its own borders no less than practice it within.

TABLE 19:1.—FOREIGN ECONOMIC ASSISTANCE

[Outlays, in millions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed, 1972	1972	1973	1974	1975	1976
Bilateral aid.....	2,578	2,745	2,450	2,855	2,705	2,500	2,980
Multilateral aid.....	415	495	1,050	1,905	2,705	3,745	4,465
Total.....	2,993	3,240	3,500	4,760	5,410	6,245	7,445

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 20

HON. SHIRLEY CHISHOLM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mrs. CHISHOLM. Mr. Speaker, I include chapter 20 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 20: IMPACT ON SPECIAL GROUPS: WOMEN; THE WORKING CLASS; THE AGED

The interests of specific segments of society were carefully weighed in the development of all recommendations.

Woven throughout the recommendations of this Report are provisions which, if viewed from the standpoint of the effects on a specific group of citizens, could be considered the Counterbudget's package of proposed benefits for that segment of society. An example of such an analysis would be the earlier discussion in which the net effect of a variety of programs on the living conditions of the poor is examined (Chapter 4).

Indeed, the interests of specific segments of society were carefully weighed in the development of all recommendations. Some recommendations address themselves directly to the interests of groups requiring special

assistance or protection, for example, the rights of minorities (Chapter 16).

Although the purpose of the Counterbudget is to improve the life of all Americans, there are groups, such as the poor and minorities mentioned above, who must first overcome considerable inequities before sharing in any general advance, and our recommendations have sought to alleviate these inequities. Other inequities currently exist for the women, working class, and aged in relation to the whole of society. Following are summaries of how the Counterbudget's recommendations would serve to benefit these groups.

WOMEN

Opportunities for American women have traditionally been restricted both by social

norms which define their "natural roles" as homemakers and childbearers and by blatant discrimination against women in the labor market.

Although attitudes are now changing as women demand equal opportunities and the right to organize their lives as they choose, the process is slow.

Traditional views still inhibit educational opportunities for women. Long considered of secondary importance, they are encouraged to take "feminine" courses regardless of their interests or natural abilities. Admission standards to institutions of higher education are still higher for women than men. In many cases men may more easily obtain education scholarships and loans, particularly for graduate studies.

TABLE 20:1.—WOMEN IN THE WORK FORCE

Country	Percentage of selected jobs held by women					Total work force
	Lawyers	Judges	Physicians	Dentists		
United States.....	3.5	2.0	6.5	2.1		37.0
United Kingdom.....	3.8	(1)	16.0	6.9		34.4
Sweden.....	6.1	6.7	15.4	24.4		(3)
West Germany.....	5.5	(1)	20.0	(1)		36.7
Italy.....	2.8	.5	4.9	(1)		28.8
Denmark.....	(1)	(1)	16.4	70.0		(1)
Poland.....	18.8	(1)	36.4	77.0		(1)
U.S.S.R.....	36.0	30.5	* 75.0	83.0		(1)

* Figure for physicians in the U.S.S.R. is not strictly comparable as it also includes some other medical personnel.

Source: Cynthia Epstein, "Woman's Place," University of California Press.

Occupational as well as educational opportunities for women are limited. A smaller portion of high status professional jobs are held by women in America than in most other developed countries. The cost to society of the under-utilization of women due to sex discrimination in employment can be measured in billions of dollars.

Job discrimination against women occurs in several forms. Women completing a college education can expect to be offered a lower starting salary than their male classmates. According to a Labor Department survey of 206 companies making offers to graduates, the average woman's salary offered was less in every field, ranging from an average difference of \$20 to \$100 monthly. Indeed, wage discrimination is apparent against women at all education levels; Department of Labor statistics show that the women's median income is substantially lower in all major fields of employment. For example in 1968, the median income of full-time year-round women clerical workers was 65 per cent that of the men, for sales workers it was 40 per cent and for operatives it was 59 per cent.

Women are also more likely than men to be employed in low-skilled, low-paid jobs. In the labor force as a whole, 60 per cent of the women earn less than \$5,000 annually compared to 20 per cent of the men, whereas only 3 per cent earn more than \$10,000 compared to 28 per cent of the men.¹ These figures reflect the fact that women are offered jobs below their skill level, that in some fields women receive lower pay for performing the same jobs as men, and that women are not promoted as readily as men. Once again, this same distribution is found in all major employment fields. For instance, among college teaching staff a disproportionately high percentage of women are instructors and assistant professors (69 per cent compared to 48 per cent of the men), and a higher proportion of the men are associate or full professors, reflecting an inequitable promotion policy. Within each of these brackets, the average salary for a woman is less than that for a man, evidence of further discrimination.²

As a result of these inequities in the job market, the overall median salary for women full-time, year-round workers is only 58 per cent of the men's. We therefore have recommended that the equal employment laws be strongly enforced, and that more equitable promotion policies be encouraged and action taken in cases of clear discrimination.

These statistics refer only to those women presently in the labor force. Yet, the Department of Labor estimates that of 32.5 million women not working because of home responsibilities, 3.2 million would like to have a job. Provision of pre-school and child-care programs such as we recommend would enable these women to enter the labor force. In addition, we recommend manpower training programs for women wishing to re-enter the labor force, and a public service employment program to expand the number of jobs available. Thus, some of the barriers which might prevent women from entering the labor force will be lifted, assuming both that job discrimination can be ended and that the unemployment rate drops as we have projected.

These work opportunities will also greatly benefit the approximately 5 million female-headed households living below the official poverty line at the present time. Although female-headed households (as officially de-

finied) represent only 20 per cent of all households, they constitute 50 per cent of those living in poverty. Primary reasons for this are the lack of adequate child-care facilities and job discrimination. For those unable to work, or who have children under the age of 16 and do not wish to work, the recommended Cash Assistance Grant will provide a poverty level income by 1976. In addition, the CAG provides a poverty level, or above income for all, including those who work but do not earn a living wage. Thus, by 1976, all 5 million female-headed households will be lifted to the poverty line or above.

Finally, we have strongly recommended the goal of free family planning assistance for all women. This would give all women a greater freedom to organize their lives and choose the role they wish to play, as well as encouraging a sensible population stabilization program.

Through all of these measures we believe it is possible to grant equal opportunities to American women which will also result in significant benefits to society as a whole.

THE WORKING CLASS

Although it is difficult to generalize about so diverse a group as working class Americans³ nonetheless it appears that a growing number are becoming frustrated by the problems and difficulties they face.

The basic problem is economic. Many working class Americans have been hurt badly by inflation. Since 1965 wages and salaries of blue collar Americans have increased but inflation has increased at an even faster rate. As a result, many are worse off now than five years ago.

In addition, the working class American carries a disproportionately high burden of the costs of government, while at the same time receiving disproportionately less of the visible benefits from government aid programs. As a result, it is hardly surprising that many working class Americans feel their interests are being ignored by government. Resentment of those who appear to get "something for nothing" is growing, and may continue to grow as programs to aid the unemployed and unemployable proliferate and reduce the differences in the standards of living between these groups and working-class Americans. Resentment is also growing over the ease with which wealthier citizens appear to be able to escape paying a fair share of taxes.

Working class Americans receive some relief through the federal tax system, but this is offset by regressive state and local taxes.

TABLE 20.2.—TAXES AND TRANSFERS AS PERCENT OF INCOME, 1968

Income classes	Taxes (percent)	Taxes less transfers (percent) ²
\$0 to \$2,000.....	40.3	-24.7
\$2,000 to \$4,000.....	32.8	-5.6
\$4,000 to \$6,000.....	30.8	14.9
\$6,000 to \$8,000.....	30.5	23.5
\$8,000 to \$10,000.....	29.8	25.4
\$10,000 to \$15,000.....	30.5	27.3
\$15,000 to \$25,000.....	30.6	28.2
\$25,000 to \$50,000.....	33.2	31.6
\$50,000 plus.....	45.3	44.9
Total.....	32.0	26.3

¹ Unpublished data presented by Dr. Herman P. Miller at a symposium of the National Manpower Council.

² Minus indicates that families and individuals in this class received more transfer payments from Federal, State, and local governments than they paid in taxes.

³ "Working Class" in this context is considered to include families and individuals in the \$5,000-10,000 income bracket. In 1968, 68 million Americans lived in households with incomes in this range, 60 million of them white, and 7.5 million non-white.

The impact on families at different income levels of all federal, state, and local taxes as well as transfer payments received from all levels of government can be seen in the following table:

Thus, working class Americans (\$4,000-\$10,000) pay approximately the same proportion of their income in taxes as do those with higher income (\$10,000-\$25,000). At the same time, they receive less in direct benefits from the government than they pay in taxes, while those with lower incomes receive more through programs such as Social Security, public assistance, unemployment compensation, veterans benefits than they pay in taxes.

We believe many of the problems and resentments of working class Americans can be reduced by sharing the costs of public sector spending more equitably between income groups, and by ensuring that those working full time see a measurable difference between their income and the income of those who do not work.

First, we have recommended a series of reforms in the federal income tax system (see chapter 23) and Social Security payroll tax (see chapter 4). The result of both these recommendations would be to lower the tax burden on working class Americans compared to higher-income groups. In addition, our proposal for federal revenue sharing contains strong incentives for states to raise more of their own revenue through the graduated income tax, thus reducing the proportion of their revenue generated through regressive state sales and user taxes.

Second, our Cash Assistance Grant would offer direct financial aid to many working class Americans who receive no aid from present income support payments. Benefits are related to family size and are reduced gradually as earnings increase, (see chapter 4). By 1976, Cash Assistance grants would be available to all working class families of four earning less than \$9,416. Incentives to work would be maintained, since, our proposal would still result in a noticeable difference in income between those who work and those who do not.

Earned income	Cash assistance grant	Total income
\$0.....	\$4,708	\$4,708
\$3,000.....	3,208	6,208
\$5,000.....	2,208	7,208
\$7,000.....	1,208	8,208
\$9,000.....	208	9,208
\$10,000.....	0	10,000

Third, we propose to relieve working class families of the burden of medical costs through institution of a universal National Health Insurance scheme (NHI). We estimate average medical costs for a family of four earning \$7000 yearly would be nearly \$700 in 1976; the costs of NHI for this family would be \$40—a 5 per cent surcharge on federal income taxes. Health care expenditures for this family would drop more than \$650.

Taken together, these three proposals would have an immediate effect on the income of working class American families. Although our proposed tax measures would not reduce actual taxes paid (because we have recommended a 10 per cent increase in 1974), they would ensure that the burden is equitably shared. By providing all Americans with easily obtainable medical care, and all household heads with a minimum level of income to support their families (both of which we believe to be basic human rights), the transfer payments received by families in the \$5-10,000 income groups would be more than the taxes they paid. The table below dramatically illustrates this.

¹ All figures here refer to full-time, year-round workers.

² National Education Association, "Salaries in Higher Education" Research Report 1966-R2, February, 1966.

TABLE 20.3.—CHANGE IN DISPOSABLE INCOME (FAMILY OF 4, 1976)

Disposable income without our recommendations	Disposable income with our recommendations	Increase
\$4,092	\$6,043	\$1,951
\$5,107	7,102	1,995
\$6,054	7,522	1,468
\$7,784	8,454	671
\$8,752	9,130	378
\$9,909	10,061	152

We would offer working class Americans the opportunity to increase their earnings potential through manpower training and adult education programs. We have recommended: 1) a major program to provide skill-upgrading for workers (see Chapter 2) and to increase the availability of adult education (mainly through the community colleges (see Chapter 6).

Children from working class families are in alarmingly large numbers not "making it" in our society. Children from below median income families represent only one-fourth of those who attend college, and the high school drop-out rate for working class children is as high as for any other group.

Our education recommendations would greatly benefit children of working class families. Federal funds would be provided to public secondary schools for Career Education Programs. These programs would provide every student with the necessary information and experience to select an occupation consistent with his abilities and aspirations. They would be coupled with a high school placement program to ensure that every graduating student enters a college, a job-training program, or a full-time job immediately following commencement.

Finally, we have suggested increased federal scholarships, grants and subsidized loans for students from families earning under \$8,500, and the establishment of a National Student Loan Association to purchase \$9 billion in guaranteed student loans by 1976. This would quadruple the number of students able to obtain such loans.

Many of our other proposals are likely to influence the lives of the working class, notably the proposed increases in federal spending on mass transit systems, expansion of federally assisted housing programs for low and moderate income families, provision of child-care facilities for working mothers, effective federal consumer protection programs, expanded legal rights for the average consumer, and increased availability of federally-guaranteed home mortgage loans.

THE AGED

Older Americans, frequently hit hardest by inflation, shortage of health care facilities and the special burdens imposed by infirmity and isolation, would have much to gain from our recommendations.

Twenty million Americans, a tenth of the population, are sixty-five or older. Nearly 25 per cent of the aged are living in poverty—among them, 5 million who were already poor and many others whose savings and fixed incomes could not withstand the strain of high property taxes and a rising cost of living. For more than 2 million of the aged, Social Security is the only source of income.

We have recommended Social Security benefits increase automatically as the cost of living rises in order to protect the aged against inflation. In addition to cost of living increases, we propose further substantial benefit increases, including an immediate increase of the minimum monthly benefit from \$64 to \$100.

Finally, the recommended restructuring of Old Age Assistance would bring the income of all elderly households to the poverty level or above. As a result of these changes, the

average income of elderly families would rise from its present level of slightly less than \$5,000 yearly to \$7,000 in 1976—\$1000 more than it would be in the absence of our recommended changes.

The National Health Insurance (NHI) plan would go far toward eliminating a nagging fear of the aged—that of being alone, sick and helpless. Major changes from the present Medicare and Medicaid systems included in the NHI plan are: to extension of coverage to all the aged; coverage, for the first time, of the costs of preventive health care and prescription medicines; elimination of the limits on home doctor's or nurses' visits for provision of active medical care; and creation of a network of community health service facilities, including mental health facilities.

Increased outlays to improve urban mass transit systems will also benefit the aged, many of whom do not have access to private automobiles.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 21

HON. HENRY S. REUSS

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. REUSS. Mr. Speaker, I include chapter 21 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 21. ECONOMIC IMPACT

The tax proposals in this Report are advanced in general terms. With skilled conversion of these proposals into detailed reforms of the tax structure, the changes could improve economic performance rather than hurt it.

The American economy is an extraordinary productive machine, capable of creating a real GNP of astronomical proportions.¹ Nonetheless, the programs outlined in the preceding chapters are ambitious and the question must be faced of whether the economy is capable of creating the necessary resources and of reallocating them to the proposed purposes. We have seen recently that the economic mechanism remains sensitive, that imperfections in the structure of markets and imbalances in fiscal and monetary policies can produce serious deviations from the balanced growth path. The inflation of the last few years and the current high rate of unemployment have created hardships for many families and have intensified social problems. In order to promote our social goals and to permit the programs in this agenda to reach full effectiveness, we must be sure that the economy can accommodate these programs without creating general instability and other distortions.

