which depicts nudity, sexual conduct, or sadomasochistic abuse."

It also provides against such material if it contains detailed verbal descriptions or narrative accounts of sexual excitement, sexual conduct or sadomasochistic abuse.

The ACLU and the publishers' association argue the House bill violates the right of free speech, with ACLU attorneys contending that its enactment probably would have "a severe chilling effect upon the use of the mails to distribute constitutionally protected communication."

But Rep. Thaddeus J. Dulski, D-N.Y., commented: "We are confronting purveyors of filth and smut whose sole purpose is personal enrichment at the expense of our youth.

"Passage of these provisions will not damage or threaten freedom of expression, but it most certainly will dent the pocketbooks of merchants of pornography."

He agreed with other legislators backing the measure who said, "We are not dealing with idealistic or well-meaning believers in free expression."

After numerous years of pressing for legislation to curb what the majority of Americans would classify as smut, the Senate would do well to give this bill or something close to it a try. It would be up to the courts to give it the test from there.

One of the big laments of former Chief Justice Earl Warren was that the Supreme Court was somewhat at a loss in deciding pornography cases—largely because there had been no universal law which had legal validity.

The bill currently in the Senate might be what the courts—and the country—need.

IT IS A FAMILY AFFAIR

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 28, 1971

Mr. DERWINSKI. Mr. Speaker, the Pointer Publications, in an editorial on Thursday, July 22, spotlighted the activities of the South Cook County Chapter of the SPEBQSA, the Society for the Preservation and Encouragement of Barbershop Quartet Singing in America.

This great American organization is a very active group in the district which I am proud to represent. I am pleased that they are receiving recognition for the wonderful entertainment which they consistently provide our communities in the process of pursuing their interest in wholesome music.

The editorial follows:

IT IS A FAMILY AFFAIR

Who says there is a generation gap? Not anyone who had the privilege of attending the dinner and song fest last Friday night at the Ramada Inn in Dolton.

The event was sponsored by the South Cook County Chapter of the SPEBQSA which means the Society for the Preservation and Encouragement of Barbershop Quartet Singing in America. And believe me this type of good old American singing is preserved and encouraged.

Some of the groups which performed have been together over 20 years and quite a few of the men have sons singing in their own quartets. To prove that it is a family affair, many of the wives are active members of the Sweet Adelines, the distaff side of barbershop singing.

These men work together to blend their voices in four part harmony; some groups practicing four nights a week, especially when competition or concerts are in the offing. Beside the good fellowship and harmony of this non-profit group, all the chapters nationwide support the Institute of Logipedics which trains deaf children.

Some of the groups which appeared at this informal sing were the Junior Edition, the Sundowners, the Avant Garde and other championship quartets. What a delightful change from hard rock with a bit of nostalgic memories of the good old days.

SENATE—*Thursday, July 29, 1971*

The Senate met at 10 a.m. and was called to order by Hon. MIKE GRAVEL, a Senator from the State of Alaska.

PRAYER

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

O God and Father of us all, as we lift the eyes of our faith from the work-a-day world to the light of Thy presence, we remember that all our help and strength comes from Thee and without Thy help we can do nothing good or great. Accept the dedication of our hearts and minds in Thy service this day. Though the day be long and wearisome, keep us cheerful when things go wrong, persevering when things are difficult, serene when things are irritating. In personal success or failure keep our minds stayed on Thee and our faith strong in Thy providential direction of the Nation. Preserve us from enmity, resentment, or bitterness. Give us the satisfaction of duty well done with joy in our hearts and peace in our souls.

And to Thee shall be the praise and the glory, now and evermore. Amen.

DESIGNATION OF THE ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. ELLENDER).

The second assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., July 29, 1971.

To the Senate:

Being temporarily absent from the Senate on official duties, I appoint Hon. MIKE GRAVEL, a Senator from the State of Alaska, to perform the duties of the Chair during my absence.

ALLEN J. ELLENDER,
President pro tempore.

Mr. GRAVEL thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, July 28, 1971, be dispensed with.

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

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider nominations on the Executive Calendar, under New Report.

There being no objection, the Senate proceeded to the consideration of executive business.

The ACTING PRESIDENT pro tempore. The nominations on the Executive Calendar will be stated, beginning with New Report.

U.S. CIRCUIT COURTS

The second assistant legislative clerk read the nomination of William H. Timbers, of Connecticut, to be a U.S. circuit judge, second circuit.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

U.S. DISTRICT COURTS

The second assistant legislative clerk proceeded to read sundry nominations in the U.S. district courts.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the nominations be considered en bloc.

The ACTING PRESIDENT pro tempore. Without objection, the nominations are considered and confirmed en bloc.

U.S. PATENT OFFICE

The second assistant legislative clerk read the nomination of Brereton Sturtevant, of Delaware, to be an examiner in chief, U.S. Patent Office.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

DEPARTMENT OF TRANSPORTATION

The second assistant legislative clerk read the nomination of Benjamin Oliver Davis, Jr., of Virginia, to be an Assistant Secretary of Transportation.

The ACTING PRESIDENT pro tempore. Without objection the nomination is considered and confirmed.

FEDERAL COMMUNICATIONS COMMISSION

The second assistant legislative clerk read the nomination of CHARLOTTE T. REID, of Illinois, to be a member of the Federal Communications Commission for a term of 7 years from July 1, 1971.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

CORPORATION FOR PUBLIC BROADCASTING

The second assistant legislative clerk read the nomination of Zelma George, of Ohio, to be a member of the Board of Directors of the Corporation for Public Broadcasting for the remainder of the term expiring March 26, 1972.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

COMMUNICATIONS SATELLITE CORPORATION

The second assistant legislative clerk read the nomination of Frederic G. Donner, of New York, to be a member of the Board of Directors of the Communications Satellite Corporation until the date of the annual meeting of the Corporation in 1974.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

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

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to, and the Senate resumed the consideration of legislative business.

COMMITTEE MEETINGS DURING SENATE SESSION

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

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

THE ECONOMIC SITUATION TODAY

Mr. MANSFIELD. Mr. President, the economic situation which confronts this country today calls for action by both the Congress and the President. With a $23 billion deficit for the fiscal year just ended—the second highest deficit ever—the highest being the $25½ billion deficit in 1968 under President Johnson—with inflation, if not out of control, at least inching upward, with Government spending at a high level for which the Congress must take its share of the blame, with unemployment hovering around 6 percent, if not more, and with additional unemployment in sight due to strikes now in being and strikes in the offing, it is time to take action and to take it soon.

The raises granted labor are gobbled up by inflation, but at least a break-even pace can be maintained in that area. But what about our elderly citizens living on social security retirement annuities, pensions, and others in our population who live on the basis of fixed incomes, pensions, and the like? We know what is happening to them; the question is what is being done to help them and in helping them the rest of the Nation's population?

In all candor, we must admit that we are not making progress against inflation. In all candor, we must admit that we are not making progress against unemployment. In all candor, we must all admit that what we are doing is nothing, in reality, and we are failing to put our fiscal situation in order. Interest rates are again on the increase; our balance of trade is in a decline; and we face the strong possibility, for the first time since 1893—the last century—that this year will see us with an adverse balance in that respect.

The Congress has given to the President authority to initiate standby wage, price, and rent controls. The President and his advisors are obstinate in imposing this procedure. I would suggest that a wage-price board be set up within the Government, based on the authority which the President has been granted by the Congress, to the end that an attempt be made to consider the placing in effect of these controls at least on a temporary basis.

I would like to suggest that the President consider the possibility of calling to the White House the chairmen and ranking Republican members of the House and Senate Labor and Banking Committees to explore the possibility of creating a wage-price board, to put in effect the standby authority already granted to the President, and to consider other ways and means by which the Congress and the President, acting together, could face up to the difficulties of inflation, unemployment, unused industrial capacity and the imbalance in our foreign trade. The people are expecting action and relief and insofar as the Congress and the President can do so, I would urge this getting together for that purpose.

ORDER OF BUSINESS

Mr. BROCK. Mr. President, under the previous order, the distinguished Senator from Colorado (Mr. DOMINICK) was scheduled to speak first, to be followed by myself, and then Mr. BUCKLEY, Mr. BYRD of Virginia, Mr. CURTIS, Mr. GURNEY, and Mr. THURMOND.

I ask unanimous consent that the previous order be amended to allow the distinguished Senator from South Carolina (Mr. THURMOND) to speak first.

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

THE ABM AND STRATEGIC DEFENSE OF THE UNITED STATES

Mr. THURMOND. Mr. President, I want to talk about some of the defensive measures which the United States ought to take in recognition of the Soviet military threat arrayed against us. There is a widespread misunderstanding among those not acquainted with strategic thinking of the meaning of the term "threat." Some seem to think that it refers to the intentions of the enemy. If he threatens us with words, then he is a "threat" according to this theory. If he smiles, then he is no threat. There is even a bill before this Chamber which would put in escrow funds to MIRV our strategic weapons until the President and Congress jointly decide that there is a real Soviet "threat."

Under this assumption, I presume that the only way to determine a threat is to psychoanalyze the Soviet leaders; or perhaps to psychoanalyze ourselves and our perception of Soviet intentions. Manifestly, this has nothing to do with realistic analysis, or with a study of the capabilities of Soviet weapons. In my view, the only logical way to build a defense is to take the measure of the weapons deployed against us and study how those weapons fit into Soviet strategic concepts so far as they are available to us.

From this standpoint, therefore, we must prepare our defense to match the Soviet capabilities for destroying us. We cannot base our defenses upon pious expectations, or upon the hope that everything will work out all right in the end. The only reasonable plan is to be prepared to counter every military strategy that they have the capacity to put into operation against us.

The first point to consider is that the Soviets can choose to attack our strategic forces, or our urban centers. It has been the unquestioned bedrock of our defense policies since the days of McNamara that our goal was to hold the Soviet cities in hostage, as it were, against a first strike by the Soviet strategic missiles. If the Soviets were to strike us first, killing perhaps 100 million people, enough of our Minuteman forces would survive to assure that we could destroy 100 million Soviet citizens. The so-called assured destruction of Soviet citizens would be too high a price for the Soviet leadership to risk.

In accordance with the McNamara theory, ABM defenses for the United States were unnecessary, since we held the Soviet cities in hostage. In fact, the McNamara theory held that ABM defenses were "provocative" since it might appear to the Soviets that we were preparing for a first strike ourselves.

I think that it is time now to question the theory of "assured destruction," and seek more realistic ways to maximize our defense protection. It is typical of the American way to think only in terms of defense, rather than offensive. Even our so-called offensive strategic weapons are deployed in configurations which attempt to suggest to the Soviet Union that they will be used only in a retaliatory second strike. A first strike for us is unthinkable.

Moreover, a first strike for us will always remain unthinkable. Yet it is plain that the Soviets are building weapons that make a first strike thinkable for them. Somewhere along the line, the Soviets have begun to disbelieve the "assured destruction" theory, if they ever believed in it at all. In fact, there is not the slightest evidence that they ever believed in it. The strategic thinkers of the McNamara era were indulging in wishful thinking.

It is time, then, to return to balanced defensive concepts which do not depend upon the psychological perceptions of the other side. Our overall defense structure should consist of the proper mix of strategic offensive and defensive systems. We

should continue to improve our Minuteman, but we should also step up our antiballistic-missile defense.

All the time the Soviets were developing their offensive ICBM's, they kept a balance with defensive weapons. Intelligence reports reached the United States as early as 1963 that the Soviets were planning to install their first ABM defense system around Moscow. In a historic secret session of the Senate, I argued that the United States should immediately begin to build its own ABM system, but no action was taken.

Thus at the period when the Soviet strategic weapons were the weakest, the Soviets sensibly, from their point of view, put a high priority on defense.

By 1966, the Soviets had completed the initial design and testing and began to deploy the Moscow complex. By 1967, the Soviets had 550 ICBM's. Yet still we took no action. In the past 4 years the Soviets have built up their strategic force to over 1,400 ICBM's, including an array of SS–9 counterforce weapons whose combined megatonnage alone is more than our whole force.

Today, the Soviets not only have a working ABM system around Moscow, they are working steadily toward achieving a crushing first-strike capability, a capability they could achieve within 36 to 48 months at their present rate.

Moreover, in addition to this first-strike capability, the Soviets have installed a separate air-defense system, the so-called Tallinn line of SA–5 missiles, which could also be converted to an ABM system. There has been some widespread debate whether the Tallinn line could be considered an ABM, but even unclassified testimony has made that clear. Gen. Bruce K. Holloway, Commander of the Strategic Air Command, recently testified:

> Although superior to the SA–2 against high altitude supersonic targets, it has little to offer against our current aircraft and tactics. . . . The SA–5 Tallinn system, as currently deployed, has, at best, a limited ABM potential when operating autonomously. However, with predicted intercept data from remote ABM radars, it could defend large areas of the Soviet Union against missile attacks. . . . The magnitude of this potential threat is too great to ignore.

Moreover, the Soviets are constantly upgrading their radars. The new Hen House radar, already operational, is half a mile long. The so-called Dog House radar has antenna faces the size of two football fields. We have nothing of comparable size or power. As General Holloway said:

> Since we believe that the SA–5 need only radar data to function as an ABM, we are concerned about a massive . . . radar development and deployment program already underway.

From the standpoint of clear military thinking, the Soviets have moved ahead in a balanced and logical approach to their goals. As they marched from a strategically weak position to a position of parity, and now, to the springboard of superiority, they have kept a balance between protecting their populations and their ICBM's. Fortunately for the Soviets, their geography assists the combined protection of both cities and missile silos. The Moscow line, with 64 launchers operational, does double duty; the Tallinn line gives a second line of protection in front.

It is ironic that the Soviets, with their urban centers in the interior of the Eurasian land mass, have chosen to stress defense so heavily. It is the United States, with its exposed coastal cities, that should be concentrating a large portion of its resources on ballistic missile defense. From a geopolitical standpoint, the United States should be far advanced in purely defensive systems, particularly when we face an enemy that is ideological as well as powerful.

From the Soviet point of view, the assured destruction concept is not only eccentric and irrational, it is certainly not military thinking which concentrates on strategic targets. Nor is it in accord with the traditional Christian ethic which always seeks to minimize injury to noncombatants. It convinces them that they are dealing with a superpower which is either insane or irresponsible. They have been tempted to power by our erratic conduct. In my judgment, the Soviets would have been deterred from building their offensive system to its present magnitude if we had already built and deployed an effective antiballistic missile system. Even now, it is not too late to step up our deployment of President Nixon's Safeguard system.

There are other steps which we must take within the framework of our second-strike philosophy. We must continue to harden our missile silos to withstand Soviet counter-force weapons. We must continue to rely on the triad of strategic weapons systems—ICBM's, submarine-launched missiles, and bombers—because it complicates the task of an aggressor. Finally, we must sharpen the accuracy of our Minuteman systems. The technical ability to do this is within our grasp. We have on the drawing boards an improved guidance system based on a new inertial measuring unit. Final development would cost $155 million over 4 years. Production cost to equip the Minuteman III would be $162.5 million. Considering our present investment in missiles, this is an extremely modest cost for a tremendous improvement. Yet, we have deliberately held back from increasing our accuracy on the grounds that such accuracy would be provocative. Authority for this program has not been sought.

Such fears are rather beside the point these days, when the Soviets already have such a huge inventory of counterforce weapons. Such thinking is a hangover from the McNamara era of unilateral restraint. The situation has changed drastically. Far from being provocative, greater accuracy in our Minuteman III's would give us the ability to destroy Soviet weapons in their silos even after a Soviet first strike. It is even far more important to have the greatest possible accuracy in our missiles exactly because we do not contemplate a first strike. In a Soviet calculation of risk, an accurate second-strike missile in U.S. silos is more apt to deter, rather than provoke an attack.

The balanced relationship between so-called offensive and defensive strategic weapons is an important reason why it is dangerous to separate the two categories when talking about strategic arms limitation. From our point of view, all of our strategic weapons are intended to be used in a defensive strategy. If we arbitrarily break the spectrum of weapons deployment into false categories, we are already weakening our security. Let us not fall into that error, therefore, when we consider our strategic security system in this body.

ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. The Senator from Virginia (Mr. BYRD) is recognized under the previous order.

Mr. SCOTT. Mr. President, will the Senator from Virginia yield to me briefly?

Mr. BYRD of Virginia. Mr. President, I yield to the distinguished Senator from Pennsylvania, without the time being charged to me.

Mr. BYRD of West Virginia. Mr. President, I will have to object. I have no objection to the Senator yielding, but I think the time should be charged, because we have a rather tight schedule, if the Senator does not mind yielding under those conditions.

Mr. BYRD of Virginia. I yield 4 minutes to the Senator from Pennsylvania.

Mr. SCOTT. Mr. President, I withdraw that request and I yield myself 4 minutes. I am entitled to time under the standing order and, therefore, I will not take time from the Senator from Virginia.

Mr. BYRD of West Virginia. Mr. President, I do not want to be argumentative or difficult, but is the Senator from Pennsylvania included in the list of speakers under the agreement?

Mr. SCOTT. I thank the Senator from Virginia. I ask unanimous consent that I may proceed for 3 minutes.

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

BOLD NEW INITIATIVES ON BEHALF OF PEACE

Mr. SCOTT. Mr. President, today we live in an era of bold new initiatives on behalf of peace. The President has taken the lead in exploring new concepts and in thinking the unthinkable. For the first time there is real hope that major issues of world conflict can be really solved by negotiation.

These new avenues and new vistas can only lead to concrete results if the United States speaks from a recognized bargaining position. We know, too, that results will not come all at once, but step by step. We cannot let down in our defense posture, strategically speaking, until firm agreements have been put into effect. The President needs a positive defense platform to launch into the framework of peace.

Notably, the Soviet Union has also been showing signs of a real desire to achieve fruitful agreements. Nevertheless, we must not ignore the fact that, while the talks go on, the Soviets continue to build their military strength, and to develop new facets of their strategic systems. Thus the SALT talks take on a different significance than they had in

1969 when they began. The strategic situation has altered considerably.

I am highly pleased, therefore, that the distinguished junior Senator from Colorado (Mr. DOMINICK), and other distinguished Senators, including the distinguished senior Senator from Virginia (Mr. BYRD), have asked for time to discuss the strategic problems of today on the floor of the Senate this morning. These Senators and other Senators who speak have had outstanding records of service, and the service of the Senator from Colorado (Mr. DOMINICK) on the Committee on Armed Services is particularly to be noted. He has outstanding qualifications to discuss this subject.

I am pleased to associate myself with this effort, and with the remarks of the distinguished Senators who have also requested time this morning to speak on various aspects of this problem. Each in his own way is especially equipped to examine the subject, and each has his own arguments to make. However, this is a noteworthy attempt to call the attention of the Senate to the need to strengthen the President's hand, and I am confident that it will be a useful action in support of the peace objectives of the President.

THE NEED TO MAINTAIN A STRONG NATIONAL DEFENSE

Mr. BYRD of Virginia. Mr. President, the United States should have learned three major lessons from its experiences since World War II: That Moscow cannot be trusted, that America needs a strong defense, and that we must set realistic limits on American involvement in the affairs of distant lands.

The SALT talks, and President Nixon's projected visit to Peking, both are being hailed as promising a more peaceful era.

I join in the hope for world peace. It is a cherished dream of mankind.

But I would also sound a note of caution: We shall be heading for serious trouble if we let our hopes, rather than our realistic assessment of the world situation, dictate our defense policies.

None of us knows just what are Communist Russia's intentions. We do have evidence, however, as to her capabilities. It is on her capabilities that we must judge our defense needs.

Mr. President, having stated the foregoing summary, I will now speak in more detail.

History is a great teacher, but it teaches nothing to those who will not heed it.

I think that if we will take the time to study the history of the foreign relations of the United States since World War II, it will be possible for this Nation to arrive at a balanced and rational policy toward the rest of the world.

From shortly after the end of World War II to the 1960's, this Nation engaged in a farflung enterprise of defending freedom everywhere in the world. We built a globe-circling chain of alliances.

As a result, we came to have mutual defense agreements with 44 different nations. And, of course, the word "mutual" was merely a diplomatic way of saying that the United States had undertaken the defense of another country.

In fact, if not in name, America became the policeman of the world.

Recently, because of the frustrations of the war in Vietnam, there has been a sharp reaction against the responsibilities of global defense. Some advocate a new brand of isolationism, or drastic reductions on U.S. defense, or both.

In my view, we must maintain a strong defense—but strike a balance between isolationism and overextension.

What have the last 25 years taught us?

I think we should have learned at least three major lessons from our experiences during the quarter century since World War II.

First, we cannot afford to put our trust in the good intentions of the Russians. From the Berlin blockade of 1948 to the Czechoslovakian invasion 20 years later, Moscow's record has been one of hostility and bad faith.

Second, we must maintain a strong defense. Communist leaders respect strength and despise weakness. If we permit ourselves to become weak, we shall invite Communist aggression and domination. It is primarily the threat of Russian aggression which forces the United States to spend billions on defense.

Third, we must set realistic limits on American involvement in the affairs of distant lands. It does not strengthen us, but rather weakens us, if this Nation stretches its forces too thin in an effort to influence the destinies of countries all around the world.

Our foreign and military policy should be governed strictly by the real national interests of the United States, and not by a misguided effort to shape the world in our own image.

But we must recognize that the task of defending our real interests requires an expenditure of resources.

We dare not blindly slash away at the defense budget of this Nation. We must cut the fat, but not the muscle.

I do not for a moment deny that there has been waste and mismanagement in some military programs. And I believe that the Congress must continue—and indeed, increase—its vigilance over the military budget, to be sure that the huge cost overruns of the past are ended.

But the fact that there has been inefficiency in military management does not mean that we can afford to weaken our defense posture. We must correct the inefficiency—but maintain our strength.

The SALT talks, the President Nixon's projected visit to Peking, both are being hailed as promising a more peaceful era.

I join in the hope for world peace. It is a cherished dream of mankind. But I also would sound a note of caution: We shall be heading into serious trouble, if we permit our hopes, rather than our realistic assessment of the world situation, to dictate our defense policies.

None of us knows just what are Communist Russia's intentions; we do have evidence, however, as to her capabilities. It is on her capabilities that we must judge our defense needs.

The Senate soon will be facing two decisions that will bear importantly on our defense position.

In one case, we must decide whether or not we can allow ourselves to remain dependent on the Soviet Union for the bulk of our supply of chrome ore, a material vital to defense.

In the second case, we are going to have to approve or disapprove an agreement which would turn over control of the island of Okinawa to Japan.

The chrome issue is of great importance.

Soon the Congress will vote billions of dollars for defense—primarily because of the threat of Russian aggression—yet this country is dependent upon Russia for most of its supply of chrome ore.

This situation came about because of an embargo put into effect unilaterally by the United Nations Security Council and former President Johnson. The embargo was imposed on trade with the African country of Rhodesia, after that country declared its independence from Great Britain in 1966.

Rhodesia is the world's richest source of chrome ore. The United States has no chrome, and, cut off from the Rhodesian source, we have had to turn to Russia, the next largest supplier.

To show the importance of chrome, it is essential in the manufacture of jet aircraft, missiles, and nuclear submarines. Furthermore, it is vital to many elements in the transportation and communications networks which are essential to defense.

I have introduced legislation designed to end the dependence of the United States upon the Soviet Union for chrome ore. This legislation is cosponsored by Senators ERVIN, FANNIN, GOLDWATER, and GURNEY.

My legislation is simple in structure. It would amend the United Nations Participation Act of 1945 to provide that the President could not prohibit imports of a strategic material from a free world country if the importation of the same material is permitted from a Communist-dominated country.

I do not believe that it is logical for the United States to continue to be dependent upon Communist Russia for a material vital to our national defense.

I believe it is imperative that this question come to a vote in the Senate. I shall try to insure that the Senate is given a chance to register its will on this vital question.

The second decision to which I referred—concerning the reversion of the island of Okinawa—is also of great consequence.

An agreement has been signed providing for the reversion of the island of Okinawa to Japanese control.

Okinawa is our most strategic base in the Western Pacific.

We now have vast commitments in East Asia and the far Pacific. We are the principal partner in the SEATO alliance, and we are committed to the defense of South Korea, Taiwan, Japan, Australia, New Zealand, and the Philippines.

I am not convinced that we ought to have such extensive commitments. As I said earlier, the role of world policeman is not an appropriate one for this Nation.

However, as of July 1971, these commitments do exist.

And, since they do exist, it seems to me only logical that the United States should retain the capability of carrying them out.

The issue of the reversion of Okinawa is an emotional political question in Japan. That is the reason for the haste with which the United States and Japan have proceeded to draw up the pending agreement.

But the Japanese, who are determined to resume control of Okinawa, are spending only about 1 percent of their gross national product on defense. There has been talking of increasing this amount, but not to the extent that Japan could assume the role of a partner in the defense of the Western Pacific.

The United States should retain control of its strategic military base on Okinawa—especially since Japan is not a real partner in the defense of the area. After all, it is Japan's area and not ours.

The Senate will be called upon to vote on this question in the near future.

The agreement for the reversion of Okinawa modifies the treaty of peace with Japan approved after World War II. Under the treaty of peace, the United States has the unrestricted right to Okinawa.

Under the agreement recently worked out between President Nixon and Premier Sato of Japan, the United States would relinquish this unrestricted right. Japan would have a veto over our actions.

I am not opposed to the eventual return of Okinawa to Japanese control. But I doubt that the present time—with vast American commitments in the Western Pacific, and no significant defense effort by Japan—is the appropriate time for reversion.

If the Senate should approve the treaty, then I think careful consideration should be given to prompt action toward reducing our Asian commitments.

In the long run, these commitments should be reduced anyway. But without Okinawa, I believe the United States would have to move more quickly toward reducing its Asian responsibilities.

The issues which this Nation faces in the field of foreign and military policy are exceedingly complex.

If we are to solve these difficult problems, we must use commonsense.

All of us must work and hope for world peace, but we dare not pin our national security on the belief that we have reached that great goal.

We must maintain a strong national defense—or we shall run great risk of losing our freedom.

ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order the Senator from Colorado (Mr. DOMINICK) is recognized.

UNITED STATES MUST MAINTAIN A STRONG STRATEGIC POSTURE

Mr. DOMINICK. Mr. President, recently several of my colleagues have indicated in remarks before this body that the United States is spending an excessive amount for national security. While we need to exercise great vigilance over the increasing costs of our defense systems, it is nevertheless imperative that the United States maintain a strong strategic posture.

It is impossible to make a thoughtful examination of American strategic policy over the past 25 years without reaching the inescapable conclusion that this policy has been devoted to world peace and the maintenance of our freedom. However, there are still a large number of people in the United States who advocate openly and often that a strong strategic force is not only unnecessary, but is actually a threat to the pursuit of peace.

It has been asserted that the United States precipitates the arms race when it adds to its strategic arsenal. Yet, Mr. President, it is a fact well known to the leaders of the U.S.S.R., although ignored by our own domestic critics, that the United States virtually halted any increase in strategic strength during the entire decade of the 1960's, while the Soviets devoted enormous sums and energy to the mushroom growth of their military power.

In relative terms, the United States today is far weaker in relation to the Soviet Union than at any time during the past 25 years and, as has been stated publicly by highly knowledgeable leaders in our Government, at present growth rates the Soviets will have superior strategic strength in the very near future.

The reason seems obvious. The Soviet Union has not abrogated any of its basic goals set forth many years ago. Strategic and nuclear superiority will enable them to impose their will throughout the world as they feel their own interests demand and by engaging in increased adventurism, they thereby increase the "unacceptable risks which might escalate to strategic nuclear war," as referred to by President Nixon.

The total number of Soviet operational strategic missile launchers exceeds those of the United States by about 400. They are currently producing SS–9's with an enormous megatonnage and new Yankee-class nuclear submarines appear almost monthly. They are apparently preparing to test new ballistic missiles and a new strategic bomber. Thus, they are currently in a position to increase substantially their strategic offensive force levels during the next few years and at present show every indication of doing so.

The record is clear, Mr. President. The Soviets continue to build their strategic arsenal and have the capacity and visible intent to continue their expansionist policy backed by the "muscle" of these forces.

Their policy in regard to the world's commercial shipping lanes is especially alarming. Over the past few years the Soviets have continued to expand their control over the world's oceans, not only by the vast increase in naval forces—referred to in a colloquy by some of our colleagues a few weeks ago—but by focusing their strength at the narrow waterways of the oceans, widely referred to as "choke points" by naval strategists. They now have free access through the Dardanelles from the Black Sea to the Mediterranean and have stationed an imposing naval force in the eastern Mediterranean. Through their support of the radical Arab nations they control the Suez Canal. In the Red Sea the Soviets have bases in Aden and Somaliland, thus forming a bloc that can control the Suez from the Indian Ocean. They have constant submarine patrols through the entire Mediterranean and also off the Atlantic mouth of the Gibraltar Strait. If the attempted coup in Morocco had been successful, pro-Communist forces could have blocked Gibraltar and made our position even more critical.

In the Sudan, the collapse of the recent pro-Communist coup prevented still another government from granting still another base on the Red Sea, thus further extending Soviet influence over the Suez Canal and the Indian Ocean.

Soviet naval forces now range through the Indian Ocean, the Strait of Malacca, and the Atlantic and Pacific Oceans, unimpeded and unchallenged. Soviet submarines and warships equipped with missiles now operate off the coasts of the United States, as well as in the Caribbean. Through Cuba and the increasing Soviet influence along the west coast of South America, the Panama Canal is now well flanked. It is apparent that these moves pose serious problems not only for all commercial shipping but for troop and supply movements in the event the free world is called upon to meet any of its commitments.

All of this has occurred in a relatively few years and as the Soviet strategic forces increase, they may become still bolder in their strategic moves.

Mr. President, these actions by the Soviet Union seriously jeopardize efforts to reduce world tension and to maintain world peace. They are clearly efforts by the Soviet Union to "test the water." It would be naive to think these actions are taken because they fear the United States or that they would discontinue these actions, because we unilaterally disarm or halt defense production. As already noted, we really did just that during the 1960's and as a result the Soviets are now close to strategic superiority.

Mr. President several of our colleagues have said that we are spending too much for national security, but let me review the Department of Defense fiscal year 1972 budget request.

The requests for defense outlays for fiscal year 1972 total $76 billion. This $76 billion figure, when expressed as a percentage of GNP, is the lowest since 1951. At 6.8 percent of GNP it is notably lower than the 9.5 percent figure of fiscal year 1968. This same $76 billion, when expressed as a percentage of total Federal spending is 32.1 percent—down from the 42.5 percent of fiscal year 1968 and again the lowest since 1950. When we compare the fiscal year 1968 and 72 budget outlays in constant fiscal year 1972 prices, we are down $23.9 billion below fiscal year 1968 spending.

More than half of the $76 billion request is for manpower, so a relatively small amount is left for new equipment and research and development. For R. & D., the fiscal year 1972 request was for $7.8 billion, and of this amount only

$2.3 billion, or about 1 percent of the national budget, is devoted to the strategic area. When it comes to national priorities, it should be recognized that if we do not deter our potential enemies, other priorities—domestic and foreign alike—could lose much, if not all, of their meaning. Hence, the security of the Nation is a basic and fundamental need that must be satisfied.

In summary, American strategic policy has always been directed at the one basic aim of maintaining peace. President Nixon has reiterated through the Nixon doctrine that peace for this generation is the continuing goal of America.

Supporting the Nixon doctrine is the strategy of realistic deterrence, designed to deter conflict at all levels and to provide pressure to reduce conflict to the lowest possible level if conflict should be unavoidable.

This is not to say we should ignore opportunities for negotiations and I, for one, welcome the SALT talks and the NATO negotiations on mutual troop reductions in the European theater. But we cannot afford to let our strategic deterrent become second rate if we are to avoid the increasing risk of nuclear crisis through Soviet adventurism.

Mr. President, I yield back the remainder of my time.

ORDER OF RECOGNITION OF SENATORS

Mr. BROCK. Mr. President, under the previous order the Senator from Tennessee was to proceed next, to be followed by the Senator from New York, the Senator from Nebraska, and the Senator from Florida. I ask unanimous consent that the order be reversed so that the Senator from Florida is permitted to proceed next, and after him the Senator from New York and the Senator from Nebraska.

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

Under the order, the Chair recognizes the Senator from Florida (Mr. GURNEY).

TECHNICAL SUPERIORITY IN NATIONAL DEFENSE

Mr. GURNEY. Mr. President, first I want to thank the junior Senator from Tennessee for his courtesy.

Mr. President, there is no area of national defense which is, I think, more important to emphasize than the area of technological superiority, the sum total of the scientific, engineering effort and capabilities of the Nation—I bring it up in the context of today's debate because I feel that perhaps the greatest long-range threat to the security of this Nation is the continual comparative reduction in the U.S. technological superiority. After the initial shock of the Soviet Union's launching of Sputnik over a decade ago, we, in this country, have grown increasingly complacent of our technology, feeling perhaps that our present superiority would endure indefinitely. It is, however, increasingly obvious that this is not the case.

It has been estimated by Dr. John S. Foster, Jr., director of Defense Research and Engineering, that at the current rate of U.S. investment in military research and development, the Soviets could pass us by the mid-1970's, even assuming that they permit future research and development growth in the civilian sector.

An examination of the efforts of both nations is both interesting and disturbing. In order to challenge U.S. technology across a broad spectrum, it has of course been necessary for the Soviets to increase technical personnel and facilities. They have succeeded in this area. A study performed by the Defense Intelligence Agency indicated that in the Soviet Union there were 247,000 higher education graduates in engineering and natural sciences in 1970. There were 142,000 in this country. Information from the National Science Foundation and Department of Commerce indicates that in 1968 the Soviet Union had nearly one and a half times as many scientists and engineers employed in research and development as the United States. This disparity is increasing.

Moreover, while the Soviet Union has continued to improve the quality and number of major research facilities, this country has not. Indeed, this country's facilities are in fact declining. The reason for these discouraging figures is summed up basically in one word: funds. While military research and development expenditures made by the Soviet Union have been growing at a rate of approximately 15 percent per year, this country's funding in that category has remained nearly constant. As a result, it appears this year that the Soviet Union will be spending approximately $3 billion more in 1971 on military research and development than this country will. This lead in expenditures for military research and development by the Soviet Union began about 1968 and has consistently increased. While the Defense Department estimates that the United States is still slightly ahead of the Soviet Union in the total field of military technology, the lead is fast declining. Should the present trends continue, the Soviet Union will assume superiority by the middle of this present decade. That is just around the corner. This is what prompted the blue ribbon defense panel to recommend in its report to the President and the Secretary of Defense in July of 1970 that the increased emphasis must be given to:

First, research and advanced technology.

Second, engineering development and test evaluation.

Indeed, a supplemental statement issued by a portion of that panel in September of 1970 less than a year ago sounded a terrifying alarm. In discussing overall trends in our defense posture vis-a-vis, the Soviet Union, the report concluded:

> If these observable trends continue, the U.S. will become a second rate power incapable of assuring the future security and freedom of its people.

I realize that it has become fashionable of late to turn our vision inward and to eliminate or postpone budgeted items which may not seem to be immediately necessary, regardless of their potential technological benefit. I also realize it has become fashionable to express and encourage hostility toward national defense and toward the military. I would hope that those of us holding public office would ignore the world of political high fashion and concentrate on what is necessary for the long-term security and well-being of this Nation—this is unfortunately not the case.

This neglect of, and even downright hostility toward, technology seems to be a general and evergrowing attitude in the United States. We see evidence in areas other than defense.

The recent attempts to shoot down programs as the space shuttle, which is the next large ongoing project in the space program, is a good indication of a general lack of concern about technology. The killing of the supersonic transport airplane earlier this year is a prime example. Here, foreign nations are now guaranted to pull way out in front of the United States in airplane technology. The canceling of the SST is bound to hurt us severely in defense too. For civilian airplane advances have always contributed new and improved technology to the military airplanes.

We must remember that the United States can never match its potential enemies in numbers of land armies or in ships or in numbers of tactical weapons. We can and must maintain an extensive leadtime in military technological superiority if we are to maintain a viable defense posture. And yet we appear to be engaging in a continued policy of eliminating projects involving scientific and technological progress.

As I pointed out a few weeks ago in this Chamber, the first and immediate result of the continuation of such a policy will be the continued dissolution of pools of skilled technical and scientific personnel. We have already fired and dispersed scores of thousands of highly trained technological people, both in defense work and in the civilian aerospace business. We have literally cut off many space areas. We have created Sahara-like wastelands out of previously verdant green space work areas.

A vast national resource of some of the most highly skilled workers in our history are now selling hamburgers or hot dogs, doing a host of things that any high school dropout could do. Thousands are on welfare, most are bitter and disillusioned.

I do not doubt that years ahead, we will look back in wonderment and inquire: How could a nation be so criminally wasteful of its greatest resource, skilled scientists and engineers, and technical people?

The second factor, long range in effect, holds far more serious import for this Nation and its place in history. Such policies will discourage the entry into the scientific and technological fields of a new generation. It is already clear that there has been a substantial drop in the percentage of college students entering the sciences. To encourage and even accelerate this trend could well mean that within a generation or so we will have reached a situation where this country has little technology. At the same time, the technology existing for us at that point will be incredibly obsolete. We will, in effect, become a technological and cultural vassal state—totally dependent upon whatever nations have the foresight to resist the idea that they should

sell their future for a mess of porridge. I am saying in short that this Nation cannot and will not survive—as a nation and as a society—unless we make very sure that we do not cast aside our future in technological research and development.

Technological superiority is also important if we are to preserve as many alternative courses of action as possible for this country. We cannot afford to rest on our present level of weaponry, regarding it as some maginot line able for all time to preserve this Nation's security and ability to function in the community of nations. To fix our attention on a single system, even one as attractive as nuclear-powered missile submarines, would impair our overall security. To have only a choice between capitulation and Armageddon is to have no choice at all. Finally, as research and development occurs across a broad spectrum, new areas of applied science arise which are relevant to the defense of this Nation. This is true whether we are talking about lasers, aircraft propulsion, computer simplification, human behavioral research, drug abuse, whatever. Examples of this are the increase of accuracy of our missiles through the use of laser guidance systems, or the reduction of noise emanating from military helicopters to enable them to be less readily detected, or new metallic alloys, increasing the strength but reducing the weight of aircraft. All these items have more than military application, of course. But it is not necessary to defend these expenditures on this basis. There is nothing improper, unethical, immoral, or irrational in the Government of the United States making adequate provision for the country's survival and for insuring that it will continue to have available to it adequate alternative courses of conduct, military as well as diplomatic. Were we to do otherwise, we would be betraying our responsibilities.

My position is simply this: That this Nation cannot survive and continue to function with a degree of independence without a viable defense posture, and that the viability of that defense posture is totally determined by the success this Nation has in maintaining technological superiority above its potential enemies.

ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from New York (Mr. BUCKLEY) is now recognized for not to exceed 10 minutes.

A NEW DEFENSE STRATEGY FOR THE 1970'S

Mr. BUCKLEY. Mr. President, the security of the United States is endangered to a degree unparalleled in its modern history. If present trends continue much longer, the ability of the President of the United States to support U.S. foreign policy objectives in Europe, the Middle East, in Asia, and even in the Caribbean will be in jeopardy because of the precipitous erosion of U.S. strategic power in the late 1960's and early 1970's.

One need not look far to support the conclusion that there has already been a dramatic weakening of the ability of the strategic forces of the United States to deter Soviet diplomatic adventurism. The United States has permitted the Soviets to gain a striking advantage in the payload capacity of her intercontinental and submarine-launched ballistic missiles. If the Soviet Union achieves the same level of technical competence which we now possess on a production line basis for the Minuteman III and the Poseidon missiles, this advantage could be translated into an 8-to-1 superiority in deliverable warheads. Despite the formidable lead we now possess in intercontinental bombers, our 1955 vintage B–52's must face 12,000 reloadable Soviet surface-to-air missile launchers. Thus our numerical advantage in heavy bombers may have a questionable operational significance in the face of Soviet defenses.

The strategic forces we now possess, with the exception of the Minuteman III and Poseidon MIRV programs, are the same forces which we had in 1965. The doctrine which has dominated our strategic policy was developed during the Kennedy and Johnson administrations by former Secretary of Defense Robert S. McNamara. This doctrine is known as "assured destruction," and we see its legacy in the present administration's doctrine of "realistic deterrence."

The policy of assured destruction established the notion that America's security was best safeguarded by the maintenance of sufficient forces-in-being to make sure that enough of these forces would survive a first strike launched by any aggressor or collection of aggressors to enable us to deliver a retaliatory strike which would inflict unacceptable losses upon the enemy.

As the Soviet strategic arsenal grew in recent years, it became increasingly evident that whatever validity the assured destruction doctrine might have had in the early and mid-1960's, it was a policy which could no longer be supported. The significance of the Soviet strategic buildup emphasized some of the critical weaknesses of the doctrine. Because a serious level of population defense was considered destabilizing under this doctrine, the Department of Defense became an instrument of a policy which would prefer the killing of enemy civilians to saving the lives of our own, should deterrence fail. The buildup of Soviet forces has now reached a point where it may soon become doubtful that the United States would have a sufficiently large retaliatory force available after a Soviet first strike to meet even the minimum requirements of assured destruction or of realistic deterrence.

What is required now is a new strategy—one which will accomplish the objectives of saving American lives in the event deterrence failed, while insuring that the United States will have sufficient strategic and conventional power to support its foreign policy objective abroad.

In his annual state of the world message, the President stated that he should have some other option than simply retaliating against Soviet cities in the event of a Soviet first strike. This he does not have, because the legacy of the mistaken policy of assured destruction has led to steadfast opposition to a program which would improve the guidance systems on our Minuteman and Poseidon missiles which would give them the capability to destroy Soviet missiles in their silos following any Soviet attack on our strategic forces, and before they had an opportunity to threaten our cities.

In order to implement a new defense strategy appropriate to the conditions of the 1970's, we need to press for improvements in our strategic posture which must include the following: We must: First, proceed on an urgent basis to upgrade the guidance systems of the Minuteman and Poseidon programs as far as the state of art will permit; second, replace all 1,000 of our Minuteman II missiles with Minuteman III missiles rather than just the 500 or so now being replaced; third, replace all of the Polaris missiles with Poseidon missiles, rather than three-quarters of them as is now planned; fourth, proceed with all possible speed with programs currently in the advanced stage of research and development—especially the B–1A manned bomber and the Undersea Long Range Missile System; and fifth, conduct a stepped-up R. & D. program into means of reducing the vulnerability of U.S. citizens to strategic attack.

These incremental improvements in our strategic posture would make it possible for a new strategy to be pursued—one in which live Americans are valued more highly than dead Russians; one in which the Defense Department once again becomes the instrument for assuring the survival rather than the vulnerability of American citizens. It is a new strategy which will assure an American President of the continuing ability to support American foreign policy objectives as well as to protect her citizens. It is a strategy which is necessary, desirable, and feasible, and it is the only strategy which will secure our essential defense and foreign policy objectives.

Mr. President, I ask unanimous consent to have printed in the RECORD, two essays by Dr. Donald G. Brennan, entitled "Strategic Alternatives I and II" published in the New York Times on May 24 and 25, 1971. These essays are an articulate expression of the weaknesses inherent in our recent strategic posture, and they propose some constructive steps to improve that posture.

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

STRATEGIC ALTERNATIVES: I

(By Donald G. Brennan)

American strategic nuclear policy has been dominated in recent years by an idea called "assured destruction." This concept is that the dominant task of the U.S. strategic forces is to be able to mount a nuclear attack that would reliably destroy a substantial fraction of the Soviet society, even after a major Soviet strike on American forces. Recent public statements of the Nixon Administration have emphasized a doctrine called "strategic sufficiency." Although published formulations of this doctrine are ambiguous, it is clear that something like the concept of "assured destruction" still dominates American strategic policy, even if the terminology itself is no longer used in official statements.

This domination extends to strategic arms-control matters. It is widely argued that the most peaceful, stable, secure, cheap, and generally desirable arrangement is one in which we and the Soviets maintain a "mutual assured destruction" posture, in which no serious effort is made by either side to limit the civilian damage that could be inflicted by the other. Most of the opposition in the West to substantial systems of missile defense for cities and some of the opposition to the Safeguard ABM system derives from the alleged benefits of such a posture. This is pertinent to the forthcoming Soviet-American negotiations on offensive and defensive forces announced by President Nixon last Thursday.

I believe that the concept of mutual assured destruction provides one of the few instances in which the obvious acronym for something yields at once the appropriate description for it; that is, a Mutual Assured Destruction posture as a goal is, almost literally, mad. MAD.

If the forces of technology and international politics provided absolutely no alternative, one might reluctantly accept a MAD posture. But to think of it as desirable—for instance, as a clearly preferred goal of our arms-control negotiations, as many current proposals automatically assume—is bizarre. This can be made very clear by considering the simplest and most effective means of realizing it.

At present, we and the Soviets achieve a MAD posture by means of long-range missiles and bombers armed with thermonuclear weapons. There are, however, many problems associated with these forces; missiles and bombers may be attacked before they are launched, they may fail to perform properly, or they may fail to penetrate enemy defenses. Concern about such vulnerabilities in our posture helps drive the arms race. These forces are also expensive; the U.S. alone spends about $2 billion a year on them.

Now, if it were genuinely desirable to have a MAD posture, we could achieve it far more effectively, reliably and cheaply than at present. As Leo Szilard remarked ten years ago, we and the Soviets could have an arms-control agreement to mine each other's cities. We could install very large thermonuclear weapons with secure firing arrangements in Moscow, Leningrad, Kiev, and so on, while the Soviets could install similar weapons and arrangements in New York City, Chicago, Los Angeles, and so on. It is technically feasible to make such a system very secure, and the vulnerabilities mentioned above could be eliminated, which would reduce arms-race pressures. While such a system would have its own technical problems, analysis indicates they would be far simpler to solve than those of the present system. It would also be much cheaper than the current system; it could save billions.

Yet almost everyone will judge it starkly absurd, even after consideration. And, since a mined-city system is clearly the best way of realizing a MAD posture, it follows that a MAD posture as a goal is itself fundamentally absurd—it is, indeed, mad.

This reduction-to-absurdity argument is useful for sharply drawing attention to the fact that something must be wrong with MAD as a way of life. However, one can discuss the problems of MAD directly. There are at least three interrelated problems.

The first is that, in spite of our best efforts, a major nuclear war could happen. An institutionalized MAD posture is a way of insuring, now and forever, that the outcome of such a war would be a nearly unlimited disaster for everybody. While technology and politics may conspire for a time to leave us temporarily in such a posture, we should not welcome it—we should rather be looking for ways out of it. And they can be found.

The second fundamental difficulty is, in essence, political: The body politic of the United States did not create a Department of Defense for the purpose of deliberately making us all hostages to enemy weapons. The Government is supposed, according to the Constitution, to "provide for the common defense," and plainly most Americans would revolt at the idea that a mined-city system is a sensible way to do this. They would be quite right. The Defense Department should be more concerned with assuring live Americans than dead Russians.

The third fundamental difficulty is moral. We should not deliberately create a system in which millions of innocent civilians would, by intention, be exterminated in a failure of the system. The system is not that reliable. If we accept a MAD posture as an interim solution, we should be seeking ways out of it, not ways to enshrine it.

Tomorrow I shall discuss alternative directions for strategic policy and arms control.

STRATEGIC ALTERNATIVES: II

(By Donald G. Brennan)

Yesterday I explained that many people regard a posture of Mutual Assured Destruction—MAD—as a desirable objective of our arms-control policy. I also explained that a mined-city system was obviously the most efficient way of achieving a MAD posture, and, since the mined-city system was clearly absurd, it followed that a MAD posture itself must be absurd.

Why, then, do some Americans advocate a MAD posture? The advocates involved are, in the main, technical or technically oriented people accustomed to theoretical models, and the arguments involve appeals to "stability" of various kinds and reference to other sophisticated jargon—jargon that I understand very well, having helped to articulate it a decade and more ago. For instance, one argument sometimes heard is that this posture will best protect against nuclear war altogether, but this proposition is very dubious indeed.

While these advocates are undoubtedly sincere, and many of them are even intelligent, I believe have been bemused by theoretical models of strategic interactions, models which seem sophisticated and intellectually appealing but which are in fact much oversimplified descriptions of reality. Indeed, some few technical people, who have at least had the integrity to follow the logic of their analysis to its conclusion, have been so bemused by these models that they have seriously advocated the actual deployment of a mined city system.

Well, if an institutionalized MAD posture is not desirable as a permanent way of life, and it is not, what alternative is available? The answer is to provide increasing emphasis on defense, and corresponding reduction in the relative effort devoted to strategic offensive forces.

There is much controversy about just how effective defense (such as ABM) can be made against current offensive forces, or against further enlarged offensive forces. I cannot discuss this controversy here. However, there is very little controversy over the fact that defense can be made quite effective if the opposing offense is held down or actually reduced, while allowed defense is built up. This is precisely the direction that negotiations in the Strategic Arms Limitation Talks should be taking, but, so far as I can see, have not yet been taking. The forthcoming negotiation on offensive and defensive forces will provide both Governments with a good opportunity to pursue this possibility.

Even if it were held that currently achievable defense is too ineffective to be useful against even a suitably reduced offensive threat (a position that few informed persons would believe), it makes little sense to preclude the possibility of a more effective defense being found in the future. Most of the current approaches to these matters would do so.

It might be possible to achieve similar effects simply by sharply reducing offensive forces, without any defense, if it were not for two factors: (a) there are other countries in the world besides the United States and the Soviet Union, and (b) perfect inspection of sharply reduced offensive forces probably cannot be achieved, and defense can provide protection against clandestine weapons.

The most desirable postures providing increased defensive emphasis would be those achievable through negotiations with the Soviets. If such negotiations should fail, other alternatives, though less desirable, are available. I believe a sensible unilateral American strategic program would be governed by the following three rules:

The Budget Rule. We should spend about as much money on strategic offensive and defensive forces combined as the Soviets do, neither greatly more, which might stimulate arms-race effects, nor greatly less, which would leave us in a position of increasing risk.

I shall, for obvious reasons, call this the Brass Rule. In terms of possible strategic nuclear wars, we should be able to do about as badly unto the Soviets as they can do unto us. This makes it unlikely that the Soviets could "dictate" terms to the United States in a crisis. Note that this formulation—in contrast to the McNamara formulation of "assured destruction"—leaves open the possibility of reducing our threat to the Soviets, if their threat to us can be reduced by whatever means.

The Defense Rule. Of the money provided by the Budget Rule, spend as much on defense as is compatible with the Brass Rule. For the foreseeable future, this would require major continued expenditures on offense.

We should not be busily engaged in forging a permanent Sword of Damocles, to hang forever over our heads, by our own design and efforts. It is too likely to fall. We should rather devote our best efforts to escaping from this MAD posture. The alternatives are available.

Mr. BUCKLEY. Mr. President, I also ask unanimous consent to have printed in the RECORD an article published in this morning's New York Times, entitled "Jane's—" referring to Jane's Fighting Ships—"Says U.S. Fleet Declines While Soviet Has a 'Supernavy.'"

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

JANE'S SAYS U.S. FLEET DECLINES WHILE SOVIET HAS A "SUPERNAVY"

LONDON.—A British military expert said today that American naval strength is in a serious decline while the Soviet fleet has expanded into a "supernavy" with a greatly increased sphere of influence.

"The situation for the U.S. Navy is serious," Raymond V. B. Blackman, editor of the authoritative Jane's Fighting Ships, said in a foreword to the 1971–72 edition, published today.

"By any standards," Mr. Blackman added, "the Soviet fleet now represents the supernavy of a superpower."

Increasing Soviet naval power, he said, has led to "a somewhat belated but now acute awareness evinced by hitherto quite autonomous navies of the need for international cooperation and mutual security." This has brought greater cooperation in both the Atlantic and Pacific Oceans, he said, but the British withdrawal from the Indian Ocean has left a hole in Western global defenses.

"The prime necessity would appear to be a multinational Standing Naval Force East, comprising warships seconded from each of the countries with military or commercial interests in that oceanic hemisphere from South Africa to Indonesia," Mr. Blackman said.

He wrote:

"So prolific has the Soviet naval shipbuilding effort been that the U.S.S.R. is now able to maintain a standing naval force in the Mediterranean five times stronger than five years ago to counter the American Sixth Fleet.

"Again, five years ago the U.S.S.R. had no warships in the Indian Ocean, but today there are a score of surface ships alone, and there is no telling how many Soviet submarines are in the area."

ROLE OF MISSILE BOATS

Mr. Blackman underlined a relatively new development in "the recognition, not only by major powers but also by smaller countries, of the tactical power and strategic influence of the fast and diminutive warship armed with the optimum payload of guided missiles."

He added: "Ironically it is the new world sea power of the Soviet Union which had engendered the yen for cooperation, and it is the Soviet Navy which has pointed the way to the ascendancy of the missile boat over much larger orthodox warships."

An alarming feature of the last decade, he said, was the rapidly increasing cost of building fighting ships. "Confronted with this escalation problem several of the smaller countries decided that the answer was smaller and cheaper vessels," he wrote.

"The diminutive missile boats with surface-to-surface systems will give smaller navies an offensive power out of all proportion to their modest over-all size."

Norman Polmar, editor of the American section of the 729-page annual, painted a gloomy picture of United States naval development.

Mr. BUCKLEY. Mr. President, the article to which I referred states specifically:

By any standards, the Soviet fleet now represents the supernavy of a superpower.

Also, I heard on the radio this morning, although it is not in this article, that the same edition of Jane's states that by the mid-1970's, in a surprise strike launched by the Soviet Union, we could have our internal strategic forces eliminated.

This, I submit, is the dimension of the problem which faces this country today—the dimension of the problem with which Congress must cope.

Mr. President, I yield back the remainder of my time.

ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, the Chair recognizes the Senator from Nebraska for a period not to exceed 15 minutes.

THE ROLE OF THE B–1 IN STRATEGIC DEFENSE

Mr. CURTIS. Mr. President, it is my considered opinion that the development of the B–1 strategic bomber, without delay, is vital to the security of our Nation. The B–1 is a peacekeeper. It is one leg of our tried system of defenses. It is essential if we are going to maintain ourselves as a first-rate power.

I believe in manned bombers. I believe they constitute a feature of our national defense that gives them special value as peacekeepers. Just as a police force out on the street of any city or a highway patrol going up and down any highway, manned bombers can be used in all parts of the world to keep the peace. They can be called back any time up to the last second that they would go into action. This enables a country to use manned bombers in time of danger or stress and still hold the option of calling them back before any strike is made, and in most instances no strike is necessary.

This is quite a contrast to what we refer to as a nuclear or pushbutton war, carried on with missiles. It is a dreadful thing. Once the button is pressed, we are at war. Not so with manned bombers. They are a weapon which could be used to keep the peace, to prevent wars from happening.

Unfortunately, the B–1's potential enhancement of our defense posture is clouded in an imbroglio of speculative criticism 3 years before this airplane is scheduled to fly.

For some obscure reason, every heavy bomber ever built by the United States has fought its stiffest battle in Congress. For years, Congress was on the verge of shooting down the B–17 Flying Fortress before it proved a key to winning World War II in Europe.

The B–52, which has been a successful deterrent to all-out nuclear conflict for nearly two decades, was almost slashed from the Strategic Air Command's inventory in the early 1950's.

Now the B–1, designed to replace the competent but obsolescent B–52 after 1978, is taking its turn flying through the "flak" of congressional critics, a few journalists, and others who claim military expertise.

Much of the strafing aimed at the B–1 is a rehash of conclusions based on fragmentary or incorrect information. All of this redundant criticism has been refuted, point by point, in facts presented both on the Senate floor and by the program director. Therefore, I will address my remarks to two broad questions:

First, why does America need the B–1?

Second, what is the B–1's current status?

The United States urgently needs a new long-range bomber to replace the 20-year-old B–52, which no longer is capable of penetrating defenses devised against it.

Unnoticed by the public, a dramatic shift in the balance of strategic military power has occurred recently. Humiliated at having to back down in the Cuban missile crisis, the Soviet Union has accelerated its military buildup since 1962. George P. Hunt, a retired Marine Corps lieutenant colonel and former Life editor, wrote in an article which appeared in Life magazine, June 18, 1971:

In some eight years Russia has caught up and is now going ahead of us in many categories of missile strength. She could today concentrate off Cuba a powerful surface fleet, newer, faster than ours and equipped with weapons we do not have and an underwater fleet outnumbering ours by many times. It will surprise most Americans that today, as opposed to 1962, we are the ones who could find ourselves at a military disadvantage. It will take fast and skillful work to put (our) military back in shape.

Further detailed evidence of the growing threat of Soviet superiority was reported to the President and Secretary of Defense last year and reemphasized in a supplementary report to the President earlier this year by the Blue Ribbon Defense Panel. Appointed by President Nixon, the panel's members, comprising business and professional leaders from all parts of the country, conducted a 1-year study of the U.S. defense establishment.

Reflecting on the shifting balance of power against the United States, the panel concluded:

If these observable trends continue, the United States will become a second-rate power incapable of assuring the future security and freedom of its people.

The subtitle of George Hunt's Life article states the same conclusion:

The blunt fact is that we are about to become No. 2.

The current U.S. defense strategy employs a protective "umbrella" of deterrents to discourage aggression. This shield consists of a triad of strategic weapons: First, manned bombers; second, land-based intercontinental ballistic missiles—ICBM's—and third, submarine-launched ballistic missiles—SLMB's.

The manned bomber has a "workhorse" role in this triad. Sixty percent of hard targets—airfields and missile sites—are assigned to strategic bombers. If we eliminate the bomber by failing to replace the B–52's, we will have to increase our missile capabilities drastically.

Too, the bomber affords a wide range of action options. It can deliver either nuclear or conventional payloads. Since it is manned, it can be retrieved and reused, or recalled if an attack is canceled. The bomber can survey targets and assess target damage.

Nuclear missiles have none of these advantages. They offer "hairtrigger" response only—no second choice. Because of their overkill capability, nuclear weapons are not used to put down "brushfire" wars.

The four-engine, swept-wing B–1 will have intercontinental range. It is compatible with existing KC–135 tankers. The B–1 is about the size of a 707 jetliner. Though only two-thirds the size of a B–52, the B–1 will carry 3 times the internal bomb load of a B–52. The B–1's main superiority is its penetration ability. Hugging the terrain at near sonic speed, it can streak to a target under the enemy's radar sweep. Its radar or infrared image is only 1/50th that of the B–52. The B–1's variable-geometry wing in the forward position permits shorter takeoffs and landings than the B–52, giving the B–1 faster reaction and greater dispersal versatility. At high altitude, with the wings swept back, the B–1 can fly at supersonic speed—more than twice the speed of sound—enabling the bomber to skirt or end-run concentrations of enemy interceptor bases. Armed with short range attack missiles—SRAM's—the B–1 will have 360-degree offset capability. It can shoot in any direction, destroying a target several miles away.

The B–52 has been modified over the years to fly low-level missions, but it is an uncomfortable structural and aerodynamic environment for the big eight-engine jet to fly a mission for which it

was not originally designed. The strain on the crew is almost intolerable. At top speed, the B–52 is only subsonic. The big bird has done its job well during the 1950's, 1960's and 1970's—but a modern replacement is needed for the 1980's and 1990's.

The next question then is: What is the status of the B–1 program?

North American Rockwell's Los Angeles Division, the prime contractor, is building three flight test B–1's and a fatigue test airframe. General Electric is building the B–1 turbofan engines.

Some of the confusion surrounding the B–1 is over the prime contract, and I believe the record clearly shows that criticism of this program, when viewed in the light of the facts and accomplishments to date, is unfounded. Let me emphasize that North American Rockwell's B–1 contract is a research, development, test and evaluation contract, a so-called R.D.T. & E. contract. It is not a production contract. In keeping with the Department of Defense's new "fly before you buy" concept, a B–1 will be flight-tested at least a year before the Air Force makes a decision on production.

First flight of a B–1 is scheduled for mid-1974.

Richard F. Walker, president of NR's Los Angeles Division and B–1 general manager, assures us that the B–1 is thus far on schedule.

Cost of the B–1 R.D.T. & E. program at North American Rockwell is just over $1 billion—down some $300 million from the original contract after a series of Air Force and contractor studies to reduce the program's cost.

Maj. Gen. Douglas Nelson, B–1 system director for the Air Force, also reports that the program is progressing smoothly, within planned costs, and on schedule.

Mr. President, General Nelson, in an interview with Edgar Ulsamer, senior editor of Air Force magazine, recently gave an extensive account of the performance reviews and cost-cutting techniques used to keep this project on target, and I ask unanimous consent that it be printed in the RECORD.

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

THE B–1 STRATEGIC BOMBER

(By Edgar Ulsamer)

When the Air Force awarded engineering development contracts for the B–1 strategic bomber last June, three factors set the pace and direction of the program. (*See "The B–1: USAF's Most Versatile Bomber," April '70 issue of* AIR FORCE *Magazine.*) First was the obvious need to get the test aircraft into the air as soon as possible; second, this had to be done at a minimum of cost; and third, the test aircraft had to be sufficiently developed to be reproducible as a production aircraft.

These requirements, General Stewart told this reporter, led the B–1 Program Director, Maj. Gen. Douglas T. Nelson, to use management techniques "comparable to the Skunk Works approach,'" meaning a very close working relationship between the Air Force and the contractors (North American Rockwell Corp. and General Electric) with maximum flexibility and reduced reporting requirements. [The Skunk Works is the nickname for Lockheed's high-security facility in California, where the YF–12A and SH–71 were developed in secret.]

General Nelson explained that "between fifty and sixty military and civilian Air Force personnel under Deputy Program Director Col. M. M. Bretting are being assigned on a permanent basis to the contractor's facility in Los Angeles, where they work side by side with North American Rockwell. A smaller contingent is in residence at the GE engine facility in Evendale [Ohio]."

This arrangement provides two major benefits. The Deputy Program Director in residence is empowered to make routine decisions on the spot, which avoids delay. At the same time, the Air Force finds out about problems the minute they surface, without having to wait days for a written report.

General Nelson has introduced other innovative management techniques, after a sweeping review of management procedures in cooperation with the contractors last August. Partly because the SPO staff is in residence at the contractor facility, "the individual reporting requirements were reduced from several hundred to forty, which is saving many millions of dollars. Previously, many functions performed by the contractor were duplicated or reformatted to meet Air Force standards. Layers of personnel accumulated on both sides, and the contractors had to assign large numbers of people merely to satisfy USAF's reporting requirements. What we are doing on this program—with the exception of the DoD's Cost Schedule Control System, which is fully implemented—is to adapt our way of doing business to the methods of the contractor."

B–1 PAYLOAD AND TANKER COMPATIBILITY

Recent criticism of the B-1 program by the Military Spending Committee of the "Members of Congress for Peace Through Law" (*see also "Airpower in the News," p. 14*) raised questions as to the B-1's SRAM payload and the new bomber's compatibility with the KC–135 tanker fleet.

It was insinuated that the Air Force recently acquiesced to a twenty-five percent drop in the number of Short-Range Attack Missiles (SRAMs) to be carried internally aboard the B–1. The facts are that the Air Force, well in advance of the release of the request for proposals in 1969, devoted considerable effort to establish the optimum payload capability of the B–1. Cost-effectiveness studies showed that, within certain limits, the number of offensive weapons and decoys required was relatively constant. This optimum payload configuration has not been changed since the RFPs were released to industry, and no change is now anticipated.

The committee also claims that the B–1 is incompatible with the existing fleet of USAF KC–135 tankers and requires a new tanker fleet. This is not so either.

Adequate basing in the north-central part of the US is available for both the bombers and the tankers, which need not be located at the same fields. The KC–135s, which do not carry nuclear weapons, can be dispersed to civilian fields (a large number of which have adequate runway lengths) during periods of increased tension and alert. The B–1's relatively short-runway takeoffs, as presently specified, provide for a wider choice of dispersal bases, both military and civilian. And the B–1 can still reach a considerable portion of the Soviet target system *unrefueled*, should the tanker for a particular sortie not survive.

Another alternative would be to reduce the full offload available from the KC–135s, to permit them to take off from shorter runways. This would also limit somewhat the B–1's penetration capability, but much less so than complete loss of tanker support.

In addition, the KC–135 can be modified to shorten reaction time and takeoff distances. These modifications could include replacing the present engines with existing airline-type turbofans, as well as simultaneous engine start, using cartridge-starter techniques.

Air Force studies show conclusively that adequate basing facilities are available for both the B–1s and the KC–135s, which meet all criteria of safe escape from the most serious ICBM or SLBM threats.

In a similar vein, the Air Force early this year decided to cut back the number of flight-test aircraft from five to three, and the number of complete ground-test airframes from two to one, and thereby save about $300 million. "This involves an element of risk since loss of one of the three test aircraft would have considerable impact on the program. But on balance, I believe it is a good trade off. With good supervision we can live with the increased risk, and I think we will wind up doing a much more efficient job during the flight-test phase. We plan a combined Air Force contractor flight-test program. Both parties will participate in all activities and receive and benefit from all test data. Previously, flight testing was done first by the contractor and then again by the Air Force, resulting in duplication of more than fifty percent of the effort," General Nelson said.

By changing the flight-test program to a "team effort," the Air Force not only assures "full engagement in all facets of the effort but is saving itself and the contractors a great deal of cost and effort," he explaned. (Universally, ASD program managers view the "disengagement" policy, in effect in the late 1960s, which held contract between the government and the contractors to a minimum, as a prime factor in cost overruns and technical difficulties in recent weapon system procurement programs.)

FRUGAL MANAGEMENT TECHNIQUES

Another innovative means for cutting cost during the B–1's RDT&E phase is the SPO's decision to use civilian airworthiness standards, in place of the more stringent military specifications, where reasonable.

"We are doing this to minimize the government's fiscal commitments prior to a production decision. By eliminating a high percentage of the formal military qualification testing of various systems components, we are running a small calculated risk. If and when a production decision is made, we will have had the advantage of actual flight-test experience instead of merely bench tests and analyses in the qualification testing on some key components. Still, I believe that about sixty percent of the components involved will not have to be requalified to military standards when we go into production," General Nelson said. However, because of their crucial importance, the Air Force is proceeding with standard military testing of the engines.

Another cost-cutting move during the RDT&E phase is the "deferment" of all design and development work on the B–1's ground-support and training equipment until a production decision is reached. A similar tack is being taken with the B–1's avionics. "While we have designed into the airframe provisions for extremely sophisticated defensive and offensive avionics, we will use only off-the-shelf systems for the flight-test program. We will start the first production aircraft with perhaps no more than fifty percent of the full avionics potential. Over the years, we can add to our capabilities. While I don't want to commit myself categorically at this time, I think that the first SAC aircraft will have an offensive avionics system similar to that of the FB–111. On the other hand, it is quite probable that early models will require a new defensive avionics system, as well as a new computer installation to operate both the defensive and the offensive systems," the B–1 Program Director said.

PERFORMANCE CHANGES

In his no-holds-barred review of cost factors, General Nelson initiated a number of performance changes that have helped cut costs without impairing the aircraft's ability to perform its mission. Among them is a reduction of the airframe's titanium content. Titanium is a high-priced difficult-to-

machine metal which combines high strength with the ability to resist high temperature. While the B–1's supersonic cruise speed is classified, it is known to be between Mach 2 and Mach 2.5 and, therefore, not subjected to the high temperatures that would require extensive use of titanium. The airframe, therefore, contains no more than twenty percent titanium. Titanium is being used to provide extra strength for components exposed to high aerodynamic loading and in this limited application is considered quite cost-effective.

Following extensive trade-off studies, the initial performance criteria for takeoff performance were relaxed by about 500 feet. The refueling altitude requirement was relaxed slightly and the supersonic penetration range reduced a little. In addition, the size and weight of the aircraft were reduced slightly, compared to the original contract specifications. The aircraft's exact weight is classified, but is slightly above 350,000 pounds.

According to present plans, General Nelson said, the B–1's engineering mockup is to be completed by October of this year, the engine is to be qualified for flight testing late in 1973, and the aircraft is to fly for the first time in the spring of 1974. At about the time of first flight, the government will request production funding from the Congress and begin actual production in Fiscal Year 1975.

The production "buy" the Air Force is expected to propose will involve about 240 aircraft. While no Initial Operating Capability (IOC) has been established, it is likely that the aircraft will begin to enter the SAC inventory by mid-1977.

The program's technical progress so far "has been very good, regarding both airframe and engine. We are already running scaled-down engine components, such as half-scale fans, half-scale turbines, and a full-size prototype compressor. The engine is an afterburning turbofan akin to the TF30 engine of the F–111, but using significantly higher temperatures and pressure ratios. By using new, sophisticated materials, such as the newly developed nickel alloy Rene 120, and advanced cooling techniques, we attain substantial increases in temperatures and, therefore, in efficiency, over the best engines currently in operation. GE was able to come up with a single high-pressure turbine design—in place of the several needed previously. This eases the task of maintaining the aircraft in the field. The engine can be disassembled and reassembled easily and quickly [vital for a bomber which is to be dispersed widely]," according to General Nelson.

General Nelson termed the B–1's mode-stabilizing Softride system a breakthrough of considerable importance. Without it, the high rate of turbulence encountered at altitudes below 400 feet during the B–1's high-speed penetration runs could severely impair both crew and systems performance. North American Rockwell's Softride represents the first application of a new technology, called CCV (control configured vehicle), essentially an adaptation of missile control systems to aircraft. The B–1's Softride system suppresses up-and-down motion of the airframe with the help of a movable horizontal vane placed on each side of the aircraft's nose. These control surfaces are electronically activated by motion sensors in the fuselage.

GETTING OUT IN A HURRY

Within the framework of the US deterrent triad, the strategic bomber's ability to take off rapidly from dispersed fields, before it can be destroyed by sea-launched missiles, is critical. The B–1's ability to "flush on warning" is outstanding. "We expect to be off the ground within no more than four minutes from the time of warning. Allowing for depressed-trajectory SLBMs, this is not good enough if the bomber is based on our coastal areas. It is however, more than adequate, if as planned, we locate the aircraft and their supporting tankers about 300 miles or more inland. With the crews standing by in the cockpit or near the aircraft, and by starting all four engines simultaneously, we can gain additional, significant reductions in reaction time.

"Many detailed analyses and scenarios indicate that we can cope with the threat of depressed-trajectory sea-launched missiles by dispersing the fleet—say, two bombers and two tankers on alert per base—throughout the north-central part of the country. This can be done easily because the B–1 takes off from any runway that can accommodate medium- and long-range commercial aircraft," General Nelson explained.

The B–1 can carry three times the internal payload of the aging B–52, in either nuclear bombs or SRAM missiles. It is designed to fight its way through the heaviest air defense concentrations and to deliver high-yield nuclear bombs with extreme accuracy. At present it is the only weapon system capable of dealing with superhardened targets.

If an enemy has small chance of destroying a significant number of B–1s on the ground and "because there is no technology in sight that can prevent it from penetrating to target, the B–1 represents a pivotal element of our national deterrence in the years ahead," according to General Nelson.

The need for the B–1, reaffirmed by recent high-level defense studies, is not affected by a possible shift of part of the nation's ICBMs to a mobile-basing mode, be that either ground mobile or air mobile. "Whether you launch a ballistic missile from a silo, a submarine, a mobile ground launcher, or an aircraft on the ground or even in the air makes no significant difference to the enemy's ABM system. The basing does not change the penetration mode, and any Soviet breakthrough in ABM technology would jeopardize *all* ballistic missile systems. We tend to underestimate the ABM capabilities of the Soviet Union. For instance, does it make sense that the Tallinn system, involving thousands of interceptor missiles and ostensibly designed to defend against B–52s, would be made accurate to an altitude of 150,000 feet if there were no intent to use its missiles against our ICBMs and SLBMs?

"Our deterrence-capability is only as good as the Soviets think it is. To maintain this credibility, we need an advanced strategic bomber that can provide us with various levels of deterrence. Also, only the bomber compensates for the fact that the Soviets don't expect this country to launch its missiles on warning but rather to absorb a first strike. They also know that we would launch our bomber force on warning, because it can be recalled," General Nelson said.

Mr. CURTIS. Mr. President, I yield the floor.

ORDER OF BUSINESS

The PRESIDING OFFICER (Mr. STEVENSON). Under the previous order, the distinguished Senator from Tennessee (Mr. BROCK) is now recognized for a period not to exceed 10 minutes.

THE NIXON DOCTRINE—AN AGE OF NEGOTIATION

Mr. BROCK. Mr. President, today, eight Members of this body have risen to express their concern. I hope it is a concern that is shared by most of the people of this country. The situation evidenced by some of the remarks which have been made by the distinguished Senator from Nebraska (Mr. CURTIS), by the distinguised Senator from Pennsylvania (Mr. SCOTT), by the distinguished Senator from New York (Mr. BUCKLEY), by the distinguished Senator from Colorado (Mr. DOMINICK), and others, warrants serious attention.

I should like at this time to place my own remarks in the context of the prospects for a negotiated peace.

Mr. President, President Nixon has established as a basis of his foreign policy the maxim that we are entering an "age of negotiation" rather than confrontation. Unlike reaction policies of the past, the Nixon doctrine is positive and active. It emphasizes vigorous negotiation from a position of strength.

It is designed to prevent wars, not manage crises, as has been the case in the past. Taking the longer view, the President has recognized that we are in a world of different and shifting conditions. Such hopeful signs must be tempered by realistic recognition of human nature and, perhaps, human frailties.

Some people have let their expectations outrace the realities. As a matter of fact, the range of options among which the United States can choose at the negotiating table has narrowed considerably in recent years, especially since the balance of power began changing rapidly in favor of the Soviet Union.

Thus, we have realized a paradox. The more important negotiations become, the fewer our choices and the more powerful must be our hand. The stronger a negotiator is, the better his opportunity for beneficial bargaining.

It is interesting to note that in the past 20 years the strategic policies of the United States and the U.S.S.R. have evolved in opposite directions. In the 1953 to 1960 period, our policy of collective security and massive retaliation coincided with our capability to take a universally recognized strategic position based on strength. At the same time, the Soviet Union, while in the process of developing its nuclear forces and remodeling its armed forces to respond to new requirements, was, on the whole, keeping to a strategy based on a recognized position of weakness.

However, by the end of 1959, the reorganization and the reequipment of the Soviet Armed Forces was virtually completed, and in 1960 the formation of the strategic missile force officially inaugurated the new nuclear strategy of the Soviet Armed Forces.

At about the same time that the Soviet reorganization was completed, the United States, in 1961, shifted from its strategy of massive retaliation and the nuclear umbrella based on superiority to the so-called flexible response of assured destruction.

Significantly, an immediate consequence of this shift in policy was the Cuban crisis in 1962 which found us able to take advantage of our superiority in the missile and naval fields. The outcome of the crisis was not only the ouster of Khrushchev, but also a general step-up of Soviet military efforts, particularly in the fields of naval and missile development. They were not to be embarrassed again.

It is especially noteworthy that the acceleration in the Soviet naval build-up was accomplished precisely at a time when the United States started to reduce the scope and offensive nature of our Armed Forces.

This may seem strange to those who conceived our policies in that period, but it is not so strange to those who now view the situation realistically. Our unilateral reduction in forces did not stop the Soviet drive for more and newer sophisticated long-range weapons; rather, it seems to have spurred the Soviets on to a greater effort coupled with the all-out psychological and political offensive in every part of the globe.

Now the balance of power more and more favors the Soviet Union. In spite of the best efforts of our negotiators, the basic realities of defense continue to exist. Soviet nuclear strategic weapons do not disappear because we sit down at the bargaining table. In fact, they are constantly being extended and improved. We cannot exclude the possibility that these weapons will be used. The possible use of these weapons remains a strategic consideration for the foreseeable future.

We have, then, a whole new concept of weaponry systems, based not only on nuclear power but also on new delivery methods using sophisticated guidance principles. Yet, while the weapons have changed, the superpowers controlling them have not.

Since introduction and deployment of these arms, very little has changed in the political philosophy or in the systems of mutual alliance and defense treaty commitments of the two superpowers.

The theory that the balance of power could be stabilized led some people to believe that it would be in the interest of both sides to create a condition of permanent equality in strategic weapon systems, a condition often called parity. In the interest of parity, it was considered good policy in the McNamara era for the United States to slow down the development and deployment of new systems to let the Soviet Union catch up with us in the "arms race" competition.

We now know what happened to this reasoning. It collapsed when the Soviets were not satisfied with parity, but kept on going, and they have not stopped yet. Four years ago, Russia had 550 ICBM's; today they have over 1,400. Four years ago, the United States had 1,056 ICBM's; today we have 1,056. How can there be a "race" when only one of the contestants is even running?

Thus we see that there is a gap between the expected and actual Soviet response to the behavior of the United States. In point of fact, the Soviets apparently regard our behavior as peculiar and possibly even a bit irrational.

We are still suffering from this McNamara thinking today. It has been argued by some that we should deliberately withhold attaining high accuracy which is technically within our power for our Minuteman missiles. It is argued that such accuracy would be provocative, and lead the Soviets to think that we are seeking a first-strike capability. Baloney.

Mr. President, from the Soviet point of view, it is irrational to go into battle with a blunted sword. I agree. Nothing could be more provocative than a weakened and irresolute United States.

In my opinion, it is far less provocative to have accurate weapons, weapons capable of hitting military targets on the nose, than to say that our weapons are only capable of assuring the destruction of millions of their people. No military strategist worth his salt thinks in terms of killing millions of people, but rather in terms of eliminating the enemy's ability to retaliate.

Plainly, the persistence of the escalating Soviet development of strategic nuclear weapons has not been affected either by the unilateral slowdown by the United States in weapons deployment, or by the general disarmament discussions in Geneva, or the SALT talks in Helsinki or Vienna. In fact, if anything, the rate of Soviet strategic improvement has increased in recent years as a result of these protracted negotiations.

What are the realities, therefore, with which we are presented in the "era of negotiation"? The realities are as follows: The Soviet Union has been enthusiastically extending the range and quality of its negotiative power, a power based simply upon strategic capability.

The Soviets have been attempting to disjoint the Western Alliance, particularly, NATO and during the last administration we saw the loss of a major military partner in that Alliance.

The Soviets have sought to isolate and neutralize the World War II "enemy" States of Japan and West Germany, seeking to minimize their participation in the common defense effort in the Western World.

The Soviets have sought to destabilize the Middle East and establish their own presence in the base of the Mediterranean. An enormously enhanced naval power in this area has brought this objective close to reality.

Finally, the Soviets have been striving for a decisive superiority in both strategic and conventional weapon systems—ground, naval, and Air Force.

Defense Department experts estimate the Soviets are currently spending some 20 percent more each year than the United States on military and space research and development. Analyses indicate they reduce our technological lead by 1 year for every 3 they maintain that comparative tempo.

If this pace keeps up, we can well expect some surprises, and perhaps bitter disappointments, at the negotiating tables.

All of these policies have served to increase the negotiative flexibility of the Soviet Union and to obtain the power for optional pressure in any crisis area of the world.

The responsibilities of the United States, as the only other superpower in the world capable of withstanding Soviet pressure, have one sole measurement. That measurement is not set by the amount of funds we can appropriate for domestic programs at home and abroad. The only measure in a negotiative showdown is the degree of security that the United States can provide for the common defense effort with the other free countries of the world.

We must maintain a credible posture for constructive negotiations. Whether we deal with the Soviet Union, the People's Republic of China, or an uncommitted nation, our basic strength is our ability to back up what we say. A leader is not only one who says "Come on." A leader must be able to back up what he says and have the power to protect himself with the support of his strengthened allies. We cannot deal with the Soviets, or China, if it appears that we have become, in fact, a second-rate power.

Unless the President has demonstrable strategic deterrent weapons at his disposal, the United States can find itself in difficult conditions. In such a case, it might be, not only difficult, but almost impossible to conduct effective negotiations. He would find it pointless to negotiate either in the realm of arms limitations or in the political solution of crisis conditions in various parts of the world. Unless we understand the intimate relationship between negotiations and power, we could well fade from the international scene as a nation which affects the course of human events.

Mr. President, on July 12, Gen. Lewis Walt, the former Assistant Commandant of the U.S. Marines, addressed the National Press Club. His speech, titled "Security of the Nation," which was carried live by the National Public Radio Network, provides an excellent overview of this Nation's defense position.

I ask unanimous consent that the text of General Walt's speech be printed in the RECORD.

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

SECURITY OF THE NATION

(By Gen. Lewis Walt)

I was here about four years ago, after my immediate return from Vietnam. At that time I spoke primarily on Vietnam and my experiences there. Today I would like to spend a little time on Vietnam, but I would like to spend most of my time allotted on what I think is a much more critical area of threat insofar as our country is concerned.

Most of you know, my experience in Vietnam extended as Commander in the I Corps area from May of 1965 until June of 1967. I was Commander of the Allied Forces in the I Corps area. Since that time I have had an opportunity to go back once every six months until November of last year, just before I retired.

Briefly stating, I believe that the Vietnamization program in Vietnam is working. For many reasons. First of all, we've been able to withdraw 307,036 of our troops from Vietnam, and the situation is still stable there. I think this is a very evident fact. I think it's also important to note that we have 182,247 of the Viet Cong come over to our side in the Chieu Hoi program. That is a tremendous number. They are coming back this year at an average of 1950 per month. This means that the guerrilla has degenerated in his will to fight, his ability to fight.

When I was there in November, I talked to a number of the guerrillas who had given themselves up and some who had been captured. They were all in the same state and mind. They were discouraged. They were hungry; they were, some of them, sick. They had lost their spirit. They felt that the Communist forces, the higher-ups, had failed them in giving the support that they needed.

The military forces, I think, are another indication of Vietnamization working. They've got over a million men in the South Vietnamese military forces out there, and the ones that I was familiar with, the First and Second ARVN Division, up in the I Corps

area, I visited in November. And I found those divisions to be excellent in all regards. They have taken over—one of the divisions had taken over from my third main division up on the DMZ, where the action is pretty lively. And they have done an outstanding job in that area. They have been able to stop the enemy on several occasions and had a kill ratio of over twelve to one, over him.

I think another area which proves that the Vietnamization is working is the area of schools. When I went out there in 1965, there were approximately 300,000 people in school—grade school and college, all told. Today, after we've helped them to build thousands of schools, in the elementary school level we have 1,896,000; in the secondary school, 632,000; and in the university, which when I was out there in '65 had about 2,000 students, they today have about 50,000 students. This is the total of 2,558,000 students, as compared with the 1965 figure of approximately 300,000. So you see we've come a long ways in that area.

In the refugee area, which I think is very important in a war of that type, at one time, in February, 1969, the refugee figure stood at 1.4 million. Today, there are 245,000.

In the political area, I think this is significant. When I got out there in the I Corps area, there were less than ten percent of the hamlets and villages that had their own elected officials. Today, country-wide in Vietnam, 95 percent of hamlets and villages have their elected officials.

Another factor, I think, is very important if you're—want to consider the effect of the popularity, you might say, of the government in Vietnam today. I think the People Self-Defense Force is a good barometer. After the Tet offensive of 1968, the people in the hamlets and villages went to their government officials and asked for permission to have their own weapons so they could defend themselves in the hamlets and villages against the Guerrilla. There was a great deal of discussion. President Thieu told me that it was discussed for several months before he finally made the decision that the people would have, would be given the weapon—one weapon to every three people, so they could defend themselves.

The arguments against this, of course, was that the people would use these weapons against the government and possibly join up with the Viet Cong and give the weapons to the Viet Cong. That hasn't happened. The people have been loyal to the government. They've been a very influential factor in getting the Chieu Hoi rate back and up to where it is now, and also in preventing the Communist guerrilla attacks on the people themselves. And today there are 4,059,000 people in the Peoples Self-Defense Force of South Vietnam. And I think this is a very, very significant figure.

I think it's significant that the North Vietnamese Army today, after having suffered, together with the Viet Cong, 738,000 casualties, at least, by admission of their own General Giap nearly a year ago. And I think that this certainly has been a great blow to them. If it—you were to apply that same figure, or a percentage to our population, it would mean that we would have lost 8 million men in that war, and you know what a jolt that would be to us.

Well, I think that all of these factors show that the Vietnamization process in Vietnam is working, and I've got confidence it's going to work so long as we maintain the schedule that the President wants to maintain.

Now I'd like to talk about the Soviet threat—the communist threat, world-wide. Let's go back to a little bit of history. Post World War II there immediately seemed to be formed two power blocs, the Communist bloc and the Free World bloc. The Communist bloc immediately started taking over some of the Free World countries; and since World War II they've been able to take over seventeen Free World countries. To stop this aggression, the Free World went to the selective security policy. And we formed treaties, we formed the NATO Treaty, the SEATO Treaty, and the Rio Treaty and about forty others around the world in order to—that the Free World forces might join hands in an effort to stop the aggression of the Communist forces.

And since World War II also we have a different world facing us. We—there has been a great shrinking of the world, due to the advent of the jet aircraft, for example; the nuclear weapons; the missiles; the satellites, which have given us instant communication, world-wide. No longer is the national policy of disarmament, neutrality, or isolationism practical in this world we live in. No longer are these oceans that we live back of, barriers to an enemy attack. No longer can we be disarmed and still fight a war. And the type of war we're going to fight today, we've got to be ready—instantaneously ready to protect ourselves against an enemy attack.

Because of these changes, our national policy in 1950 consisted of what we called "massive retaliation." In 1960, we changed that, till we called it a "flexible response." Today, in the 1970's, we have what we call "a realistic deterrent."

Well, let's talk a little bit about the military threat. First of all, is our deterrent realistic? Is it creditable? And is it reliable? How about in the missile area, the ICBM's. Today, we in the United States have about 1,054 ICBM's. We had about that number in 1965. In 1965, the Soviets had about 250. We haven't been adding to ours, but today the Soviets have some 1500 ICBM's, and of these 1500, 300 of them are the SS–9's, those massive missiles which have a warhead totalling—each warhead totalling some 25 million tons of TNT-equivalent explosive power.

In the seapower area, in the last few years the Soviets have been making tremendous strides in building up their navy. They have today a total of 109 surface ships compared to our 563. It's true that some of their surface ships are small, they're speedboats, so to speak; but they have on them the very effective Kruz missiles that we don't have and we're working on now. The Soviets have the largest submarine fleet the world has ever seen, just short of 400 submarines. We have 142. And of these submarines, they have approximately the same number of nuclear powered submarines as we have. We have between 40 and 50 nuclear powered submarines with the missiles, the long-range missiles on them, such as the Poseidon and Polaris. The Soviets have somewhere between 16 and 20 of those ships, and they're operational and off our coast today and have these missiles. Their plans call for them having over 50 of these in 1975, and by that time we will probably have about the same number; so they're going to equal us in that area.

During this period of time, our navy has gone down 35 percent in the last two years. We've lost 150,000 men in our Navy and 200 ships; and if the cuts that appear imminent this year continue on, we're going to lose some more, so that our Navy is going to be even weaker than it is today.

We talk about this era of deterrent, we talk about a credible deterrent. Let's take a look at our deterrent. We call it our triad; we have deterrent in three areas, the ICBM's, the bombers, and the Polaris or Poseidon submarine.

First, let's take the ICBM's. We have the Minute Man. Now, the Minute Man is vulnerable to the SS–9, of which the Soviets have 300. The only way that we can protect that Minute Man is to have ABM or safeguards around him. We're doing that in two areas, one in Montana and one in North Dakota. Now I notice that in the SALT talks we're going to talk about ABM with the Russians. It's evident to me that they want to stop the dispersing of ABM's here in the United States. Why wouldn't they? They're already ahead in the offensive weapons. Why not—why not talk about the defensive weapons for a while and get us to confine our ABM effort to maybe just the capital of the United States, for example, which would be very advantageous for them because then it would leave our Minute Men totally nude to the effect of their SS–9's.

The second of this triad, the bombers, the B–52's, and hopefully in the future, the B–1's. There are valuable weapons. How is the enemy going to counter them? These bombers count on warning time in order to get off the field. The Soviets are building their missile-launching submarines. When they get them built, they will be able to wipe out these fields or the bombers before they have a chance to get off. So they will nullify our B–52 or B–1 effect off the field. That's the number two deterrent that we have.

The number three deterrent, the one that is really, I think, the only viable deterrent so far as the Rusians are concerned today—that is our missile-launching submarines, the Polaris and the Poseidon-type missiles. Now, these are protected, supposedly, by the expanse and the depth of the ocean. How are the Soviets going to counter them? The Soviets today have the largest submarine building program that the world has ever known. They're building fast-attack submarines at the rate of about four and a half a month. In addition to their missile submarines, that they're building fifteen a year. So when they get enough attack submarines, by 1975 they're going to have enough. They will be able to shadow every one of our Polaris or Poseidon submarines in the ocean. So they have nullified that deterrent.

Then where do we stand? We're wide open.

What is going to be the effect of this? Honestly, ladies and gentlemen, I'm not concerned about a military effect as I am about an economic effect. I think that the Soviet Union plans to use this great power that they have for political and diplomatic purposes. Another area in which they are building up is in their merchant marine fleet. Our merchant marine fleet since World War II has gone from 1900 down to 1100. We're planning on building, I think, 300 new merchant marine ships now, but many of our ships—I'd say over half of our ships—are manned by foreign crews and flying foreign flags. So I'll question whether we control them.

The Soviets are going to build 2000—or have built 2000 ships since World War II in the merchant marine category, and they can according to James Fagenships, build that many more before 1980.

They can underbid us. They can carry our cargo cheaper than we can carry it ourselves, and naturally, they're going to be carrying out a lot of our world shipping. This is vital to us. And I think there's no nation, no great power in the world that depends more on world trade than we do. I am told that seventy—of the 76 vital commodities that we need for industry in this country, 66 of them have to be imported. So you can see what a stranglehold the Communists could have if they could control our world trade. They could have—they could have a stranglehold on our industry in this country.

Now, let's add to that, another threat. The threat of the Middle East. I'm not talking about Israel and Egypt. I think the Russians would be in the Middle East whether the Egyptians and Israelis were having trouble or not. The Russians have a vital interest in the Middle East. They want to control the Suez Canal area. They want to take over the Middle East so that they can control the oil in that area. Forty-two percent of the Free World oil comes from the Middle East—all that is used in Europe, Western Europe, comes from there. Eighty-seven percent of the oil supplied to the Japanese, Japan, comes from there; 67 percent of the oil that we use in Southeast Asia comes from the Middle East. So you can see that that would

be another very vital stranglehold that the Communists could have on us, if they could control that oil.

What would happen if they did? It would mean that they would be able to put pressure on Western Europe and Japan—a lot of pressure—unless we were to come through with oil of our own, share our oil supply with those countries. This, I think, might possibly cause a great hardship on this country. I can see where it would even cut down our industry, because we would have to ration the oil. I can see where cutting down the industry could cause further trouble in this country. People out of work, people discontented, more disunity, more demonstrations, more riots. Now, you couple this situation in our country, if it should happen sometime after 1975, with the added subversive element which the Soviets could throw into this country as the result of the training that's being done in Cuba today. And I think you can see that it might be conceivable that this country could be brought to its knees—our country could be brought to its knees through economic warfare, and we would find ourselves without the will to fight, and without the will to resist.

You say, "Well, why don't we do something about all this? Doesn't somebody know these dangers exist in high places?" Yes, they know it. Congress has been briefed. They've had many secret sessions and briefings, secret testimony from the departments of the government, the CIA, the Defense Department. They've had many reports handed them. Here's a report from Mr. Ebert, Chairman of the House Armed Services Committee. This was reported in *Executive Magazine*, 1971, March.

Mr. Ebert says, "Unless we do something about it in the next year or two, Russia is going to have the best navy in the world. We have diluted our effectiveness in the Mediterranean. We have nothing but a paper tiger there, the Sixth Fleet. And with their shortrange missiles, the Russians could destroy us overnight if they elected to do so."

Seven members of the blue-ribbon panel, the President's panel established here over a year ago, have recently made a report to the President, and they say, "In a dramatic shift of power largely unnoticed by the public the quarter century of clear U.S. strategic superiority has ended. If the observable trends continue, the United States will become a second-rate power incapable of assuring the future security and freedom of its people. It is not too much to say that in the '70's, neither the vital interests of the United States nor the lives nor freedom of its citizens will be secure."

Here is an excerpt from the report by the Joint Committee on Atomic Energy. Now, this is a bipartisan committee made up of 10 Democrats and eight Republicans, nine Senators, nine Congressmen, doves, hawks, all categories. Mr. McGovern is on this, Senator Jackson is on this, they all signed it.

It says:

"The United States, unless it moves quickly, to counter a rapidly expanding Russian naval threat faces a future in which it will have to surrender to the Soviets on all issues or risk nuclear annihilation. Any delay may mean no future. Unless prompt measures are taken to build up a nuclear navy the United States will have to give in on all issues. There may be no future. We will soon find ourselves unable to defend our national interests."

So you see, it's not a matter of keeping information away from the leaders of our country. The problem is that the leaders of our country have so much public and political pressure on them from the people in this country on domestic issues because the people are not cognizant of the problems that are facing us externally in the way of the Russian threat. So the—our political leaders are responding to their constituents' pressures and consequently our external threat is being not only ignored but some of us—our Congressmen are even talking about cutting a defense budget that is already totally inadequate for the defense of this country.

Let's take a look at the comparison of the budgets between the Soviet Union and ourselves for just a minute.

Actually the two budgets for the defense of the countries total about the same number of dollars. This constitutes about 7 percent of our gross national product and about 20 percent of the Soviet gross national product.

During the last five years the Vietnam War has cost us about 22 billion a year. It's cost the Soviets about one billion a year to keep that war going.

In the defense dollar today the United States has to use 52 cents of that dollar; after the raise in pay for armed services is passed it'll probably be 60 cents out of every dollar, to pay personnel. The Soviets use 25 cents out of every dollar to pay their personnel.

That means in the United States Defense Department budget that leaves about 40 cents out of every dollar for material and for development. This isn't very much when you consider the Soviets have 75 cents out of every dollar left. And, of course, they get their research and development and material at a much cheaper price than we do.

Adequate understanding and support by the people is vital to the defense of a democracy such as we have. In the United States today a significant segment of our population is not only uncooperative, negative and apathetic, they are irresponsibly hostile toward our defense efforts. Our total experience in negotiation with Communists warn us that utmost caution must be used and proposals must be most critically analyzed for possible consequences and at present not only security of the United States but the future of the free world is at stake.

Are we, as Americans, ready to accept irrevocably the status of a second-rate power with all its terrible consequences? If not, and I think the answer would be no from most Americans, the only national strategy that makes any sense is to insure that we maintain an unquestionable secure superiority in strategic defense capability. A superiority capability which the most reckless aggressor cannot doubt. Such a deterrent would make negotiations meaningful and, I think, fruitful because we would be negotiating from a position of strength and not one of weakness.

For the last 25 years we have had a chance to observe the effects of Communist aggression. As I said earlier, they have taken over 17 free countries since World War II. They have caused constant turmoil in the United States and other free countries during this time. We have had direct confrontations with the Communists in Greece, in Berlin, in the Middle East, in Korea, in Cuba and in Vietnam. All of this when they were relatively weak, strategically. I think it would be senseless and irrational to think that from the power base which they have now that they will be any less hostile and the sixty-four dollar question is: to what extent will they use their blackmail potential?

In conclusion, I believe that the Vietnam War is winding down. I have confidence in the South Vietnamese doing their part because I believe that they have the will to resist or the will to fight which is a very vital factor and I am confident that we are—I am not confident that we in this country have the same will to resist or fight in order to finish out Southeast Asia or to do what we have to do in other parts of the world.

The road to peace has never been through appeasement, unilateral disarmament, isolationism or negotiation from weakness. The entire recorded history of mankind is precisely to the contrary. Among great nations only the strong survive.

Ladies and gentlemen, today we need unity not division. We need leaders and not followers. We need courage and not fear. We need patriotism and not traitor's acts. We need to look to the future and not to the past. We need strength and not weakness in our national defense. We need all these things. And we need God's help if we're going to survive as a free nation.

ORDER OF BUSINESS

The PRESIDING OFFICER. Under the previous order, the Senator from Indiana is recognized for not to exceed 15 minutes.

(The remarks of Mr. HARTKE when he introduced S. 2365 and the ensuing colloquy are printed later in the RECORD under Statements on Introduced Bills and Joint Resolutions.)

TRANSACTION OF ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will be a period for the transaction of routine morning business for not to exceed 15 minutes, with a limitation of 3 minutes to each Senator being recognized.

THE RAILROAD STRIKE

Mr. GRIFFIN. Mr. President, I hope I am wrong, but it now appears that Congress will be urgently asked to intervene once again, on an ad hoc basis, to deal with a paralyzing national railroad strike.

On July 16, the United Transportation Union struck the Union Pacific and the Southern Railway. Two additional railroads were struck last Saturday, and the union has announced an intention to strike another 14 railroads by August 11.

If the strike threats are carried out, this action will affect about 62 percent of all railroad employees in the Nation and approximately 45 percent of national railroad track mileage. But, Mr. President, in the meantime, strikes already in effect are creating what very soon will be a nationwide emergency.

For example, I am advised that some of the steel and automobile companies will be forced to begin shutting down their plants within a matter of days unless something is done.

So, Mr. President, unless an agreement is reached within a few days—and I sincerely hope an agreement can be reached very soon—the plans of the Congress for an August recess next week may have to be scrapped.

Ironically, if Congress is forced to stay in session beyond August 6, when the recess is scheduled to begin, Congress will have no one to blame but itself. We should not need to be reminded that twice since last December, Congress was required to extend railroad strike deadlines. How much more notice does this Congress need before it will begin to move in a serious, meaningful way, to provide needed reforms in the basic labor laws of the Nation so Congress can get out of the business of arbitrating labor disputes?

Legislation which the Nixon administration proposed last year has been pending before the committees of Congress for many, many months. I introduced that legislation on behalf of the

administration early in the second session of the last Congress, and I reintroduced it at the beginning of this session.

It is true that one day of hearings was held, but then the legislation was set aside by the committee of the Senate having jurisdiction.

The PRESIDING OFFICER. The Senator's 3 minutes have expired.

Mr. GRIFFIN. Mr. President, I ask unanimous consent that several recent newspaper editorials be printed as a part of my statement.

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

[From the Washington Post, July 22, 1971]

CONGRESS AND COLLECTIVE BARGAINING

The railroad strike now under way and its threatened expansion ought to make it crystal clear that the time for Congress to completely overhaul the nation's labor laws is long past. A national rail strike—or a national strike in any of the other transportation industries—is intolerable. Yet the experience of the last few years has demonstrated conclusively that there is nothing in the existing labor laws that can produce a satisfactory settlement in such complex situations before a strike, or, for that matter, once a strike begins.

Talking about this in London the other day, Secretary of Labor Hodgson said, quite rightly, that the real question is whether free collective bargaining can survive. Some sembance of collective bargaining was maintained in the rail industry as long as there was fear on both sides of the table of what kind of settlement Congress might impose if no agreement was reached and a state of national emergency occurred. But that fear has diminished with each congressional intervention and now seems to have disappeared since Congress has never done more than merely put off to another year the really tough questions in these negotiations.

We think that Congress should realize that it has only two options left in dealing with labor problems that can lead to strikes which are unacceptable because of the harm they would do to the national economy. One is to set itself up with the tools necessary to become a fair and final arbitrator. The other is to invent some new mechanisms which can breathe life into collective bargaining in industries, like the railroads, where it is almost dead.

The administration's proposals, which have been before Congress for more than a year, strike us more likely to achieve that latter purpose than anything else now in sight. The most interesting and perhaps the most useful of these is the "final offer selection" option which the President could invoke in transportation emergency situations. Under this proposal, the President would appoint a board which would decide, after hearings, which final offer submitted by management or labor would comprise the contract. The effect of this would be to force management and labor closer together—perhaps close enough to reach agreement themselves—by posing the threat that one side or the other would lose everything because its final offer was unreasonable.

Such a device would only provide a way out of the current railroad mess but might have provided a way through which the problems would have been settled across the negotiating table. It seems unlikely that the unions would have been so intransigent on the work rules issues if they had feared that their failure to move on these questions might have led to a contract written precisely as the railroads want it.

The failure of Congress to act on this legislation or on some other alternative is inexcusable. The collapse of collective bargaining as we know it in the railroad industry has been obvious for a long time. If the present strike accomplishes nothing else, it serves to remind the public that Congress is as much to blame for it as the railroads or the unions by its refusal to provide some new mechanism through which these labor disputes can be resolved.

[From the Evening Star, July 28, 1971]

REPEAT PERFORMANCE

For the third time since December, the nation is faced with a railroad labor crisis that may require a special federal law to avoid disastrous economic consequences. The problem, given the ample opportunity for a lasting congressional solution, need not have recurred.

The current selective strikes by the United Transportation Union (UTU) have shut down four railroads, but they are big ones whose loss has severe effects on broad regions of the country. Six more railroads are scheduled to be struck Friday, and five more on August 6. If there is any question about the impasse having reached the proportions of a national emergency, that doubt soon will be dissipated.

Congress is in its second year of inaction on a reasonable administration proposal for avoiding labor stoppages in the transportation field, where such interruptions are deemed to affect the national welfare. The legislative lapse is inexcusable, as the repeated railway crises prove. Where strikes are prohibitively costly to the country's economy, there must be some legal mechanism for settling disputes, in a fair way, without recourse to the ultimate weapons of labor-management warfare. The administration plan would give the President alternative ways of requiring settlements rather than permitting strikes or lockouts.

The present deadlock, in which once-promising negotiations have been broken off, is doubly unfortunate in that the national economy needs every assistance to get back on the track of healthy growth and diminishing unemployment. A strike that prevents agricultural and mining products from reaching markets, and causes layoffs in industries dependent on rail shipments of materials, works against the economic interests of all Americans.

A particular disappointment is the failure of the settlement between the UTU and the Chicago and North Western Railway to hasten agreements with the rest of the railroads. The wage question long has been out of the way (with rail workers getting a handsome 42 percent in increases over 42 months), but the separate agreement also included compensating benefits for the railroad on costly work rules. Wasteful featherbedding has contributed to the financial ill health of many railroads, and progress in this area is important in the broader negotiations.

A sudden burst of congressional energy in the labor field would be reassuring as the nation faces the possibility of a paralyzing steel strike after this week. The administration's transportation measure could not be looked to for assistance in the steel situation, but consideration of the matter might turn legislative minds toward a more comprehensive overhaul of the labor laws. The basic need is a system for last-resort adjudication of all labor disputes affecting the national interests, possibly through labor courts or federally required, binding arbitration.

Before the troubled economy suffers grievous damage, Congress should look to its responsibilities in the long-neglected category of substantive labor legislation.

[From the Grand Rapids Press, June 1, 1971]

CONGRESS AND THE RAILROAD

To preserve our cherished illusions that we maintain a free enterprise system, we have never been willing to nationalize the railroads. But we haven't been willing to let them alone either on the not unreasonable premise that the way they run or don't run affects not only the railroads' stockholders but the economic health of every American.

Governmental tinkering with the operations of the railroads—as necessary as that may have been at times—is most evident in that most fundamental process to free enterprise, the collective bargaining procedure. It has been collective all right, but not between management and union, but among union, management, presidential fact finders and, above all, Congress.

Congress has interfered so often and so long that the unions and managements can no longer reach an agreement themselves. We go from one strike threat, one walkout, one crisis to another. Only emergency legislation, with wage settlements imposed by Congress, keep the trains running, year after year. Each time we maintain the fiction that the legislation is short-lived. Each time it has a deadline—this time it's Oct. 1—after which the unions are free to strike again at which time we can repeat the dreary process again.

The Railway Labor Act of 1926 is now 45 years old. Even the most dense congressman has concluded by now that it won't work, yet neither chamber is disposed to get down to business and find a system that might work.

Why not? Because the specter of compulsory arbitration which faces intractable opposition from labor and much of the business community, hovers in the background of any workable settlement.

President Nixon's proposals for permanent legislation dealing with strikes in essential transportation industries are more than a year old. Neither the House nor the Senate has even held hearings yet.

The President issued an emphatic call for action when he signed the latest round of emergency legislation. The public will have to make an equally emphatic call to make Congress listen.

Mr. HANSEN. Mr. President, I would like to join with my distinguished colleague from the State of Michigan in calling the attention of this body to the urgency of considering very quickly the legislation which has been proposed by this administration and which so far has not received the consideration that I think must be given it.

In my State of Wyoming we have a small grain harvest in full swing. I have had calls from elevator operators who say that they have sales made and that they hoped to be able to deliver grain in compliance therewith for the last 2 or 3 weeks. They cannot get cars. They cannot move a single bit of grain. The harvest cannot be stopped. They are actually piling up on the ground now, with no cover at all, wheat that is being harvested in the State of Wyoming. This is going to result in losses to the farmers. It certainly has resulted in losses to the elevator operators. And it will result in unemployment.

With respect to steel, the only canning operation in the State of Wyoming gets its plate from Omaha, which is normally brought in by rail. There have been no deliveries. The canning plant will have to be shut down. They will not be able to harvest and can seasonable vegetables which now would be in the process of being canned. That is resulting in unemployment. It could very possibly result in the only canning factory in the State of Wyoming going out of business, simply because this Congress has failed to make the tough decision which should have

been made a long time ago. Instead of trying to resolve this problem on the basis of temporizing, as we will now likely be forced to do, we should have been considering the legislation which my distinguished colleague from Michigan has proposed, and get on with the job, so that we will not be faced with this same type of emergency stopgap legislation.

Mr. MANSFIELD. Mr. President, I have been interested listening to my two distinguished colleagues place the blame for what is happening at the present time in the lap of Congress, and specifically in the Committee on Labor and Public Welfare. To the best of my knowledge, the only voice which has been raised until today about hearings on this legislation has been that of the acting minority leader, the distinguished Senator from Michigan (Mr. GRIFFIN).

I recall that the last time we had railroad legislation before us, he extracted a promise from the chairman of that committee that hearings would be held. On the basis of what he said this morning, evidently only one hearing has been held.

May I ask the distinguished acting minority leader if the Republican members of that committee have either singly or collectively made any move to hold further hearings on the legislation which was proposed by the administration and introduced by the Senator from Michigan.

Mr. GRIFFIN. If the distinguished majority leader would yield, let me say that, particularly in view of the fact that the chairman of the committee is not on the floor, I have not and I do not intend to lay the blame primarily upon him or on the members of that committee.

I suppose my answer to the question for the moment should be that I really do not know. But regardless of what has been the action or inaction of any particular member of that committee, I believe that the Senate as a whole and Congress as a whole are responsible, and to the extent that I am a Member of this body, I accept a portion of that responsibility.

The fact is that this Nation can no longer tolerate a nationwide railroad strike in peacetime or in wartime. We have known that for a long time. We have had the truth of that pointed out to us time and time again, when we have had to deal on an ad hoc basis.

Permanent reform legislation is needed. It seems to me that the Senate as a whole has a responsibility to insist that we face up to the problem, and try to do something about it.

I do not, at this time at least, point the finger of blame at the chairman of the committee or at members of that committee.

Mr. MANSFIELD. Mr. President, I grow somewhat disturbed when Members of this body try to place the blame for what is happening in the country on the shoulders of the Senate collectively, or a committee specifically. I would say that the administration has a good deal to answer for. It is not only the rail strike, the copper strike, and the other strikes which should be considered, but also in relation thereto the broad brush economic picture. We have, by the administration's admission, a $23.5 billion deficit in the year just ended—the second highest deficit which this Republic has ever had to undergo, the highest having been in 1968, under a Democratic President, Mr. Johnson, when the deficit was around $26 or $28 billion.

I would point out also that on the basis of a statement made by Secretary of Commerce Stans yesterday, this country, for the first time since 1893—for the first time in almost 80 years—faces a deficit in its foreign trade.

I would point out also that this Congress has given to President Nixon twice the authority to use standby wage, price, and rent controls, and he has refused to put them into operation.

I would point out further that he has done little in the way of jawboning. Oh, yes, a month or so ago he called in steel management and steel labor, and in effect waved a feather in front of them. He urged them to work out the most reasonable agreement they could, and I think because of that statement, we find a copper strike taking place and in operation, at least as far as Montana is concerned, at the present time.

So I would hope that we would not try to throw responsibility just at the Senate or at Congress alone, or just at the administration alone, because we all have a share in the responsibility, and none of us have acted with too much credit to ourselves.

I think it is about time that the President, as I suggested earlier today, try to work together in tandem, in cooperation with Congress, so that the broad economic picture—not just the strikes, but inflation, unemployment, trade deficits, all these things—can be considered together. It was my suggestion that the President call down the chairman and the ranking Republican member of the Labor and Banking Committees of both Houses, to see if together something could not be worked out to face up to this multiplicity of problems which we refer collectiviely as economic.

As far as the Committee on Labor and Public Welfare is concerned, to the best of my knowledge it has not been taking a vacation this year, because it has been meeting almost every day, at least every day the Senate has been in session. I would hope that instead of the acting minority leader's being the only voice raised for legislation to be considered as advocated by the President, his colleagues on that committee would join him in bringing about some action.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Nebraska.

Mr. CURTIS. Mr. President, one of the first railroads to be struck was the Union Pacific. Not only are its headquarters in Omaha, but it serves a great section of Nebraska.

Early last week, I took to the floor and called upon Congress and the President to take some action to halt that strike.

Later last week, I addressed a telegram to the Honorable HARRISON A. WILLIAMS, chairman of the Senate Committee on Labor and Public Welfare, calling attention to the great injustice arising from that strike, pledging that I was ready to vote for whatever legislation was necessary to bring it to an end, and urging that something be done.

I sent a similar telegram to the Honorable HARLEY O. STAGGERS, chairman of the House Committee on Interstate and Foreign Commerce, as well as to the Senator from New York (Mr. JAVITS), the ranking member of the Senate committee, and the Honorable WILLIAM L. SPRINGER, the ranking minority member of the House committee.

I also sent the same wire to the President of the United States, and to the Secretary of Transportation, Mr. Volpe.

Yesterday, not having heard from any of them but one—and that was the President—I sent a second wire, as found on page 27595 of the RECORD, wherein I again urged that action be taken to halt the railroad strike and prevent it from spreading.

I feel that it is necessary for all branches of the Government to act, and act today—not tomorrow, but today. We have handled matters of this kind in one day before; we should do it now.

Mr. HUGHES and Mr. HANSEN addressed the chair.

The PRESIDING OFFICER. The time for morning business has expired.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the time for morning business be extended for not to exceed 6 minutes, so that the distinguished Senators can both be recognized for 3 minutes under the usual time limitations.

The PRESIDING OFFICER. Without objection, it is so ordered. The Chair recognizes the Senator from Iowa.

Mr. HUGHES. Mr. President, I intend to speak on another matter, so if the Senator from Wyoming wishes to speak on this same subject, I yield to him.

The PRESIDING OFFICER. The Chair recognizes the Senator from Wyoming.

Mr. HANSEN. I thank my distinguished colleague.

Mr. President, let me hasten to assure my very good friend, the Senator from Montana, for whom I have the greatest admiration, that I did not mean to imply any partisan criticism at all by what I said about where the blame is. There are many things that are wrong about this country. I think here is an example of one thing that does need correction.

With respect to inflation, much could be said. I saw some figures yesterday which showed that if any of us are laboring under the illusion that we can stop inflation by putting the hand or the finger on one operation in this country, the facts should disabuse us of that conviction, because, as a matter of fact, the latest consumer price index discloses that the biggest price increase percentagewise in recent months occurred—where would you guess? In carrots.

How are you going to go about changing the price of carrots? Other facts from the Consumer Price Index indicate that some other items in the grocery store are where the price rises have been greatest. So the answer is not as simple as we might think it is, simply saying that what we should do is get tougher

jawboning by the President here and there.

I do know, though, that we cannot be oblivious, and I know my distinguished friend and colleague from Montana shares my concern for the plight of the grain growers in his State and my State who are unable to move their grain to get it marketed, as they have heretofore been able to do.

I think Congress has learned by sad experience that some changes are needed. I am willing to accept my full share of the responsibility. I hope that this legislation, which now seems to me to be so long overdue, can be considered forthwith, and that such steps as Congress in its judgment feels are indicated will be taken, in order to avoid a repetition of the situation now facing the country.

The PRESIDING OFFICER. The Chair recognizes the Senator from Iowa.

ALCOHOLISM TREATMENT AND CONTROL

Mr. HUGHES. Mr. President, knowing the proven concern of the Senate about the imperative need for a stepped-up national effort to control the growing problem of alcoholism in our country, I would like to call the attention of my colleagues to a landmark contribution by a private citizen to the cause of alcoholism treatment and control.

On Tuesday of this week, a gift of approximately $10,000,000 to Roosevelt Hospital, New York City, for the treatment and rehabilitation of alcoholics and the training of professional personnel was announced by H. Whitfield Carhart, president of the hospital.

The personal gift was made by R. Brinkley Smithers, New York civic leader and philanthropist, who, for years, has been one of the Nation's foremost leaders in the uphill campaign to control this deadly, costly, and highly treatable human illness.

Mr. Smithers' gift is the largest single grant ever made in the field of alcoholism by any individual or agency including the Federal Government.

Mr. Smithers is an authority on alcoholism who has devoted himself to charitable causes since 1952.

Throughout these years, he has given with unmatched generosity not only of his private fortune, but of his time, his energy, and his devotion to alleviate what he so clearly understands to be one of the Nation's ranking health problems.

Through the Christopher D. Smithers Foundation, headed by Mr. Smithers and named for his father, a founder of IBM Corp., millions of dollars have been contributed to alcoholism treatment agencies, year after year.

It is my impression that Mr. Smithers, who understands this major health problem as well as any individual in the United States, sees the opportunity to provide a template for the entire Nation of what can be done for the recovery from alcoholism by an adequately funded and properly directed and staffed facility. For this, the entire Nation can be grateful.

In my opinion, the two most dramatic breakthroughs in history in our national effort to control alcoholism in the United States have taken place in the past year. One was this unprecedented endowment of Roosevelt Hospital and the other was the enactment, late in the last session, of the Comprehensive Alcoholism Control Act. I am sure that the Members of the Senate and the House who enacted this law, virtually without opposition, will be interested in Mr. Brinkley's historic private contribution to this compelling common cause.

I ask unanimous consent that the article reporting this bequest in the New York Times of July 27, 1971, be printed in the RECORD.

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

TEN MILLION DOLLARS GIVEN TO AID ALCOHOLICS—WALL STREET BANKER DONATES FUND TO ROOSEVELT HOSPITAL

(By Edward C. Burks)

Roosevelt Hospital has received a gift of $10-million for the treatment and rehabilitation of alcoholics, H. Whitfield Carhart, the president of the West Side institution, announced yesterday.

The gift was made by R. Brinkley Smithers, a special partner in a Wall Street investment banking house and a philanthropist who for years has been especially interested in combating alcoholism.

The hospital described Mr. Smithers's gift as the largest single grant ever made by any individual or agency, including the Federal Government, to fight alcoholism.

The money is to be used to establish the Smithers Alcoholism Treatment and Training Center as an "integral part" of the hospital, providing detoxification, rehabilitation and professional training.

In a statement accompanying the announcement of the gift, Mr. Smithers said alcoholism ranked among the nation's major health problems, along with cancer and heart disease.

"In spite of the staggering toll taken by this disease in terms of human lives and resources, relatively little is being done to combat it because of public and professional misunderstanding," he said.

Earlier this year the New York Council on Alcoholism reported that "alcoholism is four times as widespread as other forms of addiction and results in six times as many deaths."

The council's report said a large number of alcoholics also used other addictive drugs. It cited a special survey showing that 60 per cent of the alcoholics tested were also using bariturates and amphetamines and that 65 per cent were using heroin and opium.

MORTALITY RATE CITED

Underscoring the seriousness of alcoholism as a major health problem here, the Health Services Administration has reported a steady rise in the mortality rate from cirrhosis of the liver—from less than 1,500 in 1949 to more than 3,400 in 1969.

Mr. Smithers, who is 63 years old and a son of one of the founders of the International Business Machines Corporation, is also president of the Christopher D. Smithers Foundation, named for his father. In the last 15 years the foundation has made grants totaling $5-million to treat alcoholism.

Since 1968, when Roosevelt Hospital started an alcoholism service described as the only such program in a private nonprofit hospital in Manhattan, Mr. Smithers has been giving $60,000 a year to the inpatient and outpatient programs of that service.

VAST EXPANSION SEEN

Dr. LeClair Bissell, an internist and an attending physician at the hospital with dual appointments in medicine and psychiatry has been coordinator of that service.

A hospital spokesman said that Dr. Bissell could be expected to coordinate the vastly expanded program that will be made possible by the new gift from Mr. Smithers.

There were no details announced yesterday on exactly how the money would be spent, although a spokesman said additional facilities through lease, purchase or construction would be necessary.

Mr. Smithers said the success of the existing alcoholism program at Roosevelt "prompted him to make the $10-million grant. He noted that more than 100 patients were admitted to the hospital and about 325 outpatients were treated last year, but, he added, "What impresses me most, "is that an additional 4,000 patients who were admitted for other reasons were found to have alcoholism."

Mr. Smithers, a resident of Locust Valley, L.I., was actively connected with I.B.M. and Wall Street Investment houses prior to 1952, when he decided to devote his time to charity while remaining as a special partner in the family's brokerage firm, F. S. Smithers and Company.

COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

The ACTING PRESIDENT pro tempore (Mr. ALLEN) laid before the Senate the following letters, which were referred as indicated:

INTERIM REPORT RELATING TO U.S. METRIC STUDY

A letter from the Secretary of Commerce, transmitting, pursuant to law, an interim report relating to the U.S. Metric Study (with an accompanying report); to the Committee on Commerce.

INTERIM REPORT ON U.S. METRIC STUDY, ENTITLED "COMMERCIAL WEIGHTS AND MEASURES"

A letter from the Secretary of Commerce, transmitting, pursuant to law, an interim report stemming from the U.S. Metric Study, entitled "Commercial Weights and Measures" (with an accompanying report); to the Committee on Commerce.

REPORT OF THE U.S. METRIC STUDY

A letter from the Secretary of Commerce transmitting the report of the U.S. Metric Study conducted by the National Bureau of Standards (with accompanying report); to the Committee on Commerce.

REPORT OF COMPTROLLER GENERAL

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Ineffective Controls Over Program Requirements Relating to Medically Needy Persons Covered by Medicaid, Social and Rehabilitation Service, Department of Health, Education, and Welfare, dated July 28, 1971 (with an accompanying report); to the Committee on Government Operations.

REPORT OF THE COMMISSIONER OF IMMIGRATION AND NATURALIZATION

A letter from the Commissioner of Immigration and Naturalization reporting, pursuant to law, on the number of applicants for conditional entry under Section 203(a)(7) of the Immigration and Nationality Act; to the Committee on the Judiciary.

REPORT OF THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

A letter from the Secretary of Health, Education, and Welfare submitting, pursuant to law, a report identifying the major issues associated with licensure, certification, and accreditation for practice or employment of health personnel (with accompanying report); to the Committee on Labor and Public Welfare.

PETITIONS

Petitions were laid before the Senate and referred as indicated:

By the ACTING PRESIDENT pro tempore (Mr. GRAVEL):

Resolutions from the United American Mechanics relating to domestic and foreign affairs; to the Committee on Labor and Public Welfare.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BYRD of West Virginia for Mr. MAGNUSON, from the Committee on Appropriations, with amendments:

H.R. 10061. An act making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1972, and for other purposes (Rept. No. 92–316).

By Mr. HANSEN, from the Committee on Interior and Insular Affairs, without amendment:

S. 123. A bill to authorize the Secretary of the Interior to modify the operation of the Kortes unit, Missouri River Basin project, Wyoming, for fishery conservation (Rept. No. 93–317).

By Mr. ANDERSON, from the Committee on Interior and Insular Affairs, with an amendment:

S. 24. A bill to provide that the cost of certain investigations by the Bureau of Reclamation shall be nonreimbursable (Rept. No. 92–315).

By Mr. MOSS, from the Committee on Interior and Insular Affairs, with amendments:

S. 1026. A bill to amend the Small Reclamation Projects Act of 1956, as amended (Rept. No. 92–314).

By Mr. SPARKMAN, from the Committee on Foreign Relations, with an amendment:

S. 2260. A bill to amend further the Peace Corps Act (75 Stat. 612), as amended, together with minority views (Rept. No. 92–318).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first time and, by unanimous consent, the second time, and referred as indicated:

By Mr. TALMADGE:

S. 2363. A bill to amend the Internal Revenue Code of 1954 to clarify the taxpayer's right to rebut the statuory presumption of income tax avoidance with respect to shareholders. Referred to the Committee on Finance.

By Mr. BELLMON:

S. 2364. A bill creating an additional Federal district judgeship for the western district of Oklahoma. Referred to the Committee on the Judiciary.

By Mr. HARTKE (for himself, Mr. SCOTT, Mr. ALLEN, Mr. ALLOTT, Mr. BAKER, Mr. BAYH, Mr. BEALL, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BYRD of West Virginia, Mr. CANNON, Mr. COOK, Mr. CURTIS, Mr. DOMINICK, Mr. EASTLAND, Mr. ERVIN, Mr. FANNIN, Mr. GURNEY, Mr. HANSEN, Mr. HOLLINGS, Mr. HRUSKA, Mr. JORDAN of North Carolina, Mr. MCINTYRE, Mr. METCALF, Mr. MONTOYA, Mr. MOSS, Mr. PASTORE, Mr. PROUTY, Mr. RANDOLPH, Mr. SAXBE, Mr. SCHWEIKER, Mr. SPARKMAN, Mr. TAFT, Mr. THURMOND, Mr. TOWER, and Mr. YOUNG):

S. 2365. A bill to provide for orderly trade in iron and steel products. Referred to the Committee on Finance.

By Mr. MONDALE:

S. 2366. A bill for the relief of Maria Augulo Acevas. Referred to the Committee on the Judiciary.

By Mr. BENTSEN:

S. 2367. A bill for the relief of Mary James Kates, owner of the Gladewater Daily Mirror. Referred to the Committee on the Judiciary.

By Mr. FANNIN (for himself, Mr. BENNETT, Mr. CURTIS, and Mr. GOLDWATER):

S. 2368. A bill to amend the National Labor Relations Act so as to prohibit the levying by labor organizations of fines against employees for exercising rights under such act or for certain other activities. Referred to the Committee on Labor and Public Welfare.

By Mr. FANNIN (for himself, Mr. BENNETT, Mr. GOLDWATER, and Mr. ERVIN):

S. 2369. A bill to amend the national emergency provisions of the Labor-Management Relations Act, 1947, so as to provide for dissolution of injunctions thereunder only upon settlement of disputes. Referred to the Committee on Labor and Public Welfare.

By Mr. FANNIN (for himself, Mr. BENNETT, Mr. CURTIS, Mr. ERVIN, and Mr. GOLDWATER):

S. 2370. A bill to amend the National Labor Relations Act so as to require a Board-conducted election in representation cases. Referred to the Committee on Labor and Public Welfare.

By Mr. EAGLETON:

S. 2371. A bill for the relief of Anthony and Annie Groumoutis. Referred to the Committee on the Judiciary.

By Mr. McGOVERN:

S. 2372. A bill enttled "The Adequate Income Act of 1971." Referred to the Committee on Finance.

By Mr. HRUSKA (for himself, Mr. TUNNEY, Mr. ALLOTT, Mr. BAKER, Mr. BEALL, Mr. BENNETT, Mr. BROCK, Mr. COOK, Mr. CRANSTON, Mr. DOLE, Mr. DOMINICK, Mr. EASTLAND, Mr. FANNIN, Mr. GRAVEL, Mr. KENNEDY, Mr. METCALF, Mr. MOSS, Mr. RIBICOFF, Mr. SAXBE, Mr. SCOTT, Mr. TAFT, Mr. TALMADGE, Mr. THURMOND, and Mr. COOPER):

S. 2373. A bill to authorize the merger of two or more professional basketball leagues, and for other purposes. Referred to the Committee on the Judiciary.

By Mr. TUNNEY (for himself and Mr. CRANSTON):

S. 2374. A bill to establish a national program to control air and water pollution and to aid in the preservation of the environmental quality of the Lake Tahoe area. Referred to the Committee on Public Works.

By Mr. GRAVEL:

S. 2375. A bill for the relief of Giovanni Vitarelli; and

S. 2376. A bill for the relief of Lina L. Padilla. Referred to the Committee on the Judiciary.

By Mr. BIBLE (for Mr. JACKSON and Mr. ALLOTT) (by request):

S. 2377. A bill to amend the Act of March 3, 1909, as amended. Referred to the Committee on Interior and Insular Affairs.

By Mr. GRIFFIN:

S. 2378. An original bill to confer U.S. citizenship posthumously upon Abdul Muhsin Gallozi. Considered and passed.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. TALMADGE:

S. 2363. A bill to amend the Internal Revenue Code of 1954 to clarify the taxpayer's right to rebut the statutory presumption of income tax avoidance with respect to shareholders. Referred to the Committee on Finance.

Mr. TALMADGE. Mr. President, today I am introducing legislation on the subject of the application of the accumulated earnings tax to closely held corporations in this country. This penalty tax is imposed on a corporation which accumulates earnings with the purpose of saving its shareholders the personal income tax which they would pay on distribution of such earnings as dividends. The fact that earnings are accumulated beyond the reasonable needs of the business is treated as establishing the tax avoidance purpose unless the taxpayer can prove to the contrary. The corporations concerned are primarily small business corporations who are in competition with large publicly held corporations which are not affected by this tax.

For years smaller and medium corporations, in particular, lacking ready access to the capital markets and urgently needing funds to finance plant expansion, retire outstanding obligations, purchase additional inventories, or to undertake other projects in competition with large public corporations, were impelled by the fear of penalty taxes to pay out more of their earnings in dividends than sound business judgment would dictate. In recognition of these problems the Congress, in enacting the Internal Revenue Code of 1954, made various changes to limit the scope and impact of the accumulated earnings tax. The principal changes made in 1954 were: to make the penalty tax applicable to only that portion of the accumulated earnings which were in excess of the reasonable needs of the business; to allow the taxpayer in certain instances to shift to the Commissioner the burden of proving earnings and profits were accumulated beyond the reasonable needs of the business; to provide that reasonable needs of the business includes reasonably anticipated needs, and finally, to reduce the required proof of a nontax avoidance purpose in cases where the accumulation is beyond the reasonable needs of the business. In such a case the penalty tax does not apply if the taxpayer can prove by a preponderance of the evidence rather than by a clear preponderance of the evidence that the accumulation was not for a tax avoidance purpose.

I am concerned with the failure of the Internal Revenue Service and the courts to give proper weight to the Congress' intention that the taxpayer may avoid the penalty tax by showing that tax avoidance was not the purpose of an accumulation of earnings.

Although in theory, a taxpayer has a chance to show, by a preponderance of evidence, that the accumulations were for other than tax avoidance purposes, in reality, there is little if any such chance. Various decisions of our courts have indicated that to find an unreasonable accumulation, it is not necessary to show that tax avoidance was the dominant purpose but only that it was one of the purposes. Since the shareholders-officers in a closely held corporation are usually advised of the tax consequences of various management alternatives, it is only commonsense that they will almost always be advised that one of the consequences of accumulation of corporate earnings is that they will not pay any immediate personal tax on such accumulation. The courts and juries, under instructions of the judge, have generally been willing

to find the forbidden purpose whenever the Government has shown this knowledge, irrespective of any available contrary evidence of other nontax motives for the accumulation. What results is a fear on the part of the corporate taxpayer to accumulate at all, coupled with uncertainty as to what if any of such accumulation will be deemed reasonable.

While there are numerous cases litigated on this issue, the vast majority of such problems never reach the courts. The majority of cases are settled on the local level first, with the taxpayer-corporation agreeing to pay some accumulated earnings tax, although less than the accumulated earnings tax being asserted by the Revenue Service. Failure to settle runs the risk of an expensive and drawn-out court battle. This uncertainty on the part of the taxpayer has been the deciding factor for some corporations not to retain earnings and profits for what they consider worthwhile business needs. Investments by taxpayer in the stock of other companies has been many times avoided, even though such investments might have provided the necessary goodwill on the part of the latter company to insure such things as a constant supply of necessary raw materials, a ready market for the taxpayer's products, access to much needed future loans, amicable rate or price negotiations and various other services. Attempts by the taxpayer to take its place next to Government in aiding the awakening of undeveloped regions have been in some cases curtailed. And, certain taxpayers in industries which require larger accumulation of earnings, that is, small privately owned companies which are Government regulated, are finding themselves hard pressed to justify accumulations under this vague and uncertain burden. The situation is clearly one which needs clarification.

The amendment to the Internal Revenue Code which I am offering would clarify Congress' intention that the taxpayer-corporation has a last clear chance to avoid the tax by proving that although the accumulations were beyond the reasonable needs of the business, such accumulations were not made for purposes of avoidance of tax by the shareholders. No longer would it be sufficient for the Government merely to show that the stockholders of the corporation were aware of the tax benefits they would gain from said accumulations. Under my amendment to the Internal Revenue Code a corporation would be permitted to prove that an accumulation was not for a tax avoidance purpose by establishing that "it would have permitted such earnings to accumulate without regard to the tax benefits resulting to its shareholders." In such a case the accumulated earnings tax would not apply. If on the other hand, the evidence as a whole shows that "but for" the tax benefit resulting to the shareholders, the accumulation would not have been allowed, the corporation would properly be liable for the penalty tax.

This test is based on sound judicial thinking for it requires a viewing of all the evidence presented and not merely the absence or presence of knowledge on the part of the stockholders of the tax benefits to them of accumulating earnings—the kind of knowledge that every officer-shareholder should be expected to have. My amendment to the Code is intended to bring clarity to the area while maintaining the intent and purpose of the tax on improperly accumulated earnings. I hope to have an opportunity to offer this amendment to the Code when the Finance Committee takes up tax legislation later in this Congress.

By Mr. HARTKE (for himself, Mr. SCOTT, Mr. ALLEN, Mr. ALLOTT, Mr. BAKER, Mr. BAYH, Mr. BEALL, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BYRD of West Virginia, Mr. CANNON, Mr. COOK, Mr. CURTIS, Mr. DOMINICK, Mr. EASTLAND, Mr. ERVIN, Mr. FANNIN, Mr. GURNEY, Mr. HANSEN, Mr. HOLLINGS, Mr. HRUSKA, Mr. JORDAN of North Carolina, Mr. MCINTYRE, Mr. METCALF, Mr. MONTOYA, Mr. MOSS, Mr. PASTORE, Mr. PROUTY, Mr. RANDOLPH, Mr. SAXBE, Mr. SCHWEIKER, Mr. SPARKMAN, Mr. TAFT, Mr. THURMOND, Mr. TOWER, and Mr. YOUNG):

S. 2365. A bill to provide for orderly trade in iron and steel products. Referred to the Committee on Finance.

STEEL TRADE ACT OF 1971

Mr. HARTKE. Mr. President, today I introduce legislation on behalf of myself and the distinguished Senator from Pennsylvania (Mr. SCOTT) and 35 of our colleagues to establish quotas for steel products imported into the United States. I do this out of my firm conviction that the steel import problem has not been solved by the program of voluntary restraint undertaken by Japanese and West European producers at the outset of 1969 and now in the final months of its 3-year life; and that this problem continues to be one of major concern, affecting as it does, not only one of our most important industries, with its more than half a million employees, but also contributing significantly to the deterioration of our balance-of-payments accounts.

As a Senator from a State where some of the country's largest steel mills are located and as an American disturbed and disillusioned by our foreign trade policy, or lack thereof, I cannot stand idle while this import threat hangs over us. Rhetoric by others will not restore one steelworker's job or rejuvenate the mill communities that have felt the impact of steel imports.

No State, no steel community has escaped from the foreign invasion of our markets. And my State, the third largest steel producer, has suffered proportionally. Indiana's steel production of over 18.5 millions tons in 1970 accounted for 14 percent of the country's steel output. Its 20 steel plants employed 85,000 men and women and provided an annual payroll of $800 million. The value of steel products shipped from these plants totaled $3.2 billion in 1970, and in that same year, $250 million was spent for modernization and improvement of Indiana steel mills.

Jobs and job opportunities in steel are disappearing in Indiana and the other 36 States where steel plants operate, lost to foreign competitors. For every million tons of steel products imported, count 7,220 jobs lost—6,000 in the steel plants and offices and 1,200 in supporting industries.

It is especially disheartening, then, to hear that steel imports for the month of June were the second highest on record. The preliminary figures for June have just been released by the Department of Commerce. They show that 2,111,638 net tons of carbon steel and specialty steel products were shipped into this country during the month. This total has been exceeded only once before—in August of 1968, when 2,138,000 tons of steel were imported. And that was in a year in which nearly 18 million tons of steel imports accounted for almost 17 percent of domestic consumption.

So we find that through the first 6 months of 1971, steel imports totaled more than 9,055,000 tons, or 66 percent higher than during the comparable 6 months of 1970. And they were valued at more than $1,290,000,000, very significantly higher than the $825,543,000 value of steel imports in the first half of last year.

If the same rate were to be maintained through the balance of 1971, steel imports into the United States would far exceed the 15.4 million tons that were set forth as the maximum for 1971 when the steel producers of Japan and the European Economic Community embarked on their voluntary restraint program.

Apart from that possibility, there have been two major deviations from the intent of the voluntary restraint arrangement when it was launched. First, the distribution of steel exports to the United States shifted significantly toward the high-value content specialty steel products, and second, there was a change in the geographical distribution of the imported steel products. Both developments are contrary to the expressed intention of the foreign producers to maintain approximately the same product mix and the same geographical patterns that existed prior to 1969.

While I view voluntary restraints as preferable to mandatory ones, I did from the beginning hold certain reservations about the voluntary program, but it is with no sense of elation that I recall pointing to some of these qualms—on January 14, 1969, the same day the voluntary arrangement was announced by the State Department.

On that day, in this Chamber, I expressed my concern over these points: First, that the overall level of imports set by the voluntary arrangement constituted over 13 percent of expected domestic shipments which I did not consider much restraint; second, that the arrangement called for a growth in steel imports of 5 percent a year, which is double the growth of the domestic steel market and raised the specter that imports would capture an ever increasing share of the domestic market; third, that the arrangement did not include important producers in Europe outside the Common Market, Canada, and some countries in the Far East; fourth, the program of intent raised the possibility of foreign producers shipping more sophisticated, higher value, higher labor content steels into the United States; and,

fifth, that the foreign producers placed certain conditions which required clarification, one of these being that the United States would not impose mandatory quotas.

Just a little over a year ago, in reiterating before the Industrial Union Department of the AFL–CIO here in Washington, my resolve to press for a legislative solution, I asked this question:

Will we wait until 1971 and then be told just prior to steel labor negotiations that Japanese and European steel producers have problems with unutilized capacity, built to satisfy a demand which has receded, and cannot continue to limit their imports to the U.S.?

Well, perhaps we are coming to this.

SPECIALTY STEEL

It is dismaying that 2½ years after the onset of the voluntary arrangement, imports are playing a major part in helping erode the strength of the domestic steel industry, particularly the specialty steel segment of it. And this is a highly important part of an industry that is crucial to the security of our country for both military defense and economic strength.

Let me quote Roger S. Ahlbrandt, president of Allegheny Ludlum Industries, one of the major producers of specialty steels, as he addressed a steel union-steel management conference here last February:

The specialty steel industry and any individual company in it (no matter how relatively large)," said Mr. Ahlbrandt, "cannot fight foreign imports by itself—not if it is expected to meet, single-handedly, foreign-backed industry, especially with economic policies as now administered in the United States.

The profit pinch resulting from the impact of foreign specialty steel imports is endangering the very existence of several good, small companies in our industry. In several cases, this danger involved entire communities—good, small, typically American communities in which the specialty steel firm may be the town's economic backbone . . .

The jobs of as many as 52,000 steelworkers employed in the specialty steel industry are in jeopardy. The market for several important specialty steel producers lies in virtual chaos. Planning for capital investment and growth is almost impossible . . .

We find ourselves being asked to compete not just with individual foreign specialty steel companies for both domestic and foreign markets but with entire, well-coordinated 'industrial states' (such as Japan and the Common Market), in which there is careful attention paid to common national goals in unified direction of production, finance, planning, marketing, labor, and government relations.

The month of May figures for specialty steel imports are well worth looking at. More than 18,000 tons of stainless steel products were imported, compared with 15,000 tons in April, and nearly 41,000 tons of alloy steel were shipped in, compared with 26,000 tons in April.

Mr. Ahlbrandt has estimated that in order to bring exports of these specialties from Japan and Europe in line with the totals envisioned for 1971 under the voluntary restraint program, there should be a 30-percent cutback in tool steel, and a 45- to 48-percent cutback in low-alloy specialty steel.

While shipments of domestically produced stainless steel were falling 22 percent last year, stainless imports were rising 20 percent.

As a result of this upsurge, stainless imports have taken over about 34 percent of the domestic stainless cold rolled sheet market, 65 percent of the stainless wire rod market, and 16 percent of the market for tool steel.

In the case of seamless carbon and alloy pressure tubing, imports now claim nearly 40 percent of the market.

BALANCE OF TRADE

On a wider scale, steel imports have become a major factor in the U.S. balance of trade. The trade situation is deteriorating rapidly. In the first half of the 1960's, trade surpluses were maintained in the $4 billion to $7 billion range. In 1968 and 1969, the average was about $1 billion. There was a recovery in 1970 to $2.7 billion, but it has fallen again, in recent months it has been in deficit and for the year 1971, according to Secretary of Commerce Stans, the surplus may dwindle to $1 billion or less. And some in the administration are said to believe there may be no surplus at all.

The wide disparity between steel imports and exports has contributed alarmingly to this deterioration. For example, the steel trade deficit mounted steadily from $60 million in 1962 to $670 million in 1965 and to a record high of more than $1.5 billion in 1968. This deficit was reduced in 1969 to $946 million but went up again last year to $948 million. These figures include steel imports financed under the AID program and would be higher, of course, if AID-financed exports were excluded. In recent years, these have totaled about 700,000 tons and $100 million annually.

This year, the steel trade deficit may well exceed the $1.5 billion of 1968 and some forecasts are being made that the deficit will go as high as $1.7 billion.

ANALYSIS OF BILL

The bill I am introducing would limit total steel mill product imports, both carbon and specialty, to 14,709,000 net tons during calendar year 1971. This figure is obtained from taking the 14 million tons ceiling established for 1969 under the existing voluntary restraint arrangement and adding a 2.5 percent annual growth factor for calendar years 1970 and 1971. The bill also would establish a calendar year 1971 limit of 411,000 tons for imports of "other steel products," which include primary fabricated forms of steel made from such mill products as plates, structurals, sheets, wire and rails, as well as rivets, bolts, nuts, and similar fasteners, and steel castings—all of these being items not covered under the voluntary arrangement.

Beginning in calendar year 1972, imports of steel mill products and other steel products would be limited to an annual growth rate of 2.5 percent, which is in line with the rate of growth of steel demand in the United States since World War II. By contrast, the voluntary restraint arrangement permits a growth of 5 percent annually in steel imports.

In addition, my bill would hold steel imports by product category, country of origin, and port of entry to their 1968 percentage ratios and patterns of distribution. No nation could fill more than 60 percent of its annual quota in any 6-month period.

The President would have the power to enter into international arrangements or agreements—either formal or voluntary—with foreign governments or any other responsible entity or grouping to limit, by category, foreign steel exports to the United States. If he is satisfied that such arrangements carry out the purposes of the act, and would prevent disruption of domestic steel markets, he would have the power to implement such agreements or arrangements by proclamation. In such a case, the categories of steel covered under the arrangement from the country involved in the agreement would be exempted from the other quota provisions of the act, so long as the voluntary agreement was observed.

Three years after the passage of the act, the Secretary of Commerce would be required to report to the Congress on the effects of the import limitations, and also would be obliged to recommend whether the limitations should be continued, modified, or revoked.

The Secretary of Commerce would administer the act. He would have the right to issue such regulations as he deems necessary to carry out its purposes, and he also would have the power to adjust category percentages to reflect changes in the tariff schedules and to combine customs districts if they serve a single recognized market.

Should limitations specified under the act take effect after January 1 of any year, the quotas would be prorated for the balance of the year.

In short, my bill would strengthen the domestic steel industry while still permitting foreign competitors to share reasonably in the growth of the domestic market. It would provide numerous new job opportunities, and it would encourage the capital investment that always has been the driving force in economic recovery and program.

Mr. President, I ask unanimous consent that a copy of the "Steel Trade Act of 1971" be printed in the RECORD immediately following my remarks.

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

S. 2365

A bill to provide for orderly trade in iron and steel products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Steel Trade Act of 1971".

SEC. 2. The Congress finds that imports of carbon and specialty steel mill products and other steel products have adversely affected the United States balance of payments and have contributed substantially to reduced employment opportunities for United States workers in the domestic steel industry, and that any disproportionate increase in imports of carbon and specialty steel mill products and other steel products into the United States would threaten the soundness of the domestic steel industry and therefore the national security.

The Congress also finds that the export limitations voluntarily undertaken by the Japanese and European Coal and Steel Community steel producers have in some degree prevented disruption of the United States market for carbon and specialty steel mill products while affording imports a substantial share of the United States market. Those limitations are not legally enforceable, are

applicable only to those producers making the undertaking, have not been observed in the geographic distribution of imports nor as regards product mix, are not applicable to certain other steel products having a significant effect on the soundness of the domestic steel industry and are due to expire in 1971. Absent some form of continuing limitation, imports of carbon and specialty steel mill products and other steel products could so increase as to capture such a large portion of the United States market as to threaten the national security of the United States.

It is, therefore, declared to be the policy of the Congress that access to the United States market for foreign-produced carbon and specialty steel mill products and other steel products should be on an equitable basis to safeguard the national security, insure orderly trade in carbon and specialty steel mill products and other steel products, alleviate United States balance-of-payments problems, provide an opportunity for a viable United States steel industry, and prevent further disruption of United States steel workers.

SEC. 3. Except as provided in section 5 hereof, during the year beginning January 1, 1971, (1) the total quantity of carbon and specialty steel mill products which may be entered shall be limited to 14,709,000 tons and (2) the total quality of other steel products which may be entered shall be limited to 411,000 tons.

Beginning with the year 1972, the total quantities of carbon and specialty steel mill products and other steel products which may be entered during that year and during each succeeding year shall be increased by two and one-half per centum (2½%) per year over the tonnages permitted to be entered in the preceding year.

SEC. 4. (1) Subject to the overall limitations provided in section 3 hereof, (1) the percentage of the total quantity of imports of those articles in any year represented by imports from a particular nation shall not exceed the percentage of total imports represented by imports from that nation during the year 1968, (2) the percentage of the total quantity of imports of carbon and specialty steel mill products and other steel products which may be entered in any year represented by imports in a particular category shall not exceed the percentage of total imports represented by imports in that category during the year 1968, and (3) the percentage of the total quantity of imports of those articles in any year cleared through any customs district shall not exceed the percentage of total imports represented by imports which cleared through such district during the year 1968.

(2) The Secretary of Commerce may nevertheless adjust the percentage limitations on the quantities of particular categories of imports and on the quantities of imports permitted to be cleared through particular customs districts to the extent required by significant changes in the composition of domestic market requirements; provided, however, that such adjustments shall be consistent with the policy stated in section 2, hereof, and shall not increase the total amount of imports permitted to be entered in any year from any country of origin.

SEC. 5. (1) The quantity of imports of carbon and specialty steel mill products and other steel products from any nation under this Act in either half of any year shall not exceed 60 per centum of the total permissible quantity of imports from that nation in that year.

(2) Should any limitation imposed under this Act take effect on any day other than January 1 of a year, such limitation shall apply pro rata during the remaining portion of such year.

SEC. 6. The President is authorized to enter into international arrangements or agreements with foreign governments or other instrumentalities or to solicit the making of voluntary undertakings by foreign steel producers or associations thereof limiting, by category, the quantities of carbon and specialty steel products and other steel products originating in such nations or instrumentalities which may be entered. If the President finds that the provisions of any such arrangement or agreement or voluntary undertaking shall substantially carry out and implement the declared purposes and findings of this Act and assure the avoidance of disruption of the markets for carbon and specialty steel mill products and other steel products in the United States, the President shall so determine by proclamation, in which event the total quantity of each category of carbon and specialty steel mill products and other steel products which may be entered from any country which has entered into such an arrangement or agreement hereunder covering that category shall not be subject to the provisions of section 3 and section 4 during any period of time during which a limitation of imports provided by such an arrangement or agreement or voluntary undertaking shall be in force and effect and the terms thereof are being observed.

SEC. 7. (1) Import limitations established under this Act shall be administered by the Secretary of Commerce. The Secretary may issue such regulations as may be necessary or appropriate to carry out the purposes of this Act.

(2) Notwithstanding the provisions of section 4, the Secretary may adjust the percentages applicable to the respective categories to reflect changes in Tariff Schedules and may combine two or more customs districts for the purpose of administering this Act to the extent that such districts serve a single recognized market.

(3) Upon the expiration of three years after the date of the enactment of this Act, the Secretary of Commerce shall submit a report to the Congress as to the effects of the import limitations established under this Act, together with his recommendations as to whether such import limitations should be continued, modified, or revoked.

SEC. 8. As used in this Act—

(1) The term "category" means a seven digit item number which appears in the Tariff Schedules of the United States Annotated (1971) published by the United States Tariff Commission as in effect on the date of enactment of this Act, and which is—

(a) Within the range beginning with item 608.1500 and ending with item 610.5280, or

(b) One of the following item numbers:

608.1000	642.9300	646.6500
610.8010	642.9600	646.7000
610.8030	642.9700	652.9000
610.8040	646.1500	652.9200
642.0200	646.1700	652.9400
642.0800	646.2000	652.9500
642.1020	646.2500	652.9600
642.1040	646.2620	653.0200
642.1200	646.2640	653.0300
642.1400	646.2700	680.4000
642.1620	646.2800	688.3000
642.1800	646.3000	688.3500
642.3500	646.4000	690.2500
642.8000	646.5400	690.3000
642.9000	646.5600	
642.9100	646.5800	

(2) The term "carbon and specialty steel mill products" shall be deemed to include all products or goods which are described or would be included within any category referred to in subsection (1)(a) of this section 8 and the term "other steel products" shall be deemed to include all products or goods which are described or would be included within any category referred to in subsection (1)(b) of this section 8.

(3) The term "imports" refers to United States imports in any category or categories within the meaning of subsection (1) of this section 8 and to products in any category brought into a foreign trade zone and used in goods which enter the customs territory of the United States.

(4) The term "year" means calendar year.

Mr. SCOTT. Mr. President, an enormous trade vacuum has resulted due in part to the expiration of the Trade Expansion Act in 1967. Today, we introduce a fair trade bill to help stimulate the domestic steel industry.

Foreign imports to the United States in May established a new record for the month when 1.8 million tons were imported. Total steel imports for the first 5 months were up 59 percent at 6.9 million tons. At the same time, exports from the United States were off 2.6 million tons for the first 5 months and 5 million fewer tons were exported since January of this year.

Mr. President, today I am introducing, jointly with the senior Senator from Indiana (Mr. HARTKE) and other Senators, a fair trade bill for our hard-pressed domestic steel industry. I hope that it will receive the legislative support needed to make it a model and forerunner for a "new look" U.S. trade policy for the 1970's, to enable our country to compete on a more equitable basis with its trading partners.

With the dynamic changes continuing to take place in international commerce, we have become, unfortunately, a very junior partner, due in large part because the United States has not had a rational trade policy since the expiration, in 1967, of the Trade Expansion Act of 1962.

This has created an enormous trade vacuum, to say the least, while this country's industrial might has eroded to the point where today it is in grave danger. Just this month, the Commerce Department announced that imports for May substantially exceeded exports for the second consecutive month, for the first time since 1950. I. W. Abel, president of United Steelworkers of America, called this alarming fact to the attention of delegates here in mid-July at the AFL–CIO's Conference on Jobs, along with this observation:

> If things continue as they are, what looms on the horizon is of most serious concern for the health of the American economy, the buying power of the American people, which is based on workers' wages, and the living standards of the American people.

I cannot agree with him more.

It is well known that countries which rebuilt plants and factories after World War II—financed largely with national grants, minimal or non-interest-bearing loans, other subsidies, and in many cases U.S. Government aid—have more modern production facilities than does the steel and the other high investment industries of this country which are, of course, dependent on internal and other non-Government financing.

Further, as the Cabinet Committee on Economic Policy recently dramatized in its report to the President on the economic position of the steel industry:

> There "are no substantial disparities in the technology know-how available to all steel-producing countries, and the rate of innovation in the steel industries of each country is determined by economic and fi-

nancial factors, national policy and managerial decisions.

Currently, according to steel industry sources just visiting there, Japan has built, or is in the process of constructing seven, I repeat seven, steel plants larger than the biggest existing steel plant in the United States. And they can build these plants in just about one-third the time and at one-third the cost of a comparable facility in the United States.

Japan technical teams roam the world, as one industry authority has remarked to me, seeking out and buying the best technology available, taking it home, improving it, and then building a more modern, much less costly plant to outproduce and undersell the American market.

This same authority tells me that—

The Japanese have the edge in facilities, in productivity and in both operating and construction costs.

And, he says:

Their workers "are highly motivated and work on their own time to achieve better results for their plant and their company, and, of course, themselves.

Nippon Steel was formed about a year ago with the merger of Yawata Steel and Fuji Iron Co., displacing our own U.S. Steel Corp. as the world's largest producer. Today, Japan ranks only behind the United States and Russia in total steel production, and is projected to become the world's No. 1 producer within a few years.

In 1962, the hourly wage of steelworkers in the United States was $3.82 as against 62 cents in Japan. The average steel employment wage currently paid in the United States is $5.97 an hour, including 97 cents in fringes, as compared to an estimated $1.80 hourly in Japan. The point here is that while Japan's wages have marked a higher percentage increase because of a low base to begin with, the spread or gap between United States and Japanese steel labor wages has nevertheless widened to the further disadvantage of our domestic producers—from $3.20 hourly in 1960 to $4.17 in 1971—and we have steel labor negotiations now in process that may drive that figure even higher.

The fact is that the rapidly improving productivity of the Japanese, coupled with lower hourly rates of pay, have confronted the United States with an insurmountable labor cost problem. This and other factors, such as lower facility and transportation costs, pooling of the bulk of steel output for sale through trading companies with—according to the Cabinet Committee report—complete, often volatile pricing flexibility abroad, plus construction and other subsidies at home, combine to effect an insurmountable competitive advantage against the United States.

According to the Cabinet Committee report, Japanese steel export prices to the United States "are being quoted with sliding scale provisions relating them at any given time in a fixed ratio to U.S. domestic prices for steel—approximately 90 percent of the U.S. delivered price." So with Japanese quality, service and delivery schedules admittedly near, or equal to that of U.S. producers, it is easily discernible that there is, in effect, "no fair contest."

Similarly, the European Economic Community and other foreign countries have cost advantages over the United States, not to the same degree as the Japanese, but sufficient to underprice our domestic producers in relatively the same products at home and in third countries. Further, these exporting countries have their value added and transaction tax rebates on export of steel to the United States. These same taxes, incidentally, also work to the advantage of the foreign producers when applied on steel exported by the United States, since the levies add to income and other taxation already paid by our steel industry at home.

Again, according to the Cabinet Committee report, sales by EEC steel producers outside the Community are "not governed" by the European Coal and Steel Community Treaty and are very volatile, reflecting the highly competitive "world market price." Further, it should be emphasized that labor costs in EEC and most other European countries are two-thirds or less than labor costs of American producers.

There should be no great puzzle then over what would otherwise be classed an enigma—domestic steel production falling off in the face of a strike threat. Workers are being laid off by the thousands during last stretch bargaining before expiration of a current 3-year labor contract July 31, a period when steel production and employment traditionally are at peak levels.

Nearly 1.8 million tons of foreign steel entered the United States in May, the largest imported tonnage on record for that month. Total steel imports the first 5 months of this year reached 6.9 million tons—59 percent higher than the same period 1970. Exports of steel from this country, for the same 5 months this months this year, were off 2.6 million tons, for a 5-million-ton deficit in our steel trade.

Hedge buying against a possible strike continued right up to the last minute before expiration of all previous United Steelworkers contracts in the postwar period. Industry analyses this past winter were confidently predicting a 7-month steel boom totaling 65 million tons by the end of July. Instead, industry sources now foresee shipments of 61 million tons or less.

There is one big reason for this astounding dropoff in domestic steel production—that is the amount of imported steel on hand and on order for steel users. A survey by the National Association of Purchasing Management found that an August 1 steel strike is of secondary importance to steel buyers at this time, whereas several months ago such a possibility was foremost in their minds. The survey showed why the change in attitude—buyers plan to have about 60-day buildup by the contract deadline, much of it representing foreign steel. Forty-one percent of the buyers surveyed by the association indicated their future planning provides for foreign steel purchases of from 5 to 30 percent of total requirements.

Steel has been one of America's strongest, most productive industries. Its decline in earnings, profits, cash flow and stock value—despite an average capital investment in new plant and equipment of over $2 billion yearly since 1966—is further shocking testimony to the alarming inroads of foreign steel.

Today, the United States is the only truly open market for steel. The Cabinet Committee report, which I have already referred to, states that worldwide steel is produced in more than 70 countries, against 35 at the end of World War II. The steel industries in virtually all of these countries are either nationalized or subsidized, and protected as a matter of national policy, with exception of the United States.

Against these formidable odds, it is imperative that the United States maintain a strong, viable steel industry for our national economic welfare and security. The only way left to assure revival of a prosperous steel industry is to recognize the changing world market conditions as they are and adjust to meet them.

That is why Senator HARTKE and I are offering this bill, to establish an equitable trade in iron and steel mill products. The Steel Trade Act of 1971 limits imports in 1971 to 14,709,000 tons and provides for realistic product and geographic alinements based on the year 1968 and an import growth rate of not more than 2½ percent annually.

I wish the administration well in its current efforts to extend the present voluntary steel agreement. I hope that a new agreement will remove the need for a legislated import quota. But if the agreement is defective, in that the producers of carbon steel, alloy steel, specialty steel, and all the rest are pushed out of the market, I shall seek the most prompt enactment of the bill which has just been introduced.

My Commonwealth of Pennsylvania, for many years the Nation's leading steel-producing State, has 120 steel plants employing 173,000 workers who take home $1.6 million in pay. These figures represent a distinct decline from the figures available in 1969. I can assure my colleagues that unless something is done soon, the situation will get much worse.

Mr. TAFT. Mr. President, I am pleased to join with the distinguished minority leader (Mr. SCOTT) and the distinguished Senator from Indiana (Mr. HARTKE) in cosponsoring the Steel Trade Act of 1971.

The steel industry is suffering from the onslaught of foreign competition. This competition means not only reduced profits, but also the elimination of thousands of jobs for American steelworkers.

In my own State of Ohio the United States Steel Corp., has recently shut down its Ohio works in Youngstown, which is one of the largest steel mills in the State.

Major layoffs have also been announced by Republic Steel in Canton and Massillon and by other producers in Ohio.

Through May this year total steel imports have exceeded the comparable 1970 level by 58.1 percent. This measure would place a limit upon imports of 15,120,000

tons and further provide that the annual rate of import growth could not exceed 2½ percent.

In sponsoring this measure I am not unmindful of the fact that we cannot be satisfied merely with import quotas. If the American steel industry is to recapture its domestic and foreign markets it will have to modernize its tools of production. Recently I learned that the Japanese produced a ton of steel with 5.7 man-hours compared to more than 7.3 man-hours in the United States.

This means the Japanese producers have not only the advantage of lower wage levels but greater productivity as well.

If the United States loses the productivity race our standard of living will inevitably suffer. To the average worker the balance of trade figures may not mean very much because they are confusing and complex. What I think we all must understand is that these figures and our productivity figures represent jobs, earnings, and buying power.

If we are to fight the economic stagnation which overcame Great Britain in recent years we will have to act now to modernize our tools of production and improve the efficiency of American industry.

For that reason I hope that this measure will be temporary and can be coupled with the early enactment of an investment tax credit so that our great steel industry can regain its leadership in productivity and efficiency. Only in this way can we be sure of recapturing domestic markets and foreign markets. Only then can the American steelworker have meaningful job security.

SENATOR RANDOLPH ADVOCATES LEGISLATION TO LIMIT IMPORTS OF STEEL—COSPONSORS STEEL TRADE ACT OF 1971

Mr. RANDOLPH. Mr. President, it is a privilege to cosponsor and support the Steel Trade Act of 1971, a measure designed to protect not only our Nation's economy but also our national security.

It is ironic, I think, that we consider this action three decades after another debate, which concerned the dismantling and shipment of New York City's famed Third Avenue Elevated to Japan as scrap metal. Today, the situation is reversed and we seek to stem the massive flow of unrestricted imports of steel from both Japan and Europe.

This measure introduced by the Senator from Indiana (Mr. HARTKE) and the Senator from Pennsylvania (Mr. SCOTT), in which I join, would limit the total quantity of steel imported in this calendar year to 15,120,000 tons. It would place the annual rate of increase at a maximum of 2.5 percent in each succeeding calendar year, using 1968 as the base period.

In 1969, the American steel industry and our Government were encouraged by the establishment of a voluntary limitation program, under which the steel industries of Japan and Europe agreed to limit their exports to the United States for 3 years. Regrettably, the hoped-for relief through the voluntary agreement did not materialize. On the contrary, imports continued to increase substantially. In the first 5 months of 1971, total steel imports rose 58.1 percent over the same period a year ago. This is a record level. Additionally, imports of stainless and tool steel increased 41 percent in 1969 and 34 percent in 1970 over the limits set in the 1969 agreement. As a direct result of these increases, it is anticipated that the steel trade deficit this year will be more than $1.5 billion. According to industry figures, this would be a 50-percent increase over the trade deficit incurred a year ago. I emphasize also that at this time no satisfactory renewal of the voluntary agreement has been achieved.

In our complex and diversified industrial society, there is no single basic industry. But we know that steel is one of the several basic industries, such as food, fuels and energy, transportation and textiles. These are essential to the kind of country we are today and the standard of living we enjoy.

Steel represents 95 percent of the metals consumed by our economy. It is the one most useful industrial raw material in the United States. Today the domestic markets of steel consumers and the jobs of a half-million steelworkers are imperiled by what I consider unfair and unjust competition from abroad. Included in this number are over 20,000 steelworkers in West Virginia.

Most of us are aware that steel imports underprice our domestic products. If this competitive market edge was the result of better productivity and efficiency, or arose from better management or technology, there could be little quarrel with foreign competition.

Built into our domestic steel production, however, are such factors as higher wages, pension, insurance, and medical costs, social security, workmen's compensation, taxes, and other mandated costs imposed on American business. These factors, which contribute to our higher standard of living, place this industry at an inevitable disadvantage with respect to foreign-made products.

Another aspect of this situation is embodied in the philosophies of governments in the affected countries. Our American system requires that business operate as free and independent private enterprise; that it provide for its own capital requirements, earning a profit in order to grow and attract capital; and that it be subject to antitrust laws that insure competition and discourage monopolies.

This system under which we operate finds little parallel abroad, where much of the world steel industry is publicly owned, where cartels replace competition and where, in many cases, profits are not an essential requirement.

I think it is most important that we realize fully what is at stake here. The American people have traditionally been among the most generous in providing aid where needed abroad. We encourage competition and reject trade barriers artificially designed to enforce unfair advantage. But we are mindful of what unlimited imports can mean to basic industries. The recent surge of shoe imports which forced the closing of several U.S. factories is a case in point. There is the sad situation of more than 100,000 layoffs in the textile industry resulting from importation of cheap textile products to prove the seriousness of the problem. Our glass industries in West Virginia and elsewhere suffer from damaging import competition which is based on low wages and reduced production costs.

The problems facing the steel industry and its employees are no different from those which face or potentially face almost all American firms. This is a national problem. We know that steel is produced in 37 States and steel products are made in all 50 States. What is not commonly realized is that the 275 American companies which make and finish steel have operations in more than 300 communities across the Nation. And for each of the 500,000 workers directly employed by the steel industry, there are eight other Americans employed in factories that use steel in their products. This work force accounts for one-third of all the manufacturing jobs in the country.

After extensive negotiations between countries, a fair and equitable steel agreement has failed to materialize. I am convinced, and others agree, that voluntary limitations by foreign cartels will not happen. Therefore, it is vital to both the economy and the national security that we act promptly to protect this basic industry and the jobs of a half a million workers.

Mr. McGOVERN. Mr. President, although I myself am not a cosponsor of the Steel Trade Act of 1971, I share with my colleagues who are proposing this measure their deep and intense concern over the current import crisis facing the domestic steel industry.

The stakes are considerably higher than the future of this vital segment of the American economy—and the half-million jobs it supplies American citizens. It is with good reason that steel is termed a "basic industry." No modern industrial society can survive unless part of its base is a healthy steel-producing capacity.

I personally prefer seeing problems of this kind resolved wherever possible by voluntary conciliation of differences. It is for this reason that, instead of mandatory import controls, I would prefer to see a strengthening and extension of the current voluntary agreement under which steel producers in the European Common Market and Japan limit their exports to the United States.

I share with Senator HARTKE, Senator SCOTT, and my other colleagues their apprehension over recent trends in steel imports. As the distinguished Senator from Indiana has already noted, these imports totaled more than 9 million tons in the first half of 1971. They had a declared value of well over $1¼ billion.

The 2,112,000 tons of foreign steel which entered the United States in June are just 26,000 tons short of the alltime 1-month steel import record set in August 1968 before the present voluntary arrangement went into effect.

Admittedly, much of this import surge is directly accountable to so-called consumer hedgebuying against the possibility of a steel strike next month.

But such trends, whatever their cause,

cannot long continue without potentially irreparable harm—both to the domestic steel industry and to the entire U.S. economy.

There are other disturbing trends which would indicate that the old, voluntary arrangement may not have worked in practice as well as we expected it to work in theory.

I have been advised that, in their letters of intent to the Secretary of State, the Common Market and Japanese steel producers pledged that during 1969, 1970, and 1971, they would try to maintain approximately the same proportionate product mix and geographic distribution of steel imports as existed in 1968.

What, in fact, has happened under the voluntary arrangement is that imports of specialty steels—stainless, alloy, and tool steels—have steadily increased their proportionate share of total imports.

Last year, for example, imports accounted for one-fifth of all stainless steel sold in the United States—a far larger share of the American market than that which they possessed prior to the voluntary arrangement.

Other key specialty steel markets, such as tool steels and critical types of steel tubing, having endured similar pressures. In some steel product areas, imports have taken over half the domestic market.

The import pressure on producers of these high-value, low-volume special steels so vital to defense and industrial progress are now so great that many firms face potential financial ruin.

While the mix has changed in violation of the letters of intent, the geographic distribution has also become more heavily concentrated on the west coast.

I sincerely hope that the European Common Market and Japanese steel producers take these developments into account during the current negotiations to renew the voluntary steel arrangement.

I consider it likely that the U.S. Government will act vigorously to protect this vital domestic industry. Certainly the voluntary approach is to be preferred by all parties involved.

Mr. ALLOTT. Mr. President, the introduction of the Steel Trade Act of 1971 by the distinguished senior Senator from Indiana and the distinguished senior Senator from Pennsylvania signifies recognition of a disheartening reality. It is especially saddening to those of us who have been identified with an effort to bring some semblance of stability for our domestic steel industry in their effort to deal with the question of establishing orderly trade in iron and steel products.

Steel imports had increased from approximately 1.5 million tons in 1958 to almost 18 million tons in 1968. This increase in steel imports caused a demonstratably adverse effect on our Nation's economy. I joined at that time in the introduction of the Iron and Steel Orderly Trade Act of 1969. In those early days of the first session of the 91st Congress, I said—

> Because there is no such thing as a true free trade in the world steel market today, the ultimate solution to this problem will only come about by responsible self-restraint on the part of all the parties concerned with this issue.

Mr. President, the disheartening reality I spoke of earlier is the fact that our major foreign steel producing competitors have not exercised responsible self-restraint in living up to the voluntary import limitation agreement entered into in 1969. Total tonnage of steel imports has generally been within the guidelines of the voluntary agreement; but our competitors have not abided by the understanding to maintain a stable product and geographic mix. For example, there has been a noted concentration in the high value items selling for between $1,200 and $2,000 per ton compared with an average price of $170 per ton for carbon steel. Imports of stainless and tool steel increased 41 percent in 1969 and 34 percent in 1970 over the limits set in the 1969 agreement. This action fell hardest upon the smaller producers of speciality steel, who account for one-half of the speciality steel output. The average per ton value of imports of all grades of steel-mill products has increased from $112 in 1968 to $152 in 1970. The first 5 months of 1971 indicate a 58-percent increase in imports over the corresponding 1970 period. In addition, there is evidence that geographical "dumping" has taken place. The flooding of a small geographical region with low-cost imports, drives individual plants and companies out of business. This is not a good record.

I stated in February of 1969 that—

> Such a voluntary arrangement, evidencing good faith and self-resistant, is a much more desirable way of meeting this problem than the institution of legislative quotas. If such an arrangement is not satisfactory, then reasonable legislation such as that provided by the bill introduced today, will be the only solution.

Mr. President, self-restaint has not been exercised. Plants around the Nation are closing. The jobs of American workers are being lost. This cannot be tolerated. It appears that institution of legislative quotas is the only way to remedy this situation.

Discussions have been taking place for many months concerning further extension of the 1969 voluntary agreement. I am not pleased with the progress that has been made. In addition past performance under the previous agreement leaves me somewhat skeptical of the success of any future agreements. Unless the spirit of such agreements is fulfilled by the signatories thereof, the Congress must meet its obligation to assure protection for our working men.

Mr. BEALL. Mr. President, I am pleased to join in cosponsoring the "Steel Trade Act of 1971" introduced by my distinguished colleagues, Senators SCOTT and HARTKE. Steel imports increased from about 1 million tons in 1957, or 1.5 percent of domestic consumption, to a high of 18 million tons, or 17 percent of consumption in 1968. In fact, as late as 1961, steel imports only amounted to 3 million tons. Imports did decline in 1970 reflecting the voluntary restraint agreement and the world steel boom. However, in 1971 steel imports have again risen sharply. Since 1965 the number of employees in industry has declined by more than 50,000. Also, in 1970, the steel industry's profits reached their lowest level in a decade. For 1970, this bill would limit total steel product imports to 14,709,000 net tons. This figure was derived by taking the 14 million net ceiling established for calendar year 1969 under the existing voluntary arrangements governing steel exports to this country and adding a 2.5-percent annual growth for calendar year 1971. After calendar year 1972, imports of steel mill products and other steel products would be limited to an annual growth rate of 2.5 percent. The 2.5-percent allowable growth rate for foreign imports is lower than that permitted under the present agreement. The present 5-percent figure however was intended to reflect the estimated growth rate in domestic consumption. The truth of the matter is that domestic consumption over the past 4 years has only increased by 2 percent and for that reason the 2.5-percent limitation seems reasonable indeed.

I believe in free international trade. But I believe such trade must be a two-way street, that the rules and regulations governing trade must be substantially the same for all of the competing countries. Yet, we know that in many other countries their governments subsidize or otherwise assist their steel producers including the ultimate subsidy of government ownership of the industry in a number of countries. In addition, the European communities employ taxes on value added which are imposed on imports into the European communities and rebated on its exports. In addition, foreign governments purchasing practices, unlike that of the United States, discriminate against imported steel.

Mr. President, steel producing plants are located in 38 cities, including a heavy concentration in the great city of Baltimore in my State. Steel is one of our basic industries, vital to our economy and necessary for the national defense. It employs over three-quarters of a million workers. The United States must make certain that its steel industry remains reasonably healthy.

Since 1969, Japan and the European community have voluntarily agreed to limit their total steel exports in the United States. These arrangements are scheduled to expire at the end of this year. I am hopeful that not only these countries but other countries which export substantial amounts of steel in the United States will negotiate voluntary agreements so as to make legislative action to establish orderly trade in iron and steel products unnecessary. Indeed, a provision of this bill specifically empowers the President to enter into international agreements to limit steel imports into the United States. If this occurs, such agreements would be exempt from the quota provision of this legislation.

Mr. President, in the July issue of the "Nation's Business" Mr. Steward S. Cort, chairman of the board of the Bethlehem Steel Corp., argues for a responsible approach, such as this bill represents, to the growing steel import problem. I ask unanimous consent that the article by

Stewart Cort, who has spent all of his working life at Bethlehem Steel, and knows the industry and its problems and potential as well as anyone in the country, be printed in full in the RECORD.

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

[From the Nation's Business, July, 1971]

FREE TRADE? YES—BUT!

(By Stewart S. Cort, Chairman, Bethlehem Steel Corp.)

(NOTE.—Last February, Nation's Business published an article entitled "Free Trade Truths—and Myths" in which economist Howard S. Piquet argued for the gradual breaching of all trade barriers and against protecting "weak industries." In this article, the head of one of America's largest steel companies presents a rebuttal from the standpoint of his industry—arguing for a degree of protection which he says is "trifling" compared to that given foreign steel producers by their governments.)

There are many "myths" about international trade.

One is that everyone else is playing the game under the same rules we are.

Another is that the benefits of more trade outweigh any possible dislocation of domestic industries—even basic ones like steel. No other nation looks on trade this way, and no other nation considers its steel industry expendable. We cannot afford to do so either.

There are no practical private responses to competition aided and abetted by other governments, especially when foreign labor costs are already much lower than ours.

Certainly the least we can ask is that, until such time as those governments can be persuaded to let their steel industries stand on their own feet, our industry be the recipient of something more than pious exhortations. In fact, we need assurance that we will be allowed to participate in the growth in demand for steel in the United States.

By the same token, foreign producers should also be allowed to share in that growth—but not at a rate in excess of the growth in domestic consumption. Since the beginning of 1969, steel producers in the European Community and in Japan have limited their total steel exports to the United States under arrangements they adopted at the urging of our government. These arrangements expire at the end of this year and we believe they should be extended for another two years, with some improvements.

The present setup provides that their exports can increase by 5 per cent a year—about double the normal growth of steel demand in this country. This provision is very damaging and must be remedied.

Although we believe it had been understood that the European and Japanese producers would maintain existing patterns of distribution among product categories and geographical markets, they have not done so.

Imports of higher-value products, particularly of the very high value stainless and alloy steels, have risen rapidly, and the proportion of imports into West Coast markets has increased substantially. These practices have hurt some American producers badly, and new arrangements should rectify the situation.

Finally, the existing arrangements do not apply to certain countries which export significant amounts of steel to the United States. Some of these countries have increased their exports considerably during the past two years, notably in stainless and alloy categories. We hope additional countries may be persuaded to join in the arrangements for the future.

GUARDING A "GOOD RIGHT ARM"

The measure of "protection" my industry needs and asks is trifling compared to that accorded our competitors by their governments.

It is of a type endorsed by two Administrations committed to liberal trade policies. One reason for this nonpartisan endorsement is that this method of dealing with a trade problem does not provide any basis for retaliation. It is done with the consent of those affected. And, in fact, the voluntary arrangements have *not* triggered retaliatory measures.

I think it true that this nation must be a leader, if not *the* leader, toward gradual but steady reciprocal dismantling of trade barriers. We should be magnanimous. But it does not follow that our magnanimity should feed the rapacity of less merciful competitors.

To turn the other cheek is admirable, but it is a suicidal gesture if the blow you are dealt is fatal.

What many Americans fail to comprehend is that the blow that threatens our nation's economy *could be,* if not fatal, at least disabling. Can we not agree that the steel industry is the good right arm of our industrialized economy? If we are not willing to agree that this is so we are unique among all the advanced nations of the world.

And if we are willing to agree that a "strong and viable" steel industry is essential to our economy, can we accept the propositon that its strength and vitality ultimately depend on the level of steel imports reaching our shores? This is no myth. It is a fact.

In support of this assertion, look at just a few enlightening statistics. Steel imports rose from about one million tons (1.5 per cent of domestic consumption) in 1957 to a high of nearly 18 million tons (about 17 per cent of consumption) in 1968.

More significantly, those imports had maximum impact in certain vulnerable areas such as the West and Southwest, where they took over 25 per cent of the total market and as much as 90 per cent of the market for some steel products. Obviously, this situation spelled chaos for U.S. producers, especially for those serving the markets under heaviest attack.

Furthermore, during the term of the voluntary arrangements, foreign makers have concentrated on higher-priced grades. For example, they captured about 68 per cent of the stainless wire rod market and 53 per cent of the stainless wire market.

Considering that the steel industry as a whole registered profits on sales in 1970 averaging only 2.7 per cent, it should be obvious that the inroads of imports are taking a fearful toll.

It should be equally obvious that, in the absence of renewed voluntary arrangements or some other form of import restrictions, imports will continue their climb. And finally, it should be obvious that the American steel industry cannot attain and maintain good health if something in the range of 20 per cent of the total domestic market is captured by imports—and especially if the major impact of those imports is directed at the higher-priced, higher-profit-margin products.

THE CRUCIAL BATTLE

It is true that the steel industry, like most industries, faces many problems. Still, the make-or-break problem is steel imports. Unless we lick that one, all our other battles are being fought in vain.

Now, let us consider how relentless dictates of academic free trade theory would work when applied to our steel industry.

We can start by accepting certain realities. Reality Number One is that steel products can be made in several foreign countries on a basis that permits them to be sold in the United States in a range of $20 to $45 per ton under domestic prices.

Unquestionably, those competitors have "comparative advantage." Under free trade theory, then, steel is one of those "lines of production in which the United States cannot compete internationally," and according to the theory, "we must avoid building protective fences around these weak industries."

In other words, free trade theory considers steel to be a "weak" industry, and therefore expendable. I do not agree that our steel industry is really all that "weak," and I most assuredly do not agree that it should be deemed "expendable," but let us continue to explore the avenue down which free trade theory takes us.

What would be the effects on steel consumers and on our nation's overall economy if our domestic steel industry were to wither as offshore suppliers took over a major portion of the market?

Question One: What would happen to steel prices once foreign suppliers control the market?

Would they exercise restraint? All evidence available to us indicates that ruthless price gouging would be the order of the day.

Every time that domestic steel prices have risen so as to reflect higher costs, have not the prices of imported steels followed—without any cost justification whatsoever? And have we not time and again seen the prices of steel imports rise *above* domestic prices during periods of tight supply in our markets?

Question Two: What assurances would American steel users have of a continuing source of supply in the event of an international crisis?

Within my own lifetime there have been periods when we could not realistically look to any of the major producers in other countries as a reliable source of steel products.

Similarly, one can imagine countries withholding steel so as to enforce high prices here. This possibility is hardly farfetched, considering the recent tactics of the oil-exporting nations of the Middle East.

Even a more innocent development, such as a sudden upsurge in home markets, could impel foreign producers to significantly reduce their steel exports to the U.S. Indeed, this is precisely what happened only a year ago in Western Europe.

Question Three: What about national defense?

How could we gird ourselves to meet a threat to our security without a reliable supply of steel? Are there sufficient ploughshares and pruning hooks available for reconversion into the weapons of defense?

I think not. Granted, military needs have normally represented only a small fraction of total domestic production, but they are nevertheless vital. These needs embrace highly specialized grades and types which are the products of continuing intensive—and expensive—research. This cannot, however, be supported solely by production for military purposes. A much broader base is necessary.

And what a Looking Glass world this is, when a steel executive is reduced to arguing that a viable steel industry is essential to the security of his country!

So much for our nation's need for a healthy steel industry, even without considering domestic employment, purchases, the colossal investment in the steel industry, or the industry's contribution to meeting the tax burdens of our complex society.

LOSING AN EDGE IN STEEL

Let us consider now how this great industry got into its present fix.

There are those who agree with an unidentified government official who recently explained the plight of the steel industry to a wire service reporter. "The American steel industry," he said, "has let its equipment become obsolete."

That accusation is, to put it bluntly, false. Through the decade of the 1960s, our steel industry's capital expenditures totaled $16.3 billion, largely for modernization rather than net expansion. If the industry has indeed "let

its equipment become obsolete," it has not been because of parsimony.

But I would be the last to argue that we have not lost much of the comparative advantage we once enjoyed. What are some of the reasons?

First, the steel industries of major foreign competitors such as Japan and West Germany have been built largely from the ground up since World War II.

In fact, the expansion of the Japanese industry has been so rapid that half its present facilities are not more than five years old. Obviously, those industries are more modern, on the average, than ours. Nevertheless, steel output per man hour is still higher in this country than in any other, although the margin is not nearly as great as it was and our edge is steadily diminishing.

Second, today's steelmaking technology is world-wide.

American equipment and expertise were primarily responsible for the phoenix-like rise of foreign steel mills from the ashes of war. In fact, it was American tax dollars, in large measure, that paid the bills for the initial revival. And today, even though we readily admit that foreign competitors deserve a great deal of credit for their own innovations, they continue to draw on the technology of our country to improve their steel industries.

For example, we have led the way in iron ore and coal processing and in high-speed rolling mill technology. Industries in other countries have consistently borrowed from us in these fields. In fact, many of the most modern installations of American-designed production facilities are located abroad.

This brings me to my third explanation for our loss of advantage. Only after you realize that steelmaking technology is completely international can you comprehend the simple reality that the availability of funds plus the willingness to spend them is all it takes to have a thoroughly modern and efficient steel industry.

No steel company and no steel industry in any nation possesses magic formulae or arcane "secrets" that can give it any substantial and lasting edge as a steel producer. A commitment of resources is all that is required. And in this regard, our most worrisome competitor is twice blessed.

CAPITAL AND LABOR COSTS

In Japan virtually unlimited capital is made available (however indirectly) by the government, and the installed cost of integrated steel plants is about one-third that in the United States. This great additional comparative advantage in capital costs results from low hourly employment costs in construction.

Labor is a major factor in the installed cost of steel plants. In other words, the much lower hourly employment costs of foreign producers give them a double advantage—both in capital costs and in operating costs.

Lower capital costs means less invested capital per ton of steel products shipped. And this, in turn, translates into a higher rate of return on investment for offshore producers despite a lower profit per ton.

To give you a better idea of what we are up against when we gaze westward across the Pacific, it would be well to take a look at Japan's national goals in steel. Japan wants an output matching that of the United States (and *doubling* our per capita production) by 1975! Further, this expansion contemplates doubling steel mill export every four years. Clearly, the Japanese nation recognizes the desirability of a strong and growing steel industry.

My fourth and final point relating to our reduced competitive edge in comparison with foreign producers lies in the decisive matter of unit costs.

It is not wage levels *per se* that determine competitiveness, but unit costs. High wages can be, and often are, offset by greater productivity. In fact, that is why American wages rose so far above those in other countries in years gone by without affecting our competitive position.

Unfortunately, our competitors now boast both wage scales far lower than ours *and* productivity approaching our level. Thus Japanese steel wage costs (which vary between one-fourth and one-third of ours), coupled with relatively high productivity, yield unit labor costs $40 to $45 per ton under ours, according to the U.S. Bureau of Labor Statistics. Similarly, European steel producers are favored by unit labor costs typically $20 to $25 per ton under ours.

Putting it another way, we would have to reduce our labor input (man hours per ton shipped) by 70 per cent in order to nullify the Japanese advantage in unit labor costs, assuming no change in current hourly employment costs.

The significance of the competitive cost advantages can be better appreciated when one realizes that the average U.S. price for a ton of steel is on the order of $175. It does not require much knowledge of cost accounting to see that a cost advantage of $20 to $25, much less one of $40 to $45, is decisive when the product sells for about $175.

There is no technology by which we can overcome the cost advantage enjoyed by offshore competitors. Nor can we offset it by cutting prices, considering that our net income before taxes averages less than $10 per ton.

At least one third of world steel-making capacity outside the U.S. not only is favored by "government supports," but is government-owned, wholly or in major part. And, might I add, nationalization represents the ultimate in subsidization of an industry. If free trade theorists object so strongly to the mild "protection" we ask, would they prefer the vastly more comprehensive protection that a nationalized industry requires? I think not.

Most of the remainder of steel-making capacity in other countries is government-supported and nourished to a degree unheard of in the United States. Mergers and cartels are condoned if not actually encouraged. Steelmakers are insulated from some or all of the rigors of domestic free capital markets. Tax policies are designed to assist growth and to enhance export of steel.

THEIR BARRIERS ARE HIGH

And virtually all of these countries have erected nearly insuperable barriers to unwanted steel imports. To cite a typical example, the "cost of entry"—total of duties, taxes, etc.—to get $100 worth of U.S.-made carbon steel bars into France is over $33; but it's only $7 to bring $100 worth of French-made bars into the United States.

What is the answer? At this point I wish to reassure the advocates of free trade and all readers that I, too, prefer a solution that conforms as closely as is possible with the ultimate achievement of truly free—and fair—international trade. But what is the situation now?

Some say that "producers must learn to stand on their own feet without government supports."

I wholeheartedly agree.

But the principles that apply to our own steel industry must apply equally to all others as well, if we are to compete on a fair basis.

This is not the case today.

By Mr. FANNIN (for himself, Mr. BENNETT, Mr. CURTIS, and Mr. GOLDWATER):

S. 2368. A bill to amend the National Labor Relations Act so as to prohibit the levying by labor organizations of fines against employees for exercising rights under such act or for certain other activities. Referred to the Committee on Labor and Public Welfare.

By Mr. FANNIN (for himself, Mr. BENNETT, Mr. GOLDWATER, and Mr. ERVIN):

S. 2369. A bill to amend the national emergency provisions of the Labor-Management Relations Act, 1947, so as to provide for dissolution of injunctions thereunder only upon settlement of disputes. Referred to the Committee on Labor and Public Welfare.

By Mr. FANNIN (for himself, Mr. BENNETT, Mr. CURTIS, Mr. ERVIN, and Mr. GOLDWATER):

S. 2370. A bill to amend the National Labor Relations Act so as to require a Board-conducted election in representation cases. Referred to the Committee on Labor and Public Welfare.

Mr. FANNIN. Mr. President, on behalf of myself and other Senators, I introduce, for appropriate reference, three bills to amend the National Labor Relations Act and the Labor-Management Relations Act of 1947.

These bills are the same as those introduced by me in the 91st Congress. The first bill would amend the national emergency provisions of the Taft-Hartley Act to provide for dissolution of injunctions only upon the settlement of disputes. Under existing law, injunctions are limited to 80 days. The national interest must be protected as long as is necessary. I may point out that unions will, of course, retain the right to strike a particular plant or even a segment of an industry. The injunction, as under existing law, can be enforced only where the strikes are so broad as to jeopardize the national health and welfare.

A second bill would amend the National Labor Relations Act so as to require a Board-conducted election in all representation cases. Thus this bill would prevent voluntary recognition of a union by an employer, a practice which has led to many abuses. I have always believed that it is the right of the worker, and not his boss or a few union advocates, to cast his ballot secretly for or against union representation.

Mr. President, the third bill would amend the National Labor Relations Act by prohibiting the levying by unions of fines against employees for exercising their rights under the act. Under this proposal, for example, a union could not fine an employee for exceeding production quotas set by the unions, crossing union picket lines, filing decertification petitions, nor for testifying in Board proceedings against a union. It seems to me that unions cannot be regarded in the same light as private voluntary associations, which are and should be free to impose on its members whichever rules it chooses. This bill will carry out the intent of Congress that the rights given to unions carry commensurate responsibility and obligations on unions to act in the public interest and in the interests of their members.

By Mr. McGOVERN:

S. 2372. A bill entitled the Adequate Income Act of 1971. Referred to the Committee on Finance.

THE ADEQUATE INCOME ACT OF 1971

Mr. McGOVERN. Mr. President, this morning I had the honor of addressing the National Welfare Rights Organization convention in Providence, R.I. This group represents millions of Americans who deserve the serious attention of this Congress—attention they have not often received.

In my remarks this morning, I said:

As far as I'm concerned the fight has just begun in the Senate of the United States and it isn't going to be finished until every American, every citizen of this great country, every man, every woman, every infant child, has an income adequate to keep body and soul, most importantly soul, together.

Ever since I arrived here in Providence, I have been hearing the rallying cry of your struggle—'$6500 or fight.' And it's going to be a fight—I'm convinced—but one I intend to see happen. It will happen because when I return to Washington this afternoon I am introducing H.R. 7257, the bill introduced and fought for by the Black Caucus and their supporters, a bill to provide an adequate income for every American, on the floor of the United States Senate. The record—history—is going to show that the legislation written by the National Welfare Rights Organization, the bill supported by the welfare recipients themselves, was introduced in both Houses of the 91st Congress, and reintroduced in both Houses of the 92nd Congress.

I am introducing H.R. 7257 not so much because it contains a specific dollar figure but because it rests on the hard rock of human dignity; on the essential business of trying to give every American a truly adequate income and I intend to see that the question of human dignity your bill raises gets a fair hearing in the Senate of the United States.

For that reason I am today introducing the Adequate Income Act of 1971. I ask unanimous consent that the text of this legislation be printed in the RECORD at this point.

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

S. 2372

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

SECTION 1. This Act may be cited as the "Adequate Income Act of 1971".

FINDINGS AND DECLARATION OF POLICY

SEC. 2. (A) The Congress hereby finds and declares that—

(1) People are on welfare because they are unable to support themselves in any other way. Approximately three-fourths of the people receiving welfare today are either children, the aged, disabled or blind. Few of the rest are able to become self-supporting. Many are too sick to hold employment in the jobs available to them. Others are parents and are needed at home or cannot obtain suitable child-care arrangements. A survey conducted by the Department of Health, Education, and Welfare points out that only 5 per centum of welfare recipients can become self-supporting in a reasonable period of time given the best possible rehabilitative services.

(2) Furthermore, millions of Americans are not on welfare but are unable to secure an adequate income from the wages they earn. The real employment problem is not that people need jobs and jobs need people. It is that jobs do not provide a minimum adequate income. Employment does not distribute income the way its advocates claim it does. As an income-distribution system, employment has never worked well for the poor, especially the black poor. Even if all eligible Americans were employed today, the number of poor people would not be seriously reduced.

(B) Therefore, it becomes the responsibility of the Congress to assure to every person the right to live. Among the expressed purposes of the Constitution is the desire to insure domestic tranquility and promote the general welfare. It is the intent of this Act to insure that every American will have at least the minimum income required to freely express the fundamental rights and liberties expressed in the Constitution.

(C) (1) The poverty line is totally inadequate as an objective standard measure of what a family needs to live. The poverty line is based on the United States Agriculture Department's economy food plan. According to the Agriculture Department, "the economy plan is not a reasonable measure of basic money needs for a good diet. The public assistance agency that recognizes the limitations of its clientele and is interested in their nutritional well-being will recommend a money allowance for food considerably higher than the cost level of the economy plan."

(2) The Agriculture Department's low-cost food plan must also be rejected as a reasonable standard. An Agriculture Department survey estimated that only about a fourth of those who spend amounts equivalent to the cost of the plan actually have nutritionally adequate diets.

(3 The moderate food plan is the minimum objective standard for a nutritionally adequate diet and this standard must be incorporated in the determination of an adequate income.

(4) Computations based on surveys conducted by the Bureau of Labor Statistics incorporating the moderate food plan demonstrate that a family of four needs $6,500 a year for food, housing, clothing, and other basic necessities to live at a minimum level of human health and decency.

(D) Therefore, $6,500 a year is the minimum adequate income level for a family of four. Every family of four shall be guaranteed under the provisions of this Act a minimum income of $6,500 a year. Abundant resources are available to assure every American a minimum adequate income.

(E) The various programs known as public assistance shall be replaced with an adequate income plan that will overcome the major failings of the present programs. The adequate income plan shall not—

(1) deny benefits to those eligible through procedures and practices that harass applicants,

(2) prevent recipients from learning their legal rights and gaining all their lawful entitlements,

(3) fragment the program and in so doing discriminate against certain people in the amount of money they may receive and exclude others from receiving any entitlement, and

(4) most critically, fail to provide an adequate income for people who must rely on public support or require wage supplementation.

APPROPRIATIONS

SEC. 3. There is authorized to be appropriated for each fiscal year a sum sufficient to carry out this Act.

RIGHT TO ADEQUATE INCOME

SEC. 4. Any person who is eligible (as defined in section 5) for adequate income under this Act and who is a filer (as defined in section 6) may, at his option, file a claim (in the manner prescribed in sections 9 and 10) for a payment for himself and any other eligible person who must or may be included in his unit (as prescribed in section 6), the amount of such payment being determined under section 7.

ELIGIBILITY

SEC. 5. Any person who resides in the United States and who is either a citizen or a resident alien and who is not confined to a penal institution is eligible to file a claim for an income supplement for himself and any other persons who must or may be included in his unit.

FILERS AND MEMBERS OF UNIT

SEC. 6. A family unit may consist of one or more individuals. The person who is responsible for filing the claim for a family unit, and to whom payment under this program will be made, is called a "filer." The following rules establish which individuals may be filers, which individuals must be included in the filer's family unit, and which individuals may be included in the filer's family unit. A filer becomes entitled to additional payments for each additional member of his family unit but is required to include in the income of the family unit the income of all members of the unit.

(A) MALE FILERS.—(1) A man is a filer if he is—

(a) at least 18 years old; or

(b) married.

(2) A male filer must include his wife in his family unit unless they are legally separated or informally separated (as defined in section 6(c)). A male filer must also include in his family unit any woman who is living with him and is the mother of one or more of his children living with him.

(3) A male filer may include in the family unit any person who is under eighteen years old and who lives with him: *Provided, however,* That no person under eighteen years old who is not a child of the filer or a woman who must be included in his unit, may be included until such person has lived with him for ninety consecutive days.

(B) FEMALE FILERS.—(1) A woman is a filer if she is—

(a) at least sixteen years old and a mother; or

(b) at least eighteen years old and either unmarried, divorced, legally separated, or informally separated as defined in section 6 (c); or

(c) married.

(2) A female filer must include in her family unit any man who is living with her and who is the father of one or more of her children living with her.

(3) A female filer who is eligible to be a filer by virtue of section 6(E)(1) must include her husband in her family unit.

(4) A female filer may include in the family unit any person who is under eighteen years old and who lives with her: *Provided, however,* That no person under eighteen years old who is not a child of the filer or a man who must be included in her unit may be included until such person has lived with her for ninety consecutive days. (But see section 6(E)(2).)

(C) INFORMAL SEPARATION DEFINED.—A man and woman will be deemed to be informally separated if—

(1) (a) they have not lived in the same dwelling unit for thirty consecutive days, and

(b) one of them files an affidavit with the Secretary, swearing or affirming these facts on information or belief and further stating that there is no reasonable expectation that he or she will return; or

(2) either of them is confined to a penal institution.

(D) SPECIAL RULES FOR INCOMPETENTS, STEPCHILDREN, CHILDREN CONFINED TO PUBLIC INSTITUTIONS, ETC.—(1) If a person is otherwise eligible to be a filer, but is physically or mentally incapable of filing reports, then reports may be filed and payments received in his or her behalf by the person who is responsible for his or her care.

(2) If a person under eighteen years old is living in a State-approved foster home or a State-operated institution (other than a penal or correctional institution) and if the State has adopted a plan approved by the Secretary for seeking to enforce the legal obligation of any other person to support such person, then the State shall be entitled to receive in respect of and for the benefit of

such person an amount equal to the allowance prescribed in section 7, reduced by the full amount of any support payment received by the State.

(3) A person who is eligible to be a filer may, regardless of his income, file a claim for a unit consisting of any persons under eighteen years old living with him, for whom he certifies that he has no obligation of support under the law of the State in which he resides and that he refuses to support, except that he must include in such unit's income not only the income of such person or persons under eighteen years old but also the income of any other person who is living with him and who does have a legal obligation to support such person or persons under eighteen years old, and except that this provision shall not apply to persons under eighteen years old for whom payments are or could be made under section 6(D)(2).

(E) MISCELLANEOUS PROVISIONS.—(1) A filer may file a written consent to allow his or her spouse to be the filer for their family unit, in which case payments will be made to his or her spouse.

(2) No person may be a member of more than one unit. If a person who is under eighteen years old lives wtih more than one filer then he can be claimed only by the filer who supplies the greatest amount of support.

(3) Each time a monthly report of income is made, the filer may make a new choice as to whether to include any person (other than his spouse) in the family unit.

BENEFIT LEVEL AND REDUCTION RATE

SEC. 7. (A)(1) The amount that shall be paid to each filer shall be the total of the amounts prescribed in subsections 7(B) and 7(C) or subsection 7(A) for himself and all members of his unit reduced by two-thirds of the positive net income (as defined and determined in sections 8 and 9) of all members of the unit.

(2) The amounts to be paid to the States under section 6 shall be determined from the allowance levels in section 7(B)(2).

(B)(1) Each unit will be entitled to payments, before reduction by virtue of income, at the following annual rate (subject to adjustments prescribed in subsections 7(B)(2) and (3)):

(a) for the filer, $2,250;

(b) for the second member of the family unit, $1,850;

(c) for each additional member of the unit, $1,200.

(2) The amount prescribed in subsection 7(B)(1) shall be increased or decreased, at least once each year, by the same percentage as the increase or decrease in the median family income as determined by the Bureau of the Census in the United States Department of Commerce.

(3)(a) The amounts prescribed in subsection 7(B)(1) shall be increased or decreased by the local cost-of-living index of the zone in which the unit resides at the time his monthly report is filed.

(b) The local cost-of-living index for each zone of the country shall be established and maintained by the Bureau of Labor Statistics of the Department of Labor, shall be revised annually, and shall be based upon an annual survey of retail prices to low-income families of consumer goods and services commonly required by such families, including but not limited to charges for housing, clothing, food, transportation, and retail credit. The index shall be so calculated that the national average of low-income consumer prices for the initial year of operation of this Act will have an index value of $1.00. Each zone shall be established and revised, as necessary, so that the variation in cost-of-living between different locations within a zone shall be not more than 5 per centum.

(C) In addition to the amounts determined under subsection 7(A) each unit shall be entitled to receive such amounts as are necessary to meet basic needs of a unique or a nonrecurring nature, but not limited to the cost of clothing and furniture needed to bring the unit to a decent standard at the time it or any member first becomes eligible for payment. Such amounts shall be sufficient to cover the cost of meeting the special medical, nutritional, or instructional needs of any member of the unit including loss due to fire, flood, or other disaster.

(D) In lieu of the amount determined under subsection 7(B) each unit shall be entitled, pursuant to regulations prescribed by the Secretary, to establish a benefit level based upon an itemized statement of its own particular circumstances and needs, where the benefits provided under subsection 7(B) would be inadequate to provide to the unit that standard of living that can be achieved by a typical unit receiving the benefit determined under subsection 7(B). In determining the need for a special benefit level under the subsection, account shall be taken of special need in respect of food, clothing, housing, transportation, medical care, and all other basic needs, in light of budgets prepared and promulgated by the Secretary, with the advance and assistance of the Bureau of Labor Statistics, designed to insure a minimum adequate standard of living.

DEFINITION OF INCOME

SEC. 8. (A) IN GENERAL.—For the purposes of this part, a person's available income shall be his adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1954, with the modifications provided by subsections (B) through (H).

(B) AMOUNTS ADDED TO ADJUSTED GROSS INCOME.—For the purposes of subsection (A), adjusted gross income for any period shall include the amount of the following items which accrue or are received or are imputed during such period to the extent they are not already included in the definition of adjusted gross income in section 62 of the Internal Revenue Code of 1954:

(1) the entire amount of any payments received as an annuity, pension, or retirement benefit,

(2) the amount or value of any and all prizes and awards,

(3) the proceeds of any life insurance policy in excess of $1,000,

(4) all gifts (cash or otherwise), support and alimony payments, inheritances, and trust distributions of capital, in excess of a total of $50 per year, except for any gift or support payment or other transfer received from a member of the same family unit or from a private charity and except for any property (other than insurance proceeds) inherited from a deceased spouse, provided that amounts received from any person who is living in the same dwelling as the filer but is not a member of the filer's unit shall not be considered gifts or support payments to the extent that they do not exceed the greater of $25 per week or the actual cost of housing and feeding such nonmember person, and provided that any amount that is received and paid for tuition, fees, and books, at any institution described in section 151(e)(4) of the Internal Revenue Code of 1954 shall not be deemed to be a gift or support payment, and provided that no amount received under any government program in which the need of the recipient is an essential prerequisite of the award shall be deemed to be a gift or support payment,

(5) interest on all governmental obligations,

(6) except as otherwise provided in this part, any amount received in the form of damages, insurance payments, workmen's compensation, or in any other form as (i) compensation for physical, mental, or any other personal injuries or sickness, (ii) wage or income continuation payments, or (iii) payments for medical expenses,

(7) the rental value of parsonages,

(8) certain combat pay and mustering-out payments to members of the Armed Forces excluded from adjusted gross income by sections 112–13 of the Internal Revenue Code of 1954,

(9) the full amount of all dividends, including periodic payments that are a return of capital, except insurance dividends that are used to offset premiums,

(10) the full amount of any scholarship or fellowship, including the value of room and board supplied without charge, to the extent that such scholarship or fellowship exceeds the costs of tuition, fees, and books,

(11) the amount by which living expenses of the family unit are reduced when an employer supplies meals or lodging at less than their fair market value, regardless of whether the arrangement was made for the convenience of the employer,

(12) any amount paid by the Government to a member of the Armed Forces as an allowance for quarters or subsistence or as gratuity pay,

(13) the amount of current or accumulated income that could, within the discretion of any person with a nonadverse interest, be paid to an individual from a trust or estate of which he is a designated beneficiary, except that any such amount not exceeding $3,000 and in fact paid to some other person shall not be so included,

(14) all amounts deductible under section 1202 of the Internal Revenue Code of 1954,

(15) all unemployment compensation, from whatever source derived, whether from government insurance programs or otherwise,

(16) strike benefits received from any union or other organization or agency,

(17) all cash benefits received pursuant to title II of the Social Security Act,

(18) Railroad Retirement Act cash benefits,

(19) cash benefits under laws administered by the Veterans' Administration except for those which are income conditioned,

(20) foreign source income presently excludable under section 893, 894, 911, 912, 931, and 943 of the Internal Revenue Code of 1954,

(21) amounts received as loans from the Commodity Credit Corporation,

(22) items presently deductible under sections 173, 175, 180, 182, 263(c), 615, and 616 of the Internal Revenue Code of 1954,

(23) an amount equal to the total of all Federal and State income tax refunds multiplied by three halves, and

(24)(a) An amount equal to 10 per centum of the net usable wealth owned by all members of such unit less the amount of any capital distribution from a trust that has been included in income by virtue of section 8(B)(4) where the principal of such trust is included in the computation of net usable wealth and less the amount of income actually derived from property described in subsection (b)(v) below.

(b) Net usable wealth is an amount equal to the sum of—

(i) the equity in property used in a trade or business in excess of $10,000, or the equity in a trade or business that includes an owner-occupied home in excess of $20,000;

(ii) the equity in an owner-occupied home not included in (i) above in excess of $10,000;

(iii) the amount by which the total of all cash, checking accounts, savings accounts, and equity in savings bonds, of all members of the unit taken together, exceeds $1,500;

(iv) the cash value of life insurance policies owned by all members of the unit in excess of $5,000; and

(v) the amount of equity in all other property, real or personal, tangible or intangible, of any kind (including property held in trust if such property is required to be or, in the discretion of a member of the

unit or any other person, may be distributed presently to any members of the unit) except clothing, furniture, automobiles with a total value less than $4,000, and personal effects, with a total value of less than $250 per member of the filing unit, and except the value of any pension, annuity, or retirement benefit.

Less the total of all unsecured debts of all members of the unit.

(c) The term equity as used above means the fair market value of the property less the amount of debt secured by it.

(C) DEDUCTIONS ALLOWED.—For the purposes of subsection (a), adjusted gross income for any period may be reduced by the amount of the following items which accrue, are paid, or are otherwise deductible during such period, to the extent that they have not already been deducted from adjusted gross income under the provisions of the Internal Revenue Code of 1954:

(1) all expenses for medical care within the meaning of section 213(e) of the Internal Revenue Code of 1954, except that—

(a) this deduction shall not apply to expenses compensated for by insurance or otherwise, where such compensation has been excluded from available income, and

(b) deductions can be made under this section only to the extent that the aggregated medical expenses of the family unit during the current reporting period plus the preceding eleven reporting periods exceeds $120 multiplied by the number of members of the unit,

(2) alimony, separate maintenance, and support payments made by any member of the unit,

(3) the value of any gift to a member of a family unit other than the donor's where the donee is a member of a family unit receiving payments under this Act,

(4) all deductions presently allowable under sections 162 and 212 of the Internal Revenue Code of 1954,

(5) the full cost of caring for any member of the unit if such cost was incurred for the purpose of enabling the member of the unit to be gainfully employed, to seek employment, or to obtain training for employment,

(6) all amounts deductible under section 404 of the Internal Revenue Code of 1954, and

(7) an amount equal to the total of all Federal and State income taxes paid by all members of the unit multiplied by three halves.

(D) LOSSES.—In determining adjusted gross income the losses that are deductible under sections 165 and 166 of the Internal Revenue Code of 1954, except for losses described in section 165(C)(3), shall be allowed as deductions and losses from the sale, exchange, or disposition of capital assets, used in a trade or business or held for the production of income may be deducted without limitation, to the extent that they exceed capital gains realized during the preceding three years (other than capital gains that were reported and reduced benefits that would otherwise have been payable under this part).

(E) INTEREST.—No deduction shall be allowed for interest except for—

(1) interest paid on a loan the proceeds of which are used in the payor's trade or business, and

(2) interest paid on a loan procured by property that produces income that is included in the unit's income under any provision of section 8 (including section 8(b)(24)), but only to the extent of such income.

(F) DEPRECIATION AND DEPLETION.—In determining available income, a deduction shall be allowed for depreciation and depletion only to the extent permitted by sections 167 and 611 of the Internal Revenue Code of 1954; but no deduction shall be permitted for depletion calculated pursuant to section 613 of the Internal Revenue Code of 1954.

(G) DEDUCTIONS DISALLOWED.—Deductions from income other than those specifically allowed in this section are disallowed. No item shall be deducted more than once.

(H) SUBCHAPTER S CORPORATIONS.—Any amount attributed to the available income of a member of the family unit by operation of section 1373 of the Internal Revenue Code of 1954 shall be increased by an amount proportional to the amount by which the taxable income of the electing corporation would be increased if computed under this section.

(I) INTERNAL REVENUE CODE APPLICABLE.—Except where this Act provides or necessarily implies otherwise, the provisions of the Internal Revenue Code of 1954 shall apply in the determination of available income.

REPORTING AND ACCOUNTING

SEC. 9. (A) DEFINITIONS.—(1) "Net income" means income less allowable deductions, as determined pursuant to section 8 of this Act. Net income may be either positive or negative.

(2) "Breakeven point" is the amount of net income which would reduce payments to zero.

(B) ACCOUNTING PERIOD.—The accounting period (sometimes referred to as "the period") is a calendar month.

(C) REPORTS.—Net income of the preceding period will be reported at the beginning of each month. Payments will be made semimonthly.

(D) PAYMENTS.—Payments will be based on net income for the preceding period. Carryover will be added to or subtracted from net income as provided in rule 9(I).

(E) FILER'S ACCOUNTING METHOD.—(1) Income and deductions will be reported under the same method of accounting used for positive income tax purposes.

(2) If no positive income tax returns have been filed, the cash receipts and disbursements method shall be used.

(3) Net income from a trade or business (other than as an employee) may (but need not) be computed and reported once a year when the Federal income tax return reporting such net income is filed (or would be filed if taxes were payable).

(4) Net income from a trade or business, if reported once a year, must be reported at the same time every year.

(5) Such net income shall be divided into twelve equal parts, one of which will be assigned to the period in which the calculation is made and one of which will be assigned to each of the next eleven periods.

(F) ALLOCATION OF ITEMS COMPUTED YEARLY.—Capital asset income computed under section 8(B)(24) and deductions for depreciation, depletion, or amortization allowable under section 8(E) and not otherwise accounted for under section 9(E) shall be divided into twelve equal parts, one of which will be assigned to the period in which the calculation is made and one of which will be assigned to each succeeding period until a recomputation is made. Such computations shall be made as of the beginning of the unit's eligibility and whenever a new unit is formed. Said computations shall be repeated not later than one year after the earlier computation on such date as the Secretary shall determine (and on a corresponding date in succeeding years).

(G) POSITIVE CARRYOVER DEFINED.—A positive carryover is computed by subtracting the breakeven point from net income (after any negative carryover is first subtracted from net income).

(H) NEGATIVE CARRYOVER DEFINED.—A negative carryover is created if net income (after any positive carryover is first added to net income) is a negative figure.

(I) USE OF CARRYOVER.—A positive or negative carryover is carried forward to the next succeeding period and added to or subtracted from net income. If the sum again exceeds the breakeven point, in the case of a positive carryover, or the difference again is negative in the case of a negative carryover, the portion of the carryover not used to bring net income up to breakeven point or down to zero shall be carried forward in the same manner to next succeeding periods. No carryover may be carried forward for more than eleven periods following the period in which it first arose.

(J) LATEST CARRYOVER USED FIRST.—If a carryover is available from more than one preceding period, it shall be taken from the latest creditable period.

(K) UNIT MEMBERSHIP.—For purposes of computing net income, the income and deductions of the preceding period will be the income and deductions of persons who were members of the unit on the last day of the preceding period and payments will be based upon such membership.

(L) INITIAL ENROLLMENT AND NEW UNITS.—Upon initial enrollment or whenever a unit increases or decreases in size, carryovers arising from earlier periods (that is, periods preceding the curent period) will be computed by examining income and deductions for the preceding eleven periods, as though these rules had applied to such periods. In the event that a carryover arising in the preceding eleven periods cannot readily be allocated to the appropriate individual, it shall be allocated to the filer in the suit which reported this carryover.