To shed light on these issues, the program outlined in earlier chapters has been converted into the standard dimensions of macro-economic analysis, and has been fed into simulation studies performed with the 330 equation Data Resources econometric model.² This section summarizes these studies.

¹ This assessment chapter was prepared for the National Urban Coalition by Dr. Otto Eckstein, Professor of Economics, Harvard University and former member of the Council of Economic Advisers.

² The Data Resources model of the United States economy is a quarterly model that forecasts over 330 economic variables, including the GNP accounts, government budgets, interest rates and other financial variables, social indicators, profits of major

BUDGET REVENUES

Normal growth and restoration of full employment according to the Report can be expected under present federal laws, to raise federal revenues to \$284 billion by 1976³ not allowing for a \$4.5 billion revenue loss caused by recent Administration action liberalizing tax treatment of depreciation (an action not supported by, and therefore not reflected as part of, the Report's tax recommendations). The Report recommends that an additional \$42 billion be obtained from new taxes to finance national health insurance plus revisions in other social insurance program taxes, that \$6 billion be raised from further reforms of the personal and corporate tax structure, that \$3 billion more be raised from excise taxes with sumptuary purposes and from user charges, and that \$18 billion be obtained from a 10 per cent increase in corporate and personal income tax rates. Revenues for 1976 thus were estimated to total \$353 billion. The simulation of these same proposals on the Data Resources Model suggested that total 1976 revenues would be \$355 billion, a difference so slight as not to be significant in a forecast five years ahead.

The tax changes recommended in the Report would be sufficient to finance the proposed program. The federal budget would be in balance. Since the economy is projected to be in full employment by 1976 (and to have been in that state for three years) there should be no difference between the actual budget and the full employment budget at that time. A balanced full employment budget has long been advocated by the Committee for Economic Development, and has recently become the standard doctrine of the government. Since the federal government does not distinguish between current and capital outlays, a balanced full employment budget policy can safely be characterized as prudent and cautious. It should be added, however that there is no assurance that such a policy will actually suffice to produce full employment. It is easily possible that the economy will continue to find itself in a period of somewhat below normal private demand, and that deliberate full employment deficits will be needed to achieve the job creation goals cited in the Report.

The revenue and resource projections depend upon continuation of the high growth trend of the economy's potential. Some observers have raised the spectre that our period of high growth may be over, perhaps because of changed attitudes of the new generation toward work as well as a less materialistic consumer attitude. This contingency cannot be ignored, of course. However, there are so far no signs that productivity—the driving force of growth—has slowed. Indeed, the extraordinary layoffs during the current recession make a large near-term productivity gain very likely. It is the most reasonable assumption, based on current evidence, that the high productivity trends which have characterized America's industrial development for 140 years will continue for another half-decade.

Tax structure and economic performance

Even if total revenues are sufficient to finance all recommended programs, the question of whether the new tax proposals would significantly impair the performance of the economy must be considered. Would work incentives, innovation or investment be discouraged? Would otherwise reasonable economic decisions be distorted?

The impact of taxes on behavior depends on structural specifics. Attempts to avoid

sectors as well as production, sales and profits of seventeen manufacturing industries. Users can modify key assumptions to produce forecasts of expected economic behavior.

³ Years are federal fiscal years unless otherwise stated.

taxes now lead to considerable distortions in such areas as personal investment and executive compensation. Generally, these distortions are produced not, by small variations in the level of taxation, but by the discriminatory forms of taxes which give particularly favorable treatment to one form of income over another.

The tax proposals in this Report are advanced in general terms. With skilled conversion of these proposals into detailed reforms of the tax structure, the changes could improve economic performance rather than hurt it.

In terms of new revenues, the new taxes to finance national health insurance are the most important. The proposed 5 per cent surcharge on personal income taxes is similar to other recent surcharges. The 3 per cent tax on the payroll earnings base of corporations resembles present payroll taxes except that it omits the employee contribution; in a sense, the personal surcharge is a more progressive substitute.

The overall structure of the tax system would not be changed significantly by the proposals. The following table shows some pertinent dimensions. Only the burden of payroll taxes is raised; the rest show little change in total, even after reforms. So far, the economy has not suffered visibly from the rising payroll tax burden; other advanced economies have even higher rates. Nonetheless it must be recognized that business usually treats such taxes as costs to be passed forward in the form of higher prices; consequently they are regressive.

TABLE 21-1.—DIMENSIONS OF THE FEDERAL TAX STRUCTURE

	1968	1970	1976
Revenue source as percent of GNP:			
Personnel taxes.....	8.6	9.9	9.5
Corporate profits taxes.....	4.1	3.8	4.5
Indirect business taxes.....	2.1	2.0	2.3
Contributions for social insurance.....	4.7	5.0	7.5
Total.....	19.5	20.7	23.7
Revenue sources as percent of all revenues:			
Personnel taxes.....	44.3	47.7	39.9
Corporate profits taxes.....	21.1	18.4	18.8
Indirect business taxes.....	10.6	9.8	9.7
Contributions for social insurance.....	24.0	24.1	31.6
Total.....	100.0	100.0	100.0

THE EXPENDITURE PROPOSALS

Total federal spending as a percent of GNP under these proposals rises from 20.7 per cent in 1970 to 23.7 per cent in 1976. Most of this increase results from the proposals for national health insurance, income support, and fiscal relief for the states and localities. Savings in defense spending offset a part of these increases.

Because the new programs are mainly transfers to individuals and grants-in-aid, the share of the GNP absorbed by federal purchases falls very substantially, from 10.2 per cent in 1970 to 5.6 per cent in 1976. Also, since the grants-in-aid partly replace local financing and do not lead to additional local spending in the full amount of the aid, it would be incorrect to assume that the share of resources passing through budgets at all levels of government will increase by an amount equal to the federal increase. Table 2 shows the composition of the proposed federal budgets in the national income account concepts. It shows the large growth of transfer payments and grants, and the decline of purchases of goods and services.

TABLE 21-2.—BUDGET PROPOSALS ON A NATIONAL INCOME ACCOUNT BASIS

[In billions of dollars]

	Calendar year—						
	1970	1971	1972	1973	1974	1975	1976
Purchases of goods and services.....	99.8	97.0	90.0	86.0	87.9	91.6	93.0
National defense.....	76.6	67.4	54.8	49.0	49.0	49.9	50.1
Other.....	23.3	29.7	35.1	37.0	38.9	41.7	42.9
Transfer payments to persons.....	59.8	77.1	90.0	123.6	160.8	176.8	184.8
Transfer payments to foreigners.....	2.0	2.4	3.2	3.9	4.5	5.2	5.7
Grants to States and localities.....	24.4	29.3	34.1	37.7	42.2	46.6	48.5
Net interest paid.....	14.6	15.1	15.9	16.8	17.7	19.5	20.7
Subsidies to Government enterprises (net).....	5.4	4.6	3.5	3.5	3.6	3.6	3.6
Total.....	206.0	225.5	236.5	271.5	316.7	343.2	356.3

With the budget as a whole in balance, the program should not give rise to general excess demand. Since grants and transfers usually have a more diffused economic impact than direct spending, the economy should be able to produce the goods demanded by the recipients of the transfers and grants.

Resource availability is questionable only where the programs greatly expand the demands for a particular industry. The extra income to be received by the poor will be spent on consumer goods that will be in ample supply. National Health Insurance, on the other hand, would worsen the strain in our medical care industry unless accompanied by breakthroughs on the supply side such as those strongly recommended in the report. The specific needs for manpower and facilities created by the present proposals are analyzed in Chapter 5.

THE ECONOMY AT FULL EMPLOYMENT

While the budget proposals are not excessively expansionary and the economy should be able to accommodate the resource shifts, there remains the more fundamental question, whether full employment itself is possible. Without full employment, the large outlays proposed for human, social and physical development will not produce their full social return. If there are insufficient jobs, graduates of training programs cannot be placed—or only at the expense of another displaced worker. Even the health programs will yield a greater economic return to offset their costs if the working-age beneficiaries can be returned to productive employment.

The economic projections of this Report assume that full employment will be restored and maintained at an unemployment rate of 3.5 per cent. The postulated rate of price increase is 2 per cent, as measured by the GNP deflator. These assumptions are appropriate because the focus of this Report is on programs and priorities rather than macroeconomic policy. Nonetheless it must be pointed out that the present structure of the economy and present policies do not seem to be able to produce so favorable a combination of unemployment and price performance. Many studies have been conducted on the "trade off" question, utilizing different approaches, including econometric models. The results of our simulations are typical: We assume (1) the federal budget follows this Report's proposals (see Table 2); (2) extreme bottleneck problems are solved; (3) monetary policy raises the money supply by 6 per cent a year; and (4) private spending patterns are sufficiently strong to achieve 3.5 per cent unemployment. Simulation then produces a rate of inflation in excess of 4 per cent in the later years.

The extra 1 to 1.5 per cent of inflation looms large in economic planning. Conceivably a 3 per cent rate of inflation would not have the tendency to accelerate into a gen-

eral price-wage spiral. But there can be little question that 4 per cent or more at a time of full employment is not a sustainable rate: the wage-price spiral would be turned loose. Thus the general inability of the economy to hold the price level to reasonable stability at a time of full employment is the major economic obstacle to the achievement of our social goals and the execution of the proposed program. The difficulty does not lie in the scale or composition of the program.

The development of policies to improve the inherent inflationary tendency of the economy is therefore of real urgency. Manpower and other development programs will be helpful but hardly sufficient. Additional measures will need to be developed. The Report recognizes this need and calls for additional measures.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 22

HON. DONALD W. RIEGLE, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. RIEGLE. Mr. Speaker, I include chapter 22 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 22. MANPOWER IMPACT

The report estimates that the real GNP increase will be roughly 27.5 per cent, while employment would increase 11 per cent. Against a backdrop of employment increases for most occupations which are likely to be associated with such expansion, the inter-occupational shifts and resulting dislocations are likely to be quite small by comparison.

An important dimension of any proposed new national agenda is the mix of manpower skills which will be required to implement changed social priorities.¹ Part of the judgment about the achievability of the goals cited in the Urban Coalition report depends on whether enough workers exist, or can quickly be trained, in necessary skill areas. Allocating funds to new program areas is futile if skilled workers will not be available to perform the requisite tasks.

¹ This assessment chapter was prepared for the National Urban Coalition by Dr. James Scoville, Associate Professor of Economics and Industrial and Labor Relations, University of Illinois.

This chapter offers a preliminary assessment of the manpower impacts of the programs and priorities proposed in the Coalition Report. Comments are primarily restricted to major resource utilization issues and long-run impacts on labor and skill requirements. As the authors of the report realize, manpower and labor markets will be dominated in the short-run by the problem of cyclical and conversion-related unemployment. It is unlikely that broad segments of the United States economy will be characterized by significant manpower shortages; the report envisions approaching near full employment (96 per cent) only by 1973.²

The report offers realistic prescriptions for these short-run conversion problems. The broad range of proposed income maintenance programs—unemployment compensation for longer duration, at higher rates, and for which millions more Americans would be eligible; a Cash Assistance Grant program (a variant of the Administration's proposed Family Assistance Plan); public service employment; and supplementary assistance programs for individuals and geographic areas hit by economic conversion from defense production—constitute an appropriate and humane response to short-term adjustment problems. Although manpower training programs recommended by the report may also be desirable to develop new skills among the unemployed (particularly skilled technical workers displaced from defense work), such programs are not likely to be a major factor in reducing unemployment in the short-run. These training programs should be viewed instead as a means of facilitating the long-run readjustment process to a healthy, vigorous American economy in the mid-1970's.

The long-run manpower implications of the report's recommendations should be explored on at least three levels:

The manpower skills required to implement government program activity recommendations;

The overall direct manpower effect of federally-supported employment; and

The total manpower impact on the economy, taking account of all recommended public and private expenditure reallocations.

Time and resource constraints preclude any current speculation on the third issue. The comments which follow address several program recommendations that raise significant manpower questions, and offer a rough evaluation of the overall impact of the shifts in program emphasis on certain occupational groups.³

SOME SECTORAL MANPOWER QUESTIONS

Almost every section of the report involves allocation, recruitment, training, or compensation of labor resources in one fashion or another. Increasing the pay of policemen, expanding the enforcement staffs of civil rights and consumer protection agencies, substitution of Cash Assistance Grants and National Health Insurance for the present

² Years are federal Fiscal Years unless otherwise stated.

³ A thorough examination of the impact of the Coalition's budget proposal on the occupational distribution of labor demand will be made by Scoville and Roger H. Bezdek during 1971. They will employ an input-output model developed by Mr. Bezdek which is capable of translating alternate distributions of national expenditures corresponding to different priorities into detailed industrial and occupational manpower resource requirements. A detailed description of the model is provided in a paper by Mr. Bezdek titled, "Manpower Implications of Alternate Patterns of Demand for Goods and Services," presented to the American Statistical Association, Detroit, December 27, 1970.

conglomeration of welfare and health programs—all these have significant direct and indirect manpower implications. These effects include not only the impact of staffing on program themselves, but also the broader societal impacts of more equal opportunities for minority Americans and of setting levels of labor force participation rates. Many of the specific manpower issues related to actions recommended in a particular program area have been discussed in earlier chapters. We shall confine our attention here to two sectors where the issues are either more troublesome or require some amplification of the text.

The Military: The Report proposes that armed services force levels be reduced from 2,699,000, now estimated by the Administration for the end of 1971 to 2,015,000 by the end of 1973. Training and counseling programs for the sizeable number of discharges involved are recommended. Even so, the job prospects for these new entrants to the civilian labor force look bleak indeed.

One important long-run military manpower issue not given very thorough treatment in the report is the method of recruitment of military personnel. The report recommends retaining the draft, but with diminished importance in the supply as manpower, as it should be possible to recruit a 2,015,000 man force almost completely through voluntary enlistments, even without special pay boosts for the lower enlisted ranks. The method of recruitment does, however, present social issues broader than simple feasibility. The thoughtful reader will recognize that differing techniques of recruitment will produce varying personnel distributions, perhaps most notably with regard to race. The ethnic and social structure of the military, its race relations, dependability, and effectiveness are important enough to the larger society that we must not leave them purely to chance.