(M) PAYMENT AND RECOVERY.—

(1) PAYMENTS.—(a) The Secretary shall make the payments required by this part not later than the next regular semimonthly payment date after receipt of a properly filed claim, or within ten days of such receipt, whichever is later.

(b)(i) A claim is properly filed unless the information contained therein is so incomplete, unclear, or inconsistent as to prevent the determination of eligibility and the amount of allowance.

(ii) If a claim is deemed to be not properly filed then the Secretary shall assist the filer in completing the claim. The claim shall be completed within five days of receipt of such claim.

(c) Payments are to be made on the basis of the information supplied by the filer, in accordance with the provisions of section 10, and the payment may be denied or reduced below what is claimed by the filer only after the filer has been informed of the Secretary's position, and has exhausted or waived the procedures established by section 11.

(d) Whenever a payment is not made within the period prescribed in section 9(M)(1)(a) the filer shall be entitled to damages for the delay, which damages will be equal to 10 per centum of the amount of the payment for each day of delay but not more than a total of 100 per centum of the claimed payment.

(2) RECOVERY OF OVERPAYMENTS.—(a) Overpayment shall be recovered according to regulations and procedures prescribed by the Secretary, with no regard for the source and nature of the error leading to the overpayment, and not in an amount or manner that would tend to defeat the objectives of this program or to produce undue hardship. The regulations must prescribe circumstances in which, in the interest of fairness, recovery of overpayments may be waived. In no event shall an overpayment be recovered in an amount that would reduce benefits, plus income, to a level more than 10 per centum below the basic allowance level.

RECORDS, INFORMATION AND RETURNS; DETERMINATIONS AND REVIEW BY THE SECRETARY

SEC. 10. (A) Information required to determine eligibility and allowances under this

part shall be supplied on such forms as may be provided by the Secretary. Such forms are to be in simple and understandable language. Information required must be reasonable and necessary and must not violate the right to privacy of the filer or any member of his unit.

(B) In order to verify the accuracy of reports filed under this part, the Secretary may conduct audits and investigations on the basis of random selection. The Secretary may audit or investigate the information supplied by the filer if there is cause to believe that the filer is not entitled to receive the allowance for which he has applied or which he has received or if proceedings are undertaken pursuant to section 11. However, the Secretary may request the filer to supply additional information when a claim is not properly filed, as provided in section 9(M)(1)(6)(1).

PROCEDURAL RIGHTS AND REVIEW

SEC. 11. (a) All rules and regulations under this Act shall be made on the record and after an opportunity for a hearing pursuant to subchapter II, chapter 5 of title 5 of the United States Code, except as expressly modified herein. All such rules and regulations shall be reviewable in a Federal court of competent jurisdiction.

(B) The Secretary shall maintain a list of all organizations which certify that they have a membership of more than fifty filers receiving allowances under this Act and shall send such organizations all proposed rules and regulations at the time that they are published in the Federal Register. These organizations shall have standing to participate in any public hearing held to review a rule or regulation, and to challenge any proposed rule issued under this Act in a Federal court.

(c) The Secretary shall from time to time extensively publicize in simple and understandable language the provisions of this Act, using all appropriate media of communication. The Secretary shall diligently and fully inform all applicants and filers, in writing, in simple and understandable language, of their rights under the Act and especially of their rights to allowances, to an administrative hearing and appeal with judicial review, to a judicial hearing, and to payment of costs as provided in this section. An applicant shall be so notified at the time that he makes inquiry concerning the provisions of this Act at the office of the Secretary. Filers shall be so notified periodically but not less than once every six months. Where the Secretary has reason to believe that an applicant or a filer is not capable of understanding the contents of the notification, the Secretary shall provide a means of communication that will be understandable to the particular applicant or filer.

(D) Upon written request, the Secretary shall afford an opportunity for a full due process hearing before an examiner with respect to any action of the Secretary denying, withholding, or modifying a person's allowance or any part thereof, to any person aggrieved by such action. Such hearing shall be held within fifteen days of the date of receipt of the request and, if requested, shall occur prior to the effective date of any such denial, withholding, or modification. All aggrieved individuals may be accompanied by friends or relatives and shall be entitled to be represented by counsel or by other persons of the aggrieved individual's choice at such hearings, to present evidence in their own behalf, to know the evidence against them, to confront and cross-examine witnesses against them, and to challenge the reasonableness of any rule, regulation, or practice adopted pursuant to this Act as applied to their case. Within two weeks of the conclusion of the hearing, the examiner shall make findings of fact and shall issue a written decision based upon the evidence presented at the hearing and stating the reasons for his decision. Hearings shall be open to the public unless any one of the aggrieved individuals requests in writing that the hearing be closed. The Secretary and the aggrieved parties shall be bound by the decision of the examiner unless an appeal is taken to the Board of Appeals within ten days of the decision. Such appeal shall be heard and decided before any action sought by the Secretary shall be effective.

(E) The Secretary shall establish a board of appeals which shall review the decisions of the examiner upon the request of any party thereto. The board shall publish its decisions and state the reasons therefor. The Secretary and the aggrieved parties shall be bound by the decision of the board unless judicial review is sought pursuant to subsection (F). The board's decision shall take effect when rendered, unless stayed by an appropriate court pursuant to subsection (F).

(F) Decisions of the Secretary denying, withholding, modifying, or affecting an individual's allowance, shall be fully reviewable by a civil action commenced in the United States district court for the district in which the aggrieved individual resides. The district courts shall have jurisdiction of such actions without regard to the amount in controversy.

(G) If after the expiration of fifteen days, the Secretary fails to commence a hearing as provided for in subsection (D), the aggrieved individual shall be entitled to the allowance in the claim or he may waive his administrative remedy and commence a civil action in the United States district court for the district in which he resides to review the decisions of the Secretary. The district courts shall have jurisdiction of such actions without regard to the amount in controversy.

(H) All persons shall be entitled to reasonable expenses incurred in any administrative or judicial hearing brought under this section, including necessary child care, loss of pay, transportation expenses for the aggrieved parties and their witnesses and representatives, reasonable expenses necessary for the adequate preparation of the case, reasonable fees for their representatives, and any other expenses reasonable and necessarily related to the hearing or case; but that a district court, in a proceeding before it under this Act, may disallow expenses related to court proceedings if it finds that a party or his attorney has acted frivolously or in bad faith.

(I) The Secretary shall establish a Complaint Review Board to review any complaint that an employee of the Secretary is not performing his functions properly or is not following properly issued regulations. The Board shall, after notice to the employee, promptly investigate the complaint and send the results of its findings with respect to any complaint in writing to the person or organization making the complaint, and to the employee, within sixty days of the receipt of such complaint. In the event that the Board finds the employee guilty of willful or grossly negligent abuse of discretion, or of willful or grossly negligent failure to perform his functions properly, the Secretary shall conduct a hearing on the charge in which the employee and the complainant shall have standing to participate. If the results sustain the findings of the Board, the Secretary shall take such disciplinary action, not excluding discharge or suspension without pay, as he deems proper and as authorized by the civil service laws of the United States.

(J) All records kept by the Secretary shall remain strictly confidential and may be used only by the Secretary to effectuate and enforce the provisions of this Act, except that a filer shall at any time be entitled to examine his own file at the local office of the Secretary by submitting a written request.

CLAIMS AGAINST ALLOWANCES PROHIBITED

SEC. 12. (A) Allowances due or to become due under this part shall not be assignable and shall not be subject to taxation under the Internal Revenue Code of 1954 or to any other taxation.

(B) Allowances due or to become due under this part shall be exempt from the claims of creditors and from any process of attachment or levy, or from seizure by or under any legal or equitable process, whatsoever before receipt by the beneficiary. This subsection shall not apply to claims of the United States which accrue under the provisions of this part or subject to the prohibition in subsection (A), under the provisions of the Internal Revenue Code of 1954.

ADMINISTRATION OF ADEQUATE INCOME PLAN

SEC. 13. (A) Except as otherwise expressly provided by law, the administration and enforcement of this Act shall be performed by or under the supervision of the Secretary of the Department of Health, Education, and Welfare, utilizing to the maximum feasible extent the administrative and technical facilities of the Internal Revenue Service. Compensation for such services performed by the Internal Revenue Service shall be agreed upon by the Secretary of Health, Education, and Welfare and the Secretary of the Treasury.

(B) The Secretary shall prescribe all rules and regulations necessary for the enforcement and administration of this Act, which rules and regulations shall be consistent with the purposes and policies of this Act as set forth in section 2 and as embodied in other sections of this Act.

(C) The Secretary shall establish and maintain local offices for the convenience of applicants and filers. These offices shall offer counseling and technical assistance to applicants and filers in the preparation of forms and other materials required by law.

(D) The Internal Revenue Service shall make available to the Secretary such records and analyses as may be requested by the Secretary for the purposes of carrying out the provisions of this Act. Records made available to the Secretary will be subject to the provisions of section 11(j).

REPORTS, EVALUATION, RESEARCH AND DEMONSTRATIONS, AND TRAINING, AND TECHNICAL ASSISTANCE

SEC. 14. (a) The Secretary shall make an annual report to the President and the Congress on the operation and administration of this Act including an evaluation thereof and recommendations for ways to better carry out the purposes of this Act. The Secretary is authorized to conduct evaluations directly or by grants or contracts.

(b) The Secretary is authorized to conduct, directly or by grants or contracts, research into or demonstrations of better ways of carrying out the provisions of this Act, and in so doing to waive any requirements or limitations with respect to eligibility for or amount of allowances as he deems appropriate.

(c) In addition to funds otherwise available therefor, such portion of any appropriation to carry out this Act as the Secretary may determine, but not in excess of one-tenth of 1 percentum thereof, shall be available to him to carry out this section.

CONFORMING AMENDMENTS

SEC. 15. (a) Section 401 of the Social Security Act (42 U.S.C. 601) is amended—

(1) by striking out "financial assistance and" in the first sentence: and

(2) by striking out "aid and" in the second sentence.

(b)(1) Subsection (a) of section 402 of such Act (42 U.S.C. 602) is amended—

(A) by striking out "aid and" in the matter preceding clause (1);

(B) by inserting, before "provide" at the

beginning of clause (1), "except to the extent permitted by the Secretary,";

(C) in clause 4 by striking out "aid" and insert in lieu thereof "services."

(D) (i) by striking out "recipients and other persons" in clause (5) (b) and inserting in lieu thereof "persons", and

(ii) by striking out "providing services to applicants and recipients" in such clause and inserting in lieu thereof "providing services under the plan";

(E) by striking out clauses (7) and (8);

(F) by striking out "aid to families with dependent children" in clause (9) and inserting in lieu thereof "the plan";

(G) in clause (10) strike out "aid to families with dependent children" and insert in lieu thereof "services";

(H) (i) by striking out "section 406(d)" in clause (14) and inserting in lieu thereof "section 405(c)",

(ii) by striking out "for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7))" in such clause and inserting in lieu thereof "for each member of a family receiving assistance to needy families with children, each appropriate individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan (approved under this part) as in effect prior to the enactment of part D, and each individual who would have been eligible to receive aid to families with dependent children under such plan", and

(iii) by striking out "such child, relative, and individual" each place it appears in such clause and inserting in lieu thereof "such member or individual";

(I) by striking out clause (15) and inserting in lieu thereof the following: "(15) (A) provide for the development of a program, for appropriate members of such families and such other individuals, for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases family planning services are offered to them, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under this clause or clause (8) are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;"

(J) by striking out "aid" in clause (16) and inserting in lieu thereof "assistance to needy families with children";

(K) (i) by striking out clauses 17 and 18.

(L) by striking out clause (19).

(M) by striking out "aid to families with dependent children in the form of foster care in accordance with section 408" in clause (20) and inserting in lieu thereof "payments for foster care in accordance with section 406";

(N) by striking out clause 21.

(O) by striking out clause 22.

(P) by striking out "; and (23)" and all that follows and inserting in lieu thereof a period.

(2) Clauses (4), (5), (6), (9), (10), (13), (14), (15), (16), and (20), of section 402(a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as clauses (4) through (13), respectively.

(c) Section 402(b) of such Act is amended to read as follows:

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for services under it, any residence requirement which denies services or foster care payments with respect to any individual residing in the State."

(d) Section 402 of such Act is further amended by striking out subsection (c).

(e) (1) Subsection (a) of section 403 of such Act (42 U.S.C. 603) is amended—

(A) by striking out "aid and services" and inserting in lieu thereof "services" in the matter preceding paragraph (1);

(B) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as payments for foster care in accordance with section 406—

"(A) five-sixths of such expenditures, not counting so much of any expenditures with respect to any month as exceeds the product of $18 multiplied by the number of children receiving such foster care in such month; plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under subparagraph (A), not counting so much of any expenditures with respect to any months as exceeds the product of $100 multiplied by the number of children receiving such foster care for such month;";

"(C) by striking out paragraph (2);

(D) (i) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (3),

(ii) by striking out "or relative who is receiving aid under the plan, or to any individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section" in clause (i) of subparagraph (A) of such paragraph and inserting in lieu thereof "receiving foster care or any member of a family receiving assistance to needy families with children or to any other individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan approved under this part as in effect prior to the enactment of part D",

(iii) by striking out "child or relative who is applying for aid to families with dependent children or" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "member of a family",

(iv) by striking out "likely to become an applicant for or recipient of such aid" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "likely to become eligible to receive such assistance", and

(v) by striking out "(14) and (15)" each place it appears in subparagraph (A) of such paragraph and inserting in lieu thereof "(8) and (9)";

(E) by striking out all that follows "permitted" in the last sentence of such paragraph and inserting in lieu thereof "by the Secretary; and";

(F) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (5);

(G) by striking out "section 406(e)" each place it appears in paragraph (5) and inserting in lieu thereof "section 405(d)"; and

(H) by striking out the sentences following paragraph (5).

(2) Paragraphs (3) and (5) of section 403 (a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as paragraphs (2) and (3) respectively.

(f) Section 403(b) of such Act is amended—

(1) by striking out "(B) records showing the number of dependent children in the State, and (C)" in paragraph (1) and inserting in lieu thereof "and (B)"; and

(2) by striking out "(A)" in paragraph (2), and by striking out ", and (B)" and all that follows in such paragraph and inserting in lieu thereof a period.

(g) Section 404 of such Act (42 U.S.C. 604) is amended—

(1) by striking out "(a) In the case of any State plan for aid and services" and inserting in lieu thereof "In the case of any State plan for services"; and

(2) by striking out subsection (b).

(h) Section 405 of such Act (42 U.S.C. 605) is repealed.

(i) Section 406 of such Act (42 U.S.C. 606) is redesignated as section 405, and as so redesignated is amended—

(1) by striking out subsections (a) and (b) and inserting in lieu thereof the following:

"(a) The term 'child' means a child as defined in section 445(b).

"(b) The term 'needy families with children' means families who are receiving family assistance benefits under part D and who (1) are receiving supplementary payments under part E, or (2) would be eligible to receive aid to families with dependent children, under a State plan (approved under this part) as in effect prior to the enactment of part D, if the State plan had continued in effect and if it included assistance to dependent children of unemployed fathers pursuant to section 407 as it was in effect prior to such enactment; and 'assistance to needy families with children' means family assistance benefits under such part D, paid to such families.";

(2) by striking out subsection (c) and redesignating subsections (d) and (e) as subsections (c) and (d), respectively;

(3) (A) by striking out "living with any of the relatives specified in subsection (a) (1) in a place of residence maintained by one or more of such relatives as his or their own home" in paragraph (1) of subsection (d) as so redesignated and inserting in lieu thereof "a member of a family (as defined in section 445(a))", and

(B) by striking out "because such child or relative refused" and inserting in lieu thereof "because such child or another member of such family refused".

(j) Section 407 of such Act (42 U.S.C. 607) is repealed.

(k) Section 408 of such Act (42 U.S.C. 608) is redesignated as section 406, and as so redesignated is amended—

(1) by striking out everything (including the heading) which precedes paragraph (1) of subsection (b) and inserting in lieu thereof the following:

"FOSTER CARE

"SEC. 406. For purposes of this part—

"(a) 'foster care' shall include only foster care which is provided in behalf of a child (1) who would, except for his removal from the home of a family as a result of a judicial determination to the effect that continuation therein would be contrary to his welfare, be a member of such family receiving assistance to needy families with children, (2) whose placement and care are the responsibility of (A) the State or local agency administering the State plan approved under section 402, or (B) any other public agency with whom the State agency administering or supervising the administration of such State plan has made an agreement which is still in effect and which includes provision for assuring development of a plan, satisfactory to such State agency, for such child as provided in paragraph (e) (1) and such other provisions as may be necessary to assure accom-

plishment of the objectives of the State plan approved under section 402, (3) who has been placed in a foster family home or child-care institution as a result of such determination, and (4) who (A) received assistance to needy families with children in or for the month in which court proceedings leading to such determination were unusual or (B) would have received such assistance to needy families with children in or for such month if application had been made therefor, or (C) in the case of a child who had been a member of a family (as defined in section 445(a)) within six months prior to the month in which such proceedings were initiated, would have received such assistance in or for such month if in such month he had been a member of (and removed from the home of) such a family and application had been made thereof;

"(b) 'foster care' shall, however, include the care described in paragraph (a) only if it is provided—";

(2) (A) by striking out " 'aid to families with dependent children' " in subsection (b) (2) and inserting in lieu thereof "foster care",

(B) by striking out "such foster care" in such subsection and inserting in lieu thereof "foster care", and

(C) by striking out the period at the end of such subsection and inserting in lieu thereof ",; and ";

(3) by striking out subsection (c) and redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively;

(4) by striking out "paragraph (f)(2)" and "section 403(a)(3)" in subsection (c) (as so redesignated) and inserting in lieu thereof "paragraph (e)(2)" and "section 403(a)(2)" respectively;

(5) by striking out "aid" in subsection (d) (as so redesignated) and inserting in lieu thereof "services";

(6) by striking out "relative specified in section 406(a)" in subsection (e)(1) (as so redesignated) and inserting in lieu thereof "family (as defined in section 445(a))"; and

(7) by striking out "522" and "part 3 of title V" in subsection (e)(2) (as so redesignated) and inserting in lieu thereof "422" and "part B of this title", respectively.

(l) Section 409 of such Act (42 U.S.C. 609) is repealed.

(m) Section 410 of such Act (42 U.S.C. 610) is repealed.

(n)(1) Section 422(a)(1)(A) of such Act is amended by striking out "section 402(a)(15)" and inserting in lieu thereof "section 402(a)(9)".

(2) Section 422(a)(1)(B) of such Act is amended by striking out "provided for dependent children" and inserting in lieu thereof "provided with respect to needy families with children".

(o) References in any law, regulation, State plan, or other document to any provision of part A of title IV of the Social Security Act which is redesignated by this section shall (from and after the effective date of the amendments made by this Act) be considered to be references to such provision as so redesignated.

MISCELLANEOUS CONFORMING AMENDMENTS

(a) Title I (42 U.S.C. 301–306), title X (42 U.S.C. 1201–1206), title XIV (42 U.S.C. 1351–1355) and title XVI (42 U.S.C. 1381–1385) of chapter 7 of the Social Security Act are hereby repealed.

(b) Titles I (42 U.S.C. 301–306), IV 'part A and part C' (42 U.S.C. 401–410; 430–444), X (42 U.S.C. 1001–1006), XIV (42 U.S.C. 1401–1405), and XVI (42 U.S.C. 1601–1605) of the Social Security Act are hereby repealed.

(c) Section 123 of the Internal Revenue Code of 1954 is amended by adding at the end of subsection (a) the following subsection:

"(19) Benefits under the laws administered by the Department of Health, Education, and Welfare under the Adequate Income Act of 1971.

By Mr. HRUSKA (for himself, Mr. TUNNEY, Mr. ALLOTT, Mr. BAKER, Mr. BEALL, Mr. BENNETT, Mr. BROCK, Mr. COOK, Mr. CRANSTON, Mr. DOLE, Mr. DOMINICK, Mr. EASTLAND, Mr. FANNIN, Mr. GRAVEL, Mr. KENNEDY, Mr. METCALF, Mr. MOSS, Mr. RIBICOFF, Mr. SAXBE, Mr. SCOTT, Mr. TAFT, Mr. TALMADGE, Mr. THURMOND, and Mr. COOPER):

S. 2373. A bill to authorize the merger of two or more professional basketball leagues, and for other purposes. Referred to the Committee on the Judiciary.

Mr. HRUSKA. Mr. President, it will come as distressing news to millions of sports fans throughout the country to learn that professional basketball is in grave and imminent danger.

It should not be surprising news. The root of the trouble is the disastrous annual player bidding war for graduating college talent, although there are other causes as well.

That player bidding competition has come to require spending bearing no relation to sound basketball economics. Each of at least five teams this past season paid out more in salaries than its entire gross revenues. In the past two seasons more than half of the teams in each league operated at a loss.

These bidding practices are ruinous. Yet it would be suicide for either league to unilaterally abandon them. And joint action by the two leagues is inhibited by antitrust laws.

Clearly this cannot continue. To do so would soon destroy the clubs and leagues which provide to millions of fans a wholesome and attractive sports activity.

The solution is to grant basketball the same limited exemption from antitrust laws which Congress granted to football in 1966, 5 years ago.

That is why, together with the junior Senator from California (Mr. TUNNEY) and a long list of cosponsors, a bill is submitted to enable the two professional basketball leagues to join together in a single league, receiving the same minimum authority to merge as that which Congress granted to the two professional football leagues in 1966.

I am being joined in this measure by the Senator from California (Mr. TUNNEY) on behalf of ourselves and the following Senators up to the present time: Mr. ALLOTT, Mr. BAKER, Mr. BEALL, Mr. BENNETT, Mr. BROCK, Mr. COOK, Mr. CRANSTON, Mr. DOLE, Mr. DOMINICK, Mr. EASTLAND, Mr. FANNIN, Mr. GRAVEL, Mr. KENNEDY, Mr. METCALF, Mr. MOSS, Mr. RIBICOFF, Mr. SAXBE, Mr. SCOTT, Mr. TAFT, Mr. TALMADGE, Mr. THURMOND.

The principal result of this bill will be economic stability for the clubs in both the National Basketball Association and the American Basketball Association.

This economic stability means not only survival, but also the basis for an assured ability to function well for the benefit of the players and the general public.

Mr. President, I have here a list of the types of benefits that would accrue to the sports fans as well as to the players, in addition to the economic stability of the teams and the leagues themselves. This listing is on the basis of representations made by various persons and organizations which are in favor of legislation of this type.

It would be the purpose of this Senator—and I am sure he will be joined in by other members of the Antitrust Subcommittee of the Committee on the Judiciary of the Senate—to thoroughly explore each one of these representations and each one of the assignments of merit which they see in the bill.

There are two areas in which there might be some difference of opinion. It is our hope that they will become dispelled as the history of the bill will unfold itself.

One has to do with the possibility of the raiding of college players prior to the expiration of their regular 4-year term. The fact is we have the 5-year experience of the merged football leagues to draw from in that connection.

It is the opinion of this Senator that that situation will be stabilized and will become more assured as a result of the merger than it is now, because that 4-year rule has already gone to court. It will probably be litigated, and certainly for a long time it will be shorn of that identity which the enactment of this bill would impart to it.

The other part of the dissatisfaction would arise from a difference of opinion among the players themselves. On that score, again we will have the 5-year history of the football players individually, as individuals to draw upon since the enactment of a similar bill in 1966. If there are any aspects in either of these regards, either in the plight or in the future of the players individually considered, or the ability to have collective bargaining with a single unit rather than with two or more units, and if those differences and those hardshps, and that result can be accommodated by amendments to the bill, I am confident that they will be taken into serious consideration so that it can be done.

Mr. President, I ask unanimous consent that the text of the bill be printed at this point in the RECORD, together with the text of section 1291 of title 15, United States Code as affected by this amendment if it were enacted into law.

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

S. 2373

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Act of September 30, 1961 (75 Stat. 732), as amended by section 6(b)(1) of the Act of November 8, 1966 (80 Stat. 1515), is further amended by inserting in the second sentence thereof following the phrase "two or more" the phrase "professional basketball leagues combine their operations in an expanded single league, if such agreement does not decrease the number of professional basketball clubs so operating and the provisions of which are directly relevant thereto or to a joint agreement by which the member clubs of two or more".

15 U.S.C., S. 1291

(Section 1 of the Act of September 30, 1961, as amended by section 6(b)(1) of the Act of November 8, 1966.)

As it would be amended by the proposed legislation.

(NOTE.—The language that would be added is italicized.)

S. 1291. Exemption from antitrust laws of agreements covering the telecasting of sports contests and the combining of professional football leagues.

The antitrust laws, as defined in section 12 of this title or in the Federal Trade Commission Act, as amended, shall not apply to any joint agreement by or among persons engaging in or conducting the organized professional team sports of football, baseball, basketball, or hockey, by which any league of clubs participating in professional football, baseball, basketball, or hockey contests sells or otherwise transfers all or any part of the rights of such league's member clubs in the sponsored telecasting of the games of football, baseball, basketball, or hockey, as the case may be, engaged in or conducted by such clubs. In addition, such laws shall not apply to a joint agreement, by which the member clubs of two or more *professional basketball leagues combine their operations in an expanded single league, if such agreement does not decrease the number of professional basketball clubs so operating and the provisions of which are directly relevant thereto or to a joint agreement by which the member clubs of two or more* professional football leagues, which are exempt from income tax under section 501(c)(6) of title 26, combine their operations in expanded single league so exempt from income tax, if such agreement increases rather than decreases the number of professional football clubs so operating, and the provisions of which are directly relevant thereto.

Mr. HRUSKA. I yield to the junior Senator from California.

Mr. TUNNEY. I want to thank the Senator for yielding to me, and I thank the distinguished Senator for the remarks that he made in outlining the purposes of the bill.

Mr. President, during the last 10 years professional sports has been the focal point of several well publicized bidding wars. Several players have signed for millions of dollars never having played a minute of professional sports. Franchises have been moved, players have jumped teams and leagues have entered into open warfare against one another.

Today, I am introducing legislation aimed at the merger of the professional basketball leagues—the American and the National Basketball Associations. It is my hope that this bill might start to bring some semblance of order and stability to the entire area of professional sports.

There is some controversy surrounding this proposed legislation. The two professional basketball leagues say that they are in severe financial difficulty. Many of the players have serious criticisms of the owner-player relationship as it is presently constituted, especially the reserve and the option clauses, and I am going to insist that these criticisms be resolved in hearings. I feel that it is in the best interests of both the owners and the players that legislation be introduced which will result in such hearings so that both parties might have the opportunity to testify on such controversial aspects of professional sports as the reserve and option clause.

Both sides will certainly have the opportunity to introduce such testimony. Both sides will certainly be able to present their case to the Congress.

Hopefully, this legislation and the hearings that will emanate from it will result in improved owner-player relationships. The ultimate beneficiary of such harmony can only be the man who pays the players' salaries and keeps the sports franchises going—the fans of this country, of which I happen to be one.

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

Mr. HRUSKA. Mr. President, I yield to the Senator from Colorado.

Mr. ALLOTT. I congratulate the Senator from Nebraska and the Senator from California for the introduction of this bill. I was a cosponsor of a similar bill respecting the football leagues with Senator Dirksen, and, I believe, the Senator from Nebraska in 1966.

There is no question that it has brought a lot of order out of a situation that was rapidly getting out of hand. For those who have watched the basketball situation, there is no question it is getting just as badly out of hand, and if we do not move on it, many of these teams will go broke, and we will do injury to a very, very great sport.

Mr. President, I am very happy to join as a cosponsor of this bill.

Mr. HRUSKA. I thank the Senator.

Not only the clubs themselves will benefit through their survival as solvent business entities. The players also will benefit.

The present allocation of resources and revenues in professional basketball is economically unsound. The astronomical salaries received each year by new and untested superstars simply remove from available resources large amounts which could otherwise be employed to the benefit of the vast majority of players. The players stand, directly and substantially, to benefit from the merger:

First. The merger of the two independent leagues into a single expanded league will preserve the job opportunities offered by professional basketball. It will bring economic stability to teams now facing frequent franchise shifts and possible financial ruin. Every franchise failure means the loss of 12 player jobs.

Second. The stability afforded by the merger will improve the earning opportunities of many clubs. There will be equally attractive employment opportunities, and comparable earning opportunities, for all 28 franchises, as well as a sound basis for expansion.

Third. The merger will make it possible for clubs to allocate benefits more equitably between veterans and "rookies." Under the conditions of the bidding war, the veterans who make up the vast majority of players bear the brunt of the present misallocation of resources.

Fourth. By restoring balanced competition, every team will have a greater opportunity for championship potential and every player will have a greater opportunity to participate with a championship potential and every player will have a greater opportunity to participate with a championship team.

Fifth. The collective bargaining power of the players will be strengthened by their combination into a single industry-wide bargaining unit embracing all of the players. This is evidenced by the vigorous negotiations by professional football players since the merger of the NFL and the AFL.

The attainment of these benefits does not sacrifice the individual bargaining power of the established players with ability. Success in professional sports depends upon team spirit and ability, which are undermined by player dissatisfaction.

Likewise, the merger will provide these benefits for sports fans:

First. Establishment of basketball as a truly nationwide professional sport.

Second. Better major league basketball in at least the present number of cities, with prospects for increase.

Third. More evenly balanced teams.

Fourth. The opportunity for the fans in each team city to see all the stars of both present leagues.

Fifth. The development of healthy sectional and regional rivalries among teams.

Sixth. An undisputed champion of professional basketball.

The ABA players have recognized these facts cited above and have announced their support for the merger. They have the beneficial experience of the professional football player in the past 5 years as a guide in this respect.

Mr. President, reference has been made to the various witnesses we will call upon for the hearing representing the individual clubs, and also the players themselves and their organizations, if they choose. Yet, there is one other party that Congress, I am sure, will give paramount interest to, and that is the public itself. It is the fans who have made basketball the sport enjoying the widest geographic distribution of any professional sport. They want it continued, and on a desirable foundation.

It is to insure that the sport, the players, and the fans continue to enjoy the many benefits of professional basketball that this bill is submitted.

By Mr. TUNNEY (for himself and Mr. CRANSTON):

S. 2374. A bill to establish a national program to control air and water pollution and to aid in the preservation of the environmental quality of the Lake Tahoe area. Referred to the Committee on Public Works.

LAKE TAHOE ENVIRONMENTAL QUALITY ACT OF 1971

Mr. TUNNEY. Mr. President, I am pleased to introduce today the Lake Tahoe Environmental Quality Act of 1971, to create a national program of demonstration projects to protect the unrivaled beauty and quality of the Lake Tahoe Basin for all Americans.

I am delighted to be joined by the senior Senator from California (Mr. CRANSTON) in submitting this bill.

Situated in the high Sierras and straddling the California-Nevada boundary line, Lake Tahoe offers a rare opportunity for Federal efforts to control pollution in an environmentally vulnerable

recreational region. In large measure, Tahoe still provides "the fairest picture the whole earth affords," as Mark Twain observed some 80 years ago. However, under the increasing pressures of interstate recreational use, the magnificence is now gravely imperiled. As one of the most popular recreational areas in the country, Tahoe, paradoxically, is now threatened with the very pollution which most visitors seek to escape by going to the mountains in the first place.

In recognition of this growing threat, Federal, State, and local governments collaborated in the creation of a bold and innovative plan of regional government, with comprehensive jurisdiction over the bistage, five-county Lake Tahoe Basin. This approach, dedicated to the formulation of uniform policies of land and water use, was aided by the fact that the regional planners were given both legislative and executive powers to implement controls. When the Congress lent its consent to the Tahoe Regional Planning Agency compact in 1969, the stage was set for the kind of vigorous environmental protection and monitoring which is necessary if this priceless resource is to be passed on to our children. Developers, realtors, conservationists, and local businessmen alike seem to agree that fairness and commonsense dictate that a uniform plan for future development and land use in the basin is essential.

The mandate spelled out in the compact is—

> To maintain an equilibrium between the region's natural endowment and its manmade environment, to preserve (both) the scenic beauty and the recreational opportunities of the region.

Admittedly, striking this balance is a difficult task, necessitating both recognition of the realities of private property rights and a sense of the urgency of environmental protection.

This is precisely the purpose of the legislation I am introducing today, Mr. President. This bill would authorize the Administrator of the Environmental Protection Agency to award grants to the Tahoe Regional Planning Agency to carry out studies and demonstration projects on crucial aspects of air and water pollution control in the Lake Tahoe Basin. The hope is expressed here that the data and solutions discovered at Tahoe can find application in other beautiful but vulnerable areas. If, as is so widely agreed, the problems at Tahoe are merely precursors of the problems other recreational centers will encounter in the future, perhaps the means of environmental protection at Tahoe can form the vanguard of pollution control technology in those other areas.

The Federal funds will enable a concerted effort at protecting and enhancing the great beauty of the lake. It will mean that the regional agency and the Federal Government can cooperate in assuring the highest possible environmental standards. At the Federal level, the Environmental Protection Agency will provide an extra checkpoint to see that any Federal programs in the area fully adhere to all restriction regarding the purity of the lake waters and the rugged beauty of the surrounding countryside.

Furthermore, the $6 million will provide needed funds for research and for vital demonstration projects that, otherwise, would have to be financed from already overburdened local property taxes. This legislation provides the money so that formidable teeth can be put into regional planning for the protection of what is one of the most precious beauty spots in all America, and I will be following the development of the regional plan with the closest attention.

To say that time is of the essence is both to use a tired cliche and to flirt with understatement. Development activity is proceeding at a breakneck pace in order to evade the regulations which will eventually control land use and construction in the region. The studies I have designated in this bill are absolutely crucial to the formulation of a sane and realistic regional plan. Briefly, the studies and demonstration projects envisioned in the bill are these:

Section 2(a) deals with what is proving to be a most serious problem for Tahoe planners. Despite its vast size, the lake has limited water supplies which must be carefully apportioned if regional planning and conservation are to become a reality in the Tahoe Basin. Whether development stops today or is allowed to continue according to a regional plan, water resources must be incorporated into our perceptual framework. This bill would authorize preparation of detailed plans for further development and conservation of the region's limited water resources, accompanied by a study of possible alternative sources of water for municipal uses within the Lake Tahoe Basin.

Section 2(b) promotes water recycling studies. Water quality has been and remains the primary environmental concern at Lake Tahoe. Lake Tahoe has been in the vanguard of national efforts to improve sewage treatment plants and advance the technology of water purification systems. With the help of a Federal Water Pollution Control Administration grant, the South Lake Tahoe Public Utility District has installed a massive tertiary treatment station, the largest of its kind in the country. The tertiary—or three stage—treatment plant brings the effluent to what engineers call a "step 7" purity level by removing all nutrient and organic materials from the water. The water is then clean enough for human consumption, though the public psychology is not quite prepared to accept it yet. However "step 7" water still carries nitrogen which sitmulates algae growths; thus, the treated effluent, though clean, is not clean enough to be returned to Lake Tahoe. Instead, this clean water is currently piped over a small mountain south of Tahoe and is used to fill Indian Creek Reservoir, a manmade lake which is used for recreational purposes—fishing, water skiing, boating, and so forth.

Although this no doubt relieves somewhat the crush of visitors at Tahoe, it does not mitigate the fact that a large quantity of water is nevertheless being removed from the basin altogether. Meanwhile, plans are well underway at the north end of the lake to export all sewage effluent out of the area. The export system requires a considerable amount of water, and has been a source of concern to the Paiute Indians and officials in the BIA who fear that this system may result in less water reaching parched Pyramid Lake in Nevada. This bill would authorize planning and development of a demonstration project for sewage treatment facilities designed to provide a sure method of nitrogen removal, bringing the water to a "step 9" purity level. Step 9 water would then be clean enough to allow complete recycling and could be returned to the lake with no ill effects.

Section 2(c) would allow attention to be focused for the first time on storm sewer collection and treatment facilities in the basin. The need for such facilities is almost solely the product of the rapid development which the area has seen in the past 10 to 15 years. Large areas of watershed have been put under pavement and structures; as a consequence, normal storm and spring runoff drainage has become a problem. This is aggravated by the assorted oils, greases, trash, and other foreign substances which are washed along with the runoff into the lake. This problem, just recently recognized, is a serious one which has had little study, at Tahoe or anywhere. The solution is bound to be difficult, since standard storm-sewer construction methods involve such extensive excavation and earth-moving operations that siltation into the lake waters—see section (d) infra—would probably negate any benefits gained. However, answers discovered at Tahoe would find wide and ready application in other areas just encountering the same problem. This bill would authorize a comprehensive study to identify local problems and recommend a suitable solution in the form of a demonstration project.

Section 2(d) addresses the problem of soil erosion and stream siltation at Lake Tahoe which has been the subject of considerable discussion and controversy. Mr. Fred R. McLaren of California's Lahontan Regional Water Quality Control Board, stated in 1969:

> Water quality degradation caused by erosion in the Tahoe Basin is much broader than the nutrient contribution alone. Turbid or muddy waters now enter the lake through many of the streams where development is proceeding in the watershed . . . The first recorded algae bloom in Lake Tahoe occurred during the summer of 1969 along the south shore. It is my opinion that such blooms will occur annually and will become more extensive in area and in algae density unless erosion in the Trout Creek-Upper Truckee River watershed is significantly reduced—quoted in William Bronson, "It's About Too Late for Tahoe," *Audobon*, May 1971, p. 62.

The League To Save Lake Tahoe, California Tomorrow, and the Institute of Ecology at the University of California, Davis, have all cited stream siltation as the greatest single source of pollutive nutrients entering the lake. Now that the problem of sewage collection has been largely dealt with, experts such as Dr. Charles R. Goldman, limnologist and

professor of marine zoology at the University of California, Davis, state that erosion caused by construction projects and other soil disturbances in the Basin are the largest single cause of water eutrophication. Thousands of pounds of nutrient substances are carried into the lake waters daily which then allow for the rampant growth of algae and detract from the overall water quality. Unfortunately, the problem of soil siltation as a cause of water pollution is a relatively new one, and thus has received very little scientific study.

The USDA Soil Conservation Service, for example, conducted a soil survey of the basin in 1969–70. However, this data was largely related to the nature of the soils themselves with virtually no attention to the process of siltation or its effects on water quality. Moreover, the smallest unit of study was an area of 50 acres; thus the data was broadly generalized, lacking the specificity necessary for planning. The U.S. Geological Survey conducted another soil survey in 1970, and reported that stream siltation resulting from construction activity was 12 times the normal rate in terms of volume of nutrients entering the lake. Unfortunately, this valuable study was restricted just to the Incline Village area on the north end of the lake.

This bill would authorize an intensive program of research to establish the relationship of urban development in the region to the siltation of all the tributary streams in the basin. Included in this would also be data on the effect of this siltation on the water quality for municipal and recreational purposes. The goal of this research would be the development of a comprehensive, basinwide plan of soil conservation and erosion control keyed to existing problems as well as the realities of current construction plans in the area.

Under section 2(e), support will be provided for plans which deal with the general problem of reconciling the pressures of development and the finite limits on available resources. This tension plagues all recreational areas to one degree or another. Tahoe, because of its great attractiveness and national reputation, suffers from this conflict to a greater extent than most others. Probably, however, the Tahoe experience is merely a precursor of events which can be expected in other areas in the future. To deal with the problem of uncontrolled development within a fragile environment, there was created the Tahoe Regional Planning Agency, with broad jurisdiction and unprecedented legislative and enforcement powers. Unfortunately, the operations of the TRPA have been hamstrung by the refusal of the California county governments to pay a share of the operating costs, pending the outcome of their lawsuits to challenge the agency's constitutionality. As a result, the agency has not been able to discharge its legal responsibilities as fully as might have been hoped.

This section of the bill, essentially, would authorize the TRPA to use Federal funds in completing and publishing its regional plan, along with other studies deemed necessary to find a way to meet the demands of an increasing user-population within the limits imposed upon the area by its fragile ecology. It would not, of course, be intended to affect the outcome of any litigation regarding the obligations of county governments. In this sense, the Tahoe regional plan itself will become a demonstration project, with funds used for operating expenses.

Finally, section 2(f) deals with air pollution. Most visitors to Tahoe greet with incredulity the suggestion that air pollution is a serious problem which requires the most immediate attention. The sky is usually a deep, clear blue and the air crisp with the scent of pines. However, the influx of population has not been without its effects on air quality. The year-round population of the basin has increased in 10 years from less than 10,000 to more than 30,000. On peak days during the summer tourist season, the population in the basin spirals to some 150,000 and because of expanded ski resort facilities, transient populations during the winter months are expanding also.

The effect of new houses, new chimneys and furnaces, new cars, new trash incinerators, and so forth, has been generally to degrade the quality of the air in the basin. The U.S. Forest Service has been forced to close several of its more remote lookout stations because hazy air made fire observation on some days impossible. But the worst news comes from Dr. John James, an air pollution expert with the Mountain West Weather Service, who notes the bowl-shaped character of the region's topography and states that the potential for really serious air pollution problems in the area is "enormous." Inversion patterns are common climatological phenomena, meaning that the Tahoe Basin could begin to look more and more like the smog-plagued suburbs from which visitors are trying to escape in the first place. Unfortunately, funding problems have made it impossible for the TRPA to study the problem in any depth. This bill would authorize a pilot study to identify sources and effects of air pollution—on vegetation, health. and so forth, as well as upon the esthetic attractiveness of the area—and establish a demonstration air pollution control program for the Tahoe Basin over a 3-year period. According to experts in the field, the monitoring programs must be continued over a 3-year period in order to be meaningful.

For the foregoing purposes, this bill would authorize $6,000,000 to remain available until expended.

This bill addresses yet another problem, namely, the enormous range of Federal actions in the Tahoe Basin which may cut the heart out of any regional plan unless such actions are carefully controlled. The following table illustrates some of the major Federal activities in the basin which should be subjected to strict guidelines so as not to controvert the whole purpose of regional planning:

Federal funds and insured mortgages in the Tahoe Basin

1. *Economic Development Administration:* Public Works grants, specifically those earmarked for sewage system construction in the Lake Tahoe Basin.

Fiscal year 1971	$238,000

2. *Environmental Protection Agency:* P.L. 660 (Clean Water) grants in the Lake Tahoe Basin.

Fiscal year 1969	$1,994,920
Fiscal year 1970	2,663,602
Fiscal year 1971	2,575,040

3. *Federal Housing Administration:* FHA 203 (Regular) home mortgages insured in the Lake Tahoe Basin:

Fiscal year 1970, $2,414,804 in construction. (116 mortgages insured).

To meet this problem, section 4 of the bill would require that all such Federal grants, loan insurance, or guarantees by the above or any other agencies be subjected to review by the Administrator of the Environmental Protection Agency, who shall supply proper certification if they are consistent with the Tahoe regional plan. The problem to date has been that, while on the one hand the Federal Government has expressed its approval of and support for the concept of regional planning in the basin, it has, on the other hand, financed numerous projects which make nonsense of any proper regional plan. If a sensible, regionwide program of development is ever to be realized, then such aberrations will have to cease.

On paper, it seems that the TRPA should already have the power and authority necessary to control such Federal activity; in fact, the job of coordinating all development plans and acting as a watchdog over all construction activities in the basin in this formative period has been so vast that comprehensive regulation has been impossible. The Department of Housing and Urban Development, for example, has guaranteed FHA 235 loans on a project of some 96 units which are to be located in a very fragile and geologically unstable area at south Lake Tahoe. Had section 4 of this bill been in effect a year ago, the Administrator of EPA would have been in a position to review this proposal and either to recommend that specific practices be adopted which would minimize soil disturbance, or to oppose the guarantees altogether. Under this checkpoint provision, the Administrator of EPA will be directed to work very closely with the TRPA in assessing the environmental impact of Federal grant projects in the area, to insure that they are consistent with the regional plan, scheduled for adoption in September.

Mr. President, the time for swift, responsible, and effective action is now. The moment is at hand to protect for ourselves and our children a priceless gift from the past. Nearly a century ago, one of America's greatest writers visited and fell in love with the "Lake in the Sky" and described it with matchless prose. For those of my colleagues who have never visited what is surely the crown jewel in California's majestic Sierra Nevada Range, I want to conclude my remarks with some passages from "Roughing It," in which Mark Twain recounts his first visit to Lake Tahoe:

We plodded on, two or three hours longer, and at last the Lake burst upon us—a noble sheet of blue water lifted six thousand three

hundred feet above the level of the sea, and walled in by a rim of snow-clad mountain peaks that towered aloft full three thousand feet higher still! It was a vast oval, and one would have to use up eighty or a hundred good miles in traveling around it. As it lay there with the shadows of the mountains brilliantly photographed upon its still surface I thought it must surely be the fairest picture the whole earth affords. . . .

So singularly clear was the water, that where it was only twenty or thirty feet deep the bottom was so perfectly distinct that the boat seemed floating in the air. Yes, where it was even eighty feet deep. Every little pebble was distinct, every speckled trout, every hand's breadth of sand. Often, as we lay on our faces, a granite boulder, as large as a village church, would start out of the bottom apparently, and seem climbing up rapidly to the surface, till presently it threatened to touch our faces, and we could not resist the impulse to seize an oar and avert the danger. But the boat would float on, and the boulder descend again, and then we could see that when we had been exactly above it, it must still have been twenty or thirty feet below the surface. Down through the transparency of these great depths, the water was not merely transparent, but dazzingly, brilliantly so. All objects seen through it had a bright, strong vividness not only of outline, but of every minute detail, which they would have had when seen simply through the same depth of atmosphere. So empty and airy did all spaces seem below us, and so strong was the sense of floating high aloft in mid-nothingness, that we called these boat-excursions "balloon voyages."

If there is any life that is happier than the life we led on our timber ranch for the next two or three weeks, it must be a sort of life which I have not read of in books or experienced in person. We did not see a human being but ourselves during the time, or hear any sounds but those that were made by the wind and the waves, the sighing of the pines, and now and then the far-off thunder of an avalanche. The forest about us was dense and cool, the sky above us was cloudless and brilliant with sunshine, the broad lake before us was glassy and clear, or rippled and breezy, or black and storm-tossed, according to Nature's mood; and its circling border of mountain domes, clothed with forests, scarred with landslides, cloven by canyons and valleys and helmeted with glittering snow, fitly framed and finished the noble picture. The view was always fascinating, bewitching, entrancing. The eye was never tired of gazing, night or day, in calm or storm; it suffered but one grief, and that was that it could not look always, but must close sometimes in sleep . . .

It is this incredible resource, Mr. President, which my bill will seek to protect. It would be tragic if our children and grandchildren were willed Mark Twain's words but could not see the beauty which inspired them. This bill will be referred to the Committee on Public Works, of which I am a member, and I will fight for its adoption at the earliest possible date.

By Mr. BIBLE (for Mr. JACKSON and Mr. ALLOTT) (by request):

S. 2377. A bill to amend the act of March 3, 1909, as amended. Referred to the Committee on Interior and Insular Affairs.

Mr. BIBLE. Mr. President, on behalf of the Senator from Washington (Mr. JACKSON) I introduce a bill to amend the act of March 3, 1909, as amended.

I ask unanimous consent that a statement prepared by Senator JACKSON be printed at this point in the RECORD.

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

STATEMENT BY SENATOR JACKSON

Mr. President, I introduce for myself and the Senior Senator from Colorado, Mr. Allott, by request, a bill submitted by the Secretary of Interior to amend the Act of March 3, 1909, as amended.

If enacted this bill would eliminate a proviso which limits expenditures for the resurvey of public lands by the Secretary of Interior.

Most of the remaining unsurveyed areas in the contiguous 48 states are large blocks of land which may never need to be surveyed. The major public land survey need outside of Alaska is now for resurveys of land where survey monuments have been obliterated by time, nature, and man.

Many of these survey monuments, prior to 1910, were natural objects such as sticks, rocks and wooden posts, that have since disappeared or been moved.

The Act which authorizes the surveys or retracements of such surveys of public lands by the Secretary contains a proviso which limits to 5 percent the amount of the total annual appropriation for surveys and resurveys which shall be used for resurveys and retracements. By Act of June 25, 1910, (36 Stat. 884), this limitation was increased to 20 percent. This bill would eliminate the proviso.

The letter accompanying the proposed draft legislation is as follows:

U.S. DEPARTMENT OF THE INTERIOR,
Washington, D.C., June 29, 1971.

Hon. SPIRO T. AGNEW,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed herewith is a draft bill "To amend the Act of March 3, 1909, as amended."

We recommend that the proposed bill be referred to the appropriate committee, and that it be enacted.

The Act of March 3, 1909 (35 Stat. 845, 43 U.S.C. 772) authorizes the Secretary of the Interior to make such resurveys or retracements of the surveys of the public lands as he deemed essential to properly mark the boundaries of the public lands remaining undisposed. It contained two provisos, the second of which limited to 5% the amount of the total annual appropriation for surveys and resurveys of the public lands which shall be used for resurveys and retracements. By Act of June 25, 1910 (36 Stat. 884) the limitation in the second proviso was increased to 20%.

In the contiguous 48 States most of the remaining unsurveyed areas are large blocks of land which may never need to be surveyed. The major public land survey need outside of Alaska is now for resurveys of land where survey monuments have been obliterated by time, nature and man.

Prior to 1910 natural objects—rocks, sticks, wooden posts—were used as survey monuments. Many of these have fallen over, decayed, eroded or been moved by people who may not have known they were corner markers. The need for resurveys in the lower 48 States now exceeds the need for original surveys. Therefore, the proviso limiting the expenditures for resurvey should be repealed as obsolete.

The Office of Management and Budget has advised that there is no objection to the enactment of this legislation from the standpoint of the Administration's program.

Sincerely yours,

HARRISON LOESCH,
Assistant Secretary of the Interior.

A bill to amend the Act of March 3, 1909, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second proviso in the Act of March 3, 1909, as amended (35 Stat. 845, 43 U.S.C. 772) is repealed.

By Mr. GRIFFIN:

S. 2378. An original bill to confer U.S. citizenship posthumously upon Abdul Muhsin Gallozi. Considered and passed later in the day.

ABDUL MUHSIN GALLOZI—THE DEATH OF A PROUD AMERICAN

Mr. GRIFFIN. Mr. President, yesterday in Detroit a patriotic immigrant American died defending the name of his adopted country.

Abdul Muhsin Gallozi, a Detroit grocer, had been shot the night before by a customer who came into Mr. Gallozi's store denouncing the United States of America.

According to an eyewitness, Mr. Gallozi told the man:

You have come to this country and you are making a good living here. And then you are putting America down. If you don't like it here why don't you go back where you came from.

After this exchange the customer reportedly drew a gun and shot Mr. Gallozi, who died of gunshot wounds Wednesday morning.

Mr. President, I characterize Abdul Gallozi, a native of Iraq, as an American, even though he was not yet a U.S. citizen. However, he had been preparing himself for citizenship since 1953 when he first came to this country on a student's visa.

Mr. Gallozi had completed a 5-year residency requirement last May, and he made his formal application for citizenship on July 14.

He would have become a U.S. citizen this September—and it would have been the proudest day of his life.

Mr. President, I have been informed by the U.S. Immigration and Naturalization Service that, without special legislation, citizenship cannot be conferred posthumously.

I believe, however, that the least the United States could do under these circumstances is to confer citizenship posthumously. Accordingly, I am today introducing a private bill to accomplish that purpose.

A close friend of Mr. Gallozi observed yesterday:

Really, his love for America was the cause of his death.

He was so excited at the prospect of becoming a citizen. It is pathetic for us to see him die without becoming one. He kept talking about it, preparing papers. And now he is dead without it.

He was really in love with this country.

Another friend said:

Abdul first fell in love with the United States when he came here for a year on a student's visa in 1953, and he could hardly wait to come back and establish residency in 1966.

Abdul had been reading American history books to prepare for his naturalization hearing, and he always was talking about what

a wonderful place this is and how he would be a citizen by September.

Mr. President, it is interesting that the bond of loyalty to the United States seems to run strongest in those naturalized Americans who have had to work for the rights of U.S. citizenship.

Abdul Gallozi worked for 18 years and, because of his love of country, he fell a few weeks short of his goal.

I fervently hope that Congress will now see fit to honor his memory by bestowing posthumously the status of citizenship.

Mr. President, I ask that the text of the bill be printed at this point in the RECORD as well as several newspaper stories.

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

S. 2378

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Abdul Muhsin Gallozi, a native of Iraq, shall be held and considered to have been a citizen of the United States at the time of his death.

LOVE OF AMERICA COSTS GROCER HIS LIFE

(By John Griffith)

An immigrant Iraqi grocer, less than two months from realizing an 18-year dream of becoming an American citizen, was shot to death in his west side Detroit market for defending the United States against an irate customer.

Sen. Robert P. Griffin, R-Mich., said in Washington that because of the unusual circumstance he would try to get what is believed to be an unprecedented posthumous citizenship for Abdul Mubsin Gallozi.

Gallozi, 39, of Birmingham, died at 5 a.m. Wednesday in Detroit General Hospital of bullet wounds he suffered about 6 p.m. Tuesday in the Temple & Trumbull Market, 2846 Trumbull.

Arrested and charged with second-degree murder in Gallozi's death was Cayetano Solis, 67, of 2847 Brooklyn.

Mrs. Phyllis Roberts, 29, a clerk, witnessed the incident.

She said Solis, who she said was Mexican, came into the store to buy a basket of tomatoes and for no apparent reason began cursing America and Americans in broken English and Spanish.

"He began yelling 'you dirty Americans,' and saying he was better than we were," Mrs. Roberts said.

Gallozi, who was in the back of the store, heard the disturbance and came to the counter. Gallozi weighed the basket of tomatoes and told Solis the cost was $7, Mrs. Roberts said.

Again, she said, Solis began cursing America and Americans and "saying how much he disliked this country."

Mrs. Roberts said Gallozi replied:

"You have come to this country and you are making a good living here. And then you are putting America down. If you don't like it here why don't you go back where you came from?"

Mrs. Roberts said Solis continued his berating of the country and Gallozi told him:

"You're an old man. I don't want to argue with you. Will you please leave?"

At this point, Mrs. Roberts said, Solis pulled out a .32 caliber revolver and shot Gallozi twice. Another customer jumped Solis, disarmed him and held him for police.

Friends and relatives said Gallozi, who came to this country to settle five years ago, had lived only for the day he would become an American citizen.

"Really, his love for America was the cause of his death," said Bodie (Buddy) Bodiya, 35, a life-long friend and now a chemical engineer at the Ford Motor Co.

"He was so excited at the prospect of becoming a citizen," Bodiya said. "It is pathetic for us to see him die without becoming one. He kept talking about it, preparing papers. And now he is dead without it."

"He was really in love with this country," Bodiya said.

Although officials of the U.S. Immigration and Naturalization Service in Detroit said they knew of no case of citizenship being granted posthumously, Sen. Griffin said he would intervene.

"I have directed my staff to move the first thing Thursday morning to see what can be done to get a posthumous award of citizenship for Mr. Gallozi," Griffin said.

A native of Baghdad, Iraq, Gallozi first came to this country in 1953 on a student's visa. He returned to Baghdad after a year here and friends said he worked to prepare for immigration.

He returned May 27, 1968, and last May fulfilled the five-year residency requirement to apply for citizenship, which he did on July 14.

Next Thursday, he had an appointment with the U.S. Immigration and Naturalization Service for an interview on his application.

District Director Thomas M. Pederson said under normal circumstances Gallozi would have become a citizen in mid-September.

Mrs. Roberts said that earlier on the day he was shot Gallozi had told her he was "very happy and just couldn't wait until Aug. 5, the day he was to go for his interview for citizenship."

The Chaldean community in Detroit, of which Galozzi was a member, said the grocer was widely known for helping others.

A community spokesman said Gallozi, who was single, came here because of "the freedom he found here in 1953 and because of the fact that an individual is not bothered as long as he respects others."

Solis was charged with second-degree murder Wednesday before visiting Recorder's Judge James N. McNally III of Harper Woods. He stood mute and a plea of innocent was entered for him.

He was held under $2,500 bond for examination Aug. 4.

CITIZENSHIP SOUGHT FOR GROCER

(By Douglas Glazier)

Posthumous citizenship is sought for a Detroit grocer who was shot fatally after asking an angry customer not to denounce the country both of them had adopted.

Abdul Gallozi, 39, died yesterday in Receiving branch of Detroit General Hospital from wounds suffered Tuesday night in his store at 2846 Trumbull.

Gallozi lived in this country five years since leaving Baghdad, Iraq, and was to appear for a federal citizenship hearing one week from today.

Washington aides of Senator Robert P. Griffin, Michigan Republican, worked today to have Gallozi listed as a posthumous citizen, called an unprecedented step.

Peter B. Teely, a press aide, said the senator's staff was working on possible arrangements with the State Department and the Immigration and Naturalization Service.

Teely said that if insurmountable legal problems are encountered, the senator might sponsor special legislation to make Gallozi a citizen.

"Mr. Gallozi's love for his adopted land and this death defending its name were brought to our attention by a Detroit friend, and we thought the citizenship idea fitting," Teely said.

A man with a Mexican background, Cayetano Solis, 67, of 2847 Brooklyn, Detroit, is accused of shooting Gallozi in the abdomen and the shoulder during the store argument.

He is being held in the Wayne County Jail for a court examination next Wednesday on a second-degree murder charge, which could carry up to life imprisonment upon conviction.

Solis stood mute when arraigned yesterday and an innocent plea was entered for him by Harper Woods Municipal Judge James N. McNally III, sitting in Detroit Recorder's Court. He was unable to post a $2,500 bond set by McNally.

Solis allegedly drew a .32 caliber revolver from under his coat when Gallozi asked him to get out of the store.

A store clerk, Mrs. Phyllis Roberts, 29, told police that Gallozi stepped from a rear room when he heard Solis berating her, the price of a basket of tomatoes and the United States.

Mrs. Roberts quoted Gallozi as telling the customer moments before the shooting:

"You have come to this country and you are making a good living here. And then you are putting America down. If you don't like it here why don't you go back where you come from?"

She said Gallozi was gunned down as soon as he said: "You're an old man. I don't want to argue with you. Will you please leave."

Gallozi, a bachelor, resided in Birmingham with a brother, Prince, 48, also unmarried. His brother already is a citizen. He came to this country in 1950 and opened their store a decade ago.

Gallozi's brother was too emotional to talk with reporters today, and turned that task over to a friend, Najy Jaboko, of St. Clair Shores, who said the accused shooter was a stranger.

"Abdul first fell in love with the United States when he came here for a year on a student's visa in 1953, and he could hardly wait to come back and establish residency in 1966," Jaboko said.

"Abdul had been reading American history books to prepare for his naturalization hearing, and he always was talking about what a wonderful place this is and how he would be a citizen by September."

ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 659

At the request of Mr. PELL, the Senator from Rhode Island (Mr. PASTORE), the Senator from Indiana (Mr. BAYH), the Senator from California (Mr. TUNNEY), the Senator from Delaware (Mr. BOGGS), the Senator from Michigan (Mr. HART), the Senator from Maine (Mr. MUSKIE), and the Senator from North Dakota (Mr. BURDICK) were added as cosponsors of S. 659, the Education Amendments of 1971.

S. 1408

At the request of Mr. MUSKIE, the Senator from Pennsylvania (Mr. SCOTT) was added as a cosponsor of S. 1408, a bill to amend the Internal Revenue Code of 1954 so as to permit certain tax-exempt organizations to engage in communications with legislative bodies.

S. 1836

At the request of Mr. HUGHES, the Senator from Utah (Mr. MOSS) was added as a cosponsor of S. 1836, a bill to provide a comprehensive Federal program for the treatment and rehabilitation of drug dependent Federal offenders.

S. 1872

At the request of Mr. CASE, the Senator from New Hampshire (Mr. MCINTYRE) was added as a cosponsor of S. 1872, a bill for the relief of Soviet Jews.

S. 1883

At the request of Mr. MAGNUSON, the Senator from Hawaii (Mr. INOUYE), the Senator from Illinois (Mr. PERCY), Senator from Kansas (Mr. DOLE), the Senator from Nebraska (Mr. CURTIS), the Senator from Nevada (Mr. BIBLE), the Senator from North Dakota (Mr. BURDICK), the Senators from Utah (Mr. BENNETT and Mr. MOSS), the Senator from Washington (Mr. JACKSON), and the Senator from Wyoming (Mr. MCGEE) were added as cosponsors of S. 1883, the Interstate Taxation Act.

S. 1947

At the request of Mr. MUSKIE, the Senator from Idaho (Mr. JORDAN) was added as a cosponsor of S. 1947, a bill to prohibit trading in Irish potato futures on commodity exchanges.

S. 2161

At the request of Mr. HARTKE, the Senator from Texas (Mr. TOWER) was added as cosponsor of S. 2161, a bill to amend chapters 31, 34, and 35 of title 38, United States Code, to increase the vocational rehabilitation subsistence allowances, the educational assistance allowances, and the special training allowances paid to eligible veterans and persons under such chapters.

S. 2217

At the request of Mr. HUGHES, the Senator from Illinois (Mr. STEVENSON), the Senator from Utah (Mr. MOSS), and the Senator from Pennsylvania (Mr. SCHWEIKER) were added as cosponsors of S. 2217, a bill to provide a comprehensive Federal program for the prevention and treatment of drug abuse and drug dependence.

S. 2258

At the request of Mr. GRIFFIN, the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 2258, the Motor vehicle Air Pollution Control Acceleration Act.

SENATE JOINT RESOLUTION 62

At the request of Mr. GRIFFIN, the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S.J. Res. 62, authorizing the display of the flags of the 50 States at the base of the Washington Monument.

ADDITIONAL COSPONSOR OF A RESOLUTION

S. RES. 158

Mr. BROOKE. Mr. President, through an unfortunate oversight the name of my distinguished colleague and good friend, the junior senator from Minnesota, was omitted as a cosponsor of the resolution which I submitted Tuesday regarding the Geneva Protocol.

Senator HUMPHREY has been a valuable and respected ally in the effort to reach an agreement on the form in which this treaty can be ratified by the United States.

I commend his efforts and look forward to his continuing cooperation; and I ask unanimous consent that Senator HUMPHREY's name be added as cosponsor of S. Res. 158.

The ACTING PRESIDENT pro tempore (Mr. GRAVEL). Without objection, it is so ordered.

FEDERAL ELECTION CAMPAIGN ACT OF 1971—AMENDMENTS

AMENDMENT NO. 342

(Ordered to be printed and to lie on the table.)

Mr. SCOTT submitted an amendment intended to be proposed by him to Amendment No. 308, proposed by Mr. PASTORE (for himself and others) to the bill (S. 382) to promote fair practices in the conduct of election campaigns for Federal political offices, and for other purposes.

AMENDMENT NO. 344

(Ordered to be printed and to lie on the table.)

UNIVERSAL VOTER REGISTRATION

Mr. KENNEDY. Mr. President, on behalf of Senator BAYH, Senator EAGLETON, Senator HARTKE, Senator MONDALE, Senator PELL, Senator PROXMIRE, Senator WILLIAMS, and myself, I submit an amendment S. 382, the "Federal Election Campaign Act of 1971," and I ask that it lie on the table and be printed.

The details of the proposed amendment are described in my remarks on Monday, July 26, 1971, which appear beginning at page S27117 of the CONGRESSIONAL RECORD for that day.

Mr. President, I ask unanimous consent that the text of the amendment may be printed in the RECORD at this point.

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

AMENDMENT NO. 344

At the end of the bill add the following new title:

TITLE V—VOTER REGISTRATION

SHORT TITLE

SEC. 501. This title may be cited as the "Universal Voter Registration Act of 1971."

DECLARATION AND FINDINGS

SEC. 502. (a) The Congress hereby finds and declares that the administration of voter registration procedures by the various States as a precondition to voting in Federal elections:

(1) denies or abridges the constitutional right of citizens to vote in Federal elections;

(2) denies or abridges the constitutional right of citizens to enjoy free movement across States lines;

(3) denies or abridges the privileges or immunities of citizens of the United States, deprives them of due process of law, and denies them the equal protection of the laws, in violation of the fourteenth amendment;

(4) denies or abridges the right to vote on account of race or color in violation of the fifteenth amendment;

(5) denies or abridges the right to vote on account of sex in violation of the nineteenth amendment;

(6) denies or abridges the right to vote on account of age in violation of the twenty-sixth amendment;

(7) in some instances has the impermissible effect of denying citizens the right to vote because of the way they may vote; and

(8) does not bear a reasonable relationship to any compelling State interest in the conduct of Federal elections.

(b) Upon the basis of these findings, Congress hereby exercises its authority under section 4 and section 8 of article I of the Constitution, and the fourteenth, fifteenth, nineteenth, and twenty-sixth amendments thereto, and enacts this title.

ESTABLISHMENT OF OFFICE

SEC. 503. (a) There is hereby established in the Bureau of the Census a Universal Voter Registration Administration (hereafter referred to in this title "Administration"). The Administration shall be composed of an Administrator and two Associate Administrators, who may be appointed by the President, by and with the advice and consent of the Senate. No more than two members of the Administration shall be of the same political party.

(b) The Administration shall establish and administer a program of voter registration for voting in all Federal elections and shall, upon request, assist States in conducting registration for voting in State and local elections.

(c) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following:

"(131) Administrator and Associate Administrators, Universal Voter Registration Administration."

USE OF DATA PROCESSING

SEC. 504. The Administration shall establish one or more data processing centers in order to carry out its functions. Voter lists shall be compiled and maintained through the use of electronic data processing equipment in such a manner that a list of persons registered under this title in each of the units in which persons are registered to vote under State and local laws shall be readily available. The lists shall contain the name, address, zip code, party affiliation (if supplied), date of birth, and voting unit of each individual registered to vote under this title and such additional information as the Administration determines to be essential to the efficient operation of this title.

REGISTRATION

SEC. 505. (a) The Administration shall prepare and distribute registration forms for use by individuals who wish to register to vote under the provisions of this title, or who wish to change a previous registration. Such forms shall be of a type which permits visual scanning by electronic data processing equipment, shall contain appropriate places for the designation of the registrant's name, address, zip code, date of birth, and party affiliation, and may be in language other than English in such cases as the Administration deems appropriate.

(b) Such forms shall contain a statement that such individual is not disqualified from voting under State law by reason of conviction of a crime or mental incompetence, and such other information as the Administration determines to be essential to the efficient operation of this title: Such forms shall also require the signature of the individual seeking to register through the use of such forms and a statement of the penalty for fraudulent use of such forms. The signature of an individual on his form shall attest to the accuracy of the information contained thereon.

(c) The Administration shall enter into arrangements with the Postmaster General so that supplies of such forms shall be reasonably available free of charge in each post office, and shall make such other arrangements as it deems appropriate for the distribution of such forms, including their availability to groups engaged in voter registration. Such forms shall be mailed free of all

postage including airmail to the Administration upon completion, and the Administration shall reimburse the Postal Service for the cost of such mail.

(d) Any individual who is a citizen, who is eighteen years of age or older (or who will attain such age on or before the date of the next Federal election held in the congressional district of State in which he registers), who is not disqualified from voting under State law by reason of conviction of a crime or mental incompetence, and who is registered under this title shall be eligible to vote in Federal elections held in the congressional district or State in which he is registered under this title. No other requirement or qualification shall be imposed by any State or political subdivision thereof on the right of such individual to vote in such election.

(e) The Administration is authorized to receive registration lists and other information with respect to eligible voters from State or local jurisdictions for inclusion in the registration lists prepared by the Administration under this title.

(f) Unless the Administration or a State or local jurisdiction removes a person's name from the list of registered voters because of his death or his disqualification from voting under State law by reason of conviction of a crime or mental incompetence, registration under this title in any State shall remain in effect for a period of time not less than four years, or such longer period as registration under State law in such State remains in effect.

(g) The Administration shall remove from its list of registered voters the name of any person who is found to be fraudulently or otherwise improperly registered or who, after registration, becomes disqualified to vote in the State or congressional district in which he is registered. If the Administration removes the name of any person from such list, it shall notify such person of such action by certified mail within one week of such action and the reason thereof.

(h) Any State or local jurisdiction which removes the name of any person from such list shall notify such person and the Administration of such action by certified mail within one week of such action. Such notice shall include the name and address of such person, and a statement of the reason for such action. The Attorney General is authorized and directed to institute in the name of the United States such actions against States or political subdivisions, including actions for injunctive relief, as he may determine to be necessary to implement the purposes of this subsection, and it shall be the duty of a judge designated to hear any such case to assign the case for hearing and determination thereof, and to cause the case to be in every way expedited.

REGISTRATION DATE

SEC. 506. An individual may register to vote in a Federal election under this title at any time until 30 days before the date of such election, or at such later date before such election as the Administration may determine.

NOTICE TO ELECTION OFFICIALS

SEC. 507. (a) Not later than 30 days prior to the date of any Federal election, the Administration shall furnish to the appropriate election officials of the State or local jurisdiction in which an election is to be held, a list of individuals, by precinct or other similar voting unit, registered under this title to vote in such election within the congressional district or State in which the election is to be held. No person whose name appears on such list shall be denied the right to vote in such election, unless such name is removed from such list in accordance with the provisions of this title. The Administration is authorized to establish appropriate procedures to supplement the lists made available to States and local jurisdictions under this subsection.

(b) The Administration is authorized to establish appropriate procedures for individuals to verify their registration under this title.

(c) Prior to the date of any such election, the Administration shall inform individuals registered with it of the precinct or other voting unit in which they are registered to vote.

STATE REGISTRATION

SEC. 508. (a) Nothing in this title shall interfere with any voter registration procedure conducted by any State with respect to voting in State or local elections.

(b) Any individual registered to vote under any State voter registration procedure, who is a citizen of the United States, who is eighteen years of age or older (or who will attain such age on or before the date of the next Federal election to be held in the congressional district or State in which he registers), and who is not disqualified from voting under State law by reason of conviction of a crime or mental incompetence, shall also be eligible to vote in any Federal election held in such district or State, whether registered under this title or not.

(c) Any State which determines by law that it wishes to use voting registration lists compiled under this title as evidence of registration to vote in State or local elections shall be furnished such lists no later than 30 days prior to any such election. Any State which so determines may not remove the name of any individual from such lists with respect to any such election nor deny to any individual whose name appears on such lists the right to vote in any such election, except in accordance with the provisions of this title.

REPORTS FROM STATES

SEC. 509. The Administration is authorized to request from each State periodic reports of the names and addresses of individual 18 years of age or older who have died in such State. The Administration is also authorized to request from appropriate State or Federal agencies periodic reports of the names and addresses of persons disqualified from voting under State law by reason of conviction of a crime or mental incompetence.

REGISTRATION INFORMATION

SEC. 510. The Administration shall undertake, through the use of broadcast and nonbroadcast communications media and such other means as the Administration deems appropriate, to inform potential voters of their eligibility to register to vote in Federal elections under the provisions of this title.

PENALTIES

SEC. 511. (a) Whoever knowingly or willfully gives false information as to his name, address, residence, age or other information for the purpose of establishing his eligibility to register or vote under this title, or conspires with another individual for the purpose of encouraging his false registration to vote or illegal voting, or pays or offers to pay or accepts payment either for registration to vote or for voting shall be fined not more than $10,000, or imprisoned not more than five years, or both.

(b) Any person who deprives, or attempts to deprive, any other person of any right under this title shall be fined not more than $5,000, or imprisoned not more than five years, or both.

(c) The provisions of section 1001 of title 18, United States Code, are made applicable to the registration form promulgated under section 505.

RIGHT OF PRIVACY

SEC. 512. (a) No information provided by or in connection with any person under this title shall be made available by the Administration to any other Federal agency or for any commercial activity. No such information shall be made available by the Administration to any agency of any State or local jurisdiction except for the purpose of carrying out functions directly related to the provisions of this title.

(b) The Administration is authorized to adopt regulations for the enforcement of this section.

(c) Any person who violates this section or regulations adopted thereunder shall be fined not more than $5,000, or imprisoned not more than five years, or both.

OTHER FEDERAL VOTER REGISTRATION

SEC. 513. This title shall not affect the provisions of the Federal Voting Assistance Act of 1955. Persons eligible to use the form and procedures provided under such Act may register under this title.

DEFINITIONS

SEC. 514. As used in this title the term—

(a) "Federal election" means any primary, general or special election held for the election of a Federal officer, including an election held for the selection of delegates to a national nominating convention or to a caucus for such selection, and a primary election held for the expression of a preference for the nomination of persons for election to the office of President;

(b) "Federal officer" means President, Vice President, Senator, Representative, Delegate to the Congress, or delegate to a national nominating convention or caucus thereto;

(c) "State" means each of the United States and the District of Columbia.

AUTHORIZATION OF APPROPRIATIONS

SEC. 515. There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this title.

EXERCISE OF EXECUTIVE PRIVILEGE—AMENDMENT

AMENDMENT NO. 343

(Ordered to be printed and referred to the Committee on the Judiciary.)

Mr. FULBRIGHT submitted an amendment intended to be proposed by him to S. 1125, a bill to amend title 5, United States Code, with regard to the exercise of executive privilege.

DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES APPROPRIATIONS, 1972—NOTICE OF MOTION TO SUSPEND THE RULE

Mr. BYRD of West Virginia, for Mr. MAGNUSON, submitted the following notice in writing:

In accordance with rule XL of the Standing Rules of the Senate, I hereby give notice in writing that it is my intention to move to suspend paragraph 4 of rule XVI for the purpose of proposing to the bill (H.R. 10061) making appropriations for the Departments of Labor, and Health, Education and Welfare and Related Agencies, the following amendments, namely:

On page 12, line 2, after the semicolon: $8,300,000 for grants and $6,900,000 for loans shall remain available until expended for hospital experimentation projects pursuant to section 304 and section 643A of the Public Health Service Act;

On page 2, line 15, after the period: *Provided further,* That $20,000,000 of this appropriation shall be used by the Office of Economic Opportunity to finance Emergency

Food and Medical Services Programs in eligible areas of exceedingly high unemployment, as defined in Section 6 of the Emergency Employment Assistance Act of 1971, to be reimbursed to the Manpower Training Services Appropriation by the Office of Economic Opportunity immediately upon enactment of an appropriation Act for the Office of Economic Opportunity in fiscal year 1972.

AMENDMENT NO. 345

(Ordered to be printed and to lie on the table.)

Mr. BYRD of West Virginia, for Mr. MAGNUSON, submitted an amendment intended to be proposed to the bill (H.R. 10061) making appropriations for the Departments of Labor, and Health, Education, and Welfare and related agencies, for the fiscal year ending June 30, 1972, and for other purposes.

AMENDMENT NO. 346

(Ordered to be printed and to lie on the table.)

Mr. CRANSTON, for himself, Mr. BAYH, Mr. EAGLETON, Mr. HARRIS, Mr. HART, Mr. INOUYE, Mr. JAVITS, Mr. KENNEDY, Mr. MCGOVERN, Mr. MONDALE, Mr. NELSON, Mr. TALMADGE, and Mr. TUNNEY, submitted an amendment intended to be proposed to the bill (H.R. 10061), supra.

NOTICE OF HEARINGS ON S. 1945 AND S. 2097

Mr. MUSKIE. Mr. President, on July 30, the Subcommittees on Intergovernmental Relations and Executive Reorganization and Government Research will continue hearings on S. 1945 and S. 2097, both of which would create a White House office to direct the Federal effort against drug abuse.

Our witness on July 30 will be Dr. Jerome H. Jaffe, Director of the new Special Action Office for Drug Abuse Prevention.

Since the July 30 hearing will be Dr. Jaffe's first congressional appearance since his recent trip to Vietnam, I expect he will have some important information for us about the drug problem among our servicemen in Southeast Asia.

The July 30 hearing will conclude hearings on S. 1945 and S. 2097.

NOTICE OF HEARING ON A NOMINATION

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, I desire to give notice that a public hearing has been scheduled for Thursday, August 5, 1971, at 10:30 a.m., in room 2228, New Senate Office Building, on the following nomination:

Nils A. Boe, of South Dakota, to be judge of the U.S. Customs Court.

At the indicated time and place persons interested in the hearings may make such representations as may be pertinent.

The subcommittee consists of the Senator from Arkansas (Mr. MCCLELLAN), the Senator from Nebraska (Mr. HRUSKA), and myself as chairman.

NOTICE OF HEARINGS ON MARITIME BILLS BEFORE THE COMMITTEE ON COMMERCE

Mr. HARTKE. Mr. President, I ask unanimous consent to have printed in the RECORD an announcement released today by the Senator from Washington (Mr. MAGNUSON), chairman of the Committee on Commerce.

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

The Committee on Commerce is considering the following bills:

S. 1274—To revise and improve the laws relating to the documentation of vessels;

S. 1696—To require load lines on U.S. vessels engaged in foreign voyages and foreign vessels within the jurisdiction of the United States, and for other purposes;

S. 1723—To declare Leech Lake, Cass Lake, and Winnibigoshish Lake in the State of Minnesota to be nonnavigable for certain purposes;

S. 1971—To declare a portion of the Delaware River in Philadelphia County, Pennsylvania, nonnavigable; and

S. 1802—To revise and improve the laws relating to the documentation of seamen.

Persons desiring to submit their views on any of the above bills should, not later than August 27, 1971, file 10 copies of their written statement in room 128 Old Senate Office Building. Each statement should be clearly marked with the number of the bill to which it refers, should be in double-space typing, and, if suggesting a change in the bill, should set forth explicit legislative language by which the change would be accomplished.

After reviewing the statements submitted, the Committee will decide whether further hearings on any of the bills is required or on such other action as is deemed appropriate.

For further information, contact the Committee's staff counsel, Emanuel Rouvelas, by calling (202) 225-9325 or writing 128 Senate Office Building, Washington, D.C. 20510.

NOTICE OF HEARINGS ON BILLS RELATING TO MOTOR VEHICLE ACCIDENT VICTIMS

Mr. STEVENSON. Mr. President, I announce that the Subcommittee on Business, Commerce, and Judiciary of the Committee on the District of Columbia will hold hearings on September 28 and 29, 1971, on S. 1364 and S. 2322, both of which deal with compensation for motor vehicle accident victims in the District of Columbia. The hearings will begin at 10 a.m., and will be held in room 6226 of the New Senate Office Building. Persons interested in testifying or submitting statements should get in touch with Mr. Gene Godley, of the District Committee. His telephone number is 225-4161.

NOTICE OF HEARINGS OF THE COMMITTEE ON GOVERNMENT OPERATIONS

Mr. JACKSON. Mr. President, in accordance with the requirements of the Legislative Reorganization Act, I announce that the Committee on Government Operations will hold a hearing on August 5, 1971 on S. 1431, the bill to establish a Department of Natural Resources. This session will be devoted to the testimony of witnesses from the executive branch on this legislation. The hearing will be held at 9:30 a.m., in room 3302, New Senate Office Building.

ANNOUNCEMENT OF HEARINGS ON S. 1770 AND S. 241

Mr. MUSKIE. Mr. President, on Tuesday, August 3, the Subcommittee on Intergovernmental Relations will complete its hearings on S. 1770, introduced by me, and S. 241, introduced by Senator HUMPHREY. Both of these bills are revenue sharing measures which would provide substantial Federal assistance to meet the urgent fiscal needs of our State and local governments.

The subcommittee has already conducted 3 days of hearings on these bills, and with the witnesses scheduled for August 3 we will have heard from the major groups interested in revenue sharing legislation. To provide an opportunity to groups and individuals who wish to submit material for the record, the subcommittee will leave the hearing record open until August 23 for the submission of written statements.

The witnesses for the August 3 hearing will be Senator MATHIAS, an administration witness, Governor Rockefeller of New York, a panel of county officials and a panel of State legislators.

The hearing will be held in room 4221, beginning at 10 a.m.

ANNOUNCEMENT OF HEARINGS BY DISTRICT OF COLUMBIA COMMITTEE

Mr. EAGLETON. Mr. President, I wish to announce that the Senate Committee on the District of Columbia will hold a public hearing on H.R. 7718, a bill to exempt from taxation by the District of Columbia certain property in the District of Columbia which is owned by the Supreme Council—Mother Council of the World—of the Inspectors General Knights Commanders of the House of the Temple of Solomon of the Thirty-third Degree of the Ancient and Accepted Scottish Rite of Free Masonry of the Southern Jurisdiction of the United States of America, and on H.R. 8712, a bill to amend the act entitled—

An act to authorize any executive department or independent establishment of the Government, or any bureau or office thereof, to make appropriate accounting adjustment or reimbursement between the respective appropriations available to such departments and establishments, or any bureau or office thereof.

Approved June 29, 1966, so as to include within its coverage the government of the District of Columbia, on Tuesday, August 3, 1971, at 9:30 a.m., in Room 6226, New Senate Office Building. Persons wishing to testify on these bills should notify Robert Harris, staff director of the committee, before noon on Monday, August 2.

ENROLLED BILL SIGNED

The ACTING PRESIDENT pro tempore (Mr. GRAVEL) announced that on today, July 28, 1971, the President pro tempore signed the enrolled bill—H.R. 4762—to amend section 5055 of title 38, United States Code, in order to extend the authority of the Administrator of Veterans' Affairs to establish and carry out a program of exchange of medical information, which had previously been signed by the Speaker of the House of Representatives.

ADDITIONAL STATEMENTS

SENATOR HAROLD E. HUGHES, RELAXED EX-CANDIDATE

Mr. MANSFIELD. Mr. President, in eastern Montana, where the Great Rocky Mountains pass through my State, I have often been struck by the quiet strength and dignity they convey so directly. The granite of these mountains has the hue of inner confidence and direction that is often tested by the winds and storms of the environment. In many ways the quiet, pondering hulk of the Senator from Iowa (Mr. HUGHES) reminds me of those mountains.

It was with mixed emotions last week that I read he was withdrawing from the crowded presidential race. On the one hand, I was sure he would have made a good, forthright, and intelligent candidate; and yet, on the other hand, the Senate needs those very same qualities to fulfill its responsibilities to the people of this great country. I therefore welcome most dearly Senator HUGHES' renewed dedication to serve in the Senate. His inner confidence and strong sense of direction will be most helpful in the deliberations of this body.

Mr. President, I ask unanimous consent that an editorial entitled "Hughes, Relaxed Ex-Candidate," published in the Globe Gazette, Mason City, Iowa, be printed in the RECORD.

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

HUGHES—RELAXED EX-CANDIDATE

(By Robert H. Spiegel)

WASHINGTON, D.C.—The familiar figure of the big man shouldered through knots of people outside the chamber of the U.S. Senate.

He was smiling. He looked relaxed.

"I feel better every day, knowing I've done the right thing," said Sen. Harold E. Hughes, who a week before had announced that he wasn't going to seek the Democratic nomination for President.

The former Iowa governor, fittingly enough, sat in front of a statue of another Iowa Democrat, Vice President Henry Wallace, in the Senate Reception Room as he talked.

"This was a personal decision, not a political one," said Hughes, "and this is what seems so hard for people to understand.

"It wasn't a matter whether the course could be run or not. It wasn't something influenced by others—because everyone was talking the other way.

"Very simply, my personal beliefs led me to the decision."

He said that withdrawal as a candidate will let him concentrate on his Senate work on alcoholism and drug abuse without charges of "political opportunism."

Where did the presidential pursuit start?

Specifically, the 49-year-old Hughes thinks it was the nominating speech he made for Eugene McCarthy at the 1968 national Democratic convention in Chicago.

"It got me some national attention," Hughes said.

"I wish I really knew, though, how it came about. I think you know that ever since I've been in Washington (more than three years now) I've attracted a lot of attention.

"It is hard to believe, but I tried to duck much of it. I declined invitations to appear on national television and tried to stick to being a senator.

"Maybe the very fact that I tried to avoid the attention pushed more of it my way. I don't really know."

Once the presidential push got under way, Hughes acknowledged readily, "I got caught up in it."

"I began wondering about my potential. Wouldn't anyone in my position? Then came the requests to take part in Democratic campaigns in a number of states (in 1970). My travels generated more curiosity."

The next step was the opening of a presidential campaign headquarters for Hughes in the fall of 1970. "I didn't encourage it; I didn't discourage it," said Hughes.

The senator said he was inside the downtown Washington headquarters only once.

"I stopped outside more than once, though," he said smilingly. "Our daughter (Phyllis) was a regular down there. I'd let her out in the morning and pick her up at night."

The pace accelerated in mid-1971.

"It began building so fast that I realized I had to act one way or another or it would be too late," said Hughes.

"The money (for the campaign) was coming in at a constantly increasing tempo and I didn't want it to go on if I decided not to run.

"This is why I made my decision a week ago."

Did he ever have doubts about his ability to perform in the White House?

"I examined myself very carefully and I concluded I could handle the job; otherwise, I couldn't have let it (the unofficial campaign) go on as long as it did.

"I think too much of this nation to run for the presidency if I didn't think I was qualified."

The decision made, Hughes ordered the downtown headquarters to be phased out. "It should close down by September 1; that's when all the letters of thanks should be finished and odds and ends handled.

"We're solvent and should come out about even when the headquarters closes; that's the way I want it to be."

Hughes leaned back. He took a deep breath.

"You know, I feel freer today than I have for a year and a half. I know I'll be able to concentrate on my work in the Senate and, believe me, there's enough of that."

One thing soured his withdrawal from the Democratic race.

The night before making his announcement, he called "eight or nine of my closest associates" into my private office in the new Senate Office Building.

"I wanted them to know my decision and to talk about it," said Hughes.

"The session was what you would expect when several close friends get together to talk about something that is important to all of them."

What Hughes didn't know at the time was that "three reporters were listening to the talk, or as much of it as they could, through a ventilator outside."

The results of what they overheard were made public the next day in a fashion that angered Hughes.

"What they wrote and said sounded as though they had gotten it in an interview" charged Hughes, "yet none of them ever talked to me."

Hughes said he was puzzled by what was written until told of the eavesdropping by a member of Sen. Edmund Muskie's staff.

Some of the material was embarrassing to Hughes because it seemed to damn his friend, Sen. George McGovern of South Dakota, the only announced Democratic candidate for President.

The reports said Hughes called McGovern "a decent guy who would make a pretty decent President." And, supposedly Hughes said "I don't know what you can do about his hair (which is lacking) and his voice."

"The last thing I would want to do is say anything derogatory against any of the men running for the nomination," Hughes said, locking his hands together hard. "I may differ with them on some issues but I respect them all—and most certainly my friend, George McGovern.

"What happened was this.

"We were talking about the remaining candidates and someone asked about George McGovern.

"I said 'he's a helluva decent guy and would make a helluva decent President.' I also said 'he's in it for real and believes in himself,' or words to that effect.

"Then someone asked—'Yes, but what can we do about his hair and his voice?'"

Hughes paused.

"This is where you must remember what this meeting was like. Here we were, several close friends talking seriously and candidly about a man who might become President.

"We were talking privately and trying to look at George McGovern as human beings without any desire to harm anyone.

"So I answered that 'sure, we've all got our problems and George has some with his hair and his voice.' The point is we all have our faults.

"You know very well that my grammar is poor. This is a real fault. I work on it, but it's still a fault."

Hughes shook his head.

"All this talk, supposedly done in private and in an office where I've held classified briefings, comes out as public information.

"Honest discussion becomes what appears to be cynical comments."

Hughes, upon learning of the eavesdropping, talked with McGovern personally the next morning before the stories became public.

"He understands," said Hughes. "I think my colleagues in the Senate do, too."

Has Hughes decided whom to support?

"At the moment, I don't intend to endorse anyone, but I could change my mind.

"I have freed my people to support whomever they want. Each of them is capable of making his own decision."

MANSFIELD PRAISE

Earlier, Sen. Mike Mansfield—the majority leader from Montana—said he had been sorry to see Hughes withdraw from the presidential race but "glad that we will have him fulltime in the Senate."

"Harold Hughes is a remarkable man in many respects," said Mansfield. "He is a sound senator, a man of compassion and integrity. I think he would have been a great President—but that's not to be, at least not now."

Mansfield is relieved in one sense that the Democrats have one less man running for President.

"The field is too crowded in my opinion. These men could turn on one another (in the campaign) and I fear, hurt our party."

CONGRESS: ACCESSORY TO VIETNAM

Mr. GOLDWATER. Mr. President, there are currently pending in both Houses of Congress legislative proposals of a kind which I believe would do immense damage to the security of this Nation and to the cause of world order. These measures are known collectively as the war powers bills. It is my purpose today to expose these bills as being founded upon one enormous misconception of the role played by Congress in the Vietnam arena.

At least five of such proposals are awaiting action in the Senate Foreign Relations Committee, and extensive hearings were concluded on them this week.[1] In fact, the chairman of the committee has served notice of his hope to have a markup on these bills at any day now. Over on the House side, the Foreign Affairs Committee has already ordered one of these measures reported and the full Chamber may be considering it soon.[2]

Mr. President, there are differences in approach and language among these measures, but each of them has one thing in common. Each would seek to tie the President's hands in defending the vital interests of this country and its people. Each would lay down a set of rules which supposedly will govern the situations when the President may or may not use U.S. military forces in protecting America's freedoms. Each in its own way will attempt to specify where, or for how long, or for what reason, the Commander in Chief of our military forces can deploy, transport, or send these forces into action.

Mr. President, I have previously spoken in the Senate on several occasions to explain how these bills would confound our allies, encourage our enemies, upset the long-standing constitutional arrangements between the Executive and Congress, and incite one of the gravest constitutional crises in all of American history.[3]

These are not matters which I shall repeat today. Instead I intend to look underneath one of the basic conceptions stirring up these bills. For unless I am badly mistaken, there is at the bottom of much of the interest in the war powers bills a feeling, an emotional belief that they will restore Congress to its "proper" position in the political heavens and rescue the world from the abyss of nuclear destruction. At the very core of this belief is the oft expressed charge that the Executive has led this Nation blindfolded and solely on his own authority into an ever-widening expansion of the Vietnam conflict.

Well, Mr. President, I want to declare right here and now that this belief is wrong. It is totally and firmly contradicted by the facts of history. It is erroneously founded on a bedrock of pass-the-buckism, convenient forgetfulness, and downright falsehood.

The fact is, Mr. President, Congress is and has been involved up to its ears with the war in Southeast Asia. It has known what has been going on from the start and has given its approval in advance to almost everything that has occurred there. Far from being the innocent dupes of a conspiring Executive, Congress has been wholly involved in the policy decisions concerning Vietnam during the entire span of American commitment there.

One good place to check is with a review of what was said and written by Members of the Senate during conclusion of American action on the SEATO Treaty, a document that was actually signed by two U.S. Senators, including the present majority leader.[4]

For example, the opening page of the 1955 Senate committee report on the SEATO Treaty makes it very clear what is involved. Under the heading "Main Purpose of the Treaty and Protocol," the committee unabashedly threatens American intervention by declaring "the treaty is intended to deter aggression in that area—Southeast Asia—by warning potential aggressors that an open armed attack upon the territory of any of the parties will be regarded by each of them as dangerous to its own peace and safety."[5] If that does not lay down the gauntlet to any Communist schemes of armed aggression in Southeast Asia, I do not know what will.

Put in the perspective of the early 1950's when the Communists were on the run in South Korea and the French were withdrawing from Indochina, the major free world nations and eight Pacific countries were anxious to create a system of collective security against a very immediate danger of continued Communist onslaughts in the area. In fact, the SEATO Treaty was signed at Manila on September 8, 1954, only 49 days after the Geneva accords were signed ending French efforts to combat Communist groups in Indochina.

New Zealand, Australia, Pakistan, the Philippines, and Thailand all joined the pact.[6] Laos, Cambodia, and Vietnam each came under the umbrella of protection which the treaty furnishes by being specifically designated in a protocol which the signatory parties signed on the same date as the treaty.[7]

It was this protocol, as well as the treaty itself, to which the Senate gave its favorable advice and consent when it agreed to the resolution of ratification on the treaty. The Senate committee plainly identified Vietnam as one of the states which could bring into play the obligations of the United States with respect to armed attack, and five out of the six Senators who discussed the treaty prior to the vote on its resolution specifically named Vietnam as one of the territories which, if attacked, would be under the protection of the treaty.[8]

Senator George, the distinguished chairman of the Foreign Relations Committee at that time, made absolutely clear what was expected. In speaking of the determination of the Asian treaty nations to preserve their freedom and independence, Senator George resolutely announced:

> The preservation of that freedom is a primary objective of the treaty.[9]

In the present climate of shocked denials by our liberal friends of the idea that the United States has ever given a commitment to guarantee the right of self-determination for Southeast Asian peoples, it would be well for the Congress and the American public to recall these unequivocal words of Senator George concerning this very purpose. At a time when liberal critics are urging President Nixon to make a total capitulation to enemy demands at the Paris peace talks and thereby leave the free country of Vietnam at the complete mercy of Communist invaders, it would be wise for Congress and the American people to remember just how strong a commitment has been given by our Government to block Communist aggression in Southeast Asia.

Listen to Senator George as he addressed the Senate further on the purpose of the SEATO treaty:

> To the extent that we support the independent governments of Southeast Asia in maintaining their freedom, therefore. we also defend the highest interests of the United States. It is our purpose, Mr. President, to give advance notice to any Communist nation contemplating aggressive action in that area that they will have to reckon with the United States.[10]

In the face of this blunt talk, Mr. President, an observer would have to put blinders over his eyes, ears, and brain in order not to foresee the possibility of an American response with force to meet force against SEATO signatories or territories. I believe the Foreign Relations Committee, the Senate itself, and anyone within reading or listening distance of the Senate proceedings must have clearly understood SEATO was the platform from which the United States was to take countermeasures in case of an armed attack by Communist forces upon any of the parties or territories covered by the treaty.

In order to leave no question in any Senator's mind that the essence of our commitment would extend far beyond the limited purpose of defending American citizens or property in the area, Senator George added:

> Mr. President, the nations of the free world sustained a serious setback in southeast Asia with the loss of northern Vietnam to the Communists. The peril to the southern area, the free territory of Vietnam, as well as to the remaining associated states, Laos and Cambodia, is serious, continuing and unrelenting. It is important that our Government should act promptly to give approval to this treaty as an act of confidence in the determination of other governments in the area to defend their freedom, individual liberty, and independence. We should be proud to join with them in the cause of peace in this instrument of mutual trust and protection.[11]

Senator Smith of New Jersey, who was at Manila when the treaty was signed, sounded his own alert of the use of American military might to halt Communist ingress into the region. He stated:

> The net effect of this provision is to serve notice now and for the future to the Chinese Communists—and, I may say, to any Communists in that area—as the Monroe Doctrine did in the case of the European colonial powers in the early 19th century, that they shall not encroach further on this area of free nations . . . They are no longer free to isolate and absorb the countries of southeast Asia, one by one. Laos or Cambodia or south Vietnam or Thailand cease to be individual entries on their timetable of conquest . . . From now on, any further aggression will set in motion the defense potentialities of eight nations."[12]

But perhaps the strongest indication that Congress was deeply cognizant of

Footnotes at end of article.

the prospects for American military involvement in Asia is found in the concluding words of the Foreign Relations Committee report on the SEATO agreement. These thoughts, which were read into the congressional debate on the pact by Senator Smith, announce:

The committee is not impervious to the risks which this treaty entails. It fully appreciates that acceptance of these additional obligations commits the United States to a course of action over a vast expanse of the Pacific. Yet these risks are consistent with our own highest interests. There are greater hazards in not advising a potential enemy of what he can expect of us, and in failing to disabuse him of assumptions which might lead to a miscalculation of our intentions.[13]

Mr. President, on the basis of this single-minded legislative history, I must agree fully with former Secretary of State Dean Rusk who stated before the Senate Foreign Relations Committee on February 18, 1966:

The far-reaching implications of this commitment were well understood by this committee when it recommended, with only the late Senator Langer dissenting, that the Senate consent to the ratification of the treaty.[14]

The view taken by Secretary Rusk was foreshadowed by Secretary Dulles on November 11, 1954, when he had told the same committee about the treaty:

The language used here . . . makes perfectly clear the determination of our Nation to react to such an armed attack.[15]

Mr. President, I believe it is established beyond any chance of a doubt that there was an obligation to act in the case of armed attack, as distinguished from an obligation to merely consult. The U.S. Senate knew it. The news media knew it. The American people knew it. Contrary to what we hear today from doves who forget to read their history, the legislative branch was amply and regularly informed of the U.S. obligation to meet Communist aggression in Asia.

On top of what has to be the most determined kind of congressional statements possible extolling the American will to act against aggression in the treaty area, consider the following: The nature of the U.S. obligation under the Manila treaty had been explained by Secretary Dulles to the Senate Committee, and then by that committee to the entire Senate, as being equivalent to the pledge of action attached to:

President Monroe's language when he announced in 1923 that any extension of the European system to this hemisphere would be considered by the United States as dangerous to our peace and safety.[16]

Thus, the SEATO treaty was put on a par with the Monroe Doctrine insofar as the type of United States commitment was concerned. And as every American school child knows, the Monroe Doctrine served as the foundation stone from which the United States became involved in numerous military operations designed to combat foreign subversion against the "freedom, independence, and territorial integrity" of countries inside the Western Hemisphere.

In fact, Mr. President, one of these incidents alone involved the engagement of several thousands of U.S. Marines in 150 armed clashes against Communist-backed rebels in Nicaragua during the period from 1926 through 1933. This effort is credited with foiling "the first attempt of communism to infiltrate Latin America." [17]

In like manner, Mr. President, was it not logical to anticipate future American involvement in police actions necessary to repulse outside aggression endangering the independence of nations in the SEATO territory? The Monroe Doctrine is universally recognized as a guarantee of U.S. action against foreign intervention inside the Western Hemisphere. Could there have been any doubt that an identical guarantee, backed by U.S. military strength, was not intended for Southeast Asia as well, when the United States purposefully incorporated President Monroe's very language into the SEATO charter?

There certainly was no doubt in foreign quarters. Overseas observers were entirely aware of the extent of the American commitment. A 1957 Survey of International Affairs issued by the Oxford University Press reported:

The governing fact was that military strength to back SEATO had to come primarily from outside South-East Asia, and almost all of it, moreover, must be expected to come from the U.S.A.[18]

For those intellectuals and skeptics who think not one American soldier can lift his bayonet without a declaration of war, I will mention the Foreign Relations Committee report shows the committee expressly rejected the suggestion that a reservation be attached to the SEATO pact which would prohibit the use of U.S. forces in any defense action unless Congress, by a declaration of war, consented to their use.[19]

The committee accepted the assurance by Secretary Dulles that we would meet any attack in accordance with our constitutional processes. And it is interesting to observe that although Mr. Dulles felt "the normal process would be to act through Congress," he made it clear the President would act on his own authority whenever "the emergency was so great that prompt action was necessary to save a vital interest of the United States." [20]

In other words, Mr. President, the Senate committee not only conceded a declaration of war was unnecessary to trigger an American response under SEATO, but it accepted, without challenge, the contention that circumstances might exist in which the President must act alone without coming to Congress for any kind of prior support.

This is not to say that the Chief Executive has acted by his own authority alone during the course of American participation in Southeast Asia. Quite to the contrary, there is evidence of congressional participation clinging to each step of the way along the path to deeper and deeper involvement by our Nation in the Vietnam struggle.

For example, there is a broad policy enunciation by Congress included in the Foreign Assistance Act of 1963. This statement, which covers both economic and military assistance, reads:

It is the sense of the Congress that assistance authorized by this Act should be extended to or withheld from the government of South Vietnam, in the discretion of the President, to further the objectives of victory in the war against communism and the return to their homeland of Americans involved in that struggle.[21]

Here we have a declaration of purpose by the Congress as early as 1963 proclaiming that American economic and military aid is meant to further the objective of victory over the Communist invaders. Congress knew there was a war going on in Vietnam. Congress knew American money, and even at that early time, American men were committed to that struggle. Clearly Congress endorsed U.S. participation in the effort.

Next we can move to early 1964, when former Secretary of Defense McNamara, after a trip to Saigon in May, brought back recommendations for increases in American assistance, including an increase in the size of the American advisory personnel and a larger air force for South Vietnam. President Johnson requested, and obtained, from Congress an additional $125 million in military aid funds for these purposes.[22]

This brings us forward to the Gulf of Tonkin resolution. Those of us who were here at the time can remember that section 2 of this resolution depended in no way upon the purpose of meeting attacks on our own Armed Forces. Rather this provision was enacted in response to President Johnson's plea to Congress for a declaration of its resolve and support for action to "preserve peace in Southeast Asia in accordance with the obligations of the United States under the Southeast Asia Treaty." [23]

Let me read the actual language of the resolution so that we can see exactly what Congress intended. The provision I refer to reads:

The United States regards as vital to its national interest and to world peace the maintenance of international peace and security in Southeast Asia. Consonant with the Constitution of the United States and the Charter of the United Nations, and in accordance with its obligations under the Southeast Asia Collective Defense Treaty, the United States is, therefore, prepared, as the President determines, to take all necessary steps, including the use of armed forces to assist any member or protocol state of the Southeast Asia Collective Defense Treaty requesting assistance in defense of its freedom.[24]

Mr. President, the intention of Congress is explicit. The Gulf of Tonkin resolution expressly recognizes the U.S. obligation under SEATO. It frankly talks of taking "all necessary steps." It openly points to "the use of armed forces." It specifically mentions the purpose of defending the freedom of any SEATO member or protocol state, with no allusion to limiting such steps to retaliatory measures dependent on attacks against U.S. forces.

The Tonkin Gulf resolution firmly triggers the SEATO machinery. If any supporting legislation was ever required by that treaty, the Tonkin resolution fits

Footnotes at end of article.

the bill. It is as clear an acceptance of and expression of congressional support for carrying out assistance in defense of South Vietnam as one can get.

And as anyone who understands the importance of legislative history in interpreting the purpose of Congress will know, the Senator from Arkansas (Mr. FULBRIGHT) really nailed the lid shut when he engaged in a colloquy with the Senator from Kentucky (Mr. COOPER) during debate on the resolution. For when the Senator from Kentucky addressed a question to the manager of the resolution, Senator FULBRIGHT, and asked whether we are giving the President advance authority to use such force as to lead into war, the Senator from Arkansas answered:

That is the way I would interpret it.

The exact exchange went as follows:

Mr. COOPER. The second section of the resolution goes, as the Senator said, to steps the President might take concerning the parties to the Southeast Asia Collective Defense Treaty and the countries under the protocol—which are, of course, Laos, Cambodia, and South Vietnam. The Senator will remember that the SEATO Treaty, in article IV, provides that in the event an armed attack is made upon a party to the Southeast Asia Collective Defense Treaty, or upon one of the protocol states such as South Vietnam, the parties to the treaty, one of whom is the United States, would then take such action as might be appropriate, after resorting to their constitutional processes. I assume that would mean, in the case of the United States, that Congress would be asked to grant the authority to act.

Does the Senator consider that in enacting this resolution we are satisfying that requirement of article IV of the Southeast Asia Collective Defense Treaty? In other words, are we now giving the President advance authority to take whatever action he may deem necessary respecting South Vietnam and its defense, or with respect to the defense of any other country included in the treaty?

Mr. FULBRIGHT. I think that is correct.