Health and Medical Care: This is one of the most challenging areas tackled by the Coalition's Report and one in which it makes a sweeping recommendation. It is argued that provision of an adequate bundle of specific goods and services (medical care) should be a right of the American people. From a manpower point of view, such a "right in kind" differs from the Cash Assistance Grant (a "right in cash" income maintenance program proposed in Chapter 4), whose disposition is left to the consumer's discretion. As the Report recognizes, such a new "right in kind" must be, and is, accompanied by concrete proposals for the provision and financing of the goods and services involved.

In this regard, the Coalition seems to have adopted in large part the manpower recommendations of the Carnegie Commission on Higher Education, with a slightly stronger emphasis on the use of new types of medical personnel. I would argue that this emphasis should be even stronger; that we must get away from the tendency to conclude that the solution to an apparent shortage is simply to provide more of what we have. New thinking, research, and design are essential in all areas of health services—particularly the organizational structure of delivery systems, the architectural design of facilities, and the development of new kinds of manpower inputs. The job structure of this industry has changed substantially over the past twenty years; there is reason to suspect that it could be, and should be, changed a great deal more.

THE OVERALL FEDERAL OCCUPATIONAL IMPACT

As a result of research recently carried out, it is possible to make some rough judgments about the impact of the Coalition's program on the overall pattern of occupational demand. Of particular aid was an aforementioned study by Roger Bezdek. Bezdek's paper compares actual employment patterns in 1960 with those that would have prevailed

under four reallocations of federal outlays. One of these reallocations comes fairly close, in overall pattern, to the recommendations in the Urban Coalition Report. In this calculation, Bezdek reduced defense expenditures by 30 per cent and reallocated them to domestic social welfare programs. The fit is not exact, but certainly close enough to the general thrust of the Coalition report's recommendations, to use as a basis for forming some crude, interim judgments.

Reallocation of a fixed federal budget from high-cost (i.e. high outlays per job created) defense programs to lower cost social welfare operations is sufficient to generate a modest increase in total employment. With an increased total budget, as proposed by the Urban Coalition, this effect should be somewhat larger.

The effects on different occupations would be considerably larger. The groups of engineering occupations would be overall the hardest hit: a balanced reallocation would reduce employment in all engineering by almost 2 per cent, with aeronautical engineers being nicked for about a 5 per cent loss. Only civil and mining engineers might expect increases, albeit slight, in employment.

Under the Bezdek example, medical occupations would on the whole experience requirements increasing about 1.5 per cent for all occupational groups. This is clearly an underestimate of changes in demand, as the Urban Coalition has reallocated considerably more resources to the medical area than Bezdek's example does. Much the same can be said for the field of education, where Bezdek's reallocation points to roughly a 2 per cent increase in the demand for teachers at all levels. Nevertheless, the current loose market and projected sluggish demand for teachers would give us some confidence that manpower constraints are not likely to be encountered even with significantly greater reallocations to this field.

Natural scientists, social scientists, and non-medical technicians of all types might expect a modest reduction in demand from balanced reallocations in federal outlays. With but two exceptions, all other groups of occupations which require any degree of skill or training will be only minimally affected by budgetary reallocations. The exceptions are metalworking craftsmen, demand for whom would be reduced by over 2 per cent due to their concentration in defense sectors of the economy and construction crafts, which might experience an increase in demand of slightly over 2 per cent. This latter projection suggests the importance of making further attempts to deseasonalize and otherwise rationalize the construction industry.

It should be emphasized that all the demand shift figures given above reflect purely an aggregate reallocation of federal expenditures from defense to social welfare programs. All these figures will be altered somewhat when results of a more detailed analysis of skill requirements become available. Furthermore, all figures must be judged in the light of those increases in occupational demand which might occur between now and 1976 as a result of real expansion in the economy. The report estimates that the real GNP increase will be roughly 27.5 per cent, while employment would increase 11 per cent. Against a backdrop of employment increases for most occupations which are likely to be associated with such expansion, the inter-occupational shifts and resulting dislocations are likely to be quite small by comparison, as shown by the table below. The first column shows the amount by which selected occupations are expected to grow between 1971-1976, based on Bureau of Labor Statistics projections of the American economy in 1980. The second column shows the further percentage-point impact on that occupation of a 30 per cent shift from defense to domestic welfare programs.

TABLE 22:1.—SHIFTS IN DEMAND FOR SELECTED OCCUPATIONS

	[In percent]	
	Expected growth 1971-76	Additional impact from changed priorities
Engineers.....	13	-2
Aeronautical engineers.....	(1)	-5
Physicians and dentists.....	17	+1½
Other health workers.....	21	+1½
Teachers.....	5	+2
Natural scientists.....	19	-½
Social scientists.....	(1)	-½
Nonmedical technicians.....	17	-1
Metalworking craftsmen.....	(1)	-2½
Construction craftsmen.....	13	+2

1 Not available.

MANPOWER, PHILLIPS CURVES, AND PUBLIC OPINION

A conventional rationale for active manpower policies has been that by such activities we might shift the Phillips curve, reducing the inflationary "price" that our economy must pay to achieve reasonably full employment. Although the authors of the Urban Coalition Report have reiterated this objective, and have recommended channeling substantial resources to manpower development, they have also put their hopes on a second horse. They suggest the possibility that the American people may have to come to be willing, after a fairly lengthy period of full employment and larger than usual price increases, to live with a rate of inflation closer in magnitude to those that European countries have experienced since World War II. There is some reason to think, with slack demand and outright unemployment hitting different groups than has been the usual pattern, that inflation tolerances will in fact be increased. Furthermore, this change of outlook may occur in social groups likely to be more influential in altering policy than the classical unemployed.

It may be too early to pin any large hopes on this prospect. The tolerance of United States citizens may have increased, but thorny problems remain in the international finance field. We are not likely in the next five years to be free to use inflation as a lubricant of social progress to any significant extent. Accordingly, prompt attention to the Report's call for more effective government measures to curb inflation than are currently being utilized becomes an important prerequisite for achieving cited goals.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 23

HON. JAMES C. CORMAN
OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES
Thursday, May 20, 1971

Mr. CORMAN. Mr. Speaker, I include chapter 23 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the Record:

CHAPTER 23. REVENUES

Present tax rates are low relative not only to other countries, but to other periods in our history.

The spending levels recommended in federal budgets, ours included, reflect an often excruciating trade-off between how much the people of a nation wish to spend to meet their public needs and how much they are willing to deprive themselves personally through taxation.

The amount of Federal tax revenues in 1976¹ which would be available under present tax laws and rates is estimated to be \$284.4 billion. The total of expenditures we have recommended for that year exceeds the projected revenues by \$69 billion. This is the case even though our recommendations include substantial reductions in spending for defense, farm subsidies, highways and several other programs, as well as compromises with goals we consider desirable in almost every other area of social need. The aspect of forced choices in the priority setting process cannot be avoided so long as we continue to live in a world where human wants exceed available resources.

We have faced up to these choices and recommended only those programs and funding levels for which social benefits promise to exceed social costs (the costs being the sacrifice of private consumption involved in raising taxes).

Americans can fairly be asked to pay the \$353 billion in taxes and other charges which will be required in 1976 to finance our recommended set of programs if that tax burden is shared equitably and if the priorities reflected in those programs are responsive to citizen concerns. In addition, we believe that to any extent our recommended spending reductions in defense or other areas are not achieved, taxes should be further increased. Otherwise, we would have to forego some of the improvements in public services we have recommended in favor of additional expenditures for consumer goods.

If we are serious about solving our problems we must be willing to tax ourselves more. Currently, governments in other Western nations command a higher proportion of Gross National Product for taxes than the United States does. Only in Japan, which spends negligible sums on military defense and where the private sector provides for many of the income security and employment needs normally tended by the public sector, does a smaller proportion of Gross National Product (19.1 per cent, compared to 28.3 per cent for the U.S.) accrue to the public sector. The following are the most current available statistics:

TABLE 23:1.—TAX YIELD (PERCENTAGE OF GNP) AND BROAD USES IN NINE NATIONS, 1967

	Total percent tax yield	Portion allocated to defense spending	Portion available for other services
United States.....	28.3	9.5	18.8
Canada.....	29.9	3.2	26.7
West Germany.....	35.3	4.4	30.9
Italy.....	30.8	3.2	27.6
Japan.....	19.1	.9	18.2
Sweden.....	40.8	4.0	36.8
United Kingdom.....	32.8	5.8	27.0
France.....	36.7	5.1	31.6

Sources: 1969 U.N. Statistical Yearbook, and the London Institute for Strategic Studies annual report on military expenditures.

Considering, in addition, that none of these nations spend as much as we do supporting military forces, it is not surprising that many of them can afford and do provide services still not available in the United States.

Additional tax revenues could be raised in three basic ways:

- a) tax reform;
- b) imposing new or expanded taxes or charges to finance the social costs of particular services; and/or
- c) raising rates on existing taxes.

As a matter of fairness, attention must first be directed to tax reform. It also makes good political sense to look first to tax reform, for any new taxes or tax rate increases will

¹ Years are federal fiscal years unless otherwise stated.

become more politically feasible if the public is convinced that the tax system is equitable.

TAX REFORM

One of the fundamental premises which in theory underlies the imposition of personal taxes in the United States is that tax incidence should vary according to an individual's ability to pay. In other words, taxes should be progressive. The reality is far different from the concept. The total burden of federal, state, and local taxes falls as heavily on the poor as on the affluent; there is virtually no difference in the proportions of their income which taxes take.²

Persons earning less than \$2,000 a year pay nearly 40 per cent of their incomes in taxes. Those who earn between \$2,000 and \$50,000 uniformly have about 30 per cent of those earnings taken by taxes. Only for individuals earning over \$50,000 does the tax bite increase to 45 per cent.

The inequities in tax incidence are particularly acute at state and local government levels, but they also extend to the federal tax system.

The need for federal tax reform exists primarily in individual and corporate income taxes, plus estate and gift taxes. Federal income tax rates are progressive on paper, but a variety of special exemptions and privileges in reality greatly reduce the intended impact of the graduated federal system. Elimination or modification of many of these exemptions and privileges would rightfully place a larger portion of the tax burden on the more wealthy—as the tax laws were designed to do.

A considerable number of special exemptions and privileges remain, including:

Preferential treatment of capital gains, the income earned from increases in the value of stocks, bonds, and other property. Such gains are now taxed at lower rates than income from other sources.

Preferential treatment available to oil, gas, and other mineral extraction industries. The costs of exploration and development of wells are allowed to be depreciated (the special equivalent term used for mineral extraction industries is "depletion") over a period of years just as are investment costs in other industries. But special privileges allowing accelerated recognition of those costs for tax purposes are extended to these mineral extraction industries.

A special 100 per cent investment tax credit on commercial maritime vessels. No other industry qualifies for any such credit.

Allowance of special accounting privileges for farmers. In order to ease the bookkeeping chores of farmers, income tax rules permit them to deduct from income as business expenses the amounts they paid in cash or by check during a year, rather than the expenses incurred (cash instead of accrual accounting). Easing this chore remains a valid objective, but the privilege is now being manipulated by wealthy "gentlemen" farmers who use paper losses from farming sideline operations to shelter farm income from other sources.

Exclusion from taxable income of an individual's initial \$100 in dividends.

Allowance of financial institutions to shelter part of their otherwise taxable income by setting it aside as a reserve against bad debt losses. This privilege is basically sound, but implementing rules allow the reserve amounts to be set at levels far above reasonably expected losses. The 1969 Tax Reform

² These results were concluded in an analysis published in 1969 by the Council of Economic Advisors, based on 1965 taxation and incomes. The analysis has been updated in an as yet unpublished study based on 1968 data by Herman P. Miller, chief of the population division of the Bureau of the Census. The major conclusions of the studies are highly consistent.

Act established machinery to eliminate this privilege, but only by 1987, and in phases.

Allowance of deductions by homeowners for property taxes and interest on mortgages.

Allowance of deductions of interest on consumer credit.

Exclusion from taxation of interest on state and local government bonds.

Preferential income tax treatment for U.S. citizens living abroad.

Allowance of a double personal exemption, taken both by parent and dependent, in cases where a dependent works and earns income.

A network of exemptions and tax rates on gifts and estates which keeps more than 75 per cent of the wealth passed on through gifts or estates free from taxation. Currently, federal estate taxes are imposed on the privilege of transferring property at death, rather than on the recipient of income from an estate.

If all these privileges and exemptions were completely eliminated an additional \$24.8 billion more than what is now expected would be collected in federal taxes in 1976, excluding estate and gift taxes, for which the potential gains are quite open-ended. The political prospects of such massive changes in tax liability being enacted *completely* are nearly nonexistent. There are good reasons why the probability is so low. Widespread disagreement exists among reasonable men concerning the whys and hows of tax reform in these particular instances.

The reasons why these privileges and exemptions have become lodged in the tax structure—and the cases that can be marshalled for retaining all or part of them—are quite diverse. In some instances, they still make excellent sense as inducements to accomplish particular economic or social objectives. In other cases, though, these privileges serve as testimony to the raw power of special interest lobbies—and have no social justification. In still other instances, they originally served a valid social purpose which now has disappeared, or they have come to be partly misused.

In each of the examples mentioned, though, we believe that strong consideration should be given to potential reforms. More often than not, modification may be a more appropriate course of action than complete elimination.

We may add some specificity to the general flavor of these objectives by examining some model reform suggestions regarding five of the relatively larger candidate privileges.

Treat capital gains as ordinary income for tax purposes except in instances where capital is supplied for new fund raising efforts (e.g. new stock issues).

Eliminate completely the special privileges for oil, gas, and other mineral extraction industries.

Limit to \$15,000 a year the amount of "phantom" farm tax loss any individual or corporation can apply against other income.

Continue to encourage home ownership among low and middle income families, but reduce the subsidy of high income families—who would likely buy homes in any case—by setting maximum annual allowable deduction ceilings of \$500 on mortgage interest and \$300 on property taxes.

Recoup more of the wealth being passed between generations by setting a lifetime exemption limit of \$50,000 on recipients of estate and gift taxes and by taxing all appreciation of assets, realized or not, upon transfer.

Whether these particular proposals³ or

³ Complete implementation of these five illustrative reform proposals would by 1976 provide an additional \$13.4 billion in federal revenues as follows: capital gains \$7.4 billion, mineral extraction industries \$2.2 billion, farming \$0.3 billion, home ownership

some alternative suggestions are most desirable is less important than the fact that they convey a feeling for the kind and degree of modifications which are sensible and fair. In our judgement, a package of tax reforms should be initiated effective no later than 1974,⁴ which altogether produce annually at least \$6 billion in additional revenues. These revenues should be considered a subsidiary social dividend from the reforms. The central reason for undertaking them must be the restoration of fairness to the federal tax system.