Mr. COOPER. Then, looking ahead, if the President decided that it was necessary to use such force as could lead into war, we will give that authority by this resolution?

Mr. FULBRIGHT. That is the way I would interpret it.[25]

Now, who is fooling whom? Are the liberals and peacemongers being honest with us when they condemn this war as a Presidential war? Or has the Congress time and again been told what is in store and then time and again responded with its approval for the course of events which actually happened in Vietnam?

We do not have to stop with the Gulf of Tonkin resolution. Less than 9 months later President Johnson sent over to Congress an appropriation request specifically and solely related to the war in Vietnam.[26] To be precise, he sought a supplemental appropriation of $700 million to support an increase in the number of troops in South Vietnam.

Once again he expressed in no uncertain terms his policy to defend Vietnam. He reminded the Senate the SEATO treaty "committed us to act to meet aggression against South Vietnam." He told the Congress straight out that less than a year ago it had, "by an almost unanimous vote, said that the United States was ready to take all necessary steps to meet its obligations under that treaty." He then added:

That resolution of the Congress expressed support for the policies of the administration to help the people of South Vietnam against attack . . .[27]

He concluded by expressly informing Congress he would regard a vote for the appropriation as a vote of approval for his administration's Vietnam policy. What did Congress do? It gave the President everything he wanted. The House of Representatives approved the money by a vote of 408 to 7 and the Senate approved it by a vote of 88 to 3.[28]

In August of the same year, following another journey to South Vietnam by Secretary McNamara, the President asked Congress for an extra $1.7 billion in defense appropriations for fiscal 1966. The appropriation act providing these funds was approved unanimously by Congress a month later.[29]

A few months afterwards, on January 19, 1966, President Johnson submitted to Congress a whopping $13.1 billion supplemental appropriations request chiefly to meet the cost of military operations in Southeast Asia. The bills implementing his request became the focus for open hearings by the Senate on the war. In fact, the proceedings were nationally televised.

What happened? Once again Congress resoundingly granted to the President each dollar for waging the war that he had sought.[30]

Also, in 1966, Congress approved an additional $415 million in supplemental appropriations for foreign aid, most of it meant for Vietnam.[31] Before reporting the bill in the Senate, the Foreign Relations Committee specifically rejected, by a vote of 5 to 14, an amendment which stated that a vote for the bill should not be interpreted as approval of any Presidential action in Vietnam.[32]

Does this not indicate that Congress knew what it was doing when it agreed to these funds? Had not United States policy in Vietnam been thoroughly aired and debated in the Halls of Congress? The truth is, Mr. President, Congress had openly placed its stamp of approval on Presidential action in Vietnam on these occasions as it was to do on several others.

We can pick up the trail again in January of 1967 when President Johnson asked Congress for another huge investment in the Vietnam effort. This time he sought $12.3 billion earmarked "for the support of military operations in Southeast Asia." [33] What was the answer from Congress? Once again, it appropriated everything the President had asked for.[34]

Mr. President, there are at least 15 more authorization and appropriation laws I could mention in which Congress has specifically spoken of Vietnam and provided funds for the renewed conduct of that campaign.[35] Each of these laws, together with the nine I have already described plainly show the scope of congressional intent—in this case, a uniform purpose to have American troops fight in support of freedom in Vietnam.

In summary, Mr. President, there just is no basis for the charge, or I might say, the excuse, that Congress did not know about and did not involve itself in United States policy in South Vietnam. The documented record is overflowing with many instances of congressional compliance in and endorsement of American support for the cause of freedom among the peoples of the SEATO region. Without the use of United States economic and military assistance to Vietnam as authorized and appropriated by Congress over a period of two decades, this Nation would have had to pick up its marbles and leave the contest a long, long time ago.

These congressional actions were taken thoughtfully and after a full explanation of all the implications involved. No one can now claim innocence of what he was voting about. In consequence, Mr. President, the Vietnam experience in no way gives cause for hamstringing the President's power of action to defend American interests. The fundamental basis for the war powers bills simply explodes upon close inspection.

These measures rest upon nothing more than the flimsy reed of emotionalism, a callous exploitation of the public's longing for peace and calm. The truth is nearly every one of the politicians and news writers who are hoisting the banner of "no more Vietnams" has known about or has been personally involved in all of the currents of basic national policy with respect to Southeast Asia from the late 1940's to date.

The real truth is, past Presidents and their high Cabinet officials have spent an enormous amount of time working with Congress and trying to get the two branches moving in unison, rather than let an impasse develop. It would be folly to seek to alter this constitutional arrangement by a simple act of Congress. It would be a malicious falsehood to use the tragedy of Vietnam as the fulcrum of a war against the Executive by a Congress which was wholly involved in the policies it now questions.

FOOTNOTES

[1] S.J. Res. 18 (Taft); S.J. Res. 59 (Eagleton); S.J. Res. 95 (Stennis); S. 731 (Javits); and S. 1880 (Bentsen).

[2] H.J. Res. 1, ordered reported favorably to the House on July 21, 1971.

[3] See Cong. Rec., daily editions, April 26, 1971, pp. S 5636–S 5647; May 3, 1971, pp. S 6098–S 6099; May 10, 1971, pp. S 6467–S 6473; and May 18, 1971, pp. S 7195–S 7201.

[4] Report of the Committee on Foreign Relations on the Southeast Asia Collective Defense Treaty, Ex. Rp. No. 1, 84th Cong. 1st Sess., Jan. 25, 1955, p. 3. (Hereinafter referred to as Senate Report on SEATO.)

[5] *Ibid.*, p. 1.

[6] *Ibid.*, see Appendix at p. 16.

[7] *Ibid.*

[8] *Ibid.*, p. 11; and see 101 Cong. Rec. pp. 1051–1052 (Sen. George), 1053 (Sen. Smith of N.J., 1054 (Sen. Mansfield), 1056 (Sen. Wiley), and 1058–1059 (Sen. Langer) (Feb. 1, 1955).

[9] *Ibid.*, p. 1051.

[10] *Ibid.*

[11] *Ibid.*, p. 1052.

[12] *Ibid.*, p. 1053.

[13] *Ibid.*, p. 1054; and see Senate Report on SEATO (*supra*, footnote 4) at p. 15.

[14] Hearings on S. 2793 (Jan. 28–Feb. 18, 1966) by Senate Committee on Foreign Relations, p. 567.

[15] Hearings on SEATO Treaty (Nov. 11, 1954) by Senate Committee on Foreign Relations, Part 1, p. 21.

[16] Senate Report on SEATO (*supra*, footnote 4) at p. 9; and see 101 Cong. Rec. pp. 1051, 1053, and 1055 (Feb. 1, 1955).

[17] Dupuy and Baumer, *The Little Wars of the United States* (1968), p. 168.

[18] Bell, "Survey of International Affairs 1954," p. 81, Oxford University Press (1957).

[19] Senate Report on SEATO (*supra*, footnote 4), at p. 12.

[20] *Ibid.*

[21] Pub. Law 88–205, 77 Stat. 380 (Dec. 16, 1963)

[22] Pub. Law 88–633, 78 Stat. 1009, 1010 (1964 foreign aid authorization), and Pub. Law 88–634, 78 Stat. 1015 (1965 FY foreign aid appropriations).

[23] 110 Cong. Rec. 18132 (Aug. 5, 1964).

[24] Pub. Law 88–408, 78 Stat. 384, section 2.

[25] 110 Cong. Rec. 18409 (Aug. 6, 1964).

[26] 111 Cong. Rec. 9282–9284 (Senate proceedings of May 4, 1965).

[27] *Ibid.*

[28] Pub. Law 89–18, 79 Stat. 109 (May 7, 1965); and see 111 Con. Rec. 9540–9541 (May 5, 1965); and 111 Cong. Rec. 9772 (May 6, 1965).

[29] Pub. Law 89–213, 79 Stat. 863, 872; and see 111 Cong. Rec. pp. 14500–14501 (June 23, 1965), 21734 (Aug. 25, 1965), 24262 (Sept. 17, 1965), and 74573 (Sept. 21, 1965).

[30] Pub. Law 89–367, 80 Stat. 36, 37 (1966 FY military procurement authorization); and Pub. Law 89–374, 80 Stat 78, 82 (1966 supplemental defense appropriation; and see C. Q. Almanac, 1966, p. 153.

[31] Pub. Law 89–371, 80 Stat 74. And see 112 Cong. Rec. 4004–4038 (House proceedings of Feb. 24, 1966), and 5541–5544, 5550–5551, 5555–5563 (Senate proceedings of March 10, 1966).

[32] C. Q. Almanac, 1966, page 395.

[33] Weekly Compilation of Presidential Documents, Jan. 30, 1967, p. 94.

[34] Pub. Law 90–5, 81 Stat. 5, 6 (authorization); and Pub. Law 90–8, 81 Stat. 8 (appropriation); and see C. Q. Almanac, 1967, p. 209.

[35] Pub. Law 89–583, 80 Stat. 795, 801, 802 (1966 foreign aid authorization); Pub. Law 89–687, 80 Stat. 980, 997 (1967 FY DOD appropriations); Pub. Law 89–691, 80 Stat. 1018 (1967 FY foreign aid appropriations); Pub. Law 90–22, 81 Stat. 52, 53 (1968 FY military procurement authorization); Pub. Law 90–96, 81 Stat. 231, 248 (1968 FY DOD appropriations); Pub. Law 90–110, 81 Stat. 279, 301, 302 (1968 FY military construction authorization); Pub. Law 90–392, 82 Stat. 307, 311 (1968 FY, second supplemental appropriations); Pub. Law 90–500, 82 Stat. 849–851 (1969 FY military procurement authorization); Pub. Law 90–580, 82 Stat. 1120, 1136 (1969 FY DOD appropriations); Pub. Law 91–121, 83 Stat. 204–206 (1970 FY military procurement authorization); Pub. Law 91–171, 83 Stat. 469, 486 (1970 FY DOD appropriations); Pub. Law 91–441, 84 Stat. 905, 910 (1971 FY military procurement authorization); Pub. Law 91–652, 84 Stat. 1942 (1971 supplemental foreign aid authorization); Pub. Law 91–668, 84 Stat. 2020, 2029, 2036–2038 (1971 FY DOD appropriations); and Pub. Law 91–672, 84 Stat. 2053, 2054 (1970–71 military sales authorization).

DECORATION OF REPRESENTATIVE SIKES BY THE GOVERNMENT OF PERU

Mr. JACKSON. Mr. President, during a recent visit to Pensacola, Fla., I was present as my good friend and colleague, Representative ROBERT SIKES, was decorated by the Peruvian Ambassador for his role in speeding American assistance to that earthquake-ravaged country in the spring of 1970.

Ambassador Fernando Berckemeyer made the presentation, describing it as "an emblem of a free people."

Mr. President, you will recall that it was Representative SIKES who introduced in Congress the resolution which paved the way for the earthquake assistance. This action was both timely and of great importance to the people of Peru. In Ambassador Berckemeyer's words:

(Representative SIKES) brought tremendous happiness to the people who suffered in our tremendous disaster.

In my judgment, this action, though significant, is only an example of the concern that Congressman SIKES has displayed over the years in maintaining good relations with Latin America. I share the Peruvian Ambassador's view that Congressman SIKES has been instrumental in establishing better relations between the nations of this hemisphere.

It is appropriate that the Congress join Ambassador Berckemeyer in recognizing Representative SIKES' fine efforts for Peru and "all of Latin America."

STRIKES AND THE WELFARE SYSTEMS

Mr. FANNIN. Mr. President, not too long ago it was generally believed that the era of strikes as instruments of bargaining was about over. Everyone involved seemed to agree that this ultimate weapon in manuevering between labor and management simply is too costly for all parties involved—but especially the workers.

But now much of the burden for strikes is being put on the public. Taxpayers are finding that they are involuntarily supporting strikes that are contrary to their own economic good and contrary to the good of the American economy.

Our welfare and unemployment programs were not designed for nor intended for the use of workers who are on strike. By granting benefits under these programs to workers who are voluntarily idle, we upset the entire process of collective bargaining.

The Wall Street Journal on July 20 ran a very good editorial on this subject, and I ask unanimous consent that it be printed in the RECORD.

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

SUBSIDIZING STRIKES

When the Communications Workers of America went on strike against American Telephone & Telegraph Co., the AFL–CIO began rounding up public subsidies for the strikers. Although the telephone dispute yesterday appeared settled, this sort of strike subsidy still survives.

In most states strikers long have been eligible for public welfare payments. As a story in this newspaper noted recently, though, higher benefits and eased eligibility rules have encouraged organized labor increasingly to tap this public source of support for strikes.

No one wants to see anyone starve, whether he's a striker or not. It's true, too, that even the most generous welfare payments won't often let a striker live in the style to which most American workers have been accustomed.

Yet collective bargaining, if it is not to be entirely one-sided, requires that a strike pose the threat of substantial loss to both sides in the dispute. To the extent that the public supplements union strike benefits with welfare payments, the odds are tipped in favor of unions.

The exact result of this tipping cannot be stated. Herbert R. Northrup, director of the industrial research unit of the Wharton School of Finance and Commerce of the University of Pennsylvania, is now making the first comprehensive study of the subject. "We feel this is becoming a significant welfare cost," says Mr. Northrup, "and is having an impact on collective bargaining by making strikes longer and settlements higher."

However modest the welfare payments may be, it should be obvious that a worker will be willing to stay on strike longer if he receives the payments that he will if he doesn't. It also should be obvious that access to welfare can encourage frivolous strikes such as the walkout against AT&T, where the union itself said that only a relatively tiny difference divided the parties.

As a matter of principle, the public is supposed to remain as neutral as possible in labor disputes. Since strikes more and more have become industry-wide and even nationwide (a trend probably encouraged by the welfare aid), the public plainly can't escape their impact. But to force the public to step in on the unions' side with tax-financed subsidies surely distorts the principle beyond all recognition.

Welfare payments, moreover, were originally intended only to help people who couldn't help themselves. The growing troubles of welfare systems around the country stem partly from erosions of this principle, as easier rules and higher benefits have led some citizens to consider welfare a way of life.

Still, it's a large step farther to stretch welfare to cover workers who voluntarily leave their jobs in attempts to compel their employers to pay them higher wages. It's no answer to say, as union officials do, that union members help pay the taxes that finance welfare so why shouldn't they collect? City dwellers help pay the taxes that finance farm subsidies, too, but they certainly don't collect them.

Union officials also claim that criticism of welfare for strikers "is part and parcel of a general attack on the welfare system." Perhaps there are still some people who oppose all welfare, but most of the critics merely claim that the existing system has broken down. One of the many reasons for the breakdown is the sizable and unexpected burden of strike subsidies.

Efforts are being made to devise a more effective and efficient welfare system. It's already evident in some states, however, that one reaction to the subsidy-increased excessive welfare costs is tighter restrictions on payments across the board. Such restrictions may reduce payments to strikers in some cases, but they also will limit the aid that goes to people who really need it.

So subsidies for strikers dim the prospects for workable collective bargaining and welfare systems. That should be reason enough to end them.

THE RAILROAD STRIKE

Mr. TUNNEY. Mr. President, the Nation is currently in the midst of a very serious rail strike. In California and

across the Nation, farmers, consumers, and businessmen—both large and small are all suffering. It is clear that the continuance of this strike will further cripple an already sick economy.

In the past, the collective bargaining system has worked very well in our country. The tremendous economic and social impact of this rail strike puts this system to a severe test—a test which I hope both parties will meet. Labor and mangement each have a duty to sit down and bargain in good faith with an eye toward both the national interest and ending the strike as quickly as possible.

In a free enterprise system the Federal Government should not have to impose a settlement upon the parties in a labor dispute. Labor and management owe it to all the citizens of the United States to bite the bullet and end the strike via mutual agreement.

SUPPORT FOR DRUG ABUSE BILL

Mr. PEARSON. Mr. President, I speak today in support of S. 2097, introduced by the distinguished senior Senator from Illinois (Mr. PERCY).

I feel that Congress must join with the President to attack this Nation's serious drug problem. I am extremely concerned with the reports of drug abuse and I feel that an attack on all facets of the drug problem cannot be delayed any longer. Drug addiction has spread so that it now affects all age groups, social and economic classes, and all areas of the country. All Americans are affected by this sickness in our society.

A most startling fact is that in New York City the greatest single cause of death of adolescents and young adults between 15 and 35 is narcotics addiction. The dangerous drugs of which I am speaking are heroin, amphetamines, barbituates, and hallucinogens such as LSD. The most serious of these drugs is heroin. The National Institute of Mental Health estimates the present total number of heroin addicts in this country at 250,000. However, testimony received by the subcommittee on alcoholism and narcotics says 250,000 is a conservative estimate.

Heroin addicts need $20 to $150 per day to support their habits. Most turn to crime to get the money to pay for heroin. One survey in New York City showed that only 2 percent of the heroin addicts supported their habit through gainful employment. The rest—98 percent—were involved in criminal activity.

Recent surveys in Saigon show there are 30,000 to 40,000 heroin users among American servicemen in Vietnam. Some experts put the number even higher. But all agree that drug use in Vietnam is a critical problem. As these men come back to the United States, the already serious U.S. drug problem is going to be greatly increased. An average habit in Vietnam costs about $5 to $6 per day and the heroin is 98 percent pure. In the United States heroin is in a watered down form and for those servicemen addicted to "Vietnam heroin" their habit in the United States will cost $100 to $200 per day. In addition to the cost, returning servicemen will have to guess as to what amount of U.S. heroin will satisfy their systems and this inevitably will result in numerous overdoses. Thus, not only the number of drug users in the United States increase, but the crime rate and the number of deaths due to overdoses also may rise dramatically.

Heroin is not our only drug problem. An estimated 5 million people are illegally using oral amphetamines and over 4 billion barbituates were produced and consumed in 1969—far more than needed for legitimate reasons.

As the national drug problem has risen so has the problem in my home State of Kansas. Recent surveys show that the number of drug violations in Kansas rose over 100 percent from 1968 to 1969. This statistic is even more alarming when we look at a breakdown of drug arrests by age groups. In the 11- to 12-year-old age group the drug arrests rose 300 percent from 1968 to 1969. In the 13 to 14 group drug arrests rose over 140 percent. The 15-year-olds arrested on drug charges rose 150 percent and the number of 16-year-olds rose over 180 percent.

Because of these problems I am supporting the drug abuse program President Nixon has proposed. I feel it is a step in the right direction. It would establish a Special Action Office on drug abuse and its director, Dr. Jaffe, would have control over all Federal drug programs except those of the Department of Defense and law enforcement branch. Though I support this legislative proposal, I feel improvements could and will be made in it as it moves through the various committees of the Congress. It would be my suggestion that the program be expanded and intensified in various ways to make the bill a more valuable attack on the problem.

Perhaps the most significant feature of this legislation is that it attacks the problem from many angles—educating the public on the dangers of drug abuse, creating programs for prevention, establishing drug treatment programs for those already affected, researching the dangers of certain drugs, researching programs for treating drug addicts, researching drug detection techniques and a more concentrated effort of detection to stop the flow of drugs into the country. Moreover, it would be my suggestion that proper levels of funding be authorized to cure America of this disease.

I would hope our committees would consider expanding this bill to include the drug programs under the Defense Department and the law enforcement branch of Government. We need a highly coordinated governmentwide effort to reach out and treat all those who are afflicted by drug use.

Mr. President, in addition to inaugurating an all-out domestic approach to narcotics, I would also like to see cooperation at the international level. I commend the President for his recent success with Turkey in banning the growth of opium and I support his efforts in gaining cooperation on drug control, especially in Southeast Asia. I hope we can continue to cooperate with those nations who share our concern with the drug problem and I hope we can help those countries not yet concerned with the control of drug traffic in their own countries to understand the suffering caused by drugs.

This is a problem, Mr. President, that affects all humanity. We must step up both our domestic and foreign efforts to control drug addiction. We must approach this problem with understanding and intelligence. Those who use drugs often are sick members of society, not criminals. But above all, we must prevent, as well as treat, drug addiction.

I am pleased, therefore, to indicate by cosponsorship of this measure. I commend Senator PERCY, for his initiative. I urge immediate attention to this critical problem.

AUTOMOBILE INSURANCE REFORM

Mr. STEVENSON. Mr. President, today's Washington Star contains an excellent editorial on the need for quick congressional action to bring about automobile insurance reform for the District of Columbia.

Because I agree wholeheartedly that it is high time that an earnest effort—to get auto insurance reform for the District—was made I am scheduling hearings on S. 2322 and S. 1364 for September 28 and 29, 1971. I hope that this long neglected issue can receive quick yet thorough attention in committee, and that the Senate will pass a District of Columbia no-fault insurance bill before the end of this session.

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

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

"NO FAULT" FOR THE DISTRICT OF COLUMBIA

In state after state, interest in the new concept of "no fault" auto insurance is picking up as the result of spiraling costs and other failures of traditional motorist protection. Now Senator Adlai Stevenson III has produced a variation of that plan for the District of Columbia which he says would give the city the "fairest and most efficient" system in the nation.

Stevenson's bill certainly is among the most ambitious anywhere. As important as the proposal itself, however, is the fact that Stevenson can do something about it. His bill, he says, will be the subject of public hearings before a Senate District subcommittee he heads immediately after the August congressional recess. We welcome both the hearings and the forthcoming debate on "no fault."

The degree to which Washington's auto-insurance mess has been deliberately and systematically ignored by Congress is nothing less than an outrage. This city, among other things, affords responsible citizens no protection whatever against the anguish and the dollar costs of accidents caused by uninsured motorists. It stands alone among the nation's jurisdictions in that regard. While no one is certain, it is thought that at least 35 percent of the District-registered cars now on the streets lack liability coverage—with the numbers of the uninsured growing steadily. Yet, year after year, pleas for legislation to correct this intolerable situation either

have gone unheeded or have been beaten back under private-interest pressures in the House and Senate.

Stevenson's strategy, therefore, and it is eminently sound, is to consider, along with the "no fault" plan, a separate bill to fill the uninsured-motorist gap during the interim period before any "no-fault" legislation could become effective.

The "no-fault" plan, as outlined fully in The Star's news columns, would make coverage mandatory for all motorists, and require insurance companies to make the coverage available to all comers. In the case of accidents between two District cars, hospital, medical and rehabilitation losses would be paid by the victim's own company, regardless of who was at fault in the accident. According to Stevenson, the dollars saved in administrative costs and in avoiding expensive litigation would result in sharp reductions in insurance premiums. The bill, in fact, requires an 18 percent reduction in rates presently charged for bodily injury coverage.

The fight to win enactment of such a measure, or indeed of any insurance reform confined solely to the District, will not be easy, but it is high time that an earnest effort was made. By the time the Stevenson hearings begin in the Senate, furthermore, we hope there are parallel moves in the House.

Important as insurance reform is for the District, passage of the Stevenson bill also would have national implications because it would put Congress on record in favor of "no fault."

ARIZONA BOYS STATE LEGISLATURE TACKLES THE ENVIRONMENT AND THE DRAFT

Mr. GOLDWATER. Mr. President, I have often expressed my view that this generation of young people is the finest generation I have seen in my lifetime. Fresh evidence of the responsible attitudes held by these young persons came across my desk recently when I received two memorials passed by the mock legislature of the Arizona Boys State.

Not only does it say a lot to me that these young Arizonans are interested enough in the orderly procedures of our society to experiment with them and learn about them in actual practice, but I am downright proud of Arizona Boys State for demonstrating a wise sense of selectivity and judgment in choosing the topics of the two resolutions they adopted.

The Arizona Boys State House of Representatives initiated a memorial relating to the channelization of the Gila and Lower Colorado River Basins and the Senate originated a memorial relating to a national volunter armed forces and a draft reserve system.

Of course, we in Congress have worked hard and long on our own version of a military manpower bill, but to my great disappointment we did not move all the way to a volunteer approach. So this issue is still a current one that could be revived in Congress next year and most certainly in 1973.

Both of these subjects, the environmental issue and the draft, deserve the highest attention by Congress, and the entire Nation for that matter; and since the memorials are addressed to the Congress of the United States, I ask unanimous consent that they shall be printed in the RECORD.

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

HOUSE JOINT MEMORIAL 1

To the United States Congress:

Your memorialist respectfully represents:

The channelization of the Gila and Lower Colorado River Basins are in fact spoiling the scenic and useful value of these River Basins.

In this age where our natural resources are rapidly being consumed, the requested ban would save the esthetic value of these two beautiful scenic areas in our state for both humans and wildlife.

Now, wherefore, your memorialist, the Legislature of Arizona Boys State prays:

That the Congress of the United States immediately ban the outdated and destructive channelization practices on the aforementioned river basins, and institute an in depth study before authorizing any future thoughts of channelization projects in the great state of Arizona.

SENATE CONCURRENT MEMORIAL 1

To the Congress of the United States of America:

Your memorialist respectfully represents:

Recognizing that the present United States Military system fails to offer sufficient initiative for men to willingly serve our country and realizing that men volunteering their services for our country would serve it better, a voluntary Armed Forces would benefit the United States of America in her national defense program.

Now, wherefore, your memorialist, the Senate of Arizona Boys State, prays:

That an active national armed forces be run on a volunteer basis. No citizen shall be drafted into the active armed forces unless a state of national emergency exists and/or war is declared by the Congress of the United States.

That the volunteer armed forces receive a salary equitable to the cost of living.

Male citizens between the ages of 18 and 25 shall, however, be subject to draft into a reserve force containing a number sufficient to protect our national security and interest. This force shall resemble the current armed forces reserve system. This reserve shall be trained and readied so that it may be placed on active duty in the case of national emergency and/or a declaration of war declared by the Congress of the United States.

THE FISCAL 1971 BUDGET DEFICIT

Mr. KENNEDY. Mr. President, if any of us had any doubts about the deepening failure of the administration's economic policy, surely they were resolved against the administration yesterday with the announcement that the Federal budget deficit for fiscal year 1971 was an astonishing $23 billion—nearly $5 billion more than the President had estimated as recently as last January, and a far cry indeed from the rosy picture of a $1.3 billion surplus painted by the President when he first submitted the 1971 budget many months ago.

The overriding aspect of this budget deficit—the second highest since World War II—is that it is an obvious symptom of our sick economy. The dominant cause of the budget deficit was the huge shortfall in Federal revenues, a shortfall directly resulting from the economic slowdown engineered by the administration in the course of executing a policy that has thrown the Nation into an economic tailspin, without any perceptible impact on the evil it was supposed to end—the soaring inflation we have endured for so long.

The recent figures tell the story. The signs of our sick economy are everywhere:

Consumer prices for June rose at the annual rate of more than 7 percent, representing as sharp an increase in prices as virtually any we have had since the administration took office.

For a year, unemployment has been hovering at the level of 6 percent, and no one seriously believes that the June dip to 5.6 percent was anything more than a statistical quirk, with a return to 6 percent or more sure to follow.

Interest rates are on the upward march again, and the supposed "correction" on Wall Street after the rapid rise this spring now seems to have settled in for a longer haul.

Settlements in every major labor negotiation in recent months have been rocketing along at the obviously inflationary rate of 10 percent wage increases a year, with management simply passing the costs on to the public in the form of higher prices. Yet, the President sits by as an idle spectator, refusing to exercise his clear-cut authority to walk on stage as the representative of the public interest.

The Nation's international economic plight is equally dismal. The dollar is under its most serious attack in Europe in many years, and 1971 now promises us the worst trade balance in this century.

In light of this record, the weekly optimistic pronouncements by the President's economic advisers cannot stand analysis. At each new piece of bad economic news, we are treated to the spectacle of administration economists looking for good news with a microscope, telling us that every dark cloud has an invisible silver lining. Yesterday's fantastic claim by Secretary Connally and Director Shultz that the enormous deficit for 1971 was somehow a victory for the administration is only the latest example of the administration's misleading economic pronouncements.

One other conclusion is also clear—today, nearly two-thirds of the way through his term, President Nixon has crossed the Rubicon as far as the economy is concerned. No longer can the administration seriously maintain that it is doing the best it can in 1971 with the economy it inherited in 1968. To be sure, the administration inherited a problem of serious inflation, generated by the Vietnam buildup in the late 1960's, but the administration's policies of the past 2 years have only compounded the problem and made it worse.

The darker side of the current policy—the distorted focus on the 1972 election—is equally alarming. No economic expert now believes that we will see a healthy economy by the end of 1972. The most that any expert can see is the "turn around" promised by the administration. And so we have the cynical spectacle of an administration deaf to the cries of the unemployed and consumers gouged by higher prices, fiddling while the econ-

omy burns, calmly calculating that if any stimulus is needed, it should not come today, but later—when the turn around that would be produced would have maximum impact on the election.

The Lockheed loan debate simply drives home the point. The administration is quick to abandon its policy of noninterference with the marketplace when big business is on the ropes. The administration rushes in to bail out a giant corporation on the verge of bankruptcy, but piously refuses to adopt the wage and price review procedures and other steps we ought to take if we are to halt inflation now and bring the whole economy under control at the earliest possible time. How much higher will prices rise, how many thousands more workers will lose their jobs in the months ahead, while the administration postpones the decisions we know must come so that they will have maximum effect in 1972?

To me, the steps we ought to take are clear—they have been proposed time and again by many economists of every political persuasion, and with every passing day and every new statistic, the call for action becomes louder.

To stimulate the economy in the short run, we need immediate fiscal relief for the consumer, of the sort that could be obtained by simply accelerating the modest tax reductions already scheduled to go into effect in 1972 and 1973.

To keep the economy strong over the long haul, we need to reinstate the investment credit for business plant and equipment, abandoning the misguided effort to achieve the same result by the new depreciation guidelines. Economists estimate that the investment credit gives us twice as much bang for the buck in stimulating the economy, and that is the route we ought to take.

And, to break the price-wage spiral, we ought to adopt the sort of responsible policy of voluntary wage and price restraint that numerous high economists in and out of Government, including Arthur Burns, have so eloquently called for over the past 2 years. No one denies that the stabilization review procedure established for the construction industry—in the wake of the President's abortive Davis-Bacon action earlier this year—has worked effectively to moderate the inflationary spiral in construction. Why has the administration allowed that step to become an isolated exercise instead of a precedent for action in other industries where the need is urgent?

Only when we have answers to questions like these, and action by the administration to bring the economy back to life, will the people of America regain the confidence they ought to have in the economic health of the Nation.

ROBERT W. SARNOFF'S ADDRESS BEFORE AMERICAN BAR ASSOCIATION

Mr. SCOTT. Mr. President, I ask unanimous consent that the address by Robert W. Sarnoff, chairman and chief executive officer of RCA before the American Bar Association in London be printed in the RECORD. His discussion of communications is both interesting and informative.

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

ADDRESS BY ROBERT W. SARNOFF

I'm grateful for the opportunity you have given me to experience once again the gracious blend of old and new that is London. As an embattled New Yorker, I freely confess that this is the civilized metropolis we hope to be when we grow up.

London means different things to a visiting American. To the lawyer, it offers renewal at the wellspring of the Common Law on which our American system jurisprudence is based. To the communications man, it demonstrates the compatability of modern technology with history and tradition. The city of Christopher Wren is a hub of world communications. Its most arresting modern structure, architecturally, is the soaring Post Office tower created to transmit television and microwave signals across his island nation.

I wish it were possible to bridge time and change as successfully in the interplay between your profession and mine. But thus far we have failed—both of us.

The fact is that many of the laws, regulatory procedures, legal and commercial agreements that cover most of the world's communications services are relics of the age of Marconi. They are hopelessly ill-adapted to the age of the satellite.

Of all the great enterprises that further civilized progress, communications is the most advanced in technology and the most retarded in law. No encompassing legal framework exists today to permit full utilization by the nations of the world of the benefits of modern communications technology.

One reason is the astonishing dynamism of the technology itself. Progress seems to come in quantum leaps. Our most important communications instruments today are younger than many of our children—and far more precocious.

Within twenty years, we have moved from transistor radios to color TV to electronic computers to communications satellites. In a snap of history's finger, we have achieved what men have dreamed of for countless generations—the ability to reach instantaneously any one in any area of the earth with any form of information—and receive an immediate response. Now we are extending that reach to the vastness of space.

And progress continues to accelerate. The communications satellite is just beginning to demonstrate its versatility. Soon it will provide domestic and regional services of infinite variety. Within this decade, telephone and data traffic and network television will be passing through domestic communications satellites. In their ultimate form, these satellites will become powerful transmitting stations in space, able to provide direct broadcast service to individual receivers in the homes of the world.

In addition, overland transmission employing millimeter waves and lasers will make possible interconnected systems accommodating millions of two-way channels. And international satellites presently on the drawing board will provide ten to twenty times the global wideband channel capacity currently available.

The marriage of computers and wideband communications offers the prospects of a world-wide system of regional data banks accessible through satellite channels to users everywhere. To you, the American lawyer of the 1980's, this could mean the receipt within seconds of electronically printed copies of laws, patents, regulations, or legal precedents from any part of the world.

Through time-sharing on satellite circuits, an entire new range of business and commercial services can be envisaged. A world stock market is one possibility. We might even see the daily double at Belmont paying off in Oslo, Karachi, or Dakar through a global system of Off Track Betting.

New communications services will continue to diversify vigorously, but they will not function as isolated entities. International broadcasting and message traffic, overseas telephone and data transmission, are all facets of a single world-wide pattern of information flow. They perform the same basic function of conveying intelligence over a distance. They use many of the same facilities. They share a finite spectrum of frequencies. They are all parts of one system.

By definition, any workable system must be based on a body of rules or regulations. We in communications have plenty of rules and regulations, both national and regional. Often, however, they are unrelated, or conflict, or are outmoded. Their collective effect has frequently been to impede progress rather than further it.

The virulent form of nationalism that flowered in the 19th century and persists today also undercuts progress. It is already apparent in the planning of national and regional communications satellite systems for the decade ahead. Publicly, statesmen of different nations aspire to a universal agreement governing orbital placement and use. Yet, they show no willingness to defer their systems until such an agreement is reached.

Obsolete concept and rules, as well as lack of agreement, impede progress within as well as among nations.

In the United States, for example, communications are regulated by the Federal Communications Commission under a statutory mandate hopelessly outmoded by current technology. As presently framed, the Communications Act cannot possibly provide the Commission with the regulatory guidance needed for the most complex and fast-changing technology ever known.

On a global basis, wide discrepancies exist among national laws relating to copyright, ownership of material, and offensive or libelous statements. Present copyright conventions were written before satellites enabled unauthorized users to intercept and exploit program material. A non-actionable statement broadcast in one nation may be libelous when received in another.

There is no general agreement on freedom of access to satellite facilities even for material on a non-controversial or technical nature. Without such an accord, the free flow of global communications remains vulnerable to interruption at the whim of any government-controlled facility.

Finally, there is that perennial communications problem—the allocated use of the limited frequency spectrum. Today's satellite frequencies, for example, were allocated in 1968, a date comparable to the horse-and-buggy era in the compressed chronology of the space age. Recent advances in spectrum technology provide new opportunities for a world that can soon be populated by powerful multi-purpose space systems, as well as networking and direct broadcast satellites.

When that occurs, the communications cauldron will really bubble. What frequencies shall be allocated for specific uses? Who shall determine what is broadcast? How can programs be excluded from any country or region—if, indeed, they shoud be? In what way can all countries be assured equal access to the new communications system in order to satisfy their own information and programming needs?

These are complex, sensitive issues, and today we are simply unprepared or unwilling to deal with them. Unfortunately, nothing in past history suggests that we will soon

face up to the issues. My own experience and that of others is illustrative.

Nine years ago, I recommended establishment of a World Broadcasting Union to bring together the broadcasters of all nations in a cooperative move to eliminate the program, legal, and technical barriers hampering the full development of global television. Today, regional broadcasting unions exist nearly everywhere. Yet, with the need even more pressing, the world still lacks a unified organization.

Four years ago, I suggested an international agreement on principles that would assure the orderly introduction of future regional and global communications satellites. This would enable them to be interconnected freely with one another and with all other world-wide facilities.

Last year, I urged a fresh look at the total problem and proposed steps directed toward a global Common Market of Communications that would reject nationalist concerns and foster a world-wide flow of information.

And, two months ago, I spoke of the rise of multinational business as a result of world communications progress. I urged cooperation among nations in setting consistent ground rules to encourage the constructive advance of multinational economic activity everywhere.

A common thread runs through all of these proposals and many related statements from others in business and government. By its very nature, our technology demands a global environment. It cannot function effectively if narrow national perspectives continue to dominate the management of human affairs.

We are already being propelled toward greater economic unity by the rise of regional common markets, the spread of multinational enterprise, and expanding world trade. If we fail to support this trend with appropriate communications, the ramifications will be quickly and dramatically evident. The underdeveloped nations will be deprived of an opportunity to achieve within a decade a degree of economic and social progress that would otherwise take generations. Using a monetary yardstick, the price of failure will be an estimated $500 billion in unrealized world trade volume by 1980.

Carl Sandburg had a favorite story about a soldier of fortune who implored the Sphinx to give him in one sentence the wisdom of the ages. The Sphinx replied: "Don't expect too much."

In communications, I believe that we have failed to expect enough. Our technology confers upon us far greater power than we seem prepared to use.

In this generation, the legal profession has demonstrated its willingness and ability to tackle great issues—civil rights, court congestion, erosion of First Amendment freedoms. As yet it has not concentrated the same attention on communications law. This is most unfortunate.

Therefore, I propose a fresh initiative by the members of the American Bar Association. The first step would be referral of this pressing matter to an appropriate Association committee—either already existing or to be created. It should enlist the cooperation of lawyers everywhere to develop a suitable framework for a system of global communications. Among the steps that I recommend this committee consider are the following:

A general conference of legal specialists from all countries analyze the requirements for a global system, and to form a working group for study and recommendations.

Research by the working group into communications policies and needs, in consultation with specialists in related fields, and with the various agencies now dealing with specific limited problem areas.

A general conference to consider the working group report, and to prepare a statement of global objectives and priorities for submission to the UN and to national governments for their action.

We in communications urgently need this attention. We require a whole new body of law, domestic and global, terrestrial and space, to give direction and cohesion to our technological progress.

I urge the distinguished members of the American Bar Association to give this project your highest priority.

Without such legal guidance, communications will continue on its present erratic course. There will be further technological breakthroughs, further spectacular but uncoordinated demonstrations of new services, further attempts by nations or blocks of nations to seize and exploit each development. As always, communications will be a pawn of power.

In the long run, the people of the world will be the losers. The bold lines of chartmakers, forecasting vast gains in world commerce, will begin to droop. The promise of the new communications technology will remain just that—a promise.

If we truly believe in a constructive destiny for humanity, we cannot permit this. We must bring into full play the reason, discipline and logic of the law. No other acceptable antidote to anarchy has ever been devised.

With the concerted help of the legal profession, I believe the goal of one world of communications is still attainable. Indeed, it is basic to the attainment of man's ultimate goals of lasting peace and progress. Surely the effort is worthwhile.

PAKISTAN NIGHTMARE GOES ON

Mr. PROXMIRE. Mr. President—

He was about 3 years old, and his mother was still in her teens. They sat on ground made muddy by the steady drizzle of the summer rains. The baby's stomach was grotesquely distended, his feet swollen, his arms no thicker than a man's finger. His mother tried to coax him to eat some rice and dried fish. Finally, the baby mouthed the food feebly, wheezed—and died.

That quotation is from a cover article in the August 2 edition of Newsweek magazine entitled "Bengal: The Murder of a People." The article tells the continuing story of the Bengali people—those who survived the massacres committed by the rampaging West Pakistani troops—who are now dying from disease and hunger. It tells of how the political strife in this poor Asian nation has led to the wholesale slaughter of one quarter of a million people and the mass emigration of 6 million more to escape the savagery of government soldiers.

I quote from this article:

Throughout that blood-drenched night and the days that followed, the carnage continued. And the massacres were not limited to Dacca but were carried on throughout the countryside as well. After a desperate visit to his native village on the Indian border, a sobbing Bengali journalist told how the land had been devastated: "I passed through a dozen villages which had been burned and deserted, with bodies everywhere being eaten by the crows. The smell! The horror! I kept praying it would not be like that at my village. But is was. The village was just a mass of charred rubble and corps. My wife and child were missing. There was just one old lady alive and she could no longer talk. She just sat on the ground, shaking and moaning."

It is as though a city the size of Richmond, Va., has been obliterated and the population of New York made homeless.

Mr. President, even though the immediate killing has stopped, thousands are dying each week of cholera, famine, and a host of other deadly sicknesses that are thriving in the makeshift villages populated by the millions of Bengali refugees. The government of India may soon have to return the refugees to Pakistan, unable to afford the cost of the mass welfare operation. If the Pakistanis are returned, the bloodshed may start again.

I quote once more from the Newsweek article:

It seemed a routine enough request. Assembling the young men of the village of Halughat in East Pakistan, a Pakistani Army major informed them that his wounded soldiers urgently needed blood. Would they be donors? The young men lay down on makeshift cots, needles were inserted in their veins—and then slowly the blood was drained from their bodies until they died.

This article and others like it tell of atrocity after atrocity by the Pakistani Army. Those who were lucky enough to successfully elude the West Pakistan Army are now living in refugee camps in India where disease and famine are killing thousands of them a week. A diplomatic cable from Pakistan reads:

Specter of famine hangs over East Pakistan, prospects for averting widespread hunger, suffering and perhaps starvation not repeat not good.

Pakistan will not recover for years to come:

Already, the experts say, the country's economy is a shambles. Since the fighting began, experts have plummeted, the vital jute crops that are Pakistan's biggest foreign exchange earner rot unharvested, and the vast consumer market of the eastern region on which West Pakistan's factories lived has vanished along wtih the refugees and rebels. "Unless something is done," an economist adds, "there is going to be a famine here that will make all prior suffering look like nothing."

I ask unanimous consent that the full text of the Newsweek magazine article from August 2, entitled "Bengal: The Murder of a People" be printed at the conclusion of my remarks.

I ask my colleagues to read the full text of the article. Unfortunately, I cannot print the pictures which show even more vividly the genocide which is occurring at this very moment. I think one line spoken by a Bengali peasant best tells what happened:

My God, My God. Civilized man cannot describe the horror that has been done.

Mr. President, let us ratify the Genocide Treaty.

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

BENGAL: THE MURDER OF A PEOPLE

It seemed a routine enough request. Assembling the young men of the village of Haluaghat in East Pakistan, a Pakistani Army major informed them that his wounded soldiers urgently needed blood. Would they be donors? The young men lay down on makeshift cots, needles were inserted in their

veins—and then slowly the blood was drained from their bodies until they died.

Govinda Chandramandl forgets who told him first, but when he heard that an amnesty had been pledged to all refugees, he immediately set off on the long walk home. With his two teen-age daughters by his side, Chandramandl trudged through monsoon-drenched swamplands and past burned-out villages. When he neared his scrap of land, soldiers stopped him. As he watched in helpless anguish, his daughters were raped—again and again and again.

He was about 3 years old, and his mother was still in her teens. They sat on ground made muddy by the steady drizzle of the summer rains. The baby's stomach was grotesquely distended, his feet swollen, his arm no thicker than a man's finger. His mother tried to coax him to eat some rice and dried fish. Finally, the baby mouthed the food feebly, wheezed—and died.

Few people seem more alien to Americans than do the Pakistanis. When thousands of them perish in various natural disasters that regularly plague their country, the newspaper accounts of their suffering have a curious unreality. And yet today, no one can escape the nightmare vision of Pakistan's civil war: a quarter of a million Bengalis dead, another 6 million or more driven into desperate exile as the result of a deliberate effort to terrorize an entire people. It is as if a city the size of Richmond, Va. had been obliterated and the population of New York made suddenly homeless. Even in a world jaded by war and atrocity, suffering on that scale still comes as a sickening shock.

And there is more to it than that. Far more horrifying than the prospect that Pakistan may destroy itself are the signs that its brutal civil war could spark yet another, wider conflict between Moslem Pakistan and its archenemy, Hindu India. Last week, Pakistan's President Mohammed Yahya Khan angrily declared that if India expands its surreptitious support of Bangla Desh, as the secession Bengal nation is known, "I shall declare a general war—and let the world take note." The world would have to. For should that happen, Pakistan's ally, China, and India's ally, Russia, would be hard-pressed to avoid involvement. And the United States could be faced with the dangerous necessity to choose sides.

Already, the realities of geopolitics have confronted the U.S. with the thankless task of choosing between strategic and humanitarian considerations. Straining to preserve its influence with Yahya's government, yet anxious to help the suffering Bengalis, America has succeeded only in embroiling itself in a bitter controversy (box, page 28). Last week that controversy was intensified when Sen. Edward Kennedy disclosed the contents of confidential messages from U.S. diplomats in Pakistan. "Specter of famine hangs over east Pakistan," read one cable. "Prospects for averting widespread hunger, suffering and perhaps starvation not repeat not good." Kennedy's clear implication was that the Nixon Administration was seeking to cover up the magnitude of the Bengali tragedy. And, not content with that, he went on to intimate that the U.S. had plans to send police teams to East Pakistan to help Yahya's Punjabi soldiers suppress Bengali resistance.

TWO DIVERGENT CULTURES

Such a cold-blooded move, should it ever come to pass, would ensnarl the U.S. in one of the most intractable racial and cultural conflicts of modern times. Physically and politically, Pakistan is unique among the world's nations; between its rugged, relatively empty western region and its desperately over-populated eastern region lie 1,000 miles of Indian territory. And more than space divides the two parts of Pakistan. It is a nation of two radically divergent cultures, of two totally different peoples who have despised each other through history. The lighter-skinned, aggressive Punjabis of West Pakistan scorn the Bengalis of the east as spiritless peasants or tricky tradesmen. And the Bengalis, whose rich rice land and lucrative jute crops have paid Pakistan's bills ever since the founding of the country in 1947, regard the Punjabis as barbarians—and, to make matters worse, oppressive barbarians who have monopolized Pakistan's government and army. Snapped one Bengali leader: "We have never been anything but a colony of the west."

Chafing after decades of subjugation, the Bengalis responded with frenzied enthusiasm when their fiery, leonine hero, Sheikh Mujibur Rahman, led them to the polls last December in Pakistan's first free elections after twelve years of military rule. Spurred on by the flamboyant oratory of Mujib (as his worshipful followers call him), the Bengalis voted in such numbers that Mujib and his Awami League won an absolute majority of seats in the country's new National Assembly. Suddenly it seemed that Bengal's time had come. But as it turned out, Mujib's platform of economic and diplomatic autonomy for the east was too great a threat to be endured by Punjabi leaders. Unwilling to play second fiddle to Mujib, West Pakistan's most popular politician, the left-leaning Zulfikar Ali Bhutto, refused to participate in the new Parliament. And in the end President Yahya abruptly postponed the opening of the assembly indefinitely.

PLANS FOR SLAUGHTER

Within hours of Yahya's decree, Mujib proclaimed a general strike in East Pakistan. To this day, Pakistani officials maintain that Yahya personally appealed to Mujib for a compromise that would heal the nation's wounds. But most observers believe that Yahya had other plans all the while. Weeks before the Yahya-Mujib meeting actually took place, the President and his right-hand man, Lt. Gen. Tikka Khan, were already mapping out plans for Mujib's arrest, the dissolution of the Awami League and the slaughter of Bengali nationalists.

Known as "the bomber of Baluchistan" for his indiscriminate use of air and artillery strikes in crushing a local tribal revolt in 1965, Tikka Khan apparently persuaded Yahya to buy time for the army to build up its strength in Bengal. Accordingly, Yahya made his bid for discussions with Mujib. And while the two leaders talked—and Bengalis as well as the world at large looked for a compromise that might save Pakistan—the army pulled off a logistics coup. Flying the long over-water route around southern India with Boeing 707s commandeered from Pakistan International Airways, the army doubled its troop strength in Bengal to 60,000 men. When Tikka gave the word that all was ready, Yahya flew out of Dacca. And that very night, the bomber of Baluchistan unleashed his troops.

Under instructions to strike brutally on the theory that a savage surprise attack would snuff out resistance quickly, the army obeyed its orders with a vengeance. Tanks crashed through the streets of East Pakistani's capital of Dacca, blasting indiscriminately at men and buildings. With cold ferocity, Punjabi soldiers machine-gunned clusters of citizens, while others set fire to slum hutches throughout the city. Soon, the city was littered with bodies, and the campus of Dacca University—a hotbed of secessionism—was a bloody shambles.

Throughout the blood-drenched night and in the days and weeks that followed, the carnage continued. And the massacres were not limited to Dacca but were carried on throughout the countryside as well. After a desperate visit to his native village on the Indian border, a sobbing Bengali journalist told how the land had been devastated: "I passed through a dozen villages which had been burned and deserted, with bodies everywhere being eaten by crows. The smell! The horror. I kept praying it would not be like that at my village. But it was. The village was just a mass of charred rubble and corpses. My wife and child were missing. There was just one old lady alive and she could no longer talk. She just sat on the ground, shaking and moaning."

With the passing of time, the magnitude of the slaughter has diminished, but there has been no lessening in the brutality of the Pakistani Army. Last week, NEWSWEEK's Loren Jenkins, who was in Dacca the night that Gen. Tikka Khan's troops launched their campaign of murder, cabled the following report on conditions in East Pakistan now:

Four months after the first flush of bloodletting, East Pakistan still lives in fear. But instead of being the cowering, groveling fear that the army sought to instill, it is a sullen fear tinged with quiet defiance and hate. It is a fear based on the appreciation of a very harsh reality, not a fear that marks people of broken spirit. Walking along a Dacca street recently, I met a journalist I had known before. Our eyes met and he nodded, but he appeared embarrassed. Glancing nervously all around, he muttered, "My God, my God. Civilized man cannot describe the horror that has been done." An hour later another friend explained: "We have been ordered not to talk to foreign journalists. We are scared. We live in terror of the midnight knock on the door. So many people have been killed. So many more have disappeared. And more vanish every night."

One who vanished in the night was Mujib, who is now reportedly held in prison in the western garrison town of Mianwali. A hero before, Mujib has now become a martyr. For all his conspicuous faults, he has become the symbol of Bengali patriotism. Yet Yahya, almost boastfully, told a recent visitor, "My generals are pushing for a military trial for Mujib and for his execution. I have agreed and the trial will be held soon." No policy could be more short-sighted or more likely to harden Bengali resistance. As one Western diplomat told me, "Yahya is simply out of his mind. He still doesn't even understand what the army has done. He thinks they can kill off a couple of hundred thousand people, try Mujib for treason, force a return to order and all will be forgotten. This is utter nonsense. These people will not forget."

GUERRILLA RESISTANCE

Indeed, the minds of Bengalis are emblazoned with the memories of these months of terror. Despite the terror, signs of resistance to the army creep up everywhere. In Dacca, street urchins hawking the local papers slip mimeographed communiques from the government-in-exile into the newspapers. On ferry boats in the countryside, where all passengers are under the watchful eyes of the army, strangers sidle up and whisper of massacres or point out areas in the dense Madhupur jungle where the "Mukti Bahini," or Liberation Army, is hiding. All over the country, the resistance is rapidly taking on the earmarks of a classic guerrilla war. And East Pakistan is ideal guerrilla terrain reminiscent of South Vietnam's Mekong Delta—a labyrinth of sunken paddies, jute fields and banana groves.

That the Mukti Bahini are capitalizing on their few assets, is brought home daily. They have cut the key railroad to Dacca from the port of Chittagong and have also severed the parallel road. More than 60 per cent of the interior's food supplies move over those routes and there is virtually no prospect of restoring them until peace is also restored.

The rebels' recent coup in blowing up three power stations in Dacca has underscored the point that no city or village is safe from their campaign to bring the economy to a halt. Most important, however, is the fact that the rebels now seem to be winning what every guerrilla needs—the support of the populace. Two months ago, villagers in Noakhali province pleaded with the Mukti Bahini not to blow up a bridge because it would bring army retaliation. Last week, those same villagers sought out the guerrillas and asked them to destroy the bridge.

To be sure, the guerrillas are no match for the federal army. While they have rallied some 20,000 Bengali fighters to their cause (and expect another 10,000 recruits to join them next month after clandestine training in India), the inadequately armed rebels still face 60,000 well-equipped professional soldiers. And despite its covert aid, India has cautiously hesitated to recognize the Bangla Desh government-in-exile. One reason for this restraint is the genuine and costly problem the New Delhi government faces in caring for the 6 million Bengali refugees now in India. Newsweek's Tony Clifton, who has reported the anguish of the refugees since the beginning of Pakistan's civil war, filed this report last week from Calcutta:

The strain on India has become almost unbearable. The refugees are still swarming across the border in hordes ranging as high as 40,000 a day, and as P. N. Luthra, the former Indian Army officer in charge of the refugee program, told me, "I'm now responsible for the care of a small country." It is costing India $3 million a day to feed, clothe, house and provide vital medicine for the Bengalis, a financial drain that is crippling to the already marginal Indian economy. Worse yet, lack of available funds has meant a shortage of virtually everything in the refugee camps—and the inevitable result has been suffering, disease and death. To Luthra, the only conceivable resolution of the tragedy is for the world to put the utmost pressure on Pakistan to stop the carnage so the Bengalis will feel safe in going home.

Yet for all their suffering, the Bengalis themselves maintain their stoicism. It is the monsoon season in India, but the monsoon here is not like the great monsoons of Hollywood. Instead of roaring and thundering, the rain falls softly and steadily, dribbling through the canvas tents to soak the refugees, turn earth floors to mud and flood inadequate drains. But the refugees stand patiently, calf deep in stagnant water, eager to tell me their stories so I can tell others. I collect a notebook of horror—rape and murder and kidnaping. They tell me how they saw their children stabbed, their husbands or brothers executed, their wives collapse with fatigue or sickness. The stories are all new, and all the same. And I remember Luthra's plaintive question, "How can we think the human race is evolving to a higher level when it lets this go on?"

As the military repression and the guerilla sabotage goes on, it poses an ever increasing threat to the future of Pakistan itself. Already, experts say, the country's economy is a shambles. Since the fighting began, exports have plummeted, the vital jute crops that are Pakistan's biggest foreign exchange earner rot unharvested, and the vast consumer market of the eastern region on which West Pakistan's factories lived has vanished along with the refugees and rebels. "In short, Yahya's government faces the genuine danger of bankruptcy," warns a Western economist in Dacca. Equally genuine is the danger of mass starvation. "Unless something is done soon," the same economist adds, "there is going to be a famine here that will make all the prior suffering look like nothing." But in the end, the greatest threat to Pakistan is the flaring hatreds that Yahya's army has spawned. "Pakistan died in March," says a Karachi editor. "The only way this land can be held together is by the bayonet and the torch. But that is not unity, that is slavery. There can never be one nation in the future, only two enemies."

THREAT OF WAR

The area already has enemies enough. In recent weeks, Islamabad and New Delhi have traded insults and accusations at a dizzying rate and there is a real possibility that angry words may escalate into war. Indeed, some Indians even claim to see an economic motive for going to war; according to the Institute for Strategic Studies in New Delhi, it would be cheaper for India to fight Pakistan than to continue to care for millions of Bengali refugees. "It hasn't come to that yet," sighed one U.S. official last week. "But India has considered a military thrust, apparently very seriously." And Pakistan too has weighed the use of force against its neighbor in retaliation for India's support of the Mukti Bahini.

The gravest danger from any such hostilities is the possibility that Communist China and Russia would become involved. Chinese Premier Chou En-lai has denounced "Indian expansionists" and has promised Yahya that Peking would support the Pakistanis "in their just struggle to safeguard their state sovereignty." And Chou could handily translate his pledge into action—by ordering Chinese troops stationed along the Indian border to provoke skirmishes, or by infiltrating "advisers" to reinforce the Pakistani Army. "Pakistan has some promises from Peking to take military action of its own should war begin," warns a U.S. diplomat, "and India is trying to extract some counterbalancing promise of military aid from Russia. That could lead to catastrophe."

AN AGONIZING CHOICE

Any such involvement by the two Communist superpowers would confront the United States with a cruel dilemma. Pakistan, despite the undeniable brutality of its policy toward the Bengalis, is a long-standing American ally and a country that the U.S. is desperately trying to keep out of Peking's sphere of influence. At the same time, India is Asia's biggest nation with a democratic tradition, dating back to Gandhi and Nehru, and, as such, occupies a special position in the U.S. portfolio of friendly nations. To choose between the two would be agonizing. One U.S. analyst of foreign affairs, drafting a scenario for U.S. actions should a subcontinent war break out, remarked: "Our first move obviously would be to try to play the peacemaker, much as Russia did at Tashkent in 1966 during the last Indo-Pakistani war. If that failed, the U.S. might be able to sit it out, so long as Russia and China were involved only as suppliers of the two combatants. But if they got directly engaged, it would then be almost impossible for Washington to remain aloof. We would have to gamble on one side or the other, give them at least the logistical aid they needed and hope we had chosen the winner."

Rhetoric and contingency plans aside, none of the world's three great powers wants to embroil itself militarily in the Indian subcontinent. But that does not rule out the possibility that they could become involved against their will. In the meantime, the future of Pakistan and, possibly, the lives of millions of other Asians, depend on Yahya Khan. And at the moment the Pakistani President remains determined not to relent—ignoring the fact that he may be creating out of nationalist guerrillas the core of a potential Communist insurgency. "The tragedy of Pakistan really is that Yahya is oblivious to what he is doing, oblivious to the cost of his actions," a diplomat in Islamabad remarked somberly last week. "There is only one man alive who could save Pakistan now, and that is Mujib. Yahya vows that Mujib must die. But the day he hangs by the neck, Pakistan will hang with him."

ADDRESS BY HON. ROBERT C. HILL, AMBASSADOR TO SPAIN

Mr. COTTON. Mr. President, recently a distinguished fellow New Hampsherite and personal friend, the Honorable Robert C. Hill, U.S. Ambassador to Spain, delivered the commencement address to Nichols College, in Dudley, Mass. Although his remarks were directed primarily to the under-30 generation, a careful reading of them shows that they are also a timely challenge to those members of our society who have passed 30 and who, to use the Ambassador's words, "have ceased to give serious consideration to the problems of our times." Therefore, I ask unanimous consent that his presentation be printed in the RECORD.

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

REMARKS BY THE HON. ROBERT C. HILL, U.S. AMBASSADOR TO SPAIN, AT THE COMMENCEMENT EXERCISES OF NICHOLS COLLEGE, DUDLEY, MASS.

Members of the Class of 1971: I was very pleased to be invited here today, since this assembly is a combination of the time, the place and the people I like best.

The place is New England, the time is spring, and you young Americans, are in the springtime of your lives.

Only a few years ago, this gathering would have been something in the nature of a pleasant garden party where perennial flowers framed the appearance of the perennial platitudes.

But time changes things, and the tides have changed, and the direction we take will depend much on you.

Your generation is the cutting edge of the force for change and, at the same time, you are the people who will inherit the results.

It is therefore important for you—above all—to make sure that what happens is for the better and not merely a different road for its own sake or for the sake of being in fashion.

I know that to many of you the standard commencement speech made by a visiting stranger to your campus can be a trying experience. But today in returning to the academic environment I have tried to see the world both from my perspective of representing the United States abroad and yours on the America that you must live with.

I have the privilege of serving as the United States Ambassador in Spain, a nation whose ties with America have deep historical roots and from my vantage point in the old world I hope I have gained some perspective on the events that are occurring here in the new world.

In historical terms the United States of America after it gained its independence became a threat to the old established institutions of Europe. We were a revolutionary society and our country was a bastion of revolutionary ideas in the world. Now nearly 200 years after that revolution many observers feel we are entering a period of equally great change. I have read the "Greening of America" by Charles Reich and his theory that a new consciousness is forming in the youth of America which will bring about a new society. Interestingly enough Europeans, such as the French writer Michel Drancourt have arrived at a similar conclusion as a result of visits here. It is obvious that something important is happening in our nation.

Every change no matter how radical is a flower of the past and grows on the compost of history. I understand that a writer who greatly influences young Americans today is Herbert Marcuse. While I disagree with most of his analysis of our society, his ideas too are the result of those which have gone before. He is not a product of the second half of the 20th century so much as one who has processed ideas from an earlier period, added to them his own spark and will now in turn influence succeeding generations.

The generation gap seen in this perspective becomes a matter of style and not of substance. Substance changes slowly and with the contributions of many over the years while style is ephemeral and will pass perhaps to reappear again but without significant importance. What will last will be the ideas and the concrete accomplishments that your generation builds on the foundations that have been given to you.

As I read the writings of you young Americans and the analyses of them being done by your elders I seem to hear a cry to respect deep values of human dignity and individual liberty. These are of course, the ideas which originally started this nation and were considered such a challenge to the establishment in their time.

Institutions, unfortunately, often kill the very ideals on which they are based. It is now a very well worn theory that only a thorough going revolution which destroys the old institutions can bring about renewal. A far more hopeful idea would be successful change of a society without the violence and injustice which have been the result of every social revolution in history.

You and your peers graduating from hundreds of institutions across the country are setting high objectives for our country. You are not alone. There are many who do not lose their vision with age and are your friends in this work. You are a generation that longs for an ecological balance which many of you have never known. I come from a generation which to a certain degree is guilty of the desecration which you deplore but still we can remember an America that was once in balance. I love New Hampshire with its White Mountains and fresh air. I want it to stay that way. There is no generation gap in this battle, only ignorance.

To some it has become a cliché to say that the Bill of Rights was so radical a document that it wouldn't be passed today. I won't argue that point, but the Bill of Rights does exist. It is the foundation of our freedoms and permits the protest and dissent which challenge so many of the institutions which have always seemed a part of our nation. It is these institutions which are causing many of us to re-examine the values of society. The essence of these guarantees, however, is not only respect for our own rights to our own ideas but an equal respect for the rights and ideas of others.

In the next elections of 1972 over 25,000,000 new voters age 18 and above will be added to the roles. If the objectives of our nation are to be changed then these young Americans must participate and if they do participate they will be a crucial element in deciding what our future will be. You are not powerless to bring about change if you do it in ways that do not bring about anarchy.

Community and commune are words which I note are a part of the language of today but no community works with violent disruption whether it be at the level of the extended family or at a more complex level of societal organization.

Decisions must be made in an atmosphere of compromise. Now the word compromise has too often had a disparaging meaning but nothing is accomplished in any system without a certain amount of give and take between competing interest groups. Successful political leaders have realized this throughout history regardless of the system under which they worked.

Any society which respects differing views and allows them to co-exist is of course a society of compromise as well as freedom. Every one of us here today has a slightly different view of the direction our nation should take. If any one of us had the dictatorial power to impose his own view, the rest would be the losers. The vision of the world that I have was shaped by the events through which our nation passed in the 30's with great depression and in the 1940's with the great war. Perhaps the solutions which my generation offers are in some ways more suited to those times, but you too will share a conventional wisdom when you have taken over the positions of power in our society. Your wisdom unless you are very careful will be more suited to the problems you face today, Viet Nam, an economy with difficulties, new life styles and new terms of familial relationships, the environment and our very survival in the face of increasing pollution. But these will not be the problems that you will have to solve when you are national leaders. Those problems we do not yet see, and the best that we could hope for is that you will have the flexibility of mind and spirit to understand those new problems and deal with them creatively in cooperation with the generation which will be challenging your position.

One of the great philosophers of our time, Erich Hoffer, described in the book the "True Believer" the kind of mind that becomes intoxicated with causes. At the time that he wrote his book, fascism was the preoccupation of the world. His analysis of the emotional reasons for which people join causes however remains equally valid. We must be careful not to allow an emptiness in our lives to become the vacuum which is filled by an obsessive attachment to causes.

There are causes which are just and necessary and we should pursue them with enthusiasm and honesty, but they should not become an escape mechanism from the serious responsibilities of life. A number of the causes that have preoccupied our nation in recent years are serious causes and I respect those who are involved in them. However, the irresponsible attacks that some have made on the basic institutions of our nation is a serious challenge which can't be ignored.

The law is frequently perverted but it does exist to serve us all and there fortunately exist democratic processes in our system of government for peaceful change. Without general respect for the law we would be helpless.

I hope that everyone of you here today will devote some portion of his life to the challenge of a better society.

Our laws can be improved.

Our schools can be improved.

The opportunity afforded every American to better himself and his family can be improved.

But this can only be done in one way. Each of us must set aside some portion of his life to achieve these ends. It isn't enough any longer that people with political ambition give serious and sometimes not so serious, thought to the problems of our time. The essence of a functioning democracy is that every citizen participate.

In some respects it is a bit absurd for me to be telling this to you for perhaps no other generation in our nation's history has participated as energetically as yours in an attempt to make changes in our nation's policies. But it is not enough to do this in your spare time while at school. You must continue this commitment throughout your life. Don't allow the preoccupation with making a living, and raising a family become so all encompassing that you don't leave some time for thought and action in the public sector.

I know it is popular to think that you should not trust anyone over 30. Perhaps the truth in this is that too many people in our society who have passed 30 have ceased to give serious consideration to the problems of our time. If you are really committed to a world that is better than the one that you are entering, then don't allow this to happen to you.

One of the oldest working democracies in the world is in Switzerland. There are still communities where each year the citizens gather in the town square and discuss the issues and then vote on them. We have obviously become far too complex a society to permit us that luxury, but you can still study the issues and take part in various community activities.

Make ours a participatory democracy.

At the heart of all these questions is communication. Perhaps the commonest complaint that is heard by psychiatrists in today's modern society is that people are not understood. Our cities claim their needs are not heeded at the state and national level. Minority groups feel they are out of touch with the majority. Young feel alienated from the old, parents from their children. Somehow there has been a breakdown in communication. But understanding is a two-way street. It can't only be the old that understand the young but the young must also understand the old. They must understand why things are the way they are before they are able to propose solutions and projects for the way things should be.

I believe it vitally important that somehow, as Senator Margaret Chase Smith has said, "We must unite mature counsel with young ideas. Everyone of us, old and young alike" she added, "must start being civil, communicative and credible."

For my part, I give credence to the idea that without dissent the creative urge may indeed wither and die. I do not think it a political sin to discuss our weaknesses and admit our past mistakes and then profit from them in shaping a better way of life for all our citizens.

Certainly, this is one of the most important of democratic virtues.

Man has lived too long now with the threat of total destruction to be a coward when faced with the simpler tasks of change and adjustment to make a malfunctioning society run more smoothly. All of you who are graduating today were born into a world where the atomic bomb is a reality. You have slowly become aware that other evils less dramatic but equally deadly face modern man. You have not given up with the prospect of atomic disaster. Do not despair then with the more soluble problems of urban decay, racial tension and the divisions of foreign involvement. But you must also not become indifferent to these challenges.

One thing is certain. When you are my age America will look far different than it does today. Whether better or worse will be primarily your responsibility. In fact, man's survival may very well be in the hands of your generation.

I hope you will do the job well and courageously. A revolution will be achieved. Make it one you can be proud of.

Good luck!

VIETNAM

Mr. FULBRIGHT. Mr. President, Mr. Fagan Dickson, one of the leading attorneys of Austin, Tex., has written a most perspective article entitled "The Lesson of Vietnam," published in the

Highlander of Marble Falls, Tex., on July 15. He has expressed the essence of the problem so well that I think it is worthy of the attention of my colleagues in the Senate, and I ask unanimous consent that it be printed in the RECORD.

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

THE LESSON OF VIETNAM

(By Fagan Dickson)

During my short-lived campaign for Congress (February 5, 1968 to April 3, 1968) when I ran on the sole platform of, "Bring Lyndon Home," a supporter asked me at a public meeting what my response was to some of the things President Johnson and Secretary Rusk had been saying about the threat to our national security of Communism in Vietnam, the anology between the 1938 Munich Pact and a coalition government in South Vietnam, the threat of the Yellow Peril and the fear that if we did not defeat 'em over there, they would be coming over here to invade us and the charges of disloyalty against those who expressed disagreement with the government's policy.

I responded with the statement, "I reject it." Not until then did I fully realize the tremendous impact involved in the repudiation of a foreign policy of twenty years standing on which so much had been expended in lives, resources and moral commitment.

I had never doubted for a minute that President Johnson inherited the policy and that he was doing his dead level best to implement it. He was sincere. What worried me most of all was that in his numerous pronouncements on the war, President Johnson would invariably say that what he was doing was, after all, "right."

In July, 1971 issue of Foreign Affairs, General Matthew B. Ridgway has an article entitled, "Indochina: Disengaging." In it, General Ridgway says, "You cannot kill an idea with a bullet and bomb."

On April 6, 1967, I wrote an article entitled, "Thoughts on Vietnam." This was written for and hand delivered to President Johnson. In it, I said, "Rather than launch our nation in a world wide crusade in defense of an ideology, on which we are not united, I would think that the best way to overcome Communism is not with bullets, but with a better idea." It takes some theological reflection to understand the significance of these statements. Without such understanding, however, I do not believe that Vietnam has any lesson for us as a people. Unless we acknowledge not only that Vietnam was a mistake but also, why it was a mistake, the terrible tragedy will have been in vain.

We are not being defeated by a superior force and the answer to our dilemma is not the use of more force. We have made a monstrous miscalculation of the degree of commitment of other peoples on the other side of the world to their philosophy and way of life and their sense of national purpose and integrity. What we have done is to assume the universal validity of our own ideology and to attempt with missionary zeal to impose it by force of arms against another race of people with a different culture than our own.

Since the era of Senator Joe McCarthy in the early 1950's, this nation has had a hysteria about Communism. The leaders who pushed us further and further into the quagmire of Vietnam were political messiahs. Starting with Francis Cardinal Spellman and John Foster Dulles and on down through Generals Maxwell Taylor and William C. Westmoreland, Ambassadors Henry Cabot Lodge and Ellsworth Bunker, Walt Whitman Rostow and Dean Rusk, the men who supported our foreign policy against Communism were the "true believers."

"Fervent in his beliefs and relentless in their execution, admitting of neither doubt nor dissension, and devoid of compassion and humor, the 'true believer' makes war in the name of peace and commits murder in the name of human happiness, and does so with a pristine conscience, a conscience made pure by fervent conviction." (Senator J. Wm. Fulbright, 1965)

President Johnson, however, had a further consideration. He had seen President Truman maligned and the Democratic Party denounced because China had gone Communist. President Johnson obviously did not want to repeat these mistakes by permitting Indochina to go Communist during his administration.

There is a reason for this traumatic reaction to Communism. Communism is a Christian heresy. It is an anti-Christ philosophy. Now, when I was a boy, we put our nickles and dimes in the Sunday School collection to help send missionaries to convert "heathens" in Asia. We didn't dislike them—we just wanted to save them. But when Russia, a Christian nation, threw out Christianity in 1917 along with the government of the Czars and adopted Communism, we refused to recognize it as a nation for 16 years. When China became a Communist nation in 1949, we rejected her as a nation and have not yet recognized her.

The disclosure by the Houston Chronicle on July 6, 1971, that part of the doctrine of "massive retaliation" enunciated by Secretary of State John Foster Dulles, called for the use of nuclear bombs against China in the event the United States became involved in a nuclear war with the Soviet Union, shows the extremes of our paranoia. Only this kind of irrational thinking can explain the deceit and inhumanity in the conduct of otherwise honorable men, as disclosed by the Pentagon Papers.

On May 2, 1965, President Johnson broadcast from the White House a statement of the purposes of the United States intervention in the Dominican Republic. In this statement, he said "The American nations cannot, must not and will not permit the establishment of another Communist government in the Western Hemisphere" . . . "This is and this will be the common action and the common purpose of the democratic forces of the hemisphere. For the danger is also a common danger, and the principles are common principles." This declaration was hailed at the time as the "Johnson Doctrine."

In the same article referred to above (Texas Observer, 11/10/67, page 9), I said, "One might speculate on the excuses Secretary Rusk will give for intervention when some friendly nation like Chile adopts Communism by a majority vote in a democratic election, without the help of Castro's revolutionaries."

Russian intervention in Czechoslovakia in August, 1968, caused immediate and hostile reactions toward Russia throughout the world. The Russian policy which prompted this invasion was articulated by Leonid Brezhnev, Secretary of the Soviet Communist Party, in a Pravda article which was hailed as the Brezhnev doctrine. It proclaims that Communist-ruled states enjoy neither genuine sovereignty nor genuine rights of territorial integrity, that the Soviet Union can at any time send troops into any such states to preserve the Communist rule. "This means that each Communist Party is responsible not only to its own people, but also to all the Socialist countries, to the entire Communist movement," in the words of the Pravda article.

The kind of military intervention called for by these statements of national policy by the United States and Russia are not traditional wars against another nation or a people. These statements seek to justify wars against an ideology or what the world would have called in earlier times, "religious wars."

There is no possible way that Russia and the United States can co-exist in this world if the leaders in each country are "true believers" and continue to pursue these irreconcilable philosophies as national policy. In this age of nuclear power the world cannot survive a war between the super-powers. There is basically no difference in principle between the Johnson doctrine and the Brezhnev doctrine. The Johnson doctrine applies by its terms to the Western Hemisphere and the Brezhnev doctrine to Socialist countries in the Communist block. But almost immediately, President Johnson began to extend the Johnson doctrine of freedom and self-determination to Vietnam and in May of this year, a new Soviet-Egyptian pact has been concluded, which many western observers think extends the Brezhnev doctrine to Egypt.

Russia and the United States are guilty of forcing their concepts of a better life on their neighbors through military means. Both doctrines make a claim of universal validity for their respective ideologies and each nation claims the right to intervene in client nations in order to prevent any deviation from the true faith. It has been suggested that our experience in Vietnam and the awful reckoning which will inevitably ensue will result in such an awakening in this country that we will take the lead in denouncing war as inappropriate in this nuclear age as a way of resolving conflicts between nations.

Instead, this nation will set itself as an example for other nations and rely on moral suasion and a re-education of our own people about Communism. The Communist nations will also have to come to this understanding. The objective of both nations as well as China should be to try to learn to co-exist with the other side, not how to destroy the other side. There is no hope for a peaceful world until it is universally recognized that the proper role of ideology is as a guide but not the master of national policy.

This is the lesson of Vietnam.

MEMORIAL DAY LETTER BY EMILY MILLER SMITH

Mr. BROCK. Mr. President, each year Emily Miller Smith writes a Memorial Day letter to her son who was killed in action almost 27 years ago in France.

Her words are a treasure to me, as I hope they will be to the Senate. Even more, the dedication to the Nation and its basic values expressed in her daily life represent the most equisite memorial a son could hope for.

I commend this article as a moving reflection on the Nation and the blessing shared by those who live in and share its spiritual wealth. I ask unanimous consent that it be printed in the RECORD.

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

WHEN A STRONG NATION IS SPUN BY CHANGE

(By Emily Miller Smith)

(NOTE.—As has been her custom for many Memorial Days, Emily Miller (Mrs. George Blackwell) Smith has set to paper her observations on an America for which her son gave his life in combat more than 25 years ago.)

MEMORIAL DAY 1971

My Dear Young Soldier:

This is Memorial Day 1971. Here on earth, my forever young son, the years of mortal life rush by. Once more, using my longtime customary form of a Memorial Day letter to you, I offer most heartfelt tribute to my beloved country's heroic war dead. On Oct. 8, 1944 on a battlefield in France you joined that noble and mighty legion. And since then—oh, bitter, fact!—the names of thousands and thousands of other fine young Americans have been and are being added to the roster of America's heroic war dead. But the United States of America lives on. Thanks very largely to the patriotism and unselfishness of those willing to give their lives in battle for our country, the flag of the United States, the emblem of her greatness, still flies free and untarnished above heads.

Many, many things changed, my son, since you departed this mortal life. But one thing most certainly has not changed. Our flag, the flag you loved, continues to wave over the greatest nation ever to exist on this revolving planet we call the earth. The flag today is flying over a nation beset, as is quite usual in our history, by angry and unyielding differences of opinion among great patriots and devoted citizens, public and private, young and old. But very dangerously the nation is also beset today from other sources by apparently definite anarchical intentions to disrupt the government of the United States, to insult her flag, to defy her laws, to jeer at her beliefs, in short to wreck this great republic and everything for which she stands.

Here, my dear young son, in the country you and your comrades died to save we have certainly had another year of tremendous change, mostly incredibly good, but partly extremely bad. We have had 12 months of increasing contempt for law and order, and for the carefully arrived at conclusions and policies of the officials duly elected by American voters to govern this democracy according to American constitutional law. Yet we have seen a few of our highly trained youths join the mob ranks of the pitifully ignorant and the deliberately vicious. We have also seen—and are seeing—small groups of our young people accepting the leadership and the tyranny of those enslaved in thought and action by the plans and the goals of dictatorships which are entirely foreign to us not only in location but in concept and in implementation.

In this year of Our Lord 1971, one of the saddest facts facing the United States, my dear, dear son, is our continuing embroilment in Asia. At present many Americans have the futility of that ghastly mistake angrily in mind. And surely our participation in the Vietnam war must wring the heart and try the soul of every American worthy the name. It is really very clear to us now that we blundered into that catastrophe activated entirely by our starry-eyed ideals and not by the realities of common sense. But we believed in peace and freedom and we still do. Most reverently I say, thank God we still do!

Most definitely this nation has never owed a bigger debt of gratitude to her fighting men than she does today to our troops serving, or having served, in Vietnam. Nevertheless for our own national safety and particularly for the protection of our troops still in Vietnam we simply must not blunder again in a too hasty or ill-advised withdrawal.

I stress again, my son, that our country at present is very different from what it was when you and your comrades of the Second World War answered the call of your homeland's need. For one thing we appear to be losing individuality out of American life, and the individual—throughout our history—has been one of the greatest contributors to the thought and success of the United States. But the overwhelming trend now in our national life is toward complete consolidation in every phase of our living ranging from business and industry to population and education. Even the seclusion of small towns and outlying countryside appears doomed.

Our present trends are due very largely to the virtual elimination of distance brought about by our marvelous advances in communication, transportation, etc. Our scientists are a constantly laboring and contributing factor in new findings and development. Americans dash from one corner of the earth to another in quick travel, and are surprised greatly but only momentarily by each new discovery for the comfort and betterment of all mankind. The last incredibly perfect trip of our astronauts to the moon was accepted at home as just another routine accomplishment. But in spite of all the advancement in our national life we have two bad health problems today. Reportedly incurably and quickly addictive drugs are being slipped into our country and are menacing the future of many young people.

Also, our advancing civilization—with its rapid increase in population, in machinery, in the indiscriminate use of chemicals, in the destruction of trees everywhere including whole forests—has brought us the frightful hazard of air and water pollution.

The flag of the United States of America, my dear young soldier, still waves over us. The flag is not an idol to be worshipped, but it does deserve honor and thoughtful respect for it is the symbol of all this greatest of nations has been and hopes to be. Our past history is mirrored in the flag, the white still proclaims the unblemished purity of American ideal, the blue represents the truth for which we strive in all things, and the red stripes bespeak the courage of Americans, and they glow always with the blood of fallen heroes. The long battle over state rights which began with the nation finally ended in the absolute indivisibility of the Union, but the stars in our flag represent the states and their continuing service to our whole country.

Under our flag every American worthy of the name is working to hasten the day when every citizen, regardless of race, creed or color, will be educated and trained to the full limit of his ability, when every American will know the joyous duty of being a proud, honored, active and completely responsible citizen, received everywhere on his merits.

It has been a long time since young 2nd Lt. G. H. Miller Smith, Corps of Engineers, age 23, was killed in action in World War II. But, our dear young soldier, the memory of you is always part of your Dad's life and mine. We shall be thinking very often of you this Memorial Day, and of your grave in a United States Military Cemetery in France. The thought of the cross above your grave carries me always to rewarding contemplation of the Cross and the great Promise of Christianity, Eternal Life.

One does not mail letters to the dead. As usual I am sending this to a newspaper. If it can be of any possible help in the continuing struggle for world peace I hope it will be published.

Devotedly,

MOTHER.

NATION'S HEALTH LAGS BEHIND SCIENTIFIC GAINS

Mr. KENNEDY. Mr. President, America's health care stands in a curious position. American doctors have played a major role in the development of open heart surgery, heart and kidney transplant techniques, and the polio vaccine. American dollars have pushed the frontiers of medical research into outer space itself. But public health statistics for the past several years indicate no significant reduction of the over-all American death rate, life expectancy or infant mortality.

A recent article in the New York Times, by Mr. Harold M. Schmeck, Jr., discusses the critical condition of American health care. Americans want good health, but our present system of medical care does not protect our citizens' health. The problems of poverty and ill health tend to be closely linked. But many Americans are finding that because of high medical costs, unexpected illness can be a financial catastrophe for themselves and their families.

Even in areas as elementary as immunization, we are falling behind. No child should have to suffer the crippling effects of polio—we have a polio vaccine available. Diphtheria, typhoid fever, and whooping cough can also be prevented. Immunization programs are not expensive when compared to the human suffering and death they prevent. Yet, in each of these cases, the incidence of the disease is on the rise in many parts of the Nation.

Good health is influenced by many factors. For example, air pollution is one of the prime causes of emphysema. Also, Americans eat too much and exercise too little—heart diseases killed 700,000 people last year. Poverty areas tend to have higher infant mortality rates and more instances of rheumatic heart disease than their wealthier neighbors.

Adequate health care is an obvious and important right for every American. I believe that Mr. Schmeck's article, "Health of Nation Lags Behind Scientific Gains," supplies an objective discussion of America's health care system. I ask unanimous consent that it be printed in the RECORD.

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

HEALTH OF NATION LAGS BEHIND SCIENTIFIC GAINS

(By Harold M. Schmeck Jr.)

WASHINGTON.—Medical science has made incredible advances during the last quarter century, but public health statistics of the last several years reveal no comparable impact on the over-all American death rate, life expectancy or infant mortality—three widely used gauges of national health in which this country lags behind many other nations.

No one who has seen a heart patient recover vigor and well-being after surgery can doubt the value of the strides that have been made, nor can anyone who remembers the terror with which polio or diphtheria could strike an American family.

But the world of serious illness—cancer, heart disease, venereal disease, arthritis, emphysema, mental disease—still exists. And experts say the nation's health care system is in crisis.

With the powers of medical science so demonstrably great, everyone is impatient for the relief or cure of any problem. But illness will not vanish altogether, nor has medical science ever promised immortality. The real questions are relative: How healthy are Americans? How good is the care they receive?

They are questions that are being asked with increasing urgency, in the current debate over health care reforms, as well as in report after report over the last few years and statistical analyses of the kind issued today by the National Education Committee.

And they are questions to which there are no simple answers.

The truth is, no one really wants health care at all; what everyone wants is health. But in the United States, health is a mosaic of contrasts and contradictions. Obesity rubs elbows with malnutrition. Many old killers have been vanquished, but some remain and others have come forward.

Indeed, the United States today seems to be in the grip of of at least two vast epidemics—venereal disease, which in its most widespread form, gonorrhea, has doubled in frequency during the last six years, and heart disease, which is the nation's number one cause of death, costing 700,000 lives and more than $30-billion a year.

Moreover, in American society your state of health and one's chances of getting good medical care depend a lot on who you are, how much money you have and where you live. This has always been true, but today the best of care can do so much that it makes the worst seem doubly hard.

The middle-aged man who has his heart attack near a hospital equipped with a special coronary care unit has a much better chance of survival than the man whose hospital lacks one.

The young person with early Hodgkin's disease has a good chance of cure or control of that usually fatal illness—if he goes to one of a handful of major cancer centers that most patients never reach.

The kidney patient whose family—or community—can afford the huge expense of the artificial kidney machine may live. The patient without such resources will probably die.

Several Americans have lived for more than a year with transplanted hearts. Several thousand have had kidney transplants. Yet between 100 and 200 persons each year die of tetanus, an infection that should be totally preventable by innoculations that have been available for decades.

Statistically, our children are among the largest in the world and probably among the healthiest. But a few of them have kwashiorkor, a form of infant malnutrition so severe that it is often fatal. The cause is simple lack of good protein food. The underlying cause is almost always poverty.

Indeed, throughout American life, the problems of poverty and ill health tend to be closely linked. Often, too, they are compounded by geography.

RURAL AREAS ISOLATED

Some of the most acute health problems are in rural areas where isolated communities simply have no care at all. To Government bureaucrats this is a "failure of the delivery of health care." To the sick person far from the nearest doctor or hospital it may mean a minor illness made grave through neglect. It may mean death. Throughout the United States there are 134 counties, with a total population of nearly 500,000, that have no doctors at all in private practice. • • • almost certainly healthier and far less prey to disease than they were a few decades ago. The dread infection that used to rage through whole communities are muted. Diptheria, typhoid fever, paralytic polio, whooping cough, undulant fever and rheumatic fever are no longer among the common risks of life. Their retreat has been rapid since the advent of antibiotics and new vaccines after World War II. Death and disease rates from tuberculosis have been declining steadily for more than 50 years.

But tuberculosis has not vanished, nor have the others. There are nearly 40,000 cases of tuberculosis a year, most of them among the poor, the down-and-out. Paralytic polio and diptheria still occur in small outbreaks that seem all the more tragic because they need not have occurred. The chief cause is lack of immunization; and the chief cause of that, again, is poverty.

The nation's infant mortality rate has dropped from about 65 deaths per 1,000 live births in 1930 to less than a third of that toll today. Maternal death rates and over-all death rates have also declined steadily during most of the last 40 years.

But in those indexes of health we are behind many of the other highly developed nations, at least a dozen countries have lower infant mortality rates than ours, according to figures from the National Center for Health Statistics. The rate at which American mothers die in childbirth exceeds that of 100 other countries and the women of six other countries live longer than their American sisters.

There has been a lot of debate over the worth of this kind of score keeping. Some critics say true comparisons are impossible because of differences between populations and methods of record keeping. Other public health specialists doubt that these factors account entirely for the poor showing of the United States.

INFANT MORTALITY RATES

The differences are particularly striking when infant mortality rates are compared. For many decades these rates declined steadily in virtually all of the world's economically advanced countries. Then about mid-century, the progress slowed and there was a general leveling off. A comparative study done by the national center for Health Statistics showed that this unfavorable new trend started five years earlier in the United States than in six countries of Northern Europe—England and Wales, the Netherlands, Scotland, Denmark, Norway and Sweden. No one knows why. In general our rates were less favorable than theirs before the leveling off and we still lag behind them.

Some experts think it more useful to consider trends in the United States over time than to compare this country with others. This exercise is not entirely reassuring either.

In 1949 the average 35-year-old American could look forward to 37.3 more years of life. During the two decades of medical miracles that followed, the outlook for the 35-year-old age group improved only little more than a year.

That improvement was less than it was between the years 1900 and 1919—before antibiotics, sulfa drugs, heart surgery and intensive care units in hospitals. There were improvements in health care during those first two decades of the twentieth century, but, from the evidence, there must have been other factors too. Better sanitation of all kinds was probably one such factor.

In fact, the over-all American death rate declined steadily from 1900 to about 1950. About then the improvement slowed to a virtual halt, for reasons that are still obscure.

"This failure to experience a decline in mortality rates in the United States since about 1950 is little known, unexpected and extremely important," according to Dr. William H. Stewart, former Surgeon General of the Public Health Service. He blames two factors for the new trend.

The first of these is the success of the last few decades in treating infectious disease. The degree of success was so marked and so rapid, he believes that there simply has not been room for enough further improvement to make dramatic changes in mortality.

The second factor, he says, was the emergence of chronic diseases and accidents as "the great undertone of mortality" today. These causes of death are certainly not new, but their impact was less when so many died of acute infections.

EFFECTS ON LIFE STYLE

Paradoxically, the improvements in medical care and public health are also bringing into sharper focus some of the effects on personal health that are more related to life style and socio-economic status than to medical care itself.

Experts guess that there are probably more than 200,000 narcotics addicts in the United States today, many of whom will die young after years of poverty, degradation and pain. The number of alcoholics and problem drinkers runs into the millions. Their final problems are always medical, but it was not failure of health care that first lured these men and women into the grim quicksand of the drug world.

Even in more fortunate circumstances, life style probably puts a strong imprint on state of health. This is an area of many complexities and contradictions but some salient points emerge.

We kill 50,000 fellow citizens a year with that prime American weapon of violence, the automobile.

Heart specialists say millions of Americans eat too much and exercise too little, and that many die early because of this.

Some cancer specialists say we have virtually created our own epidemic of lung cancer, killing ourselves at the rate of more than 60,000 a year while we debate new gimmicks for breaking the smoking habit.

Americans today are also widely believed to be the most over-medicated society that has ever existed. An official of the Food and Drug Administration estimated recently that about two billion drug prescriptions a year are written in this country.

Recent studies suggest that a significant part of all this drug dosage does the patient little or no good and that many of the prescriptions are for drugs of doubtful value.

Furthermore, it has been estimated that 1.5 million hospital admissions a year are caused by bad reactions to medicinal drugs.

While such things put their stamp on the quality of the nation's health care, the total picture revealed by national statistics is no more than a rough approximation.

Dr. Theodore D. Woolsey, director of the National Center for Health Statistics, said recently his organization was trying to develop better ways of measuring the state of American health. The center has started a continuing nutrition survey, for example, and is looking into ways of gauging an important aspect of health that seldom finds its way into the statistics—the population's unmet needs. It is also looking into a relatively new notion in health statistics, the concept of a person's years of disability-free life.

It is clear, for example, that American life expectancy has increased markedly since the early years of this century. The child born in 1900 lived, on the average 49.24 years. The child born in 1970 had an average chance of 70.2 years.

SLUM CONDITIONS WORSE

Much of the difference reflects the drop in the nation's infant mortality rate over those years, but the longevity figures do not tell the whole story. How much of the person's later years are impaired by serious chronic illness? That is the important factor the national center is seeking now.

Even with the conventional data available today it is clear that great inequities exist in American health.

"Some care in this country is superb," said Dr. Lester Breslow of the University of California at Los Angeles, during a recent interview. "Other aspects are mediocre, some is

very bad—and the poor tend to get the worst."

Indeed, migrant workers, Indians and blacks have more than their share of ill health. Although not all of the reasons are known, evidence points to poverty as a major factor.

Nonwhite American babies die at a rate nearly twice that of white babies. Nonwhite mothers die at a rate four times that for white mothers. On the average, nonwhite Americans can expect to die seven years earlier than white.

An indication of the parity factor in this is information showing that infant death rates in urban slums tend to be markedly higher than in prosperous neighborhoods in the same cities.

Yet, in Denver, Dr. Thomas Sbarbaro said his community's neighborhood health centers had been able to reduce the infant mortality rate among the poor to the level of the city's prosperous residential areas. The program appears to have done so simply by providing proper health care for people who never had it before.

On the other hand, a study in another city showed that chronic disease rates among adults varied with the amount of air pollution in the neighborhood, and that the poor lived in the most polluted areas, another hint that health care is by no means the whole of the health story.

Among the most difficult of the nation's unsolved health problems is heart disease. Few specialists think any changes in the health care system would have profound impact on this huge American health hazard. Recent data from the long-term Framingham heart study, now closed down for lack of Federal funds, shows why.

The study disclosed that half of all persons who died suddenly, presumably from heart disease, had no previous evidence of that disease detectable by doctors. Even among those with known heart disease, almost half of all deaths occurred quickly and outside the hospital.

The authors concluded that the only road to any substantial reduction in premature death from heart attack would be prevention of the underlying disease itself.

NEED FOR CHANGES SEEN

Some experts think this goal would require major changes in American life style. Others doubt that anyone knows with certainty what those changes ought to be. Few, if any, think the goal could be achieved without a major commitment to long-term research.

Even in heart disease, poverty emerges as a health factor. Rheumatic heart disease tends to be more common among the poor. Even coronary heart disease, the kind that often culminates in a heart attack, seems to hit hardest in the lower income groups. The statistics show that it is not really a rich man's disease, despite popular opinion to the contrary.

Not only in that health problem, but in most others, poverty and illness are intertwined in the whole fabric of life. Poverty begets disease and illness begets poverty.

FOOD STAMP REFORM ACT OF 1970 AND OLDER AMERICANS

Mr. CHURCH. Mr. President, the Food Stamp Reform Act of 1970 and the regulations issued last week to implement the act have failed to consider many of the pressing needs of the elderly. They will, in fact, preclude many older persons from participating in the program.

The act does permit those elderly who are housebound to purchase home delivered meals. That is good, but are those ill, isolated, and lonely elderly who are not housebound to be prohibited from receiving the benefits of the food stamp program? That will be the case, because the act does not permit food stamps to be used at the hundreds of senior citizen centers and other community agencies which provide, in an atmosphere of warmth and friendship, one hot meal a day at low cost. It has been established by the President's Task Force on Aging that the chronically ill older person is only one part of the problem. The lonely, older person who can afford an adequate meal, but does not eat properly and the older person who cannot, in his isolation and loneliness, mobilize enough strength and interest to go to the store and prepare his meals are also intregal parts of the nutritional problem of the elderly.

Unfortunately, the act prohibits agencies preparing meals for the elderly from using federally donated foods, as is the case now, for the preparation of those meals. This means that the cost of the meals will be increased; perhaps to prohibitive levels. Those elderly single persons at the upper, but by no means adequate income level, will receive minimal benefits with the current food stamp allotment levels. The food stamp allotment is $32 for single persons with a monthly income of $170. The monthly cost of the stamps is $26, resulting in a bonus benefit of $6. The single older person will have $1.27 a day for food. Unless nonprofit agencies are permitted to use federally donated foods to prepare meals, that small amount of money will purchase only one meal a day.

The elderly are defined by the act as persons 60 years of age or over. Yet, the employment provision includes persons to age 65. This confusion over definitions will cause those persons between age 60 and 65 to submit to employment registration and interviews when, in fact, we know that it is this group which experiences severe difficulties in finding employment.

For the above reasons, I am supporting S. 1773 introduced by Senator McGOVERN on May 5, 1971, as the "adequate nutrition bill." I have, as chairman of the Special Committee on Aging, written to Senator TALMADGE offering to testify in support of the bill.

UNDERGROUND NUCLEAR TEST AT AMCHITKA ISLAND, ALASKA

Mr. GRAVEL. Mr. President, many Senators argued recently for a postponement or cancellation of the planned underground nuclear test at Amchitka Island, Alaska. They argued that the test was unnecessary for national defense and a potential threat to the environment of the immediate test site, and to the entire Pacific rim.

Hopefully this test will be canceled, either by the President or because of the actions of the Congress prior to the scheduled test date in early October.

Justification for cancellation of the test has come from noted scientists, Government leaders, and many organized groups.

On Monday the Washington Star published an article which clearly demonstrates that the importance of the test is a matter of dispute within the administration and the risks involved are matters of great concern to those with principal environmental authority within the executive branch.

The story spells out the divided recommendation which the President has received from within his official family. Certainly in view of that fact, and most particularly in view of the Office of Science and Technology's belief that the test is not essential to national security, the Congress itself has every right and has the obligation to assess this project before any additional public funds are expended on it and before the public must assume unwarranted risks to life and property.

Mr. President, I ask unanimous consent that the article be printed in the RECORD.

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

[From the Washington Star, July 26, 1971]

AGENCIES' VIEWS DIFFER ON AMCHITKA TEST BLAST

(By James Welsh)

The White House has received conflicting recommendations from various government agencies on whether to go ahead this fall with an underground nuclear test on remote Amchitka Island.

According to informed sources, two federal agencies, the Department of Defense and the Atomic Energy Commission, favor a go-ahead for the five-megaton test blast.

For a variety of reasons, five other agencies—the State Department, the Office of Science and Technology, the United States Information Agency, the Environmental Protection Agency and the Council of Environmental Quality have recommended either cancelling the test or postponing it until after the SALT arms-limitation talks.

Amchitka is at the southwestern tip of the Aleutian Islands off Alaska, about 700 miles from the Soviet Union.

In October, 1969, the AEC set off a one-megaton hydrogen bomb 4,000 feet deep within the islands without causing any of the earthquakes, tidal waves or environmental damage feared by critics of the testing.

The megatonnage of this fall's planned test, which is code-named Cannikin, is five times as large. The nuclear device is scheduled to explode 6,000 feet underground. Cannikin is a test of a large Spartan warhead designated for use as a component of an ABM system protecting Minuteman missile sites.

The latest recommendations on the proposed test are a product of a departmental undersecretary committee named to investigate the controversy. The recommendations went directly to Henry Kissinger, Nixon's chief foreign policy adviser, and John Ehrlichman, chief domestic adviser.

The Defense Department and AEC, sources said yesterday, continue to favor the testing as important to national security. They minimize the chances that the test will trigger earthquakes or cause other unwanted environmental side effects.

OST, which is the President's scientific advisory arm, reportedly opposes the experiment, not primarily for environmental reasons but because the warhead to be tested has been made obsolete by recent weapons development.

The State Department, sources said, took

a middle ground. It did not recommend cancelling the test, but advised postponing it until the completion of the SALT talks. The Council of Environmental Quality took much the same position. The Environmental Protection Agency opposes the test, believing that even a slight possibility of earthquake is too much of a chance to take.

THE AMERICAN FISHING FLEET

Mr. COTTON. Mr. President, recently the Honorable Meldrim Thomson, Jr., a distinguished publisher of law books and a former candidate for the governorship of New Hampshire, gave a timely speech about the manner in which the operations of our American fishing fleet—especially the activities of our lobstermen—have been hampered by the ships of foreign nations.

This issue is of concern to all of us; consequently I ask unanimous consent that Mr. Thomson's remarks be printed in the RECORD.

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

FISHING IN TROUBLED WATERS

(By Meldrim Thomson, Jr.)

On the morning of May 20th a fog hung over the Atlantic at a point 32 miles S.W. of Nantucket where the Wiley Fox, a 100 foot lobster boat out of Westport, Massachusetts, was preparing to haul in the lines set the day before.

The crew was finishing an early breakfast when the lookout cried "Ship astern."

Beyond the line of circling and dipping gulls that had attached themselves to the lobster boat rose the mountainous hull of a ship cutting across the stern of the Wiley Fox and plowing through her lobster lines.

"It's a Russian vessel," called the lookout.

"Why that dirty, lying Russian skipper," growled a lobsterman.

The big Russian trawler soon disappeared again in the fog leaving in its wake destroyed lobster lines and traps.

Before the day was over 16 Russian boats had crossed and recrossed the 20 lobster lines set by the Wiley Fox and her sister ship the Pat-San-Marie.

The lines, traps, lobsters, and time lost when the Russian vessels cut through the buoy-marked field where the Wiley Fox and Pat-San-Marie were working would cost her owner, the Prelude Company, more than six thousand dollars.

In the past two years vessels of the Prelude Company had suffered numerous incidents of harassment by Russian and other foreign vessels that had cost the company more than $300,000 in damages.

The Wiley Fox and her three sister boats are modern, sophisticated and automated lobster boats that cost about one million dollars each. Each carries a crew of twelve.

Since the techniques for a successful deep sea trapping of lobsters were perfected several years ago, boats like the Wiley Fox trap in beds that lie a hundred miles or more offshore. These are international waters. They range in depth from 400 to 3,000 feet.

A modern lobster boat remains at sea for about ten days. It has a capacity for 50,000 pounds of lobsters.

The lines on which 80 traps are hung are about a mile long. They are marked at either end by two big orange buoys and a third buoy equipped with radar reflectors.

The lines are fed out and traps set automatically. When the traps are drawn in they are automatically released from the line, rolled over and the lobsters dumped out. After their claws are plugged they are put in huge cages and lowered into a tank of cold water.

The lobster lines can be visually spotted in clear weather and detected by radar at any time. Hence, it is inexcusable for foreign fishing vessels to plow through the set lines.

RUSSIAN SEA PALACE

The irony of the encounter with Russian boats on May 20th by the Wiley Fox and the Pat-San-Marie was that just the day before the commander of the Robert Eikhe, in a much publicized meeting of American officials aboard the Russian command ship, had promised to instruct the captains of all of his fishing boats to steer clear of the lobster lines of the American fishermen.

Joseph Caziano, big, likeable and articulate president of the Prelude Corporation, was one of the delegation who accompanied American Ambassador Donald L. McKernan, special assistant for fisheries, wildlife, and ocean affairs in the State Department, aboard the Robert Eikhe.

The visit of the lobsterman aboard the plush Russian trawler was an unforgettable experience.

The Russian ship had a beam of 530 feet. It carried a crew of 420 including about 60 women. There was a surgeon, doctor and four nurses aboard.

Luncheon was exquisitely served in a beautiful dining room by mini-skirted Russian girls. It included 180 proof Vodka.

The ship boasted a theater of 100 seats. The engine room was so immaculate that the guests were given white gloves to test its cleanliness.

The electronic and radar equipment was the latest and finest to be found aboard ships today.

The Robert Eikhe was one of four Russian mother ships fishing off our northeast coast in recent months. These large and swift Soviet vessels remain at sea for six months or more.

Each mother ship commands about 100 smaller fishing boats. Thus, during the past month 400 or more Russian ships have been fishing on the high seas from twelve to one hundred miles off the New England coast. This does not include Polish, Roumanian and other foreign vessels.

The day after the meeting of the Americans aboard the Robert Eikhe, Ambassador McKernan was testifying before a subcommittee of the House Merchant Marine and Fisheries Committee that the conference at sea appeared to be successful and hopefully would put an end to the harassment of our lobstermen when word was received of the incidents involving the Wiley Fox and the Pat-San-Marie.

A week later our lobster boat, the United States, suffered heavy damage by Russian boats trawling through her stationary lines 65 miles southeast of Montauk Point, Long Island.

The United States notified the Coast Guard of her problem and soon thereafter was contacted by the same Russian mother ship that had received the American delegation the week before.

The Soviet commander said he would radio his boats to stay clear of the United States gear. A few hours later three large Russian stern trawlers cut through the American lobster lines again.

Only when the Coast Guard cutter, Vigilant, appeared at the scene did the Russian boats leave the area.

WORLD COMPETITION

The annual value of the lobster catch for Massachusetts is about $11 million. Of this amount the Prelude Corporation accounts for an annual catch of about $4 million.

The value of the lobster catch in New Hampshire is just a little more than a half million dollars.

While the total value of our lobster industry is relatively small in comparison to the value of our fishing industry, the harassment our lobstermen have suffered is important in dramatizing the complete lack of protection accorded American fishermen by our government.

The world catch of fish and related aquatic foods trebled from 1938 to 1968. But while the fish catch of several nations soared that of the United States fell from a high of 29 million metric tons to 26 million tons.

Peru, the number 1 world fisherman with its huge catch of Anchovies rose to 93 million tons. The annual fish catch of both Japan and Russia far exceed that of the United States.

Fishery scientists estimate that the fish and shellfish potential on the shelf and slope waters off the United States could yield 20 million tons annually. The value of these resources now is about $500 million, with foreign harvesting more than half.

Import of fish products to the United States in 1968 was more than double our domestic catch. Actually the amount of the domestic catch has steadily decreased since 1960 while foreign imports have risen rapidly.

It is the old and tragic story of foreign competition outstripping the American fish industry just as it has cut deeply into shoe and textile industries.

In 1954 Russia set out to modernize her fishing fleet. She ordered 20 modern trawlers from Great Britain and later 24 from West Germany.