Many taxpayers are further aggravated by the unfair impact of state and local taxes. The main problem is heavy reliance on property taxes, which impose a particularly heavy burden on low-income and middle-income homeowners. In some states and localities, flat rate sales taxes—which do not exempt necessary items such as food, clothing, and drugs—also heavily burden those same taxpayers. Revising state and local government tax structures to distribute their burdens more fairly is an important part of the total tax reform agenda. It is a part that the federal government cannot *directly* bring about. But the federal government can and should provide incentives for states and localities to undertake such reforms as we have suggested in Chapter 7.

FINANCING PARTICULAR SERVICES

In some instances, the federal government collects revenues to be used for particular purposes. This approach harbors a potential danger—taxes can continue to be collected and earmarked for a particular purpose long after need has diminished. But there are situations when earmarked taxes are valid. Some government programs, like Social Security, are primarily social insurance programs; individuals contribute and later (or in an emergency) become beneficiaries. In other cases, taxes are imposed to recover social costs of particular actions (e.g. taxes on alcohol in order to pay for the rehabilitation of alcoholics) even though the revenues may not directly be so earmarked. We recommend a variety of increased tax rates and new taxes of these types.

As discussed respectively in Chapters 2 and 4, we recommend increases in Unemployment Insurance, Social Security, and Railroad Retirement taxes to pay for expanded benefits and coverage. In a similar vein, we recommend in Chapter 5 the imposition of a 5 per cent income surcharge for individuals and a 3 per cent payroll earnings base tax for corporations to indemnify part of the costs of National Health Insurance. The remaining costs of the NHI program, essentially contributions to pay for medical care of those who cannot themselves afford it, would come from general federal revenues. Tax receipts from these four social insurance programs are estimated to be:

[In billions of dollars]

	1971	1972	1973	1974	1975	1976
Social security (OASDI).....	34.8	37.4	47.6	53.2	60.5	69.0
Railroad retirement.....	1.0	1.2	1.4	1.5	1.6	1.9
Unemployment insurance.....	3.6	7.2	7.9	8.5	8.7	9.5
National health insurance.....			1.4	25.9	27.5	29.4

\$1.5 billion, and estate and gift taxes \$2.0 billion.

⁴ As a practical political matter, Congress—having recently (December 1969) enacted a comprehensive tax reform package—is unlikely to consider carefully further tax reform proposals before 1972 at the earliest.

It is important to understand that the government role in these programs is fundamentally that of an insurance agent. Increased tax collections for these programs do *not* mean an enlarged portion of national resources are being directed to public purposes. Rather, the government is serving as an agent to encourage saving and to spread risk so that particular individuals are not suddenly confronted with a financial crisis.

The U.S. tax system, even allowing for heavy state and local use of sales taxes, relies relatively lightly on excise taxes. This light emphasis should continue. Exceptions should continue to be made, however, for sumptuary taxes on commodities or services considered socially undesirable (e.g. cigarettes), taxes imposed on those who benefit directly from particular government services (e.g. air travellers, who benefit from the Federal Aviation Administration air traffic control system), and regulatory taxes to assist law enforcement.

The United States has been particularly laggard in raising sumptuary taxes to levels high enough to stimulate altered behavior. We propose tripling the federal excise tax on cigarettes (which effectively would increase the market price of cigarettes by one half) to discourage their use and to help defray the public costs of cancer research and treatment.⁵ Similarly, we recommend raising the levy on alcohol 50 per cent to help defray added costs of treatment of alcoholism and other indirect societal costs.⁶ In both cases, dollar tax rates have remained unchanged since 1952; their relative bite has been eroded by inflation. As discussed in Chapter 10, we also recommend increased user charges in order that generally high income beneficiaries pay for the benefits they receive and can afford in the following areas: aviation and airways systems development, Corps of Engineers navigation projects, Coast Guard aids to commercial navigation and recreational boating, and use of the St. Lawrence Seaway.

Altogether such increases in excise taxes and user charges would annually yield by 1976 an additional \$8.6 billion in federal revenues—\$3.4 billion from transportation—even making conservative allowances for declines in the purchases of these goods and services as a result of the tax increases. As desirable as these user charge and excise tax changes are, we doubt they can be enacted either fully or immediately. For estimating purposes, we will assume that one-third of these potential revenue gains are achieved beginning with 1974. This would mean additional 1976 revenues amounting to \$2.8 billion.

TAX RATES

In combination, then, we foresee about \$51 billion⁷ in additional revenues which should and can reasonably be expected to be produced through tax reform and increased revenues for particular purposes (see Table 23:2). These increases would cover only three-fourths of the gap between the aggregate level of desired expenditures and revenues projected before provisions for these or other changes.

⁵ The intent is to make cigarette and alcohol users pay for part of the costs those products force upon society at large. We do not recommend, however, that such revenues accrue to a trust fund earmarked solely for treating persons who suffer from alcohol- or cigarette-related diseases.

⁶ \$11.9 billion was subtracted from the \$29.4 billion expected in National Health Insurance revenues as an allowance for Hospital Insurance (HI) revenues which would have been collected had that program not been supplanted.

TABLE 23.2.—INCREASES IN 1976 TAX REVENUES

[Receipts, in billions of current dollars]

Desired level of outlays.....	353.6
Revenues in 1971.....	194.2
Dividend from economic growth (1971-76).....	+90.2
Total.....	284.4
Tax reform.....	+6.0
National health insurance ¹	+17.5
Increase in OASDI, railroad retirement, and unemployment insurance taxes.....	+24.9
Increase in excise taxes and user charges.....	+2.8
Expected 1976 tax receipts at 1971 rates.....	-335.6
Deficit.....	(17.9)

¹ \$11.9 billion was subtracted from the \$29.4 billion expected in National Health Insurance revenues as an allowance for Hospital Insurance (HI) revenues which would have been collected had that program not been supplanted.

Clearly, revenue increases of any substantial magnitude for general purposes must be raised through higher income tax rates on corporations and individuals. Present tax rates are low relative not only to other countries, but to other periods of our own history. Tax levels during the last twenty years have fallen substantially. And the 1950's, after all, was a period of international peace and relative domestic tranquility. Yet tax rates were a good deal higher at that time than they are in 1970 when the need for public services seems demonstrably greater. As Arthur Okun has calculated,⁷

"If the nation were willing to return to the average income tax rates that prevailed from 1954 to 1961, we could have roughly \$25 billion a year more to spend on social programs than with the tax rates now in prospect for the early 1970's. If our combined

⁷ Arthur M. Okun, *The Political Economy of Prosperity*, 1969, pp. 125-126.

federal, state and local taxes as a percent of GNP matched the average of the major Western European countries, we would have about \$40 billion to \$50 billion more a year in government revenues."

A 10 percent surtax on corporation and individual income⁸ would raise federal revenues nearly \$18 billion—enough to bridge the remaining revenue-expenditure gap. We recommend that such a surtax be enacted beginning in 1974, in conjunction with the suggested tax reform measures.

Altogether, these recommended revenue measures would support the program expenditures we have suggested and enable the pursuit of appropriate fiscal policy. They would produce the pattern of federal revenues described in Table 23.3.

⁸ This surtax would be in addition to the 5 per cent surtax on individual incomes earmarked for financing National Health Insurance.

TABLE 23.3.—PROJECTED FEDERAL REVENUES¹

[Receipts in billions of current dollars]

	Administration		Urban coalition recommendations				
	Estimated, 1971	Proposed 1972	1972	1973	1974	1975	1976
Individual income taxes:							
Current laws.....			(93.6)	(98.6)	(105.4)	(113.0)	(120.5)
Recommended.....	88.3	93.7	93.6	98.6	118.0	126.3	134.5
Corporate income taxes:							
Current laws ²			(33.1)	(41.0)	(48.5)	(54.7)	(58.3)
Recommended.....	30.1	36.7	33.1	41.0	55.5	62.3	66.3
Individual income NHI health surtax:							
Current laws.....							
Recommended.....				.3	5.9	6.3	6.7
Corporate NHI health taxes:							
Current laws.....							
Recommended.....				1.1	20.0	21.2	22.7
Other social insurance taxes and contributions:							
Current laws.....			(53.6)	(59.1)	(62.0)	(66.1)	(69.5)
Recommended.....	49.0	57.6	58.2	70.0	66.4	72.7	82.4
Excise taxes:							
Current laws.....			(17.8)	(19.0)	(20.4)	(20.8)	(21.2)
Recommended.....	16.8	17.5	17.8	19.0	22.5	22.9	23.4
Estate and gift taxes:							
Current laws.....			³ (5.3)	(4.1)	(4.3)	(4.5)	(4.7)
Recommended.....	3.7	³ 5.3	3.8	4.1	6.1	6.4	6.7
Other:							
Current laws.....			(7.1)	(7.8)	(8.6)	(9.4)	(10.2)
Recommended.....	6.3	7.1	7.1	7.8	9.1	10.0	10.8
Total:							
Current laws ²			(210.5)	(229.6)	(249.2)	(268.5)	(284.4)
Recommended.....	194.2	217.6	213.6	241.9	303.5	328.1	353.5

¹ These revenue estimates are based on the economic assumptions set forth in App A. They also reflect consideration of projections made by the Council of Economic Advisors in the 1970 and 1971 "Economic Reports of the President," and Charles Schultze in "Setting National Priorities: The 1971 Budget."

² Excluding the January 1971 administration action allowing accelerated writeoff of business depreciation costs, an action we recommend be retracted.

³ The rapid increase is nonrecurring; it is primarily due to a recently enacted speedup of estate tax collections. We suggest that this action be deferred and coupled with our other recommended estate and gift tax reforms.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 24

HON. THOMAS M. REES

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. REES. Mr. Speaker, I include chapter 24 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD:

CHAPTER 24. GOVERNMENT REFORM

Budget recommendations acquire full meaning only in the context of the government structures through which they are implemented.

The essence of this Report is an examination of needs and program alternatives and the allocation of limited dollars to diverse

public needs. Budget recommendations acquire full meaning only in the context of the government structures through which they are implemented.

We do not attempt to consider here the myriad of government reform issues. In order to keep our focus on the relative claims of various public needs, our Report, for the most part, has consciously avoided recommending which department or agency ought to direct a particular activity. Neither do we consider this Report the proper vehicle for considering issues such as the caliber of people attracted to public service or the relationships between legislative and executive branches of government.

At the same time, the implementation of our program recommendations would have a far from neutral impact on government operations. By drawing together some of the suggestions scattered throughout this Report, we hope to describe here the major dimensions of the very explicit vision of responsibilities and functions of different levels of

government which guided our program recommendations.

The shaping strategy has been to assign the federal government responsibility for responding to national problems, while looking to state and local jurisdictions to deal with their own unique problems and to provide everyday services.

The national government must assume responsibility for assuring that every citizen receives basic human necessities such as an adequate minimum income and quality personal health care. In both cases, we have recommended federal assumption of nearly all government costs of these functions, thereby relieving a substantial current state and local government burden. Both functions will also require an enlarged program scope—embodied in a combination of income maintenance proposals which will assure the poorest American a sustaining income, and a National Health Insurance program in which nearly all Americans would participate.

We have also called for a new, but limited federal role in public education. We have

linked federal assistance to elementary and secondary schools to performance standards of students (in reading and mathematics) and in such a manner that we expect this federal assistance to affect the conduct of education, nationwide, in a fundamental way. Nevertheless, central responsibility for the structure and content of elementary and secondary education would remain the province of local communities. This program is predicated on the federal responsibility to ensure that citizens leave public schools with the basic skills required for participation in the economy.

The sum thrust of these proposals is toward a federal role which concentrates income on transfer programs, rather than the delivery of services. The federal government has always done relatively well in the former role—witnessed by its effectiveness in collecting taxes and managing programs like Social Security and Veteran's benefits. Federal performance in service delivery, on the other hand, has often been inadequate, as measured by a lack of effectiveness in accomplishing program objectives. Despite usually excellent intentions, federal efforts to manage and deliver compensatory education, manpower training, and other services have far too often produced dismal results.

Another vital federal role is protection of the basic rights of citizens from special interests which possess far greater economic, social, or political power than does any individual. It is in the pursuit of this responsibility by the federal government that we recommend the establishment of a new Consumer Protection Agency with far broader powers than the offices it would replace, and new mechanisms for an assuring inclusion of civil rights considerations in all major federal programs and policy decisions.

The federal government must define national priorities, making choices among the alternative possible purposes federal resources can serve, and specifying objectives to be achieved. It has a right and responsibility in dispensing financial aid to other government jurisdictions to insist that such aid be directed to those purposes. Nonetheless, differences do exist among states and localities. The prospects for achieving national objectives will be advanced by the incorporation of as much flexibility as possible into federal program guidelines.

In many instances, this purpose will be served by consolidating numerous, narrow, categorical grants into larger purpose block grants which permit recipient jurisdictions to define their own local priorities within a specified area (manpower training, transportation, etc.) and to tailor their programs to specific local needs. This is the course of action we have recommended for federal assistance in the fields of manpower training, law enforcement, and transportation. Simplification of application and reporting procedures for federal assistance should also be encouraged; the benefits of local participation in federal government programs is still far too often diminished by the expensive burden of paperwork.

It is also imperative that state and local governments sharply improve the quality and extent of services they now provide. The barrier most immediately preventing them from doing so is financial capacity. There can be no doubt that more money is an essential requirement. Cities particularly are going broke. Instead of improving the quality of services they provide, they are reducing the number and reach of those services. But money alone will not be sufficient. New dollars must be accompanied by reform of state and local government structures. An essential part of a strategy for increasing federal aid to states and localities must be

provisions which tie that aid to guidelines and requirements for such reform.

Diverse kinds of reform are called for including:

Requiring states and localities to prepare development plan as a prerequisite for receiving any federal assistance.

Greater metropolitan-wide and state-wide cooperation.

Reform of archaic local government structures.

By far the most important reform required is in state and local government tax structures. We recommend increased federal financial contributions to states and localities; national purposes will be well served by improving the capacity of local governments to respond to the needs of their citizens. But the major increase in financial resources will have to be provided by states and localities through their own taxes. Federal aid should incorporate incentives for, and in some cases be premised on, additional state and local tax effort. The incentives should be designed to ensure that, as the burden of state and local taxes grows, it also becomes more equitably distributed. This latter concern is essential; failure to respond to it would, among other things, frustrate federal income maintenance objectives and increase the expense of fulfilling them.

Finally, attention needs to be focused on the need for improved evaluation of programs at all levels of government. Far too many government programs have been initiated hastily in recent years, rather than being based on sound social data. An even more inadequate job has been done in evaluating program results to determine whether they conform to objectives, and thus to provide a knowledgeable basis for renewing, revising, or scrapping them. Government reviews have generally been confined to financial inspection to protect against fraud. That sort of review is important, but must be supplemented by performance reviews by trained social scientists whose assignment is to assess program effectiveness and impact. Much of present citizen unease about government has a valid basis in the perpetuation of public programs which provide poor returns on investments of tax dollars. Improved evaluation is required to ferret out these ineffective activities and to make government officials more accountable.