Russia now has one of the largest and most modern fishing fleets in the world—and it is still expanding. She has recently added a new factory-mother ship that is over 700 feet in length and has a displacement of more than 44,000 tons. It will carry 14 catcher vessels on deck, a helicopter for finding fish and a crew of 600 for fishing and processing.

The shipyards of Poland, East Germany and Japan have been humming with activity for years as they build fishing vessels for other nations. In 1968 one out of every three vessels of 100 tons or more was a fishing boat.

Fishing activities have increased dramatically under Castro. The Cuban catch is expected to reach 100,000 metric tons by the end of this year, which would be a 12-fold increase in 15 years. She has several large factory ships and four well organized fishing fleets in operation.

THE PROBLEM OF TERRITORIAL WATERS

We have traditionally claimed sovereignty of all territorial waters for a distance of three miles from shore. In 1966 Congress established by unilateral action exclusive fishing jurisdiction for a distance of 12 miles from our shorelines.

Ten nations now claim exclusive fishing rights 200 miles offshore. One of those, Ecuador, using warships which the United States had loaned her, has captured and fined more than 20 of our tuna boats found fishing within 200 miles of her shore.

After World War II President Truman laid claim to the natural resources of the continental shelf by Proclamation No. 2667. This led to the 200 mile claim of other nations.

The problems of our lobstermen would end abruptly if we were to extend our exclusive fishing jurisdiction to 100 miles from shore as urged in legislation proposed by Congressman Thomas M. Pelly of Washington. More important it would give us the means of conserving fish species that occupied the protected waters.

It is absurd for us to permit a tenth rate power like Ecuador to confiscate our tuna boats when fishing just within the 200 mile limit claimed by that nation and do nothing to protect our east coast lobstermen whose nets are destroyed by foreign trawlers fishing within twelve miles of our shoreline.

STATE DEPARTMENT HIJACK

Under the Fisherman's Protective Act of 1967 the Secretary of State can withhold from foreign assistance funds allocated to any nation the amount of claims for damages to American fishermen resulting from seizures.

Thus, the millions of dollars lost by the seizure of our tuna boats could be recouped for the owners if the Secretary of State were to act as directed by law.

As far as I have been able to ascertain not one cent of foreign assistance has been withheld from Ecuador.

Two years ago when the Prelude Corporation first sustained damages to its lobster nets by Russian trawlers it sent a claim to the State Department for $10,000. The claim was returned with the suggestion that it could not be processed unless submitted in duplicate.

Recently I asked a State Department official why the Russian boats did not avoid the lobster lines since they were posted with radar reflectors.

He answered that their radar was somewhat primitive and could not be worked at all times.

Yet when at the Prelude Corporation headquarters I was shown pictures of some of the Russian trawlers cutting across lobster lines, their radar equipment clearly visible and stationary was of a vintage not more than four years old.

Several weeks ago the Prelude Corporation attached a Russian vessel on the West Coast in an effort to collect the $300,000 it claimed it had lost as a result of Russian trawlers crossing its lobster lines.

Our State Department sent a note to the Attorney General requesting that it be transmitted to the federal judge hearing the attachment proceeding.

The note said that the Russian vessel "belonged" to the Far East Steamship Corporation which was independent of the Russian government. The judge said that in view of the note he had no alternative but to release the Russian vessel.

The action was typical of our State Department.

The President has indicated that he would like to consolidate some of our federal departments and agencies.

I suggest that he might start with the State Department by consolidating it with the Bureau of Animal Husbandry and then having only the animals in charge. Certainly such a change could not result in any more harm to America than what that department has done over the years.

A SIMPLE FACT OF SURVIVAL

There is an inherent danger in allowing foreign vessels to fish, probe and explore within a hundred miles of our shores and we should extend and maintain our sovereignty 100 miles offshore.

The primary concern of our government should be the welfare of her citizens. And no amount of diplomatic double talk should blind us to this simple fact of survival.

The President makes a great mistake when he fails to provide full protection for the American flag wherever it flies, whether from the stern of a lobster boat off Nantucket or a tuna boat off Guayaquil.

The Russian fishing fleet mirrors the duplicity of its government. It will continue to harass our lobstermen as long as the State Department considers them an expendable pawn in its game of diplomacy.

It is time for the President to establish law and order in our coastal waters just as he has done in our streets.

Let us remind all the world in simple words and by restrained courageous action that the tiniest skiff to venture upon the seas, flying an American flag is backed by the united strength of a great American nation.

WHAT KIND OF WHITE HOUSE CONFERENCE ON AGING?

Mr. CHURCH. Mr. President, within recent months I have raised many questions about the preparations for the White House Conference which begins on November 28. In addition, I have also challenged administration positions which, to my view, reveal generally low priorities given to matters of direct concern to older Americans.

My misgivings have been somewhat relieved by recent actions taken by the Department of Health, Education, and Welfare in preparation for the Conference. Former HEW Secretary Arthur Flemming, who has been named as full-time Conference Chairman, is attempting in every way possible to dispel earlier fears that the Conference would simply be an exercise in reanalysis of old problems. He has said that his own goal is action, before, during, and after the Conference. I wish him well in this; the Conference will do little if it merely contributes, as the late Representative John Fogarty once said, "to the output of words."

It is my hope, too, that the entire executive branch will begin to display far more responsiveness to legislation now before Congress of benefit to the elderly. Within recent weeks, however, administration witnesses have testified against bills which would have established a comprehensive research program on aging, and others which would have increased assistance to nutrition programs that are yielding much useful information while serving as a focal point for much-needed services. This month, the administration has the opportunity to testify on employment bills that would affect the elderly directly. Those bills are now before Senator THOMAS EAGLETON'S Subcommittee on Aging in the Senate Committee on Labor and Public Welfare. One would establish an older Americans community employment program. Another would provide greater assistance to middle-aged and older workers who are now struggling with the problems of prolonged unemployment.

Mr. President, the Washington Post of July 30 offered an excellent interpretative article about the White House Conference and administration attitudes, in general, toward the elderly. The author, Mr. Colman McCarthy, ended his commentary by pointing out that valid emotions "can build runways from which social change can take off into new flight," but that too often emotions are exactly what conferences do not have. His article shows why—in so many problem areas related to aging—emotions are running high and should be recognized. I commend his article to all who believe that this year's White House Conference on Aging is much too important to every American—no matter what his age—for it to fail.

Mr. President, I ask unanimous consent that Mr. McCarthy's article and my testimony in support of legislation to provide job opportunities for the middle aged and elderly, which I delivered this morning before Senator EAGLETON'S subcommittee, appear at this point in the RECORD.

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

TESTIMONY BEFORE THE SUBCOMMITTEE ON AGING OF THE SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE, JULY 29, 1971

Mr. CHURCH. Mr. Chairman, before proceeding with my prepared statement, I would like to compliment you and the Subcommittee on Aging for calling early hearings on the Older American Community Service Employment Act and the Middle-Aged and Older Workers Employment Act, two measures which I have cosponsored.

The Senate Committee on Aging, of which I am Chairman, has had a long-standing interest in the enactment of both of these proposals. In the Committee's latest annual report—"Developments in Aging"—prompt approval of these measures was strongly urged.

With widespread unemployment affecting all sectors of our economy, the need for early action on S. 555 and S. 1307 is all the more compelling. During the past 2½ years nearly 3 million workers have been added to the unemployment rolls. Approximately 5½ million individuals have lost their jobs, the highest level in 10 years.

In January 1969, there were 6 major labor market areas with substantial joblessness. Today that figure has grown ninefold, to 54. The net impact of these figures is that more than one out of every three major labor areas in the United States is experiencing substantial unemployment.

With the joblessness rate hovering around 6 percent, unemployment compensation has increased by nearly 61 percent. During this past fiscal year, an estimated $4.5 billion was paid out in unemployment compensation to persons who cannot find jobs.

All age groups have paid the price for our shortsighted economic policies. But, older workers and their families have been particularly hard-pressed.

Today, more than 1 million persons 45 and older are without jobs, compared with less than 600,000 in January 1969. Once unemployed, the older worker runs a far greater risk of being jobless for a long period of time. In fact, he can expect to be unemployed about 65 percent longer than younger workers. For unemployed individuals 45 and older, their average duration is 17 weeks, or approximately 4 months. For all other persons similarly situated, their average period of unemployment is 10.3 weeks.

For older workers, the loss of a job can also have a double barreled disastrous effect. It may not only wipe them out financially at a time when their family and household responsibilities are growing, but it is likely to result in substantially reduced income in retirement particularly if they have been unemployed for long periods of time.

Quite clearly, we may be witnessing the emergence of a new class of elderly poor comprising:

Individuals with sporadic work patterns prior to retirement;

Persons in their late 50's or early 60's who have been eased out of the labor force; and

Older workers who have just given up after prolonged periods of fruitless search for jobs.

Recent poverty statistics provide additional evidence to support this notion. For example, from 1969 to 1970 poverty for persons in the 55 to 64 age category increased by approximately 100,000. There are now about 2.1 mil-

lion persons in this age group who fall below the poverty line, compared with 2 million in 1969.

For many of these unemployed older workers, a job can provide a passport to financial independence. A regular paycheck can also mean a fuller life for the older worker's family. And our Nation as a whole will benefit when persons on the unemployment rolls will move onto the payrolls and become taxpayers.

The Middle-Aged and Older Workers Employment Act, I firmly believe, represents a sensible and coordinated approach for meeting the unique and growing employment problems confronting mature persons. For instance the provision for training can be of major help in updating skills which have long been outdistanced by technological advances. With the funding authorized under the Act, approximately 140,000 persons could be trained for new employment opportunities or better paying work. In my own State of Idaho, it is estimated that this measure could help approximately 1,400 persons back to work.

Equally important, the Older American Community Service Employment Act would provide new and meaningful job opportunities in vitally needed public services for low-income individuals 55 and older. Moreover, it would provide an important basis for building upon the successful Mainstream pilot projects—such as Green Thumb, Green Light, Senior Aides, and the Senior Community Service activities—and converting them into permanent, on-going National programs.

We don't need any more proof that these programs will work. What is needed now is a genuine National commitment to use this wealth of talent and experience for providing urgently needed community services. And the Older American Community Service Employment Act can do this by providing new service opportunities for approximately 38,000 older persons—more than 7 times as many as provided under Mainstream in 1970.

For these reasons, I again urge early and favorable action on these proposals by the Subcommittee on Aging.

[From the Washington Post, July 29, 1971]

POLITICS AND HELPING THE AGING

(By Colman McCarthy)

Another conference? Who can even think of one, with the heat of July being enough already without the perspiring thought of 3,400 delegates trooping to Washington this November to talk about the least glamorous of citizens, the aging. Actually, all of us are in the group if the term aging is used—who is not growing older?—but the White House sponsored meeting late this fall is not about the romantic young whose tastes and dreams Charles Reich warns we better begin bowing and scraping before, nor is it about the middle-aged still in the fold of their families. The White House Conference on Aging is the least appealing of all our subcultures—there is no elderly mystique—the old. Dr. Robert Butler, a Washington psychiatrist and one of the few in this city or the country who treat the mental ills of the aged, has noted a feeling in youth-minded America of just "not wanting to have all these ugly old people around."

Like it or not, they are coming to Washington in November. Although conferences are often the establishment's way of putting down or putting off a problem among the poor or other outcasts—better to discuss "issues" around a table than confront victims suffering real pains—it is also true that a conference can be a foot in the bureaucratic door that otherwise would never be jarred open. Many kicks are already being applied. Hearings held last March by the Senate Committee on Aging suggested at that time that any high hopes for a meaningful conference would run the risk of low disappointments. An otherwise unsarcastic senator said the conference "will be a whole lot of words." Nelson H. Cruikshank, president of the three-million-member National Council of Senior Citizens, said the meeting "is being used as a political forum for the partisan advantage of the Nixon administration."

Since March, however, Arthur S. Fleming, a former secretary of HEW in the Eisenhower days, has been appointed chairman. He is credited by many of the critics in March as having taken politics out of the conference and putting the needs of the elderly first. Cruikshank is still wary, but no longer tense. "Delegates are now being picked more fairly," he said this week, "There is a good selection of non-political chairman and Arthur Fleming is a worker. He's a Republican, but he has a solid record for being fair and nonpartisan. Whether he can stave off the political operators in the White House is something else again; at least he knows they are there, and that improves the chances for a useful conference."

The fear of political operators is not unfounded. The Nixon administration, which must hold the conferences by law—the last was held in 1961—has missed so many opportunities for leadership in the struggles of old people that the misses early seem deliberate. The administration originally proposed funding the Older Americans Act for FY 1972 with $29.5 million, a $2.5 decrease from the previous year. After pressure from Congress and old age groups, the administration changed its cards and asked for $39.5 million. This belated turnabout was welcome, but leaping for joy was limited to minor heights. Sen. Frank Church, chairman of the Senate aging committee, pointed out that "the new budget request of $39.5 million is less than 38 per cent of the amount actually authorized by Congress ($105 million) for FY 1972."

In the matter of Social Security payments, the administration was again forced from a position of initial stubbornness to a reluctant concession, like a mule being kicked in the rump to a new pasture. In April 1969, the President promised to ask Congress for a 7 per cent increase in Social Security payments and said he would do so "in the weeks immediately ahead." Weeks ahead came, then months ahead, and no action. Finally, in December 1969, Congress came forward and did the work itself by approving a 15 per cent increase.

Perhaps believing the old folks can't remember much, an administration official told a House committee this March that the "basic strategy . . . with regard to meeting the needs of older persons is to provide them with increased purchasing power," and that "the administration was pursuing this strategy when the President signed into a law a 15 per cent increase" in old age benefits. Astonished at how the administration could self-servingly take credit for this, Nelson Cruikshank of the vocal Council of Senior Citizens restated the facts: "The 15 per cent increase for which credit is claimed was bitterly opposed by the President. He had originally proposed a 7 per cent increase, one that would have been totally wiped out by rapidly rising prices long before the higher benefit reached the beneficiary . . . The President threatened to veto any increases greater than 10 per cent. The Congress then attached the proposal for a 15 per cent increase to tax reform legislation sought by the administration. The President withdrew his objection to the increase rather than veto the tax reform measure he desired. Does this mean that Social Security increases, if they are to be acceptable to this administration, cannot be assessed on their own merits but must be tied to other legislation?"

Conferences, facts, speeches and counter-speeches are necessary. But they are also abstractions, puppets easily manipulated by the clean strings of non-involvement. What do they mean in the daily lives of the nation's 20 million old people, 40 percent of whom are poor or close to it? When someone comes along and states the obvious, he almost sounds shrill. But Edward J. Kramer, director of services to the elderly of the Henry Street Settlement Urban Life Center in New York, used understatement when he told a Senate hearing: "I think we have talked far too long about research and demonstration. I think we need action. I, and members of our center, think generally that people throughout the United States are getting very, very tired of R&D, and conferences, press conferences, press releases; they are now interested in what this country is going to do for older Americans.

"This is really a bad day—and bad days for older people throughout this nation are increasing. I read recently of elderly people in Florida being arrested because they have to shoplift—because they don't have enough food. Here on the Lower East Side of New York City, you can see people each day eating from garbage cans. I don't believe that in this nation of wealth we have to tolerate elderly people—who built up this country—eating out of garbage cans."

The man spoke emotionally, and it sounds strange. Yet emotions are exactly what conferences don't have, ignoring the truth that it is often emotions that build runways from which social change can take off into new flight. Once a group admits it has a feeling level, and it is not ashamed of it, the thinking process follows. Countless old people holed up in rooming houses or apartments live with their emotions as the only neighbors; worry about health bills that Medicare or Medicaid won't cover, fear of their savings being eaten away by inflation, anger at a government that says go away, hope that a vague someone will do the proverbial "something." These are valid emotions, and the success of this November's conference on aging may depend on how much attention the organizers pay them. With the population of the elderly increasing nearly twice the rate of the general populace, providing and caring for the old is really a way of preparing for our own turn at being old.

LETTER FROM FIRM OF MICHIGAN AUTO PERSONAL INJURY AND WORKMEN'S COMPENSATION CLAIMANT LAWYERS IN FAVOR OF NO-FAULT AUTO INSURANCE

Mr. HART. Mr. President, recently we received the first letter from a firm of personal injury lawyers in favor of a no-fault auto accident compensation system which would eliminate the tort action for auto personal injury damages, and allow each injured person to collect—without having to sue—from his own insurance company. Not incidentally, the firm of Marcus, McCroskey, Libner, Reamon & Williams, P. C., is recognized in our State as among the most skilled and experienced in this field.

Let me share some of the cogent arguments made by this firm of lawyers which "specializes virtually exclusively in workmen's compensation claims and automobile personal injury suits on behalf of injured parties." They "have handled over the years thousands of automobile accident cases under the present fault system and thousands of on-the-job in-

jury cases under the Michigan workmen's compensation law, which is a no-fault system." I think that Senators will agree with the observation of these lawyers that they are "in something of a unique position to judge these two basically different systems on their merits." These lawyers have "found that the no-fault principle works well so long as it is embodied in a wise and humane law."

Those who are working do suffer financially under the present auto tort-liability insurance system, both as to the amount and timing of the benefits received. The DOT Economic Consequences of Automobile Accident Injuries makes this clear. First, two-thirds of those seriously injured were working at the time of the accident. They suffered 80 percent of the total personal and family economic loss of $5.1 billion, yet only received 46 percent of their loss from all sources—including tort liability.

Second, as the lawyers point out, the no-fault compensation scheme for accidents on the job is speedier in delivering benefits as they are needed than the fault system for auto accidents.

The same DOT study shows that of the seriously injured auto accident victims with economic loss of $2,500 or more only 9 percent received some interim payment before eventually receiving their final tort settlement.

Under the tort-liability insurance system, compensation is paid in a lump sum, and not as the victim's expenses are incurred. Thus, 9 percent of the seriously injured victims had to wait an average of 15 months to receive their remaining tort settlement, and 91 percent had to wait an average of 19 months for their entire lump sum settlement. This is an exasperating and inhumane procedure when compared with the speed in which workmen's compensation benefits are delivered.

For example, the Division of Industrial Accidents for the State of California reports for the period July–December 1970, that, in California, 77.9 percent of workmen's compensation cases were paid their first check within 14 days of the date of disability, 9.1 percent within 15 to 21 days, 4.4 percent within 22 to 28 days, and 8.6 percent within 29 days.

But lawyers and others who object to no-fault auto insurance, as proposed in S. 945 and H.R. 7514, argue that these bills incorporate one of the basic failings of State workmen's compensation programs—meager benefits.

Comparing inadequate benefits under State workmen's compensation plans in order to discredit the Federal no-fault bills is a spurious argument. S. 945 and H.R. 7514 would provide compensation for all medical and all rehabilitation expenses up to $1,000 per month for lost wages, funeral expenses, and all expenses of services victim would have performed for himself and family. These benefits are munificent when compared with State workmen's compensation plans. In fact, they are most generous when compared with what the average innocent severely injured auto accident victim received—after that average 19-month wait—from the tort-liability system today. (See tables 1 and 2 which I ask unanimous consent to be printed in the RECORD at this point.)

Data in the DOT economic consequences study documents this. Of the more than 500,000 seriously injured accident victims in that study, 214,000 received some payment from tort-liability. These accident victims were able to show that another driver was at fault and that they were free from fault. Once overcoming the legal rules of liability, the remaining question was damages.

In short, these 214,000 victims were innocent within the meaning of the present tort-liability system. Just how well did these 214,000 innocent victims fare under the present system? Fifty-two thousand with $2,500 or more of out-of-pocket medical and wage loss recovered less than one-half of that loss. In all 53 percent of these 214,000 innocents recovered something less than their out-of-pocket medical and wage loss and absolutely nothing for their pain and suffering—the intangible damage lawyers are so fond of giving as one of the main reasons why the present fault system must be retained. These are the very victims the tort-liability insurance oriented financial responsibility system is supposed to protect.

And what of the 280,000 victims (52 percent with loss of $2,500 or more) that were eliminated by the rules of the tort-liability system? Why were they not compensated for their serious injuries, and their dependents for their deaths?

First. Some were at fault in two-car accidents.

Second. Some were drivers in a single-car accident—and it did not matter whether or not they were "at fault."

Third. Some were passengers in single-car accidents where the driver was "at fault" and the State had a statute which forbids "guest—nonpaying—passengers" from suing hosts, children from suing parents, or wives from suing husbands.

Fourth. Some were drivers, or passengers, in two-car accidents; neither driver was "at fault." It was a mere accident—or caused by a third car which drove away.

These legal rules result in much human suffering, family distress and even poverty.

That is why we insist on saying that the present tort-liability insurance system is inhumane. It exacts a high premium from the vast majority of our people who can least afford it and gives them grossly inadequate compensation and no rehabilitation when involved in a serious accident.

The 87 percent of our 62 million American families earning less than $15,000 a year would be more adequately compensated—and certain of that compensation—under S. 945 and H.R. 7514, than under the present insufficient, inefficient, and inhumane system.

These plaintiffs' lawyers from Michigan are convinced "that no-fault liability is the only way out of the wasteful, irrelevant, burdensome, and exasperating procedure now employed to compensate victims of automobile injury." So am I. These plaintiffs' lawyers "feel it is probable that when the dust has all cleared, no fault liability will be conceded by all to be substantially speedier, less wasteful, and more fair than our present system." So do I.

They conclude their letter by urging their brother lawyers to examine carefully no-fault auto insurance "as a means of getting our society out of the morass of present auto litigation," and to "consider only the public welfare, not any imagined injury to the profession, in reaching a decision." So do I.

The administration, through Secretary Volpe, has said time and again, that "we need reform badly and we need it now." Let us get on with the job of reforming our insufficient, inefficient, and inhumane tort-liability insurance system now, by enacting a wise and humane, comprehensive, national no-fault auto compensation plan.

Mr. President, I ask unanimous consent that the complete letter from the law firm of Marcus, McCroskey, Libner, Reamon & Williams, P. C., a slightly abridged copy of which was printed in the Detroit Free Press of July 2, 1971, be printed in the RECORD.

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

TABLE 1.—DISTRIBUTION OF NUMBER OF PERSONS KILLED AND SERIOUSLY INJURED BY RATIO OF NET TORT SETTLEMENT TO TOTAL ECONOMIC LOSS BY AMOUNT OF TOTAL ECONOMIC LOSS (1967)

Ratio of settlement to total economic loss [1]	Total economic loss				
	$1 to $999	$1,000 to $2,499	$2,500 to $9,999	$10,000 or more	All persons
Under .50		7,526	26,555	26,068	60,149
.50 to .99	4,441	22,397	22,380	4,625	53,843
1.00 to 1.99	16,445	26,569	19,270	1,562	63,846
2.00 to 3.99	10,132	13,701	3,349	246	27,428
4.00 or over	6,300	1,307	1,242		8,849
Total	37,318	71,500	72,796	32,501	214,115
None	42,352	91,795	103,125	42,743	280,015
Settlement unknown					18,968
Total in study					513,098

[1] Personal and family economic loss, i.e. Wage and medical loss and property damage; future earnings of fatality victims with dependent survivors.

Source: U.S. Senate Antitrust and Monopoly Subcommittee. Derived from: Economic Consequences of Automobile Accident Injuries, Department of Transportation (1970), table 25FS[1] at p. 238.

TABLE 2.—NUMBER OF PERSONS KILLED AND SERIOUSLY INJURED RECEIVING TORT SETTLEMENT AND RELATIONSHIP OF SETTLEMENT TO TOTAL ECONOMIC LOSS BY TOTAL ECONOMIC LOSS

Amount of total economic loss [1]	Number of persons	Average loss	Average received from tort settlement after legal costs	Percent received to loss
$1 to $999	37,318	$634	[2] $1,408	222
$1,000 to $2,499	71,500	1,678	[3] 2,399	143
$2,500 to $9,999	72,796	4,624	[4] 4,052	88
$10,000 or more	32,501	52,659	[5] 9,048	17
Total	214,115	10,236	3,789	37

[1] Personal and family economic loss, i.e., wage and medical loss and property damage; future earnings of fatality victims with dependent survivors.
[2] Average legal costs were $351.
[3] Average legal costs were $727.
[4] Average legal costs were $1,535.
[5] Average legal costs were $3,001.

Source: U.S. Senate Antitrust and Monopoly Subcommittee. Derived from: Economic Consequences of Automobile Accident Injuries, Department of Transportation (1970), table 27FS[1] at p. 250.

LAW OFFICES MARCUS, MCCROSKY, LIBNER, REAMON & WILLIAMS, P.C.,
Muskegon, Mich., June 28, 1971.

Senator PHILIP A. HART,
Senate Office Bldg.,
Washington, D.C.

DEAR SENATOR HART: This law firm which, as you may know, specializes virtually exclusively in workmen's compensation claims and personal injury (automobile, etc.) suits on behalf of injured parties, feels that it's time we speak out on the question of the No Fault liability insurance plans presently proposed in automobile claims. We have handled over the years thousands of automobile accident cases under the present Fault system and thousands of on-the-job injury cases under the Michigan Workmen's Compensation Law which is a No Fault system. We are thus in something of a unique position to judge these two basically different systems on their merits.

The present public outcry against the idea of No Fault liability by law firms and associations of attorneys whose experience has been solely with auto cases may be partially explainable by their lack of actual experience with No Fault liability. We have found that the No Fault principle works well so long as it is embodied in a wise and humane law.

For many years prior to 1913 industrial injury cases in Michigan were tried in Circuit Court before a judge and jury and were based upon Fault. The result was much litigation, clogged courts, settlements or verdicts for a few, nothing for the great majority of injured workers. In terms of human suffering, family distress, poverty and legal red tape the Fault system for on-the-job injuries was a disaster. Yet when it was proposed to abolish the old approach and substitute No Fault workmen's compensation, the opposition from attorneys and even from labor unions was tremendous. Experience has shown that the opponents were wrong and that the Workmen's Compensation Law in Michigan has been an outstanding success; no bed of roses, not paradise on earth, but nevertheless, a relatively fair and sure means of supporting a family whose wage earner is disabled by on-the-job injury. The speed of the remedy in contested cases still leaves a great deal to be desired.

We believe that the historical analogy is appropriate. We are convinced that No Fault liability is the only way out of the wasteful, irrelevant, burdensome and exasperating procedure now employed to compensate victims of automobile injury. We feel it is probable that when the dust has all cleared, No Fault liability will be conceded by all to be substantially speedier, less wasteful and more fair than our present system.

For No Fault liability to achieve its goal, however, the law enacted must fairly and adequately compensate all victims of auto injury. There must be no artificial time limitation that will stop the weekly benefits while the disability persists. The weekly benefit itself must adequately replace the wages lost by the injury. Medical care provisions must be sufficiently liberal to cover all the consequences of injury. Means must be found to compensate fully those victims of automobile injury, the paraplegics, the widows and orphans, the blinded, the maimed, as to whom replacement of wages is simply not enough. Finally, some way must be found to compensate the non-wage earners: housewives, school children, retired persons. These are generalities. We plan to formulate specific recommendations in the next few weeks and would appreciate the opportunity to convey them to you and to others who have this problem under active consideration.

Finally, we urge our brother lawyers to examine carefully No Fault liability as a means of getting our society out of the morass of present auto litigation. We urge each one that he consider only the public welfare, not any imagined injury to the profession, in reaching his decision.

Sincerely,
MARCUS, MCCROSKEY, LIBNER,
REAMON & WILLIAMS.

ALTERNATIVE WELFARE REFORM LEGISLATION

Mr. FANNIN. Mr. President, a rather remarkable groundswell is developing in behalf of the alternative welfare reform legislation introduced less than 2 months ago by the Senator from Nebraska (Mr. CURTIS).

It is remarkable both because of the short time since the bill's introduction and because of the powerful influences opposing consideration of any alternative to H.R. 1.

The growing support for the Curtis alternative is indicative of deep-seated skepticism and dissatisfaction regarding H.R. 1, not only in the Halls of Congress, but in the press and among the general public.

I believe it would be appropriate at this time to recap some of the recent congressional and editorial comment on the matter.

The most recent comment in Congress came from Representative J. KENNETH ROBINSON of Virginia who told the House on July 22:

To characterize (H.R. 1) as welfare reform is like calling pneumonia a cure for the common cold.

He said it was "a gross miscarriage of responsibility that the House has twice voted through a measure so thoroughly repugnant to the very essence of our federal system."

Urging that the Senate expose H.R. 1 "for the cruel hoax it is," he outlined three fundamental arguments against the bill—its proposed guaranteed annual income, the "nationalizing" of all welfare programs, and the doubling of present welfare rolls—which he said were "persuasive enough in themselves to render other superfluous." He went on:

Conversely, the Curtis bill eliminates the dangers inherent in a uniform guaranteed annual income. It removes the design and administration of the entire welfare program from the hands of the HEW bureaucracy and places it in the hands of State officials who have both the expertise and proximity to tailor the programs to honest need. It provides Federal financial assistance . . . to ease the dollar burden presently handicapping the program in many States. And through improved administration and elimination of present abuses and cheaters it will result in a substantial reduction in the welfare caseloads while permitting improved benefits for the truly needy.

That is true welfare reform . . . It will stand on its own merits.

In a strongly worded speech to the House of July 1, Representative BEN BLACKBURN, of Georgia, criticized H.R. 1, declaring it "contrary to the best interests of the people it purports to help" and "destructive of the philosophy and success of the Republican Party and the very foundations and cornerstones of the American Federal system." Of the Curtis bill, he said:

It is my sincere hope that the Senate Finance Committee will take a long, hard look at the very useful and viable alternative to welfare reform which has been introduced in the form of the Curtis-Duncan bill. . . . It is a measure which is not only sensible and practicable, but one which carries out the expressed desires of the President on both welfare reform and revenue sharing.

On July 7, Representative JAMES COLLINS of Texas told his colleagues in the House that, in his view, H.R. 1 was both economically and politically illogical. Rapping its economic logic, he said:

H.R. 1 will pour 5 billion new Federal dollars into the economy to fuel the fires of a new inflationary spiral.

Therefore, he asked, turning to its political implications:

By what logic can people who have suffered surtaxes, tight money, high interest and unemployment in the name of fighting inflation be expected to accept (H.R. 1) as visionary reform legislation?

Expressing his support for the Curtis bill, COLLINS said:

I believe there is a commendable alternative which not only eliminates many of the objectionable features of H.R. 1 but, in adapting the concept of revenue sharing to the solution of the welfare problem, accomplishes two of the administration's goals at one legislative stroke and does so in a way which preserves our federal system of government and our free enterprise economy. . . . nothing should deter (the Senate) from rewriting H.R. 1, or scrapping it entirely, in order to obtain meaningful and sensible welfare progress.

In a speech to the House on July 15, Representative EDWARD J. DERWINSKI of Illinois presented a detailed comparison of the welfare reform goals outlined by

President Nixon to the Governor's Conference in Williamsburg, Va., with the actual effects of H.R. 1, concluding that they were in many respects inconsistent. Said Congressman DERWINSKI:

Such inconsistencies are glaring enough when there is no alternative. When a viable alternative is offered, and consideration of it is refused, those inconsistencies become indefensible.

I sincerely hope, therefore, the Curtis-Duncan proposal will receive not only thorough and favorable consideration of the Senate Finance Committee, but that the Administration, too, will review its position and consider the possibility that this alternative is closer to its own expressed goals on welfare reform as well as more nearly in the best interests of the truly needy, the American taxpayer and traditional American values in general.

Again, I stress, that there is a better way to welfare reform and it is achievable. I hope the citizens of this country will demand the best legislation possible—and get it.

Other House Members who have spoken out in opposition to H.R. 1 since its passage include Representative LOUIS C. WYMAN of New Hampshire who pointed out the initial $5 billion increase in welfare costs anticipated under it and commented:

Political experience suggests the probability of phenomenal cost overruns.

On July 1, Congressman NORMAN F. LENT of New York commented:

I just cannot believe that the real road to true welfare reform is paved by doubling the number of welfare recipients in this country.

Members of the Senate have also spoken out in support of the Curtis bill. In remarks at the time he joined Senator CURTIS as a cosponsor, Senator JOHN G. TOWER of Texas stressed the two ingredients in the bill which he felt were "essential to effective welfare reform. He said:

First, it would allow the States the opportunity to control and administer a particular set of programs which can be tailored to meet their own specific needs in an area traditionally under State jurisdiction. Secondly, it would relieve the States of the fiscal burden that has been forced upon them by administrative edicts emanating from the Federal establishment, notably the Department of Health, Education and Welfare.

Senator TOWER concluded:

(The Curtis bill) in my view represents the best welfare bill thus far presented in the Congress . . . this is the kind of responsible welfare reform the Congress should approve.

On July 14, speaking before the National Press Club, Senator JAMES BUCKLEY of New York commented:

I am increasingly convinced that it is the long hand of the Federal government with inflexible regulations, unnecessary paper work and inability to come to grips with the problem as it exists, a tolerance of cheating, and so on which has to a large extent created this crisis. Now the program before us will still further increase this kind of Federal control which will make it that much harder to come to grips with, to really help people who need help and not just help people who are panhandling. Now the alternative which I prefer is the kind which Senator Curtis recently introduced which would be to have a special revenue-sharing plan, you might say, for the distribution of the Federal contribution to welfare and would leave it entirely up to the States to find the effective way of helping people.

Suggesting the blindness of those who criticize waste and inefficiency in defense spending and call for huge reductions in defense appropriations in order to finance new social welfare legislation, Senator BARRY GOLDWATER of Arizona in a Senate speech on July 14 said:

It is an interesting fact, Mr. President, that the greatest amount of waste, inefficiency and fraud relating to our Federal expenditures has taken place in the social welfare categories.

Bringing the problem into sharp focus, he continued:

I believe we all know that for many years the bleeding hearts and the liberals have made any criticism of public welfare programs or of educational programs or of health programs seem like the work of heartless "scrooges". . . . We might go further in coming to grips with the enormous problem if the specialists and the experts in the various areas of social welfare were not blindly committed to a permanent policy of expanded Federal spending for the goals of their professional and special interest organizations.

Later, in an interview with Alan Emory of Human Events, my colleague from Arizona commented that he believes most Republicans disagree with the President on welfare because he is, in effect, expanding the welfare state.

State officials, too, are speaking out in dissatisfaction over the approach to welfare reform embodied in H.R. 1.

Said Gov. Ronald Reagan of California:

The idea of simply surrendering our authority and administrative machinery to the same huge Federal system that created the crisis in the first place is simply unacceptable to me.

Elaborating on that point, California's Lt. Gov. Edward Reinecke emphasized:

Welfare is not a national problem. Welfare is a local problem that occurs in every one of the 50 States. And unless we think of welfare recipients as individuals who have real problems and personal difficulties to overcome, we will end up with a spiritless army of national dependents. We have a corps of people existing on federal handouts, people who are no longer considered to be local responsibilities. I can think of no more inhuman and callous method of handling very deep social and personal difficulties which afflict our welfare clients.

What an eloquent plea for the State controlled design and administration of welfare programs envisioned by the Curtis bill.

Or read Gov. Richard Ogilvie's special message on welfare reform delivered to the Illinois General Assembly and see what the States can and are willing to do to achieve reform if they had the authority, flexibility, and financial assistance offered by the Curtis bill. And note the Governor's comment:

It will be necessary to obtain the cooperation of the Federal government in making changes in its current restrictive regulations in order to accomplish this reform in Illinois.

The Curtis measure would eliminate the possibility of such restrictive Federal regulations.

Newspaper editors and columnists have also praised the Curtis bill while criticizing the H.R. 1.

In a column entitled "Curtis Has Simple Welfare Solution," Williard Edwards of the Chicago Tribune wrote on June 11:

It's going to be tough for President Nixon to find fault with the simple solution for welfare reform put before the Senate yesterday by Senator Carl Curtis (R.-Neb.). It is based on Nixon's own vigorous statements of his goals.

Anthony Harrigan in the Indianapolis News on June 26 suggested:

The revolutionary guaranteed annual wage plan devised by the Nixon administration and modified by the House Ways and Means Committee may be sidetracked in the days ahead. At any rate, U.S. Senator Carl Curtis, (R.-Neb.), has proposed alternative legislation that eliminates many of the objectionable features of the misnamed 'welfare reform' bill proposed by the White House and added to by Rep. Wilbur Mills, (D.-Ark.), Chairman of Ways and Means."

He continued:

The administration-backed welfare plan provides a guaranteed annual income of $2,400 a year. This establishes a dangerous precedent—Federal pay for nonworkers. It is inevitable that each session of Congress would produce a new round of demands for a higher guaranteed annual income. The Curtis bill, however, completely eliminates the guaranteed annual income concept.

The Nebraska Senator's bill has received strong editorial support at home. As samples, the Norfolk, Nebr., Daily News on June 12, said:

Senator Carl Curtis has suggested a practical means of handling the nation's welfare problems. But his proposal faces an uncertain future because of the pressures to federalize programs. . . .

Since the difficulties associated with current programs are a direct result of the trend toward too much centralization, however, common sense ought to dictate a different approach.

It is time to admit that federalization of welfare programs has failed and to let the federal government do what it can do best . . . provide a good share of the financing. Then let the states and localities do what they can do best . . . fix qualifications, determine needs and administer the programs with . . . no unrealistic demands that each state and each city must conform to a fixed federal pattern.

Added the Nebraska City News-Press in a July 15 editorial:

Senator Curtis has included a number of items in his bill which ought to have a great appeal to the taxpaying public.

It would provide a penalty of up to one year in prison for crossing state lines to avoid parental responsibilities; it would deny public assistance to families with dependent children where there is a continuing parent-child relationship with a person capable of supporting the family; it contains a prohibition against the use of federal funds to undermine programs under the act, such as the federal government, hiring poverty lawyers to file suits against the federal government.

Senator Curtis' plan seems superior to the one which would put numerous families on a dole.

The enthusiasm of city editors is by no means limited to Nebraska, however.

Editorialized the Milwaukee Sentinel on June 24:

The new welfare plan adopted by the House makes two basic changes. It nationalizes the system and it converts the dole into a guaranteed annual income.

The plan is called reform, implying it will be an improvement over the present system. . . . Certainly the Senate Finance Committee should once again subject the welfare proposals to most critical examination.

Such an examination, we believe, will show that the new system will merely mean change, not reform. And, in fact, it may change for the worse.

Regarding the Curtis bill, the editorial concluded:

The most promising solution has been offered by Senator Carl Curtis (R.-Neb.). It has the added advantage of combining two of Mr. Nixon's pet proposals—revenue sharing and welfare reform . . .

The Senate Finance Committee would do well to adopt the Curtis bill as a substitute for the plan which has passed the house.

On its editorial page July 7, the Richmond, Va., Times-Dispatch noted that President Nixon had called the present welfare system an "outrage" and Gov. Ronald Reagan had referred to it as a "cancer eating at our vitals." Said the Times-Dispatch:

An "outrage" the existing welfare system truly is . . . But while the need for reform is generally recognized, the most influential reformers, unfortunately, seem to favor a course that would lead to even more welfarism.

This promises to be the effect of the Nixon-backed welfare "reform" measure of the U.S. House of Representatives approved late last month.

Of the Curtis bill the Times-Dispatch editor noted that—

Senator Curtis has introduced an especially appealing welfare reform bill that seems to be aimed directly at the major cause of the present system's failure. . . .

The Curtis bill may not be perfect, but it appears vastly superior to the House-approved bill. . . . Those legislators interested in genuine welfare reform, rather than in welfare liberalization may find the Nebraskan's proposal more to their liking.

This constitutes a sampling of the widespread comment favorable to the Curtis bill in the recent press.

Another aspect of the subject is perhaps, however, worthy of note. A column by Kevin P. Phillips appearing in the June 29 Washington Post took note of the fact that the opposition to H.R. 1 in the House had been led by Republican regulars, with Congressmen SAMUEL DEVINE, of Ohio and EDWARD DERWINSKI, of Illinois calling the shots. They "bucked the entire House GOP leadership and sought to open up the gag rule under which the administration's multibillion-dollar welfare bill was to be considered with no amendments being allowed. This maneuver on June 21 caught the White House and congressional leadership off guard, and failed only by the surprisingly close vote of 200 to 172." Principal sponsor of the House companion bill was Representative JOHN DUNCAN, of Tennessee, a member of the Ways and Means Committee.

Later, commenting on what he characterized as a conservative revolt in Congress against the administration's welfare reform proposal, Walter Trohan in the Chicago Tribune on July 13 examined Congressman BLACKBURN'S speech condemning H.R. 1. Trohan said:

The burden of that speech, was that the President is being misinformed by those who surround him, that the legislation which pretends to reduce welfare by increasing federal spending is self-defeating.

Specifically, Congressman BLACKBURN said:

I am satisfied that people around the President—both in the White House and the Executive agencies—are deliberately misleading him as to the actual content of this measure (H.R. 1) and shielding him from the true nature and extent of the opposition to this ill-conceived and potentially catastrophic piece of legislation.

The National Review on July 20, 1971, referring to the same speech, called BLACKBURN'S criticism "the tip of an iceberg, symptomatic of growing regular Republican estrangement from the White House on a number of issues. For many Republicans, welfare reform is a test case which the administration is flunking," it added.

Indeed, it would seem that National Review's "tip of the iceberg" evaluation is correct for in later speeches a similar line of criticism may be noted.

For example Representative JIM COLLINS pleaded:

I hope the President will be able to take a careful look at the Curtis-Duncan bill. He will find that it is Nixonian in its approach. Of course, the President is a busy man, and he must rely on the advice of those around him.

Apparently his advisors for domestic affairs have not discussed the Curtis-Duncan approach with him. This is most unfortunate.

Still later Congressman DERWINSKI echoed the same theme:

I have noted the recent speeches of several of my colleagues intimating that there are around the President advisors whose political philosophy commits them to a solution of the sort contained in H.R. 1 and that, in their enthusiasm for the bill, they have been less than candid—or to be more charitable, less than thorough—in advising the President of its content.

This led me to a review of the President's speech at Williamsburg and I find myself compelled to reach the same conclusion.

Surely, the failings of H.R. 1 must be extensive to have inspired such criticism from solid regulars in the mainstream of the Republican Party.

Yet the distress is not limited to the Republican Party.

During debate on H.R. 1, Representative AL ULLMAN of Oregon, himself a member of the Ways and Means Committee, opposing his chairman and the welfare reform provisions reported by his committee, attacked the guaranteed annual income concept as a "trojan horse" and ably argued that once the concept was adopted it was only a question of how much income would be guaranteed. Congress, he said, was opening itself to virtually irresistible pressure to continually escalate the level above the $2,400 for a family of four established in H.R. 1. No attempt was ever made to refute that argument in debate.

Representative WILLIAM J. RANDALL of Missouri pointed out that the bill's vaunted mandatory work requirements had "large loopholes" which might logically result in their being little more effective than the WIN program in the current law.

And Representative RICHARD H. ICHORD of Missouri, though he voted for H.R. 1, confessed during the debate:

I would have preferred a program which would have moved more responsibility for the administration of the program back to the local units of government rather than centering the administration of the program in the Federal government.

This, of course, is precisely what the Curtis bill would do.

Thus we have it. The current program has been described an "outrage," "a cancer eating at our vitals," "a human outrage and fiscal monster."

And its "solution," H.R. 1, has been labeled "ill-conceived and potentially catastrophic," "a Trojan horse," "unreasonable" "outrageous," "illogical," "inflationary," "a dangerous precedent," "a cruel hoax."

At the same time, I have yet to see any adverse comment regarding the Curtis alternative.

I am, therefore, greatly encouraged over the prospect that this far preferable approach to solving the welfare problem has a good chance for favorable action by the Senate Finance Committee. I urge my colleagues who have not yet studied it to do so carefully and I urge the public in general to become acquainted with its features and commend it to their Senators for their support.

As evidenced by a statement recently inserted in the RECORD by Senator HARRY F. BYRD, JR., of Virginia, there is a growing awareness among the voters of H.R. 1's failings. He referred to a resolution adopted by the Arlington, Va., Chamber of Commerce which described H.R. 1 as "an impractical, idealistic program which does nothing to resolve our welfare concerns but attempts to offer a solution through the commitment of more taxpayers' money. The program is contrary to the principles of free enterprise . . .," the resolution continued.

Senator BYRD urged:

Before we embark on a major new program—a program termed "revolutionary and expensive" by the Secretary of HEW—we must be sure we are going to get something better.

I am convinced with the Curtis bill, S. 2037, we will get something better than the present system and better than the House passed solution. Those who wish a detailed statement of the Curtis proposal may find it in the Senator's introductory remarks on page 19293 in the CONGRESSIONAL RECORD of June 10. In closing may I present merely a brief outline of its major provisions.

First, it eliminates the uniform guaranteed annual income concept.

Second, it dismantles the HEW welfare bureaucracy, returning to the States responsibility for designing and administering welfare programs tailored to their own economic, geographical, and social needs.

Third, it mandates State residency requirements, reasonable investigations of eligibility, and other controls vitiated by present HEW regulations and guidelines and by court decisions.

Fourth, it provides financial support to the States through the mechanism of revenue sharing. Federal support would be slightly greater than at present if States chose to retain present programs exactly as they are. However, State initiated reforms anticipated under the bill

could result in increased Federal assistance.

Fifth, it permits increased benefits to the truly needy while allowing reductions in current caseloads.

Sixth, it contains built-in incentives for States to eliminate waste and fraud in the welfare program.

Seventh, it restores the concept of "federalism" by returning the flow of power to the States.

Eighth, it is consistent with the administration's proposals for revenue sharing in that it adapts the revenue sharing concept to provide financial assistance for welfare programs.

Ninth, it will provide financial assistance for any job training programs and child care services initiated by the States.

Tenth, it permits the establishment of low-income family assistance programs at the discretion of the States.

ADDRESS BY HAL SUIT

Mr. BROCK. Mr. President, Mr. Hal Suit, of Atlanta, is a capable and articulate advocate of free enterprise. Recently he spoke on the Lockheed subject, and his remarks cogently address some of the basic issues concerned.

I ask that excerpts from his speech of June 22—this gem—be printed in the RECORD.

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

The term, "dangerous precedent" is being used as loosely on capitol hill nowadays as the word communist was bantered about during the Joe McCarthy era.

Every old chestnut that can be uncovered is being used right now by the sharp-shooters in Washington who are after Lockheed's hide.

We either have a lot of ignorant experts around or they are short-memoried, short-sighted, or both.

The Congressional foes of the proposed government underwriting of a 250 million dollar loan to the giant aerospace industry are talking as though the federal government has never put up as much as a thin dime, or guaranteed as much as a thin dime, to any American business during its two hundred years of existence.

They either don't know any better or don't want to know.

In order to encourage the railroads to push Westward or to extend trackage to remote communities, the federal government literally gave the early builders hundreds of miles of right-of-way. If you think that's old hat, check on the direct subsidies currently being granted to secondary airlines to help cover their losses on unprofitable routes. Since 1964 the price tag on this direct aid has come to 353 million dollars.

The cash that goes to farmers annually for the price support programs for certain crops has been flowing so long that it's become the accepted way to keep the agricultural community solvent. Between 1933 and 1969 the federal government shelled out 40 billion, 376 million, 539 thousands dollars in one form of subsidy or another to tillers of the soil. These dollars have kept thousands of small and large farmers out of the poorhouse.

The Reconstruction Finance Corporation came into existence on February 2, 1932 and closed its books September 28, 1953. During those years the government kept thousands of big, middle-sized and small businesses from going under by disbursing 40 billion, 633 million dollars.

The same year the Reconstruction Finance Corporation wrapped up its affairs the government's Small Business Administration opened shop. Since 1953, the SBA has provided the financial props for thousands of small concerns that couldn't get straight loans from regular lending institutions without the government as a co-signer. In this situation the government has backed loans to the tune of 7 billion, 500 million, 775 thousand dollars. Without SBA many a young, struggling business, especially in the black communities, would have never made it off the ground.

But the bitter irony comes home in another area.

Today American companies are trying grimly to hang on to a shrinking share of the dollars changing hands in the marketplaces of the world and two of their toughest competitors just happen to be West Germany and Japanese Businessmen. Both nations, and their business interests, have enjoyed the big-hearted generosity of Uncle Sam. We rarely loaned money to foreign industry and we haven't underwritten loans. We've given it away and called it foreign aid. Since World War II, according to figures supplied by the Agency for International Development, the United States has handed out in economic aid 45 billion, 872 million dollars. In military loans and grants, the figure comes to another 40 billion, 234 million dollars.

West Germany, for example, has received 1 billion, 472 million, 400 thousand American tax dollars since 1946. Japan's cut has come to 2 billion, 220 million, 900 thousand dollars. The 250 million dollars Lockheed needs is chicken feed compared to what we've put on the line to re-build shattered industries abroad.

Apparently it's all right to ante up for a Japanese electronic firm or to build a steel mill somewhere else in the world, but we aren't supposed to risk a red federal cent in an effort to save an American enterprise.

Opponents testifying before the Senate Banking Committee have argued that if Lockheed receives special protection from Congress other firms will start lining up seeking the same kind of relief.

They've been lining up for more decades than you can count on your fingers and toes and they'll be in line long after this crisis is passed.

The only precedent too many of our esteemed congressmen seemed to be worried about is not out of the past, but is a part of the future.

They want to establish a new precedent. They want to prove they can destroy an American business.

They've done a pretty good job on Lockheed.

That only leaves one un-answered question.

Who'll be their next target.

THE RAILROAD STRIKE—PUBLIC INTEREST MUST BE CONSIDERED

Mr. JORDAN of Idaho. Mr. President, the current strike by the United Transportation Union against the Union Pacific and three other rail lines points out the need for Congress to act on legislation to provide a means for dealing with national emergency labor disputes in the transportation industry.

In order to protect the interests of the public we need a new approach for the settlement of transportation disputes. It has become apparent that the present process of reacting to each rail crisis with stopgap laws is wholly inadequate. The public interest demands that new and effective means be provided to protect the Nation from crippling transportation strikes or lockouts.

The President has proposed an equitable and workable solution to this problem of S. 560, which I have joined in cosponsoring. This bill would give the President new authority to deal with national emergency disputes in the railroad, airline, maritime, longshore, and trucking industries.

It would give the President three new options in the case of a national emergency dispute, when the dispute is not settled within the 80-day cooling-off period authorized by the Taft-Hartley Act. These options are as follows:

First. He could extend the cooling-off period for as long as 30 days to allow additional time for bargaining between the parties.

Second. He could impanel a special board to determine whether partial operation of the industry was feasible, and, if so, to set out the boundaries of such operation.

Third. He could invoke a final offer selection alternative whereby the final offers of each party would be submitted to a neutral panel. This panel would select without alternation the most reasonable of these offers as the final and binding contract to settle the dispute. The procedure would reward reasonableness and thereby facilitate negotiation and settlement.

Whether the present strike is termed regional or national, it is apparent that it is sharing the national economy as a whole and impairing the economic recovery which we are beginning to experience. Industries have been forced to shut down, causing job layoffs and consumer inconvenience.

This strike is particularly harmful to a landlocked State such as Idaho which is heavily reliant upon the railroads for marketing its farm, mine, and forest products. The strike against the Union Pacific Railroad Co. has caused a stoppage in the shipment of farm products such as wheat, peas, and potatoes to out-of-State markets, and has presented Idaho with a crippling blow to its economy. The grain harvest is just beginning in the State and if service is not restored soon, the grain crop will have to be piled on the ground causing transportation problems well into the future.

The lumber and paper chip industry is similarly affected. Several lumber mills have already closed and a number of others have plans to do so should a settlement not be reached in the near future. The Hoff Lumber Co. at Horseshoe Bend, Idaho, closed its operations because it could not move the 70 cars on its siding and had nowhere else to store its manufactured lumber products.

On July 28, a spokesman for the Pocatello Chamber of Commerce informed me that as of July 17 unemployment in Bannock, Bear Lake, Caribou, Franklin, Oneida, and Power Counties stood at 852. By August 6, the Idaho Department of Employment has estimated that an additional 845 persons will be laid off as a result of the strike. Two hundred of these people have already been laid off by the FMC phosphate plant located in Pocatello.

Mr. President, I have received many phone calls, wires, and letters regarding the effects which the current strike is

having on the economy of my State and I ask unanimous consent that a representative sample of these letters and telegrams be printed in the CONGRESSIONAL RECORD at the conclusion of my remarks.

With regard to the immediate strike, I contacted the President and the Secretaries of Labor, Transportation, Commerce, and Treasury last week to urge that they employ every means at their disposal to bring about an early resumption of rail service. Congress, however, must take upon itself the task of providing direction so that future occurrences of this nature may be avoided. I respectfully urged that legislation to provide the necessary machinery for the settlement of national emergency disputes in the transportation industry be approved at the earliest date.

I ask unanimous consent that communications on this subject be printed in the RECORD.

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

HORSESHOE BEND, IDAHO.

(Called in by Hoff Co., July 20, 1971, 4:35 p.m.)

The 200 employees of Hoff Lumber Company and Hoff Forest Products and management urge prompt Congressional action on Union Pacific strike. Plant Closure effective date 5:00 p.m. July 20, 1971.

Operations not resumed until strike settled. Please exert all Congressional action to solve strike problem.

HOFF FOREST & HOFF LUMBER CO. EMPLOYEES AND MANAGEMENT.

SAWTOOTH LUMBER CO.,
Mountain Home, Idaho, July 19, 1971.

Senator LEN B. JORDAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JORDAN: If the strike on the Union Pacific continues much longer it is going to bankrupt or else seriously impair the industries dependent upon rail shipment. Today we started laying off our woods crew and in a few days will have to start laying off the mill crew. We employ approximately 100 men in our woods and mill operations which isn't large but aside from the Air Base is the only stable industry in the town.

We are totally dependent upon rail shipments. We normally ship two cars of lumber per day and a car of chips for paper. We can only store a few days operation ahead and then we have to shut down. Our own losses aside from the men's payrolls which will be lost are already assuming staggering proportions.

There must be some type of legislation that will prevent these continual rail strikes which are seriously hurting the communities dependent upon rail transportation.

Sincerely yours,

E. M. STODDARD,
President.

SANDPOINT, IDAHO.

(Telegram phoned in July 27, 1971, 11:20 a.m.)

The rail strike is causing a shortage of railroad cars that is hurting our lumber and paper chip industry severely. We would greatly appreciate your assistance in supporting immediate legislation to put an end to this strike and any future strikes involving essential utilities and transportation services. Time is of the essence if our economy is to be protected. Your help will be greatly appreciated. I would have sent this by telegram but Western Union is on strike.

WILLIAM P. NORDEEN,
President, Sandpoint, Idaho, Chamber of Commerce.

PACK RIVER LUMBER CO.,
Sandpoint, Idaho, July 26, 1971.

Hon. LEN B. JORDAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JORDAN: The railroad strike is going to have far-reaching effects in this area—and to our industry—if the Federal Government does not take quick and decisive action to bring it to an end.

While our plants are located on and served by a line which has not yet been struck, we already are feeling the pinch of a shortage of rail cars for shipment of our forest products. It now appears that even if the lines which serve our plants continue to operate, inability to provide cars for shipment of chips and lumber will soon force us to shut down our mills. These are the principal local payrolls and the hundreds of men who will be out of work because of the strike will cause drastic effects to the local economy.

We urgently request that your office take all steps possible that will help to bring the rail strike to an end.

Respectfully,

W. R. WOOLSEY,
General Manager.

SHELTEREX CORP.,
Boise, Idaho, July 23, 1971.

Senator LEN JORDAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JORDAN: We urgently need the rail strike settled by whatever means possible. Lack of rail service is shutting down our mobile home plant as well as the whole mobile home industry in Idaho. Your assistance in this matter will be greatly appreciated.

Sincerely,

JIM WHITE,
President.

IDAHO FRESH-PAK, INC.,
Lewisville, Idaho, July 20, 1971.

Subject: Present rail strike.

Senator LEN B. JORDAN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR JORDAN: Idaho Fresh-Pak, Inc., is a potato dehydrator in Lewisville, Idaho served by the Union Pacific Railroad. We sell our product both retail and institutionally all over the United States.

I would like to ask for your immediate attention in doing what you deem necessary to get railroads back in operation immediately. Needless to say, effects on our company are very crippling and worsening with each passing day.

At this time I am holding shipments for the Defense Supply, U.S. Dept. of Agriculture Poverty Program for potato flakes, and 12 carloads of our own Idahoan products.

I respectfully request your immediate attention in this matter. I am sure we are only one of many thousand companies that are crippled because of this strike.

Sincerely yours,

GARY L. COX,
Traffic Manager.

POCATELLO, IDAHO,
July 22, 1971.

Hon. LEN JORDAN,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR JORDAN: Something has to be done about the number of strikes occurring in this nation!

The railroad unions are hurting the economy of our community of Pocatello and our State of Idaho by these strikes.

My brother-in-law works for the Union Pacific Railroad and has been laid off three times in the last year because of strikes (this isn't even his union.) Also because of this current strike by the Transportation Union, 200 employees of the Food Machinery Corporation here in Pocatello have been laid off and more layoffs are expected in the near future. Hundreds of more men in other companies will be affected by this strike if it continues.

It is ridiculous that three men out of one family have been laid off because of strikes.

If it is at all possible, we would appreciate your help in this matter.

Respectfully yours,

PAULA OLSEN,

INVESTOR-OWNED HOSPITALS

Mr. BROCK. Mr. President, an outstanding Tennessean, Dr. Joseph J. Dodds, of Chattanooga, is presently serving as president of the Federation of American Hospitals, the national association of investor-owned—proprietary—hospitals. Dr. Dodds is medical director of the Earl Campbell Clinic and Hospital in Chattanooga and an alumnus of the Mayo Clinic having taken his residency there in 1962.

The July 1972 issue of the Alumnus contain an interesting article by Dr. Joseph J. Dodds concerning the role of investor-owned hospitals in our health care delivery system.

I ask unanimous consent that the article be printed in the RECORD.

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

THE FEDERATION OF AMERICAN HOSPITALS

(By Joseph J. Dodds)

(More than 1,000 private hospitals with a bed capacity of more than 67,000 in 41 states and Puerto Rico are represented by the Federation of American Hospitals. The Federation's president—Alumnus Joseph Dodds (Surgery, '62)—was invited to discuss this substantial force in the fast-changing national health scene. Here is his report.—Advisory Board, The Mayo Alumnus.)

There is a precocious five-year-old in health care who's being heard and heeded in high places; it is having a significant effect on your practice of medicine, whether you own a hospital, have partnership in a hospital, simply practice there, or never set foot inside one. This formidable infant is the Federation of American Hospitals, Inc. with offices in Little Rock, Washington and Los Angeles, which represents only the interests and philosophies of investor-owned hospitals in the United States—for now.

After an initial phase of acute growing pains, the Federation has achieved all of the goals it set two years ago; as current president, I must now work with the board of directors to formulate an entirely new set of goals for what has proven to be an action-oriented group. Let me tell you what we have done, what we are doing, and give some ideas of what we'll be doing in the future.

Prior to 1966, the American Hospital Association was the only national organization representing hospitals. While all hospitals have many inherently common goals and problems, the investor-owned segment has needs apart from the voluntary sector and, in addition, a driving desire to be individually creative and innovative. This, and the knowledge that the AHA principally represented the interests of voluntary hospitals, led many of us to believe that an organization of investor-owned hospitals was a necessity.

Candidly, there was another reason. It is reflected in the fact that we dislike the term "proprietary," because there is a discriminatory shift of emphasis in that term that implies a concentration on the profit element to the detriment of patient care. The specious reasoning behind this concept has

the lie put to it by our provable contention that that we can provide a quality of medical care equal to any, and frequently at lower cost than, voluntary institutions.

The preservation of a system of health care delivery with this stature was, we felt, sufficient justification for the existence of the Federation. In the short span of its existence, it has exerted influence and action in a manner that could have been accomplished only because our positions were defensible and our arguments creditable.

The Federation of American Hospitals was the first to propose an appeals procedure for hospitals or physicians who had some disagreement on Medicare-Medicaid reimbursement with intermediaries or Health, Education and Welfare personnel. (Previously, reimbursement varied from city to city, with little regard to the reality of existing area rates. With no communication, there was no defense. We have motivated other prominent health organizations to join us in proposing an appeals procedure, and it appears that the idea will be accepted.)

The Federation was successful in having an amendment introduced to the Housing Act of 1970, which includes all investor-owned hospitals in provisions for housing and urban development.

Utilization review, a procedure that will ultimately affect anyone practicing medicine, will be significantly modified in the pre-enactment phases by Federation efforts. More than a year ago, a utilization review procedure was to be enacted which would have prohibited any physician owning any interest in a hospital from serving on the utilization review committee of that hospital. In many areas in our country, the only hospitals are there because a group of physicians invested their private funds just so there could be a place to adequately provide treatment. Seldom did they approach the project with any motivation but concern for their patients. The Federation, through meetings with Social Security Administration officials and members of Congress, and through a coordinated effort by its membership, was responsible for a postponement and reconsideration of this issue because of the extreme hardship it would impose on investor-owned hospitals in particular—and ultimately on all physicians and administrators of whatever persuasion.

The appointment of a Federation spokesman to the Health Insurance Benefits Advisory Council last year gave us a voice on this country's single most important advisory health council, whose members have deliberated authoritatively on every phase of the health care delivery system, including the concepts of a national health insurance plan.

Many Federation suggestions were incorporated into some of the constructive changes made in the Medicare program as a result of our testimony before the House Ways and Means Committee.

One of the reasons for the growth in size and influence for the Federation was the establishment of its Bureau of Health Insurance Liaison Committee. Established to form a working relationship between investor-owned hospitals and the Social Security Administration's Bureau of Health Insurance (including Medicaid), the committee has already been consulted on a reimbursement pilot program, elimination of an accelerated depreciation under Medicare, composition of utilization review committees, a single audit cost report, and drafting of a new health care delivery system which includes a plan to make health care more accessible to all Americans.

We are continually amazed that so many ask incredulously:

"How can a hospital provide a full range of service; expand its physical plant without requesting public funds; purchase and maintain the latest equipment; employ competent people in fields already hampered by a manpower shortage; pay franchise, excise, property, state and federal income taxes; produce a moderate return on invested capital—and still exist in a field where its services must remain competitively priced in relation to other facilities in the region?" (During one session of testimony, a U.S. Senator was surprised to learn that *any* hospital paid taxes!)

It seems ironic, and yet appropriate, that the daily improvement of the image of investor-owned hospitals is resulting from the Federal Government's acknowledgment that properly applied incentives can deliver increased care without compromising the quality of care. The private enterprise approach has demonstrated that the sound application of business results in improved efficiency and ultimately return on investment. It is our opinion that investor-owned hospitals should be used as yardsticks against which to measure the efficiency of all hospitals, in delivery of quality health care at a reasonable cost. And, as we grow, we believe it will become increasingly clear that investor-owned hospitals will be in the forefront of the battle against the inflationary trend in health care costs. (It should be noted that, even before our Federation was a viable organization, the Chamber of Commerce of the United States recommended in an annual report that investor-owned hospitals of 200 to 250 beds be used as a standard against which to measure the performance of other hospitals.)

One manifestation of the advantages of incentive-oriented hospital administration is the growing interest of private capital in entering a field in which there are portents of doom and fiscal anguish being heard in every corner of its largest segment—the voluntary group.

The recent growth of multi-facility corporations (or "chains," as some detractors call them) has spurred considerable discussion. We believe their emergence is a healthy sign, because the more alternatives and resources which can be developed to meet the demand for quality care, the more efficient and economical the system will become. (This assumes public companies will comply with the standards and operate within the framework of institutions that make up the balance of the health care provision industry).

Again candidly, we of the Federation of American Hospitals feel that the concern expressed about "chains" by existing institutions and others—though we are sure much of the concern is genuine—is, in many instances, an expression of fear that some existing monopolies may be shattered. Many of the attacks are untrue generalizations, made without regard for the fact that these multi-facility corporations are a new phenomenon, still developing and seeking their proper role. The growth of these public companies within a system of reasonable controls is a meaningful development, and arbitrary roadblocks should not be placed in their way.

The necessity for development of these institutions is self-evident. In an article in the October 16, 1968 issue of *Hospitals*, official magazine of the AHA, Dr. Philip D. Bonnet acknowledged that capital requirements of hospitals in this country cannot conceivably be met in this decade by traditional methods of financing—that is, by philanthropy and by government funds—and other sources must be explored. The Federation believes these resources must come from the private sector; even more emphatically, we believe the private sector is the *only* logical source.

In relation to administration of government programs for hospital construction and modernization, we emphasize that state agencies and HEW must be alert to opportunities, wherever they exist, to maximize the degree of private participation. Where private enterprise wishes to construct or expand existing facilities with private capital for the benefit of patient care, it should be encouraged and not hampered by those who would impose restrictions and controls solely to retain local control of health care facilities.

The Federation of American Hospitals has gone on record against any "skimming of the cream," as some voluntary officials have charged, to the "chains." Committed to providing quality health care at reasonable costs, we took the following official position in a reaffirmation of existing policy adopted in September of 1969:

"It is the obligation of all hospitals, irrespective of their ownership or sponsorship to provide quality health care to their communities. In fulfilling this obligation, all hospitals in a community should provide a full range of services consistent with the principles of comprehensive health planning, including the avoiding of unnecessary duplication of services. Included in such a full range of services should be: obstetrics, pediatrics, intensive care, coronary care, emergency and out-patient services."

Statistics bear out the commitment of investor-owned hospitals to provide a full range of services. The 1969 Guide Issue of the AHA Journal indicates that, with respect to two traditional money-losing departments of hospitals, our facilities do not avoid their responsibilities. There are 2.5 babies born per bed in investor-owned facilities as compared with 2.0 in other institutions. Some 77.2% of investor-owned hospitals have emergency room services, as compared with 80.9% of all hospitals. In addition, 81% of investor-owned hospitals with more than 50 beds are accredited—and the rate is 78.9% if one considers all hospitals with more than 50 beds, regardless of ownership. Investor-owned hospitals comprise approximately 20% of all non-governmental hospitals in the United States. Yet that figure is misleading in the sense that our members, in their specific states or areas or cities, may comprise 100% of the health care facilities—as much as 60% to 70% in such large areas as Southern California, carrying over into a 40% rate for the entire state.

Considering this, it is not difficult to see what a drastic effect crippling the operation of investor-owner hospitals could have on the health care delivery system for millions of Americans over many broad areas.

The middle-income private patient is the man "getting it in the neck" just now. As hospital costs increase, he is paying twice for every cost rise—either directly or through increased insurance rates and, for the growingly gargantuan federal medical programs, through his income taxes. If more effective management isn't adopted to stem the flood of rising costs, he's simply going to refuse to carry the burden any longer. We hope to lead a trend toward better management.

In pre-Federation days, investor-owned hospitals had no exclusive voice and, as a result, legislation specifically involving them also excluded them.

The Federation has changed that. Prime examples are inclusion of investor-owned hospitals in new F.H.A. mortgage insurance guarantee insurance legislation (passed in late 1970), long available to the voluntary sector, and to nursing homes, regardless of type of ownership. The Regional Medical Program now allows investor-owned hospitals to participate and engage in contracts with HEW for research and development projects.

There are as many and more areas left to change. Characteristic of the discriminatory legislation that we are zeroing in on is a portion of the Robinson-Pattman Act which permits pharmaceutical manufacturers to charge investor-owned hospitals higher rates than voluntary hospitals (the health care field is the only segment of commerce in which this practice is allowed). Investor-owned hospitals for years have been saddled with a financial responsibility as a result of

statutes such as that allowing recipients of a federal loan for nursing education to be relieved of part of their obligation *if* they are employed by a voluntary hospital (to get some of these people, differentials had to be paid).

The above areas, while important, are minor compared to our goals in the future.

We are currently evaluating an original comprehensive national health delivery system. It will retain elements of the individuality that have played the most progressive role in the progress of medicine, as well as allowing all citizens freedom of choice, access to care, and protection from family-shattering health catastrophies. In addition, it will not make promises of services it cannot deliver.

As you may have gathered from foregoing material, we have plans in the making for prospective reimbursement and utilization review quite different from some submitted as "the" method which will be enacted into law. We have indicated support of the concept of Health Maintenance Organizations as a suggested method of increasing the delivery capability of medicine, provided the final guidelines and regulations show this can produce the desired result without reducing quality of care. We will share the best we collectively have to offer for the development of any workable system.

One final, logical, question should be: "What motivates a Mayo-trained physician, with training received in the greatest teaching center of the world, to become involved in the politics of quality health care?" The answer is quite simple: In patient care, the word "quality" is supreme; if it is to be maintained, all knowledgeable physicians must in concert strive to see that it is not legislatively compromised.

The Federation of American Hospitals believes in a pluralistic approach and solicits constructive criticism of its policies and positions. We also believe the time has come when physicians and hospitals must listen to an aroused public, then lead in development of a health delivery system which will provide the necessary quality care through the initiative and imagination of private enterprise.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

AMENDMENT OF THE FEDERAL MEAT INSPECTION ACT AND THE POULTRY PRODUCTS INSPECTION ACT

The PRESIDING OFFICER (Mr. STEVENSON). Under the previous order, the Chair lays before the Senate S. 1316, which will be stated by title.

The legislative clerk read as follows:

A bill (S. 1316) to amend section 301 of the Federal Meat Inspection Act, as amended, so as to increase from 50 to 80 per centum the amount that may be paid as the Federal Government's share of the costs of any cooperative meat inspection program carried out by any State under such section.

The Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry with amendments on page 1, after line 6, insert a new section, as follows:

SEC. 2. The second sentence of paragraph (3) of section 5(a) of the Poultry Products Inspection Act, as amended (21 U.S.C. 454 (a)(3)), is amended by striking out "50 per centum" and inserting in lieu thereof "80 per centum".

On page 2, at the beginning of line 3, change the section number from "2" to "3"; and, in the same line, after the amendment just above stated, strike out "The amendment made by the first section of" and insert "The amendments made by"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of paragraph (3) of section 301(a) of the Federal Meat Inspection Act, as amended (21 U.S.C. 661(a)(3)), is amended by striking out "50 per centum" and inserting in lieu thereof "80 per centum".

SEC. 2. The second sentence of paragraph (3) of section 5(a) of the Poultry Products Inspection Act, as amended (21 U.S.C. 454(a)(3)), is amended by striking out "50 per centum" and inserting in lieu thereof "80 per centum".

SEC. 3. The amendments made by this Act shall be effective beginning with the fiscal year which begins July 1, 1971.

The PRESIDING OFFICER. Time on this bill is limited to 1 hour, the time to be equally divided and controlled by the Senator from Nebraska (Mr. CURTIS) and the Senator from Georgia (Mr. TALMADGE).

Who yields time?

Mr. CURTIS. Mr. President, I ask unanimous consent that the committee amendments be considered and agreed to en bloc, and that the bill as thus amended be regarded for purposes of amendment as original text.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. CURTIS. Mr. President, the purpose of this bill is to raise the Federal contribution to the maintenance of State meat inspection programs from 50 percent, as it is now, to 80 percent. This would apply not only to the meat inspection programs but also to the poultry inspection programs.

The present law provides that a State may maintain a meat inspection or poultry inspection program if it meets the standards set by the Federal act and if the Federal Government finds that the State's program is equivalent to the Federal program. Under that program, most of the States conduct a State meat inspection program as well as a poultry inspection program.

In the Meat Inspection Act of 1967 was a provision that if a State chose to discontinue its meat inspection program, the Federal Government would take it over. In that case, of course, 100 percent of the cost would fall upon the Federal Government. We are living in days when the States are facing many budgetary problems. Some States already have elected to discontinue their meat inspection programs.

It is believed that if this Federal contribution was raised from its present 50 percent to 80 percent, the States would refrain from discontinuing their meat inspection programs and that thus, very likely, it would save money for the Federal Government. That is the purpose of this bill.

I need not take time to state how important it is to have the States share in this program and how they can do a job equivalent to the Federal system and at the same time tailor the operation of their inspection programs to meet the needs of their smaller communities and their smaller processors.

I have no request for time. I reserve the remainder of my time, and I yield the floor.

Mr. TALMADGE. I yield myself such time as I may require.

Mr. President, this bill was introduced by the Senator from Nebraska for himself and other Senators. Hearings were held on it by the Subcommittee on Agricultural Research and General Legislation of the Committee on Agriculture and Forestry and it was generally favored by witnesses.

Enactment of the bill should result in some savings in costs to the Federal Government for meat inspection. At present under title III of the Federal Meat Inspection Act and section 5 of the Poultry Products Inspection Act the Secretary of Agriculture is authorized to pay up to 50 percent of the cost of State inspection programs. In the absence of such State programs, the Federal Government would be required to perform the inspection work itself and to bear 100 percent of the cost. The bill would increase the amount the Secretary would be authorized to pay toward State programs to 80 percent, thereby encouraging States to continue in this work and to continue to bear 20 percent of the cost. In the absence of this legislation it appears likely that many, if not most, States would discontinue these programs.

I therefore urge the passage of the bill.

The PRESIDING OFFICER. Who yields time?

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

Mr. TALMADGE. I yield.

Mr. PEARSON. Mr. President, I rise to support legislation which would increase the Federal contribution to State meat and poultry inspection costs from 50 to 80 percent.

In my judgment, Mr. President, the partnership which has developed between the States and the Federal Government in regard to establishing a sound and efficient inspection system has yielded impressive results. In the short time since the passage of the Wholesome Meat Act, nearly all of the States have developed inspection systems equal or superior to the standards required by the Federal Government. This is indeed a gratifying development, and will certainly go a long way toward upholding the public's confidence in the quality of meat which it purchases.

Yet, Mr. President, I believe that in order to uphold standards and insure that future needs are met, we must provide a better incentive so that the States can continue to meet the growing demand for quality inspection standards. With the increasingly tighter economic situation, States caught in a fiscal squeeze will be forced to terminate inspection programs. If we are to continue this partnership, which, I feel, is sound and needed, then an increased funding on the Federal level is necessary. The Department of Agriculture is confident that an 80–20 funding basis will permit most of the States to continue their pro-

grams. I am gratified that the distinguished chairman of the Senate Subcommittee on Agricultural Research and General Legislation has also seen the necessity of this bill, and I urge its immediate passage.

Mr. MATHIAS. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page one, between lines six and seven, add the following new section and number:

"SEC. 1. Subparagraph (5) of section 301 (c) of such Act (21 U.S.C. 661 (c)(2)) is amended as follows: 'notwithstanding any other provisions of this Act, carcasses, parts thereof, meat and meat food products prepared under State inspection at any establishment in any State, not designated under this paragraph (c), in accordance with requirements which the Secretary has determined are at least equal to those under titles I and IV of this Act, shall be eligible for distribution in commerce (including entry into any establishment at which inspection is maintained under title I) upon the same basis as carcasses, parts thereof, meat and meat food products inspected under title I, when they are marked under such supervision and other conditions as the Secretary may by regulation prescribe, with a combined State-Federal official inspection legend.'"

On page 1, line 7, strike out "Section 2" and insert in lieu thereof "SEC. 3."

On page 2, line 3, strike out "Section 3" and insert in lieu thereof "SEC. 4."

On page 2, line 4, strike out "The amendments made by" and insert in lieu thereof "The amendments made by the first and third sections of."

Mr. MATHIAS. Mr. President, one of the paradoxes of our economic situation today is that there is a "plethora of plenty" of food, but meat is very expensive. This is pointed out in an article in the Washington Evening Star, July 21, 1971, in a section on food, written by Marian Burros, which talks about the "Plethora of Plenty." I ask unanimous consent to have the article printed in the RECORD.

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

[From the Washington Star, July 21, 1971]

PLETHORA OF PLENTY

(By Marian Burros)

As unlikely as it may seem, when almost everything is going up in price, there are some marvelous food buys awaiting the canny shopper.

It isn't easy to ferret out these bargains; it takes time and patience and it certainly means cooking instead of tossing the package in a pot.

But it's worth it all around: Better tasting meals, more attractive looking and less expensive.

This year fresh, frozen and canned salmon is a bargain, relatively speaking, that is. Turkeys are cheaper, too, and they are so versatile.

Rice, black olives, cranberry sauce, plums are on the plentiful list put out by the Department of Agriculture for July and August.

Summer fruits and vegetables, like peaches, cantaloupes, watermelons, cucumbers, green peppers and green beans either are or will, in the next few weeks, be priced well.

Consider some new ways of using these food bargains and notice the drop in your food expenditures when you eliminate convenience products from your shopping list.

Mr. MATHIAS. Mr. President, the article points out that meat is the most expensive item in the American diet today. Of course, it does not take the Star to tell us that meat is expensive. We do not have to go beyond an article in a newspaper. We can look at the shopping pages and look at the prices and they will tell us what is happening to the cost of living and the price of meat. Meat is the most expensive item on the American table today—and every American housewife knows it.

Look at the advertisements from the food chains—Jumbo, Acme, Safeway, Giant—look at the prices, the "bargain" prices of meat.

Mr. President, my amendment would simply go to the heart of one of the big problems of the American housewife in providing food for the table for her husband and children—the cost of meat.

We are restricting the meat market. We are doing it in the name of sanitary standards. We all support the highest possible sanitary standards. We all support the highest health quality standards for meat. But when we utilize the standards to restrict the meat market, to limit the quantity, without improving the quality, then we are serving a few selfish interests and not the interests of the American housewife who has to go to the grocery store and use the diminishing dollar to feed her family.

That is exactly what the pending amendment is all about. This is an amendment which, No. 1, looks to a larger supply of healthful and wholesome meat for the country, because it looks toward upgrading the State systems of inspection in every one of the 50 States to the high level which has been attained by the Federal meat inspection program.

If we do not adopt the pending amendment, there will be very little incentive in some States to upgrade State inspected butcher shops—very little. There will be a laggard interest in it.

So that, in fact, those who acquire their meat from these sources may not get meat as good as they could have if this amendment were adopted, which would give an incentive in every one of the 50 States to upgrade their State systems.

So that what we are talking about is more meat, a larger quantity of meat, produced at a higher level of wholesomeness and healthfulness, for the American consuming public. It is as simple as that.

Under the present system, the only meat going into interstate commerce is that which comes from federally inspected packing plants. This restricts the market. It does not take an economist to understand the economics of the problem.

We have one group of people over here who have a corner on the interstate market and they want to keep it. If we do not adopt the pending amendment, they will keep it.

We have over here a number of small businessmen who are willing to comply with the highest standards of sanitation and health protection.

We also have the consuming public, which has a crying need for some relief from the high cost of living.

Unless we adopt this amendment, we will not give them that relief, but will leave the situation as it is; namely, meat sales being the prerogative, so far as the interstate market is concerned, of those few who are in the federally inspected system.

Mr. President, there is a question here of equity to certain American small businessmen in various States. I am proud to say that Maryland is one of those States. We were told that if we will upgrade the State inspection system, and if the local small businessmen in the meat business will upgrade their facilities so that they are equivalent and equal to the Federal system, their products will be given equality with those in the industry who are now within the Federal inspection program.

A great many small businessmen in Maryland and in 46 other States went out and hocked everything they had to raise money to upgrade their plants and make them sanitary and wholesome, and to make their products equally wholesome with those purchased from Federal plants.

Mr. TALMADGE. Mr. President, will the Senator from Maryland yield briefly, while a number of Senators are in the Chamber, so that the yeas and nays may be ordered on the amendment?

Mr. MATHIAS. I yield for that purpose.

Mr. TALMADGE. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. TALMADGE. I thank the Senator for yielding.

The PRESIDING OFFICER. Will the Senator also advise the Chair whether he is asking unanimous consent that his amendments be considered en bloc?

Mr. MATHIAS. Yes; I make such a request.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BELLMON. Mr. President, will the Senator yield for a question?

Mr. MATHIAS. Certainly; I am happy to yield to the distinguished Senator from Oklahoma.

Mr. BELLMON. I have been very much interested in the Senator's remarks. I was serving as Governor of the State of Oklahoma when the Wholesome Meat Inspection Act was passed. Our State made extraordinary efforts to see that our State meat inspection plants met the Federal standards. It was the understanding at that time that when the standards were met, these products could move in interstate commerce.

Is the Senator from Maryland speaking about meat from State plants that do comply with U.S. standards for wholesome meat?

Mr. MATHIAS. The Senator is correct. During his administration in Oklahoma, he saw personally what could be done to upgrade this system so as to make certain that the State system of standards

was equal to U.S. standards of inspection. The consumer is thus fully protected and receives a double benefit, because there is a greater supply of meat, which tends to lower the price of inspected meat. The supply of meat inspected according to Federal standards will be much larger.

Mr. BELLMON. There is no jeopardy to consumers because the quality of meat is of standards prescribed by the U.S. Department of Agriculture.

Mr. MATHIAS. Under the amendment, no meat would be certified by the Department of Agriculture or by the people who operate the federal system which was not fully equal in quality to the meat certified under the federal system.

The PRESIDING OFFICER. The time of the Senator from Maryland has expired.

Mr. MATHIAS. Mr. President, will the Senator from Nebraska yield me 10 additional minutes?

Mr. CURTIS. I yield 10 additional minutes to the Senator from Maryland on the amendment.

Mr. BELLMON. Mr. President, will the Senator further yield?

Mr. MATHIAS. I yield.

Mr. BELLMON. I should like to ask the Senator whether meat processed in foreign countries, such as Mexico, Poland, or Australia, does not come into this country and move in interstate commerce?

Mr. MATHIAS. As the Senator from Oklahoma well knows, it does. One can go into any chainstore in the country and buy a Polish ham or any other foreign meat product.

Mr. BELLMON. The way the law is presently being administered, it seems to me, is gross discrimination against State inspection plants. Foreign meat products, such as meat from Poland, may move in interstate commerce, but meat inspected in State plants that conform to Federal standards may not move in interstate commerce.

Mr. MATHIAS. Mr. President, the Senator is exactly correct. I would like to make the further point that there is no way in the world that the Department of Agriculture in the Federal Meat Inspection program can oversee what is happening in Denmark, Poland, Mexico or wherever. However, under the pending bill, there would be continued oversight over every one of the State systems if they all were to come under it. So, we would have a very real operation of the federal system.

I would also point out to the Senator from Oklahoma that this is a program which has the endorsement of the administration.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from the Department of Agriculture commenting in approval on the proposal embodied in the amendment.

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

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., June 28, 1971.

Hon. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry, U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your letter of March 25, 1971, requesting a report on S. 1316, a bill to amend the Federal Meat Inspection Act to increase from 50 to 80 percent the Federal Government's share of the costs of cooperative meat inspection programs carried out by the States.

The Department supports this bill provided it is amended to incorporate the basic provisions of S. 1932 introduced by Senator Mathias, S. 1932 would permit State establishments having "equal to" inspection to move their products in interstate commerce and to federally inspected establishments, with a combined State-Federal official inspection legend. The combination of these two measures will create strong incentives for States, which have developed inspection systems equal to the Federal, to continue to operate and improve these systems.

FEDERAL-STATE COST SHARING

Since late 1967, when the Federal Meat Inspection Act was amended by the Wholesome Meat Act, some 44 States have developed meat inspection programs equal to the Federal program. Nearly all of these States had grossly inadequate meat inspection programs 3 years ago. That they have been able to develop effective inspection programs in such a short period of time is a remarkable achievement. And most important, it clearly demonstrates their commitment to the partnership approach to government that Congess has supported.

Unfortunately, the Wholesome Meat Act provides no incentive for States to continue their meat inspection programs; in fact, it provides a financial disincentive. A State must now bear 50 percent of the cost of carrying out its meat inspection program. But this cost may be totally eliminated simply by turning the program over to us. With the financial bind that is prevalent in State government everywhere, many Governors and legislatures are contemplating doing just that.

The issue is now under debate in Nebraska, and legislators from that State have informed us that several other Midwestern States expect to follow Nebraska's lead in this matter. California has notified us that if the funding formula is not changed, the State will not be able to continue its meat inspection program beyond fiscal year 1972. Similar public comments have been made by the Directors of Agriculture in Washington and Wisconsin. Our Meat Inspection Advisory Committee (which is composed of representatives of State Departments of Agriculture) recently passed a resolution supporting an increase in Federal funding to not less than 80 percent of the cost of State inspection programs.

We are quite confident that on an 80–20 funding basis most States will continue their programs. We are equally confident that there will be a rapid decline in the number of State inspection programs under the present 50–50 ratio.

On the basis of 44 "equal to" States, total State inspection costs during fiscal year 1972 are estimated at $53.2 million. The Federal share of this, under the 50–50 formula, will be $26.6 million. Under the proposed 80–20 formula, Federal costs would be $42.6 million —an increase of $16.0 million, but considerably less than the cost of 100 percent funding that will be required if States begin to terminate their inspection programs.

The same funding problems exist in States that are developing poultry inspection programs. Therefore, we recommend the Poultry Products Inspection Act also be amended to reflect financing in accordance with an 80–20 formula.

Attached is a table reflecting total Federal and State costs for operations of State meat and poultry programs under the 50–50 and 80–20 sharing formulas.

EQUAL TREATMENT FOR STATE-INSPECTED MEAT

Title III of the Federal Meat Inspection Act clearly indicates that it was the intent of Congress to give the States an opportunity to protect the consumer in that portion of the meat supply produced in plants operating in intrastate commerce. Only if the States failed to act was the Federal Government to step in and assume direct responsibility for inspection. We wholeheartedly agree with this State-Federal partnership approach because it encourages local initiative, decentralizes decisionmaking, and discourages growth to unmanageable proportions of the Federal Establishment.

The Federal Meat Inspection Act allows meat from foreign establishments, produced under an approved foreign system at least equal to our Federal system, to move freely in interstate commerce throughout the United States. Therefore, products inspected by States, which provide inspection equal to the Federal system, should be allowed to move freely in interstate commerce. Affording a lesser status to an approved State system seems unfair and unnecessary. Incorporation of the provisions of S. 1932 would eliminate these particular inequities which now exist in the intrastate inspection meat inspection systems.

There would be no significant additional costs associated with enactment of the provisions of S. 1932.

These proopsed amendments would have no significant impact on the quality of the environment.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

CLIFFORD M. HARDIN,
Secretary of Agriculture.

Mr. BELLMON. Mr. President, I thank the Senator from Maryland.

Mr. MATHIAS. Mr. President, I might read at this point a portion of the letter. It is addressed to the chairman of the committee under date of June 28, 1971. The letter states in part:

The Department supports this bill provided it is amended to incorporate the basic provisions of S. 1932 introduced by Senator Mathias. S. 1932 would permit State establishments having "equal to" inspection to move their products in interstate commerce and to federally inspected establishments, with a combined State-Federal official inspection legend.

In fact, the Department's approval of the total bill was predicated upon the inclusion of the provisions of this amendment. And it is a fair amendment.

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

Mr. MATHIAS. I yield.

Mr. CHILES. Mr. President, I have had a hard time understanding the situation. I wish that the Senator from Maryland would explain for me how it is that we will allow this to a foreign government, where their inspection is equal to the USDA inspection, but we will not allow it to our own State governments. I have an awfully hard time explaining that to a person in Florida with a plant that has received approval. He has a plant that is equal to and therefore does not require Federal inspection. I have a hard time explaining that to the State officials.

They have worked the State plants up to where they are equal to, and then they see foreign beef coming in here that is not inspected, and that is for what we say is a valid reason, that that inspection is equal to the inspection here. I wonder if the Senator could help me out of that dilemma.

Mr. MATHIAS. I have the same dilemma. Why do we allow the meat-

packer in Poland or Denmark, over whom there is no possibility of any oversight inspection of meat, to do this and yet say to the State of Maryland or Florida, which has also complied:

Although you have been certified, although your meat inspection systems have been declared to be equivalent and as good as the Federal system, we will not let your goods into interstate commerce.

Mr. CHILES. It sounds like it is equal but not quite equal enough.

Mr. MATHIAS. As the Senator well recognizes, this is not a situation that holds logically. We have to look for other grounds. The sufferers are the small producers that cannot get into interstate commerce. They suffer. But we know that the real sufferers are the people who pay these prices for meat, because their access to the real reservoir of meat products in the country is artificially limited. There was a time when the State inspection was not as good and when they were not producing meat under the same sanitary conditions as other places. We know that. We have to be realistic. However, we have to update our thinking on this matter.

Mr. CHILES. The Senator from Maryland thinks there would be actually more competition if we allowed plants in the State of Maryland and the State of Florida—and we have plants in our State where the inspection is equal—to be able to ship in interstate commerce. There would actually be more competition than now where they have to go to the expense of having a Federal inspection of the food operations.

Mr. MATHIAS. Mr. President, I take it that by admitting to interstate commerce meat products produced in wholly equal State-inspected plants, those products are just as wholesome and just as healthful and would increase the total supply of meat available to the American housewife; and she, in turn, if the law of supply and demand has not totally evaporated in this day and age, would benefit from the competition in the marketplace.

Mr. CHILES. The Senator thinks it would be easier for the little man to get into the meat business if he felt his original investment would not be so high and that this might encourage a person to get into the business.

Mr. MATHIAS. Mr. President, I do not think it takes very much imagination to realize how difficult it would be to start another Swift or another Armour Co. under modern conditions. It would even be tough for little plants to start, because if they are going to meet these high standards which are now required, and will continue to be required under the amendment—which incidentally will be assisted by the Federal Government—it is going to require capital. But it will certainly be possible and easier under the pending amendment for a man to go into the business than it would be without it.

Mr. CHILES. The Senator from Maryland said that if we could not find logical reasons why this would be so, we would have to find other reasons. I have not found those as yet. I wonder if the Senator could tell me if he has found other reasons.

Mr. MATHIAS. I think the Senator from Florida knows that one of the rules of logic in the case of a question, the answer to which eludes one, is to ask who benefits. Who benefits in this case? It is those who presently monopolize the interstate meat market and they do not want to share it. I think that is where the difficulty arises in getting what is otherwise a very equitable and desirable amendment.

The PRESIDING OFFICER. The Senator's time has expired. Who yields time?

Mr. TALMADGE. Mr. President, I yield myself such time as I may require.

The PRESIDING OFFICER. The Senator from Georgia is recognized.

Mr. TALMADGE. Mr. President, we considered this amendment in the Committee on Agriculture and Forestry and we rejected it.

First, there is no need to provide for State inspection of meat moving in interstate commerce. Packing plants preparing any part of their output for interstate commerce have been subject to Federal inspection since 1907; and Federal inspection is available to any such plant that can meet the requirements of the Federal Meat Inspection Act. During the same period, to the extent that State meat inspection services have been available, they have been restricted to plants producing only for consumption within the State.

I wish to say to the distinguished Senator from Florida, this situation is not in any way comparable to the situation with respect to imported meats. Federal inspection is not available in foreign countries. Meat produced by foreign packing companies can be imported into the United States only if inspected under a foreign system at least equal to the U.S. system.

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

Mr. TALMADGE. I am delighted to yield to the Senator from Florida.

Mr. CHILES. Is the question here whether inspection could be available?

Mr. TALMADGE. The question involved is that the United States simply has no jurisdiction in a foreign country and could not exercise jurisdiction. We simply must set up some system that accepts the foreign inspection service, and that is what we have done in this instance. But we do have jurisdiction over 50 States and we mandate Federal inspection if they ship in interstate commerce in this country.

Mr. CHILES. What the Senator has not explained is: Where are the rights of the people? Are we just organized to put another burden on the people in our States that we cannot place on foreign people? The Senator has not answered that.

Mr. TALMADGE. I will get to that point now. Such foreign plants are not given a choice of alternative systems, as this amendment would provide for domestic plants.

If this amendment were agreed to, and if the bill passed, and was signed by the President, anyone who ships meat in interstate commerce could have two options: The first option would be to get Federal inspection and ship anywhere in the United States he wanted to; and the second option would be to shop anywhere around the 50 States and get the best deal and the best inspection service. He would do business wherever he thinks the alternative is easier.

If treatment for shrink were more favorable in one State than in the other States, he could shop around with 50 alternatives. Inspection in each of the 50 States is bound to be different insofar as restrictions are concerned, what they require to be done, and what may not be done, the personalities and the people involved.

That is why the amendment should not be agreed to.

Mr. CHILES. Then the Senator has the confidence that the inspectors we have are going to be competent enough that that meat will be safe enough?

Mr. TALMADGE. I am not saying that.

Mr. CHILES. But the Senator does not have that same confidence with respect to State inspectors.

Mr. TALMADGE. Personally, I do not buy foreign meat. I do not know how many people do. I do not encourage it, but if someone wants to run the risk of buying foreign meat he must run the risk of the foreign inspection service.

In this country we have had Federal inspection since 1907. Since that date we have required that meat shipped in interstate commerce must be federally inspected.

The second reason our committee disagreed with the amendment is that it threatens to corrupt both the Federal and the State inspection systems. If it were adopted, each plant in an approved State could elect between two inspection systems, as I just pointed out to the Senator from Florida. A person who had not yet located his plant, or was in a position to relocate his plant, could choose the most advantageous of a number of systems. If treatment for shrink or other matter were more favorable in one State—Georgia, Florida, Montana, or Wisconsin—plants in that State would have a competitive advantage.

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

Mr. TALMADGE. I am delighted to yield.

Mr. MATHIAS. The Senator says that the average American housewife has a choice when she goes to the grocery store.

Mr. TALMADGE. I am yielding for a question, I wish to say to the Senator from Maryland. I am on limited time.

Mr. MATHIAS. I am getting to the question. What choice does the inhabitant of a small rural community have, a community where they do not have supermarkets, where there is a little local store? We have those communities in Maryand, and I know the Senator's State has made great advances, but I suspect they still have them there, too.

Mr. TALMADGE. They do.

Mr. MATHIAS. What choice does the housewife have in small communities where there is little choice and very little incentive on the part of the inspector to upgrade products so that the housewife

has an opportunity for the same quality meat as other citizens?

Mr. TALMADGE. I know of no place in the Nation today where federally inspected meats are not available.

The inspectors and other persons employed by each system would be well aware of the choice accorded packing plants and the fact that their jobs depended upon the pleasure of the plant owner. States that are interested in attracting industry to locate within their borders would know that a strict inspection system might work against their interests.

While the amendment is based upon a determination by the Secretary of Agriculture that the State inspection system is equal, that determination is a difficult one and depends upon consideration of a great number of variables, including the abilities and attitudes of the individuals performing the inspection work and their superiors. This amendment would tend to weaken both the State and the Federal inspection systems in many ways which might defy determination by the Secretary. And if both systems were corrupted as a result of this nefarious influence the Secretary might be required to determine that a corrupt State system was at least equal to a corrupt federal system.

Third, even if these insidious corrupting influences were resisted, the effect of the amendment could only be a weakening of the inspection system. At present all inspection of products prepared by plants which move any of the product into interstate commerce is performed by the Federal Inspection Service. The organization and personnel of this service have been built up through the years since 1907 to match the magnitude of the task. Transfer of interstate inspection to the States will increase the volume of work State services are called upon to perform, above that for which they are organized and decrease the volume of work which the Federal Inspection Service is called upon to perform below that for which it is organized.

Fourth, this is not the proper way to legislate. The committee now has before it S. 1932, which has the same purpose as the amendment. The Department of Agriculture was asked to report on that bill on May 25, but it has not yet done so and no hearings have been held on that bill.

The proposal is very controversial, as the Senator knows.

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

Mr. TALMADGE. I will yield in just a moment. Let me complete my statement.

On July 29, 1968, a similar provision was stricken from the Wholesome Poultry Products Act by a vote on the Senate floor of 52 to 19. At that time the provision was opposed by the Department of Agriculture, the National Broiler Council, the National Cattlemen's Association, the National Turkey Federation, the American Federation of Labor, the Amalgamated Meat Cutters and Butcher Workmen of North America, the Special Assistant to the President for Consumer Affairs, and many others.

Now I yield to my friend from Maryland briefly, for a question.

Mr. MATHIAS. I wanted to ask the Senator if it is not true that this amendment actually passed the Senate once.

Mr. TALMADGE. I know it was defeated by a vote of 52 to 19 in the year 1968.

Mr. MATHIAS. It passed the Senate last year. It is not a new idea. Is it not true, in fact, that the Department of Agriculture, by letter of June 28, made its position very clear in support of this amendment?

Mr. TALMADGE. It did. I am informed by the staff that this amendment was accepted by Senator HOLLAND to an appropriation bill he was managing. It did not survive the conference, I may say.

Mr. MATHIAS. But it was accepted by the Senate last year.

Mr. TALMADGE. In response to the question of the Senator from Maryland, it was accepted by Senator HOLLAND on an appropriation bill.

Hearings were held on the pending bill, S. 1316, on May 26. The Department of Agriculture did not report on S. 1316 until June 28, after completion of the hearings, and it was not until that time that any suggestion was made that a provision similar to the pending amendment of the Senator from Maryland be made a part of S. 1316.

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

Mr. TALMADGE. If the Senator will permit me, I shall be glad to yield in a moment.

Consequently, no witnesses testified on the pending amendment. As soon as the Department's report was received I had visits from representatives of the American Meat Institute, the Amalgamated Meat Cutters and Butcher Workmen of America, and others to make known their opposition.

The proper procedure should have been for the Department to make the report that it was requested to make on S. 1932. Then hearings could have been held and the proponents and the opponents would have had a fair opportunity to make their views known. But no one had an opportunity to make his views known, and I may say to the distinguished Senator from Maryland that the chairman of the subcommittee of the Committee on Agriculture and Forestry that has S. 1932 before it would be delighted to give the Senator from Maryland hearings on this amendment if he desired to pursue it in that fashion, in the proper legislative manner, before the proper forum, in the proper subcommittee of the Committee on Agriculture and Forestry, at the proper time.

Mr. President, it is essential that the consumer be given adequate protection. It is essential that neither the Federal nor State systems be subjected to any corrupting or weakening influences. It is essential to our farming and packing industries that the integrity and reputation of federally inspected meat be kept inviolate.

I urge that this amendment be rejected, as the Senate Committee on Agriculture and Forestry rejected it.

I will yield now to the Senator from Maryland for a question.

Mr. MATHIAS. Mr. President, will the Senator also yield for a brief unanimous consent request so that I might put into the RECORD a State-by-State breakdown of State meat inspection plants, which I think would be helpful for the information of the Senate?

The PRESIDING OFFICER. Is there objection?

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

STATE INSPECTION PLANTS

	Slaughter and slaughter-processing combination	Processing only	Custom [1]
Alabama	48	49	42
Alaska	1	7	1
Arizona	11	45	16
Arkansas	37	44	42
California	20	307	0
Colorado	28	44	22
Connecticut	24	47	2
Delaware	4	10	8
Florida	52	209	48
Georgia	109	101	59
Hawaii	21	37	0
Idaho	48	10	62
Illinois	213	388	30
Indiana	69	65	66
Iowa	192	37	205
Kansas	132	33	59
Kentucky	33	83	68
Louisiana	118	124	91
Maine	6	22	65
Maryland	37	44	13
Massachusetts	6	97	9
Michigan	194	282	0
Minnesota	[2]		
Mississippi	66	43	33
Missouri	127	145	212
Montana	[2]		
Nebraska	71	20	131
Nevada	6	9	1
New Hampshire	6	7	10
New Jersey	28	173	83
New Mexico	15	29	22
New York	99	589	20
North Carolina	92	165	92
North Dakota	[2]		
Ohio	168	183	387
Oklahoma	70	50	107
Oregon	51	49	77
Pennsylvania	289	220	154
Puerto Rico	[2]		
Rhode Island	1	41	1
South Carolina	55	81	0
South Dakota	33	16	108
Tennessee	130	56	61
Texas	320	262	97
Utah	43	20	0
Vermont	13	9	12
Virginia	17	48	77
Washington	24	15	3
West Virginia	34	30	51
Wisconsin	183	132	487
Wyoming	8	8	17
Total	3,352	4,485	3,151

[1] These plants are exempted from regular inspection but subject to sanitary reviews including product wholesomeness and labeling requirements.
[2] Designated.

Mr. MATHIAS. Mr. President, I would like to ask the distinguished chairman of the committee if, in spite of the long list of those who have opposed this provision, there is doubt in his mind that the administration now favors this amendment.

Mr. TALMADGE. The administration wrote a letter subsequent to the hearings on S. 1316 and urged that that bill, S. 1316, be agreed to, provided that the amendment of the Senator from Maryland was also approved. We considered the Department's views, and the Committee on Agriculture and Forestry rejected them.

Mr. MATHIAS. If the Senator could indulge me just one more colloquy, the Senator said the American Meat Institute came in and objected to this amendment, and I think the Senator said the AFL–CIO came in and objected to the

amendment. But the housewives who are governed by these prices——

Mr. TALMADGE. Is the Senator asking a question or making a speech? If he wants to make a speech, he should make it on his own time.

Mr. MATHIAS. I wondered how many housewives came in to object.

Mr. TALMADGE. I would suspect that if there were adequate publicity on this provision, the mail of the housewives would be tremendous respecting this amendment.

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

Mr. TALMADGE. Mr. President, how much time do I have?

The PRESIDING OFFICER. The Senator has 12 minutes.

Mr. TALMADGE. Mr. President, I have several requests for time. First I want to yield to the distinguished ranking minority member of the Appropriation Subcommittee, the distinguished Senator from Nebraska (Mr. HRUSKA); then I will yield to the distinguished Senator from Minnesota (Mr. MONDALE); then I will yield to the distinguished Senator from New Mexico (Mr. MONTOYA)—3 minutes each.

Mr. HRUSKA. Mr. President, I thank the Senator for yielding for this purpose.

I rise to oppose the amendment, Mr. President. It is premature. No hearings have been held on it. This is not the way to legislate by way of an amendment on a principal measure of this kind. I opposed the amendment a year ago when it was proposed as an amendment to the appropriation bill. It was accepted to take to conference. There it was fairly promptly taken care of. Last year the Department of Agriculture said that they were opposed to such a measure.

In the hearing before the Agriculture Committee and in the conference outlines, the Department of Agriculture took the position that the amendment to the Federal Meat Inspection Act proposed by S. 3603 and now S. 1932 was "premature" at this time.

An excerpt from Under Secretary J. Phil Campbell's letter of April 15, 1970, to Chairman ELLENDER follows:

> The Department's position is that the proposed amendment to the Federal Meat Inspection is premature. We suggest that consideration of this type of amendment be given at some point after the three-year period provided in the Act and when the total inspection system—State and Federal—has developed fully under provisions of the Act. After the States have clearly established to all concerned producers, packers, consumers, and regulatory agencies, that the State meat inspection systems are clearly and fully equal to the Federal system, this will be the time, in our opinion, to consider permitting the product of such inspection to move in commerce.

In the conference outlines provided to the committee on July 18, 1970, the Department states the following:

> With respect to that portion dealing with the interstate shipment of State inspected meat, the Department suggests consideration be given to this type of authority at some future time after the three-year period provided in the Wholesome Meat Act, and when the total inspection system—State and Federal—has developed fully under the provisions of the Act.

The question, Mr. President, is not high prices or low prices of meat. This is a meat inspection bill. The thrust of it has to do with inspection of meat and quality of meat.

When we get into competitive features and the corner of the market, the interstate market, and the desirability of dissolving that corner and the monopoly on this market, that is another question. The question here is, What is the quality of State inspection?