Counterbudget itself is designed to contribute to accountability on a somewhat broader plane. By showing in disciplined analytical terms what social objectives could potentially be accomplished by the federal government, we provide a mark against which the performance of the Administration, the Congress, and the American people can be tested.

COUNTERBUDGET: A BLUEPRINT FOR CHANGING NATIONAL PRIORITIES 1971-76—CHAPTER 25

HON. RICHARD BOLLING

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. BOLLING. Mr. Speaker, I include chapter 25 of the National Urban Coalition's "Counterbudget: A Blueprint for Changing National Priorities 1971-76" in the RECORD.

CHAPTER 25. THE WILL TO ACT

We have the economic resources to create a better America, if we have the will to redirect them.

A principal reason we have not accomplished our goals in the past has been our unwillingness to provide sufficient monies to the public sector. Whenever there has been the prospect of a budget surplus, Americans have traditionally chosen to enjoy the illusory fruits of tax reductions rather than to support public service programs.

With good reasons—even beyond the inappropriate effect such an action would have on our deflated economy—Americans would vigorously oppose an *immediate* increase in taxes. To increase income taxes without previous tax reform would be intolerably unjust. Nor can American citizens be expected to support tax increases when the current pattern of uses for tax receipts—including a residual \$3 billion allocation for a war in Southeast Asia—is so distorted.

If, however, our nation's priorities are re-ordered in the directions we suggest, Americans can fairly be asked to support higher taxes in 1974—when we suggest an increase take effect. People must be willing to pay larger tax bills if they can expect in return tangible improvements in public employment, health, education, law enforcement, and other services which rank high on their personal lists of priority needs.

This document attempts to show very clearly what the real social needs of this country are and how much it is likely to cost to address various portions of those needs. The case must then be put squarely to the American public: are we at last ready to support the priority shifts and make the tax effort necessary to achieve our stated goals?

We do not suggest that the budget proposals in this document will provide all the answers or even necessarily the best answers. It attempts to measure the extent of our problems and to offer one interconnected set of solutions. We argue strongly only that the basic direction of our recommended priority shifts and suggested levels of public revenue make sense.

We can accomplish what we must. We can provide for the basic needs of all our citizens, while preserving the free enterprise system which has fueled the development of the most powerful economy in the world.

We can provide for all Americans the quality of health care, education, housing—indeed, of life—which they have a right to expect from the richest country in the world.

We have the economic resources to create a better America, if we have the will to redirect them.

In the long term, the measure of our success will be the degree to which national priorities are shifted in these directions. The means to this end—and our more immediate objective—is to stimulate others to respond to the task of making budget choices and articulating priorities. National priorities will not be reordered to reflect the needs of the nation without the stimulus of an informed, broadly reaching national debate.

OUR ENVIRONMENT

HON. MARGARET M. HECKLER

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mrs. HECKLER of Massachusetts. Mr. Speaker, one of the most pressing tasks before the Congress in the seventies is the need to discover and implement new

and innovative means to control and reduce environmental pollution.

While no one disputes the existence of the problem, there is a wide range of opinion on the most effective solution. For this reason, the Congress must encourage the development of proposals combating pollution.

For some time I have been interested in a comprehensive proposal for attacking water pollution through the establishment of river basin authorities with power and responsibility to control water quality along an entire stream.

One that has come to my attention has been developed by Marc J. Roberts, assistant professor of economics at Harvard University. In an article in the Harvard Law Review last year, Dr. Roberts explained his proposal in some detail pointing out the potential effectiveness of basin by basin planning and the possibility of economies of scale if waste treatment facilities can be adopted.

The concept embodied in the Roberts proposal is one that reflects my own personal view on the direction we must take in ending the ravages of water pollution. The Roberts proposal is based upon the idea that any action must be both comprehensive and realistic if it is to be effective.

I am pleased the council for policy evaluation, a broadly based citizens group of outstanding Americans, will release Dr. Roberts' latest paper on this subject within the next few days. The paper will be made available to each of our colleagues, Mr. Speaker, and I commend it to their attention.

RESOLUTIONS ADOPTED BY BOARD OF DIRECTORS OF TEXAS FARMERS UNION

HON. OLIN E. TEAGUE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES
Thursday, May 20, 1971

Mr. TEAGUE of Texas. Mr. Speaker, under leave to extend my remarks in the RECORD, I wish to include the list of resolutions adopted by the board of directors of the Texas Farmers Union in their meeting held on April 24, 1971:

RESOLUTIONS ADOPTED BY TEXAS FARMERS UNION

DROUTH RELIEF

Whereas, much of Texas remains in the throes of a persistent drouth,

Whereas, immediate and massive federal drouth disaster relief programs are particularly needed,

Whereas, President Nixon has announced the details of a "pre-disaster" relief program for a portion of the needy counties,

Whereas, USDA regulations require that a recipient of drouth feed and hay file a financial disclosure or "poverty oath" to be eligible for aid,

Be it resolved, that the Board of Directors of Texas Farmers Union questions the sincerity of Secretary of Agriculture Hardin's visit to Texas to review the drouth situation,

That the Board feels that Secretary Hardin is misleading drouth stricken Texas farmers

and ranchers by representing that they will have access to low-cost supplies of grain and hay without red tape,

That it is evident that no self-respecting farmer or rancher would take advantage of the grain and hay program as it is presently constituted, because of the requirement of a financial disclosure and poverty oath that is intended to discourage those who need assistance from taking advantage of it,

That the Secretary of Agriculture apparently considers the drouth relief program, badly needed in some areas of Texas in spite of the recent rains, as a poverty program rather than one which is intended to relieve the hardship to the rural communities that are hard-hit by the drouth disaster.

That the Secretary of Agriculture is apparently more interested in the political impact of his trip to Texas and his announcement than in doing anything that will materially benefit the farmers and ranchers of the state who are faced with economic disaster because of the persistent drouth.

RURAL DEVELOPMENT PROGRAM

Whereas, the rural development program as proposed by the Nixon Administration to be financed through revenue sharing would be more of a rural dismantling program than one of development.

Whereas, since there is no new money recommended in the proposal and all proposed fundings for important rural programs are below that which was appropriated by Congress for fiscal year 1971, it is evident that several federal-state grant-in-aid programs would be eliminated. These include the rural water and sewer system program, the rural environmental assistance program, and the agricultural extension service program.

Whereas, the states, hard-pressed for funds, would be likely to take the federal funds and use them to make up what otherwise would be the state contributions to the important programs.

Be it resolved, that the Board of Directors of Texas Farmers Union go on record in opposition to the financing of the rural development programs through so-called revenue sharing.

USDA REORGANIZATION

Whereas, the dividing of the Department of Agriculture into various fragmented agencies would mean the complete loss of identity of the Department of Agriculture in the higher echelons of government,

Whereas, the reorganization of USDA would result in the loss of numerous services and agencies necessary to agriculture,

Whereas, farmer programs would receive a low priority in an agency that is not farm oriented and directed by a non-agricultural department head,

Be it resolved that the Board of Directors of Texas Farmers Union go on record in strong opposition to the Nixon proposal to reorganize the United States Department of Agriculture.

BROTHERS FIGHT WASTE IN FEDERAL FOOD PROGRAM

HON. BARRY M. GOLDWATER, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES
Thursday, May 20, 1971

Mr. GOLDWATER. Mr. Speaker, my colleague BILL SCHERLE is well known here in Washington, D.C., for ferreting out the misuse of food stamps. On the other side of the continent, in my State of California, another Scherle, who happens to be Bill's brother, Robert, is also

active in exposing improper practices in the Federal food program.

According to a recent issue of the Los Angeles Herald Examiner, Robert Scherle, a Ventura County deputy district attorney, has been instrumental in raiding a commune-type home near Santa Barbara. Sheriff's deputies confiscated almost a ton of Welfare Department food from the house, apparently intended as provisions for a treasure hunt.

I am inserting the article on the west coast Scherle's activities in the RECORD at this point:

THIRTEEN JAILED IN WELFARE FOOD FRAUD

VENTURA.—Ten men and three women are in the Ventura County Jail following a raid on a commune-type home near Santa Barbara where deputies confiscated almost a ton of Welfare Department food, apparently intended as provisions for a treasure hunt.

Ventura County Deputy Dist. Atty. Robert Scherle, who obtained warrants, identified the ringleader as a man who calls himself "Capt." Jim Nash, 35. All were jailed on conspiracy and theft bookings, according to Scherle, who said members of the commune have been "fraudulently obtaining commodities" from the County Welfare Bureau in both Ventura and Oxnard.

He said the Santa Barbara County Welfare Department had been victimized in previous years, but the switch to Ventura County was made necessary when Santa Barbara began issuing food stamps instead of actual food.

He identified the group as "Quest International," also known as "Summerland Pirates," and said they had associates in San Diego and Nova Scotia. "Enough food supplies have been taken over the past dozen years," said Scherle, "to provide rations for shipping to both San Diego and Nova Scotia."

He said the commune has "been training people to do scuba diving so they can take a ship to the Caribbean and dive for sunken treasure."

Nash, according to Scherle, has made "several trips" to the area. Scherle said the group advertises in the newspapers for persons to go to the commune type home in Summerland, pay an entry fee, and do odd jobs to raise money for the planned excursion.

The officials said his investigation revealed "they just came out (to the welfare offices) and filled out the forms, and nobody ever asked any questions."

He said they not only picked up enough food to sustain themselves and their associates, but also planned to have adequate provisions for their trip.

MAN'S INHUMANITY TO MAN—HOW LONG?

HON. WILLIAM J. SCHERLE

OF IOWA

IN THE HOUSE OF REPRESENTATIVES
Thursday, May 20, 1971

Mr. SCHERLE. Mr. Speaker, a child asks: "Where is daddy?" A mother asks: "How is my son?" A wife asks: "Is my husband alive or dead?"

Communist North Vietnam is sadistically practicing spiritual and mental genocide on over 1,600 American prisoners of war and their families.

How long?

MIDDLE EAST: STALEMATE OR SETTLEMENT?

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. HAMILTON. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include a column by Zbigniew Brzezinski on the Middle East from the May 17, 1971, edition of Newsweek:

STALEMATE OR SETTLEMENT

(By Zbigniew Brzezinski)

In all the rhetoric about the Middle East, one issue is rarely discussed explicitly: what is the American national interest and what policies can best serve that interest?

I would define that interest as follows: it is to prevent a power hostile to the U.S. and to our European allies from becoming dominant in the region. Such domination would place in jeopardy a variety of economic and political interests of paramount importance to the U.S., affecting even such distant areas as Japan (given the overwhelming Japanese dependence on Middle Eastern oil).

To safeguard that interest, it is desirable for the U.S. to protect the security of Israel and simultaneously to seek friendly relations with as many Arab governments as possible. To accomplish the above, a settlement between the Israelis and the Arabs is clearly necessary. Otherwise, it is almost inevitable that the Arabs will gradually become more radicalized while Soviet influence both expands and consolidates itself.

A cynic might say, why not abandon Israel altogether? The answer is that to do so would be tantamount to bowing to Soviet pressure and hence to offer the more intransigent Arabs visible proof of the desirability of their alliance with the Soviet Union. Moreover, it is a fact that moral considerations are involved and even realism dictates respect for moral imperatives.

DIVERGING INTERESTS

The above does not mean, however, that the U.S. must define its Middle Eastern policy in keeping with the Israelis' definition of their interest. It does appear that the Israelis basically prefer a prolonged stalemate to a settlement, and they hope to exploit Arab dependence on the Soviet Union to commit the United States to the Israeli position. They do so because, understandably enough, they put little faith in international guarantees or Arab promises. They do so also because a stalemate increases the likelihood of Israeli retention of Arab territory.

It is here that American and Israeli interests diverge. It is also here that, paradoxically, Israeli and Soviet tactics converge. The Soviets, too, prefer a stalemate to either a new war or a settlement. The former poses the prospect of another Arab defeat (or costly and dangerous Soviet involvement) and the latter would inevitably reduce the dependence of the Arabs on the Soviets.

To advocate a settlement is, of course, not the same thing as to demonstrate how one can be achieved. Nonetheless, it certainly will not be achieved if a settlement is to mean that the Arabs are to accept both the frontiers of Israel and Israel's simultaneous expansion. This is why the territorial issue is both so sensitive and so crucial.

WEIGHING THE RISKS

Moreover, it is time to face the fact that in our age, given modern weaponry, even the extension of Israel's frontiers will not create

true security. In effect, the Israelis can have politically accepted but strategically insecure frontiers or strategically perhaps somewhat more secure frontiers but politically unacceptable ones. Obviously, on weighing the risks, Israel prefers the latter and that is why it has been maneuvering for a stalemate. Yet, as Ben-Gurion recently said, "peace is more important than real estate . . . real peace with our Arab neighbors—mutual trust and friendship—that is the only true security."

It follows, therefore, that it is both ultimately beneficial to Israel and certainly in the American interest for the U.S. to use its diplomatic and military leverage to separate the question of territory from the question of security. Our objective should be to link a graduated step-by-step Israeli withdrawal essentially to the old frontiers with a parallel reduction in the Soviet military presence in the Middle East, with the vacated territories subject to supervised demilitarization. An approach of this sort might still find the Arabs receptive, for it would mean recovery of territory in exchange for acceptance of Israel and the departure of the Soviet military. At least, it would hold out an alternative more promising than a hopeless stalemate.

JUST ANOTHER DAY FOR CUBA

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. DERWINSKI. Mr. Speaker, in happier times our neighbors in Cuba observed May 20 as their Independence Day. For the past dozen years, unfortunately, it has been just another day for the unhappy inhabitants of that island country.

Although Mexico and the Central and South American nations had obtained their freedom from Spain and Portugal early in the 19th century, Cuba remained a colony of the former from 1492, when it was discovered by Christopher Columbus, until 1898. While under Spanish domination, the people of Cuba were denied citizenship and slavery was not abolished until 1886.

As a result of the Spanish-American War, Spain withdrew from Cuba on January 1, 1899, at which time the United States took over for a short transition period. During the American occupation, tremendous progress was made in the fields of education, public health, legal reform, and public works. Yellow fever which had plagued the island for centuries, was eradicated.

On May 20, 1902, the United States, faithful to its promise, formerly withdrew from the Pearl of the Antilles and Tomas Estrada Palma was inaugurated as first president of the new republic. Independence lasted until 1959, when Cuba became a captive nation. While Fidel Castro is nominally its ruler, the island is for all practical purposes a part of the Soviet Empire.