Let me give these figures to represent one of the questions that will be brought before the Agriculture Committee when the bill will be considered by it. The Federal Government spends about $78 million to inspect 3,700 plants—$78 million. The total appropriation for meat inspection is about $100 million, but $22 million of that goes to the States for matching their inspection costs of State inspected plants. So the States have $45 million to inspect 7,400 plants, twice as many plants as the Federal Government has, with about one-half the amount of money.

The Agriculture Committee will be interested in finding out whether or not that amount of money, scattered over 7,400 plants at about $6,000 apiece, provides that the quality of inspection is as good as it should be.

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

Mr. TALMADGE. One minute.

Mr. HRUSKA. One additional minute.

As against that background, we ought to keep in mind the purpose of this bill. The purpose of this bill is quality inspection and quality meat. Just how 3,700 plants in America can have a corner on meat products so that they can monopolize prices will remain a mystery for a long time to any thoughtful citizen. There are 3,700 plants. It is no longer the big 5 or the big 6, but 3,700 plants producing 90 percent of the product. How can that monopoly be broken by the injection into interstate commerce of 10 percent of the meat product by 7,400 plants?

So it just does not work out that way. But we ought to bear in mind the thing that is most important: What is the impact on the quality of meat for the consumer?

Mr. President, the amendment should be defeated.

Mr. TALMADGE. Mr. President, I yield 3 minutes to the distinguished senior Senator from Minnesota.

Mr. MONDALE. Mr. President, I rise in support of the measure as reported by the Senator from Nebraska (Mr. CURTIS). I believe this legislation, which has been proposed in the past, would be of great help to the development of State inspection systems that will support the Federal Government's effort, and I support the position of the committee in that regard.

I also support the committee's position in opposition to the Mathias amendment. This is a very bad amendment. Some talk has been presented to the Senate about the position of the American consumer. I think if that is concerning us, then we should all vote against the Mathias amendment. The Consumer Federation of America, which represents over 200 consumer organizations throughout this country at the Federal and State levels, strongly opposes the Mathias amendment. They do so because they see it as an amendment which would erode and undermine our efforts to establish a national Federal-State cooperative system of high-quality State inspection and Federal inspection standards for the slaughtering and processing of American meat and American meat products.

I served on the Committee on Agriculture and Forestry with the distinguished senior Senator from New Mexico.

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

Mr. MONDALE. I have only 3 minutes. I shall yield in a minute.

The work of our committee led to the adoption of the Wholesome Meat Act. The key problem that we had to deal with was that there was a strong system of Federal inspection at the Federal level, but with that system came certain costs, such as, higher costs of sanitation, higher costs of inspection, restrictions on the amount of additives that could go into the meats, and restrictions on the kind of advertising one could resort to.

So, increasingly, meatpackng organizations were moving into the intrastate picture, where they could be relieved of those costs which the Federal system, because of its high standards, imposed upon the industry. The result of this was best stated by Ralph Nader when he said, "bad meat was becoming good business."

So we passed the Wholesome Meat Act, designed to maintain the highest Federal standards and to bring the States along with standards that were at least equal to those at the Federal level.

The program has just begun. This measure for expanded Federal support, will help them. But many who have looked at the problem well know that State standards are still below Federal standards.

The PRESIDING OFFICER. The Senator's 3 minutes have expired.

Mr. MONDALE. Will the Senator yield me 30 seconds?

Mr. TALMADGE. I yield the Senator an additional one-half minute.

Mr. MONDALE. And to permit them now to escape this high quality of inspection standards, I think, could very well destroy the Federal system, and leave us in a worse position than we were before the adoption of the Wholesome Meat Act.

I strongly oppose the amendment.

Mr. TALMADGE. I yield 3 minutes to the distinguished Senator from New Mexico.

Mr. MONTOYA. Mr. President, I rise in opposition to the Mathias amendment. When we first considered the Wholesome Meat Act in the Committee on Agriculture and Forestry, we had this problem before us. We discussed the cost and quality of State inspection versus Federal inspection.

I think this matter has been amply covered in the debate, but I do wish to say that the enactment of the Mathias amendment would open up a floodgate, and the American consumer would be the victim, because it was originally intended that Federal inspection, which covers 90 percent of the meat that moves in inter-

state commerce, should be required in order to protect the consumer.

There have been many offenders under the Meat Inspection Act that we enacted. Most of those offenders are in the intrastate plants. Unless we provide rigid standards before meat moves in interstate commerce, as provided under the present law, and unless we provide rigid enforcement before that meat moves in interstate commerce, the American consumer is going to suffer.

The Mathias amendment would seek to give equal dignity to meat inspected in State plants and produced in State plants. But, Mr. President, the enforcement and inspection that take place in State inspected plants is not equivalent to or identical to the inspection and enforcement that take place in plants inspected by the Federal Government. I think this is a very succinct statement, which applies to the question of whether or not the Mathias amendment should be approved.

This is a matter that we should consider in the light of what is best for the American consumer. To approve the amendment is to give license and approval to the movement of meat that might be inadequately inspected in intrastate plants. That is what is at stake. I do not think we are ready for that, because the State inspected plants, under laws approved by the Wholesome Meat Inspection Act, are still on trial. We are not sure that the inspection standards adhered to in intrastate inspection are yet adequate.

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

Mr. MONTOYA. So, in view of that, Mr. President, I hope that the Senate will reject the Mathias amendment.

Mr. CURTIS. Mr. President, I yield 3 minutes to the distinguished Senator from Wyoming (Mr. HANSEN).

Mr. HANSEN. Mr. President, I think it would be appropriate indeed to seek to attach as an amendment to this measure a bill I have introduced separately. My bill would call for the labeling of all imported meat that comes into this country as imported meat, until it goes to the ultimate consumer.

However, I shall not press for its attachment to this bill at this time, because I am fully cognizant of the urgency that faces the distinguished Senator from Nebraska and others equally affected as is he. Nevertheless, I do wish to take this occasion to say that it makes no sense at all, in my judgment, to say on the one hand that State systems are inadequate, and then for the Department of Agriculture to say, though we do not have enough foreign inspectors to give anything like an adequate inspection there, that we will nevertheless oppose or object to the labeling of imported meat.

It should be noted that most of the manufacturing meat which comes into this country comes in in the state of frozen blocks that weigh between 50 and 60 pounds. It also should be noted that the Department of Agriculture, in one of its bulletins, gives this advice to housewives:

> Cook thawed meat immediately, or keep it for only a short time in a refrigerator. Avoid refreezing thawed meat.

I hope at some later date to press for this legislation which I have introduced, because I think it would serve the people of the country well, whether on the basis of labeling or otherwise, to have the best of meat produced, meat which I submit is uniformly good and wholesome, on the one hand, or meat, mixed into hamburger, that comes from a foreign country. But I will not press for the proposal now, because I respect the concern of my good friend from Nebraska to expedite the bill he is handling.

Mr. CURTIS. I thank the Senator from Wyoming for his courtesy.

Mr. CHILES. Mr. President, I have listened with interest to the statements of the distinguished Senator from New Mexico and the distinguished Senator from Minnesota. I hear no indictment of the U.S. Department of Agriculture as to whether we have an equal inspection in the States and whether that would be safe for the consumers.

I have a hard time understanding how the U.S. Department of Agriculture can say that the State of Florida's meat inspection system is equal and that it will protect the people of the State of Florida, my people, when they eat that meat, but if any of that meat from that State system was shipped into a sister State, that would not be safe and would not be protection and would not be equal.

I also have a hard time determining how the same department we have just indicted can say that meat coming from New Zealand or Poland or Hungary can come to the State of Florida and because we say that their inspection system was equal, that meat is safe for our consumers in the State of Florida to eat. Yet, it is not federally inspected, and it has not been under a federally inspected system.

It seems to me that to say we have to have a federally-inspected system for interstate meat, but we do not need it for foreign meat and we do not need it for the people of my State to eat that meat, is to make an argument that is a bunch of heifer dust. There are reasons other than the argument of the protection of the consumers that are affecting this.

It seems to me that if the State of Florida can do a job in the inspection of this meat and can do it a little cheaper than the U.S. Department of Agriculture—because we are closer to the people in State government, because we pay a little more attention to our dollars, because we have somebody overlooking those dollars a little better—then we ought to allow the State to do that by setting the standards, and not make everybody feel that we have to have a federally inspected system to ship interstate and cost them some more dollars.

We cannot be talking about the protection of the people in this if we are bringing in the foreign meat, and we cannot be talking about the protection of the people if we are going to allow them to eat the State-inspected meat in the State they are in. We are just talking about economics. We are talking about whether we are going to step on the toes of somebody who spent the money to have the federally inspected plant. Perhaps there was a reason for that in the 1907 inspection, when the States were allowed to set up their own systems and no one cared what was in those systems. But now that we have gone to the Federal requirement that the State system must be equal or we will have Federal inspection, and if we are going to set that Federal requirement, I am ready to trust the U.S. Department of Agriculture. I believe that they will be able to set the standards, that those standards will be able to be equal within the States, and that we will be able to protect the consumer in that way.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. I yield 3 minutes to the distinguished Senator from Kansas (Mr. DOLE).

Mr. DOLE. I thank the Senator from Nebraska.

Mr. President, I rise to support the bill and also the Mathias amendment.

Having supported the Wholesome Meat Act when it was passed, and having read the Mathias amendment very carefully—I am a cosponsor of the amendment—I think it makes clear that we are talking only about inspection that is at least equal to the Federal inspection.

I think that perhaps the fundamental purpose of this amendment, as outlined by the Senator from Maryland, is to allow meat processed in State-inspected plants to be distributed in interstate commerce when the State inspection standards have been found at least to be equal to Federal inspection requirements.

I happen to believe that we have people in my State and people in the other 46 States who are capable of meat inspection. I happen to believe that when we reach the standards equal to Federal standards, we have a right in our States to have that meat move in interstate commerce.

I say that particularly in view of the fact touched upon by the Senator from Wyoming. We do not seem to have any great reluctance in letting foreign meat move into interstate commerce, even though it is not inspected, even though it may not be equal to the Federal standards.

Therefore, I believe that if we are following strict requirements and strict standards, as pointed out in the Mathias amendment, we should treat our States as fairly as we treat many foreign countries. We have approximately 2 billion pounds of meat per year from foreign countries moving freely in interstate commerce; and I would hope that the Senator from Wyoming's bill would be considered carefully in hearings and eventually brought before the Senate and the House for action.

I believe in States' rights and States' responsibilities, and I strongly support the Mathias amendment, because it is tightly drawn, because it would protect the consumer and would give Americans the protection they deserve.

We know what happened at the outset. There was a fear that the standards in many States were not equal to the Federal standards. That is no longer the case.

I share the views just expressed by the Senator from Florida. I have enough confidence in the USDA and enough confidence in the several States which do have these standards. I think that per-

haps we penalize these States now by not making the same benefits available to them that we make available to foreign countries. It will be helpful to my State, yes, and to the State of the Senator from Maryland, and to many other States. Having supported this proposal in the committee, I now support it on the floor.

Mr. President, I am pleased to join the Senator from Maryland (Mr. MATHIAS) in introducing this amendment to make greater quantities of wholesome meat and meat products available in interstate commerce.

The fundamental purpose of this amendment is to allow meat processed in State inspected plants to be distributed in interstate commerce when the State inspection standards have been found to be equal to Federal inspection requirements.

There are several factors that weigh heavily for enactment of this proposal.

First, it would benefit consumers who would have available to them a wider variety and greater quantity of good, wholesome meat and meat products.

Second, it would aid many small processors who have gone to considerable expense and efforts to bring their facilities up to the strict standards of the 47 States—including Kansas—whose meat inspection regulations have been found to be equal in all respects to Federal standards. The processors who are meeting the new strict State standards, are currently treated unfairly by not being able to distribute their products on the same basis as other products meeting no higher standards.

This unfairness is highlighted by the fact that meat products of foreign countries, now amounting to more than 2 billion pounds per year, move freely in interstate commerce in this country after those countries' inspection systems and facilities meet USDA standards. This situation means that a small processor in Kansas can go to Missouri and buy meat from New Zealand, Yugoslavia, Poland and some 39 other countries, but he cannot sell his own meat, which was inspected under equally strict requirements, in Missouri—or any State, other than Kansas.

The result is less income for the small processor and a more expensive, less varied selection for the consumer.

There is no reason for this continued disparity between State and federally supervised meat and meat products. Thirty-five States have closed the gap which once existed and more will follow. Americans are getting the protection they deserve against impure or unsanitary meat, but now that this protection is assured the small processor and the consumer deserve the benefits of expanded meat markets.

I cannot see any real reason to oppose the amendment, and I share the view expressed in the letter from the Secretary of Agriculture on June 28, in support of the amendment.

Mr. CURTIS. Mr. President, I yield 2 minutes to the distinguished Senator from Oklahoma (Mr. BELLMON).

Mr. BELLMON. Mr. President, if the purpose of the Wholesome Meat Act was to assure that the consumers of this country received a high quality product regardless of where that product may have been processed, then it seems to me that it only follows that these products should have the right to move in interstate commerce. If, in fact, these products are not good enough to move in interstate commerce, this means they are not good enough to use intrastate and that the Wholesome Meat Act ought to be strengthened or repealed.

I am one who supports the Wholesome Meat Act. In my State, it has caused many of the State inspected plants to be repaired and modernized, and their products are now certainly as good as those produced under the Federal standards that are enforced by the USDA meat inspectors, and certainly they are as good as standards followed in foreign countries whose products move in interstate commerce.

Also, I suggest that the permission to allow these products to move in interstate commerce will make certain that the USDA does a better job in setting standards for State plants and supervising them. Once it is the law that these products move in interstate commerce, there will be an additional responsibility on the USDA to take a greater interest in the operation of the State plants, and I believe the amendment will have a very salutary effect on the total meat inspection system of the country.

I strongly support the amendment and urge its adoption.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. Mr. President, I yield 1 minute to the Senator from Maryland.

Mr. MATHIAS. I thank the Senator.

Mr. President, I just wanted to revert to the point made by the Senator from Minnesota with respect to the position of the Consumer Federation of America. I share with him his views on the work of the federation, but I submit that on this issue they do not have a very educated opinion. Their spokesman, Miss Irma Angevine, was quoted as saying,

> Nobody knows what Federal standards are, so how can we tell what the Department of Agriculture will consider to be at least equal to its standards?

"Nobody knows." I submit that somebody does know, and that the Department of Agriculture is right in the position in its letter of June 28 to the chairman of the committee. I think that is the correct position.

As the Senator from Oklahoma has eloquently said, it is the way to upgrade the entire system without making the entire system a Federal system. It is the way to keep some vitality and life in the Federal system, to encourage the States to do the best they can, and to give the housewives and other consumers the best break we can give them. The way to do it, in my judgment, is to adopt this amendment.

Mr. President, I am pleased to ask unanimous consent that Senators MCCLELLAN, Moss, and DOLE be added to the list of cosponsors.

Mr. HRUSKA. The intent of the Federal Meat Inspection Act, enacted in 1967, was to provide Federal assistance to State meat inspection programs so that they could equal the Federal system in effectiveness. A well-coordinated inspection system based upon Federal standards obviously would insure a cleaner and more healthful supply of meat to the American consumer.

The program in the past 4 years has resulted in a remarkable level of achievement by the States. Inspection systems in 44 States have been declared equal to the Federal inspection system. Three States and Puerto Rico have failed to meet the requirements. Three other States are still trying to meet the requirements of the program before the discretionary period elapses and their systems are taken over completely by the Federal system.

Thus the program to date demonstrates how much can be accomplished through a Federal-State approach. The Consumer and Marketing Service of the Department of Agriculture and the States themselves should be commended for the fine work they have done in establishing a truly national system of meat inspection.

One of the principal and in my opinion most laudable goals of the Nixon administration is its objective of bringing the Federal Government's decisionmaking processes closer to the people. There is an urgent need to bring Government closer to the people and to make its processes more responsive to the people.

The thrust of the administration's revenue-sharing program is to strengthen State and local governments by returning money and decisionmaking to State and local levels. This is also the objective of the bill which Senator CURTIS and I and others have proposed to the Federal Meat Inspection Law.

The purpose of this bill is to prevent a situation which may possibly jeopardize State participation in the meat inspection program. That situation is brought about by the increasing possibility that State governments, who have very critical financial problems, may not be able to hold up their end of the meat inspection partnership.

Governors throughout the Nation are faced with difficult priority decisions, just as we are in the Congress. They are desperately looking for ways to stretch the State tax dollar.

In recent months, several State legislatures have balked at appropriating funds for operating State meat inspection programs. Their attitude seems to be, "why should we put up half the money for a State meat inspection program dictated by the Federal Governent? If the Federal Government is going to tell us how it must be done, then let them do it, paying the full cost and freeing our funds for more urgent matters."

It is difficult to blame the States in consideration of the great demand for tax dollars. In my own State of Nebraska the State legislature has passed legislation limiting its contribution to 20 percent. At the current level of spending, this would provide only enough money to maintain the system on a 50–50 Federal-State funding basis until about November of this year.

At that time, the Federal Government would have to take over the Nebraska inspection system.

If this happens in Nebraska, it is quite likely that other States will follow. I would hope this would not happen because it would mean that the States would forfeit more of their power and prerogatives to the Federal Government, a situation which in my opinion is not only deplorable but also dangerous.

Our bill, S. 1316 would provide that the Federal contribution for the meat inspection system be increased from 50 to 80 percent of the total cost of the program. Such an increase would keep the States in the meat inspection picture—a goal which is very desirable.

It is my hope that the bill will be approved into law without any amendment to its present form as introduced.

Mr. TALMADGE. Mr. President, if the Senator from Nebraska is prepared to yield back the remainder of his time on the amendment and the Senator from Maryland is prepared to do the same, I suggest that we vote on the amendment. The yeas and nays have been ordered.

The PRESIDING OFFICER. All time on the amendment has expired.

The question is on agreeing to the amendment of the Senator from Maryland. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Alaska (Mr. GRAVEL), the Senator from Oklahoma (Mr. HARRIS), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. LONG), The Senator from Wyoming (Mr. MCGEE), the Senator from South Dakota (Mr. MCGOVERN), and the Senator from Rhode Island (Mr. PASTORE), are necessarily absent.

I further announce that, if present and voting, the Senator from South Dakota (Mr. MCGOVERN), the Senator from Rhode Island (Mr. PASTORE), and the Senator from Minnesota (Mr. HUMPHREY), would each vote "nay."

Mr. GRIFFIN. I announce that the Senator from Oregon (Mr. HATFIELD) is necessarily absent, and if present and voting, would vote "yea."

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The result was announced—yeas 38, nays 52, as follows:

[No. 175 Leg.]

YEAS—38

Allen	Cook	McClellan
Anderson	Cotton	Moss
Baker	Curtis	Packwood
Beall	Dole	Pearson
Bellmon	Dominick	Percy
Bennett	Fong	Prouty
Bentsen	Goldwater	Roth
Bible	Griffin	Saxbe
Brock	Hansen	Spong
Buckley	Hollings	Stevens
Byrd, Va.	Hughes	Taft
Cannon	Jordan, Idaho	Weicker
Chiles	Mathias	

NAYS—52

Aiken	Eagleton	Hruska
Allott	Eastland	Inouye
Boggs	Ellender	Jackson
Brooke	Ervin	Javits
Burdick	Fannin	Jordan, N.C.
Byrd, W. Va.	Fulbright	Kennedy
Case	Gambrell	Magnuson
Church	Gurney	Mansfield
Cooper	Hart	McIntyre
Cranston	Hartke	Metcalf
Miller	Ribicoff	Talmadge
Mondale	Schweiker	Thurmond
Montoya	Scott	Tower
Muskie	Smith	Tunney
Nelson	Sparkman	Williams
Pell	Stennis	Young
Proxmire	Stevenson	
Randolph	Symington	

NOT VOTING—10

Bayh	Humphrey	Mundt
Gravel	Long	Pastore
Harris	McGee	
Hatfield	McGovern	

So Mr. MATHIAS' amendment was rejected.

Mr. TALMADGE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. CURTIS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. TALMADGE. Mr. President, is the Senator from Nebraska prepared to yield back the remainder of his time?

Mr. CURTIS. Mr. President, I yield back the remainder of my time.

Mr. TALMADGE Mr. President, I do not think it is necessary to have the yeas and nays on final passage. We can pass this bill by voice vote.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, shall it pass?

The bill (S. 1316) was passed.

Mr. TALMADGE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. CURTIS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The title was amended, so as to read: "A bill to amend section 301 of the Federal Meat Inspection Act, as amended, and section 5 of the Poultry Products Inspection Act, as amended, so as to increase from 50 to 80 per centum the amount that may be paid as the Federal Government's share of the costs of any cooperative meat or poultry inspection program carried out by any State under such sections."

MESSAGES FROM THE PRESIDENT

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

EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer (Mr. KENNEDY) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the Committee on Foreign Relations.

(The nominations received today are printed at the end of Senate proceedings.)

FARM CREDIT ACT OF 1971

Mr. TALMADGE. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Order No. 301, S. 1483.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 1483) to further provide for the farmer-owned cooperative system of making credit available to farmers and ranchers and their cooperatives, for rural residences, and to associations and other entities upon which farming operations are dependent, to provide for an adequate flexible flow of money into rural areas, and to modernize and consolidate existing farm credit law to meet current and future rural credit needs, and for other purposes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Georgia?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry, with the following amendments:

On page 2, line 17, after the word "agriculture", insert "which will be responsive to the credit needs of all types of agricultural producers having a basis for credit".

On page 4, line 11, after the word "for", strike out "credits" and insert "credit".

On page 7, at the beginning of line 9, strike out "through agents" and insert "and borrowers through agents who are farmers or ranchers"; at the beginning of line 13, strike out "increase its capital stock" and insert "authorize the issue or increase of its capital stock necessary".

On page 9, line 9, after the word "associations", strike out "including (1) farmers and ranchers, (2) persons furnishing to farmers and ranchers farm-related services necessary to their agricultural production, including basic processing and marketing, and" insert "and are (1) bona fide farmers and ranchers, (2) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs, or".

On page 10, line 4, after the word "Administration", insert "Rural housing financed under this title, shall be for single-family, low- and moderate-priced dwellings and their appurtenances not inconsistent with the general quality and standards of housing existing in, planned or recommended for the rural area where it is located."; in line 10, after the word "ranchers", insert "directly related to their on-farm operating needs"; in line 20, after the word "them", insert "at their option"; in line 21, after the word "their", insert "on-farm".

On page 13, line 18, after the word "association", insert "shall be a body corporate and".

On page 15, line 15, after the word "and", insert "shall".

On page 17, line 8, after the word "closed", insert "The association shall then purchase a similar amount of stock in the land bank.".

On page 23, line 6, after the word "granted", insert "it"; in line 11, after the word "or", strike out "paid in" and insert "pay in".

On page 24, line 4, after the word "or", where it appears the first time, strike out "of".

On page 29, at the beginning of line 14, insert "the holder of".

On page 32, line 16, after the word "the", strike out "banks" and insert "bank"; in line 18, after the word "the", strike out "banks" and insert "bank".

On page 33, line 8, after the word "them", insert "at their option"; in line 9, after the word "their", insert "on-farm"; in line 24, after the word "account", insert "or allocated reserve account".

On page 34, line 10, after "(7)", strike out "and" and insert "any"; in line 14, after the word "above", insert "either heretofore or

hereafter"; in line 17, after the word "refunds", strike out "Such allocations of reserve account shall be subject to a first lien as additional collateral for any indebtedness of the holders thereof to the bank and in any case where such indebtedness is in default may, but shall not be required to, be retired and canceled for application on such indebtedness, and, in case of liquidation or dissolution of a holder thereof, such reserve account allocations may be retired, all as is provided for stock and participation certificates in section 2.2(g) of this title.".

On page 35, line 4, after the word "in", strike out "voting"; at the beginning of line 6, strike out "and, with the approval of the Farm Credit Administration, also in cash".

On page 36, line 8, after the word "of", strike out "voting"; at the beginning of line 9, insert "held by production credit associations and participation certificates held by other financing institutions".

On page 38, after line 7, insert:

"(d) Such allocations of reserve account shall be subject to a first lien as additional collateral for any indebtedness of the holders thereof to the bank and in any case where such indebtedness is in default may, but shall not be required to, be retired and canceled for application on such indebtedness, and, in case of liquidation or dissolution of a holder thereof, such reserve account allocations may be retired, all as is provided for stock and participation certificates in section 2.2(g) of this title."

On page 42, line 9, after the word "association", insert "shall be a body corporate and".

On page 47, line 21, after the word "stock", where it appears the first time, strike out "except preferred stock," and insert "(except preferred stock)".

On page 50, line 17, after "(1)", insert "bona fide"; in line 22, after "(3)", strike out "person" and insert "persons"; in the same line, after the word "ranchers", strike out "farm related services necessary to their agricultural production, including basic processing and marketing" and insert "farm-related services directly related to their on-farm operating needs. Rural housing financed under this title shall be for single-family, low- and moderate-priced dwellings and their appurtenances not inconsistent with the general quality and standards of housing existing in, planned or recommended for the rural area where it is located".

On page 52, at the beginning of line 6, insert "at their option"; in line 7, after the word "their", insert "on-farm".

On page 57, line 7, after the word "For", strike out "Cooperating" and insert "Cooperatives"; in line 22, after the word "only", strike out "by cooperative" and insert "by (1) cooperative"; in line 23, after the word "banks", where it appears the first time, strike out "and other" and insert "and (11) other"; in line 24, after the word "for", strike out "cooperatives and" and insert "cooperatives".

On page 58, line 17, after the word "and", insert "except for stock held by the Governor"; in line 23, after the word "bank", strike out "in accordance with regulations of the Farm Credit Administration".

On page 61, line 1, after the word "stockholders", strike out "of" and insert "eligible to borrow from".

On page 62, line 14, after the word "to", strike out "own" and insert "invest in"; in line 17, after the word "for", strike out "the ownership of" and insert "investment in".

On page 63, line 4, after the word "own", insert "or invest in"; in the same line, after the word "the", strike out "necessary stock in the district bank for the district for the district in which its principal office is located and the district bank shall be required to own a corresponding amount of stock in the Central Bank" and insert "necessary stock in a district bank or banks as may be approved by the Farm Credit Administration and such district bank shall be required to own a corresponding amount of stock in the Central Bank, but voting stock shall be in the one district bank designated by the Farm Credit Administration".

On page 64, line 5, after the word "the", insert "net"; in line 16, after the word "as", strike out "additional".

On page 65, line 6, after the word "and", where it appears the first time, strike out "other obligations" and insert "allocations"; in line 7, after the word "bank", strike out "in the Central Bank or".

On page 66, line 8, after "(2)", strike out "and (4)"; in line 21, after the word "section", strike out "3.6" and insert "3.5".

On page 67, at the beginning of line 2, strike out "applied as provided in (2) above" and insert "accumulated as allocated or unallocated surplus"; in line 11, after the word "be", strike out "distributed" and insert "applied"; in line 12, after the word "basis", strike out "with an obligation to distribute patronage dividends, and"; in line 18, after the word "operations", insert "and the remaining net savings shall be distributed as patronage refunds as provided in subsections (c) and (d) of this section".

On page 69, line 15, after the word "by", strike out the colon and "First,"; in line 17, after the semicolon, strike out "second"; in line 18, after the semicolon, strike out "third,"; in line 19, after the semicolon, strike out "fourth,"; in line 20, after the semicolon, strike out "fifth,"; in line 21, after the semicolon, strike out "and sixth," and insert "or"; in line 22, after the word "stock", strike out the colon and "*Provided, however,* That any tax deficiency assessment for any year may be paid from unallocated surplus or any other account"; after line 24, insert:

"(f) Notwithstanding any other provisions of this section any costs or expenses attributable to a prior year or years but not recognized in determining the net savings for such year or years may be charged to reserves or surplus of the bank or to patronage allocations for such years, as may be determined by the board of directors."

On page 70, at the beginning of line 6, strike out "(f)" and insert "(g)"; in line 22, after "pro rata", strike out the comma and "and any remaining" and insert "and any remaining allocated"; at the beginning of line 25, insert "and any other remaining surplus shall be paid to the holders of outstanding voting stock".

On page 73, line 8, after the word "in", strike out "an institution" and insert "a bank"; at the beginning of line 10, strike out "3.12" and insert "3.11"; in the same line, after the word "respectively", strike out "and before declaring any dividends or patronage distribution,"; in line 13, after the word "year", strike out "or" and insert "before establishing any contingency reserves or declaring any dividends or patronage distribution, not exceeding".

On page 75, line 9, after the word "Administration", insert a comma and "and subject to the limitations of paragraph (e) of this section".

On page 76, after line 11, insert:

"(e) No bank or banks shall issue notes, bonds, debentures, or other obligations individually or in concert with one or more banks of the System other than through their fiscal agent under any provision of this Act except under subsection (a) of this section: *Provided,* That any bank or banks may issue investment bonds or like obligations other than through the fiscal agent if the interest rate is not in excess of the interest allowable on savings deposits of commercial banks of comparable amounts and maturities under Federal Reserve regulation on its member banks."

In line 24, after the word "other", insert "similar".

On page 78, line 7, after the word "Act", strike out "in proportion to" and insert "taking into consideration".

On page 80, line 25, after the word "by", insert "each of"; in the same line, after the word "boards", insert "involved".

On page 81, line 1, after the word "which", insert "from each district".

On page 82, after line 10, insert:

"PART C—RIGHTS OF APPLICANTS

"SEC. 4.13. NOTICE OF ACTION ON APPLICATION.—Every applicant for a loan from an institution of the System shall be entitled to prompt notice of action on his application, and, if the loan applied for is reduced or denied, the reason for such action.

"SEC. 4.14. RECONSIDERATION.—Any applicant who has reason to believe that the action on his application by an association failed to take into account facts pertinent to his application, or has misinterpreted or failed to properly apply the applicable law or rules and regulations governing his application, may, if he so requests in writing within thirty days of the date of that notice, request an informal hearing on his application and the action of the association in reduction or denial thereof, or the reason for such action, in person before the loan committee or officer or employee thereof authorized to act on applications under section 1.15(11) or 2.12(18). Promptly after such a hearing, he shall be notified of the decision upon reconsideration and the reasons therefor.

"SEC. 4.15. NOMINATION OF ASSOCIATION DIRECTORS; REPRESENTATIVE SELECTION OF NOMINEES.—Each production credit association and each Federal land bank association shall elect a nominating committee by vote of the stockholders at the annual meeting to serve for the following year. Each nominating committee shall review lists of farmers from the association territory, determine their willingness to serve, and submit for election a slate of eligible candidates which shall include at least two nominees for each elective office to be filled. In doing so, the committee shall endeavor to assure representation to all sections of the association territory and as nearly as possible to all types of agriculture practiced within the area. Employees of the association shall not be eligible to be nominated, elected, or serve as a member of the board. Nominations shall also be accepted from the floor. Members of the board are not eligible to serve on the nominating committee. Regulations of the Farm Credit Administration governing the election of district directors shall similarly assure a choice of two nominees for each elective office to be filled and that the district board represent as nearly as possible all types of agriculture in the district."

On page 87, line 22, after the word "associations", strike out "and each direct borrower and borowers through agents".

On page 88, line 4, after the word "and", where it appears the second time, strike out "borrowers through agents" and insert "borrower through agent"; in line 13, after the word "subsection", strike out "3.4" and insert "3.3"; after line 20, insert:

"(d) Any vacancies in the board of directors shall be filled for the unexpired term in the manner provided in sections 5.1 and 5.2 for the selection of such directors."

On page 95, line 5, after the word "the", where it appears the second time, strike out "various types of cooperative credit interests in" and insert "types of institutions constituting".

On page 98, line 3, after the word "candidates", strike out "for appointment" and insert "for the Board for the final election in the district".

On page 104, line 3, after the word "To", insert "lease or".

On page 105, line 14, after the figure "(2)", strike out "Issue" and insert "Where necessary or appropriate to carry out the policy and objectives of this Act, issue"; in line 16, after the word "charters", insert "or the bylaws"; in line 17, after the word "System," strike out "and approve" and insert a semicolon and "approve".

On page 106, line 8, after the word "institutions", insert "and on the manner and extent to which the purposes and objectives of this Act are being carried out".

On page 109, line 15, after the word "examiners", insert "under the direction of an independent chief Farm Credit Administration examiner"; in line 19, after the word "year.", insert "Such examinations shall include objective appraisals of the effectiveness of management and application of policies in carrying out the provisions of this Act and in servicing all eligible borrowers.".

On page 115, line 9, after the word "position", strike out "(55)" and insert "(58)"; in line 11, after "5314", strike out "(55)"; in line 12, after "(b)", strike out "Amend the section title and substance of section 393 of title 12, United States Code" and insert "The third paragraph of section 15 of the Federal Reserve Act (12 U.S.C. 393)"; and, after line 15, strike out:

"§ 393. Federal Reserve banks as depositaries for and fiscal agents of Federal land banks, intermediate credit banks, banks for cooperatives, and other institutions of the Farm Credit System"

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1971".

POLICY AND OBJECTIVES

SEC. 1.1. (a) It is declared to be the policy of the Congress, recognizing that a prosperous, productive agriculture is essential to a free nation and recognizing the growing need for credit in rural areas, that the farmer-owned cooperative Farm Credit System be designed to accomplish the objective of improving the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations.

(b) It is the objective of this Act to continue to encourage farmer- and rancher-borrowers participation in the management, control, and ownership of a permanent system of credit for agriculture which will be responsive to the credit needs of all types of agricultural producers having a basis for credit, and to modernize and improve the authorizations and means for furnishing such credit and credit for housing in rural areas made available through the institutions constituting the Farm Credit System as herein provided.

SEC. 1.2. THE FARM CREDIT SYSTEM.—The Farm Credit System shall include the Federal land banks, the Federal land bank associations, the Federal intermediate credit banks, the production credit associations, the banks for cooperatives, and such other institutions as may be made a part of the System, all of which shall be chartered by and subject to the supervision of the Farm Credit Administration.

TITLE I—FEDERAL LAND BANKS AND ASSOCIATIONS

PART A—FEDERAL LAND BANKS

SEC. 1.3. ESTABLISHMENT; TITLE; BRANCHES. —The Federal land banks established pursuant to section 4 of the Federal Farm Loan Act, as amended, shall continue as federally chartered instrumentalities of the United States. Their charters or organization certificates may be modified from time to time by the Farm Credit Administration, not inconsistent with the provisions of this title, as may be necessary or expedient to implement this Act. Unless an existing Federal land bank is merged with one or more other such banks under section 4.10 of this Act, there shall be a Federal land bank in each farm credit district. It may include in its title the name of the city in which it is located or other geographical designation. When authorized by the Farm Credit Administration, it may establish such branches or other offices as may be appropriate for the effective operation of its business.

SEC. 1.4. CORPORATE EXISTENCE; GENERAL CORPORATE POWER.—Each Federal land bank shall be a body corporate and, subject to supervision by the Farm Credit Administration, shall have power to—

(1) Adopt and use a corporate seal.

(2) Have succession until dissolved under the provisions of this Act or other Act of Congress.

(3) Make contracts.

(4) Sue and be sued.

(5) Acquire, hold, dispose, and otherwise exercise all the usual incidents of ownership of real and personal property necessary or convenient to its business.

(6) Make loans and commitments for credit, accept advance payments, and provide services and other assistance as authorized in this Act, and charge fees therefor.

(7) Operate under the direction of its board of directors.

(8) Elect by its board of directors a president, any vice president, a secretary, a treasurer, and provide for such other officers, employees, and agents as may be necessary, including joint employees as provided in this Act, define their duties, and require surety bonds or make other provision against losses occasioned by employees.

(9) Prescribe by its board of directors its bylaws not inconsistent with law providing for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired; its officers, employees, and agents are elected or provided for; its property acquired, held, and transferred; its loans and appraisals made; its general business conducted; and the privileges granted it by law exercised and enjoyed.

(10) Borrow money and issue notes, bonds, debentures, or other obligations individually, or in concert with one or more other banks of the System, of such character, terms, conditions, and rates of interest as may be determined.

(11) Accept deposits of securities or of current funds from its Federal land bank associations and pay interest on such funds.

(12) Participate with one or more other Federal land banks in loans under this title on such terms as may be agreed upon among such banks.

(13) Approve the salary scale of the officers and employees of the Federal land bank associations and the appointment and compensation of the chief executive officer thereof and supervise the exercise by such associations of the functions vested in or delegated to them.

(14) Deposit its securities and its current funds with any member bank of the Federal Reserve System and pay fees therefor and receive interest thereon as may be agreed. When designated for that purpose by the Secretary of the Treasury, it shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; may be employed as a fiscal agent of the Government, and shall perform all such reasonable duties as a depository of public money or financial agent of the Government as may be required of it. No Government funds deposited under the provisions of this subsection shall be invested in loans or bonds or other obligations of the bank.

(15) Buy and sell obligations of or insured by the United States or of any agency thereof, or securities backed by the full faith and credit of any such agency, and make such other investments as may be authorized by the Farm Credit Administration.

(16) Conduct studies and make and adopt standards for lending.

(17) Delegate to Federal land bank associations such functions vested in or delegated to the bank as it may determine.

(18) Amend and modify loan contracts, documents, and payment schedules, and release, subordinate, or substitute security for any of them.

(19) Perform any function delegated to it by the Farm Credit Administration.

(20) Require Federal land bank associations to endorse notes and other obligations of its members to the bank.

(21) Exercise by its board of directors or authorized officers, employees, or agents all such incidental powers as may be necessary or expedient to carry on the business of the bank.

SEC. 1.5. LAND BANK STOCK; VALUE; SHARES; VOTING; DIVIDEND.—(a) The capital stock of each Federal land bank shall be divided into shares of par value of $5 each, and may be of such classes as its board of directors may determine with the approval of the Farm Credit Administration.

(b) Voting stock of each bank shall be held only by the Federal land bank associations and direct borrowers and borrowers through agents who are farmers or ranchers, which stock shall not be transferred, pledged, or hypothecated except as authorized pursuant to this Act.

(c) The board of each bank shall from time to time authorize the issue or increase of its capital stock necessary to permit the issuance of additional shares to the Federal land bank associations so that members of such associations purchasing stock or participation certificates therein may be eligible for loans from the bank.

(d) Nonvoting stock may be issued to the Governor of the Farm Credit Administration, and may also be issued to Federal land bank associations in amounts which will permit the bank to extend financial assistance to eligible persons other than farmers or ranchers. Participation certificates with a face value of $5 each may be issued in lieu of nonvoting stock when the bylaws of the bank so provide.

(c) Dividends shall not be payable on any stock held by the Governor of the Farm Credit Administration. Noncumulative dividends may be payable on other stock and participation certificates of the bank. The rate of dividends may be different between different classes and issues of stock and participation certificates on the basis of the comparative contributions of the holders thereof to the capital or earnings of the bank by such classes and issues, but otherwise dividends shall be without preference.

SEC. 1.6. REAL ESTATE MORTGAGE LOANS.—The Federal land banks are authorized to make long-term real estate mortgage loans in rural areas, as defined by the Farm Credit Administration, and continuing commitments to make such loans under specified circumstances, or extend other financial assistance of a similar nature to eligible borrowers, for a term of not less than five nor more than forty years.

SEC. 1.7 INTEREST RATES AND OTHER CHARGES.—Loans made by a Federal land bank shall bear interest at a rate or rates, and on such terms and conditions, as may be determined by the board of directors of the bank from time to time, with the approval of the Farm Credit Administration. In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers at the lowest reasonable costs on a sound business basis taking into account the cost of money to the bank, necessary reserves and expenses of the banks and Federal land bank associations, and providing services to stockholders and members. The loan documents may provide for the interest rate or rates to vary from time to time during the repayment period of the loan, in

accordance with the rate or rates currently being charged by the bank.

SEC. 1.8. ELIGIBILITY.—The services authorized in this title may be made available to persons who are or become stockholders or members in the Federal land bank associations and are (1) bona fide farmers and ranchers, (2) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs, or (3) owners of rural homes.

SEC. 1.9. SECURITY.—Loans by the Federal land banks shall be secured primarily by interest in rural real estate, the value of which shall be determined by appraisal under appraisal standards prescribed or approved by the Farm Credit Administration, to adequately secure the loan. However, additional security may be required to supplement real estate security, and credit factors other than the ratio between the amount of the loan and the security value shall be given due consideration.

SEC. 1.10. PURPOSES.—Loans made by the Federal land banks to farmers and ranchers may be for any agricultural purpose and other credit needs of the applicant. Loans may also be made to rural residents for rural housing financing under regulations of the Farm Credit Administration. Rural housing financed under this title shall be for single-family, low- and moderate-priced dwellings and their appurtenances not inconsistent with the general quality and standards of housing existing in, planned or recommended for the rural area where it is located. Loans to persons furnishing farm-related services to farmers and ranchers directly related to their on-farm operating needs may be made for the necessary capital structures and equipment and initial working capital for such services. The banks may own and lease, or lease with option to purchase, to persons eligible for assistance under this title, facilities needed in the operations of such persons.

SEC. 1.11. SERVICES RELATED TO BORROWERS' OPERATIONS.—The Federal land banks may provide technical assistance to borrowers, members, and applicants and may make available to them at their option such financial related services appropriate to their on-farm operations as determined to be feasible, under regulations of the Farm Credit Administration.

SEC. 1.12. LOANS THROUGH ASSOCIATIONS OR AGENTS.—(a) The Federal land banks shall, except as otherwise herein provided, make loans through a Federal land bank association serving the territory in which the real estate offered by the applicant is located. If there is no active association chartered for the territory where the real estate is located, or if the association has been declared insolvent, the bank may make the loan through another such association, directly, or through such bank or trust company or savings or other financial institution as it may designate. When the loan is not made through a Federal land bank association, the applicant shall purchase stock in the bank in an amount not less than $5 nor more than $10 for each $100 of the loan and the loan shall be made on such terms and conditions as the bank shall prescribe.

PART B—FEDERAL LAND BANK ASSOCIATIONS

SEC. 1.13. ORGANIZATIONS; ARTICLES; CHARTERS; POWERS OF THE GOVERNOR.—Each Federal land bank association chartered under section 7 of the Federal Farm Loan Act, as amended, shall continue as a federally chartered instrumentality of the United States. A Federal land bank association may be organized by any group of ten or more persons desiring to borrow money from a Federal land bank, including persons to whom the Federal land bank has made a loan directly or through an agent and has taken as security real estate located in the territory proposed to be served by the association. The articles of association shall describe the territory within which the association proposes to carry on its operations. Proposed articles shall be forwarded to the Federal land bank for the district, accompanied by an agreement to subscribe on behalf of the association for stock of the land bank equal to not less than $5 nor more than $10 per $100 of the amount of the aggregate loans desired or held by the association members. Such stock may be paid for by surrendering for cancellation stock in the bank held by a borrower and the issuance of an equivalent amount of stock to such borrower in the association. The articles shall be accompanied by a statement signed by each of the members of the proposed association establishing his eligibility for, and that he has or desires a Federal land bank loan; that the real estate with respect to which he desires a loan is not being served by another Federal land bank association; and that he is or will become a stockholder in the proposed association. A copy of the articles of association shall be forwarded to the Governor of the Farm Credit Administration with the recommendations of the bank concerning the need for the proposed association in order to adequately serve the credit needs of eligible persons in the proposed territory and a statement as to whether or not the territory includes any territory described in the charter of another Federal land bank association. The Governor for good cause shown may deny the charter applied for. Upon the approval of the proposed articles by the Governor and the issuance of such charter, the association shall become as of such date a federally chartered body corporate and an instrumentality of the United States. The Governor shall have power, in the terms of the chapter, under rules and regulations prescribed by him or by approving bylaws of the association, to provide for the organization, management, and conduct of the business of the association, the initial amount of stock of such association, the territory within which its operations may be carried on and to direct at any time changes in the charter of such association as he finds necessary in accomplishing the purposes of this Act.

SEC. 1.14. BOARD OF DIRECTORS.—Each Federal land bank association shall elect from its voting shareholders a board of directors of such number, for such terms, in such manner, and with such qualifications as may be required by its bylaws.

SEC. 1.15. GENERAL CORPORATE POWERS.—Each Federal land bank association shall be a body corporate and, subject to supervision of the Federal land bank for the district and of the Farm Credit Administration, shall have the power to—

(1) Adopt and use a corporate seal.

(2) Have succession until dissolved under the provisions of this Act or other Act of Congress.

(3) Make contracts.

(4) Sue and be sued.

(5) Acquire, hold, dispose, and otherwise exercise all of the usual incidents of ownership of real estate and personal property necessary or convenient to its business.

(6) Operate under the direction of its board of directors in accordance with this Act.

(7) Elect by its board of directors a manager or other chief executive officer, and provide for such other officers or employees as may be necessary, including joint employees as provided in this Act; define their duties; and require surety bonds or make other provision against losses occasioned by employees. No director shall, within one year after the date when he ceases to be a member of the board, be elected or designated a salaried employee of the association on the board of which he served.

(8) Prescribe by its board of directors its bylaws, not inconsistent with law, providing for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired; its officers and employees elected or provided for; its property acquired, held, and transferred; its general business conducted; and privilege granted it by law exercised and enjoyed.

(9) Accept applications for Federal land bank loans and receive from such bank and disburse to the borrowers the proceeds of such loans.

(10) Subscribe to stock of the Federal land bank of the district.

(11) Elect by its board of directors a loan committee with power to elect applicants for membership in the association and recommend loans to the Federal land bank, or with the approval of the Federal land bank, delegate the election of applicants for membership and the approval of loans within specified limits to other committees or to authorized employees of the association.

(12) Upon agreement with the bank, take such additional actions with respect to applications and loans and perform such functions as are vested by law in or delegated to the Federal land banks as may be agreed to or delegated to the association.

(13) Endorse and shall become liable to the bank on loans it makes to association members.

(14) Receive such compensation and deduct such sums from loan proceeds with respect to each loan as may be agreed between the association and the bank and may make such other charges for services as may be approved by the bank.

(15) Provide technical assistance to members, borrowers, applicants, and other eligible persons and make available to them such financial related services appropriate to their operations as it determines, with Federal land bank approval, are feasible, under regulations of the Farm Credit Administration.

(16) Borrow money from the bank and, with the approval of such bank, borrow from and issue its notes or other obligations to any commercial bank or other financial institutions.

(17) Buy and sell obligations of or insured by the United States or any agency thereof or of any banks of the Farm Credit System.

(18) Invest its funds in such obligations as may be authorized in regulations of the Farm Credit Administration and approved by the bank and deposit its securities and current funds with any member bank of the Federal Reserve System, with the Federal land bank, or with any bank insured by the Federal Deposit Insurance Corporation, and pay fees therefor and receive interest thereon as may be agreed.

(19) Perform such other function delegated it by the Federal land bank of the district.

(20) Exercise by its board of directors or authorized officers or agents all such incidental powers as may be necessary or expedient in the conduct of its business.

SEC. 1.16. ASSOCIATION STOCK; VALUE OF SHARES; VOTING.—(a) The shares of stock in each Federal land bank association shall have a par value of $5 each. No person but borrowers from the bank shall become members and stockholders of the association. If an application for membership is approved and if the applied-for loan is granted, the member of the association shall subscribe to stock in the association in an amount not less than 5 per centum nor more than 10 per centum of the face amount of the loan as determined by the bank. Stock shall be paid for in cash by the time the loan is closed. The association shall then purchase a similar amount of stock in the land bank. Stock shall be retired and paid at fair book value not to exceed par, as determined by the association, upon the full repayment of the loan and if the loan is in default may be canceled for application on the loan, or under other circumstances, for other dispo-

sition, when approved by the bank. The aggregate capital stock of each association shall be increased from time to time as necessary to permit the securing of requested loans from the bank for the association's members.

(b) The stock issued by an association may be voting stock or nonvoting stock of such classes as the association determines with the approval of the bank under regulations prescribed by the Farm Credit Administration. Each holder of voting stock shall be entitled to only one vote, and no more, in the election of directors and in deciding questions at meetings of stockholders. Participation certificates may be issued in lieu of nonvoting stock when the bylaws of the association so provide.

PART C—PROVISIONS APPLICABLE TO FEDERAL LAND BANKS AND FEDERAL LAND BANK ASSOCIATIONS

SEC. 1.17. LAND BANK RESERVES; DIVIDENDS.—(a) Each Federal land bank shall, at the end of each fiscal year, carry to reserve account a sum of not less than 50 per centum of its net earnings for the year until said reserve account shall be equal at the end of such year, after restoring any impairment thereof, to the outstanding capital stock and participation certificates of the bank. Thereafter, a sum equal to 10 per centum of the year's net earnings shall be added to the reserve account until the account shall be equal to 150 per centum of the outstanding capital stock and participation certificates of the bank. Any amount added to the reserve account in excess of 150 per centum of the outstanding capital stock and participation certificates may be withdrawn from such reserves with the approval of the Farm Credit Administration.

(b) Any bank may declare a dividend or dividends out of the whole or any part of net earnings which remain after (1) the maintenance of the reserve as required in subsection (a) hereof, (2) the payment of the franchise tax as required by section 4.0 for any year in which any stock in the bank is held by the Governor of the Farm Credit Administration, and (3) with approval of the Farm Credit Administration.

SEC. 1.18. ASSOCIATION RESERVES; DIVIDENDS.—(a) Each Federal land bank association shall, out of its net earnings at the end of each fiscal year, carry to reserve account a sum not less than 10 per centum of such earnings until the reserve account shall equal 25 per centum of the outstanding capital stock and participation certificates of such association after restoring any impairment thereof. Thereafter, 5 per centum of the net earnings for the year shall be added to such reserve account until it shall equal 50 per centum of the outstanding capital stock and participation certificates of the association. Any amounts in the reserve account in excess of 50 per centum of the outstanding capital stock and participation certificates may be withdrawn with the approval of the Federal land bank.

(b) Any association may declare a dividend or dividends out of the whole or any part of its net earnings which remain after (1) maintenance of the reserve required in subsection (a) hereof and (2) bank approval.

(c) Whenever any association is liquidated, a sum equal to its reserve account as required in this Act shall be paid and become the property of the bank in which such association is a shareholder.

SEC. 1.19. AGREEMENTS FOR SHARING GAINS OR LOSSES.—Each Federal land bank may enter into agreements with Federal land bank associations in its district for sharing the gain or losses on loans or on security held therefor or acquired in liquidation thereof, and associations are authorized to enter into any such agreements and also, subject to bank approval, agreements with other associations in the district for sharing the risk of loss on loans endorsed by each such association.

SEC. 1.20. LIENS ON STOCK.—Each Federal land bank and each Federal land bank association shall have a first lien on the stock and participation certificates it issues, except on stock held by the Governor of the Farm Credit Administration, for the payment of any liability of the stockholder to the association or to the bank, or to both of them.

SEC. 1.21. TAXATION.—Every Federal land bank and every Federal land bank association and the capital, reserves, and surplus thereof, and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate held by a Federal land bank or a Federal land bank association to the same extent, according to its value, as other similar property held by other persons is taxed. The mortgages held by the Federal land banks and the notes, bonds, debentures, and other obligations issued by the banks or associations shall be deemed and held to be instrumentalities of the Government of the United States and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1941 (31 U.S.C. 742 (a)).

TITLE II—FEDERAL INTERMEDIATE CREDIT BANKS AND PRODUCTION CREDIT ASSOCIATIONS

PART A—FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 2.0. ESTABLISHMENT; BRANCHES.—The Federal intermediate credit banks established pursuant to section 201(a) of the Federal Farm Loan Act, as amended, shall continue as federally chartered instrumentalities of the United States. Their charters or organization certificates may be modified from time to time by the Farm Credit Administration not inconsistent with the provisions of this title as may be necessary or expedient to implement this Act. Unless an existing Federal intermediate credit bank is merged with one or more other such banks under section 4.10 of this Act, there shall be a Federal intermediate credit bank in each farm credit district. It may include in its title the name of the city in which it is located or other geographical designation. When authorized by the Farm Credit Administration, it may establish such branches or other offices as may be appropriate for the effective operation of its business.

SEC. 2.1. CORPORATE EXISTENCE; GENERAL CORPORATE POWERS.—Each Federal intermediate credit bank shall be body corporate and, subject to supervision of Farm Credit Administration, shall have power to—

(1) Adopt and use a corporate seal.

(2) Have succession until dissolved under the provisions of this Act or other Act of Congress.

(3) Make contracts.

(4) Sue and be sued.

(5) Acquire, hold, dispose, and otherwise exercise all of the incidents of ownership of real and personal property necessary or convenient to its business.

(6) Make and discount loans and commitments for credit, and provide services and other assistance as authorized in this Act, and charge fees therefor.

(7) Operate under the direction of its board of directors.

(8) Elect by its board of directors a president, and vice president, a secretary, and a treasurer, and provide for such other officers, employees, and agents as may be necessary, including joint employees as provided in this Act; define their duties and require surety bonds or make other provision against losses occasioned by employees.

(9) Prescribe by its board of directors its bylaws not inconsistent with law providing for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired; its officers, employees, and agents elected or provided for; its property acquired, held, and transferred; its loans and discounts made; its general business conducted; and the privileges granted it by law exercised and enjoyed.

(10) Borrow money and issue notes, bonds, debentures, or other obligations individually, or in concert with one or more other banks of the System, of such character, and such terms, conditions, and rates of interest as may be determined.

(11) Purchase nonvoting stock in or pay in surplus to, and accept deposits of securities or of current funds from production credit associations holding its shares and pay interest upon such funds.

(12) Deposits its securities and its current funds with any member bank of the Federal Reserve System, and pay fees therefor and receive interest thereon as may be agreed. When designated for that purpose by the Secretary of the Treasury, it shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; may be employed as a fiscal agent of the Government, and shall perform all such reasonable duties as a depository of public money or financial agent of the Government as may be required of it. No Government funds deposited under the provisions of this subsection shall be invested in loans or bonds or other obligations of the bank.

(13) Buy and sell obligations of or insured by the United States or any agency thereof, or securities backed by the full faith and credit of any such agency and make such other investments as may be authorized by the Farm Credit Administration.

(14) Delegate to the production credit associations such functions vested in or delegated to the intermediate credit bank as it may determine.

(15) Approve the salary scale of the officers and employees of the association and the appointment and compensation of the chief executive officer thereof and supervise the exercise by the production credit associations of the functions vested in or delegated to them.

(16) Amend and modify loan contracts, documents, payment schedules, and release, subordinate, or substitute security for any of them.

(17) Conduct studies and make and adopt standards for lending.

(18) Enter into loss sharing agreements with other Federal intermediate credit banks and production credit associations.

(19) Exercise by its board of directors or authorized officers, employees, or agents all such incidental powers as may be necessary or expedient to carry on the business of the bank.

(20) Participate with one or more other Federal intermediate credit banks or production credit associations in the district, in loans under this title on such terms as may be agreed upon among such banks and associations.

(21) Perform any function delegated to it by the Farm Credit Administration.

SEC. 2.2. FEDERAL INTERMEDIATE CREDIT BANK STOCK; VALUE; DIVIDEND; ADDITIONAL STOCK; RETIREMENT.—(a) The capital stock of each Federal intermediate credit bank shall be divided into shares of par value of $5 each and may be of such classes as its board of directors may determine with the approval of the Farm Credit Administration.

(b) Voting stock of each bank shall be held only by the production credit associations which stock shall not be transferred, pledged, or hypothecated except as provided in this title or as authorized under regulations of the Farm Credit Administration.

(c) The board of each bank shall from time to time increase its capital stock to permit the issuance of additional shares to pro-

duction credit associations in such amounts as shall be determined by the board.

(d) Nonvoting stock may be issued to the Governor of the Farm Credit Administration. Nonvoting stock may also be issued to production credit associations in such amounts as will permit the association to extend financial assistance to eligible persons other than farmers, ranchers, and producers or harvesters of aquatic products. Participation certificates, with a face value of $5, may be issued in lieu of such nonvoting stock when the bylaws of the bank so provide.

(e) Participation certificates also may be issued by a bank to financing institutions other than production credit associations which are eligible to borrow from or discount eligible paper with the bank.

(f) Dividends shall not be payable on any stock held by the Governor of the Farm Credit Administration other than the tax imposed by section 4.0(c) but noncumulative dividends may be payable on other capital and participation certificates in an amount not to exceed a per centum permitted under regulations of the Farm Credit Administration, in any year as determined by the board of directors. Such dividends may be in the form of stock and participation certificates or, when the Governor of the Farm Credit Administration holds no stock in the bank, in cash. The rate of dividends may be different between different classes and issues of stock and participation certificates on the basis of the comparative contributions of the holders thereof to the capital or earnings of the bank by such classes and issues, but otherwise dividends shall be without preference.

(g) Each Federal intermediate credit bank, with the approval of the Farm Credit Administration, may determine the amount of the initial or additional stock in the bank to be subscribed for by the production credit associations in the farm credit district served by the bank in order to provide capital to meet the credit needs of the bank. The amount so determined shall be allotted among the associations in the district upon such basis that, as nearly as may be practicable, the sum of the stock already owned and the additional amount to be subscribed for by each association will be in the same proportion to the total amount of stock already owned and to be subscribed for by all the associations in the district that the average indebtedness (loans and discounts) of each association to the bank during the immediately preceding three fiscal years is of the average of such indebtedness of all associations to the bank during such three-year period. Each association shall subscribe for stock in the bank in the amount so allotted to it. Such subscriptions shall be subject to call and payment therefor shall be made at such times and in such amounts as may be determined by the bank.

Whenever the relative amounts of stock in a bank owned by the associations differ substantially from the proportion indicated in the preceding paragraph, and additional subscriptions to stock through which such proportion could be reestablished are not contemplated, the bank, with the approval of the Farm Credit Administration, may direct either separately or in combination such transfers, retirements, and reissuance of outstanding stock among the associations as will reestablish the aforesaid proportion as nearly as may be practicable. Outstanding stock which is retired for this purpose, except as otherwise approved by the Farm Credit Administration, shall be the oldest stock held by the association and the bank shall pay the association therefor at the fair book value thereof not exceeding par.

The banks may issue further amounts of participation certificates with the same rights, privileges, and conditions, for purchase by institutions other than production credit associations which are entitled to receive participation certificates from the bank as patronage refunds. Participation certificates held by other financing institutions may be transferred to other such institutions upon request of, or with the approval of the bank.

After all stock held by the Governor of the Farm Credit Administration has been retired, the bank may retire other stock at par and participation certificates at face amount under regulations of the Farm Credit Administration. Such other stock and participation certificates shall be retired without preference and in such manner that, unless otherwise approved by the Farm Credit Administration, the oldest outstanding stock or certificates at any given time will be retired first. In case of liquidation or dissolution of any production credit association or other financing institution, the stock or participation certificates of the bank owned by such association or institution may be retired by the bank at the fair book value thereof, not exceeding par or face amount, as the case may be.

(h) Except with regard to stock held by the Governor, each Federal intermediate credit bank shall have a first lien on all stock and participation certificates it issues and on all allocated reserves and other equities for any indebtedness of the holder of such capital investments to the bank.

(i) In any case where the debt of a production credit association or other financing institution is in default, the bank may retire all or part of the capital investments in the bank held by such debtor at the fair book value thereof, not exceeding par or face amount as the case may be, in total or partial liquidation of the debt.

SEC. 2.3. LOANS; DISCOUNTS; PARTICIPATIONS; LEASING.—(a) The Federal intermediate credit banks are authorized to make loans and extend other similar financial assistance to and discount for, or purchase from, any production credit association with its endorsement or guaranty, any note, draft, or other obligation presented by such association, and to participate with such association and one or more intermediate credit banks in the making of loans to eligible borrowers, all the foregoing to be secured by such collateral, if any, as may be required in regulations of the Farm Credit Administration. The banks may own and lease or lease with option to purchase, to persons eligible for assistance under this title, equipment needed in the operations of such persons.

(b) The Federal intermediate credit banks are authorized to discount for, or purchase from, any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, and any association of agricultural producers engaged in the making of loans to farmers and ranchers, with its endorsement or guaranty, any note, draft, or other obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose, including the breeding, raising, fattening, or marketing of livestock; and to make loans and advances to any such financing institution secured by such collateral as may be approved by the Farm Credit Administration: *Provided*, That no such loan or advance shall be made upon the security of collateral other than notes or other such obligations of farmers and ranchers eligible for discount or purchase under the provisions of this section, unless such loan or advance is made to enable the financing institution to make or carry loans for any agricultural purpose.

(c) No paper shall be purchased from or discounted for any national bank, State bank, trust company or savings institution under subsection (b) if the amount of such paper added to the aggregate liabilities of such national bank, State bank, trust company or savings institution, whether direct or contingent (other than bona fide deposit liabilities), exceeds the lower of the amount of such liabilities permitted under the laws of the jurisdiction creating the same, or twice the paid-in and unimpaired capital and surplus of such national bank, State bank, trust company, or savings institution. No paper shall under this section be purchased from or discounted for any other corporation engaged in making loans for agricultural purposes including the raising, breeding, fattening, or marketing of livestock, if the amount of such paper added to the aggregate liabilities of such corporation exceeds the lower of the amount of such liabilities permitted under the laws of the jurisdiction creating the same, or ten times the paid-in and unimpaired capital and surplus of such corporation. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank, upon paper discounted or purchased under subsection (b), to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities direct or contingent will exceed the limitations herein contained.

SEC. 2.4. TERMS.—Loans, advances, or discounts made under section 2.3 shall be repayable in not more than seven years from the time they are made or discounted by the Federal intermediate credit bank, and shall bear such rate or rates of interest or discount as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but the rates charged financing institutions other than production credit associations shall be the same as those charged production credit associations. In setting the rates and charges, it shall be the objective to produce the types of credit needed by eligible borrowers, at the lowest reasonable costs on a sound business basis taking into account the cost of money to the bank, necessary reserves and expenses of the bank and production credit associations, and providing services to borrowers from the bank and associations. The loan documents may provide for the interest rate or rates to vary from time to time during the repayment period of the loan, in accordance with the rate or rates currently being charged by the bank. No obligation tendered for discount by a financing institution, without the approval of the Farm Credit Administration, shall be eligible for discount upon which the original borrower has been charged a rate of interest exceeding by more than 1½ per centum per annum the discount rate of the bank.

SEC. 2.5. SERVICES RELATED TO BORROWERS' OPERATIONS.—The Federal intermediate credit banks may provide technical assistance to borrowers, members, and applicants from the banks and production credit associations, including persons obligated on paper discounted by the bank, and may make available to them at their option such financial related services appropriate to their on-farm operations as determined to be feasible under regulations of the Farm Credit Administration.

SEC. 2.6. NET EARNINGS—DETERMINATION; ANNUAL APPLICATION; SURPLUS ACCOUNT; ABSORPTION OF NET LOSS.—(a) If, at the end of a fiscal year a Federal intermediate credit bank shall have stock outstanding held by the Governor of the Farm Credit Administration, such bank shall determine the amount of its net earnings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such net earnings as follows: (1) to the restoration of the impairment, if any, of capital stock and participation certificates, as determined by its board of directors; (2) to the restoration of the amount of the impairment, if any, of the surplus account or allocated reserve account established by this subsection, as determined by its board of directors; (3) 25 per centum of any remaining

net earnings shall be used to create and maintain an allocated reserve account; (4) a franchise tax shall be paid to the United States, as provided in section 4.0 of this Act; (5) reasonable unallocated contingency reserve account may be established and maintained; (6) dividends on stock held by production credit associations and on participation certificates may be declared as provided in section 2.2(f) of this title; and (7) any remaining net earnings shall be distributed as patronage refunds as provided in subsection (b) of this section.

Amounts applied to reserve account as provided in (3) above, either heretofore or hereafter, shall be allocated on the same patronage basis and have the same tax treatment as is provided in subsection (b) of this section for patronage refunds. At the end of any fiscal year that the allocated reserve account of any bank exceeds 25 per centum of its outstanding stock and participation certificates, such excess may be distributed, oldest allocations first in stock to production credit associations and participation certificates issued as of the date of the allocations.

If and when the relative amounts of stock in a Federal intermediate credit bank owned by the production credit associations are adjusted to reestablish the proportion of such stock owned by each association, as provided in the first or second paragraphs of section 2.2(g) of this title, amounts in the reserve account that are allocated to production credit associations may be adjusted in the same manner, so far as practicable, to reestablish the holdings of the production credit associations in the allocated legal reserve accounts into substantially the same proportion as are their holdings of stock.

No part of the surplus account established by a Federal intermediate credit bank on January 1, 1957, consisting of its earned surplus account, its reserve for contingencies, and the surplus of the production credit corporation transferred to the bank, shall be distributed as patronage refunds or as dividends. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to the unallocated reserve account; second, impairment of the allocated reserve account; third, impairment of the surplus other than that transferred from the production credit corporation of the district; fourth, impairment of surplus transferred from the production credit corporation of the district; fifth, impairment of stock and participation certificates held by production credit associations and participation certificates held by other financing institutions; and sixth, impairment of nonvoting stock.

(b) If at the end of a fiscal year a Federal intermediate credit bank shall have outstanding capital stock held by the Governor of the Farm Credit Administration, patronage refunds declared for that year shall be paid in stock to production credit associations and in participation certificates to other financing institutions borrowing from or discounting with the bank during the fiscal year for which such refunds are declared. The recipients of such patronage refunds shall not be subject to Federal income taxes thereon. All patronage refunds shall be paid in the proportion that the amount of interest earned by the bank on its loans to and discounts for each production credit association or other financing institution bears to the total interest earned by the bank on all such loans and discounts outstanding during the fiscal year. Each participation certificate issued in payment of patronage refunds shall be in multiples of $5 and shall state on its face the rights, privileges, and conditions applicable thereto. Patronage refunds shall not be paid to any other Federal intermediate credit bank, or to any Federal land bank or bank for cooperatives.

(c) If, at the end of a fiscal year a Federal intermediate credit bank shall have no outstanding capital stock held by the Governor of the Farm Credit Administration, the net earnings of such bank shall, under regulations prescribed by the Farm Credit Administration, continue to be distributed on a cooperative basis with an obligation to distribute patronage dividends and with provision for sound, adequate capitalization to meet changing financing needs of production credit associations, other financial institutions eligible to discount paper with the bank, and other eligible borrowers, and prudent corporate fiscal management, to the end that the current year's patrons carry their fair share of the capitalization, ultimate expenses, and reserves. Such regulations may provide for the application of less than 25 per centum of net earnings after payment of operating expenses to the restoration or maintenance of the allocated reserve account, additions to unallocated contingency reserve account of not to exceed such per centum of net earnings as may be approved by the Farm Credit Administration, and provide for allocations to patrons not qualified under the Internal Revenue Code, and the payment of patronage in stock, participation certificates, or in cash, as the board may determine. If during the fiscal year but not at the end thereof a bank shall have had outstanding capital stock held by the Governor of the Farm Credit Administration, provision will be made for the payment of the franchise tax required in section 4.0.

(d) Such allocations of reserve account shall be subject to a first lien as additional collateral for any indebtedness of the holders thereof to the bank and in any case where such indebtedness is in default may, but shall not be required to, be retired and canceled for application on such indebtedness, and, in case of liquidation or dissolution of a holder thereof, such reserve account allocations may be retired, all as is provided for stock and participation certificates in section 2.2(g) of this title.

SEC. 2.7. DISTRIBUTION OF ASSETS ON LIQUIDATION.—In the case of liquidation or dissolution of any Federal intermediate credit bank, after payment or retirement, as the case may be, first, of all liabilities; second, of all stock held by the Governor of the Farm Credit Administration at par; third, of all stock owned by production credit associations at par and all participation certificates at face amount; any remaining assets of the bank shall be distributed as provided in this subsection. Any of the surplus established pursuant to section 2.6 (excluding that transferred from the production credit corporation of the district) which the Farm Credit Administration determines was contributed by financing institutions other than the production credit associations discounting with or borrowing from the bank on January 1, 1957, shall be paid to such institutions, or their successors in interest as determined by Farm Credit Administration, and the remaining portion of such surplus (including that transferred from the production credit corporation of the district) shall be paid to the holders of voting and nonvoting stock pro rata. The contribution of each such financing institution under the preceding sentence shall be computed on the basis of the ratio of its patronage to the total patronage of the bank from the date of organization of the bank to January 1, 1957. The allocated reserve established pursuant to section 2.6 shall be paid to the production credit associations and other financing institutions to which such reserve is allocated on the books of the bank. Any assets of the bank then remaining shall be distributed to the production credit associations and the holders of participation certificates pro rata.

SEC. 2.8. TAXATION.—Every Federal intermediate credit bank and the capital, reserves, and surplus thereof and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation except taxes on real estate held by a Federal intermediate credit bank to the same extent, according to its value, as other similar property held by other persons is taxed. The obligations held by the Federal intermediate credit banks and the notes, bonds, debentures, and other obligations issued by the banks shall be deemed to be instrumentalities of the Government of the United States, and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1941 (31 U.S.C. 742(a)).

PART B—PRODUCTION CREDIT ASSOCIATIONS

SEC. 2.10. ORGANIZATION AND CHARTERS.—Each production credit association chartered under section 20 of the Farm Credit Act of 1933, as amended, shall continue as a federally chartered instrumentality of the United States. Production credit associations may be organized by ten or more farmers or ranchers or producers or harvesters of aquatic products desiring to borrow money under the provisions of this title. The proposed articles of association shall be forwarded to the Federal intermediate credit bank for the district accompanied by an agreement to subscribe on behalf of the association for stock in the bank in such amounts as may be required by the bank. The articles shall specify in general terms the objects for which the association is formed, the powers to be exercised by it in carrying out the functions authorized by this part, and the territory it proposes to serve. The articles shall be signed by persons desiring to form such an association and shall be accompanied by a statement signed by each such person establishing eligibility to borrow from the association in which he will become a stockholder. A copy of the articles of association shall be forwarded to the Governor of the Farm Credit Administration with the recommendations of the bank concerning the need for such an association in order to adequately serve the credit needs of eligible persons in the proposed territory and whether that territory includes any area described in the charter of another production credit association. The Governor for good cause shown may deny the charter. Upon approval of the proposed articles by the Governor and the issuance of a charter, the association shall become as of such date a federally chartered body corporate and an instrumentality of the United States. The Governor shall have the power under rules and regulations prescribed by him or by prescribing in the terms of the charter or by approval of bylaws of the association, to provide for the organization, management, and conduct of the business of the association, the initial amount of stock of the association, the territory within which its operations may be carried on, and to direct at any time such changes in the charter as he finds necessary for the accomplishment of the purposes of this Act.

SEC. 2.11. BOARD OF DIRECTORS.—Each production credit association shall elect from its voting members a board of directors of such number, for such terms, with such qualifications, and in such manner as may be required by its bylaws.

SEC. 2.12. GENERAL CORPORATE POWERS.—Each production credit association *shall be a body corporate and,* subject to supervision by the Federal intermediate credit bank for the district and the Farm Credit Administration, shall have power to—

(1) Have succession until terminated in accordance with this Act or any other Act of Congress.

(2) Adopt and use a corporate seal.

(3) Make contracts.

(4) Sue and be sued.

(5) Acquire, hold, dispose, and otherwise exercise all of the usual incidents of ownership of real and personal property necessary or convenient to its business.

(6) Operate under the direction of its board of directors in accordance with this Act.

(7) Subscribe to stock of the bank.

(8) Purchase stock of the bank held by other production credit associations and stock of other production credit associations.

(9) Contribute to the capital of the bank or other production credit associations.

(10) Invest its funds as may be approved by the Federal intermediate credit bank under regulations of the Farm Credit Administration and deposit its current funds and securities with the Federal intermediate credit bank, a member bank of the Federal Reserve System or any bank insured under the Federal Deposit Insurance Corporation, and may pay fees therefor and receive interest thereon as may be agreed.

(11) Buy and sell obligations of or insured by the United States or of any agency thereof or of any banks of the Farm Credit System.

(12) Borrow money from the Federal intermediate credit bank, and with the approval of such bank, borrow from and issue its notes or other obligations to any commercial bank or other financial institution.

(13) Make and participate in loans, accept advance payments, and provide services and other assistance as authorized in this title and charge fees therefor.

(14) Endorse and become liable on loans discounted or pledged to the Federal intermediate credit bank.

(15) Enter into loss sharing agreements with the Federal intermediate credit bank and other production credit associations.

(16) Prescribe by its board of directors its bylaws not inconsistent with law providing for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired, it officers and employees elected or provided for, its property acquired, held, and transferred, its general business conducted, and the privileges granted it by law exercised and enjoyed.

(17) Elect by its board of directors a manager or other chief executive officer, and provide for such other officers or employees as may be necessary, including joint employees as provided in this Act, define their duties, and require surety bonds or make other provisions against losses occasioned by employees. No director shall, within one year after the date when he ceases to be a member of the board, be elected or designated a salaried employee of the association on the board of which he served.

(18) Elect by its board of directors a loan committee with power to approve applications for membership in the association and loans or participations or, with the approval of the bank, delegate the approval of applications for membership and loans or participations within specified limits to other committees or to authorized officers and employees of the association.

(19) Perform any functions delegated to it by the bank or the Farm Credit Administration.

(20) Exercise by its board of directors or authorized officers or employees, all such incidental powers as may be necessary or expedient to carry on the business of the association.

SEC. 2.13. CAPITAL STOCK; CLASSES OF STOCK; TRANSFER; EXCHANGE; AND DIVIDENDS.—(a) A production credit association may issue voting stock, nonvoting stock, preferred stock, participation certificates, and provide for an equity reserve. Holders of stock, participation certificates, and equity reserve shall have such rights not inconsistent with the provisions of this section, as are set forth in the bylaws of the association. Stock shall be divided into shares of $5 par value each, and participation certificates shall have a face value of $5 each.

(b) Voting stock may be purchased only by farmers and ranchers, or producers or harvesters of aquatic products, who are eligible to borrow from the association. Each holder of voting stock shall be entitled to no more than one vote except as otherwise provided in subsection (d) hereof. No voting stock or any interest therein or right to receive dividends thereon shall be transferred by act of the parties or by operation of law, except to another person eligible to hold voting stock, and then only as provided in the bylaws.

(c) Nonvoting stock may be issued to the Governor of the Farm Credit Administration and to other investors.

(d) Preferred stock, which shall be nonvoting, may be issued to the Governor and to other investors when authorized by a majority vote of the outstanding shares of voting stock, by a majority vote of the outstanding shares of the nonvoting stock, and by a majority vote of the outstanding shares of preferred stock, except that all stock held by the Governor shall be excluded from voting hereunder. For the purpose of this subsection only, the holders of such stock shall be entitled to one vote, in person or by written proxy, for each share of stock held. The authorization to issue preferred stock shall state the privileges, restrictions, limitations, dividend rights (either cumulative or noncumulative) redemption rights, preferences, and other qualifications affecting said stock, and the total amount of the authorized issue to which it belongs.

(e) Participation certificates may be issued to persons eligible to borrow from the association to whom voting stock is not to be issued.

(f) Each borrower from the association shall be required to own at the time the loan is made voting stock or participation certificates as provided in the bylaws of the association, in an amount equal in fair book value (not exceeding par or face amount, as the case may be), as determined by the association, to $5 per one hundred dollars or fraction thereof of the amount of the loan. Such stock and participation certificates shall not be canceled or retired upon payment of the loan or otherwise except as may be provided in the bylaws. Notwithstanding any other provision of this section, for a loan in which an association participates with a commercial bank or other financial institution other than a Federal intermediate credit bank or another production credit association, the requirement that the borrower own stock or participation certificates shall apply only to the portion of the loan which is retained by the association.

(g) Voting stock shall, within two years after the holder ceases to be a borrower, be converted into no voting stock at the fair book value thereof, not exceeding par. Consistent with the provisions of this part, and as provided in the bylaws of the association, each class of stock and participation certificates shall be convertible into any other class of stock (except preferred stock) and into participation certificates.

(h) As a further means of providing capital, an association may, as provided in its bylaws, and with the approval of the bank, require borrowers to purchase stock or participation certificates in addition to that required in subsection (f) hereof, or invest in the equity reserve, in an aggregate amount not exceeding $5 per $100 or fraction thereof of the amount of the loan. Any portion of the amounts invested under this subsection which is no longer required for the purposes of the association may be returned to the owners thereof by revolving or retirement in accordance with its bylaws.

(i) Dividends shall be paid on preferred stock in accordance with the authorization of the stockholders to issue such stock. Dividends on stock, other than preferred stock, and on participation certificates may be paid by an association as provided in its bylaws at such rate or rates as are approved by the Federal intermediate credit bank in accordance with regulations of the Farm Credit Administration, and may be paid, upon such approval, even though the amount in the surplus accounts is less than the minimum aggregate amount prescribed by the bank as provided in section 2.14.

(j) Except with regard to stock held by the Governor, each production credit association shall have a first lien on stock and participation certificates it issues, allocated surplus, and on investments in equity reserve, for any indebtedness of the holder of such capital investments and, in the case of equity reserve, for charges for association losses in excess of reserves and surplus.

(k) In any case where the debt of a borrower is in default, the association may retire all or part of the capital investments in the association held by such debtor at the fair book value thereof, not exceeding par or face amount, as the case may be, in total or partial liquidation of the debt.

SEC. 214. APPLICATION OF EARNINGS; RESTORATION OF CAPITAL IMPAIRMENT; AND SURPLUS ACCOUNT.—(a) Each production credit association at the end of each fiscal year shall apply the amount of its earnings for such year in excess of its operating expenses (including provision for valuation reserves against loan assets in an amount equal to one-half of 1 per centum of the loans outstanding at the end of the fiscal year to the extent that earnings in such year in excess of other operating expenses permit, until such reserves equal or exceed 3½ per centum of the loans outstanding at the end of the fiscal year, beyond which 3½ per centum further additions to such reserves are not required but may be made) first to the restoration of the impairment, if any, of capital; and second, to the establishment and maintenance of the surplus accounts, the minimum aggregate amount of which shall be prescribed by the Federal intermediate credit bank.

(b) When the bylaws of an association so provide, available net earnings at the end of any fiscal year may be distributed on a patronage basis in stock, participation certificates, or in cash, except that when the Governor holds any stock in an association the cash distribution shall be such percentage of the patronage refund as shall be determined under regulations of the Farm Credit Administration. Any part of the earnings of the fiscal year in excess of the operating expenses for such year held in the surplus account may be allocated to patrons on a patronage basis.

SEC. 2.15. SHORT- AND INTERMEDIATE-TERM LOANS; PARTICIPATION; OTHER FINANCIAL ASSISTANCE; TERMS; CONDITIONS; INTEREST, SECURITY.—(a) Each production credit association, under rules and regulations prescribed by the board of directors of the Federal intermediate credit bank of the district and approved by the Farm Credit Administration, may make, guarantee, or participate with other lenders in short- and intermediate-term loans and other similar financial assistance to (1) bona fide farmers and ranchers and the producers or harvesters of aquatic products, for agricultural purposes and other requirements of such borrowers, (2) rural residents for housing financing in rural areas, under regulations of Farm Credit Administration, and (3) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs. Rural housing financed under this title shall be for single-family, low- and mod-

erate-priced dwellings and their appurtenances not inconsistent with the general quality and standards of housing existing in, planned or recommended for the rural area where it is located. Each association may own and lease, or lease with option to purchase, to stockholders of the association equipment needed in the operations of the stockholder.

(b) Loans authorized in subsection (a) hereof shall bear such rate or rates of interest as are determined under regulations prescribed by the board of the bank with the approval of the Farm Credit Administration, and shall be made upon such terms, conditions, and upon such security, if any, as shall be authorized in such regulations. In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers, at the lowest reasonable cost on a sound business basis, taking into account the cost of money to the association, necessary reserves and expenses of the association, and services provided to borrowers and members. The loan documents may provide for the interest rate or rates to vary from time to time during the repayment period of the loan in accordance with the rate or rates currently being charged by the association. Such regulations may require prior approval of the bank or of Farm Credit Administration on certain classes of loans; and may authorize a continuing commitment to a borrower of a line of credit.

SEC. 2.16 OTHER SERVICES.—Each production credit association may provide technical assistance to borrowers, applicants, and members and may make available to them at their option such financial related services appropriate to their on-farm operations as is determined feasible, under regulations prescribed by the Farm Credit Administration.

SEC. 2.17. TAXATION.—Each production credit association and its obligations are instrumentalities of the United States and as such any and all notes, debentures, and other obligations issued by such associations shall be exempt, both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or any State, territorial, or local taxing authority. Such associations, their property, their franchises, capital, reserves, surplus, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, territorial, or local taxing authority; except that interest on the obligations of such associations shall be subject daily to Federal income taxation in the hands of the holder thereof pursuant to the Public Debt Act of 1941 (31 U.S.C. 742(a)) and except that any real and tangible personal property of such associations shall be subject to Federal, State, territorial, and local taxation to the same extent as similar property is taxed. The exemption provided in the preceding sentence shall apply only for any year or part thereof in which stock in the production credit associations is held by the Governor of the Farm Credit Administration.

TITLE III—BANKS FOR COOPERATIVES

SEC. 3.0. ESTABLISHMENT; TITLES; BRANCHES.—The banks for cooperatives established pursuant to sections 2 and 30 of the Farm Credit Act of 1933, as amended, shall continue as federally chartered instrumentalities of the United States. Their charters or organization certificates may be modified from time to time by the Farm Credit Administration, not inconsistent with the provisions of this title, as may be necessary or expedient to implement this Act. Unless an existing bank for cooperatives is merged with one or more other such banks under section 4.10 of this Act, there shall be a bank for cooperatives in each farm credit district and a Central Bank for Cooperatives. A bank for cooperatives may include in its title the name of the city in which it is located or other geographical designation. The Central Bank for Cooperatives may be located in such place as its board of directors may determine with the approval of the Farm Credit Administration. When authorized by the Farm Credit Administration each bank for cooperatives may establish such branches or other offices as may be appropriate for the effective operation of its business.

SEC. 3.1. CORPORATE EXISTENCE; GENERAL CORPORATE POWERS.—Each bank for cooperatives shall be a body corporate and, subject to supervision by Farm Credit Administration, shall have power to—

(1) Adopt and use a corporate seal.

(2) Have succession until dissolved under the provisions of this Act or other Act of Congress.

(3) Make contracts.

(4) Sue and be sued.

(5) Acquire, hold, dispose, and otherwise exercise all of the usual incidents of ownership of real and personal property necessary or convenient to its business.

(6) Make loans and commitments for credit, provide services and other assistance as authorized in this Act, and charge fees therefor.

(7) Operate under the direction of its board of directors.

(8) Elect by its board of directors a president, any vice presidents, a secretary, a treasurer, and provide for such other officers, employees, and agents as may be necessary, including joint employees as provided in this Act, define their duties and require surety bonds or make other provisions against losses occasioned by employees.

(9) Prescribe by its board of directors its bylaws not inconsistent with law providing for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired; its officers, employees, or agents elected or provided for; its property acquired, held, and transferred; its loans made; its general business conducted; and the privileges granted it by law exercised and enjoyed.

(10) Borrow money and issue notes, bonds, debentures, or other obligations individually or in concert with one or more other banks of the System, of such character, and such terms, conditions, and rates of interest as may be determined.

(11) Participate in loans under this title with one or more other banks for cooperatives and with commercial banks and other financial insitutions upon such terms as may be agreed among them.

(12) Deposit its securities and its current funds with any member bank of the Federal Reserve System, and pay fees therefor and receive interest thereon as may be agreed. When designated for that purpose by the Secretary of the Treasury, it shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; may be employed as a fiscal agent of the Government, and shall perform all such reasonable duties as a depository of public money or financial agent of the Government as may be required of it. No Government funds deposited under the provisions of this subsection shall be invested in loans or bonds or other obligations of the bank.

(13) Buy and sell obligations of or insured by the United States or of any agency thereof, or securities backed by the full faith and credit of any such agency and make such other investments as may be authorized by the Farm Credit Administration.

(14) Conduct studies and adopt standards for lending.

(15) Amend and modify loan contracts, documents, and payment schedules, and release, subordinate, or substitute security for any of them.

(16) Perform any function delegated to it by the Farm Credit Administration.

(17) Exercise by its board of directors or authorized officers, employees, or agents all such incidental powers as may be necessary or expedient to carry on the business of the bank.

SEC. 3.2. BOARD OF DIRECTORS.—(a) In the case of a district bank for cooperatives, the board of directors shall be the farm credit district board and in the case of the Central Bank for Cooperatives shall be a separate board of not more than thirteen members, one from each farm credit district and one at large. One district director of the Central Bank Board shall be elected by each district farm credit board and the member at large shall be appointed by the Governor with the advice and consent of the Federal Farm Credit Board.

(b) For the purposes of this section the provisions of sections 5.1 (b) and (c), 5.4, 5.5, and 5.6 shall apply to and shall be the authority of the Central Bank for Cooperatives the same as though it were a district bank.

SEC. 3.3. BANK FOR COOPERATIVES STOCK; VALUE; CLASSES OF STOCK; VOTING; EXCHANGE.—(a) The capital stock of each bank for cooperatives shall be in such amount as its board determines, with the approval of Farm Credit Administration, is required for the purpose of providing adequate capital to permit the bank to meet the credit needs of borrowers from the bank and such amounts may be increased or decreased from time to time in accordance with such needs.

(b) The capital stock of each bank shall be divided into shares of par value of $100 each and may be of such classes as the board may determine with the approval of the Farm Credit Administration. Such stock may be issued in fractional shares.

(c) Voting stock may be issued or transferred to and held only by (i) cooperative associations eligible to borrow from the banks and (ii) other banks for cooperatives, and shall not be otherwise transferred, pledged, or hypothecated except as consented to by the issuing bank under regulations of the Farm Credit Administration.

(d) Each holder of one or more shares of voting stock which is eligible to borrow from a bank for cooperatives shall be entitled only to one vote and only in the affairs of the bank in the district in which its principal office is located unless otherwise authorized by the Farm Credit Administration, except that if such holder has not been a borrower from the bank in which it holds such stock within a period of two years next preceding the date fixed by the Farm Credit Administration prior to the commencement of voting, it shall not be entitled to vote.

(e) Nonvoting investment stock may be issued in such series and in such amounts as may be determined by the board and approved by the Farm Credit Administration and, except for stock held by the Governor, may be exchanged for voting stock or sold or transferred to any person subject to the approval of the issuing bank.

SEC. 3.4. DIVIDENDS.—Dividends may be payable only on nonvoting investment stock, other than stock held by the Governor of the Farm Credit Administration, if declared by the board of directors of the bank.

SEC. 3.5. RETIREMENT OF STOCK.—Any nonvoting stock held by the Governor of the Farm Credit Administration shall be retired to the extent required by section 4.0(b) before any other outstanding voting or nonvoting stock shall be retired except as may be otherwise authorized by the Farm Credit Administration. When those requirements have been satisfied, nonvoting investment stock may be called for retirement at par. With the approval of the issuing bank, the

holder may elect not to have the called stock retired in response to a call, reserving the right to have such stock included in the next call for retirement. When the requirements of section 4.0(b) have been met, voting stock may also be retired at fair book value not exceeding par, on call or on such revolving basis as the board may determine with approval of the Farm Credit Administration with due regard for its total capital needs: *Provided, however,* That all equities in the district banks issued or allocated with respect to the year of the enactment of this Act and prior years shall be retired on a revolving basis according to the year of issue with the oldest outstanding equities being first retired. Equities issued for subsequent years shall not be called or retired until equities described in the preceding sentence of this proviso have been retired.

SEC. 3.6. GUARANTY FUND SUBSCRIPTIONS IN LIEU OF STOCK.—If any cooperative association is not authorized under the laws of the State in which it is organized to take and hold stock in a bank for cooperatives, the bank shall, in lieu of any requirement for stock purchase, require the association to pay into or have on deposit in a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund account of the borrower, a sum equal to the amount of stock which the association would otherwise be required to own. Each reference to stock of the banks for cooperatives in this Act shall include such guaranty fund equivalents. The holder of the guaranty fund equivalent and the bank shall each be entitled to the same rights and obligations with respect thereto as the rights and obligations associated with the class or classes of stock involved.

SEC. 3.7. LENDING POWER.—The banks for cooperatives are authorized to make loans and commitments to eligible cooperative associations and to extend to them other technical and financial assistance, including but not limited to discounting notes and other obligations, guaranties, collateral custody, or participation with other banks for cooperatives and commercial banks or other financial institutions in loans to eligible cooperatives, under such terms and conditions as may be prescribed by the Farm Credit Administration, including provisions for avoiding duplication between the Central Bank and district banks for cooperatives. Each bank may own and lease, or lease with option to purchase, to stockholders eligible to borrow from the bank equipment needed in the operations of the stockholder.

SEC. 3.8. ELIGIBILITY.—Any association of farmers, producers or harvesters of aquatic products, or any federation of such associations, which is operated on a cooperative basis, and has the powers for processing, preparing for market, handling, or marketing farm or aquatic products; or for purchasing, testing, grading, processing, distributing, or furnishing farm or aquatic supplies or furnishing farm business services or services to eligible cooperatives and conforms to either of the two following requirements:

(a) no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; or

(b) does not pay dividends on stock or membership capital in excess of such per centum per annum as may be approved under regulations of the Farm Credit Administration; and in any case

(c) does not deal in farm products or aquatic products, or products processed therefrom, farm or aquatic supplies, or farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members, excluding from the total of member and nonmember business transactions with the United States or any agency or instrumentality thereof or services or supplies furnished as a public utility; and

(d) a percentage of the voting control of the association not less than 66⅔ per centum, or such higher percentage as established by the district board is held by farmers, producers or harvesters of aquatic products, or eligible cooperative associations as defined herein;

shall be eligible to borrow from a bank for cooperatives.

SEC. 3.9. OWNERSHIP OF STOCK BY BORROWERS.—(a) Each borrower at the time a loan is made by a bank for cooperatives shall own at least one share of voting stock and shall be required by the bank with the approval of the Farm Credit Administration to invest in additional voting stock or nonvoting investment stock at that time, or from time to time, as the lending bank may determine, but the requirement for investment in stock at the time the loan is closed shall not exceed an amount equal to 10 per centum of the face amount of the loan. Such additional ownership requirements may be based on the face amount of the loan, the outstanding loan balance at the beginning of any fiscal year or on a percentage of the interest payable by the borrower during any year or during any quarter thereof, or upon such other basis as the bank, with the approval of the Farm Credit Administration, determines will provide adequate capital for the operation of the bank and equitable ownership thereof among borrowers. In the case of a direct loan by the Central Bank, the borrower shall be required to own or invest in the necessary stock in a district bank or banks as may be approved by the Farm Credit Administration and such district bank shall be required to own a corresponding amount of stock in the Central Bank, but voting stock shall be in the one district bank designated by the Farm Credit Administration.

(b) Notwithstanding the provisions of subsection (a) of this section, the purchase of stock need not be required with respect to that part of any loan made by a bank for cooperatives which it sells to or makes in participation with financial institutions other than any of the banks for cooperatives. In such cases the distribution of earnings of the bank for cooperatives shall be on the basis of the interest in the loan retained by such bank.

SEC. 3.10. INTEREST RATES; SECURITY; LIEN; CANCELLATION; AND APPLICATION ON INDEBTEDNESS.—(a) Loans made by a bank for cooperatives shall bear interest at a rate or rates determined by the board of directors of the bank from time to time, with the approval of the Farm Credit Administration. In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers at the lowest reasonable cost on a sound business basis, taking into account the net cost of money to the bank, necessary reserves and expenses of the bank, and services provided. The loan documents may provide for the interest rate or rates to vary from time to time during the repayment period of the loan, in accordance with the rate or rates currently being charged by the bank.

(b) Loans shall be made upon such terms, conditions, and security, if any, as may be determined by the bank in accordance with regulations of the Farm Credit Administration.

(c) Each bank for cooperatives shall have a first lien on all stock or other equities in the bank as collateral for the payment of any indebtedness of the owner thereof to the bank. In the case of a direct loan to an eligible cooperative by the Central Bank, the Central Bank shall have a first lien on the stock and equities of the borrower in the district bank and the district bank shall have a lien thereon junior only to the lien of the Central Bank.

(d) In any case where the debt of a borrower is in default, or in any case of liquidation or dissolution of a present or former borrower from a bank for cooperatives, the bank may, but shall not be required to, retire and cancel all or a part of the stock, allocated surplus or contingency reserves, or any other equity in the bank owned by or allocated to such borrower, at the fair book value thereof not exceeding par, and, to the extent required in such cases, corresponding shares and allocations and other equity interest held by a district bank another district bank on account of such indebtedness, shall be retired or equitably adjusted.

SEC 3.11. EARNINGS, AND RESERVES; APPLICATION OF SAVINGS.—(a) Each bank for cooperatives, at the end of each fiscal year when said bank shall have stock outstanding held by the Governor of the Farm Credit Administration, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 per centum of any remaining net savings shall be used to create and maintain a surplus account; (3) it shall next pay to the United States a franchise tax as provided in section 4.0 of this Act; (4) reasonable contingency reserves may be established; (5) dividends on investment stock may be declared as provided in this title; and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (c) or (d) of this section: *Provided,* That any patronage refunds received by a district bank from any other bank for cooperatives shall be excluded from net savings of the district bank for the purpose of computing such franchise tax. Amounts applied as provided in (2) above after January 1, 1956, shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceed 25 per centum of the sum of all its outstanding capital stock, the bank may distribute in the same manner as a patronage refund any part or all of such excess which has been allocated: *Provided,* That any surplus and contingency reserve shown on the books of the banks as of January 1, 1956 shall not be distributed as patronage refunds. In making such distributions except as otherwise provided in section 3.5 and distributions by the Central Bank, the oldest outstanding allocations shall be distributed first. Whenever used in this title, the words "surplus account" as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the bank as of January 1, 1956, and any amounts accumulated as allocated or unallocated surplus after said date. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this subsection and may be further subdivided as prescribed by the Farm Credit Administration.

(b) Whenever at the end of any fiscal year a bank for cooperatives shall have no outstanding capital stock held by the Governor of the Farm Credit Administration, the net savings shall, under regulations prescribed by the Farm Credit Administration, continue to be applied on a cooperative basis and with provision for sound, adequate capitalization to meet the changing financing needs of eligible cooperative borrowers and prudent corporate fiscal management, to the end that current year's patrons carry their fair share of the capitalization, ultimate expenses, and reserves related to the year's operations and

the remaining net savings shall be distributed as patronage refunds as provided in subsections (c) and (d) of this section. Such regulations may provide for application of less than 25 per centum of net savings to the restoration or maintenance of an allocated surplus account, reasonable additions to unallocated surplus, or to unallocated reserves of not to exceed such per centum of net savings after payment of operating expenses as may be approved by Farm Credit Administration, and provide for allocations to patrons not qualified under the Internal Revenue Code, or payment of such per centum of patronage refunds in cash, as the board may determine. If during the fiscal year but not at the end thereof a bank shall have had outstanding capital stock held by the United States, provision will be made for payment of franchise taxes required in section 4.0.

(c) The net savings of each district bank for cooperatives, after the earnings for the fiscal year have been applied in accordance with subsection (a) or (b) of this section whichever is applicable, shall be paid in stock or in cash, or both, as determined by the board, as patronage refunds to borrowers of the fiscal year for which such patronage refunds are distributed. Except as provided in subsection (d) below, all patronage refunds shall be paid in proportion that the amount of interest and service fees on the loans to each borrower during the year bears to the interest and service fees on the loans of all borrowers during the year or on such other proportionate patronage basis as the Farm Credit Administration may approve.

(d) The net savings of the Central Bank for Cooperatives after the earnings for the fiscal year have been applied in accordance with subsection (a) or (b) whichever is applicable, shall be paid in stock or cash, or both, as determined by the board, as patronage refunds to the district banks on the basis of interests held by the Central Bank in loans made by the district banks and upon any direct loans made by the Central Bank to cooperative associations, or on such other proportionate patronage basis as the Farm Credit Administration may approve. In cases of direct loans, such refund shall be paid to the district bank or banks which issued their stock to the borrower incident to such loans, and the district bank or banks shall issue a like amount of patronage refunds to the borrower.

(e) In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any applicable reserves), such loss may be carried forward or carried back, if appropriate, or otherwise shall be absorbed by charges to unallocated reserve or surplus accounts established after the date of enactment of this Act; charges to allocated contingency reserve account; charges to allocated surplus account; charges to other contingency reserve and surplus accounts; the impairment of voting stock; or the impairment of all other stock.

(f) Notwithstanding any other provisions of this section any costs or expenses attributable to a prior year or years but not recognized in determining the net savings for such year or years may be changed to reserves or surplus of the bank or to patronage allocations for such years, as may be determined by the board of directors.

(g) For any year that a bank for cooperatives is subject to Federal income tax, it may pay in cash such portion of its patronage refunds as will permit its taxable income to be determined without taking into account savings applied as allocated surplus, allocated contingency reserves, and patronage refunds under subsections (a) or (b) of this section.

SEC. 3.12. DISTRIBUTION OF ASSETS AND LIQUIDATION OR DISSOLUTION.—In the case of liquidation or dissolution of any bank for cooperatives, after payment or retirement, first, of all liabilities; second, of all capital stock issued before January 1, 1956, at par, any stock held by the Governor of the Farm Credit Administration at par, and all nonvoting stock at par; and third, all voting stock at par; any surplus and reserves existing on January 1, 1956, shall be paid to the holders of stock issued before that date, stock held by the Governor of the Farm Credit Administration, and voting stock pro rata, and any remaining allocated surplus and reserves shall be distributed to those entities to which they are allocated on the books of the bank, and any other remaining surplus shall be paid to the holders of outstanding voting stock. If it should become necessary to use any surplus or reserves to pay any liabilities or to retire any capital stock, unallocated reserves or surplus, allocated reserves and surplus shall be exhausted in accordance with rules prescribed by Farm Credit Administration.

SEC. 3.13. TAXATION.—Each bank for cooperatives and its obligations are instrumentalities of the United States and as such any and all notes, debentures, and other obligations issued by such bank shall be exempt, both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or any State, territorial, or local taxing authority. Such banks, their property, their franchises, capital, reserves, surplus, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, territorial, or local taxing authority; except that interest on the obligations of such banks shall be subject only to Federal income taxation in the hands of the holder thereof pursuant to the Public Debt Act of 1941 (31 U.S.C. 742(a)) and except that any real and tangible personal property of such banks shall be subject to Federal, State, territorial, and local taxation to the same extent as similar property is taxed. The exemption provided in the proceding sentence shall apply only for any year or part thereof in which stock in the bank for cooperatives is held by the Governor of the Farm Credit Administration.

TITLE IV—PROVISIONS APPLICABLE TO TWO OR MORE CLASSES OF INSTITUTIONS OF THE SYSTEM

PART A—FUNDING

SEC. 4.0. STOCK PURCHASED BY GOVERNOR; RETIREMENT; FRANCHISE TAX; REVOLVING FUND.—(a) The Federal land banks, the Federal intermediate credit banks, the banks for cooperatives, and subject to section 2.13(d), the production credit associations may issue stock which may be purchased by the Governor of the Farm Credit Administration on behalf of the United States as a temporary investment in the stock of the institution to help one or several of the banks or associations to meet emergency credit needs of borrowers. The ownership of such stock shall be deemed to not change the status of ownership of the banks or associations, but during the time such stock is outstanding, the pertinent provisions of the Government Corporation Control Act shall be applicable.

(b) The Governor shall require the retirement of such stock at such time as in his opinion the bank or association has resources available thereof and the need for such temporary investment is reduced or no longer exists. If the Governor determines that a production credit association does not have resources available to retire stock held by him, but in his judgment, the Federal intermediate credit bank of the district has resources available to do so, the Governor may require such bank to invest in an equivalent amount of nonvoting stock of said association and the association then shall retire the stock held by the Governor.

(c) For any year or part thereof in which the Governor holds any stock in a bank of the System, such institution after complying with sections 1.17, 2.6, 2.14, 3.11, respectively, shall pay to the United States as a franchise tax a sum equal to the lower of 25 per centum of its net earnings for the year before establishing any contingency reserves or declaring any dividends or patronage distribution, not exceeding a rate of return on such temporary investment calculated at a rate determined by the Secretary of the Treasury equal to the average annual rate of interest on all public issues of debt obligations of the United States issued during the fiscal year ending next before such tax is due, multiplied by the percentage that the number of days such stock is outstanding is of three hundred and sixty-five days. Such payments shall be deposited in the miscellaneous receipts in the Treasury.

SEC. 4.1. REVOLVING FUNDS AND GOVERNMENT DEPOSITS.—(a) The revolving fund established by Public Law 87-343, 75 Stat. 758, as amended, shall be available at the request of the Governor of the Farm Credit Administration for his temporary investment in the stock of any Federal intermediate credit banks or production credit associations as provided in section 4.0 and for any other purpose authorized by said Act. Funds received from the partial or the full retirement of such investments shall be deposited in this revolving fund.

(b) The revolving fund established by Public Law 87-494, 76 Stat. 109, as amended, shall be available at the request of the Governor of the Farm Credit Administration for his temporary investment in the stock of any bank for cooperatives as provided in section 4.0 of this Act. Funds received from the partial or full retirement of such investments shall be deposited in this revolving fund.

(c) The Secretary of the Treasury is authorized, in his discretion, upon the request of the Farm Credit Administration, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of $6,000,000 at any one time.

SEC. 4.2. POWER TO BORROW; ISSUE NOTES, BONDS, DEBENTURES, AND OTHER OBLIGATIONS.—Each of the banks of the System, in order to obtain funds for its authorized purposes, shall have power, subject to supervision of the Farm Credit Administration, and subject to the limitations of paragraph (e) of this section, to—

(a) Borrow money from or loan to any other institution of the Sytem, borrow from any commercial bank or other lending institution, issue its notes or other evidence of debt on its own individual responsibility and full faith and credit, and invest its excess funds in such sums, at such times, and on such terms and conditons as it may determine.

(b) Issue its own notes, bonds, debentures, or other similar obligations, fully collateralized as provided in section 4.3(b) by the notes, mortgages, and security instruments it holds in the performance of its functions under this Act in such sums, maturities, rates of interest, and terms and conditions of each issue as it may determine with approval of the Governor.

(c) Join with any or all banks organized and operating under the same title of this Act in borrowing or in issuance of consolidated notes, bonds, debentures, or other obligations as may be agreed with approval of the Governor.

(d) Join with other banks of the System in issuance of System-wide notes, bonds, debentures, and other obligations in the manner, form, amounts, and on such terms and conditions as may be agreed upon with approval of the Governor. Such System-wide issue by the participating banks and such participations by each bank shall not exceed the limits to which each such bank is subject in the issuance of its individual or consolidated obligations and each such issue shall be subject to approval of the Governor.

(e) No bank or banks shall issue notes, bonds, debentures, or other obligations individually or in concert with one or more banks of the System other than through their fiscal agent under any provision of this Act except under subsection (a) of this section: *Provided,* That any bank or banks may issue investment bonds or like obligations other than through the fiscal agent if the interest rate is not in excess of the interest allowable on savings deposits of commercial banks of comparable amounts and maturities under Federal Reserve regulation on its member banks.