While life in Cuba from 1902 to 1959 was not a bed of roses, neither has it been a paradise since Castro took over. The

best evidence is that so many Cubans fled the island and began life anew in the United States.

Mr. Speaker, let us hope that the day of deliverance for Cuba will not be too long delayed and that it will soon be able to rejoin the family of free and independent nations. The 20th of May will then regain its full significance as Independence Day.

MEMBER OF PRIESTHOOD 50 YEARS

HON. GILBERT GUDE

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. GUDE. Mr. Speaker, on Friday, May 21, 1971, Cardinal Patrick Aloysius O'Boyle, spiritual leader of the Roman Catholic Archdiocese of Washington, D.C., will celebrate his 50th anniversary as a member of the priesthood. For 23 years Cardinal O'Boyle has led the Archdiocese with courage and distinction. In this time, the Catholic population of the area has more than doubled—from 165,000 to 386,420—and the number of parishes has risen from 82 to 123.

Cardinal O'Boyle has had to face a variety of modern urban problems. His programs for the city have stressed school expansion, racial harmony and aid to the needy. The record of major accomplishment is clear. Under his direction desegregation was begun in Catholic schools in 1948. A building program was inaugurated to meet the demands of a burgeoning Catholic population. Over 130 new schools were built and there were major new additions. He established a preparatory seminary, the Cathedral Latin School, for young men.

To provide for the special needs of orphans, senior citizens and the sick, Cardinal O'Boyle undertook to oversee construction of St. Ann's Infant Home, Carroll Manor Home for the aged, Villa Rosa Home for the aged, and the Lt. Joseph P. Kennedy Institute for exceptional children.

As a leader in interfaith and racial justice activities, he served as chairman of the Interreligious Committee on Race Relations from 1963 to 1965. For 5 years he served as chairman of the National Catholic Welfare Conference Administration Board.

Under the Cardinal's direction, the Urban Rehabilitation Corp. sponsored by the Archdiocesan Office of Urban Affairs, began a project to renovate and rehabilitate ghetto houses and arrange mortgage loans to inner city residents. In addition, day care centers were established in the ghetto neighborhoods.

Cardinal O'Boyle's reputation is world wide. During the First Vatican Council, in 1862, he was in the forefront of the drive to repudiate antisemitism and at that time, he was elected to serve on the Commission for Seminaries, Studies, and Catholic Schools.

In elevating the Washington Arch-

bishop to the college of Cardinals in 1967, Pope Paul VI singled out Cardinal O'Boyle's administration of the enormous Catholic Relief Services program during World War II as a major humanitarian effort—"One of the brightest episodes in American history."

In February, 1968, President Johnson presented the Cardinal with the Brotherhood Award, given by the National Conference of Christians and Jews for his "effective efforts in improving intergroup understanding and for his leadership in obtaining greater economic educational opportunities for persons of all races and creeds."

In November, 1967, the Washington Chapter of the American Jewish Committee awarded the Cardinal the Isaiah Award for his war against poverty and his open housing efforts in the Washington suburban area.

The Cardinal has been awarded a Commemorative Plaque by the American Jewish Committee for his leadership in passing a declaration at Vatican Council II strongly denouncing antisemitism.

In 1966, the Louis Harris Survey of Black residents of the District of Columbia ranked Cardinal O'Boyle first among 21 white leaders for his efforts toward racial harmony and full equality.

Cardinal O'Boyle has been the recipient of many honorary degrees, including a Doctorate of Humane Letters from St. John's University, and Doctorates of Laws from the University of Notre Dame, St. Bonaventure's, and the University of Scranton.

For his outstanding service and dedication to the residents of the Washington area and indeed to all humanity, Cardinal O'Boyle deserves only the highest possible praise. I wish to join many hundreds of others in congratulating the Cardinal on his 50th anniversary and in wishing him many more years of happiness and continued success.

ELICOTT CITY—ALIVE AND THRIVING

HON. GOODLOE E. BYRON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. BYRON. Mr. Speaker, Ellicott City, Md., is one of the many small towns near Washington and Baltimore that preserves the charm of another century. Ellicott City has managed to retain its charm and at the same time remain a vital, active community. The Central Maryland News published an article on May 20, 1971, describing the history and the present renaissance in Ellicott City, and I would like to share this tribute to a fine city:

GHOST TOWN IS ALIVE AND THRIVING

(By Ed Price)

It is hard to realize that ten years ago, Ellicott City was practically a ghost town. The magic has struck! The 184-year-old mill town has gone through an exciting Renais-

sance which has made it a mecca for all those who love the modern mixture of genuine early Americana and interesting shops and boutiques.

A decade ago, the once busy streets were quiet except for the twice-daily roar of rush hour traffic from Catonsville and Baltimore. At five o'clock, the town shut down except for the occasional bar or restaurant catering to local trade.

The barking of dogs echoed throughout the silent town and added to its loneliness.

The business, which had kept the town filled with people, had made its exodus to the giant shopping centers located in Baltimore County.

The trolley was gone and the railroad had cut service sharply. Not even a passenger train served the town. Route 40 had rerouted Greyhound service so that not even this serviced Ellicott City.

For the first time in 200 years, Ellicott City was a dead town.

In the earliest beginnings of the town, Ellicott City serviced only itself and the surrounding countryside.

The spawn of a mill established on the Patapsco River by the Ellicotts, the town consisted of a cluster of houses and shops which served workers of the mill.

Ellicott's Mills (as the town was called in its early years) was an ideal business location.

The entrance of the railroad and the establishment of the town as a major depot on the National Road, did much to promote trade.

In the 1830's, excursion trains brought the elite from Baltimore—with plenty of cash in their pockets—to enjoy the rural atmosphere in the town.

Gaily-painted stagecoaches, traveling the National Road, stocked hotels and restaurants with solvent trade.

Taverns and saloons filled with lusty men: heavily drinking, shouting at the top of their lungs, singing drunken songs and plunking down money on the bar.

The flow of money into the till was steady and generous.

Soon Ellicott's Mills became a highly fashionable summer resort and the town became quite rich.

The town's career as a resort came to a close with the advent of the Civil War. However, trading was still alive and brisk. Not even conflict could empty its pockets.

After the war, and into the early 1950's, the town enjoyed good business. I remember going to Ellicott City with my mother, father and sister in those days.

Thursday night was the big night then. Main Street was ablaze with lights and the sidewalks were so crowded that, at times, pedestrians were literally forced into the street by their own kind.

Ellicott City looked the same then as it does now. Hardly anything has changed, in its overall physical appearance.

Every store was open and doing brisk business. The bells of cash registers could be heard on the street even above the hodgepodge of voices.

To a child, the din became music. The rushing and shoving were a game. It was all like some great carnival.

Somehow, Dad managed to always force himself into a packed drugstore and emerge with half-melted ice cream cones. To my sister and I, it was the high point of the evening.

I think we always found a parking place on Main Street. Remember I speak of a time before the city parking lot.

We would ride up and down the street in the old '39 Chevy, turning around in the depot yard to the east and the street car depot to the west, until we came upon someone surrendering his parking spot. We would

wait, not too patiently, for the driver to negotiate his way out, and then try to slip in before someone beat us to it.

Some times, we were beaten. This would be an invitation for the air inside the car to turn blue.

Remember, too, that this was a time before the city's main street had been widened. It was a terrible mess. Two cars could barely pass each other and the big bend in the middle became a major bottleneck.

There is a story that a man, charged with drunken driving, was hauled before the magistrate. The man, obviously inebriated, was weaving back and forth like a willow caught in a gentle wind.

"What happened," the judge said to the town cop.

"The man is drunk, your honor," said the officer. "What's more, he drove back and forth through the town on Thursday night three times in this condition."

"Did he hit anything," asked the judge looking at the man through his spectacles.

"No, your honor," was the reply.

The judge sat straight. "Anyone who can drive up and down Main Street three times on Thursday night without hitting anything couldn't be drunk. Case dismissed," said the judge as the defendant collapsed in a drunken stupor.

That was about the size of it. Traffic and parking conditions were terrible at best.

To make it worse, Ellicott City was serviced by the Baltimore Transit Company which operated a street car down the middle of Main Street.

We called this ancient carrier the "Jerkwater" because of its violent rocking action while in motion.

The "Jerkwater" often proved a major obstacle to the motorist.

However, the parked car proved a major obstacle to the "Jerkwater". Often was the time when progress stopped altogether while the conductor left the street car to search for an inconsiderate motorist who had not pulled into his parking space far enough.

Needless to say, traffic backed up a mile.

It was hard to see Ellicott City die. But that is what was happening. In the middle 50's it began, and by 1960, the period of inactivity had set in.

The big shopping centers, with their ample parking space and other advantages, had taken the business away.

In the beginning of the '60s, a few antique and specialty shops began moving into the town but it was hardly a revolution.

These shops puttered along barely breaking even as the antique boom was yet to be born.

Then suddenly it struck and almost overnight, Ellicott City was filled with antique and specialty shops.

Once again, the streets were filled with people and whole families came back into the town.

Ellicott City was offering what no other town in the area could offer—a concentrated string of interesting little shops, crammed to overflowing with fascinating odds and ends.

Like its neighbors, Georgetown and New Market, Ellicott City cashed in on the antique boom.

Ellicott City holds a fascination to Columbians too.

It is one of the oldest mill towns still intact to be found anywhere in the country.

Ellicott City's Main Street represents a spectrum of American history and architecture stretching from 1772, when the first building was erected, to 1972.

It is perhaps no coincidence that Howard County contains one of the most interesting and authentic early American towns barely six miles from one of the newest and most exciting new cities in America.

BIKE DAY

HON. SEYMOUR HALPERN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. HALPERN. Mr. Speaker, Sunday about 150 dedicated bicyclists, including Secretary of Transportation John A. Volpe, City Council Chairman Gilbert Hahn, Jr. and other dignitaries, braved cloudy skies and wet roads to celebrate Bike Day in Washington. The bicyclists pedaled along a 7-mile route which included Rock Creek Parkway, Virginia Avenue NW., and the Lincoln Memorial.

This marks the second time in recent weeks that bicyclists have joined together to promote bicycling. Monday, May 6, 1971, I was joined by 30 of my House colleagues in a ride to promote National Bikeology Day. "The Great Bike Ride," as it was dubbed by the press, was a strong expression of our concern to promote bicycling as a mode of transportation and a means of exercise.

Both of these efforts demonstrate an undercurrent which is gaining strength and which heralds the return of the bicycle as an essential part of our transportation system. As an editorial in the Washington Star recently indicated:

After years of neglect as the country has gone automotively mad, the bicycle is gaining respect as the felicitous mode of transportation it has always been.

It is important that people begin to realize that the bicycle is not merely owned and used for recreational purposes. The bicycle can become an important part of our transportation system.

The environmental advantages of such a development are obvious. Air pollution could be substantially reduced by increased reliance on the bicycle. Highway congestion and traffic jams would also be lessened. In addition, those who would engage in "commuter-cycling" would receive the added benefit of healthful exercise.

But the full potential of bicycle transportation cannot be realized without the necessary support systems. Just as there can be no railroad without tracks, or a bus system without highways, so there must be special facilities for bicycle traffic. For example, I recently polled 250 Congressmen's offices and discovered that 120 employees on Capitol Hill now ride bikes to work, and more than 400 stated they would do so if there were adequate parking facilities.

Sunday, in a prepared statement, Secretary Volpe indicated his intention to make Washington a model city of bicycles. He hopes to encourage bicycle commuting in Washington by exploring the possibility of exclusive rush-hour bicycle lanes on city streets and for vandal-proof bike racks at all Federal buildings. In addition, the City Council intends to hold hearings this Friday on proposals to create several new bicycle routes.

All of these efforts demonstrate the

beginning of model programs to promote a rational transportation alternative. I heartily support them and urge the support of my colleagues. But it is only a beginning. Hopefully, in future years, bicycling will take on a major role in the transportation of our citizens in urban areas.

REVENUE SHARING

HON. WILLIAM L. HUNGATE

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. HUNGATE. Mr. Speaker, President Nixon describes revenue sharing as an "idea whose time has clearly come."

It certainly is an idea that spent a long time on the road, wearing many disguises, and traveling with a bewildering assortment of friends.

Its oldest friend is Henry Clay, who did not trust President Jackson to spend intelligently a \$28 million surplus that had accumulated in 1837, largely from the sale of Federal loans. Clay pushed through Congress a plan to divide the money among 26 States for them to spend as they saw fit. The plan was in operation for 9 months. The Nation's first attempt to share revenues with the States died in 1838, when a recession wiped out the Federal surplus.

Should not that sound familiar for a President who proposed a balanced budget and wound up with an \$18 billion deficit and then proposed "an expansionary budget"—that is the Nixonomics term for deficit spending. The Chamber of Commerce of the United States, the Nation's biggest business association, and the AFL-CIO, the Nation's biggest labor group, both oppose revenue sharing.

The plan is to return to States and cities some \$16 billion of Federal revenues a year—\$5 billion in general revenue sharing with no strings attached, and \$11 billion in special revenue sharing, to be spent according to local rather than national priorities.

The \$11.4 billion figure for special revenue sharing consists of \$10.4 billion from categorical programs and \$1 billion of new money.

To find the \$10.4 billion of the special revenue-sharing funds—in other words, over 90 percent of them—the administration would tap these major programs for phasing out:

- Aid for vocational education;
- Agricultural Extension Service;
- Aid for the educationally deprived;
- Aid for impacted school districts;
- Regional Development Commissions;

and

- Economic development assistance.

Among the grant programs that would be transferred to a special transportation fund are:

- Federal aid to highways;
- Airways Trust Fund; and
- Urban mass transportation.

Under the administration's proposal, this \$10.4 billion of the special revenue-

sharing funds would then be allocated automatically according to a computerized formula measuring local need. How is this for giving the Government back to the people?

In some cases, revenue sharing would mean less money for medium-sized cities. The computerized formulas proposed for distributing special revenue-sharing funds would dock some cities as much as 20 percent of their present Federal grants.

An assistant to Treasury Secretary John Connally admits:

They threw local and State officials a curve with the \$11 billion in revenue sharing.

One billion dollars of the \$11.4 billion was thrown in as a sweetener. There is no "scientific formula" involved in its distribution.

The White House calls it "hold harmless" money, to assure that no State or local government will get less under special revenue sharing than it has been getting under categorical grants. What a formula for progress. A computerized program to enable us to stand still. The suggestion is ridiculous. Calvin Coolidge patented the art of standing still before computers were invented. It is enough to make you join Congressman UNALL of Arizona in asking—is revenue sharing a trick or treat for taxpayers?