SEC. 4.3. AGGREGATE OF OBLIGATIONS; COLLATERAL.—(a) No issue of long-term notes, bonds, debentures, or other similar obligations by a bank or banks shall be approved in an amount which, together with the amount of other bonds, debentures, long-term notes, or other similar obligations issued and outstanding, exceeds twenty times the capital and surplus of all the banks which will be primarily liable on the proposed issue, or such lesser amount as the Farm Credit Administration shall establish by regulation.

(b) Each bank shall have on hand at the time of issuance of any long-term notes, bonds, debentures, or other similar obligations and at all times thereafter maintain, free from any lien or other pledge, notes and other obligations representing loans made under the authority of this Act, obligations of the United States or any agency thereof direct or fully guaranteed, other readily marketable securities approved by the Farm Credit Administration, or cash, in an aggregate value equal to the total amount of long-term notes, bonds, debentures, or other similar obligations outstanding for which the bank is primarily liable.

SEC. 4.4. LIABILITY OF BANKS; UNITED STATES NOT LIABLE.—(a) Each bank of the System shall be fully liable on notes, bonds, debentures, or other obligations issued by it individually, and shall be liable for the interest payments on long-term notes, bonds, debentures, or other obligations issued by other banks operating under the same title of this Act. Each bank shall also be primarily liable for the portion of any issue of consolidated or System-wide obligations made on its behalf and be jointly and severally liable for the payment of any additional sums as called upon by the Farm Credit Administration in order to make payments of interest or principal which any bank primarily liable therefor shall be unable to make. Such calls shall be made first upon the other banks operating under the same title of this Act as the defaulting bank, and second upon banks operating under other titles of this Act, taking into consideration to the capital, surplus, bonds, debentures, or other obligations which each may have outstanding at the time of such assessment.

(b) Each bank participating in an issue shall by appropriate resolution undertake such responsibility as provided in subsection (a), and in the case of consolidated or System-wide obligations shall authorize the Governor to execute such long-term notes, bonds, debentures, or other obligations on its behalf. When a consolidated or System-wide issue is approved, the notes, bonds, debentures, or other obligations shall be executed by the Governor and the banks shall be liable thereon as provided herein.

(c) The United States shall not be liable or assume any liability directly or indirectly thereon.

SEC. 4.5. FINANCE COMMITTEE.—There shall be established a finance committee for the banks organized and operated under titles I, II, and III, respectively, of this Act composed of the presidents of each bank. Each such committee may have such officers and such subcommittees for such terms and such representation as may be agreed upon between the banks. When appropriate to the performance of their function, the subcommittees, or representatives thereof, of the various banks shall constitute such subcommittees in connection with System-wide issues of obligations. The finance committees and subcommittees acting for the banks of the System shall, subject to approval of the Governor, determine the amount, maturities, rates of interest, and participation by the several banks in each issue of joint, consolidated, or System-wide obligations.

SEC. 4.6. BONDS AS INVESTMENTS.—The bonds, debentures, and other similar obligations issued under the authority of this Act shall be lawful investments for all fiduciary and trust funds and may be accepted as security for all public deposits.

SEC. 4.7. PURCHASE AND SALE BY FEDERAL RESERVE SYSTEM.—Any member of the Federal Reserve System may buy and sell bonds, debentures, or other similar obligations issued under the authority of this Act and any Federal Reserve bank may buy and sell such obligations to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under section 355 of title 12, United States Code.

SEC. 4.8. PURCHASE AND SALE OF OBLIGATIONS.—Each bank of the System may purchase its own obligations and the obligations of other banks of the System and may provide for the sale of obligations issued by it, consolidated obligations, or System-wide obligations through a fiscal agent or agents, by negotiation, offer, bid, syndicate sale, and to deliver such obligations by book entry, wire transfer, or such other means as may be appropriate.

SEC. 4.9. FISCAL AGENCY.—A fiscal agency shall be established by the banks for such of their functions relating to the issuance, marketing, and handling of their obligations, and interbank or intersystem flow of funds as may from time to time be required.

PART B—DISSOLUTION AND MERGER

SEC. 4.10. MERGER OF SIMILAR BANKS.—Banks organized or operating under titles I, II, or III, respectively, may, upon approval of a majority of their stockholders and the Farm Credit Administration, merge with banks in other districts operating under the same title of this Act.

SEC. 4.11. BOARD OF DIRECTORS FOR MERGED BANK.—In the event of merger of two or more banks to serve borrowers in more than one farm credit district, a separate board of directors shall be created for the resulting merged bank. The board thus created shall be composed of two directors elected by *each* of the district boards *involved,* at least one of which *from each district* shall have been elected by the eligible stockholders of or subscribers to the guaranty fund of the merging banks, and one director appointed by the Governor with the advice and consent of the Federal Farm Credit Board. Notwithstanding the foregoing, the bylaws of the merged bank may, with the approval of the Farm Credit Administration, provide for a different number of directors selected in a different manner. The board so constituted shall have such separate and distinct powers, functions, and duties as are normally exercised by a district board related to the operations and policies of the banks which were merged.

SEC. 4.12. DISSOLUTION; VOLUNTARY LIQUIDATION; MERGERS; RECEIVERSHIPS; AND CONSERVATORS.—(a) No institution of the System shall go into voluntary liquidation without the consent of the Farm Credit Administration and with such consent may liquidate only in accordance with regulations prescribed by the Farm Credit Administration. Associations may voluntarily merge with other like associations upon the vote of a majority of each of their stockholders present and voting or voting by written proxy at duly authorized meetings, and with the approval of the supervising bank and the Farm Credit Administration. The Governor of the Farm Credit Administration may require such merger whenever he determines, with the concurrence of the district board, that an association has failed to meet its outstanding obligations, failed to provide adequate credit services at reasonable cost, or failed to conduct its operations in accordance with this Act.

(b) Upon default of any obligation by any institution of the System, such institution may be declared insolvent and placed in the hands of a conservator or a receiver appointed by the Governor and the proceedings thereon shall be in accordance with regulations of the Farm Credit Administration regarding such insolvencies.

PART C—RIGHTS OF APPLICANTS

SEC. 4.13. NOTICE OF ACTION ON APPLICATION.—Every applicant for a loan from an institution of the System shall be entitled to prompt notice of action on his application, and, if the loan applied for is reduced or denied, the reason for such action.

SEC. 4.14. RECONSIDERATION.—Any applicant who has reason to believe that the action on his application by an association failed to take into account facts pertinent to his application, or has misinterpreted or failed to properly apply the applicable law or rules and regulations governing his application, may, if he so requests in writing within thirty days of the date of that notice, request an informal hearing on his application and the action of the association in reduction or denial thereof, or the reason for such action, in person before the loan committee or officer or employee thereof authorized to act on applications under section 1.15(11) or 2.12 (18). Promptly after such a hearing, he shall be notified of the decision upon reconsideration and the reasons therefor.

SEC. 4.15. NOMINATION OF ASSOCIATION DIRECTORS; REPRESENTATIVE SELECTION OF NOMINEES.—Each production credit association and each Federal land bank association shall elect a nominating committee by vote of the stockholders at the annual meeting to serve for the following year. Each nominating committee shall review lists of farmers from the association territory, determine their willingness to serve, and submit for election a slate of eligible candidates which shall include at least two nominees for each elective office to be filled. In doing so, the committee shall endeavor to assure representation to all sections of the association territory and as nearly as possible to all types of agriculture practiced within the area. Employees of the association shall not be eligible to be nominated, elected, or serve as a member of the board. Nominations shall also be accepted from the floor. Members of the board are not eligible to serve on the nominating committee. Regulations of the Farm Credit Administration governing the election of district directors shall similarly assure a choice of two nominees for each elective office to be filled and that the district board represent as nearly as possible all types of agriculture in the district.

TITLE V—DISTRICT AND FARM CREDIT ADMINISTRATION ORGANIZATION

PART A—DISTRICT ORGANIZATION

SEC. 5.0. CREATION OF DISTRICTS.—There shall be not more than twelve farm credit districts in the United States, which may be designated by number, one of which districts shall include the Commonwealth of Puerto Rico. The boundaries of the twelve farm credit

districts existing on the date of enactment of this Act may be readjusted from time to time in the discretion of the Federal Farm Credit Board, and two or more districts may be merged as provided in section 5.18(1).

SEC. 5.1. DISTRICT BOARDS OF DIRECTORS; MEMBERSHIP; ELIGIBILITY; TERMS.—(a) There shall be in each farm credit district a farm credit board of directors composed of seven members. Each farm credit district board may include in its title the name of the city in which the banks of the System for the district are located or other geographical designation.

(b) To be eligible for membership on a farm credit district board a person must be a citizen of the United States for at least ten years, and a resident of the district for at least two years.

A person shall not be eligible who—

(1) is or has, within one year next preceding the date of election or appointment, been a salaried officer or employee of the Farm Credit Administration or of any institution of the System;

(2) has been convicted of a felony or adjudged liable in damages for fraud; or

(3) if there is at the time of his election another resident of the same State who was elected to the district board by the same electorate, except where a district embraces only one State.

No director of a district board shall be eligible to continue to serve in that capacity and his office shall become vacant if, after his election or appointment as a member of a district board, he continues or becomes a salaried officer or employee of the Farm Credit Administration, of any institution of the System, or a member of the Federal Farm Credit Board, or if he becomes legally incompetent or is finally convicted of a felony or held liable in damages for fraud. In any event, no director shall, within one year after the date when he ceases to be a member of the board, be elected or designated to serve as a salaried employee of any bank or joint employee of the district for which he served as director.

(c) The terms of district directors shall be for three years, except that the terms of appointed directors may be for a shorter or longer term to permit the staggering of such appointments over a three-year period but in no event shall such appointed director be eligible to serve for more than two full terms.

SEC. 5.2. SAME; NOMINATION; ELECTION; APPOINTMENT.—(a) Two of the district directors shall be elected by the Federal land bank associations, two by the production credit associations, and two by the borrowers from or subscribers to the guaranty fund of the bank for cooperatives. The seventh member shall be appointed and may be removed by the Governor with the advice and consent of the Federal Farm Credit Board.

(b) At least two months before an election of an elected director the Farm Credit Administration shall cause notice in writing to be sent to those entitled to nominate candidates for such elected director. In the case of an election of a director by Federal land bank associations and borrowers through agencies, such notice shall be sent to all Federal land bank associations and borrowers through agencies in the district; in the case of an election by production credit associations, such notice shall be sent to all production credit associations in the district; and in the case of an election by cooperatives which are voting stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district, such notice shall be sent to all cooperatives which are eligible, voting stockholders or subscribers to the guaranty fund at the time of sending the notice. The notice in the case of associations shall state the number of votes the board of each association is entitled to cast for nomination and election based on the voting stockholders of the association as determined by the Farm Credit Administration as near as practicable to the date of the notice. After receipt of such notice those entitled to nominate a director shall forward nominations to the Farm Credit Administration. The Farm Credit Administration shall from the nominations received within sixty days after it sends such notice, prepare a list of candidates for such elected director, consisting of the three nominees receiving the highest number of votes, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days.

(c) At least one month before the election of an elected director, the Farm Credit Administration shall mail to each person or organization entitled to elect the elected director a list of the three candidates receiving the highest number of votes from those nominated in accordance with subsection (b). In the case of an election of a director by the Federal land bank associations the directors of each land bank association shall cast the vote of such association for one of the candidates on the list. Each association shall be entitled to cast the number of votes specified in the notice prior to the nomination poll as determined by the Farm Credit Administration to be the number of voting stockholders of each association, and each direct borrower and borrower through agent shall be entitled to cast one vote. Each production credit association shall be entitled to cast the number of votes specified in the notice of nomination poll as determined by the Farm Credit Administration to be equal to the number of voting stockholders of such association. Each cooperative which is the holder of voting stock in or a subscriber to the guaranty fund of the bank for cooperatives shall be entitled to cast one vote except as provided in subsection 3.3 (d). The votes shall be forwarded to the Farm Credit Administration and no vote shall be counted unless received by it within sixty days after the sending of such list of candidates, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days. In the case of a tie another runoff election between those tying shall be held.

(d) Any vacancies in the board of directors shall be filled for the unexpired term in the manner provided in sections 5.1 and 5.2 for the selection of such directors.

SEC. 5.3. DISTRICT DIRECTORS CONSTITUTE BOARDS OF DIRECTORS FOR FEDERAL LAND BANKS, FEDERAL INTERMEDIATE CREDIT BANKS, AND DISTRICT BANKS FOR COOPERATIVES.—The members of each farm credit district board of directors shall be and shall have all the functions, powers, and duties of directors for the Federal land banks, the Federal intermediate credit banks, and the district banks for cooperatives in their respective districts.

SEC. 5.4. DISTRICT BOARD OFFICERS.—Each farm credit district board shall elect from its members a chairman and a vice chairman and shall appoint a secretary from within or without its membership as it may see fit. The chairman, vice chairman, and secretary shall hold office for a term of one year and until their successors are selected and take office.

SEC. 5.5. COMPENSATION OF DISTRICT BOARD.—Members of each farm credit district board shall receive compensation, including reasonable allowances for necessary expenses, in attending meetings of the board as district board and as directors of the district banks including travel time. The compensation shall not be in excess of the level set by the Farm Credit Administration. In addition to attending said meetings, a director may not receive compensation and allowances for any services rendered in his capacity as director or otherwise for more than thirty days or parts of days in any one calendar year without the approval of the Farm Credit Administration.

SEC. 5.6. POWERS OF THE DISTRICT FARM CREDIT BOARD.—(a) Each farm credit district board shall have power to—

(1) Act as the board of directors for the district and of the several banks of the System in the district.

(2) Provide rules and regulations, governing the banks and associations in the district, not inconsistent with law.

(3) Elect or provide for joint officers and employees for the banks in its district which are institutions of the System or, upon agreement with banks in other districts, joint officers and employees of institutions in more than one district. The salary or other compensation of all such joint officers and employees and the allocation thereof between the banks shall be fixed by the district farm credit board. Officers and employees elected or provided for by the district farm credit board, whether separate officers and employees of the institutions or joint officers and employees, shall be officers and employees of the district institutions served by them. Employment, compensation, leave, retirement, except as provided in subsection (b) of this section, hours of duty, and all other conditions of employment of such joint officers and employees and of the separate officers and employees of the institutions in the district provided for by the board of directors shall be without regard to the provisions of title 5 of the United States Code relating to such matters, but all such determinations shall be consistent with the law under which the banks are organized and operate. Appointments, promotions, and separations so made shall be based on merit and efficiency and no political test or qualification shall be permitted or given consideration. The limitations against political activity and conflict of interest of such officers and employees shall be in accordance with rules and regulations prescribed by the Farm Credit Administration.

(4) Authorize the acquisition and disposal of such property, real or personal, as may be necessary or convenient for the transaction of the business of the banks of the System located in its district, upon such terms and conditions as it shall fix, and to prorate among such banks the cost of purchases, rentals, construction, repairs, alterations, maintenance, and operation, in such amounts and in such manner as it shall determine. Any lease, or any contract for the purchase or sale of property, or any deed or conveyance of property, or any contract for the construction, repair, or alteration of buildings, authorized by a district farm credit board under this subsection shall be executed by the officers of the bank or banks concerned pursuant to the direction of such board. No provision of law relative to the acquisition or disposal of property, real or personal, by or for the United States, or relative to the making of contracts or leases by or for the United States, including the provisions set out in titles 40 and 41, and including provisions applicable to corporations wholly owned by the United States, shall be deemed or held applicable to any lease, purchase, sale, deed, conveyance, or contract authorized or made by a district farm credit board or the banks of the System under this subsection.

(5) Authorize, with the approval of the Farm Credit Administration, agreements for the provision of joint services between institutions of the System in the district and between districts for those bank and association functions and for those services to borrowers which can most effectively be performed by joint undertakings of the district or districts, consistent with the provisions of this Act.

(6) Formulate broad policy considerations concerning the funding operations of the banks in the district and, in concert with the other district boards, furnish unified long-

range policy guidance for the funding of the System.

(b) The provisions of subsection (a) of this section are qualified as follows:

(1) Each officer and employee of the banks of the System who, on December 31, 1959, was within the purview of the Civil Service Retirement Act, as amended, shall continue so during his continuance as an officer or employee of any of such banks or of the Farm Credit Administration without break in continuity of service. Any other officer or employee of such banks and any other person entering upon employment with any such banks after December 31, 1959, shall not be covered under the civil service retirement system by reason of such employment, except that (1) a person who, on December 31, 1959, was within the purview of the Civil Service Retirement Act, as amended, and thereafter becomes an officer or employee of any such banks without break in continuity of service shall continue under the civil service retirement system during his continuance as an officer or employee of any of such banks without break in continuity of service and (2) a person who has been within the purview of said Act as an officer or employee of such banks and, after a break in such employment, again becomes an officer or employee of any of such banks may elect to continue under the civil service retirement system during his continuance as such officer or employee by so notifying the Civil Service Commission in writing within thirty days after such reemployment.

(2) Each of the banks of the System shall contribute to the civil service retirement and disability fund, for each fiscal year after June 30, 1960, a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended, except that such sum shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of said banks who are covered by that Act, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in such section 4(a). Each bank shall also pay into the Treasury as miscellaneous receipts such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees.

PART B—FARM CREDIT ADMINISTRATION ORGANIZATION

SEC. 5.7. THE FARM CREDIT ADMINISTRATION.—The Farm Credit Administration shall be an independent agency in the executive branch of the Government. It shall be composed of the Federal Farm Credit Board, the Governor of the Farm Credit Administration, and such other personnel as are employed in carrying out the functions, powers, and duties vested in the Farm Credit Administration by this Act.

SEC. 5.8. THE FEDERAL FARM CREDIT BOARD; NOMINATION AND APPOINTMENT OF MEMBERS; ORGANIZATION AND COMPENSATION.—(a) There is established in the Farm Credit Administration a Federal Farm Credit Board. The Board shall consist of not more than thirteen members, one of whom shall be designated by the Secretary of Agriculture. The remainder of the Board shall be appointed by the President, with the advice and consent of the Senate, one from each farm credit district, to be known as the appointed members.

(b) In making appointments to the Board, the President shall have due regard to a fair representation of the public interest, the welfare of all farmers, and the types of institutions constituting the Farm Credit System, with special consideration to persons who are experienced in cooperative agricultural credit, taking into consideration the lists of nominees proposed by the Farm Credit System as hereinafter provided.

(c) Each appointed member of the Board shall have been a citizen of the United States and shall have been a resident of the district from which he was appointed for not less than ten years next preceding his appointment, and the removal of residence from the district shall operate to terminate his membership on the Board. No person shall be eligible for nomination or appointment if within one year next preceding the commencement of his term he has been a salaried officer or employee of the Farm Credit Administration or a salaried officer or employee of any institution of the Farm Credit System. Any person who is a member of a district farm credit board when appointed as a member of the Federal Farm Credit Board shall resign as a member of the district board before assuming his duties as a member of the Board. No person who becomes an appointed member of the Board shall be eligible to continue to serve in such capacity if such person is or becomes a member of a district farm credit board, or an officer or employee of the Farm Credit Administration, or director, officer, or employee of any institution of the Farm Credit System. No director shall, within one year after the date when he ceases to be a member of the Board, be elected or designated to serve as a salaried officer or employee of any bank, joint officer or employee, or officer or employee of the Farm Credit Administration.

(d) The Secretary of Agriculture shall designate one member of the Board to serve at the pleasure of the Secretary. He shall be known as the Secretary's Representative on the Board. He shall be a citizen of the United States and shall have been a resident of the United States for not less than ten years preceding his designation on the Board. No person shall be designated by the Secretary if such person is a member of a farm credit district board, an officer or employee of the farm credit administration, or an officer or employee of any institution operating under the supervision of the farm credit administration. The Secretary's Representative shall not be eligible to serve as Chairman, Vice Chairman, or Secretary of the Board but shall otherwise possess all the rights and privileges of membership on the Board.

(e) The term of office of the appointed members of the Board shall be six years and such members shall serve until their successors are duly appointed and qualified. No appointed member of the Board shall be eligible to serve more than one full term of six years and, in addition, if he is appointed to fill the unexpired portion of one term expiring before his appointment to a full term, he may be eligible thereafter for appointment to fill a full term of six years.

All vacancies for the offices of appointed members shall be filled for the unexpired portion of the term upon like nominations and like appointments: Provided, however, That the district board of directors may select a representative to meet with the Board, without the right of vote, prior to the filling of a vacancy occasioned by death, resignation, disability, or declination in the office of member from the district, under rules and regulations prescribed by the Board.

(f) A list of nominees for appointment as an appointed member of the Board shall be presented to the President for consideration in the filling of any office of Board member. The list shall be composed of one selected by each voting group in the district in which the member's term is about to expire or in which a vacancy occurs, determined in accordance with the procedure prescribed in section 5.2 of this title for the nomination and election of members of a district farm credit board, except that the list of candidates for the Board for final election in the district shall be the two nominees of each voting group receiving the highest number of votes.

(g) The members of the Board shall meet and subscribe the oath of office and annually organize by the election of the Chairman and Vice Chairman. The Board shall appoint a Secretary from within or without the membership. Such officers of the Board shall serve for one year and until their successors are selected and take office. The Board may function notwithstanding vacancies exist, provided a quorum is present. A quorum shall consist of a majority of all the members of the Board, for the transaction of business. The Board shall hold at least four regularly scheduled meetings a year and such additional meetings at such times and places as it may fix and determine. Such meetings may be held on the call of the Chairman or any three Board members.

(h) Each of the Board members shall receive the sum of $100 a day for each day or part thereof in the performance of his official duties at regular and special meetings of the Board and regular and special meetings of district boards. In addition to attending said meetings, members may receive compensation for services rendered as member for not more than thirty days or parts of days in any calendar year, and shall be reimbursed for necessary travel, subsistence, and other expenses in the discharge of their official duties without regard to other laws with respect to allowance for travel and subsistence of officers and employees of the United States. The Secretary's representative if he is a full-time officer or employee of the United States shall receive no additional compensation for his official duties on the Board, but may receive travel and subsistence and other expenses.

(i) The Board shall adopt such rules as it may see fit for the transaction of its business, and shall keep permanent records and minutes of its acts and proceedings.

SEC. 5.9. POWERS OF THE BOARD.—The Federal Farm Credit Board shall establish the general policy for the guidance of the Farm Credit Administration and the Farm Credit System in carrying out this Act; may require such reports as it deems necessary from the institutions of the Farm Credit System; provide for the examination of the condition of and general supervision over the performance of the powers, functions, and duties vested in each such institution, and for the performance of all the powers and duties vested in the Farm Credit Administration or in the Governor which, in the judgment of the Board, relate to matters of broad and general supervisory, advisory, or policy nature. The Board shall function as a unit without delegating any of its functions to individual members, but may appoint committees and subcommittees for studies and reports for consideration by the Board. It shall not operate in an administrative capacity.

SEC. 5.10. GOVERNOR; APPOINTMENT; RESPONSIBILITIES.—The Governor of the Farm Credit Administration shall be appointed by and serve at the pleasure of the Federal Farm Credit Board. He shall be responsible, subject to the general supervision and direction of the Board as to matters of a broad and general supervisory, advisory, or policy nature, for the execution of all of the administrative functions and duties of the Farm Credit Administration. During any period in which the Governor holds any stock in any of the institutions subject to supervision of the Farm Credit Administration, the appointment of the Governor shall be subject to approval by the President and during any such period the President shall have the power to remove the Governor.

SEC. 5.11. COMPENSATION; SALARY AND EXPENSE ALLOWANCE.—The compensation of the Governor of the Farm Credit Administration shall be at the rate fixed in the Executive Pay Schedule. The Board shall

fix the allowance for his necessary travel and subsistence expenses or per diem in lieu thereof.

SEC. 5.12. COMPLIANCE WITH BOARD ORDERS.—It shall be the duty of the Governor of the Farm Credit Administration to comply with all orders and directions which he receives from the Federal Farm Credit Board and, as to third persons, all acts of the Governor shall be conclusively presumed to be in compliance with the orders and directions of the Board.

SEC. 5.13. FARM CREDIT ORGANIZATION.—The Governor of the Farm Credit Administration is authorized, in carrying out the powers and duties now or hereafter vested in him by this Act and acts supplementary thereto, to establish and to fix the powers and the duties of such divisions and instrumentalities as he may deem necessary to the efficient functioning of the Farm Credit Administration and the successful execution of the powers and duties so vested in the Governor and the Farm Credit Administration. The Governor shall appoint such other personnel as may be necessary to carry out the functions of the Farm Credit Administration: *Provided*, That the salary of positions of Deputy Governors shall not exceed the maximum scheduled rate of the general schedule of the Classification Act of 1949, as amended. The powers of the Governor may be exercised and performed by him through such other officers and employees of the Farm Credit Administration as he shall designate.

SEC. 5.14. SEAL.—The Farm Credit Administration shall have a seal, as adopted by the Governor, which shall be judicially noted.

SEC. 5.15. ADMINISTRATIVE EXPENSES.—The Farm Credit Administration may, within the limits of funds available therefor, make necessary expenditures for personnel services and rent at the seat of Government and elsewhere; contract stenographic reporting services; purchase and exchange law books, books of reference, periodicals, newspapers, expenses of attendance at meetings and conferences; purchase, operation, and maintenance at the seat of Government and elsewhere of motor-propelled passenger-carrying vehicles and other vehicles; printing and binding; and for such other facilities and services, including temporary employment by contract or otherwise, as it may from time to time find necessary for the proper administration of this Act.

SEC. 5.16. ALLOCATION OF EXPENSES FOR ADMINISTRATIVE SERVICES BY THE FARM CREDIT ADMINISTRATION; DISPOSITION OF MONEY.—(a) The Farm Credit Administration shall prior to the first day of each fiscal year estimate the cost of administrative expenses for the ensuing fiscal year in administering this Act, including official functions, and shall apportion the amount so determined among the institutions of the System on such equitable basis as the Administration shall determine, and shall assess against and collect in advance the amount so apportioned from the institutions among which the apportionment is made.

(b) The amounts collected pursuant to subsection (a) of this section shall be covered into the Treasury, and credited to a special fund, which fund is authorized to be appropriated to said Administration for expenditure during each fiscal year for salaries and expenses of said Administration as set forth in an appropriation act or acts. As soon as practicable after the end of each such fiscal year, the Administration shall determine, on a fair and reasonable basis, the cost of operation of the Farm Credit Administration and the part thereof which fairly and equitably should be allocated to each bank and association as its share of the cost during the fiscal year of such Administration. If the amount so allocated is greater than the amount collected from the bank or other institutions, the difference shall be collected from such bank or other institutions, and, if less, shall be refunded from the special fund to the bank or other institutions entitled thereto or credited in the special fund to such bank or other institutions for use for the same purposes in future fiscal years.

SEC. 5.17. QUARTERS AND FACILITIES FOR THE FARM CREDIT ADMINISTRATION.—As an alternate to the rental of quarters under section 5.15, and without regard to any other provision of law, the banks of the System, with the concurrence of two-thirds of the district boards, are hereby authorized—

(1) To lease or acquire real property in the District of Columbia or elsewhere for quarters of the Farm Credit Administration.

(2) To construct, develop, furnish, and equip such building thereon and such facilities appurtenant thereto as in their judgment may be appropriate to provide, to the extent the Federal Farm Credit Board may deem advisable, suitable, and adequate quarters and facilities for the Farm Credit Administration.

(3) To enlarge, remodel, or reconstruct the same.

(4) To make or enter into contracts for any of the foregoing.

The Board may require of the respective banks of the System, and they shall make to the Farm Credit Administration, such advances of funds for the purposes set out in this section as in the sole judgment of the Board may from time to time be advisable for the purposes of this section. Such advances shall be in addition to and kept in a separate fund from the assessments authorized in section 5.16 and shall be apportioned by the Board among the banks in proportion to the total assets of the respective banks, and determined in such manner and at such times as the Board may prescribe. The powers of the banks of the System and purposes for which obligations may be issued by such banks are hereby enlarged to include the purpose of obtaining funds to permit the making of advances required by this section. The plans and decisions for such building and facilities and for the enlargement, remodeling, or reconstruction thereof shall be such as is approved in the sole discretion of the Board.

SEC. 5.18. ENUMERATED POWERS.—The Farm Credit Administration shall have the following powers, functions and responsibilities in connection with the institutions of the Farm Credit System and the administration of this Act:

1, Modify the boundaries of farm credit districts, with due regard for the farm credit needs of the country, as approved by the Federal Farm Credit Board.

(2) *Where necessary or appropriate to carry out the policy and objectives of this Act, issue* and amend or modify Federal charters *or the bylaws* of institutions of the System; *approve* change in names of banks operating under this Act; approve the merger of districts when agreed to by the boards of the districts involved and by a majority of the voting stockholders and contributors to the guaranty funds of each bank for each of such districts; approve mergers of banks operating under the same title of this Act, merger of Federal land bank associations, merger of production credit associations and the consolidation or division of the territories which they serve; and approve consolidations of boards of directors or management agreements. Such mergers shall be encouraged where such action will improve service to borrowers and the financial stability, effect economies of operation, or permit desirable joint management, or consolidation of territories and office quarters.

(3) Make annual reports to the Congress on the condition of the System and its institutions and on the manner and extent to which the purposes and objectives of this Act are being carried out and, from time to time, recommend legislative changes.

(4) Approve the salary scale for employees of the institutions of the System, and approve the appointment and compensation of the chief executive officer of such institutions, except of associations.

(5) Coordinate the activities of the banks in making studies of lending standards, including appraisal and credit standards; approve national and district standards, procedures, and appraisal forms; prescribe price and cost levels to be used in such standards appraisals, and lending; supplement the work of the district under the foregoing where necessary to accomplish the purposes of this Act.

(6) Prescribe loan security requirements and the types, classes, or number of loans which may be made only with prior approval.

(7) Conduct loan and collateral security review.

(8) Approve the issuance of obligations of the institutions of the System and execute on behalf of the banks consolidated and Systemwide obligations for the purpose of funding the authorized operations of the institutions of the System, and prescribe collateral therefor.

(9) Approve interest rates paid by institutions of the System on their bonds, debentures, and similar obligations, the terms and conditions thereof, and interest or other charges made by such institutions to borrowers.

(10) Make investments in stock of the institutions of the System as provided in section 4.0 out of the revolving fund, and require the retirement of such stock.

(11) Regulate the borrowing, repayment, and transfer of funds and equities between institutions of the System.

(12) Coordinate and assist in providing services necessary for the convenient, efficient, and effective management of the institutions of the System.

(13) Undertake research into the rural credit needs of the country and ways and means of meeting them and of the funding of the operations of the System in relation to changing farming and economic conditions.

(14) Prepare and disseminate information to the general public on use, organization and functions of the System and to investors on merits of its securities.

(15) Require surety bonds or other provision for protection of the assets of the institutions of the System against losses occasioned by employees.

(16) Prescribe rules and regulations necessary or appropriate for carrying out the provisions of this Act.

(17) Exercise such incidental powers as may be necessary or appropriate to fulfill its duties and carry out the purposes of this Act.

SEC. 5.19. DELEGATION OF DUTIES AND POWERS TO INSTITUTIONS OF THE SYSTEM.—The Farm Credit Administration is authorized and directed, by order or rules and regulations, to delegate to a Federal land bank such of the duties, powers, and authority of the Farm Credit Administration with respect to and over a Federal land bank or Federal land bank associations, their officers and employees, in the farm credit district wherein such Federal land bank is located, as may be determined to be in the interest of effective administration; and, in like manner, to delegate to a Federal intermediate credit bank such of the duties, powers, and authority of the Farm Credit Administration with respect to and over a Federal intermediate credit bank or production credit associations, their officers and employees, in the farm credit district wherein such Federal intermediate credit bank is located, as

may be determined to be in the interest of effective administration; to authorize the redelegation thereof; and, in either case the duties, powers, and authority so delegated or redelegated shall be performed and exercised under such conditions and requirements and upon such terms as the Farm Credit Administration may specify. Any Federal land bank or Federal intermediate credit bank to which any such duties, powers, or authority may be delegated or any association to which any power may be redelegated, is authorized and empowered to accept, perform, and exercise such duties, powers, and authority as may be so delegated to it.

SEC. 5.20 EXAMINATION AND REPORTS.—Except as provided herein, each institution of the System, and each of their agents, at such times as the Governor of the Farm Credit Administration may determine, shall be examined and audited by farm credit examiners under the direction of an independent chief Farm Credit Administration examiner, but each bank and each production credit association shall be examined and audited not less frequently than once each year. Such examinations shall include objective appraisals of the effectiveness of management and application of policies in carrying out the provisions of this Act and in servicing all eligible borrowers. If the Governor determines it to be necessary or appropriate, the required examinations and audits may be made by independent certified public accountants, certified by a regulatory authority of a State, and in accordance with generally accepted auditing standards. Upon request of the Governor or any bank of the System, farm credit examiners shall also make examinations and written reports of the condition of any organization, other than national banks, to which, or with which, any institution of the System contemplates making a loan or discounting paper of such organization. For the purposes of this Act, examiners of the Farm Credit Administration shall be subject to the same requirements, responsibilities, and penalties as are applicable to examiners under the National Bank Act, the Federal Reserve Act, the Federal Deposit Insurance Act, and other provisions of law and shall have the same powers and privileges as are vested in such examiners by law.

SEC. 5.21. CONDITIONS OF OTHER BANKS AND LENDING INSTITUTIONS.—The Comptroller of the Currency is authorized and directed, upon request of the Farm Credit Administration to furnish for confidential use of an institution of the System such reports, records, and other information as he may have available relating to the financial condition of national banks through, for, or with which such institution of the System has made or contemplates making discounts or loans and to make such further examination, as may be agreed, of organizations through, for, or with which such institution of the Farm Credit System has made or contemplates making discounts or loans.

SEC. 5.22. CONSENT TO THE AVAILABILITY OF REPORTS AND TO EXAMINATIONS.—Any organization other than State banks, trust companies, and savings associations shall, as a condition precedent to securing discount privileges with a bank of the Farm Credit System, file with such bank its written consent to examination by farm credit examiners as may be directed by the Farm Credit Administration; and State banks, trust companies, and savings associations may be required in like manner to file a written consent that reports of their examination by constituted State authorities may be furnished by such authorities upon the request of the Farm Credit Administration.

SEC. 5.23. REPORTS ON CONDITIONS OF INSTITUTIONS RECEIVING LOANS OR DEPOSITS.—The executive departments, boards, commissions, and independent establishments of the Government of the United States, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Reserve banks are severally authorized under such conditions as they may prescribe, upon request of the Farm Credit Administration, to make available to it or to any institution of the System in confidence all reports, records, or other information relating to the condition of any organization to which such institution of the System has made or contemplates making loan or for which it has or contemplates discounting paper, or which it is using or contemplates using as a custodian of securities or other credit instruments, or a depository. The Federal Reserve banks in their capacity as depositories, agents, and custodians for bonds, debentures, and other obligations issued by the banks of the System or book entries thereof are also authorized and directed, upon request of the Farm Credit Administration, to make available for audit by farm credit examiners all appropriate books, accounts, financial records, files, and other papers.

SEC. 5.24. JURISDICTION.—Each institution of the System shall for the purposes of jurisdiction be deemed to be a citizen of the State, commonwealth, or District of Columbia in which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any production credit association upon the ground that it was incorporated under this Act or prior Federal law, or that the United States owns any stock thereof, nor shall any district court of the United States have jurisdiction, by removal or otherwise, of any suit by or against such association except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver or conservator of any such association appointed in accordance with the provisions of this Act.

SEC. 5.25. STATE LEGISLATION.—Whenever it is determined by the Farm Credit Administration, or my judicial decision, that a State law is applicable to the obligations and securities authorized to be held by the institutions of the System under this Act, which law would provide insufficient protection or inadequate safeguards against loss in the event of default, the Farm Credit Administration may declare such obligations or securities to be ineligible as collateral for the issuance of new notes, bonds, debentures, and other obligations under this Act.

SEC. 5.26. REPEAL.—(a) The Federal Farm Loan Act, as amended; section 2 of the Act of March 10, 1924 (Public Numbered 35, Sixty-eighth Congress, 43 Stat. 17), as amended; section 6 of the Act of January 23, 1932 (Public Numbered 3, Seventy-second Congress, 47 Stat. 14), as amended; the Farm Credit Act of 1933, as amended; sections 29 and 40 of the Emergency Farm Mortgage Act of 1933; Act of June 18, 1934 (Public Numbered 381, Seventy-third Congress, 48 Stat. 983); Act of June 4, 1936 (Public Numbered 644, Seventy-fourth Congress, 49 Stat. 1461), as amended; sections 5, 6, 20, 25(b), and 39 of the Farm Credit Act of 1937, as amended; sections 601 and 602 of the Act of September 21, 1944 (Public Law 425, Seventy-eighth Congress, 58 Stat. 740, 741), as amended; sections 1, 2, 3, 4, 5, 6, 7, 8, 16, and 17(b) of the Farm Credit Act of 1953, as amended; sections 2, 101, and 201(b) of the Farm Credit Act of 1956 are hereby repealed. All references in other legislation, State or Federal, rules and regulations of any agency, stock, contracts, deeds, security instruments, bonds, debentures, notes, mortgages and other documents of the institutions of the System, to the Acts repealed hereby shall be deemed to refer to comparable provisions of this Act.

(b) All regulations of the Farm Credit Administration or the institutions of the System and all charters, bylaws, resolutions, stock classifications, and policy directives issued or approved by the Farm Credit Administration, and all elections held and appointments made under the Acts repealed by subsection (a) of this section shall be continuing and remain valid until superseded, modified, or replaced under the authority of this Act. All stock, notes, bonds, debentures, and other obligations issued under the repealed acts shall be valid and enforceable upon the terms and conditions under which they were issued, including the pledge of collateral against which they were issued, and all loans made and security or collateral therefor held by, and all contracts entered into by, institutions of the System shall remain enforceable according to their terms unless and until modified in accordance with the provisions of this Act; it being the purpose of this subsection to avoid disruption in the effective operation of the System by reason of said repeals.

SEC. 5.27. AMENDMENTS TO OTHER LAWS.—(a) The Executive schedule of basic pay (80 Stat. 458, 5 U.S.C. 5311–5317), as amended, is further amended by striking from positions at level IV the "Governor of the Farm Credit Administration." (5 U.S.C. 5315(51)) and inserting in positions at level III the additional position "(58) Governor of the Farm Credit Administration." (5 U.S.C. 5314.)

(b) The third paragraph of section 15 of the Federal Reserve Act (12 U.S.C. 393) to read as follows:

"The Federal Reserve banks are authorized to act as depositaries for and fiscal agents of any Federal land bank, Federal intermediate credit bank, bank for cooperatives, or other institutions of the Farm Credit System."

SEC. 5.28. SEPARABILITY.—If any provision of this Act, or the application thereof to any persons or in any circumstances, is held invalid, the remainder of this Act and the application of such provision to other persons or in other circumstances shall not be affected thereby.

SEC. 5.29. RESERVE RIGHT TO AMEND OR REPEAL.—The right to alter, amend, or repeal any provision or all of this Act is expressly reserved.

Mr. TALMADGE. Mr. President, on behalf of the Committee on Agriculture and Forestry, I modify the committee amendment on page 115, line 14, by inserting before the word "to" the words "is amended". This will correct an obvious clerical error. Also, on page 78, line 8, the word "to" should have been deleted, and I ask unanimous consent that it be stricken.

The PRESIDING OFFICER. Without objection, the committee amendments will be so modified.

Mr. TALMADGE. Mr. President, on behalf of the Committee on Agriculture and Forestry, it is my privilege to report and recommend favorable action on S. 1483, the Farm Credit Act of 1971 as amended by the committee.

The purpose of this bill is to further provide for the farmer-owned cooperative farm credit system through which credit is made available to farmers, ranchers, rural residents, and to associations and others upon which farming operations are dependent, so as to provide a modernized system to meet current and future rural credit needs.

Recognizing that a prosperous, productive agriculture is essential to a free Nation, it is the objective of the farmer-owned cooperative farm credit system to improve the income and wellbeing of American farmers and ranchers by fur-

nishing adequate and constructive credit and closely related services to them, their cooperatives, and selected farm related businesses necessary to efficient farm operations. It is this end that S. 1483 is directed. Its enactment will result in no cost to the taxpayers of this Nation.

The system has its beginning with the passage by Congress of the Federal Farm Loan Act of 1916, at a time when farmers were hard-put to obtain credit. This act provided for the establishment and initial capitalization of 12 Federal land banks, one in each of 12 Farm Credit districts across the United States. Also established by the act were local national farm loan associations, now called Federal land bank associations, through which the land banks make long term loans secured by first mortgages on farm real estate.

In 1923, during the agricultural depression, the Congress provided for the establishment and capitalization of 12 Federal intermediate credit banks. They were intended to discount or purchase short and intermediate term notes of farmers and ranchers held by commercial banks and other financing institutions.

In March of 1933, an Executive order created the Farm Credit Administration, an independent Federal agency, to supervise the Federal land banks, Federal land bank associations, and Federal intermediate credit banks.

In June of that year, with the country still suffering from the great depression, Congress passed the Farm Credit Act of 1933 which authorized farmers to organize local credit cooperatives, called production credit associations, which could discount farmers' notes with the credit banks, to provide much needed operating credit. The act also provided the initial capital and staff to help farmers organize these associations. The production credit association, in effect, became the retail outlets for credit obtained at wholesale from the credit banks.

In addition, the Farm Credit Act of 1933 provided for the organization and initial capitalization of 13 banks for cooperatives. These banks meet the specialized needs of farmers' marketing, supply, and business service cooperatives.

The production credit association, and banks for cooperatives were also placed under the supervision of the Farm Credit Administration.

Most of the funds loaned by the banks and associations of the farm credit system are obtained through the sale of securities to private investors in the Nation's money markets. These securities are sold through a fiscal agent employed jointly by all 37 banks.

The Farm Credit Administration remained an independent agency in the executive branch of Government from 1933 to 1939 when it was made a part of the U.S. Department of Agriculture. It remained in the USDA until 1953, when the passage of the Farm Credit Act of 1953 again made it an independent agency.

In addition, the Farm Credit Act of 1953 provided for a means of farmer-control of the banks and associations of the farm credit system and emphasized eventual complete ownership of the system by its users. At that time it was declared to be the policy of Congress—

To encourage and facilitate increased borrower participation in the management, control and ultimate ownership of a permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration.

Additional legislation, enacted in 1955, 1966, and 1968, further stressed complete ownership and this objective was achieved December 31, 1968, when the faith of Congress in the farmers and ranchers of this Nation was fulfilled and the last of the Government's investment in the banks and associations of the system was repaid.

Immediately after the retirement of the Government's investment in the farm credit system, the Federal Farm Credit Board, top policymaking body for the system, turned its full attention to the future. With the full realization that credit needs of farmers and their cooperatives were both changing and expanding, the Board appointed a 27-member Commission on Agricultural Credit and authorized other studies to ascertain the credit needs of agriculture and to recommend changes in the farm credit system to help meet those needs.

The recommendations made by the Commission and other investigative groups, many of which are manifest in S. 1483, were submitted to the owners of the farm credit system and agriculture generally. A vast majority of those affected have voiced their approval of these recommendations and they have also received the general approval of the major farm organizations, cooperatives, the Federal Farm Credit Board and 44 Members of this body as witnessed by the list of cosponsors.

Agriculture is now using some $60 billion of credit annually. Experts have projected these needs by 1980 to range from $90 billion to $140 billion. There is no question that the very best efforts of all lenders will be essential if these needs are to be met. However, the volume of credit needed is only part of what is necessary. In addition to vast sums of money, farmers, ranchers, and their cooperatives will also need the services of other businesses and services related to their financial needs.

The availability of adequate and dependable credit to farmers, ranchers, and the business organizations upon which they depend, whether owned by them or not, and the availability of those services which modern farm businesses require, will, in large part, determine the kind and structure of agriculture this Nation will have in the years ahead.

The commercial family farm has served the people of this country well. We are the best fed nation in the world. We enjoy a variety of nutritious foods in great abundance at the lowest real cost of any country at any time in the history of mankind.

While it does not contain all the answers to our continued well being in terms of the availability of reasonably priced food and fiber, the Farm Credit Act of 1971 does contain what the vast majority of agricultural producers in this Nation consider to be the essential ingredients for them to obtain the kinds and amounts of credit and related services which will enable them to function in an increasingly complex agriculture.

In short, through the enactment of this legislation, Congress can issue a new charter that will modernize the cooperative farm credit system so it can continue to do its share in filling the changing credit needs of agriculture and rural America.

I would now like to make some comments directed specifically at the legislation in question. As I have indicated, the laws governing the farm credit system have been written at various times as the needs arose.

Most of the law pertaining to the Federal land banks was written in 1916. I am sure that many of the precautionary limitations included in that law were necessary at that time and during the developmental years. However, I am equally convinced that those very restrictions and constraints are now inhibiting the extension of adequate and sound credit. Subsequent legislation pertaining to the Federal intermediate credit banks, production credit associations, and banks for cooperatives was written in much broader terms. This has resulted in inconsistencies among the three groups of institutions and in an extremely difficult set of laws to administer.

Therefore, much of the Farm Credit Act of 1971 is a recodification of existing law, eliminating those provisions which have become obsolete with the passage of time, and replacing some legislation with regulation to allow flexibility necessary to meet changing credit requirements. The new Act tends to bring decision-making down to the level nearest the borrower in the interest of efficiency and service.

However, there are several new authorities and clarifications contained in the act upon which I would like to comment.

TITLE I—FEDERAL LAND BANKS

The act would remove the 65-percent limitation on loans made by the Federal land banks. This limitation, which studies indicate is actually 53 percent of the market value of farms mortgaged last year, was deemed inconsistent with lending needs of the 1970's. Instead, under regulations prescribed by the Farm Credit Administration, additional emphasis would be placed on a man's repayment capacity, moral character, and management ability. This authority will also permit consideration of security other than first-mortgage liens on real estate. The 65-percent limitation is a serious handicap to the relatively successful and experienced farmer wishing to expand his operation and is an almost insurmountable hurdle for the young man wanting to get established in the farming business.

New authority would be granted the land banks for the purpose of making loans on nonfarm rural homes. Rural America has only one-third the Nation's people, but has two-thirds of its substandard housing. Credit for rural homes is urgently needed to help stem the country-to-city flow of population.

To assure the intended objective of the Congress is met, the committee modified the act to cover low and moderately priced housing outside towns, subdivisions, and built-up areas. These are the areas in which the greatest credit gaps exist. It is the feeling of the committee that permission to allow the land banks to make these kinds of loans will result in a contribution to rural development, not only by making rural America a more attractive place to live, but also by creating jobs in industries relating to homebuilding and by expanding the tax base in rural America. Further, records of the Farmers Home Administration reveal that substantial numbers of their borrowers who have demonstrated repayment capacities which merit their "graduation" to other lenders are unable to find lenders willing to take over their loans. With the land banks in a position to do this, FHA can then serve a greater number of lower income rural residents.

Perhaps no group of lenders in the country has more expertise in the area of rural home loans than do the land banks. For 54 years they have been making loans on rural farm homes and have built more specialized experience in making home loans to part-time farmers.

In the event of a period of tight money, the committee has been assured by the Farm Credit Administration that farm lending would receive preference. The committee is convinced that nonfarm rural home loans will not result in the curtailment of credit to agriculture because the Federal land banks obtain their loan funds from private investors in the Nation's money markets and not from any fixed or appropriated pool. In addition, the farmers who sit on local Federal land bank association loan committees, the district farm credit boards, and the Farm Credit Administration will not allow restrictions on farm loans. Further, nonfarm borrowers will be issued nonvoting stock in local associations so the control of those associations and the resulting loan-decision authority will remain in the hands of farmers.

Another area of new authority to be granted the land banks is in making loans to farm-related businesses. With the cost of farm machinery and equipment rising each year, many farmers, though they need such equipment, cannot justify its purchase or hesitate to tie up large amounts of their scarce capital to buy it. These farmers frequently turn to custom operators who provide on-the-farm services. However, in many areas of the country those who may be willing to provide custom services to farmers have difficulty obtaining financing. The Farm Credit Act of 1971 would allow the land banks to make such loans. To assure this provision would not take in the entire agribusiness area, the committee restricted loans to persons furnishing services directly related to farm operating needs. These would be services which the farmer, under ordinary circumstances, would provide for himself, but due to economic or other reasons prefers to have performed by others. This provision also has implications for rural area development. The financing of custom operators and other farm-related businesses will stimulate business in the country and provide jobs for rural Americans, both of which have a direct impact on the rural economy.

With the granting of these and other new authorities, the question of the taxation of the Federal land banks was raised during the hearings. The committee weighed carefully the evidence relating to taxation and reserve requirements, both of which remained unchanged in the act. After examining these concerns, the committee concluded that the problem raises committee jurisdictional questions, but that it would be appropriate for the Finance Committee to undertake a separate review of the tax and reserve obligations of the land banks to determine equitable treatment as compared to other lending institutions.

Other changes in title I bring loan decisions closer to the borrower, provide for prior approval of loans to be regulated by the Farm Credit Administration rather than legislated, broaden loss-sharing agreements among associations, and permit associations to provide financially related services to members on an optional basis.

TITLE II—FEDERAL INTERMEDIATE CREDIT BANKS AND PRODUCTION CREDIT ASSOCIATIONS

The act would enumerate the corporate powers of the Federal intermediate credit banks to make them compatible with those of the land banks. However, the credit banks would remain essentially as discount banks for credit which is available at retail from production credit associations and other financing institutions furnishing short- and intermediate-term credit to farmers.

These banks would be permitted to purchase stock in or contribute to the surplus of production credit associations, participate with production credit associations in larger loans, and furnish financially related services at the option of the individual borrower.

New authority would be granted Production Credit Associations to make loans for the repair and maintenance of non-farm rural homes in the same areas as Land Bank long-term rural housing loans and make loans to persons furnishing the kinds of farm related services described in title I. Production Credit Associations would also be permitted to provide financially related services at the option of the borrower.

Authority would be granted to Production Credit Associations to participate with commercial banks in making loans to farmers. This feature would permit country banks to continue their lines of credit with their customers and have the Production Credit Associations carry the overlines.

TITLE III—BANKS FOR COOPERATIVES

The authority of the Banks for Cooperatives is clarified to make continuing commitments for lines of credit, furnish technical and other services to borrowers, and participate in loans with commercial banks, other lenders and other Banks for Cooperatives.

The ratio of authorized debentures to net worth of the banks would be raised from 8 to 1 to 20 to 1. This would make the Banks consistent in this respect with other segments of the system and provide a cushion to tide them over in the event of natural disasters, transportation tieups and sharp seasonal loan demands.

The definition of cooperatives eligible to borrow from the banks would be stated separately from that in the Agricultural Marketing Act and would permit district Banks to make loans to cooperatives where 66⅔ percent of the voting media is held by farmers. The current restrictive level is resulting in unmet credit needs particularly of supply cooperatives who may sell partly to nonfarmers. The act would also provide for loans to cooperatives handling aquatic products. In making these changes, however, the committee does not intend to broaden eligibility to include conglomerate corporations or their subsidiaries who adjust their corporate structures so as to meet eligibility requirements of legitimate cooperatives.

TITLE IV—FUNDING OPERATIONS

The major change allowable in the funding operations of the farm credit banks is permission to issue a unified security. Presently, each of the three groups of institutions issues its own consolidated security. Issuance of a unified security would allow the banks to better adjust maturity patterns and result in less clutter in the market.

In the area of funding operations, the committee restricted the issuance of the farm credit investment bond—an instrument sold directly to members of Federal land banks associations—and production credit associations—so that it will not be issued with rates of return, amounts, and maturities in excess of those permitted under member bank regulations of the Federal Reserve Board.

TITLE V—DISTRICT AND FARM CREDIT ADMINISTRATION ORGANIZATION

In this title, the structure of the district organization, the manner of election of district farm credit boards, and the function of the Farm Credit Administration are continued without substantial change. The Farm Credit Administration, operating under the policies established by the Presidentially appointed and Senate confirmed Federal Farm Credit Board, will continue to carry out its functions as supervisor, regulator, and coordinator of the banks and associations and Senate-confirmed Federal Farm Credit Administration, however, will delegate to the district banks, with their power to redelegate to the local associations, such functions as it determines can be best carried on at the district and local levels in the best interests of efficiency, effectiveness, and service to borrowers.

In the light of the new authorities contained in this act, including the removal of a number of archaic restrictions, and the projected increases in the use of credit by agriculture, it is incumbent upon the Farm Credit Administration that it be keenly aware of its responsibilities as set forth in this legislation and as established by the Federal Farm Credit Board.

To assure that the farm credit system continues to serve all types of agriculture, in all parts of the country, at

all times, and according to the intent of the Congress, the Farm Credit Administration is further directed to submit to the Congress an annual report on the manner and extent to which the purposes of this act are being carried out.

ADDITIONAL COMMENTS

The objectives of the Farm Credit Act of 1971 were modified to make it clear that the Farm Credit System shall be responsive to the credit needs of all types of agriculture having a sound base for credit.

Provisions were inserted formalizing an appeal procedure under which a borrower dissatisfied with a loan decision could have an informal hearing before the loan committee or officer acting on the loan.

Provision was made for the election of a nominating committee charged with the duty of nominating at least two candidates for the elective offices to be filled on the boards of directors of Production Credit Associations and Federal Land Bank Associations to assure broad representation of all agricultural interests and avoid self-perpetuating boards. A similar objective will be accomplished at the district board level through regulations established by the Farm Credit Administration.

IN CONCLUSION

There is no question that the credit needs of agriculture in the years ahead will be tremendous. What this bill does is to permit the farmer-owned, cooperative Farm Credit System to adapt its programs to better help fill those needs. The system cannot do it alone. All lenders are needed. Enactment of this legislation, however, will help.

First. It will help assure that farmers, ranchers, their cooperatives, businesses necessary to their existence, and rural residents have available to them credit and financially related services.

Second. It will aid in rural area development, helping to maintain a rural-urban population balance, thus also aiding our already overcrowded cities.

Third. It will benefit all Americans by helping preserve the commercial family farm system of agriculture that has served us so well.

Fourth. It will contribute to stable supplies of food and help keep consumer costs down.

Fifth. And it will do this at no cost to the taxpayer.

The cooperative Farm Credit System is a unique example of self-help; an example of how people, with initial assistance from their Government, can own and operate their own institutions. Nearly 1 million farmers and 4,000 of their cooperatives have invested more than a billion dollars in their own credit institutions. In fiscal year 1971, they borrowed $13.6 billion through those institutions and at the end of the year had $16.1 billion in loans outstanding from them.

Action by the Congress can help them continue to operate as effectively and as efficiently as possible.

I urge the Senate to enact S. 1483, the Farm Credit Act of 1971.

I yield the floor.

Mr. MILLER. Mr. President, first I would like to commend the distinguished Senator from Georgia for a very comprehensive and timely statement on the farm credit system in general, and more particularly the bill now pending before the Senate. I might say I subscribe thoroughly to what he has just said.

I would like to add a word with respect to some of the problems which the committee considered, problems which were not so much directed at the main thrust of the bill as with respect to some of the finer points in the bill.

Overall, I believe that most of our constituency favored the main thrust of the bill, which was to update the farm credit system and expand it to meet the needs of modern agriculture.

There were some controversial points in the original bill, one having to do with the extension of the farm credit system's authority to cover so-called rural housing. The committee report, on page 12, explains what we did on this point very well.

We recognize that for a considerable amount of rural housing, commercial credit is presently available. We also recognize that there are areas in the rural sector of our country where ordinary commercial credit is practically nonexistent. To that extent we thought that the authority of the Farm Credit Administration should be expanded, but with this understanding, as spelled out in the committee report: That the priority needs of agriculture and operational needs of farmers come first, and then, if there is credit left over, the system could be extended to cover low- and moderate-priced rural housing where regular commercial credit is not available. On pages 10 and 51 of the bill we have spelled that out precisely.

Another area that caused some concern was the area of financially related services, which the bill, on page 10, and again on page 52, had provided. We thought that the language was a little too broad, that it could be interpreted to cover such financial services as tax return preparation and estate planning, and possibly services in the case of a farm which was only a small part of an overall operation—for example, the operation of a commercial business which had an incidental farm operation.

We wanted to limit the financial services to the onfarm operations, so that the farm credit system would not get into competition with those services that are now taking care of business-type operations. To the extent that the system would provide accounting and possibly computerized costing systems and information for onfarm operations, the bill authorizes that activity.

Then finally, the original bill provided for the extension of credit to agribusinesses serving farmers. It was our concern that the language as originally drafted was so broad that it might extend to activities beyond those advocated in the hearings before the committee by the Farm Credit Administration representatives.

Those representatives testified that there are custom farming operations which take place on farms which are intimately connected with onfarm operations and for which credit needs exist.

So we redrafted that portion of the bill to make it clear that in the case of agribusinesses, credit would be authorized for farm-related services to farmers, but only services directly related to their onfarm operating needs.

A question came up with respect to furnishing credit to agribusiness operations which would deliver gas and oil to farms which, of course, would be used for farm machinery operations. I believe the understanding of the committee—and I would appreciate the chairman's acknowledgement of this—was that the credit authorization under this bill would not extend to that, because those are products, and not services.

Mr. TALMADGE. The Senator is correct in his interpretation of that provision of the statute.

Mr. MILLER. I thank my colleague.

So with these changes, Mr. President, and a few others which, as I said earlier, do not go to the main thrust of the bill, but to some of the finer points, I think the Committee on Agriculture and Forestry has turned out a workable, reasonable piece of legislation, and I hope that my fellow Senators will see fit to support it.

Mr. AIKEN. Mr. President, under the leadership of our chairman, the Senator from Georgia, and the Senator from Iowa, I believe that the Committee on Agriculture and Forestry has reported to this body a bill which is somewhat past due, but which will be of immeasurable value to American agriculture and American agricultural cooperatives in the future.

As a member of both the Subcommittee on Agricultural Credit and Rural Electrification, before which hearings on S. 1483 were held, and the Commitee on Agriculture and Forestry, whose report we are now considering, and as a cosponsor of this legislation, I would like to reiterate my support for it and commend it to this body.

I am firmly convinced that the enactment of this bill will go a long way toward assuring our farmers, ranchers, cooperatives, and the residents of rural America that they will continue to have available to them adequate credit and related services that will, in fact, help increase their incomes and contribute to their well being while making rural America a better place to live.

As one who has a long interest in cooperatives, I am particularly pleased with the provisions in the bill that will make eligible cooperatives handling fish and fish products and that will maintain eligibility of all cooperatives where 66⅔ percent of the voting media is vested in the hands of farmers or harvesters of aquatic ducts. This provision is especially important to our farm supply cooperatives. Many of them retain as members retired farmers, who frequently retain investments in their cooperatives, and membership of some nonfarmers which helps maintain the volume necessary to efficiently and economically serve their farmer members.

The benefits derived from loans of the banks for cooperatives should flow principally to individual persons who are actively engaged in farming or fishing operations for all or part of their liveli-

hood. Included in this category are those who own or lease land or fishing vessels or who otherwise share in the management and risk of such operations. I have no qualms at all that the control of these cooperatives and of the banks for cooperatives will remain firmly with those whom Congress intends.

However, I view with grave concern the possibility of quasi or psuedo cooperatives obtaining loans from these banks. The 66⅔-percent voting media requirement must be adhered to in the strictest sense. When the members of a cooperative are corporate entities or even other cooperatives, the bank for cooperatives should carefully investigate and look through those organizations to determine whether or not 66⅔ percent of the stockholders of such corporations or members of such cooperatives are in fact engaged in agricultural or aquatic pursuits as their major function. It is altogether possible for a conglomerate corporation or a nonfarming corporation, through one or more subsidiaries, to manipulate its corporate structure in such a way that it would appear eligible as a cooperative, or, as a producer, to be eligible for membership in and possibly obtain control of a farmer cooperative.

The intent of this legislation must be made crystal clear. The banks for cooperatives and the Farm Credit Administration have a responsibility to assure that loans are not granted to quasi or psuedo cooperatives; organizations in which the voting control or influence is not 66⅔ percent in the hands of agricultural producers or harvesters of aquatic products.

In cases where the members of a cooperative are corporate entities, more than one-half their assets or sales volume must be directly related to agricultural production. And when such corporations are subsidiaries, the stockholders of the parent organization should be analyzed to determine the extent of their agricultural interests.

I do not, in any way, mean to be critical of the legislation as it is written. I am not suggesting changes in it. The provisions relating to the banks for cooperatives—as with the provisions and new authorities relating to the other parts of the farm credit system—are necessary and worthwhile.

What I am suggesting is that through misinterpretation, loan funds of the banks for cooperatives could benefit those for whom they were not intended. Conglomerate corporations and nonfarming corporations certainly have a right to financing, but not by the farmer-owned banks for cooperatives. If the Banks for Cooperatives were to provide such financing, it might well have an adverse impact on the banks and the whole cooperative movement.

I would assume that the banks for cooperatives, through careful analysis of applicants, and the Farm Credit Administration, in its supervisory and regulatory capacity, will assure the purposes of this legislation will not be diverted to profitmaking organizations.

Mr. TALMADGE. Mr. President, I express my deep appreciation to the ranking minority member, the distinguished Senator from Iowa, and also to the distinguished Senator from Vermont, for their generosity and their complimentary remarks.

Permit me to say also that the Committee on Agriculture and Forestry probably has as little partisanship as any committee in the Congress of the United States. We work on bills in accordance with what we think is the best judgment of our membership, and we act accordingly. I am grateful for the cooperation of the Members, not only on the majority side of the aisle, but on the minority side as well.

Mr. AIKEN. Mr. President, I should like to add this to what our chairman has said:

> During my almost 31 years as a member of the committee, I have never known of any partisan vote to be taken on that commitee.

Mr. TALMADGE. In the 14½ years I have served, there has never been one. I thank the distinguished Senator.

Mr. BELLMON. Mr. President, I rise to express support for the Farm Credit Act of 1971. I do this as an active farmer, and one who knows the tremendous demands that agriculture has for a stable and constantly growing supply of farm credit.

American agriculture has become the world's most efficient, and the American consumer, because of the success of American agriculture, is the world's best fed. Yet in this country, the food budget for the average American family amounts to only 16 percent of the pay check. This is by far the best record so far as food cost are concerned of any country in the wo.ld.

At the present time, each American farmer feeds about 45 consumers, and this figure is going up each year. American agriculture can continue to do this outstanding job only if it has access to an abundant and stable supply of farm credit. If credit is not available, the farmers will not be able to purchase the equipment, the chemicals, the fertilizer, and all the other supplies that a modern efficient American farm must have.

The Farm Credit Act in many ways gives greater freedom to the operation of the agencies which this act creates and continues, and in this way makes it possible for the private sources to have supplemental credit available which many times the private banks and other lending agencies cannot provide. I believe very strongly that this act is much better than the legislation that is already on the books. I believe it will serve agriculture much better, and I am very proud to be one of the coauthors, and strongly urge that the measure be passed by the Senate.

Mr. TALMADGE. Mr. President, I congratulate the distinguished Senator from Oklahoma on his statement and for his efforts in the committee. The several amendments which he offered made a significant contribution to the bill.

Mr. EAGLETON. Mr. President, as a cosponsor of S. 1483, the Farm Credit Act of 1971, I welcome this opportunity to urge that it be passed by the Senate.

The need for modernizing and updating the farm credit system has long been recognized. Two years ago members of the system began to examine ways in which changes could be made. First they set up the Commission on Agricultural Credit to make an indepth study of the total credit picture, both from the standpoint of the farmer and the standpoint of the national interest.

Over many months some of our Nation's most qualified farm leaders and agricultural experts, as well as many others in the finance and academic communities, expressed their views on many aspects of the future financing of agriculture and the rural community.

From the studies that preceeded the drafting of this bill and from the knowledgeable testimony given by many expert witnesses to the subcommittee hearing this measure, it is abundantly clear that great effort will need to be expended to meet the credit needs of agriculture and rural America.

The figures speak for themselves. The use of credit in agriculture today is slightly more than $60 billion. By the end of this decade the figure will likely double—to around $120 billion.

There is no question that meeting this demand will place a great strain on all existing rural lenders. In that regard, I concur wholeheartedly with those rural lending experts who maintain that it will take the best efforts of all lenders simply to meet the needs.

Therefore, I am greatly encouraged by provisions in this bill which will permit greater cooperation among rural lenders—to permit the lending units of the farm credit system to work even closer with commercial rural banks in extending necessary credit to agriculture and the rural community.

Over the years the farm credit system and rural bankers have been healthy competitors. This is as it should be and as it will continue.

However, there are times when it is more advantageous to a borrower for these two lending organizations to cooperate on a loan rather than compete for it. Let me give an example:

Under rules governing commercial banks, it quite often occurs that a small rural bank is not permitted because of its relatively small capital structure to advance the entire credit needs of farm customer. This is due to the regulation that a bank cannot have loans out to a single customer exceeding a certain percentage of its assets.

To meet the credit needs of this customer, the commercial bank must then find a city correspondent bank to finance the amount exceeding the limit—the "overline." During periods of high loan demand it is often difficult, if not impossible, for a rural bank to find a city correspondent to take the overline. This is due to the fact that often money can command a greater return—either through higher interest rates or a cut of the profits—in the city than for agricultural loans.

The bill before us today would allow farm credit system lending units to participate with commercial banks in loans to farmers by permitting them to carry the bank's overline.

This to me is an extremely beneficial

feature of the bill. It will keep money flowing to agriculture during times of stress when it otherwise would be more difficult to obtain.

Mr. President, many of us here are aware that a number of the commercial banking fraternity have spoken out in opposition to certain features of the bill. A large share of the criticism was directed toward a new debt instrument of the farm credit system—the farm credit investment bond—which some bankers feel competes unfairly for their savings deposits. The committee looked into this matter in some detail and, in its report, treats the subject in what I consider to be an abundantly fair manner.

The report related that provisions were inserted to assure that any obligations issued similar to the farm credit investment bond "will be subject to the same limitations with regard to rate, amount, and maturity as those imposed on its member-banks by the Federal Reserve Board."

This in my opinion clarifies the problem that has arisen—and has done so in a manner which is fair to all parties concerned.

But while there were certain objections from commercial bankers on the investment bond, I did not observe criticism by bankers of the participation feature. In fact, there were several bankers who testified to the necessity of it. Here is what one banker said in House testimony:

I have been involved in country banking for many years and have enjoyed a very favorable relationship with Farm Credit lending institutions. While I cannot claim complete familiarity with all provisions of this proposed legislation, I particularly wish to endorse the participation features whereby the lending institutions of the Farm Credit System can participate with commercial banks on their agricultural loans. The participation features will enable us to continue serving our customers with our override of the credit requirements being handled by Farm Credit.

The banker, Charles N. Plowden, president of the Bank of Summerton, Summerton, S.C., added:

I am aware of the continuing trend of bigger banks swallowing up little banks, and I am concerned that unless we get such participation features as are embodied in this legislation the trend will increase and small country banks will be the loser.

This eloquently describes the predicament that small country banks find themselves in as they attempt to continue to serve some of their good farm customers. And it sets forth how farm credit banks and commercial bankers can cooperate further in supplying the tremendous demand for agricultural credit.

Cooperation between the farm credit system and commercial lenders is not new. Over the years they have been working together through a system in which Federal intermediate credit banks discount notes with "OFI's"—other financing institutions. These OFI's may be commercial banks, livestock loan companies and agricultural credit corporations. The purpose of this program—which has been underway ever since the intermediate credit banks were formed—is to facilitate the bringing of capital into agriculture.

As of the last report, there was a total of $222 million in discounts outstanding to these OFI's by the credit banks, including nearly $2 million in my State of Missouri.

This program is but another demonstration of the benefits which accrue to farmers and the agricultural community through cooperation among rural lenders, and this program would continue under the bill we are now considering.

Mr. President, while I have limited my remarks to but one section of this comprehensive legislation, let me underscore the value of the many features of the bill. The need for greater financing of rural housing is evident. The bill will help meet some of the need. Young farmers need additional capital to get their operation capitalized properly. The bill will allow farm credit system lenders to extend additional financing to them.

These and other features of the bill will, at no cost to the taxpayer, stimulate the agricultural and rural economy and make it a better place to live and work.

I give my wholehearted support to the measure and urge its passage.

One of the great voices for the farmer in Missouri and the Midwest is the Midcontinent Farmers Association. Through the efforts of MFA, our farmers have made many gains, and they have earned the respect and attention of all of us who are interested in farm matters.

Therefore, it is with interest that we read testimony by MFA vice president L. C. "Clell" Carpenter, of Columbia, Mo., in support of the Farm Credit Act of 1971, presented before the House Committee on Agriculture, July 8, 1971.

In his statement, he says:

I have had the opportunity to observe the initiation and development of the Farm Credit System. It can well be labeled as one of America's greatest success stories.

However, he notes the tremendous increase in demand for farm credit projected over the next few years, and citing the advantages of the Farm Credit Act states:

This type of legislation is needed to provide the capital and financing necessary to accomplish these desirable goals.

Mr. President, I ask unanimous consent that this fine statement by one of our most able farm spokesmen be printed in the RECORD.

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

STATEMENT OF L. C. "CLELL" CARPENTER

Mr. Chairman and Members of the Committee: My name is L. C. "Clell" Carpenter. I appear here today speaking for the Midcontinent Farmers Association, with headquarters in Columbia, Missouri, and representing a membership of over 152,000 members in Missouri, Arkansas, Oklahoma, Nebraska, Iowa, Illinois, and other adjacent states. Mr. Bracey and I wish to express our appreciation to this committee for permitting us to appear here today to testify in favor of the modernization of farm credit and the expansion of rural development programs.

Mr. Chairman, we appear before this committee to urge favorable action on H.R. 7138. This bill replaces the existing Farm Credit Act and would modernize and consolidate existing Farm Credit laws to meet current and future rural credit needs. This would be accomplished without changing the existing structure of the System and would retain the Farm Credit Administration as an independent executive agency.

I have had the opportunity to observe the initiation and development of the Farm Credit System. It can well be labeled as one of America's greatest success stories. It exemplifies the honored concept. The Government serves as a catalyst enabling people to do for themselves that which they could not otherwise achieve. The accomplishments of the Farm Credit System have exceeded the fondest expectations of the original designers of this act.

The Farm Credit System today has made it possible for 405,000 farmers to share ownership in local Federal Land Bank Associations through which the purchase of their land and their homes has been financed. This system has enabled 525,000 farmers to provide operating credit for themselves through local ownership in local Production Credit Associations. And, furthermore, it has enabled nearly 3,900 farmer-owned cooperatives representing hundreds of thousands of members to finance their operations through the Bank for Cooperatives in which these farmer cooperatives share ownership and control.

The Farm Credit System has been the motivating factor in moving large sums of money from the financial centers of this nation to the rural areas for their benefit and constructive development. This has been accomplished with virtually no cost to the taxpayer. Every dollar of the Government "seed money" invested in the 12 Federal Land Banks, the 12 Intermediate Credit Banks, and the 13 Banks for Cooperatives in the Farm Credit System has been repaid in full.

Furthermore, farmers have invested $1 billion of their own money in their own credit system. In visiting with one of our members recently he stated. "I borrow money from myself because I am a part owner of the Farm Credit System."

All of these accomplishments are behind us. The immediate concern of farmers are the new challenges in a swiftly changing agriculture. As these changes become greater, the problem of developing sources of credit adequate to meet the ever increasing capital and operating needs of farming becomes more prevalent. The spiraling demand for farm credit is dramatized by figures taken from the USDA Finance Review of December 1970.

Total farm debt—real estate and non-real estate—in 1970 amounted to $55.4 billion, whereas just 10 years earlier the amount was $23.6 billion, and in 1950 was $10.7 billion, with only $9.6 billion in 1940. In the last 30 years farm debt has increased six times, and in just the last 10 years the demand for farm credit has more than doubled. This poses the question of what lies ahead during the next 10 years? Agricultural economists of the Federal Reserve System estimate that the farm debt could increase to as high as $137 billion by 1980. When we consider the advancing technology, the trend toward greater purchase of farm inputs, the need to achieve greater efficiency through substitution of capital for labor, and the possible effects of continuing inflation, it becomes obvious that farm credit needs may easily more than double in the next 10 years.

We hear the question posed most frequently, "Who will be the farmers of tomorrow?" I have never heard a clearly defined answer to this question, but it invariably leads to another question, "Who will

provide the financing for this new farm family?"

Efforts of all lending agencies are now being called upon to attempt to satisfy present farm credit needs. How then can farmers be assured of adequate credit in the years ahead? Obviously all credit sources in the agricultural field—country banks, city banks, corresponding banks, insurance companies, individuals, the Farmers Home Administration, and the Farm Credit System must "gear up" to serve the growing credit needs of our changing agriculture.

Because it is owned by farmers and therefore responsive to the needs of agriculture, the Farm Credit System has a definite responsibility to supply a substantial share of the increased credit needs of agriculture. It has demonstrated that it is an effective and responsible farm credit "tool"; therefore, the Farm Credit System merits the full support of the Congress in updating their laws and policies to adequately meet the farm credit needs of agriculture in the years ahead.

H.R. 7138 requires no additional expenditure of Government funds. We are not asking for more money. We are asking only that this farmer-owned credit system be granted the authority to do a job that needs to be done.

In general, this proposed legislation will update the laws of 1916, 1923, 1933, 1953 and eliminate certain obsolete sections. In general, proposals in this act would simplify procedures, unify funding operations, provide sharing of financial risks, and delegate more responsibility to the local level of administration where it can be carried out more efficiently. Other provisions would enable the Farm Credit System to respond more effectively to changing credit needs.

It might interest the Committee to know that I have had the privilege of working in the farm credit field for some 14 years. I have served in a number of capacities with the Farmers Home Administration and its predecessor agencies. For approximately 5 years of that time I was State Director of the Farmers Home Administration in the State of Missouri. Admittedly, in this capacity our responsibility was to work with the low income farmers. In so doing it was incumbent upon us to work with all other credit agencies including local banks and the Farm Credit System. I relate this only to point out that I do have some first-hand experience in the farm credit field and understand some of the complexities that prevail in meeting the ever increasing demands for farm credit needs.

I recall the time in the late 30's when a $1,500 operating loan was considered a large loan. And in the early period of the Tenant Purchase Act the "Tarver Amendment" limited farm ownership loans in certain counties to a maximum of $5,000 to $10,000 in total. Admittedly, corrective action has been taken to update the policies of this organization. We quote these figures only for the purpose of showing the astronomically increased need for farm credit. Farm economists have estimated that a family farm unit by 1980 will require a minimum of $250,000 to $500,000 of capital depending on the particular farm type.

Of the 110 pages of H.R. 7138 many pertain to technical and mechanical devices for the administration and improvement of the Farm Credit System. I shall not attempt to take the Committee's time to evaluate all the changes and improvements. With your permission I would like to comment briefly on a very few of the most significant changes.

TITLE I—FEDERAL LAND BANKS AND ASSOCIATIONS

This legislation would remove the restriction which now limits Federal Land Bank loans to 65% of a farm's appraised value. (This provision is equally as outdated as the aforementioned Tarver Amendment.) The managerial and farming ability of the borrower coupled with the earning capacity of the farm is far more important than the appraised value. This change will be of great assistance to young farmers struggling to acquire adequate financing for an economic farm unit.

New authority is granted the Land Banks for long-term mortgage loans for housing in rural areas.

Authority to make loans to persons providing custom services to farmers is highly desirable in order that greater use can be made of costly equipment thereby reducing the cost as well as the operating expense to the farmer.

Authority is granted to provide financial service to assist in estate planning, farm transfers, record keeping and farm management.

TITLE II—INTERMEDIATE CREDIT BANKS AND PRODUCTION CREDIT ASSOCIATIONS

Intermediate Credit Banks would be authorized to participate with Production Credit Associations on larger loans for rural housing, loans to finance farm related businesses such as custom sprayers or custom harvesters which would enable farmers to avoid huge investments in machinery and contribute to greater overall efficiency in agriculture.

Production Credit Associations also would be permitted to provide financing for related services such as tax assistance and electronic farm record keeping.

Authority also would be granted to the Production Credit Associations to participate with commercial banks in loans to farmers.

TITLE III—BANKS FOR COOPERATIVES

We commend the provisions of this act which will permit the Banks for Cooperatives to serve a wider segment of the credit needs of farmer cooperatives by allowing greater flexibility in eligibility requirements of borrowers which would permit district banks to make loans to cooperatives in which at least 66⅔% of the voting control is held by farmers.

Further improvement would be made by raising the maximum authorized net worth ratio on debentures issued by the banks.

In view of the demonstrated effectiveness of the farmer cooperatives in enabling farmers to work together to achieve upgraded services and improve family income, any feasible means of expanding the supply of credit for farmer cooperatives deserves support.

In conclusion, Mr. Chairman, we in MFA reaffirm our position that the Farm Credit System must continue to set the example for the extension of sympathetic and understanding credit to the farmers of the nation.

The delegates to our Annual Convention on August 17, 1970 called attention by a resolution to the fact that farmers continue to need larger amounts of credit. Specifically referring to Federal Land Banks, Production Credit, etc., the delegates to that convention resolved: "We urge these agencies to increase their efforts to meet farmers' credit needs."

As a final observation, we again commend this committee for your good judgment in conducting these hearings jointly on modernization of farm credit and rural community development. We submit that adequate financing of the basic industry—agriculture—in rural America is a cornerstone in rural community development. Farmers adequately financed purchase services and equipment, thereby providing support for industry and business. Adequately financed farmers build homes and improve farmsteads and in so doing upgrade the local tax base. Farmers with adequate finances produce food and fiber, sales of which contribute to the economic growth of the nation. Adequately financed farmers are community developers. A healthy agriculture is essential to a healthy nation. We as farmers pledge to do our part for our communities and for our nation, but this type of legislation is needed to provide the capital and financing necessary to accomplish these desirable goals.

Mr. WEICKER. Mr. President, the senior Senator from Oregon (Mr. HATFIELD) is away from the Senate today. I know of his deep interest in the Farm Credit Act of 1971 and of his support for the bill.

I ask unanimous consent that Senator HATFIELD'S statement in support of S. 1483 be printed in the RECORD.

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

Mr. President, I am pleased today to affirm my wholehearted support of S. 1483, the Farm Credit Act of 1971. We should enact this legislation with pride and, at the same time, express our thanks to the farmers of this Nation.

When we look back over the history of the Farm Credit System, we see the tremendous contributions it has made to agriculture in this country. But more than that, we see that farmers themselves have directed this System in ever-increasing proportions until they achieved its ultimate ownership. In 1953, the Congress provided the means by which farmers could markedly increase their participation in the management, control and ownership of the Farm Credit System. They accepted the challenge of the Congress and, in 1968, repaid the last of the Government's investment in the Banks and Associations.

Now we have the opportunity, through the enactment of this legislation, to further provide the means by which the Farm Credit System can even better serve the farmers, ranchers and cooperatives who share its ownership. And we can also pave the way for the System to make even greater contributions to the development of our rural areas.

The farmers of this country have an unequaled record of production and efficiency. To maintain and better that record, they need the tools with which to operate. Among those tools are adequate credit suited to agricultural needs, services related to the financial aspects of farming, access to business services needed on the farm, and strong cooperatives to provide supplies and market products.

S–1483 contains provisions that will help assure farmers these things are available.

We know that total farm debt at the end of the year was something just over $60 billion. Expert projections to 1980 indicate that figure will grow to somewhere between $90 billion and $140 billion, depending on what inflation factors are built into the projection.

Relating that to my home State of Oregon, I discovered that on January 1, 1970 farmers had a total of $557 million in real estate debt outstanding. Of course, more than $332 million of that came from individuals. But if only institutional lenders were considered, the Federal Land Banks held 46.5 percent of that farm real estate debt in Oregon.

On the non-real estate debt side of the ledger, I found Oregon farmers had a total of $373 million in loans outstanding from institutional sources. Our farmer-owned Production Credit Associations held 42.7 percent of the total.

No comparative figures are available for farmer cooperatives, but 38 Oregon co-ops had $89 million in loans outstanding at the end of the year from the Spokane Bank for Cooperatives which serves our State.

It is because the Banks and Associations of the cooperative Farm Credit System play such an important role in the agricultural credit of Oregon that I am particularly concerned about the passage of this bill.

It also is apparent to me—again because of the volume of credit business done by the Farm Credit System in Oregon—that our farmers take pride in their own credit institutions. They built them, they control them, they own them and they patronize them. By doing so, they have something to say about their own economic situations.

Therefore, I am convinced more than ever that our farmers and ranchers need the provisions contained in this legislation to help meet their needs for increased credit and related services so that they can effectively and efficiently continue to do the kind of job for all America in the future as they have done in the past.

By allowing them the opportunities this bill provides, we will be taking a giant step in assuring our farmers and ranchers have the right kind of credit system to do the job.

Mr. MANSFIELD. Mr. President, on behalf of the distinguished Senator from Minnesota (Mr. HUMPHREY), who is necessarily absent, I ask unanimous consent that a statement by him on the bill be printed in the RECORD.

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

STATEMENT BY SENATOR HUMPHREY

Mr. President, I want to express my enthusiastic support for the Farm Credit Act of 1971—S–1488. This is legislation vital to the future of agriculture and to our rural communities. It is crucial to the continued availability of a bountiful supply of reasonably priced food. Thus it is of direct importance to all Americans.

The Farm Credit System is one of the greatest examples of self-help in our history. Beginning with a charter from this Congress and modest seed moneys in 1917, farmers—working together—have built a cooperative credit system unequaled in the world. Throughout their half-century of service they have pioneered in tailoring credit terms to farmers' needs. They have paid back all Federal moneys making it completely farmer owned. And today the Farm Credit System is a $16 billion credit institution servicing nearly a million farmers and 3,000 of their cooperatives at no cost to the taxpayer.

In the years of the Depression, it was the Federal Land Bank man who came to the aid of the farmer when his mortgage was about to be foreclosed. I remember well when President Franklin D. Roosevelt announced to farmers on a national radio broadcast that if the creditor was about to take over a farm they should call the Farm Credit Administration in Washington for help from the Land Banks. And farmers did call . . . by the thousands. In 1934, the Land Banks advanced to farmers 80 percent of all long-term credit provided by institutional lenders. And it was estimated that between 1933 and 1935, nearly 90 percent of all Land Bank Loans were used by farmers to pay existing debts.

In the 1950's and 1960's, the Farm Credit System was instrumental in financing the great agricultural revolution in this country—the massive increase in labor productivity through investment in the application of new technology in food and fiber production.

In recent years of record-high interest rates and inadequate money supplies this System effectively helped hold the lid on credit costs to farmers. The System dipped into its reserves accumulated over the years in order to hold rates down. Without this leveling effect it is difficult to imagine just what farmers would have had to pay for borrowed funds IF they could have found them.

The real importance of this System comes home to me rather pointedly when I study farmers' use of credit in Minnesota. At the beginning of the year the Farm Credit banks and associations were providing farmers nearly $650 million. This represented 24 percent of their long-term mortgage credit through Federal Land Bank Associations and close to 20 percent of their operating credit through Production Credit Associations. The importance of this credit institution to farmers is obvious.

It is equally apparent that by providing this dependable credit source the Farm Credit System has had a major role in enabling the family farm to remain in business. For without credit, there is little question that our farms would have been taken over by giant corporations long ago.

Today nearly half of all Land Bank and PCA loans are to farmers with gross incomes of less than $10,000. More than 25 percent are to farmers with gross incomes less than $5,000. When you realize that net income is only about one-third of gross you can see that the Farm Credit System is providing an essential service for a great many small and part-time farmers.

The Farm Credit Act of 1971 will enable the Farm Credit System to adjust and broaden its services for even more helpful assistance to farmers and rural people. With this legislation, the Farm Credit System will be able:

to assist young farmers in ways never before possible,

to finance small businessmen who are providing farmers with on-the-farm services such as harvesting, spraying, and pruning,

to pioneer in new areas of farm business services including farm record keeping, tax counseling, and guidance on estate planning, and

to make credit available to a wider segment of farmer cooperatives.

But I am especially enthusiastic about this bill for what it will provide in the way of financial assistance to rural residents and thus to rural development. The Associated Press last week called S–1483 "landmark legislation." And in this area it surely is because for the first time the Federal Land Banks and Production Credit Associations would be authorized to make loans to rural people for non-farm homes. There is no question that a credit gap has existed in this area for a long time and the need for financial help has never been greater than now.

The urgency for doing something is all too evident when you examine the records of borrowers from the Farmers Home Administration. Each year a number of FHA borrowers with loans on their rural homes improve their financial position to the point where they can qualify for refinancing with a commercial lender. Yet in 1970, less than half of these FHA "graduates" in Minnesota were able to find a commercial lender who would give them a loan. In all midwest states only one third of them could find institutional lenders who would make them a loan on their rural home.

S–1483 will make the Farm Credit System, with all its resources and expertise, a solid partner in the financial battle against rural decay. It will authorize this System to use its financing skills to help build a better rural America and to do so in close concert with agencies of the U.S. Department of Agriculture as I have proposed in the Consolidated Farm and Rural Development Act, S. 2223, which now has 46 cosponsors.

The impact of these two legislative proposals would be giant steps towards remedying the serious economic problems in the countryside that so plaintively call for action.

Thus I urge that the Senate pass the Farm Credit Act of 1971—S–1483. I do so for I am convinced it is the next logical step for moving the cooperative Farm Credit System into a new era of still greater service for farm and rural people.

Mr. McGOVERN. Mr. President, as chairman of the Subcommittee on Agricultural Credit and Rural Electrification which held hearings on the Farm Credit Act of 1971, I stated that it was one of the most important pieces of legislation before the Congress this year. I wish to reiterate this stand before the entire Senate and recommend its enactment.

I represent the people of one of the most agricultural States in the Union. The farms and ranches of my State are the foundation of its economy and thus their economic health and progress is the key to the economic well-being of the entire State. In turn, one of the most important keys to the success of these operations is the availability of sound and adequate credit services. In South Dakota, our farmers had approximately $1 billion in credit at the beginning of 1970; and predictions are that we will need $2 billion by the end of this decade. And this tremendous credit demand will be repeated in every State in the Union. Farming is increasingly a capital business and we in the Congress must do everything we can to see that the credit is available. This bill will go a long way toward guaranteeing the farmer that he will be able to get the credit he needs when he needs it.

As I listened to witnesses during the hearings on this bill, I was impressed by several things.

First, the tremendous depth of pride the farmers have in their Farm Credit System. For many years they had the help of Federal "seed money" but they paid it all back with interest. Today, they own their own System. The farmers are the stockholders and through democratic processes direct their own credit affairs in a manner which has attracted worldwide admiration and acclaim.

Second, this bill is not the product of academicians, or bureaucrats, or any other group divorced from the day-to-day problems of the farmer. This bill was written in response to grassroots problems and was approved through grassroots processes with opportunity given local expression of views at every point. I was impressed by the caliber of the Commission which spent months reviewing all the problems of farm credit. They sought the views of all who had suggestions and ideas on the subject and their report reflects a deep understanding of present and future farm needs.

Third, the farmers of America are recognizing that their future is tightly entwined with the future of rural development. The rural community and the farmer form a single economic unit and their survival will require joint efforts in many areas. Therefore, the members of the farm credit system are to be complimented for coming before my subcommittee and the Congress with a proposal to make loans for such areas as nonfarm rural housing. This is a progressive, and

in some ways, a radical change in the great traditions of the farm credit system. Twenty years from now, experts on rural development may record that the addition of nonfarm rural home lending was a major step toward modelizing across-the-board rural development in which the farmers and other rural residents join hands in a joint venture. This is the kind of cooperation which is absolutely essential for the survival of rural America. And I believe we can congratulate the farmers for taking this modest but nevertheless significant step toward solving the comprehensive rural development crisis.

Fourth, this bill recognizes the fact that some of our Nation's most critical problems need not be met with an outpouring of Federal funds. Our farmers do not seek and do not want handouts. They believe deeply in the principal of self-help and their farm credit system is a splendid example of self-help at its best. The system requires none of the taxpayer's hard-earned money, and will tie up no Federal funds through loan guarantees or Federal subsidies. In this system, the farmer pays the full cost of the money he borrows, and the bill before us today will not change this fact one bit.

Over the years the units of the farm credit system have not only grown to become major institutional providers of credit to farmers and their cooperatives but have proven themselves to be leaders and innovators in the farm credit field. This bill will allow the system to improve on an already excellent record by providing the necessary legal authority to remodel the system in keeping with the credit demands of modern-day rural America. Specifically, it will allow young farmers greater access to sound credit. It will also allow more flexibility in tailoring credit to the individual farmer and his operation. It authorizes loans for sorely needed housing in rural areas and to selected business enterprises that provide the farmer with on-the-farm services that have become a requirement of modern farming. Further it would authorize financially related services in areas where a need exists.

The provisions of the bill also keep faith with the original design of the system in that it allows more decisionmaking authority at the local level. I have also assured myself that sufficient control is provided in the bill that not only protects the interests of the farmers but also those of the investors in bonds of the farm credit system and the public at large.

It should be noted that the farm credit system is now operating at virtually no cost to the Government and the bill before us will not require an expenditure of Federal funds.

I am sure that I speak for the vast majority of the farmers and ranchers of South Dakota in urging your approval of this legislation.

Mr. THURMOND. Mr. President, we will soon have an opportunity to act on one of the most important pieces of farm legislation to be considered by the Senate this year. The Farm Credit Act of 1971, S. 1483, will help provide increased credit for farmers throughout our Nation, including South Carolina.

With the overall purpose of updating and modernizing the half-century-old farm credit system, this is a good bill which will be welcomed by our farmers and all friends of agriculture.

In South Carolina we are particularly proud of the success this system has had in serving farmers in every county. At the end of last year there were around 14,000 South Carolina farmers plus a number of farmer-owned cooperatives with system loans outstanding totaling over $200 million. Our production credit associations and our land bank associations are among South Carolina's most progressive local organizations. They are comprised of family farmers who are deeply committed to the task of providing food and fiber for our Nation.

Mr. President, I will not cite all the provisions in this bill. It contains 116 pages and the Senate Agriculture Committee has provided us with a fine report which adequately covers all the provisions and proposed changes in farm credit law.

One of the most significant provisions of this bill will offer assistance to young farmers and young men wanting to purchase farmland and farm equipment. We have seen too many young families leave our rural counties for lack of credit and encouragement. This bill should go a long way toward helping reverse the loss of young people from the rural community.

I also note with great interest the provisions in this bill for construction, maintenance and repair of nonfarm rural homes. It is with some regret that we note that two-thirds of the substandard housing in America is in the rural areas rather than in the cities. Of course, the cities have a big share of substandard housing and it is likely urban housing conditions are going to get worse in years to come. But, all the cries for more housing in the cities have ignored the fact that we also need housing in our rural areas. Now we have this farm credit bill which, for the first time, authorizes a small but significant rural housing program in open country areas. This is provided at absolutely no expense to the American taxpayer.

Mr. President, I think it is high time we in the Congress respond to the rural housing needs of this Nation and believe that the farm credit system is an excellent vehicle for doing so. Homes funded under this system must be located in open country and, therefore, will not compete for funds with other commercial moneylenders or with other Federal programs. And the fact that this bill involves no subsidies and no loan guarantees of any kind is reassuring to all the Americans who are today struggling under all too heavy a tax load.

I would like to close by noting that this bill has the full support of farmers, farmer-owned cooperatives, and farm organizations in South Carolina. In addition, I am pleased to note that because of the close cooperation between the system and commercial bankers, there are many rural bankers who are in full support of this bill. For example, Mr. Charles N. Plowden, president, Bank of Summerton, Summerton, S.C., testified before the House Agriculture Committee this month in support of S. 1483. Testifying in May before the Senate Subcommittee on Agricultural Credit and Rural Electrification, Keith R. Kehmeier, president, Citizens Bank, St. Francis, Kans., also spoke strongly in favor of the bill.

Mr. Plowden cited in his statement that S. 1483 will permit the farm credit system to act as a substitute corresponding bank for rural banks which are trying to serve farmers. As Mr. Plowden pointed out, the bill will permit participation by the farm credit system and the small commercial banks in loans to farmers, loans which for many reasons the banks could not have handled on their own.

Mr. President, all too often during years when money is tight, small banks are unable to offer the farmers all the credit they need because big city banks are unwilling or unable to participate in agricultural loans. Therefore, I think it is important that the farm credit system move to help the banks in this way, by channeling money to them directly from the New York money markets. This is a feature which will help not only the banks, but also the farmers of our country, without changing in any way the basic purpose of the farm credit system.

Mr. President, I ask unanimous consent that the full statement of Mr. Plowden be included in the RECORD at the close of my remarks for the benefit of all who are interested in this important legislation.

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

STATEMENT OF CHARLES N. PLOWDEN

Mr. Chairman and members of the committee, I am Charles N. Plowden, president of Bank of Summerton, Summerton, South Carolina, and I feel privileged to have this opportunity of appearing before this committee in support of H.R. 7138 and the various companion bills.

I have been involved in country banking for many years and have enjoyed a very favorable relationship with Farm Credit lending institutions. While I cannot claim complete familiarity with all provisions of this proposed legislation, I particularly wish to endorse the participation features whereby the lending institutions of the Farm Credit System can participate with commercial banks on their agricultural loans. Many farmers now require credit needs in excess of the lending limits of small country banks. The participation features will enable us to continue serving our customers with our over-ride of the credit requirements being handled by Farm Credit.

I am aware of the continuing trend of bigger banks swallowing up little banks, and I am concerned that unless we get such participation features as are embodied in this legislation the trend will increase and small country banks will be the loser.

I am also aware that my speaking in support of this legislation may appear at variance with some of the positions taken by the banking fraternity. I do not share all the

concerns expressed by some of my colleagues, although I do feel the Farm Credit System should be on a tax paying basis. Otherwise, I support this legislation, and I believe in the integrity and good will of the people in the system whom it has been my privilege to work with over the years. I am impressed with the service these men offer through the system, and I have confidence also of their ability and determination to continue serving the expanded credit needs of agriculture in our part of the country.

I would like to comment on the 65% loan value limitation of the land banks. This is unrealistic, and hampers a lending institution in making sound credit decisions. Removal of this limitation would be beneficial, in my opinion, to the small operators and the young farmers trying to get a start, as it would enable them to more fully utilize their equity in farm land.

I understand there is provision in the Bill for financing credit and farm related services. We recognize numerous innovational changes in the agricultural industry such as crop spraying by airplane, orchard pruning, land clearing, soil and reforestation principles that can be carried out on a basis extending beyond the individual operator's boundaries. There is need for the financing of services beneficial to farmers that the farmer can more economically contract for, as opposed to providing them for himself. The type financing I am thinking of was not needed upon creation of the Farm Credit System, and the need exists now only because of technological changes in the industry. Credit requirements of farmers have changed just as much as capital needs of other industry.

Could I say also that I think it would be impractical to adopt specifically detailed legislation to provide such financing now. Technology in agriculture is continuing, and if we try to detail an existing farm related service now, it may be a few short years before other needs arise now unthought of. I have confidence in the system and believe this area of financing can be satisfactorily controlled through appropriate regulations promulgated by the Farm Credit System.

In summary, I would like to say again that as a country banker I would like to see this legislation enacted, as I believe there is more credit needed by today's farmer than can be adequately met by current restrictions on Farm Credit lending institutions. The laws should be updated in order to keep pace with the changing methods of farming, technological improvements, and other credit needs of the farm families.

Mr. BURDICK. Mr. President, the Farm Credit Act of 1971 approved by the Senate today may well be the most important piece of legislation for the commerical family farmer of this country that the Senate approves in this Session of Congress.

Too often as we discuss urban renewal and defense contracts and the balance of payments, we forget that most of the commercial activity and the economic health of this Nation is rooted, not in smoking factories, but in the basic raw materials of life itself, food and fiber. If we are to continue to increase or even to maintain an American standard of living in the speeding years of the remainder of this century, we must take steps to make sure that the producers of those basic raw materials have the tools essential for agricultural production.

In modern agriculture, the most important tool of the farmer is credit. We all know that credit is not a substitute for income. But the hard fact of the matter is that few farmers and ranchers generate enough income from operations to provide themselves with all the capital they need.

When we look at this whole area of credit, its availability and its use, we have to be realistic. While it is not a substitute for income, it is a substitute for a number of other things which, without credit, would not be available. As long as credit is treated as just another farm input, and as long as its use can be justified in the farmer's operating statement, then it will continue to be used profitably.

A look at the record is revealing. Ten years ago, farmers debts were around $25 billion. Today, farm debt stands at a little more than $60 billion. And all of the projections by all of the experts indicate that this soaring trend will continue and by 1980 outstanding farm debt will be somewhere between $90 billion and $140 billion. Whether you choose the high figure or the low figure depends upon how you project increases in land values, inflationary factors and some other variables. But the trend is clear.

There is another important fact. During this same period that saw farm debt more than double, the value of farm assets also rose although not as much. The result was that the debt-to-asset ratio of farmers increased from approximately 12 percent in 1960 to about 19 percent in 1970. But since agriculture is expected to require even more capital in the 1970's, the debt-to-asset ratio of the farm sector may be close to 30 percent by 1980.

Farmers face a credit problem. There is no doubt of it. Last year, many farm lenders curtailed their activities in spite of some of the highest interest rates since the Civil War. Competition for loan funds has been and will continue strong as money will be needed for urban and suburban housing, schools, industry, business, municipal and State activities, and a variety of Federal programs.

Taking all of these factors into consideration, it is obvious that if farmers are going to succeed, if the commercial family farm is to remain the mainstay of American agriculture, then farmers will need—in addition to strong bargaining associations, cooperatives, and realistic government programs—a reliable source of adequate credit and credit related services suited to their needs.

The Farm Credit Act of 1971 which the Senate has approved today will go a long way toward filling many of these increasing credit needs of both farmers and rural Americans.

The bill is the result of a 10-month study, made by the Commission on Agriculture Credit. This Commission was a 27-man body appointed by the Federal Farm Credit Board, top policymaking body for the farmer-owned farm credit system comprised of 12 Federal land banks which make long-term real estate loans to farmers; the 12 Federal intermediate credit banks which discount short and intermediate term notes of farmers given to private lending institutions; the 13 banks for cooperatives established to help fill the specialized credit needs of farmer cooperatives; and the local credit institutions known as production credit associations.

The final report and recommendations made by this commission were discussed at length by farmers, co-op leaders, and leaders of the Farm Credit System. The result was the Farm Credit Act of 1971, the product of the best thinking in farm credit from the grassroots, through bank officers, to elected directors.

The Farm Credit Act of 1961, if enacted by Congress and signed by the President, will enable the Federal land banks to:

Make loans to farmers beyond the present limit which holds them to 65 percent of the normal value of the property. This will make it possible for the good young farmer to start in business and to help the capable, experienced farmer expand his operation;

Make loans for low- and moderate-priced homes in rural areas. The availability of home loan funds will be a great boon to rural communities, because if a credit gap exists in rural America, this is where it is; and

Provide financial related services for on-farm operations.

The legislation would also do away with considerable red tape and modernize some of the land bank laws written in 1916.

The legislation will permit production credit associations to:

Finance low- and moderate-cost nonfarm rural housing by short and intermediate term loans;

Make loans for the repair and maintenance of rural homes and for the purchase of mobile homes;

Make loans to custom operators and those involved in providing other farm related services;

Perform farm-related financial services; and

Participate more effectively with commercial banks in loans to farmers.

The legislation would also permit the banks for cooperatives to make loans to more cooperatives than is now permissible.

There are a number of other important aspects of this legislation, particularly in the areas of obtaining loan funds and in simplified procedures. But all parts of the package were drafted with the purpose of better serving farmers, rural residents and cooperatives.

We are all aware of the splendid service provided to agriculture by the private banking system. Credit provided by the privately owned banks on the main streets of the towns and cities in rural America is as essential to agricultural progress as modern machinery, hybrid seeds, and improved breeds of livestock. In strengthening the farmer-owned Farm Credit System, we will also strengthen and improve the private banks, enabling them to serve their customers better.

While the enactment of the Farm Credit Act of 1971 is not an answer to all the problems faced by farmers, it will

be of great benefit to farmers, cooperatives, and rural Americans generally. It will provide an expanded means of financing that will help create a better economic climate in the country.

This legislation can be the keystone for the kind of comprehensive rural development that our country needs.

I am proud to be one of the sponsors of S. 1483, the FCA of 1971

Mr. COOPER. Mr. President, I appreciate very much being a cosponsor of S. 1483, a bill to further provide for the farmer-owned cooperative system of making credit available to farmers and ranchers and their cooperatives, for rural residences, and to associations and other entities upon which farming operations are dependent, to provide for an adequate and flexible flow of money into rural areas, and to modernize and consolidate existing farm credit law to meet current and future rural credit needs, and for other purposes, which was reported to the Senate for the Committee on Agriculture and Forestry by the distinguished senior Senator from Georgia (Mr. TALMADGE), the chairman of the committee.

The Congress and the farmers of our country are appreciative of the fine work of the chairman and the entire committee for providing in this bill credit measures which will enable farmers to better cope with the problems which modern agriculture faces. Among them are the increased capital costs of land, equipment, and labor. The majority of the people of our country, I fear, do not realize that farmers have been beset by increased costs, and often lower prices. In the face of this dilemma they have continued to supply the people of the United States with an abundant and superior supply of food and fiber, and have enabled our country to help feed millions of hungry people throughout the world.

The percentage cost of the income of our people for food has nevertheless remained stable, and further, the share of the farmer in the food consumed remains too low a percentage of the cost paid by the consumers. In addition our farmers contribute to a large portion of our exports without which our balance-of-payments problem would be worsened.

I regret that the committee did not see fit to extend the term of loans made by Production Credit Association from 7 years to 10 years.

Mr. D. C. Sherman, general manager of the Cumberland Production Association, located at Somerset, Ky., my home, and Mr. Barkley Colson, his assistant, testified very effectively for the extension, as did Mr. Wilson, general manager of the Mammoth Cave Production Association of Glasgow, Ky., and Mr. D. C. Evans, of Tompkinsville, Ky. They described in detail the need of the thousands of farmers, they serve for extended credit, and I was glad to testify in their support.

In 1960, when I was a member of the Senate Committee on Agriculture, the loan term of production credit associations was extended from 5 to 7 years.

I will urge next year that the act be amended to extend the term from 7 to 10 years, because I believe it is essential for the needs of our farmers.

Mr. BYRD of West Virginia. Mr. President, on May 17, 18, and 20, the Senate Committee on Agriculture and Forestry's Subcommittee on Agricultural Credit and Rural Electrification held public hearings on S. 1483, the Farm Credit Act, of which I am a cosponsor.