Among the toughest and most thankless jobs in America these days are those held by thousands of mayors, aldermen, county supervisors, and other local officials who struggle on the front lines of Government. I say "front lines" because crime, drug addiction, poor education, overcrowded and inadequate schools, crippled public health facilities, garbage and sewage which cannot be moved—the problems which threaten our stability as a people are being confronted in large part on the school boards and in the courthouses and city halls of America. Washington can help, but Washington will never solve these terrible problems.

There is an annual contest for the taxpayer's limited dollars, and in this struggle Uncle Sam writes the rules so he comes in first, and city hall finishes last. Yet it is the courthouse, city hall and school board which we ask to fight our most crucial social battles.

It is not as though Uncle Sam has failed to give money to local governments. We already have a massive sharing of revenue: This year about \$30 billion in Federal "grants" will go from Washington to States, cities, school districts, universities, and the like. But these funds flow through a crazy quilt-like pattern of some 500 disconnected Federal grant programs added one by one over the past 40 years.

People pressing for revenue sharing are asking why educators in Columbia, St. Louis, Kirksville, St. Charles or Florissant, should have to travel to Washington and shop among 100 different school programs to find which fits its current need—and more important, which has money in its account—for each program is funded separately. The \$11 billion spe-

cial revenue sharing program is not new money—or a new idea. It is just a new name the White House gives to the Federal "grants" we talked about earlier.

You might ask what could possibly be wrong with a program which gets local decisions back in local hands, cuts the growth of Federal programs, stops overlapping jurisdiction and competition of Federal agencies, cuts down the hordes of Federal bureaucrats deciding local community programs, and helps to bail out our bankrupt cities.

Well, a lot of people do see a lot of things wrong with it. So let us take a look at the case against revenue sharing. To begin, imagine the indignation of a new wife who is invited by her husband to share his checking account and happily accepts, only to be told it is \$2,000 overdrawn. The critics of revenue sharing are asking with some scorn, "Where is all this money coming from and just what revenue is it we're going to share?"

You might ask what is wrong with sending \$5 billion in general revenue sharing funds directly to State and local officials. In other words, President Nixon suggests dividing \$5 billion with no strings attached to Gov. George Wallace, Mayor Daley, and the new city council of Berkeley, Calif.

It is too late to mail "no strings attached" funds to Paul Powell, but perhaps we could put some in a shoe box for him.

Revenue sharing is no simple problem and becomes more complicated daily, as this revenue sharing, power to the people President, continues to freeze over \$12 billion in needed public works and other funds—moneys which were appropriated last year—funds already appropriated to help State and local governments build schools, sewers, homes, and highways; to combat floods and control pollution. All he needs to do to start this revenue sharing is call his budget office.

The problem is complex and grows more so, the more you study it. One solution suggested is to permit tax credits for State income tax paid. Under this plan Federal funds would be redistributed to the States in proportion to their own State income tax effort.

President Nixon objects to tax credits claiming they are too complicated in States without income taxes, and that, in order to simplify the machinery, the Federal Government would have to coerce States into adopting income taxes.

Is not that a shame. States like Texas, Florida, and Ohio, which have no State income tax, and have for years received Federal grants, Federal matching funds, and Federal loans, would have to adopt a State income tax program just like their poor relatives in Missouri have had for over a quarter of a century.

Missouri is one of the States that would receive more revenue with tax credits than under revenue sharing. Missouri would receive 10 percent more under a system crediting you and your State for State income tax paid, while a State like Florida, which has no State income tax, would get 13 percent less under a tax credit program.

All of this caused the great Demo-

cratic Gov. John J. Gilligan, of Ohio, to say.

Revenue sharing is like true love, it's very hard to define, but the Nixon definition is "unworkable, unrealistic and hopelessly inadequate."

I express my appreciation to our colleague, MORRIS UDALL, and the National Journal for ideas of theirs which I have generously borrowed in preparing this analysis of the President's revenue-sharing proposal.

GETTING THE JOB DONE

HON. DONALD M. FRASER

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. FRASER. Mr. Speaker, South African apartheid is not a laughing matter. It is vicious racism. But in addition to denying basic human rights to the black majority in South Africa, apartheid has an Alice-in-Wonderland quality about it. The three brief items reprinted below are from X-Ray, a newsletter on current affairs in Southern Africa, published in London. They illustrate the "through-the-looking glass" quality of South African life.

The items follow:

GETTING THE JOB DONE

"In most cases these white artisans are not really qualified, because in the Transvaal we simply employ everyone who applies for a job as long as he is white. We then allocate to him a couple of Bantu who know the job but are not allowed to do it, and eventually the job gets done in a reasonable manner, at a very slow rate and at an exorbitant price".

Statement by a builder, quoted in a report on the building industry by the University of the Witwatersrand.

A construction firm in Pietermaritzburg has issued its African workers engaged in the laying of building blocks with garden trowels instead of builders' trowels. This removes them from the category of "skilled workers" to that of "unskilled workers". The men are doing the same job as before, after a three month halt in the work by order of the Department of Labour. The Department has approved the new arrangement.

Under a provision in the Job Reservation Act, Africans may not perform skilled work on white homes in white areas; but if "non-artisan" tools are used, a job is defined as "unskilled".

THE BEST RECORD

During the past two years, 455 men have been retained in the South African police force after being convicted of crimes of violence, ranging from assault to attempted murder. Seventy-five of these were found to have had previous convictions. This information was contained in a statement to the House of Assembly last month by the Minister of Police, Mr. S. L. Muller.

Commenting on the figure for previous convictions, Brigadier Rocco de Villiers, former Deputy Commissioner of Police, said that it "looks terrible on paper, but is not in perspective". Taking into account that there were 35,000 policemen in South Africa be explained, this represented only .002 per cent. of the total.

"No organisation is without crime", said Brig. de Villiers, "but I feel our police have what is probably the best record in the world for the lack of crime within their ranks."

TRANSPORTATION STRIKES

HON. ROBERT P. GRIFFIN

OF MICHIGAN

IN THE SENATE OF THE UNITED STATES

Friday, May 21, 1971

Mr. GRIFFIN. Mr. President, recently the staff of the Minority's Policy Committee completed a useful study pointing up the urgent need for reform in the inadequate laws now available to cope with nationwide transportation strikes. Issued May 20, 1971, the study was prepared, not as a policy statement, but as a presentation of relevant facts and views. I ask unanimous consent that the study be printed in the RECORD:

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

THE RECENT RAIL STRIKE AND THE NEED FOR REFORM LEGISLATION

INTRODUCTION

At one minute after six Monday morning, May 17, 13,000 members of the Brotherhood of Railway Signalmen walked off their jobs in a totally legal strike against the Nation's major railroads.

By Tuesday afternoon, May 18, the coal industry was rapidly closing down, steel plants were laying off men, several of the major auto manufacturers' plants were working only part-time, first harvest of the spring produce crop in the Southwest was beginning to rot, 400,000 commuters dependent on the rail lines for access to major cities were stranded in massive traffic jams, thousands of tons of mail were banked on railroad platforms, and railroad freight yards across the country were a massed tangle of freight cars, switch engines, and idle equipment.

Thus, one-tenth of one percent of the 83.5 million member labor force in the United States was able, legally to threaten the Nation's economy; this at a time when America was beginning to show signs of major resurgence from the Vietnam wind-down economic lull.

The word "legal" is stressed because, under existing law, the men were within their rights in walking off the job and tying up the national rail system. Whether their wage and other demands were justified is not discussed here because, just or not, they made the demands and struck to achieve their goals within the law.

On May 17 President Nixon asked congressional action to force extension of negotiations until July 1, 1971. The President said Secretary of Labor Hodgson would continue to assist in the negotiations and would report back to Congress by June 21 if no settlement had been reached.

In effect, the President was asking Congress to make the current strike illegal and to force the parties back to the bargaining table.

Tuesday night Congress responded, setting an October 1, 1971, deadline for negotiations instead of the July 1 date asked by the President. This postponement of the strike is in keeping with the record of recent years.

LEGISLATIVE HISTORY

This was the eighth time in the past 10 years that transportation labor disputes had become the urgent business of Congress on a piecemeal, one shot basis.

The record as compiled by Congressional Research Service, Library of Congress:

1. Public Law 88-108, approved August 28, 1963 (77 Stat. 132). Established a seven-member arbitration board to make a decision binding on both parties (Class I railroads and five operating brotherhoods) with respect to use of firemen on diesel locomotives and

the size of road and yard crews. These were the two primary issues in dispute. Directed the parties to immediately resume collective bargaining on all other (secondary) issues not covered by the arbitration provision.

This law blocked a threatened nationwide railroad strike scheduled to begin at 12:01 a.m., August 29, 1963. The action marked the first time since 1916 that the Congress imposed an ad hoc legislative settlement for a rail dispute.

2. Public Law 90-10, approved April 12, 1967 (81 Stat. 12). Delayed for 20 days a strike scheduled for April 13 by six shop-craft unions against most of the Nation's major rail lines, accounting for over 95 percent of the total rail mileage in the United States.

The issue in dispute was wages.

3. Public Law 90-13, approved May 2, 1967 (81 Stat. 13). Delayed for an additional 47 days, until June 19, 1967, a threatened nationwide strike by six shop crafts against most of the Nation's Class I carriers, with the understanding that President Johnson would offer a plan to settle the controversy "within a few days."

4. Public Law 90-54, approved July 17, 1967 (81 Stat. 122). Authorized the President to create a special board to mediate the rail dispute and, if not settled after 90 days, to impose a settlement. The impasse was the same one which occasioned enactment of Public Laws 90-10 and 90-13 (see above).

5. Public Law 91-203, approved March 4, 1970. Prohibited strike or lockout for 37 days in the dispute between rail carriers represented by the National Railway Labor Conference and four shop-craft unions (machinists, electricians, boiler-makers, and sheet metal workers).

6. Public Law 91-226, approved April 9, 1970. Provided settlement of the labor dispute between the carriers and unions indicated above, in item no. 5. Established as the contract the terms of the memorandum of understanding, dated December 4, 1969, agreed to by all negotiators for the disputing parties, although subsequently ratified by the general membership of only three of the four unions involved.

7. Public Law 91-541, approved December 10, 1970. Extended until March 1, 1971, a prohibition against strike or lockout in dispute between Class I carriers and four rail unions (operating employees, except engineers; railway clerks; dining car employees; and maintenance of way employees). Provided a 13½ percent pay increase for the employees involved, five percent retroactive to January 1, 1970, and the remaining eight and one-half percent effective November 1, 1970.

CURE NEEDED

One of the leading labor experts in the Congress, Senator Robert P. Griffin of Michigan (co-author of the Landrum-Griffin Act), has long recognized the need for comprehensive legislation to prevent nationwide emergency transportation strikes. This, he said, would serve the best interests of both workers and the public.

For 15 months no committee in either House has held hearings on the Senator's bill, S. 560—first introduced February, 1970; re-introduced (with Senator Robert Dole of Kansas) February 3, 1971 (Cong. Rec. pp. 1544-1548). The bill would provide machinery to assure conclusive settlements of transportation labor disputes before critical work stoppages occur and without the need for repeated special legislation.

On May 18, 1971, during debate on still another ad hoc congressional settlement of a nationwide rail strike, Senator Griffin was able to extract a promise to hold hearings on permanent legislation from the chairman of the Labor and Public Welfare Committee.

Senator Griffin's objective: enactment of legislation that would guarantee settlement in a fair and reasonable manner of labor dis-

putes in the transportation industry. Thereafter, Congress could get out of the business of negotiating periodically labor contracts, in a crisis atmosphere under the gun of a strike already in progress.

Congress has continually found itself in such situations because the Railway Labor Act machinery doesn't work. It discourages negotiation and virtually guarantees Federal intervention. Under the Railway Labor Act, emergency provisions have been invoked 187 times in 45 years—an average of four times a year, and work stoppages at the end of the 60-day period have occurred more than once a year since 1947. The trouble with the Railway Labor Act, Senator Griffin points out, is that:

"Under existing law, the parties know they can bargain half-heartedly until the strike deadline. They can almost count on the appointment of an Emergency Board to take over, and each side then nurtures the hope that the recommendations of the Board will strengthen its own bargaining position . . . emergency procedures which were originally designed to be a last resort have now become almost a first resort."

TAFT-HARTLEY ACT PROVISIONS

By contrast, the Taft-Hartley Act, even in its present form, has a better track record than the Railway Labor Act. The Taft-Hartley emergency provisions have been invoked 29 times since passage in 1947, and in 8 of these cases—all related to transportation—a strike or lockout occurred after the 80-day cooling-off period.

Senator Griffin's bill would expand the coverage of the Taft-Hartley Act to all transportation industries, and improve the Taft-Hartley machinery by giving the President three new options at the end of the present Taft-Hartley 80-day cooling-off period.

As Senator Griffin explains it:

"The first option would allow the President to extend the cooling-off period for as long as 30 days. This would be an especially attractive alternative if the dispute appeared to be close to settlement.

"The second option would permit partial operation of the affected industry. In such a case the strike or lockout could continue in part, but danger to the national welfare could be minimized by keeping essential segments of the industry in operation for up to 6 months.

"The third option would involve the process of 'final offer selection.' Under this alternative, each of the parties would be given 3 days to submit final offers. The parties would then have an additional 5 days to bargain concerning these offers. If no agreement were reached, a panel of three neutral members would, after formal hearings, choose the most reasonable of the final offers as the binding settlement.

"This option would guarantee a conclusive settlement without a work stoppage. Such a procedure would provide a strong incentive for labor and management to reach an agreement. Neither side could afford to hold to an extreme position, since such a stand would almost force the panel to accept the offer of the other side."

The core principle of this approach is that vital transportation services should be maintained while labor disputes are fairly settled and the governmental intervention required to protect the public interest is kept to a minimum.

FINAL OFFER SELECTION

The settlement system in the third option (final offer selection) of S. 560 is a modified form of compulsory arbitration designed to reward reasonableness. Most observers agree that conventional compulsory arbitration merely encourages each side to step up its demands in anticipation of a "split-the-difference" decision.

In a sense this is what happens under the Railway Labor Act now. Congress, in effect,

imposes a "split-the-difference" settlement, which both sides anticipate from the beginning. Under the Griffin bill the parties to the dispute would be encouraged to submit reasonable offers by the knowledge that the panel would select the most reasonable offer without alteration as the final and binding contract.

Senator Griffin has addressed himself to some of the realities, political and economic. He says:

"Frankly, we are a long way past the point when we should have faced up to the fact that our Nation, our economy, simply cannot tolerate a nationwide rail, airline, trucking, or maritime strike in wartime or in peacetime. Now, some will throw up their hands in horror because the President's legislative proposal, which I have introduced, smacks of compulsory arbitration. The Administration does not use that term in its explanations—but I will. I believe there are segments of our economy in which we have no realistic choice but to move toward a system of compulsory arbitration.

"The scheme proposed by the Administration for application to the transportation industry is about as fair and reasonable as any I have ever heard of. And the transportation industry is ripe for compulsory arbitration. Not only is it a vital and essential industry, but it is already highly regulated by the Government. For the most part, the Government already assigns routes and limits its competition in the various segments of the transportation industry. And the Government already regulates its rates or prices. So, it would seem to make sense for the Government to have a firm hand in determining wage levels as well."

THE JAVITS APPROACH

Senator Jacob K. Javits of New York has also introduced a bill which extends a similar approach beyond transportation to all strikes and lockouts which threaten national or regional health and safety.

The Javits bill, S. 594, would make the following major changes in the present law:

1. In the event that an emergency dispute is not settled within the 80-day cooling-off period provided under the Taft-Hartley Act, the President would have the power to issue an executive order, prescribing the procedures to be followed by the parties thereafter, and any other actions which he determines to be necessary or appropriate to protect the health and safety of the Nation or region of the Nation affected by the dispute.

Such actions and procedures would be designed to ensure that operations and services essential to the national or regional health and safety would not be interrupted by strikes or lockouts. The President's order would be subject to a veto by either House of Congress within 15 days.

2. The emergency disputes provisions of Taft-Hartley would be made applicable to disputes which threaten the health and safety of a region of the country, as well as the whole Nation.

3. The existing emergency procedures of the Railway Labor Act would be repealed; all industries would be subject to the emergency procedures of the Taft-Hartley Act, as it would be amended by the bill.

4. Emergency boards would be permitted to make recommendations if the President so directs and the President would be given power to freeze the status quo for 30 days before invoking the court-ordered 80-day injunction in order to permit bargaining with respect to emergency board recommendations of findings.

In introductory remarks on the Senate floor, Senator Javits noted that his bill is considerably broader than the Administration's proposal, submitted by Senator Griffin, which applies only to national emergency disputes in the transportation indus-

try and provides only three options to the President, namely partial operation, final offer selection, or a 30-day extension of the status quo. Senator Javits praised the Administration's proposal (the Griffin bill) and explained that he was introducing a separate bill because "I believe broader protection . . . is necessary to protect the country fully, and because I believe that the Labor and Public Welfare Committee should have alternative approaches before it when hearings are held on this legislation.

"I cannot believe," said Senator Javits, "that we do not have the courage to face our responsibility to protect the American people from these disputes. . . . The floor of the Senate or the House is not an appropriate place to resolve wage rates, work rules or any other issue involved in a labor dispute."

CARROLL COUNTY WORK-STUDY PROGRAM

HON. GOODLOE E. BYRON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. BYRON. Mr. Speaker, on May 24 the Carroll County, Md., Board of Education will hold a dinner at the Black & Decker Co. in Hampstead to honor the employers who have hired students in the Carroll County work-study program. This is an excellent program that has met with great success. Presently, three of the four high schools in Carroll County are participating in the program, and next year all four will have work-study education programs.

The work-study program is an effort to make high school education more meaningful and rewarding for the students. During the morning the student participates in small classes specifically designed to provide him with the vocational skills and attitudes that will make him a good employee. Heavy emphasis is placed on the development of positive social and personal habits.

As a vital part of this training the student is placed in a job during the afternoon. Here the student is able to put into practice the skills and attitudes developed in the classroom. The value of what is being taught is immediately apparent to him. Success on the job reinforces the student's schoolwork and vice versa.

I would like to commend the Carroll County Board of Education for undertaking this training program and the industries and employers who have participated. The employers include: Shower Lumber & Millwork, Westminster Kindergarten, G I Cleaners, Westminster Tire & Service, Inc., Gilbert's Trophy Co., Western Maryland College, Hook's Plumbing & Heating, Roberston's Gulf Station, the Hub, Safeway Store—Westminster Shopping Center, Kessler Shoe Co., Sears, Roebuck & Co., Wade Office & Machines, Goodyear Retread Plant, Co-op Super Market, Ames Department Store, Davis Buick, Westminster Motors, Bob's Variety Store, Carroll County Times, Maryland Hampstead Co., Black & Decker, Dutterer's Flower Shop, Inc., Dutterer's of Manchester, Inc., Dean's Restaurant, Snyder Body, Mr.

James A. Curry, Mr. Leidy, Westminster Nurseries, Inc., Schaeffer Lumber Co., Wheeler Chevrolet, Inc., Yingling General Tire, Inc., Parks Ford, Inc., Mrs. Siggs.

THE UNITED STATES AND ISRAEL

HON. EDWARD I. KOCH

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. KOCH. Mr. Speaker, I would like to insert in the CONGRESSIONAL RECORD a column written just before Passover by David Horowitz which appeared in a number of newspapers, including The Hebrew Watchman and the B'nai B'rith Messenger. Mr. Horowitz reflects on Israel's past—and the spiritual and political bond that exists between the United States and Israel and promises to extend into the future.

I include the article as follows:

WHY AMERICA WILL STAND BY ISRAEL

(By David Horowitz)

UNITED NATIONS (WUP)—Once again we face a Passover season as our hearts turn to the past, and it's still Pass-Over for the children of Israel. History is repeating itself in all its stark and perilous reality, but this time, as we take to the Seder table and read the Hagaddah, the Exodus and Egyptian episodes have taken on global dimensions. The struggle, in reality, is not a local one. It is a conflict between East and West and America is very much involved. There can be no escape for Washington.

Despite the current apparent differences which have arisen between the United States and Israel on the question of a peace settlement, it is the view of your correspondent that, when the situation will come down to brass tacks, in any showdown contingency, both the White House and the Congress—notwithstanding the Fulbrights and the State Department Arabists—will stand firmly by Israel.

It might be queried: On what grounds does he believe that the United States will not repeat what it did in 1956-57 under the Eisenhower Administration, namely, once again join the Soviet Union and the group of non-aligned UN states in a bold attempt to compel Israel to withdraw prior to her securement of a negotiated peace?

Your correspondent's reply to this is quite simple. First of all, President Nixon is not a "Dulles-guided-Eisenhower." He makes his own decisions. Next, it is to the best interests of America to keep the Jewish State strong in a region most vital to the security of the U.S. The loss of Israel as a Western bulwark would be tantamount to the loss of the Free World's one and only absolutely-sure foothold in the Near East. One can never know what paths the politically unstable Turkey, Greece or even Italy will take. Everyone knows where Israel stands.

But there is another, even more important reason why this writer believes America and Israel are linked in a common destiny. It is something which goes far beyond the political contingencies of the day, and this redemptive Passover season is an appropriate time to touch upon the matter.

The entire history of America's emergence as a haven for the down-trodden and oppressed of all nations, but more particularly of the wandering Jewish peoples, testifies to the prophetic role Providence had destined the new Promised Land to play in the scheme of things for the planet Earth. Its evolution

as the mightiest nation in the world, the most fruitful and prosperous, fits into the prophecies imparted to Joseph by Jacob and then by Moses. It is no accident that the Mormons termed the land they beheld "Zion."

The Founding Fathers, who saw a parallel between the history of ancient Israel and their new Zion, founded this nation on a base cemented with Hebraic mortar. The first U.S. sovereign Seal submitted to the Continental Congress by Jefferson, Adams and Franklin—portraying the Egyptians engulfed in the Red Sea with Moses and the Israelites safe on the opposite shore and containing the legend: "Rebellion to Tyrants Is Obedience to God"—bears testimony to this fact.

The Puritans at one time seriously considered adopting Hebrew as their national language and the early settlers gave Hebrew names to their children and also designated towns and cities after name-places in the Holy Land. Still more important was the fact that the American form of government was patterned after the Mosaic legislative set-up, as the late Oscar S. Strauss has so eloquently brought out in his volume entitled "The Origin of Republican Form of Government"—a valuable little book that ought to be in the home of every American.

It is good to know that there are many members of the Senate and the House today, as also a host of Americans throughout the nation, who have not only not forgotten how and in what manner the Thirteen Colonies came into being but who, by their words and deeds, have proved themselves faithful to the spirit that motivated the Founding Fathers.

Twenty years ago, in the third year of Israel's statehood, your correspondent met with the then Prime Minister David Ben-Gurion in his Jerusalem office and handed him a communication from a group of former American non-Jews who had adopted the Hebraic faith through the movement known as United Israel World Union, which was established in 1943. Enthusiastic over what he learned about this group, Ben-Gurion replied in a spirit which touches upon the very essence of what we have stated in this column. His historic letter dated Jerusalem, 29th August, 1951, is worth recording:

"Dear friends,

"Your kind letter of August 20th was conveyed to me by Mr. David Horowitz.

"I was deeply moved by its contents and by your fine gesture in sending us your symbolic bag. I have told my colleagues in the Government of Israel of your letter and of your gift. The flag I have handed over to the State of Israel and, in accordance with your wishes, it will be kept in Jerusalem, the Holy City, the capital of our State.

"You rightly draw attention to the common ideals which link together our two countries—the United States of America and the Republic of Israel. It would be difficult to find a closer resemblance than that between the history of the United States and the rebirth of Israel—the burning zeal for human freedom which inspired the Pilgrim Fathers in their quest for a new home, their pioneer effort to reclaim and rebuild wastes and deserts, the struggle of the young people for its freedom and independence, the creation of a new home for the persecuted and down-trodden from all parts of the globe and the establishment of a new democratic society of hard-working men and women—these aspiration and endeavors characterized the great days of the young American Republic, the greatest freedom-loving commonwealth in the New World. And these ideals and aspirations also mark the efforts of our young and small republic in the Old World.

"Three great events which occurred more than three thousand years ago have, for all

times fixed the place of the Jewish people in the history of mankind: the Exodus from Egypt which marked its rise from slavery to freedom, the revelation on Mount Sinai which signified Israel's acceptance of the divine law and the conquest of Palestine by Joshua the son of Nun. In accordance with the promises given by Providence to the Fathers of the nation—Abraham, Isaac and Jacob.

"We know that the spirit of the Hebrew Bible vibrated in the hearts of the founders of your great commonwealth and we are happy to learn that that spirit is still alive in your great country.

"I shall place before our Government your suggestion that a special coin be struck to commemorate the lasting friendship between our two nations. I should like to convey our special gratitude to Mrs. Ruby Goodin, Mrs. Myrtle Smith and Emily Sparks, who made your first symbolic flag.

"Permit me to end this letter by quoting the prayer pronounced three thousand years ago by King Solomon after the completion of the House of God in the city of Jerusalem—

"Moreover concerning a stranger, that is not of the people Israel, but cometh out of a far country for Thy name's sake; for they shall hear of Thy great name, and of Thy strong hand, and of Thy stretched-out arm, when he shall come and pray toward this house, Hear Thou in heaven Thy dwelling place, and do according to all that the stranger calleth to Thee for: that all people of the earth may know Thy name, to fear Thee, as do Thy people Israel; and that they may know that this House, which I have builded, is called by Thy name."

"Let us all remember that man was shaped in the image of God. May it be granted to us to strengthen the sense of human love and brotherhood among all the nations of the world.

"Sincerely yours,

"(S) DAVID BEN-GURION,

"United Israel World Union,

"507 Fifth Avenue, New York, N.Y."

Here, then, we have a vital Passover Season message, which may be applicable to all Americans, both Jews and non-Jews. Indeed, America's destiny is bound up with that of Israel. There can be no escape.

FEDERAL PURCHASES OF ORANGE JUICE HAS NOW RAISED PRICES TO CONSUMERS

HON. CHARLES A. VANIK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. VANIK. Mr. Speaker, on March 10 of this year, I called to the atten-

tion of the House the fact that the Department of Agriculture was spending \$3 million to purchase 878,750 cases of processed orange juice to help prop up sagging prices paid growers.

At that time I said that—

It is outrageous for our Government to subsidize higher prices for the consumer by purchasing orange juice for the benefit of the producers and the processors.

Now my prediction of higher prices has come true and it is the American consumer that is being squeezed. The May 12 Wall Street Journal carried a small notice that—

Lykes Pasco Packing Co., a leading orange juice processor, raised the price for a dozen six-ounce cans of frozen concentrate to \$1.78 from \$1.68.

This is the second recent price increase. Late last month Lykes Pasco . . . following moves by several smaller processors, increased the price to \$1.68 from \$1.53.

This amounts to a 16-percent increase in the cost of orange juice within a month. It is time that the Department of Agriculture began to consider the consumer instead of just the processors.

LEST WE FORGET

HON. CLARENCE E. MILLER

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. MILLER of Ohio. Mr. Speaker, in a land of progress and prosperity, it is often easy to assume an "out of sight, out of mind" attitude about matters which are not consistently brought to our attention. The fact exists that today more than 1,550 American servicemen are listed as prisoners or missing in Southeast Asia. The wives, children, and parents of these men have not forgotten, and I would hope that my colleagues in Congress and our countrymen across America will not neglect the fact that all men are not free for as long as one of our number is enslaved. I insert the name of one of the missing: CWO Charles Irvin Stanley, U.S. Army, [REDACTED], Cleveland, Ohio, Single. The son of Mr. and Mrs. Charles Stanley, Cleveland, Ohio. Attended Kent State University. Officially listed as missing February 6, 1969. As of today, Chief

Warrant Officer Stanley has been missing in action in Southeast Asia for 833 days.

A DEDICATED TEACHER

HON. EDWARD HUTCHINSON

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. HUTCHINSON. Mr. Speaker, we trust our public schoolteachers with our most valuable asset, our children. The future of our children, their success or failure, depends greatly upon the talents of these public servants.

Books, buildings, administrative structures—all of these are important. But everyone knows the key to learning is the gifted teacher.

One such individual is Mr. Kenneth Merritt of Niles, Mich., who is retiring after completing his 50th year in the teaching profession. He began his teaching career in 1921 at Eau Claire, Mich.; coming to the Brandywine school system in 1929.

Hundreds of Michigan residents are indebted to this man for the education he helped provide. He is so widely respected and esteemed that his fellow citizens are honoring him on Saturday, May 22, 1971. I want to join with the citizens of Niles in recognizing the dedicated career of Mr. Merritt.

EXTENSION OF REMARKS OF THE HONORABLE ROBERT McCLORY

HON. ROBERT McCLORY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 20, 1971

Mr. McCLORY. Mr. Speaker, last week the President of the United States withdrew an additional 4,600 soldiers from Vietnam.

On January 20, 1969, there were 532,500 Americans enduring the perils of an Asian war. Today there are 262,500 Americans in Vietnam who are planning to come home.

Mr. Speaker, President Nixon is keeping his word.