Over 50 witnesses appeared, including farmers, ranchers, agribusinessmen, local farm credit systems leaders, officials of the Farm Credit Administration, representatives of farm organizations, spokesmen for commercial banks, mortgage lenders, and insurance companies. None expressed opposition to the general intent and purpose of the bill. As can be expected with major legislation of this kind, some witnesses proposed amendments and improvements. However, the great body of testimony was in support of the bill, and it becomes clear, on reviewing portions of the testimony, that the United States must act now to modernize and streamline the 54-year-old farm credit system.

In West Virginia we have witnessed a dramatic decrease in the number of family farms; there were 87,000 in 1950, 47,000 in 1960, and 29,000 in 1970. At the current rate we may see the disappearance of another 10,000 farms by 1980, leaving around 19,000. And along with the disappearance of family farms, we have witnessed total farmland in West Virginia decline by 100,000 acres per year, with a possible drop from 5.2 million acres last year to 4.2 million acres by 1980.

Perhaps more than anything else these figures underscore the vast changes which have been sweeping agriculture in my State, and in this respect I believe we are not too unlike many other States throughout the Nation. The United States is relying on fewer farmers operating fewer farms to produce greater and greater quantities of food and fiber.

At the same time, the economic key to successful farming—in contrast to farming 50 years ago—has shifted from labor to capital, so that the modern farmer must have the money to invest heavily in equipment, supplies, and services. For most farmers, this money, or capital, must come in the form of credit, and today there is no industry more dependent on an adequate supply of ready credit than farming.

The farmers' needs for credit have been climbing steadily, and predictions are that by 1980, in West Virginia and throughout the Nation, farmers will need twice as many farm loan dollars as they are now using. Between 1954 and 1970, West Virginian farmers increased their use of long term mortgage credit from $34 million to $81 million. During the same period, nonmortgage farm credit in our State increased from $11.6 million to $35.3 million.

As one of the Nation's leading apple-producing States, and as a State with a diversified agricultural base, including the production of livestock, crops, dairy, eggs, and broilers, we have a deep concern for the future of farm credit in America.

Therefore, I am hopeful that the Senate will act favorably on the pending business, the Farm Credit Act which was introduced by Senator Talmadge, the distinguished chairman of the Senate Committee on Agriculture and Forestry.

At the end of 1954, the Farm Credit System's land bank associations in West Virginia were providing 14 percent of all long-term mortgage credit, and at the beginning of 1970, the land bank share was 14.9 percent. The System's production credit associations have increased their share of short and intermediate credit in our State from 16 percent in 1954 to 22.2 percent at the beginning of 1970. It is clear, therefore, that West Virginia has an important stake in the future of the Farm Credit System. We are fortunate to have many sources of credit including commercial banks, insurance companies, mortgage banks, and private lenders. However, as rural credit needs soar, it is obvious that there will be plenty of business for all who lend to the farmer and, for the sake of our rural citizens, we are pleased the Farm Credit System is working through S. 1483 to improve itself.

Mr. President, I had the privilege of reviewing the subcommittee's testimony on the Farm Credit Act and was particularly interested in a statement presented by Paul Nay, a dairy farmer from Jane Lew, W. Va. He is currently chairman of the Farm Credit Board of Baltimore, which loaned $347.6 million last year to farmers in Pennsylvania, Delaware, Maryland, Virginia, West Virginia, and Puerto Rico.

In his statement, Mr. Nay underlines three areas in which this bill, S. 1483, will aid rural development. He said:

The measure—

(1) Would enable the Federal Land Banks to make non-farm rural housing loans.

(2) Would enable Production Credit Associations to make loans to farm-related businesses providing on-the-farm services to farmers.

(3) Would permit a greater range of financing for cooperatives.

He adds:

The main point here, I believe, is that more money would be available in rural America. The presence of this money would stimulate the rural economy, provide jobs, and make rural America an even better place to live.

Mr. President, I believe we all welcome this effort to stimulate rural development and I ask unanimous consent that Paul Nay's fine statement be inserted at this point in the RECORD.

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

TESTIMONY OF PAUL NAY

Mr. Chairman and members of the subcommittee, my name is Paul Nay. I am chairman of the Farm Credit Board of Baltimore. The Farm Credit Banks of Baltimore serve Delaware, the District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia and Puerto Rico. I served on the Commission on Agricultural Credit. But I appear here today also as a dairy farmer from Jane Lew, West Virginia, to urge the enactment of S-1483.

The State of West Virginia is a rural State by any measurement one cares to make. Over 60 percent of its total population lives in places of 2,500 and under. It is one of only four States which experienced decreases in population between 1960 and 1970 according to the census. And it had the dubious distinction of leading the losers with a decline of 6.2 percent.

Like many other rural residents, I am concerned with this population shift. From what I read and witness, this is also the concern of urban residents because people who leave rural America migrate to urban areas which already have more people than they need. I speak of West Virginia because I am more familiar with it, but the trend of country-to-city migration is nationwide.

On September 29, 1969, the President of the United States appointed a Task Force on Rural Development. The job of this Task Force was to recommend "what might be done in the public and private sectors to stimulate rural development." It is commonly accepted that if the rural economy could be stimulated and rural areas developed that this imbalance in population might be corrected and the tide of population flowing to our major metropolitan areas stemmed.

Mrs. Haven Smith, Chairman of the President's Task Force, expanded on this theme in an address before the National Conference of Farm Credit Directors on October 5, 1970. Based on the study the Task Force had undertaken, Mrs. Smith said, "Rural development is urgently needed to create job opportunities, community services, a better quality of living and an improved environment in our small cities, towns and farm communities." She cited a serious shortage of productive adults in the 20 through 64 age group resulting from the out migration from rural communities in search of better jobs.

The Task Force submitted its report, called "A New Life for the Country," over a year ago. The report concluded that "developing rural America will take large amounts of money, now and later. This money will come from individuals, either investing in rural America freely through private enterprise, or through the Government in the form of taxes. There is no other way." And indeed, gentlemen, there is no other way. It will take money.

The Commission on Agricultural Credit considered the monetary problems facing rural America at some length. While the Commission came up with no specific recommendations on how the entire problem should be handled, it did express the hope that the Farm Credit System might assist, for example, in financing non-farm rural homes, rural community needs, and rural cooperative utility systems. And it listed among its goals that the System "make credit available for selected farm related businesses which provide services directly to farmers necessary for efficient production, processing and marketing of farm products." To further aid in the development of rural areas, the eligibility standards for cooperatives so that a greater number of these farmer-owned businesses could be served by the Banks for Cooperatives.

There are those who contend these recommendations do not go far enough, that the Farm Credit System should play an even greater role in the development of rural America. The President's Task Force was of this view, recommending a "fourth arm" of the System be established to fill these non-farm rural credit needs.

Gentlemen, I live in rural America. I would like to see water systems, sewage systems and treatment plants, abundant and inexpensive power, recreational facilities and any number of other things come to the country. But I seriously question whether all these things can be financed by a private banking system, which the cooperative Farm Credit System now is. Some of these things, in my view, fall into the sphere of Government. Others require highly specialized and technical knowledge not available within the Farm Credit System.

The Farm Credit System, however, need make no apology for its role in rural development. It loans only in rural America and pumps more than one billion dollars of new money into the rural economy every year.

But the System recognizes it has an even greater responsibility to the communities in which it does business and in which its owners live.

There are three provisions in this legislation which would make inroads into the field of rural area development.

The first would enable the Federal Land Banks to make non-farm rural housing loans. This is an area in which the Land Banks do have some experience. Many regular Land Bank loans involve rural homes as a part of the real estate. The conversion to non-farm homes would not be a difficult one for the Banks to make. I do not have figures at my fingertips. I have read of the great need for credit to finance rural housing. And I do know the need exists. One just has to drive through the countryside and it becomes all too obvious.

The second would enable Production Credit Associations to make loans to farm-related businesses providing on-the-farm services to farmers. It would also permit financing of those facilities used in initial stages of processing or of storage. Again, some expertise exists in this area. PCAs are now making loans on the kind of equipment and facilities involved. The difference would be that more farmers would have access to them without having to lay out great amounts of capital whether from savings or credit. The availability of credit to finance these businesses would not only benefit farmers, but would create jobs and encourage business in rural America.

The third change would permit a greater range of financing for cooperatives. More of these farmer-owned businesses would become eligible for credit, including perhaps more rural electric cooperatives than are now served.

The main point here, I believe, is that more money would be available in rural America. The presence of this money would stimulate the rural economy, provide jobs, and make rural America an even better place to live.

It will, of course, take much more to do this job that needs doing so badly. This, I hope, is coming. The Agricultural Act of last year requires all agencies to report by June 30 on how they can help in rural area development. I understand that hearings will be held in the Senate on some other aspects of the problem.

But the things that can be done by the Banks and Associations of the Farm Credit System can begin with the enactment of this legislation. They will help immediately to fill the gaps which now exist and create a climate in which other programs can operate more effectively.

The development of rural America is not a rural problem. It is a national problem. I ask that this subcommittee take whatever action it can to permit the cooperative Farm Credit System to play a role in helping to solve it.

Thank you.

Mr. TALMADGE. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc.

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

The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

Mr. TALMADGE. Mr. President, I know of no Senator who wishes to speak further. I request third reading.

The bill (S. 1483) was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. TALMADGE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. MILLER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, with the final passage of S. 1316 and S. 1483, I wish to thank the distinguished and able Senator from Georgia (Mr. TALMADGE). The ranking minority member of the Agriculture Appropriations Committee, Senator HRUSKA contributed a great deal to the discussion on the floor, and helped relieve some of the workload of the chairman, the senior Senator from Georgia (Mr. TALMADGE). With the increased concern about public health standards, the Senate owes these two gentlemen a note of thanks for their untiring service.

Participating in the floor discussion, Senator MONDALE, Senator MONTOYA, and Senator CURTIS all helped explain the many intricacies of this legislation. With every Senator maintaining a hectic schedule the type of service that the Senators just mentioned provided is certainly most appreciated.

The senior Senator from Maryland (Mr. MATHIAS) with his thoughtful suggestions should be thanked also. The Senate must always have a diversity of opinions freely expressed and Senator MATHIAS was most articulate in expressing his own views. The junior Senator from Florida (Mr. CHILES) clearly expressed his views and his contributions are much appreciated.

A note of thanks is proper at this point to each of the Senators who participated in the floor discussion today.

Mr. TALMADGE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. HARTKE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

EMERGENCY LOAN GUARANTEE ACT

The PRESIDING OFFICER. Under the previous order, the Chair lays before the Senate the unfinished business, which will be stated.

The legislative clerk read as follows:

A bill (S. 2308) to authorize emergency loan guarantees to major business enterprises.

The Senate proceeded to consider the bill.

The PRESIDING OFFICER. The pending order of business is amendment No. 326, offered by the Senator from South Dakota (Mr. McGOVERN).

Mr. HARTKE. Mr. President, as I indicated in my statement of July 27 on the bill before us, we have pertinent and relevant experience with guaranteed loans in another part of the transportation industry—the railroads. The lesson derived from this experience demonstrates that providing guaranteed

loans to companies in trouble helps the public very little if at all. A guaranteed loan may prolong a company's ultimate fate, but it does not transform an inefficient company into an efficient company, nor does it bring an outdated company's policy and operations into conformity with the needs and realities of today.

Fourteen railroads received a total of $244 million in federally guaranteed loans during the 5-year life of part V of the Interstate Commerce Act. Those 14 roads were at the time, according to the Interstate Commerce Commission's description of the program, "distressed"; today they are in the same or worse shape. Five of them are in reorganization in the bankruptcy court. Four others are classified by the ICC today as being marginal cases—which I understand to mean "between very poor shape and bankruptcy." At least two of them are on the edge of bankruptcy. Others are either not class I railroads or not doing well. One has disappeared, having been merged into another railroad. I think it is fair to say that the guaranteed loans of part V did not contribute to the revitalization of the American railroad system nor to the improvement of the health of the roads that obtained such guarantees.

Let us look to the history of part V, remembering the wise aphorism. "Those who do not remember the past are doomed to repeat it."

In the last few months of 1957, many railroads, particularly those in the Eastern region, experienced a sudden and severe falling off of their revenues and net income. This experience created considerable alarm in the railroad industry. Their alarm was duly and promptly reported to various departments of the Federal Government. Earnings continued to decline through 1958. In response, bills were introduced in Congress and, encountering little opposition, were enacted as part V of the Interstate Commerce Act on August 12, 1958.

Part V empowered the Commission to guarantee in whole or in part any public or private financing institution against loss of principal or interest on any loan or other commitment made for the purpose of additions, betterments, and other capital expenditures, or expenditures for the maintenance of property. The principal amount of loans guaranteed was limited to $500 million. In order to make a guarantee, the Commission was required to find:

First, the carrier could not otherwise obtain the necessary funds on reasonable terms;

Second, the interest rate was not unreasonably high;

Third, the term of the loan was not longer than 15 years; and

Fourth, "the prospective earning power of the applicant carrier, together with the character and value of the security pledged, if any, furnish reasonable assurance of the applicant's ability to repay the loan within the time fixed therefore and reasonable protection to the United States."

Dividends were prohibited during the period which guaranteed loans used for financing maintenance were outstanding. In short, there is a good deal of similarity between the 1958 act and the Lockheed bill, except the former limited the use of the assistance obtained to facilities and equipment.

Fourteen railroads made 36 applications for loan guarantees totaling almost $244 million. $75.7 million of that went to the New Haven and the New York Central. The New Haven was bankrupt; later, it and the New York Central became part of the Penn Central system which, of course, is now the bankrupt Penn Central system. As of June 30, 1971, $32.1 of that amount was outstanding. The Missouri-Kansas-Texas—a marginal road according to the current analysis of the ICC—still owes $30 million of the $34 million it borrowed between 1961 and 1963. The Reading, also a marginal road, and perhaps more marginal than the rest, still owes $28 million of its $30 million loan. The Reading was standing in line just behind the bankrupt railroads last fall for a piece of the administration's railroad bail-out bill. But the requirement in the Emergency Rail Services Act that a company be in bankruptcy was apparently stringent enough to keep the Reading waiting outside the Treasury doors.

I reviewed the results of part V with the chairman of the Interstate Commerce Commission in hearings before the Surface Transportation Subcommittee of the Committee on Commerce on Wednesday, July 21. Summarizing the experience under the act, I remarked:

> It really did not do them much good except to tide us over a temporary situation again.

Chairman Stafford replied:

> Well, you are absolutely right, sir, but the facts of life are that we always seem to end up in crises, trying to maintain service at the last minute again.
>
> It really did not do them much good. You are absolutely right.

That is a most damning indictment of the proposed legislation to help Lockheed. This kind of measure does not help a company meet its basic problems. It does not help the public, because we still end up with a floundering enterprise. The only ones it helps outside of current management are the banks—the banks who made loans of their own free will. They were not forced in. They had the scent of a good profit at first. But when the odor changes a little, they want the public to clean up the mess.

Last year, the administration tried to rush the passage of legislation to bail out the Penn Central. The approach was about the same, a broad bill designed to pump money into the corporate coffers with only minor limitations. But, of course, the money just runs right out again into the hands of the creditors—the banks who threaten to put the company in bankruptcy or in liquidation unless they are paid off.

I have no objection to creditors protecting their rights. But we should not be stampeded into making good their gamble. We must look to the public's rights, also.

Last spring, the administration sought authorization for $750 million, principally to bail out the Penn Central management and the bankers. They testified in June that it would take $200 to $450 million of the total amount to put Penn Central on its feet. That was wrong. With their approach, the Penn Central would have devoured over $450 million to the present time—probably more. And it is not out of the woods yet. If the administration had had its way, the Penn Central would probably have consumed the entire $750 million. The end result would likely have been a weak, inefficient, poor-performing railroad.

What happened is common knowledge. The Penn Central went into reorganization; the administration's bill did not go through.

There is a point of great importance here. The administration wanted to keep the railroad out of bankruptcy. It wanted to put up the money to keep the old management in business. That choice would have required a commitment of the public credit 4½ times larger than was actually made.

When the Penn Central trustees testified last November I asked them:

> If we had passed this legislation when we were first asked to do so, wouldn't we have been in the same position as we are now, except $350 million shorter?

Mr. Wirtz, a member of the trustees, answered directly and simply:

> Yes.

To make absolutely sure there was no misunderstanding, I rephrased the question:

> In other words, if we had acted at the request of the Administration last spring and granted the authority to proceed with the $750 million, we would have been $350 million short and you would still have been back here asking for more now?

Mr. Wirtz replied:

> Speaking for myself and I think I am joined in this by my colleagues, it would have been a great mistake to finance Penn Central Transportation Co. on the basis that was sought last summer. If it had happened, it would have only postponed the day of reckoning in our view; and we think we are coming in now on a quite totally different basis.

In November of last year, the Penn Central trustees came to Congress to say that they would close down unless Federal assistance was forthcoming. They figured that $175 million to $250 million in outside financing—Government assistance—would be needed to carry them over 1971. A similar amount for the period 1972 through 1973 was estimated to be needed in addition. At the end of that time—and large investment—they would probably be at the point of being able to determine whether or not the railroad could successfully be reorganized. They did not expect to have a reorganized railroad at that time.

The trustees of the Penn Central finally received $100 million—$75 million less than their minimum request—and they have only used $75 million of that. It appears that they may make it to the end of this year with this reduced amount. The lesson is that the Penn Central—and other companies, no doubt—can survive in bankruptcy with much less than they predict because they

are forced, as they should be, to tighten their belts. Further, I am told that service has improved up there—they are doing much more with less. It is not at all clear that they would have done any better had they had more money. What is clear is that the management under the trustees is far superior to what the railroads had before.

Last spring, the administration forecast a great calamity if the Penn Central were to go into bankruptcy proceedings. The administration put great pressure on us to rush through a bill to bail out the Penn Central. But Congress wisely resisted the pressure. It wisely bided its time knowing that the long-established procedures of reorganization would permit things to be rationally sorted out. Why should not the same course be followed with Lockheed? Why should we rush into this matter when there is no need for haste?

In the Penn Central's case, Congress gained about 7 months by refusing to be stampeded. During that time, it was enabled to see that the $750 million requested by the administration was not needed. The committee was also able to gain enough information on the situation so that it was able confidently to authorize less than the trustees requested. And that amount has proved sufficient to carry the Penn Central through this year.

Still another point is made in our experience with the Penn Central. Bankruptcy provides an opportunity for the mistakes of past management to be recognized and corrected. The Penn Central once had a strong belief that diversification—acquisition of businesses outside the railroad business—was the route to high profits and corporate glory. They invested $153 million in hard, cold cash that was desperately needed by the railroad to acquire other companies.

The old Penn Central management used the complex tangle of corporate relationships to create paper profits. But they could not squeeze cash out of their cash-hungry acquisitions to pay the debts of the railroad. Lack of cash was what brought them to Congress and into bankruptcy. Yet, the past management defended the program throughout our hearings last summer, and would probably do so even to this day.

One expects them to defend their decision. That is just the problem with remaining out of bankruptcy. Had they continued in control of the company, they would have continued to defend their decision. They would have used the public credit to prop up the corporate shambles created by their mistaken decision.

The trustees last November acknowledged that diversification had been a mistake. They are now in the process of trying to liquidate that mistake.

It might be countered that a change of top management would produce the same independent evaluation of policy and correction of mistakes the trustees have. I do not think that is true. New top management simply takes the reins of an existing organization. In order to change the fundamental policy decisions, it must convince both the stockholders and lower managements that what they had once been persuaded was right is now wrong. That is a process that takes time and whose outcome is uncertain. Trustees in bankruptcy, on the other hand, are able to take control and directly change mistaken policies. The very bankruptcy of the corporation is irrefutable demonstration of the bankruptcy of past policy.

In the case of new management, a weakened and ineffective organization must be reformed. The operation must be conducted delicately in order not to bring down the tottering corporation. In the case of bankruptcy, the collapse has occurred; the trustees need only begin to rebuild.

In conclusion, I believe our experience with guarantees to railroads provides strong and clear teaching that the proposed bail-out of Lockheed is wrong—dead wrong. Guaranteed loans under part V of the Interstate Commerce Act neither helped the individual railroads which received such loans nor strengthened the industry to the benefit of the public. The Penn Central debacle demonstrated that we should not be rushed into keeping a corporation out of bankruptcy. The Penn Central continued to run during bankruptcy. It is, in fact, running better than before. The mistakes of the diversification program are being liquidated. The Government has saved, at the minimum, $350 million and probably twice that amount.

Mr. President, I can think of no clearer case which can be a concrete example for the Senate to concern itself with than part V of the ICC June 30, 1970, report on administration of the 1958 act. It shows clearly and definitely that the procedure now before the Senate is absolutely the wrong one, the expensive one, not in the public interest, and certainly not the answer to the problems of Lockheed.

Mr. President, I ask unanimous consent that the ICC, June 30, 1970, report on the administration of the 1958 act, and tables showing the relative financial position of the railroads in 1971 be printed in the RECORD.

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

INTERSTATE COMMERCE COMMISSION—BUREAU OF ACCOUNTS

SECTION OF FINANCIAL ANALYSIS, JUNE 30, 1970

Statistical Summary for Loan Guaranties to Railroads Under Part V of the Interstate Commerce Act, as Amended

Index

Appendix A.—Statement showing by railroads (on sheets 1–3 thereof) amount of each loan applied for and final action by the Commission; and (on sheet 4) a recapitulation of total number of applications and total amount of guaranties authorized for each railroad.

Appendix B.—Statement showing by railroads for each loan, the term of the guaranty, date of final maturity, rate of interest, and the purpose of the loan.

Appendix C.—Statement showing by railroads, for each loan, the repayments of principal and the unpaid balance as of June 30, 1970.

Appendix D.—Statement showing the total appraised value of the collateral securing the total unpaid balance of principal for all loans to each railroad. Sheet 2 shows details in respect of loans to New Haven Railroad and the Trustees.

APPENDIX A

RECAPITULATION BY RAILROADS OF LOAN GUARANTEE APPLICATIONS RECEIVED AND ACTIONS THEREON

Finance docket No.	Railroad	Amount applied for			Action		
		Original amount	Amended or withdrawn	Net amount	Date	Amount approved	Amount denied
20691	Atlantic & Danville	$800,000		$800,000	Jan. 6, 1960		$800,000
20429	Boston & Maine	10,500,000	$4,500,000	6,000,000	June 22, 1959	$3,000,000	3,000,000
21365	Do	3,000,000		3,000,000	Jan. 17, 1961	3,000,000	
21615	Do	1,000,000		1,000,000	Aug. 15, 1961	1,000,000	
21888	Do	[1] 5,845,348	5,845,348		July 27, 1962 [1]		
22231	Do	1,000,000		1,000,000	Oct. 3, 1962	1,000,000	
22639	Do	1,000,000		1,000,000	July 24, 1963	1,000,000	
	Total	22,345,348	10,345,348	12,000,000		9,000,000	3,000,000
21555	Central of New Jersey	15,000,000		15,000,000	Aug. 26, 1961	15,000,000	
22640	Do	5,000,000		5,000,000	Dec. 20, 1963	2,000,000	
					Nov. 6, 1964	3,000,000	
	Total	20,000,000		20,000,000		20,000,000	
21210	Chicago & Eastern Illinois	3,000,000		3,000,000	Sept. 23, 1960	3,000,000	
22361	Do	12,000,000	200,000	11,800,000	Feb. 28, 1963	11,800,000	
	Total	15,000,000	200,000	14,800,000		14,800,000	

Footnotes at end of table.

APPENDIX A

RECAPITULATION BY RAILROADS OF LOAN GUARANTEE APPLICATIONS RECEIVED AND ACTIONS THEREON—Continued

Finance docket No.	Railroad	Amount applied for: Original amount	Amount applied for: Amended or withdrawn	Amount applied for: Net amount	Action: Date	Action: Amount approved	Action: Amount denied
21494	Erie-Lackawanna	$15,000,000		$15,000,000	June 8, 1961	$15,000,000	
22632	Do	15,000,000	$10,000,000	5,000,000	Nov. 12, 1963		$5,000,000
	Total	30,000,000	10,000,000	20,000,000		15,000,000	5,000,000
20517	Georgia & Florida	1,000,000	65,040	934,960	May 8, 1959	934,960	
20518	Do	1,000,000		1,000,000	Oct. 5, 1959	1,000,000	
	Total	2,000,000	65,040	1,934,960		1,934,960	
20760	Lehigh Valley	6,000,000	77,000	5,923,000	Nov. 27, 1959	5,923,000	
21300	Do	5,000,000		5,000,000	Dec. 7, 1960	5,000,000	
21539	Do	2,500,000		2,500,000	Apr. 18, 1961	2,500,000	
21776	Do	5,000,000		5,000,000	Nov. 28, 1961	5,000,000	
22339	Do	5,000,000		5,000,000	Apr. 25, 1963	3,400,000	1,600,000
	Total	23,500,000	77,000	23,423,000		21,823,000	1,600,000
21454	Missouri-Kansas-Texas	16,000,000		16,000,000	May 22, 1961	16,000,000	
21552	Do	6,000,000		6,000,000	June 26, 1961	6,000,000	
22577	Do	12,000,000		12,000,000	Nov. 12, 1963	12,000,000	
	Total	34,000,000		34,000,000		34,000,000	
21551	Monon	5,000,000		5,000,000	July 26, 1961	5,000,000	
22675	Do	5,500,000		5,500,000	Sept. 23, 1963	5,500,000	
	Total	10,500,000		10,500,000		10,500,000	
20372	New Haven	16,542,460	8,383,060	8,159,400	Aug. 5, 1960	8,159,400	
20397	Do	500,000		500,000	Jan. 8, 1960	500,000	
20398	Do	1,500,000		1,500,000	Oct. 28, 1959	1,500,000	
21299	Do	6,000,000		6,000,000	Oct. 31, 1960	4,500,000	1,500,000
21299	Do	4,500,000		4,500,000	Dec. 29, 1960	3,500,000	1,000,000
21299	Do	3,500,000		3,500,000	Feb. 14, 1961	3,500,000	
21299	Do	1,500,000		1,500,000	May 12, 1961	1,500,000	
	Subtotal, finance docket No. 21299	15,500,000		15,500,000		13,000,000	2,500,000
	Subtotal, New Haven RR	34,042,460	8,383,060	25,659,400		23,159,400	2,500,000
21685	New Haven trustees	5,000,000		5,000,000	Aug. 2, 1961	5,000,000	
21808	Do	7,500,000		7,500,000	Dec. 7, 1961	7,500,000	
	Subtotal, New Haven trustees	12,500,000		12,500,000		12,500,000	
	Total, New Haven and trustees	46,542,460	8,383,060	38,159,400		35,659,400	2,500,000
20689	Penn Central (New York Central)	40,000,000		40,000,000	Sept. 16, 1959	40,000,000	
20395	New York, Susquehanna & Western	[2] 450,000	450,000		Jan. 29, 1959[2]		
20840	Do	300,000		300,000	Apr. 20, 1960	300,000	
20841	Do	200,000		200,000	Dec. 23, 1959		200,000
21794	Do	555,000		555,000	Mar. 1, 1962	555,000	
	Total	1,505,000	450,000	1,055,000		855,000	200,000
21121	Norfolk Southern	2,000,000		2,000,000	Sept. 21, 1969	2,000,000	
22488	Do	5,400,000		5,400,000	June 5, 1963	5,400,000	
	Total	7,400,000		7,400,000		7,400,000	
21547	Pittsburgh & Western Virginia	1,500,000		1,500,000	June 26, 1961	1,500,000	
22445	Do	1,500,000		1,500,000	Mar. 18, 1963	1,500,000	
	Total	3,000,000		3,000,000		3,000,000	
22545	Reading	30,000,000		30,000,000	June 26, 1963	30,000,000	
	Grand total	286,592,808	29,520,448	257,072,360		243,972,360	13,100,000

[1] B. & M. application, finance docket No. 21888 for $5,845,348, was withdrawn at request of applicant and dismissed by order of July 27, 1962.

[2] New York, Susquehanna & Western application, finance docket No. 20395 for $450,000, was withdrawn at request of applicant and dismissed by order of Jan. 29, 1959.

RECAPITULATION—LOAN GUARANTEE APPLICATIONS APPROVED

Railroad	Number of applications	Total amount guaranteed
Boston & Maine	5	$9,000,000
Central of New Jersey	2	20,000,000
Chicago & Eastern Illinois	2	14,800,000
Erie-Lackawanna	1	15,000,000
Georgia & Florida	2	1,934,960
Lehigh Valley	5	21,823,000
Missouri-Kansas-Texas	3	34,000,000
Monon	2	10,500,000
Penn Central (formerly New York Central)	1	40,000,000
New Haven	4	$23,159,400
New Haven trustees	2	12,500,000
New York, Susquehanna & Western	2	855,000
Norfolk Southern	2	7,400,000
Pittsburgh & West Virginia	2	3,000,000
Reading	1	30,000,000
Total	36	243,972,360

APPENDIX B

LOAN GUARANTEE APPLICATIONS STATEMENT SHOWING FOR APPROVED APPLICATIONS THE TERM OF GUARANTEE, RATE OF INTEREST, AND PURPOSE OF LOAN

Finance Docket No.	Railroad	Amount approved	Term of guarantee (years)	Date of final maturity	Rate of interest (percent)	Purpose of loan
20429	Boston & Maine	$3,000,000	15	Dec. 1, 1974	5	(1).
21365	Do	3,000,000	15	July 1, 1975	5	(1).
21615	Do	1,000,000	6	July 1, 1965[2]	4⅛	(1).
22231	Do	1,000,000	15	Oct. 15, 1977	5	(1).
22639	Do	1,000,000	3	July 1, 1966[2]	4¾	(1).
	Total	9,000,000				
21555	Central of New Jersey	15,000,000	15	July 1, 1976	5	(3).
22640	Do	5,000,000	15	Dec. 1, 1978	5	(1).
	Total	20,000,000				
21210	Chicago & Eastern Illinois.	3,000,000	15	July 31, 1975	5¼	(1).
22361	Do	11,800,000	15	Dec. 31, 1977	5	(4).
	Total	14,800,000				
21494	Erie-Lackawanna	15,000,000	15	June 1, 1976	5¼	(1).
	Total	15,000,000				
20517	Georgia & Florida	934,960	10	Dec. 31, 1970[2]	5	(1).
20518	Do	1,000,000	10	Dec. 23, 1970[2]	5½	(5).
	Total	1,934,960				
20760	Lehigh Valley	5,923,000	15	Aug. 1, 1974	5.0059	(7).
21300	Do	5,000,000	15	June 15, 1975	8½	(1).
21539	Do	2,500,000	4	May 17, 1970	6	(1).
21776	Do	5,000,000	15	Nov. 1, 1976	4½ and 5	(1).
22339	Do	3,400,000	15	May 1, 1977	4¼	(1).
	Total	21,823,000				
21454	Missouri-Kansas-Texas.	16,000,000	15	May 1, 1976	5	(1).
21552	Do	6,000,000	15	June 1, 1976	4¼	(1).
22577	Do	12,000,000	15	June 1, 1978	5⅝	(1).
	Total	34,000,000				
21551	Monon	5,000,000	15	July 1, 1976	4¾ and 5.	(8).
22675	Do	5,500,000	15	Oct. 1, 1978	4⅝	(9).
	Total	10,500,000				
20372	New Haven	$8,159,400	15	June 1, 1975	5½	(10).
20397	Do	500,000	6	Jan. 1, 1965[2]	5½	(11).
20398	Do	1,500,000	15	Jan. 1, 1974	5	(12).
21229	Do	4,500,000	1	Nov. 3, 1961	5	(1).
21299	Do	3,500,000	1	do	5	(1).
21299	Do	3,500,000	1	do	5	(1).
21299	Do	1,500,000	1	do	5	(1).
	Subtotal, finance docket No. 21299.	13,000,000				
	Subtotal, New Haven RR.	23,159,400				
21685	New Haven trustees	5,000,000	10	Aug. 4, 1971	5¼	(1).
21808	Do	7,500,000	10	Dec. 13, 1971	5¼	(1).
	Subtotal, New Haven trustees.	12,500,000				
	Total, New Haven and trustees.	35,659,400				
20689	New York Central	40,000,000	15	July 1, 1974	5	(1).
20840	New York, Susquehanna & Western.	300,000	15	Dec. 1, 1974	5½	(1).
21794	Do	555,000	10	Sept. 1, 1972	5½	(13).
	Total	855,000				
21121	Norfolk Southern	2,000,000	15	July 1, 1974	5¼	(1).
22488	Do	5,400,000	15	May 1, 1978	4¾	(14).
	Total	7,400,000				
21547	Pittsburgh & West Virginia.	1,500,000	15	June 1, 1976	4¾	(1).
22445	Do	1,500,000	2	May 28, 1965[2]	4¾	(1).
	Total	3,000,000				
22545	Reading	30,000,000	15	July 1, 1978	4¾	(15).
	Grand total	243,972,360				

[1] Reimbursement of treasury.
[2] These loans have been paid in full.
[3] Financing acquisition of not less than 634 covered hopper cars and 725 box cars at a cost in excess of $5,000,000; and reimbursement of treasury $10,000,000.
[4] Refinancing certain equipment obligations incurred after Jan. 1, 1957.
[5] Acquisition of 100 new freight cars.
[6] Maintenance and rehabilitation of roadway.
[7] Refinance equipment obligations, $1,167,127; finance planned capital expenditures, $1,574,609; and reimbursement of treasury, $3,181,264.
[8] Reimbursement of treasury, $2,268,359; and acquisition of 4 diesel locomotives and 116 freight cars with a total cost of $2,731,641.
[9] Financing acquisition of 9 new locomotives, $2,400,000; and 74 freight cars, $1,100,000; and reimbursement of treasury, $2,000,000.
[10] Acquisition of 30 new diesel electric locomotives.
[11] Acquisition of maintenance-of-way equipment and machinery.
[12] Construction of certain shop facilities.
[13] Financing acquisition of 3 locomotives.
[14] Financing acquisition of 17 new locomotives, $2,975,000; and reimbursement of treasury, $2,425,000.
[15] Financing acquisition of 56 new locomotives, $11,000,000; and reimbursement of treasury, $19,000,000.

Note: Reimbursement of treasury items above represent reimbursement for capital expenditures made after Jan. 1, 1957, from the railroad's own funds.

APPENDIX C

LOAN GUARANTEE APPLICATIONS STATEMENT SHOWING REPAYMENTS AND UNPAID BALANCES FOR APPROVED APPLICATIONS

Finance docket No.	Railroad	Date	Amount approved	Approved but not disbursed	Repayments	Unpaid balance, June 30, 1970
20429	Boston & Maine	June 22, 1959	$3,000,000		$2,100,000	$900,000
21365	Do	Jan. 17, 1961	3,000,000		1,200,000	1,800,000
21615	Do	Aug. 15, 1961	1,000,000		1,000,000	
22231	Do	Oct. 3, 1962	1,000,000		433,333	516,667
22639	Do	July 24, 1963	1,000,000		1,000,000	
	Total		9,000,000		5,783,333	3,216,667
21555	Central of New Jersey	Aug. 26, 1961	15,000,000		4,208,517	10,791,483
22640	Do	Dec. 20, 1963	5,000,000		715,910	4,284,090
	Total		20,000,000		4,924,427	[1]15,075,573
21210	Chicago & Eastern Illinois	Sept. 23, 1960	3,000,000		3,000,000	
22361	Do	Feb. 28, 1963	11,800,000		4,951,004	6,838,996
	Total		14,800,000		7,961,004	6,838,996
21494	Erie-Lackawanna	June 8, 1961	15,000,000		3,000,000	12,000,000
2051	Georgia & Florida	May 8, 1959	934,960		[2]934,960	
2051	Do	Oct. 5, 1959	1,000,000	[2]$100,000	[2]900,000	
	Total		1,934,960	100,000	1,834,960	
20760	Lehigh Valley	Nov. 27, 1959	5,923,000		3,123,000	2,800,000
21300	Do	Dec. 7, 1960	5,000,000		2,336,000	2,664,000
21539	Do	Apr. 28, 1961	2,500,000		1,375,000	1,125,000

Footnotes at end of table.

APPENDIX C—Continued

LOAN GUARANTEE APPLICATIONS STATEMENT SHOWING REPAYMENTS AND UNPAID BALANCES FOR APPROVED APPLICATIONS—Continued

Finance docket No.	Railroad	Date	Amount approved	Approved but not disbursed	Repayments	Unpaid balance, June 30, 1970
21776	Lehigh Valley	Jan. 28, 1961	$5,000,000		$2,469,000	$2,531,000
22339	Do	Apr. 25, 1963	3,400,000		1,235,000	2,165,000
	Total		21,823,000		10,538,000	11,285,000
21454	Missouri-Kansas-Texas	May 22, 1961	16,000,000		2,880,000	13,120,000
21552	Do	June 26, 1961	6,000,000		1,080,000	4,920,000
22577	Do	Nov. 12, 1963	12,000,000			12,000,000
	Total		34,000,000		3,960,000	30,040,000
21551	Monon	July 26, 1961	5,000,000		1,100,000	3,900,000
22675	Do	Sept. 23, 1963	5,500,000		1,950,000	3,550,000
	Total		10,500,000		3,050,000	7,450,000
20372	New Haven (assumed by Penn Central)	Aug. 5, 1960	8,159,400		5,439,600	2,719,800
20397	Do	Jan. 8, 1960	500,000		500,000	
20398	Do	Oct. 28, 1959	1,500,000		1,182,868	[3] 4,317,132
21299	Do	Oct. 31, 1960	4,500,000		[4] 627,900	[4] 3,872,100
21299	Do	Dec. 29, 1960	3,500,000			3,500,000
21299	Do	Feb. 14, 1961	3,500,000			3,500,000
21299	Do	May 12, 1961	1,500,000			1,500,000
	(Subtotal, finance docket No. 21299)		[3] 13,000,000		627,900	[4] 12,372,100
	Subtotal, New Haven RR		23,159,400		7,750,368	15,409,032
21685	New Haven trustees	Aug. 2, 1961	5,000,000			5,000,000
21808	Do	Dec. 7, 1961	7,500,000			7,500,000
	(Subtotal, New Haven trustees)		12,500,000			12,500,000
	Total, New Haven trustees		35,659,400		7,750,368	27,909,000
20689	Penn Central (New York Central)	Sept. 16, 1959	40,000,000		23,100,000	16,900,000
20845	New York, Susquehanna & Western	Apr. 20, 1960	300,000		200,200	99,800
21794	Do	Mar. 1, 1962	555,000		425,500	129,500
	Total		855,000		625,700	229,300
21121	Norfolk Southern	Sept. 21, 1960	2,000,000		1,000,000	1,000,000
22488	Do	June 5, 1963	5,400,000		600,000	4,800,000
	Total		7,400,000		1,600,000	5,800,000
21547	Pittsburg & West Virginia	June 26, 1961	1,500,000		900,000	600,000
22445	Do	Mar. 28, 1963	1,500,000	[5] $1,400,000	100,000	
	Total		3,000,000	1,400,000	1,000,000	600,000
22545	Reading	June 26, 1963	30,000,000		2,000,000	28,000,000
	Grand total		243,972,360	1,500,000	77,127,792	165,344,568

[1] Central of New Jersey defaulted on its loans in finance docket Nos. 21555 and 22640 in March 1967, with unpaid principal balances of $12,375,000 and $4,620,000 respectively. On June 1, 1967, the United States paid the unpaid principal balance of these loans, plus interest of $373,312.50 with funds provided by supplemental appropriation (Public Law 90-21). As of June 30, 1970, $1,919,427 had been applied on the principal of these loans from revenue derived from the collateral security.

[2] The entire unpaid principal balance of these loans, with accrued interest, was paid by the receiver of the Georgia & Florida on June 29, 1963, from the funds received by him from sale of all of the properties and franchises of the railroad to certain subsidiaries of the Southern Railway. No further disbursements will be made.

[3] New Haven defaulted on its loans in finance docket Nos. 20398 and 21299 in July 1961, with unpaid principal balances of $1,375,000 and $13,000,000 respectively. On Oct. 2, 1961, the United States paid the unpaid principal balance of these loans, plus interest with funds provided in supplemental appropriations bill 1962 (H.R. 9169). The loans in finance docket Nos. 20372 and 20397 were assumed by the trustees. The loan in finance docket No. 20372 was subsequently assumed by Penn Central. As of June 30, 1970, $1,057,868 has been applied on the principal of the loan in finance docket No. 20389 under an agreement approved by the court leaving a balance of $317,132.

[4] As of June 30, 1970, $627,900 had been applied against the principal of this loan as a result of settlement of certain claims. (See also footnote 4 on sheet 2 of app. D.)

[5] Upon request of the railroad the commitment of the lender in respect of this undisbursed balance terminated as of Oct. 31, 1964. Accordingly, no further disbursements will be made.

APPENDIX D

SECURITY FOR OUTSTANDING PT. V LOANS

	Principal amount of securities or cost of equipment or other property pledged	Appraised value of collateral [1]	Amount of loan outstanding as of June 30, 1970
Boston & Maine	$5,861,600	$3,427,889	$3,261,667
Central of New Jersey [2]	15,422,060	13,615,146	15,075,573
Chicago & Eastern Illinois	13,316,320	10,712,996	6,838,996
Erie-Lackawanna	24,321,575	14,915,700	12,000,000
Lehigh Valley	34,226,960	14,943,595	11,285,000
Missouri-Kansas-Texas	52,594,000	37,527,610	30,040,000
Monon	10,236,612	7,366,830	7,450,000
Penn Central (formerly New York Central)	43,695,000	7,646,884	16,900,000
New York, New Haven & Hartford [3]	8,915,400	4,649,930	15,409,032
Trustees of New York, New Haven & Hartford RR. Co. [3]	$12,500,000	$12,500,000	$12,500,000
Total New York, New Haven & Hartford R.R. Co. and trustees	20,659,400	17,149,930	27,909,032
New York, Susquehanna & Western	1,055,000	634,170	229,300
Norfolk Southern	7,400,000	7,400,000	5,800,000
Pittsburgh & West Virginia	1,710,000	1,402,200	600,000
Reading Co	48,653,644	29,624,570	28,000,000
Grand totals	279,152,171	166,367,520	165,344,568

[1] Based principally on (a) the average of high and low market values for the current period of pledged securities, and (b) the depreciated value of equipment and other property as of June 30, 1970, where the title to equipment or other property is the collateral.

[2] Recovery of the Jersey Central loans has been in the hands of the Department of Justice since default in March 1967. Our valuation of the collateral does not, therefore, reflect any settlements which may have been entered into in respect to the collateral.

[3] See following table for details in respect of security for loan guarantees to New Haven RR. and New Haven Trustees.

DETAIL IN RESPECT OF SECURITY FOR PT. V LOAN GUARANTEES TO NEW HAVEN RR. AND THE TRUSTEES

Finance docket No.	Decided	Total amount of guarantee	Unpaid balance of principal, June 30, 1970	Appraised value of security, June 30, 1970	Amount paid by United States at time of default
New Haven RR.:					
20372	Aug. 5, 1960	$8,159,400	$3,263,760	[1] $4,725,270	
20397	Jan. 8, 1960	500,000		[2]	
20398	Oct. 28, 1959	1,500,000	355,907	[3] 355,907	$1,375,000
21299 [4]		13,000,000	[5] 12,372,100	[3]	13,000,000
Total		23,159,400	15,991,767	5,081,177	[6] 14,375,000
New Haven trustees:					
21685	Aug. 2, 1961	5,000,000	5,000,000	[7] 5,000,000	
21808	Dec. 7, 1961	[8] 7,500,000	7,500,000	[7] 7,500,000	
Total		12,500,000	12,500,000	12,500,000	
Grand total, New Haven RR. and trustees		35,659,400	28,491,767	17,581,177	14,375,000

[1] Net depreciated value of 30 locomotives. This loan was assumed by New Haven trustees and by Penn Central in 1968.
[2] This loan, which was assumed by trustees, has been paid in full.
[3] Balance will be satisfied by delivery to the United States of B. & P. bonds upon finalization of Boston & Providence reorganization.
[4] Embraces 4 separate authorizations. $4,500,000 on Oct. 31, 1960; $3,500,000 on Dec. 29, 1960; $3,500,000 on Feb. 14, 1961; and $1,500,000 on May 12, 1961.
[5] This loan is not secured by any pledge of collateral. However, New Haven convenanted that if it should receive any income from certain claims then in litigation and certain other sources, such income shall be applied in reduction of the outstanding loan. As of June 30, 1970, $627,900 has been applied against the principal of this loan as a result of settlement of certain of said claims.
[6] New Haven defaulted on its loans in finance docket Nos. 20398 and 21229 in July 1961, with unpaid principal balances of $1,375,000 and $13,000,000, respectively. On Oct. 2, 1961, the United States paid the unpaid principal balance of these loans, plus interest of $300,740, with funds provided in supplemental appropriations bill 1962 (H.R. 9169).
[7] Receiver's certificates.
[8] On Dec. 7, 1961, a loan guarantee of $7,500,000 was approved. $3,000,000 was disbursed to the trustees on Dec. 31, 1961, and the remaining $4,500,000 was disbursed on Mar. 4, 1965.

SUPPLEMENTARY STATEMENT OF COMMITMENTS AND CONTINGENCIES, INTERSTATE COMMERCE COMMISSION—LOAN GUARANTEES TO RAILROADS UNDER PT. V OF THE INTERSTATE COMMERCE ACT, AS AMENDED

Guaranteed or insured credits:	
Gross amount outstanding	[1] $137,500,000
Collateral or other realizable assets	154,300,000
Description of collateral: (See appendix hereto).	

[1] Represents contingent liability of the United States under loan guarantees authorized and disbursed by lenders, less repayments as of the above date. This amount gives effect (1) to payment by the United States on Oct. 2, 1961 of $14,375,000 ($1,685,768 has since been recovered) principal unpaid balance of 2 guaranteed loans of New York, New Haven & Hartford RR. Co., which are identified in the appendix hereto, with funds provided in supplemental appropriations bill 1962 (H.R. 9169), and (2) to payment by the United States on June 1, 1967, of $16,995,000 ($1,919,427 has since been recovered) principal unpaid balance of 2 guaranteed loans of the Central RR. Co. of New Jersey, also identified in the appendix hereto, with funds provided by supplemental appropriation (Public Law 90-21). The other outstanding guaranteed loan of New York, New Haven & Hartford RR. Co., also identified in the appendix, was assumed first by the New Haven trustees in the reorganization proceeding and later by Penn Central when it acquired the New Haven railroad properties.

N.B. This loan guarantee program (pt. V of the Interstate Commerce Act, as amended) terminated, as to receipt of new applications, on June 30, 1963. All applications pending as of that date have been processed, and the proceeds of all loans guaranteed under this program have been fully disbursed.

APPENDIX

DESCRIPTION OF COLLATERAL

[In millions of dollars]

Name of railroad and description of collateral	Value of Collateral: Principal amount of securities or cost of equipment or other property pledged	Value of Collateral: Appraised value of collateral [1]	Amount of loan outstanding as of June 30, 1970
Boston & Maine RR:			
Finance docket No. 20429			0.9
Finance docket No. 21365			1.8
Security for finance docket Nos. 20429 and 21365:			
B. & M. 1st mortgage series TT bonds	1.7	0.8	
Northern RR., 21,410 shares common stock	2.1	1.3	
Vermont & Massachussetts RR., 11,647 shares common stock	1.2	.5	
Stony Brook RR., 1,863 shares common stock	.2	.1	
B. & M. Transportation Co., mortgate note	.3	.3	
B. & M. Transportation Co., 1,000 shares common stock	.1	.1	
Springfield Terminal RR. Co., 2,000 shares stock	.2	.4	
U.S. Treasury Bonds due Nov. 15, 1973	.02	.02	
Finance docket No. 21615			[2]
Finance docket No. 22231 Equity in collateral pledged to secure above loans under finance docket Nos. 20429 and 21365			.5
Finance docket No. 22639			[2]
Total	5.8	3.5	3.2
Central Railroad of New Jersey:			
Finance docket No. 21555:			
Central Railroad of New Jersey, general mortgage 3¼ percent bonds	1.5	.4	
Hopper cars		1.5	
Lehigh & New England RR. Co., 1st mortgage bonds	2.5	2.5	
250 shares L. & N. E. RR. Co., no par common stock	.9	.7	
Second mortgage on physical properties of Central Railroad of New Jersey	6.8	6.8	10.8
Finance docket No. 22640:			
Promissory note of Railway Express Agency, Inc.	.3	.3	
19,994 shares New York & Long Branch RR. Co	2.0		
New York & Long Branch RR. Co., 5 percent Cons. mortgage bonds, series A	.3		
New York & Long Branch RR. Co., 4 percent Cons. mortgage bonds, series B	1.0	1.4	
Equity in collateral pledged under above Finance docket No. 21555 (Represented by assignment of the railroad's equity in all the freight cars and the securities pledged as collateral for the loan in finance docket No. 21555, and delivery of a 3d mortgage on all of the railroad's properties)			4.2
Total	15.4	13.6	[3] 15.0
Chicago & Eastern Illinois RR.:			
Finance docket No. 21210			[2]
Finance docket No. 22361: 1,518 miscellaneous type freight cars	13.3	10.7	6.8
Total	13.3	10.7	6.8
Erie Lackawanna RR.:			
Finance docket No. 21494:			
D.L. & W., Pennsylvania div., 1st mortgage 6 percent series B bonds	8.0	6.3	
D.L. & W., Pennsylvania div., 1st mortgage 6 percent series C bonds	6.5	3.8	
Erie RR. Co. 1st Consl. mortgage 4 percent series I bonds	4.2	1.7	
Securities of affiliated companies	5.6	3.1	12.0
Total	24.3	14.9	12.0

Footnotes at end of table.

APPENDIX—Continued

DESCRIPTION OF COLLATERAL—Continued

[In millions of dollars]

Name of railroad and description of collateral	Value of Collateral: Principal amount of securities or cost of equipment or other property pledged	Value of Collateral: Appraised value of collateral [1]	Amount of loan outstanding as of June 30, 1970
Lehigh Valley R.R.:			
Finance docket No. 20760:			
Genl. Consol. mortgage 5 percent bonds	10.0	4.1	
7 trailers	.04	.01	
10 airslide cars	.1	.06	
100 flat cars	.6	.4	
2 diesel-electric locomotives	.4	.2	
196 gondola cars	1.0	.7	
2 steel scows	.1	.08	
100 trailers	.5	.04	2.8
Finance docket No. 21300:			
Genl. Consol. mortgage 5 percent bonds	6.5	2.7	
1st mortgage 4 percent bonds	5.0	1.8	2.7
Finance docket No. 21539: Genl. Consol. mortgage 5 percent bonds	7.0	2.9	1.1
Finance docket No. 21776:			
Genl. Consol. mortgage 4½ percent bonds	1.0	.4	
Genl. Consol. mortgage 5 percent bonds	.9	.4	
Equity in collateral pledged as security for loans in finance docket Nos. 20760, 21300, and 21539, as shown above			2.5
Finance docket No. 22339:			
Equity in collateral pledged as security for loans in finance docket Nos. 20760, 21539, and 21776, as shown above			
Lehigh Valley's 50 percent interest in Buffalo Creek RR Co	1.1	1.1	2.2
Total	34.2	14.9	11.3
Missouri-Kansas-Texas RR.:			
Finance docket No. 21454: Prior lien 5 percent series G bonds	24.0	17.3	13.1
Finance docket No. 21552: Prior lien 5 percent series G bonds	[4] 8.0	6.0	4.9
Finance docket No. 22577:			
Prior lien 5 percent E bonds	11.0	7.9	
Prior lien 5 percent G bonds	7.0	5.0	
Prior lien 4½ percent series D bonds	2.2	1.3	12.0
Total	52.2	37.5	30.0
Monon RR.:			
Finance docket No. 21551:			
1st mortgage 4 percent Contg. Inc. series B bonds	.3	.2	
1st mortgage 4 percent Contg. Inc. series A bonds	.1	.08	
2d mortgage 4½ percent Contg. Inc. series A bonds	.2	.1	
18 70-ton special equipped box cars	.3	.2	
40 2,600-cubic-foot covered hopper cars	.5	.5	
21 trilevel auto rack cars	.5	.5	
2 2,250-horsepower diesel locomotives	.4	.4	
6 2,000-horsepower diesel locomotives	1.1	.9	
1st mortgage 4 percent Contg. Inc. series C bonds	.6	.3	
1st mortgage 4 percent Contg. Inc. series D bonds	.3	.2	
Equity in collateral securing loan in Finance Docket No. 22675			[5] 3.9
Finance docket No. 22675:			
8 diesel-electric locomotives	1.6	1.4	
50 covered hopper cars	.7	.5	
6 trilevel automobile rack cars	.1	.1	
13 cushion-underframe box cars	.2	.2	
5 airslide covered hopper cars	.07	.06	
1st mortgage 4 percent Contg. Inc. series A bonds	1.4	.8	
2d mortgage 4½ percent Contg. Inc. series A bonds	1.8	1.0	3.6
Total	10.2	7.4	7.5
Penn Central Co. (formerly New York Central):			
Finance docket No. 20689:			
Consol. mortgage 4 percent series C bonds	14.5	2.8	
Ref. and Imp. Mortgage 5 percent series C bonds	29.2	6.5	16.9
Total	643.7	9.2	16.9
New York, New Haven & Hartford RR.:			
Finance docket No. 20372:			
30 diesel-electric locomotives (assumed by Penn Central)	8.2	4.3	[7] 2.7
Finance docket No. 20397			(?)
Finance docket No. 20398: Administration claim		.3	[8] .3
Finance docket No. 21299: Unsecured note of New Haven [8]			[10] 12.4
Total	8.2	4.6	15.4
Less, net amount paid by United States and uncovered on defaulted loans (see footnote 5)			12.7
Adjusted total			2.7
New York, New Haven & Hartford RR. Co. trustees:			
Finance docket No. 21685: Trustees certificates	5.0	5.0	5.0
Finance docket No. 21808: Trustees certificates	7.5	7.5	7.5
Total	12.5	12.5	12.5
New York, New Haven & Hartford RR. Co. and trustees total	20.7	17.1	15.2
New York, Susquehanna & Western RR.:			
1st & Consol. 4 percent series B Emerg. bonds	.5	.3	.1
Finance docket No. 21794: 3 diesel-electric locomotives	.6	.3	.1
Total	1.1	.6	.2
Norfolk Southern Ry:			
Finance docket No. 21121: Notes secured by 2d mortgage with a value of not less than	2.0	2.0	1.0
Finance docket No. 22488:			
Notes secured by 2d mortgage constituting a 3d lien with a value not less than	2.4	2.4	
1st lien on 31.5 miles of new railroad in Beaufort County, N.C., with a value of not less than	3.0	3.0	4.8
Total	7.4	7.4	5.8
Pittsburgh & West Virginia Railway:			
Finance docket No. 21547:			
1st mortgage 5 percent series B bonds	.7	.6	.6
1st mortgage 4¾ percent series C bonds	1.0	.8	
Finance docket No. 22445: Notes secured by 2nd mortgage with a value of not less than			(?)
Total	1.7	1.4	.6
Reading Co.:			
Finance docket No. 22545:			
1st and Ref. mortgage 5 percent series E bonds	37.5	21.7	
57 diesel-electric locomotives	11.2	7.9	
37 general purpose 2,50 horse power diesel locomotives; 5 road switching 1,200 horse power diesel locomotives; 5 yard switching 900 horse power diesel locomotives; 10 road switching 2,400 horse power diesel locomotives			28.0
Total	48.7	29.6	28.0

RECAPITULATION

Boston & Maine	5.8	3.5	3.2
Chicago & Eastern Illinois	13.3	10.7	6.8
Erie-Lackawanna	24.3	14.9	12.0
Leigh Valley	34.2	14.9	11.3
Missouri-Kansas-Texas	52.2	37.5	30.0
Monon	10.2	7.4	7.5
New York, New Haven & Hartford	8.2	4.6	2.7
Trustees of New York, New Haven and Hartford RR. Co.	12.5	12.5	12.5
Total, New York, New Haven & Hartford RR. Co. and trustees	20.7	17.1	15.2
New York, Susquehanna & Western	1.1	0.6	0.2
Norfolk Southern	7.4	7.4	5.8
Penn Central (formerly New York Central)	43.7	9.2	16.9
Pittsburgh & West Virginia	1.7	1.4	0.6
Reading Co	48.7	29.6	28.0
Grand total	263.3	154.2	137.5

[1] Based principally on (a) the average of high and low market values since Jan. 1, 1970, to date of pledged securities; and (b) the depreciated value of equipment and other property as of June 30, 1970, where the title to equipment or other property is the collateral.

[2] These loans have been paid in full.

[3] The Central of New Jersey defaulted on its loans in finance docket Nos. 21555 and 22640 in March 1967, with unpaid principal balances of $12,375,000 and $4,620,000, respectively, and on June 1, 1967, the United States paid the unpaid principal balance on these 2 loans, plus interest of $373,312.50, with funds provided by supplemental appropriation (Public Law 90-21). Recovery of the loans is now in the hands of the Department of Justice. Accordingly, our valuation of the collateral may not in every instance reflect settlements which may have been made by Justice.

[4] On Jan. 6, 1967, $600,000 principal amount of collateral pledged in financial docket No. 21552 was released by trustee (pursuant to sec. 8(c) of the guarantee agreement dated June 1, 1961) to M-K-T after payment and satisfaction of $600,000 of the collateral trust notes. On May 11, 1970 $360,000 principal amount of such collateral was released after payment of $360,000 of the collateral trust notes.

[5] By its supplemental order dated Dec. 29, 1965, the Commission authorized the substitution of (1) new equipment to be purchased at a cost of $2,731,641, of which $2,386,498 had been expended; (2) $591,000 principal amount of 1st mortgage 4 percent series C bonds; and (3) pledge of the railroad's equity in collateral securing the loan in finance docket No. 22675. In addition, the above supplemental order requires Monon to pledge $1,000,000 of its 1st mortgage bonds of and when such bonds are authenticated in the future under the provisions of its 1st mortgage. The foregoing substituted collateral is in lieu of the $4,000,000 purchase money mortgage on proposed dock facilities initially authorized in this proceeding. The proposed construction of dock facilities has now been abandoned.

[6] Bonds were pledged in original principal amount of $86,500,000. Under the loan agreement collateral was withdrawn as principal payments were made.

[7] The unpaid balance of the loans in finance docket Nos. 20372 and 20397 were assumed by the trustees appointed by the court in the reorganization proceedings. The loan in finance docket No. 20397 was paid in full January 1965. The loan in finance docket No. 20372 was assumed by Penn Central in December 1968.

[8] The New York, New Haven & Hartford R.R. Co. defaulted on its loans in finance docket Nos. 20398 and 21299 in July 1961, with unpaid principal balances of $1,375,000 and $13,000,000 respectively, and on Oct. 2, 1961, the United States paid the unpaid principal balance on these loans, plus interest of $300,740, with funds provided in supplemental appropriations bill 1962 (H.R. 9169).

[9] Under agreement between Department of Justice and the trustees of New Haven R.R. approved by the court in December 1965, accrued interest was waived and the principal was to be paid in installments during 1966 and 1967. As of June 30, 1970, $1,057,868 has been received and applied in reduction of the outstanding balance. The $317,132 balance will be satisfied by the delivery to the United States of Boston & Providence R.R. bonds upon finalization of the Boston & Providence reorganization proceeding which bonds will be guaranteed by Penn Central, and if the balance is not satisfied in that manner, it will become a claim of administration.

[10] No securities or other property were pledged as collateral security for this loan. However, New Haven covenanted that if it should receive any income from certain claims then in litigation and certain other sources, such income shall be applied in reduction of the outstanding loan. As of June 30, 1970, $627,900 has been applied against the principal of this loan as a result of settlement of certain of said claims.

INTERSTATE COMMERCE COMMISSION, BUREAU OF ACCOUNTS, SECTION OF FINANCIAL ANALYSIS—PT. V LOANS RECONCILIATION OF DIFFERENCES IN AMOUNTS FOR SAME ITEMS SHOWN IN ANNUAL REPORT (SCHEDULE 6) TO TREASURY DEPARTMENT AND STATEMENTS FURNISHED BUREAU OF BUDGET BY BUDGET AND FISCAL OFFICE

Railroad	Amount of loan outstanding as of June 30, 1970			
	Treasury report	Statement to Bureau of Budget	Items in budget statement which are under or over amounts for similar items in Treasury report	
			Under	Over
Boston & Maine	$3,216,667	$3,216,667		
Central of New Jersey		15,075,573		[1] $15,075,573
Chicago & Western Illinois	6,838,996	6,838,996		
Erie-Lackawanna	12,000,000	12,000,000		
Lehigh Valley	11,285,000	11,285,000		
Missouri-Kansas-Texas	30,040,000	30,040,000		
Monon	7,450,000	7,450,000		
New Haven	2,719,800	15,409,032		[1] 12,689,232
New Haven Trustees	12,500,000	12,500,000		
New York, Susquehanna & Western	229,300	229,300		
Norfolk Southern	$5,800,000	$5,800,000		
Penn Central (formerly New York Central)	16,900,000	16,900,000		
Pittsburgh & West Virginia	600,000	600,000		
Reading	28,000,000	28,000,000		
Total	137,579,763	165,344,568		$27,764,805
Difference [2]	27,764,805			

[1] Explanation: Amount paid by United States upon default—no further contingency—therefore not included in Treasury report. Amounts applied against principal of loan in finance docket No. 20398 as result of settlement between Department of Justice and Trustees, and amount applied against principal of unsecured loan in finance docket No. 21299 as a result of settlement of certain claims. Amounts applied against principal of Central of New Jersey loans as a result of income received on collateral and proceeds from maturing Treasury bills.

[2] See table below.

New Haven	+$14,375,000
Finance docket No. 20398	1,057,868
Finance docket No. 21299	627,900
Total	−1,685,768
Net, New Haven	+12,689,232
Central of New Jersey	+16,995,000
Financial docket No. 21555	1,583,517
Financial docket No. 22640	$335,910
Total	−1,919,427
Net, Central of New Jersey	+15,075,573
Net total	+27,764,805

Note: The above differences are due to the fact that the Treasury report (schedule 6, "Supplementary Statement of Commitments and Contingencies") shows the contingent liability of the United States as of the date thereof whereas the statements furnished Budget include the unpaid balance on defaulted loans of New Haven and Central of New Jersey which are still a debt due the United States (even though the lenders have been paid through supplement appropriations). Such defaulted loans are excluded from the Treasury report since they are no longer a contingent liability of the United States.

TABLE ACCOMPANYING TESTIMONY OF INTERSTATE COMMERCE COMMISSION BEFORE SUBCOMMITTEE FOR TRANSPORTATION OF COMMITTEE ON COMMERCE JULY 21, 1971. ESTIMATED RATES OF RETURN ON NET INVESTMENT IN TRANSPORTATION PROPERTY PLUS WORKING CAPITAL, CLASS I LINE-HAUL RAILROADS, 1970

[Dollar amounts in thousands]

	Net investment in property	1970 rate of return (percent)
Total United States	$28,208,769	1.46
East [1]	10,693,023	(2)
Railroads in reorganization:		
Penn Central	4,270,732	(2)
Central of New Jersey	117,880	(2)
Boston & Maine	205,251	(2)
Lehigh Valley	153,464	(2)
Total	4,747,327	(2)
Marginal railroads:		
Ann Arbor	22,408	(2)
Bangor & Aroostook	61,010	1.07
Central Vermont	21,716	1.70
Chicago & Eastern Illinois	61,758	1.33
Erie Lackawanna	390,688	(2)
Grand Trunk Western	114,537	(2)
Illinois Terminal	19,300	1.83
Maine Central	62,384	1.75
Monongahela	47,937	.13
Pennsylvania-Reading Seashore	25,241	(2)
Reading	302,447	(2)
Total	1,129,426	(2)
Railroads less than 4 percent return:		
Baltimore & Ohio	1,000,327	1.89
Monon	41,872	2.12
Chicago & Illinois Midland	16,842	2.95
Delaware & Hudson	90,839	1.13
Detroit Toledo & Shore Line	15,828	3.32
Total	1,165,708	1.87
Railroads 4 percent return and over:		
Akron Canton & Youngstown	$19,421	4.64
Elgin Joliet & Eastern	67,405	4.33
Norfolk & Western	2,020,553	5.75
Chesapeake & Ohio	924,280	4.73
Pittsburgh & Lake Erie	213,272	5.99
Bessemer & Lake Erie	78,753	10.94
Western Maryland	155,498	4.78
Missouri Illinois	38,705	8.76
Richmond, Fredericksburg & Potomac	62,363	6.91
Detroit Toledo & Ironton	70,312	4.32
Total	3,650,562	5.57
South	4,705,324	4.42
Railroads less than 4 percent return:		
Seaboard Coast Line	1,044,750	3.60
Illinois Central	795,465	2.60
Central of Georgia	119,165	3.54
Florida East Coast	73,180	0.84
Norfolk Southern	37,602	2.03
Gulf, Mobile & Ohio	238,570	3.71
Total	2,308,732	3.16
Railroads 4 percent return and over:		
Louisville & Nashville	1,003,828	4.31
Alabama Great Southern	107,790	4.16
Southern	941,008	6.28
Clinchfield	114,109	9.93
Cinn., New Orleans & Texas Pacific	171,384	6.51
Georgia Southern & Florida	26,676	9.44
Georgia	20,453	7.47
Savannah & Atlanta	11,344	13.40
Total	2,396,592	5.63
West	12,658,446	3.00
Marginal railroads:		
Rock Island	391,629	(2)
Chicago & North Western	685,578	1.24
Milwaukee	607,674	(2)
Fort Worth & Denver	45,240	(2)
Missouri-Kansas-Texas	192,379	(2)
Northwestern Pacific	$30,455	(2)
Western Pacific	163,428	(2)
Total	2,116,383	(2)
Roads less than 4 percent return:		
Green Bay & Western	17,423	1.19
Southern Pacific	1,986,830	3.10
Atchison Topeka & Santa Fe	1,652,521	3.25
Missouri Pacific	834,802	3.76
Burlington Northern [3]	2,316,622	1.66
Soo Line	243,280	3.63
Lake Superior [3] Ishpeming	17,352	2.93
Oregon Electric [4]	13,824	0.68
Colorado & Southern	70,441	2.72
Total	7,153,241	2.75
Railroads 4 percent return and over:		
Union Pacific	1,860,789	6.15
St. Louis Southwestern	292,086	10.01
St. Louis-San Francisco	410,409	4.48
Denver & Rio Grande Western	248,668	5.42
Kansas City Southern	205,041	5.33
Texas & Pacific [5]	260,230	4.18
Duluth, Missabe & Iron Range	90,815	6.37
Duluth, Winnipeg & Pacific	9,487	9.33
Toledo, Peoria & Western	11,443	4.29
Total	3,388,968	6.03

[1] Excludes Long Island RR., included in the U.S. total.

[2] Deficit.

[3] Includes Chicago, Burlington & Quincy, Great Northern, Northern Pacific and Spokane, Portland & Seattle.

[4] Figures are for a 10-month period.

[5] Includes Kansas, Oklahoma & Gulf.

Note: Net investment in property includes investment in property, cash, materials and supplies less depreciation as of Dec. 31, 1970.

THE LOCKHEED GUARANTEE AND ITS NATIONAL IMPLICATIONS

Mr. BROOKE. Mr. President, I rise today to discuss a matter of utmost importance to the Lockheed Aircraft Corp., its employees and shareholders, to large and small companies throughout the country, and to our economy as a whole.

Senate bill 2308, the "Emergency Loan Guarantee Act", which is presently being considered by this body, would provide loan guarantees in the amount of $250 million to the ailing aircraft manufacturer.

When this matter was initially proposed, the Senate was asked to report favorably S. 1891, a bill designed solely to aid Lockheed. While the form of the guarantee proposal has changed considerably, and now embraces a $2 billion program designed to aid any major business enterprise "facing temporary adversity", the substance of the legislation has not changed. We are being asked tentatively to commit $250 million in taxpayers' money to "bail out" the L–1011 commercial airbus project, even though private lending institutions are unwilling to do so. For reasons which I will set forth later in my remarks, I believe it would be imprudent to approve such a measure.

First, from a procedural point of view, it would be extremely unfortunate if this body considered and finally adopted a general guarantee bill when only 3 days of the 3 weeks of hearings were devoted to the broader approach, when a number of distinguished witnesses, including a former head of the Justice Department's Antitrust Division, testified against it, and when Lockheed is the only issue before us.

It is interesting to note that some proponents of the loan guarantee did not support a general guarantee bill until doubt was cast on the chances for passage of the original Lockheed bill. Furthermore, administration representatives have repeatedly testified that Lockheed is the only company being considered for guarantee relief. The effective date of October 1, 1971, makes it abundantly clear that the intent of the legislation is to provide general relief. There is no reason to believe, therefore, that the issue before us today differs significantly from the issue as it was originally framed, and I urge my colleagues in the Senate to treat it accordingly.

Before discussing the Lockheed proposal itself, I would like to make a few brief comments on the general guarantee proposal. While some sentiment has been expressed in favor of a Reconstruction Finance Corporation-type approach to deal with the Penn Centrals of the future—if, in fact, such needs arise—greater consideration must be given to the development of this concept.

A number of highly respected economists have argued that Federal assistance should be used sparingly, if at all, for enterprises which are not economically viable. The private capital market will recognize those companies which are facing temporary adversities, but are nevertheless economically viable. In the absence of such recognition, it is a misallocation of economic resources to keep them alive by the use of Government subsidies. Federal guarantees for ailing corporations distort our free enterprise system and result in the substitution of political judgments and influence for market mechanisms which have traditionally served us well in allocating capital.

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

Mr. BROOKE. Yes, I will be happy to yield to the Senator from Wisconsin.

Mr. PROXMIRE. I want to congratulate the Senator on stressing this point with this body, consisting of 100 very practical men.

I think we always think in terms of specific firms that will be benefited, the Lockheed firm, the specific jobs at stake, and so forth.

As the Senator points out, this is a much broader bill than a one corporation bill. It is a generic bill with $2 billion; and because it is a broader bill, it is very important that we consider the principle behind it and what it would do to our economic system.

What the Senator has just said, as I understand it, is that we are substituting political influence here for the marketplace, for the economic system that has served to make this country the strongest in all the world—with all its pains and sacrifices and difficulties, it is, nevertheless, the most productive in history—and the legislation would substitute for the discipline of the marketplace, political influence, political clout. What it will mean is that a firm will not survive on the basis of whether it is simply efficient and whether it is producing a product for which there is a demand, but it will survive on the basis of whether it knows the right people in Washington, whether it has the kind of influence that can enable it to continue in spite of its inability to survive economically.

I think the Senator from Massachusetts is really hitting what is at the heart of this.

We had testimony in our committee by a number of disinterested economists, all of whom were opposed to this bail-out legislation. All of the distinguished economists—that is those who were not connected with Lockheed or the banks or had some vested interest—were opposed to this.

Mr. BROOKE. Purely objective.

Mr. PROXMIRE. That is right. We had Donald Turner, who is the former Assistant Attorney General in charge of the Antitrust Division who appeared; a man who has devoted much of his life to fighting for competition but he came down very hard against this bill.

He used the same term the Senator from Massachusetts has used that the bill would bring a misallocation of resources. It means we are pushing resources into a field where the demand is limited and inadequate. This is bad economics, and bad for our competitive economic system. So I thank the Senator from Massachusetts, and I must say that I think that the point he is making is one that has not been discussed adequately or considered when one recognizes that seven-eighths, or more than 85 percent, of the money provided in this bill is not for Lockheed; it is for other unknown corporations that are going to come along in the future. I think it is most important that this kind of stress has to be put on what the implications of the bill really are.

Mr. BROOKE. I thank the distinguished Senator from Wisconsin, and I quite agree.

I think that American business will rue the day that we ever go in this direction where political influence can be used in place of the marketplace, which, as the Senator has well pointed out, has been responsible for the growth of American business, the great growth of this Nation over the years, and I think this is a very clear danger that we should avoid. The only way for us to avoid it is, of course, to recognize that by making this guaranteed loan not only to Lockheed, as the Senator well pointed out, but to other businesses, we are inviting political influence to be used. I think that this is so serious that we ought to do all that we can to avoid this obvious pitfall. The only way, of course, to avoid it is to defeat this so-called Lockheed bailout bill.

Mr. PROXMIRE. I might say to the Senator that the astonishing aspect of this is that because it is a bill that provides for the guarantee of a huge loan to a large corporation, I think the assumption, even in the Senate—certainly in the country—is that this is something big business supports. It does not support this; it does not.

Allen Greenspan, who has a very broad business acquaintance among top business executives in this country, was asked by me when he appeared as a witness on this bill whether there was support for the bill in the business community.

He said with the exception of the people who have a vested interest in it, that is, the bankers and Lockheed, and the airlines, it is overwhelmingly opposed—just overwhelmingly opposed.

The Wall Street Journal, covering a meeting of the business council, after this proposal had been made to provide this guarantee, reported that the business council again was overwhelmingly opposed to this kind of a guarantee. So the business community itself is not in favor of this.

The record, it seems to me, is about as clear and emphatic on that score as it could be. Unfortunately, I do not think we have gotten that idea across very well. I think that most people feel that this is something that at least big business supports. The fact is that the record seems to be quite clear that big business does not support this.

Mr. BROOKE. I do not believe that big business, or medium sized business, or small business supports this bill. Frankly, I think the business community is in opposition to the bill, and I think the proponents of this bill have failed to carry the burden of proving that business really wants this. I think Lockheed really wants it, but I do not think that other big business across the country thinks that this is the direction in which the country should be going.

What is happening to the free enterprise system? I think it is in great dan-

ger by the passage of this bill, and I do not think the Government should be getting into it. This is the chance that we take. It has been going on for years. We have been surviving very well with it.

American business does not want to begin to come to the Federal Government every time that it has had mismanagement or poor management, or if, for some other reason, there is no demand for their particular product in the marketplace. Rather than shifting, they come to the Government and ask the Government to bail them out of a bad business situation. I think it not only is detrimental, because of the possibility of political influence, but it is also an invitation or an encouragement to, if not mismanagement, poor management by a corporation.

Mr. PROXMIRE. I say to the Senator that two of the amendments that I have offered in committee, and that I intend to offer on the floor, involve this very point. One is that we must, before the board goes ahead and provides this guarantee, be assured that there is an adequate market demand for the product being produced.

I would think that would be automatic, but it was resisted in committee, because in this Lockheed case there would be a strong showing there was not a demand. The only study made by the Department of Transportation showed that the wide bodied jet field cannot support two firms; it cannot support both McDonnell Douglas and Lockheed.

The second amendment was that the board must find that the difficulties of the firm and the bankruptcy that is threatened is not caused by poor management. That is critical.

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

Mr. PROXMIRE. I yield.

Mr. BROOKE. Is it not correct that Lockheed was never in the commercial jet business before?

Mr. PROXMIRE. Yes, they were in the commercial jet business with the Lockheed Electra, which, unfortunately, was a disastrous commercial failure, about 10 years ago.

Mr. BROOKE. That was their only interest. They have not been in the commercial business for a long period of time. Is that correct?

Mr. PROXMIRE. To the best of my knowledge that is correct. They have not been in it for several years.

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

Mr. PROXMIRE. The Senator from Massachusetts has the floor.

Mr. BROOKE. I yield to the Senator from Texas.

Mr. TOWER. They do, of course, make the Jet Star, which is an executive jet, the one the President rides in.

Mr. BROOKE. But they have not been making big commercial jets.

Mr. PROXMIRE. The Senator from Texas made an interesting observation. The Jet Star is a small executive jet that is sold in relatively small numbers. It is a factor, but compared to the commercial airliners, it is relatively insignificant.

Mr. BROOKE. My point is that it is very interesting at this time, when the companies that are in the commercial jet business are suffering, and they are suffering as a result of cutbacks in air traffic across the Nation and, for that matter, around the world, Lockheed comes in as a competitor in an already suffering competitive market.

Mr. PROXMIRE. It is hard to imagine a worse time to enter the market. I might note that TWA recently cancelled orders for a number of DC–10's. They said they are going to have to mothball some 747's this winter and when a $20 million plane is mothballed, the Senator can imagine how unenthusiastic they would be about buying more. Everybody agrees that the L–1011 and the DC–10 are similar and it does not make sense for us to take this action and use the taxpayers' money to put another plane on the market.

Mr. BROOKE. I understand they are canceling options and stretching out orders for this plane. At this time, there is a depressed market.

Mr. PROXMIRE. Only a week ago TWA said they were canceling eight planes.

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

Mr. BROOKE. I yield.

Mr. TOWER. Lockheed also makes the C–141, the Starlifter, and the C–5A, so they do have the technology to make big jet aircraft.

Mr. BROOKE. But not commercial jet aircraft.

Mr. TOWER. What difference is it whether it is military supply cargo or people? The fact is that they are cargo type aircraft. Why should they not expand into the commercial market? They, as well as all of these defense contractors have long been advised to expand, and especially is this true as we are beating our swords into plowshares and our spears into hooks.

Lockheed has been in commercial aviation for a long time; Lockheed is a pioneer in commercial aviation.

Mr. BROOKE. But they have not been in commercial aviation for 10 years if I understand the Senator from Wisconsin.

Mr. TOWER. What difference is there if they are sending planes to the Government or to the airlines? The fact is they are in the general transportation business.

Mr. BROOKE. There is a big difference at a time when the market is depressed, to bring in a third competitor. It seems to me the timing is bad.

Mr. TOWER. Their survey and the McDonnell Douglas survey sustain an FAA study which shows there will be an adequate market.

Mr. BROOKE. Instead of having a depressed market which is supporting two ongoing manufacturers, it means we would have three. The market might be more depressed. We might have to bail out Boeing or some of the others if Lockheed comes into the field.

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

Mr. BROOKE. I yield.

Mr. PROXMIRE. Mr. President, I wish to say to the Senator from Massachusetts that unfortunately we do not have the McDonnell Douglas survey which was just referred to. We tried to get it. We tried to subpena it, but it was not subpenaed by the committee. It was not available. We have a survey by highly competent people in the area who argue what the Senator from Massachusetts is saying. There is not an adequate market for both firms. We have a study by NASA completed in March which says the same thing. The study shows there is not an adequate market for both firms. They would both lose money. The survey which I placed in the RECORD last night shows that both McDonnell Douglas and Lockheed would be in difficulty if Lockheed gets into the field.

Mr. BROOKE. We will have competition between the DC–10 and the L–1011 at a time when the market cannot support either one of them. Is that correct?

Mr. PROXMIRE. The Senator is correct.

Mr. BROOKE. Because the orders for the DC–10 are being cut back at the present time. They will not be able to compete favorably with the L–1011 in a depressed market, so instead of having a Lockheed bailout bill we might end up with a Lockheed and McDonnell Douglas bailout bill.

Mr. PROXMIRE. That is why the $2 billion generic bill is such a problem. There is one other point I would like to make. The Senator stated that the experience of Lockheed has been very largely with military planes. There is a great difference, and the difference is fundamental, and it goes back to the point we are discussing now. As far as military planes are concerned, the same situation does not exist. Consider the C–5A or the Cheyenne. When there is an overrun for a firm producing for the military the Government comes along and takes care of most of the overrun. But in the commercial area that is not the case. There they would have to produce for a market. If the cost was not right there, they could lose everything by which the cost exceeded the price. That discipline is very difficult. That is why if Lockheed were to get into this field, it could be disastrous.

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

Mr. BROOKE. I yield.

Mr. GAMBRELL. I would like to keep clear that we are not talking about Lockheed suddenly deciding to go into the commercial airbus business in an already overcrowded market. Both Lockheed and McDonnell Douglass, and I expect Boeing, several years back, along with the Federal Government and other interested parties, took a look at the future airplane market. Lockheed and McDonnell Douglas determined at that point—and this was 5, 6, 8, maybe 10 years ago—to go into these airbus programs and every one in the country thought it was wonderful. It was said, "We will be prepared when the time comes, when the need arises, we will have planes and we will have competition in the market."

The airlines looked at these plans on the drawing board and announced them to be desirable and suitable and encouraged both companies to go forward.

These planes have been built. It is not something that is speculative or something that Lockheed is about to drop on the market. The whole country knew they were on the way. Of these planes three of them are built and in the process of being tested in California now.

The question here is whether we are going to let that whole program—$1.4 billion—go down the drain or are we going to keep it. Not only would we let that go down the drain but we would let Lockheed with all its capacity for military and other products go down the drain with it.

We are not talking about cash money or the Government encouraging someone to build a new product on the market. Representatives of the FAA and the CAB, the airlines, and all the people in this industry came before our committee and testified that the L–1011 airbus is needed and can be used and that the competition would be beneficial and it would be an instrumentality in our airplane business.

Who is to say that, just as air passenger business has flattened out, or had flattened out a year or so ago, that there would not be another rise in it?

Mr. BROOKE. What is to be done in the interim period?

Mr. GAMBRELL. And 2 or 3 years from now it would be discovered that we do not have any competition in that market, and because we do not have competition in the market, we would have to pay through the nose for the DC–10.

Mr. BROOKE. The Senator is overlooking the fact that McDonnell Douglas and Boeing had to assume burdens like that. The Senator is overlooking that because of the Lockheed difficulties. I think the present Lockheed condition is due to mismanagement or poor management.

Mr. GAMBRELL. We are talking about whether to let the L–1011 and let the whole assemblage of the Lockheed program go down the drain. I am not arguing with the Senator about mismanagement. This is a judgment that is difficult to make, I might say. I assume the Senator has the testimony given at the hearing, but the people who have the most at stake today include not only the banks, which have already lent $400 million, but the airlines, which are $200 million in it, and the contractors and suppliers, who have another $600 or $700 million in it, and they say, "We would rather have the same management than have other management and go through bankruptcy."

Mr. BROOKE. Does the Senator think it is the taxpayers' responsibility to bail out a private business concern that has gotten into this situation, if not because of poor management, let us assume because of miscalculations of what the airline business would be in 1972, 1973, and 1974? The Senator from Georgia has already said it is an overcrowded market, and if it is an overcrowded market, why does Lockheed want to come into such an already overcrowded market? Can anyone predict that in the next year or 2 or 3 years the market is not going to be overcrowded? And what do we do in the interim? Put the planes in mothballs?

Mr. GAMBRELL. My answer as to the responsibility is that I know that there are not two or three corporations in the country that can float or carry a $250 million loan. I know of one that is in delicate financial condition that is that large but that cannot carry it. Actually, we are talking about $750 million or $800 million, because it already has borrowed $400 million.

I am saying the U.S. Government has to seriously consider whether it will permit the economic damage to be inflicted that will result from the failure of this company and its program. Balance the following against the desirability of letting it fail because of mismanagement or running on bad times. In this case, not because it is a big company and not because it is Lockheed, but for two reasons, it should be helped: First, because the L–1011, according to all the testimony given to us in the hearing, is a useful instrumentality and deserves to be saved regardless of the companies; and, second, we do not want this company to go down the drain, because if Lockheed goes down the drain, not just its investors and the company, but others than Lockheed, will be hurt.

When we talk about the stick of failure, about letting a company fail that was inefficient and mismanaged, we are talking about hitting little people with the stick. We are not talking only about beating up on Lockheed, but we are talking about others who have $600 million in this company and we are talking about employees scattered all through the country.

Mr. BROOKE. And we are talking about private enterprise; we are not talking about Government enterprise. Would the Senator agree that we should send good money after bad money? How can we be sure that the $250 million guarantee is not just the beginning? Suppose they come back in 2 years or so and say, "We need more money." What do we do then? Do we give them another $250 million of the taxpayers' money?

Mr. GAMBRELL. I think we have to make a judgment when the question comes up, and I think those who heard the testimony and read it and tried to evaluate what obviously was going to happen against what might happen said, "We would rather take a chance on what might happen and consider what is obviously going to happen, and that is serious damage to the economy of this country. Let us take another round with the experience we have already, rather than drop off into the unknown of bankruptcy, liquidation, dissolution, job losses, and losses of other businesses."

Mr. BROOKE. What the impact would be on the entire Nation is in dispute. The testimony was certainly in dispute on that issue.

The Senator raised the question as to national defense. I have great respect for the Secretary of Defense, Melvin Laird. I have great respect for the Deputy Secretary of Defense, David Packard. I think David Packard is perhaps one of the best business brains in this Nation. I remember when I served on the Armed Services Committee and David Packard came before us for confirmation of his nomination. He was most impressive, and I believe since he has been in the Pentagon he has been running it in a very businesslike manner. I certainly would rely on the testimony of David Packard and the statement of the Secretary of Defense that the Lockheed loan guarantee is not essential for national defense.

I have been getting some mail, which seems to be organized, coming in the form of printed forms of cards and letters which say, "In the interest of national defense, save Lockheed." I think that is a misrepresentation. I think it is a fraud on the American public to say the Lockheed bailout bill is essential for national defense. It just is not so, according to the Secretary of Defense and the Deputy Secretary of Defense, the men on whom we should be relying for this evidence.

So I rule out the argument that we need Lockheed for national defense. If we needed Lockheed for national defense, then perhaps a strong argument could be made for the Government's coming in with a guarantee, irrespective of who was at fault in Lockheed.

Mr. GAMBRELL. Mr. President, will the Senator yield on that point?

Mr. BROOKE. Yes; I am pleased to yield.

Mr. GAMBRELL. My suggestion was that the existing defense program would break down with respect to the capacity of one of the few corporations in this country to do the bigger defense projects and it would be dissolved. In other words, yes, Mr. Packard said they could finish the projects that are in operation now, but he did not say we have plenty of people out there to bid on new programs.

Mr. BROOKE. But, as I understand it, the airframe division could be divorced from the defense divisions of Lockheed, so we are not going to lose anything by Lockheed's going into bankruptcy, insofar as defense capability is concerned.

Mr. GAMBRELL. I did not understand his testimony to be that. I understood him to say that we will see that the ongoing programs are finished.

Mr. BROOKE. Yes.

Mr. GAMBRELL. But when it comes to a corporation that is to go into some large defense program, which has to go to a bank to borrow $250 million, $500 million, or $600 million, when Lockheed is liquidated and dissolved there will be one less such corporation in this country that is able to finance large defense programs.

Mr. BROOKE. I do not think that necessarily follows. In bankruptcy, trustees are appointed who would probably be able to carry on the business. We have done that with the Penn Central. It seems to me the remaining divisions that are not in difficulty could carry on. So I do not think we would be hurt by our failure to pass this Lockheed bailout bill insofar as the defense capability of Lockheed is concerned.

Let me put this question to my colleague from Georgia: If there is no risk involved in the Government's guarantee of $250 million, why do not the banks come in and bail Lockheed out? They are very much concerned about this. Why

cannot they put up their money without a Government guarantee, if there is no risk? Why should the Federal Government, why should the taxpayers, have to assume this risk for this private company?

Mr. GAMBRELL. I do not think anyone has ever said there is no risk, so that would be a strawman.

Mr. BROOKE. Oh, I think that has been argued. I think it was argued that there is no risk. I think the testimony from the bankers was that there is little risk involved in this at all, that the Federal Government would get its money back and get out of it in a relatively short period of time, even before the company completed the number of L–1011's on order. That is what I understand the testimony to be.

Mr. GAMBRELL. Here is the way I look at that. I do not pretend to be a banker, any more than I pretend to be a manager of large corporations, but I think if someone was supplying me goods, and I was buying 95 percent of what they produced, and they called up and said, "Look, we are in financial trouble and are probably going to have to go down to bankruptcy court and have a trustee appointed, and we have been talking to our bankers and they say, 'Well, if you will get Senator GAMBRELL to endorse your note we will go on with you,' " I would be faced with very much the same situation the U.S. Government is faced with today.

Mr. BROOKE. I would agree with the Senator so far as Senator GAMBRELL, a private person or a private corporation, is concerned. But we are talking about a private corporation and the Federal Government.

Mr. GAMBRELL. The Federal Government being the biggest customer of this private corporation, to the extent of 95 percent.

Mr. BROOKE. Fine; they are lucky to have the Federal Government as a big purchaser from them. But what does the Government say to a firm that does not do business with the Federal Government and gets in financial straits, and may go into bankruptcy? What do I say to such a firm in Massachusetts?

Mr. GAMBRELL. The Senator has shifted his ground. He asked me, "Why should the Federal Government be called on to do this," and I was undertaking to explain that the largest customer is normally called on for assistance in such circumstances.

Mr. BROOKE. In normal commercial transactions between private corporations, yes.

Mr. GAMBRELL. Well, we are in a normal commercial transaction with Lockheed.

Mr. BROOKE. But we do not have, as the Federal Government, because we purchase from a private corporation, the responsibility to bail it out. The Federal Government is probably the biggest purchaser in the Nation today of anything. Does that mean that when any of these corporations goes into financial straits, we are going to bail them out? Would the Senator bail out Bell & Howell or a textile firm in Georgia or Massachusetts, if it goes into bankruptcy, that we do business with?

Mr. GAMBRELL. I still have not concluded what I was going to say, but I would say, then, that the Federal Government is a very peculiar purchaser of goods, if we have the option to do something that is commercially unreasonable, which is to say, "No, you go ahead and go bankrupt," because we have got plenty of money in the Treasury.

Mr. BROOKE. At what level would the Senator draw the line? Ninety-five percent—90 percent—75 percent—60 percent?

Mr. GAMBRELL. I would say wherever the best interests of the Federal Government lie, from a cost point of view or from a point of view of protecting the national economy, would be the point at which one would want to look very carefully at making such an endorsement.

Mr. BROOKE. Then the Senator is back to the argument that the prime reason for a Lockheed bailout is because of the number of employees that would be laid off if Lockheed does not get this guarantee, is that it?

Mr. GAMBRELL. No, I said twofold. I mentioned that, the impact on the economy, and also whether it would cost the Government more to let them go into bankruptcy than to give them some credit assistance to stay on their feet.

The testimony in the record was that the Government would lose more money by letting them go bankrupt than by assisting them. Of course, I cannot give the Senator a guarantee that that is true.

Mr. BROOKE. Of course, we do not know what it is going to cost in the end.

Mr. GAMBRELL. No, we do not.

Mr. BROOKE. I think the Senator would agree that we do not know that $250 million is going to be the end; it could be conceivably more than that, because if the argument is valid today that we should put in good money in order to save bad money, then the argument is going to be even greater when that bad money is larger in amount. A year or two from now, there might be a necessity for $400 million. What would the Senator say then?

Mr. GAMBRELL. Let me say this: A moment ago the Senator placed very strong and emphatic reliance on the testimony of Secretary Packard.

Mr. BROOKE. Yes.

Mr. GAMBRELL. Secretary Packard, there is no question about it—in fact, I suggested on the Senate floor the other day that possibly he ought to be made the administrator of this fund if it is established. I have tremendous respect for his judgment, integrity, and sincerity, and I think the Senator shares that with me.

Mr. BROOKE. I certainly do.

Mr. GAMBRELL. He testified at the House hearings on this bill. A great deal has been made about that, but specifically dealing with Lockheed, as we are doing here, he said:

I want to make my position on this Lockheed loan guarantee proposal clear here today since there seems to be some uncertainty about my position from previous testimony. I strongly support a loan guarantee of $250 million for the Lockheed Co., at this time for the following reasons: (1) I am convinced Lockheed will be forced into bankruptcy without this guarantee; (2) it is not possible for the L–1011 program to continue with the Lockheed Co., in bankruptcy; (3) failure to continue the L–1011 program will result in substantial additional unemployment beginning immediately and continuing throughout next year; (4) many of Lockheed's suppliers and possibly some airlines could also be forced into bankruptcy; (5) in the case of bankruptcy, the cost to the Defense Department of important products which are urgently needed will probably increase; (6) should bankruptcy occur, the major banks of the country will be forced to absorb substantial losses on loans to an important defense contractor just at a time when we need these same banks to carry a larger share of the financing for the defense industry in order to reduce the dependence of this industry on direct Government financing; (7) there is small risk on the Government in undertaking this guarantee because the program will probably generate adequate cash flow to repay the guaranteed loans even with the present number of L–1011 orders; and (8) the Government has some responsibility for the plight of Lockheed in the present situation because his plight has resulted, in part, from past procurement policies, practices, and attitudes in the Department of Defense.

The Senator has stated very emphatically on this floor his reliance on and the significance that he places on the testimony of Secretary Packard, with which I agree, and I cannot see how any more eloquent testimony could be given in favor of a loan guarantee to Lockheed than has been given by Secretary Packard just this past week before the House Banking and Currency Committee.

Mr. BROOKE. Of course, the Senator is well aware of the statement which Secretary Packard prepared for the House Banking and Currency Committee for delivery on July 19, I am sure. It has been referred to in this debate, but I just refer the Senator to page 13 of that statement, in which he stated:

It is this last point which leads into the reasons I do not support extending a broad Federal loan guarantee authority to the defense industry or any other industry at this time.

This problem we face with Lockheed is the result of past procurement policies, practices and attitudes of both the Department of Defense and the industry that develops and produces defense products. In the case of Lockheed, both the Department and the company are at fault. Past policies have encouraged defense contractors, large and small to take on programs beyond their means. That is what happened with the L–1011. Lockheed could assume ways would be found to cover large overruns which might occur on their defense programs. This had always been done in the past. This, I am sure, was the calculation the Lockheed management made in deciding whether to take on a major program such as the L–1011 which even at best would stretch the company resources to the limit. During the last two and a half years we have been trying to correct these procurement practices that have been followed in the past. Some progress has been made, but we have much more to do. For this reason, we, in the Department of Defense, do not need nor want a broad loan guarantee bill which will only encourage a continuation of these practices which have caused this trouble.

In other words, not only is this not helping national defense and its procurement, it is hindering national defense and its procurement, and the Defense Depart-

ment in this statement says it does not want it for that very same reason, that they are trying to improve their procurement practices, and that if we give them this broad bill, we are not only not going to help them, but we are going to hurt them in correcting what they admit has been a bad procurement practice.

So I think, on the basis of that, we have no reason to believe that Secretary Packard did not mean what he said. We both agree he is a very honorable man, and a very objective man. I think even when he was before the Senate Banking Committee he was trying his best to support his administration and, at the same time, all his objective views as to this Lockheed bailout bill. I think he did that.

If the Senator reads between the lines and studies closely Mr. Packard's testimony, he will have to arrive at the conclusion that David Packard is not and has never been in support of the Lockheed bailout bill, not only because he thinks it is bad business but also because he thinks it is bad for the Defense Department, and he definitely does not believe that it is in the interests of national defense.

Mr. PERCY. Mr. President, will the Senator yield for a brief comment at that point?

Mr. BROOKE. I yield.

Mr. PERCY. I realize that the distinguished Senator from Massachusetts has just begun a profound statement on the subject, and he has barely gotten underway with it. I apologize for the interruption.

I feel that it is very important, when we are discussing David Packard's beliefs and feelings, to ask the distinguished Senator from Georgia whether he feels that if Lockheed does go into bankruptcy and is forced into bankruptcy, they then could not, under bankruptcy, fulfill their defense contracts.

As I understand Secretary Packard's statements, he believes that, even if they were in bankruptcy, the validity of their contracts would continue, as would their ability to fulfill them under the management of the receivers appointed in bankruptcy; that the Defense Department would not feel that they could not count on Lockheed to carry out their contracts.

Mr. GAMBRELL. Mr. President, will the Senator yield, so that I may reply?

Mr. BROOKE. I yield.

Mr. GAMBRELL. From my own experience, I would say that a trustee in bankruptcy could not run a business such as Lockheed for very long. In other words, a large program such as this, which is being run by a contractor who is dealing with subcontractors on a daily basis, who is involved in change orders, who is dealing with many scientists and much R. & D. information in a very complex program—several programs, in different industries—is not really capable of being run through a trustee in bankruptcy, as distinguished from a railroad. A railroad's business, from day to day, is substantially the same. Every day, a certain amount of money comes in revenues and is spent. I do not mean to say that running a railroad is simple. What I am saying is that it is not as complex and as varied and does not require instantaneous day-to-day decisions as does operating a business of this sort.

Mr. PERCY. Could not the receivers take this into account? There is no compulsion on their part to fire a single person in management or otherwise. They could retain the entire top management team.

Mr. GAMBRELL. This is what is interesting to me: that the bankruptcy court would have before it the very same people who came before our committee. It would have the banks, it would have the airlines, it would have the subcontractors and suppliers, it would have the Defense Department, and it would have the FAA and the CAB. If these people would come into the bankruptcy court, I say they have a vital interest in what is going on; and all creditors—the people I have named—would elect a trustee in bankruptcy, and the trustee in bankruptcy would then select the ongoing management.

Mr. PERCY. Perhaps I should be more precise in my question.

My direct question is not the judgment of the distinguished Senator from Georgia. It is whether his knowledge is such that he can certify, as I have been led to believe, that Secretary Packard has said he is not concerned about the defense contracts being carried out if Lockheed is in receivership.

Mr. GAMBRELL. Let me finish the point I was going to make. The people who would be concerned indicated that they would reelect the existing management.

To answer specifically the Senator's question, in testimony before the Committee on Banking, Housing and Urban Affairs, Mr. Packard said:

> We did conclude that the Defense Department's interest in relation to the ability of Lockheed to supply needed defense products would be better served if bankruptcy could possibly be avoided. There were several reasons for this.
>
> First, there was the uncertainty in dealing with a company in bankruptcy.
>
> Second, there was the possibility—and still is—of chain reaction effects because many suppliers and subcontractors of the L–1011 commercial program were and are also important suppliers and subcontractors for Lockheed on defense programs. Many of these firms could have serious financial problems if the L–1011 commercial program failed at this time.
>
> Third, there was the possibility, not the certainty, that the cost to obtain the defense equipment would be higher with the company in bankruptcy.

Mr. McGOVERN. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. BROOKE. I yield.

Mr. McGOVERN. Mr. President, I ask unanimous consent that after the present colloquy has ended and the Senator from Massachusetts (Mr. BROOKE) yields the floor, the Senate then proceed to the consideration of my amendment No. 326, which is the pending business, and that at that point 20 minutes be allowed on that amendment, to be divided equally between the proponents and the opponents of the amendment.

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

Mr. McGOVERN. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. BROOKE. The $2 billion guarantee program envisaged in this piece of legislation would also result in a diversion of funds from economically and socially important activities. Presumably, bankers who would otherwise consider financing housing for low-income families or projects which are designed to rejuvenate our cities, would prefer to utilize their funds in a manner which will reduce the likelihood of risk. The presence of Federal guarantees may result, therefore, in a decline in the funds available for socially useful programs, while at the same time increasing the funds available for projects which have been deemed to be economically unsound by the forces of the marketplace.

It may be argued that Federal guarantees are also available for programs which are socially useful but economically unsound, such as the development of new communities and urban housing; however, there are important distinctions to be drawn between these programs and the one before us. Housing and urban development programs often lack proven financial records on which to base financing, while most "major business enterprises" have a history of successful financial dealings and have assets which can be pledged against the risk of loss. In addition, urban programs often require a commitment of funds beyond the capabilities of most local governments or their creditors—absent a guarantee—while most major corporations have substantial lines of credit available if a project in question is commercially viable.

If Congress enacts the $2 billion guarantee program presently before the Senate, and if that program is applied on a general basis, there is reason to believe that lenders will be encouraged to extend credit to those corporations large enough and with sufficient political clout to obtain Government assistance if they fail, while smaller and less influential firms will receive little, if any, assistance. In addition, lenders may be encouraged to apply routinely for guarantee assistance to minimize their risks of loss. I am persuaded by former Antitrust Chief Donald F. Turner's remarks:

> When the private capital market refuses to make a loan to a particular firm, or will make it only at a rate of interest which the firm cannot afford to pay, it does so on a calculation that the risk of non-payment is either too great to warrant any loan at all or too great to warrant a loan at other than the high interest rate.

I also find it difficult to accept the notion that we should be providing financial assistance to corporations of a given size, while ignoring others which may face similar difficulties. Last year, more than 10,000 U.S. companies failed, with losses approaching $2 billion. Financial problems have plagued a host of corporations in the past and will undoubtedly and unfortunately afflict many others in the future.

Such events are normal occurrences in a dynamic, free enterprise economy. It is inevitable that those firms which are less

efficient, or which make unsound economic judgments, will be faced with problems similar to those encountered now by Lockheed; but this is as it should be in a free enterprise economy.

Without seeking to contribute to an already embarrassing situation, I would like to cite some of Deputy Secretary of Defense David Packard's remarks before the Banking Committee, because they evidence sentiments which I also share. In response to several questions framed by Senator PROXMIRE, Secretary Packard stated:

> I am not in favor of bailing out companies . . . As you know, I have been trying in the past year to work . . . out (defense procurement problems), and if, indeed, you have a bailout, this is not going to be helpful.
>
> * * * * *
>
> I would hope . . . that (the Lockheed bill) is not adopted as a precedent, because I think it would be dangerous to have this . . . used on a wide basis.

Secretary Packard went on to state that adequate authority exists to aid ailing companies—for example, V-loans—and hence additional authority is not needed at this time.

I was sorry to learn that Secretary Packard's original statement before the House Banking Committee—concerning the inadvisability of adopting a general guarantee bill which would encourage a continuation of wasteful Government procurement practices—was with withdrawn. I share Secretary Packard's original views and I am sure that many of my colleagues in the Senate who have followed procurement problems closely in recent years, also share his sentiments and appreciate his candor.

The issue before us today, is not whether general guarantee authority should be provided to the President or to a Federal board, but whether the Federal Government should guarantee bank loans to a private company which is engaged in a business project of dubious commercial value. I am convinced that Lockheed Aircraft Corp. and its supporters have not carried the burden of proof necessary to establish the need for Federal assistance.

At the outset, it has been argued that the 24-bank consortium financing Lockheed will not advance additional funds to complete the airbus project without a Federal guarantee. Representatives of the consortium have made categorical statements to that effect, arguing that many of the banks are coming close to their legal lending limits.

It is interesting to note, however, that only two of the banks involved—which have furnished less than 1 percent of Lockheed's outstanding credit on this project—have come within $1.5 million of their lending limits, according to information provided to the Banking Committee. The banks as a whole, fall more than $600 million short of their legal lending limits, with two of the banks alone, being able to furnish more than $85 million each without the need for Federal guarantees.

Furthermore, the consortium could obtain additional collateral for its loans. Other bank loans to Lockheed's suppliers and airline customers would be jeopardized if the L–1011 project were discontinued, thereby providing the banks with additional incentives to make further loans. And, according to Lockheed's projections which have not been disputed, the aircraft manufacturer has "firm orders" for enough airbuses to repay the $250 million loan entirely. Even if Lockheed failed to sell more than the number of planes under firm orders, the consortium could recoup its $250 million and might have contributed to the commercial viability of the project, thereby stimulating additional business for the banks involved.

The bankers' reluctance to lend additional funds is certainly understandable under the present circumstances. They would rather make loans which are guaranteed by the Federal Government. However, they should not expect the American taxpayer to bear the burden of unsound business decisions when they are unwilling to do so themselves.

One banker who testified on behalf of the consortium alluded to the fact that the Federal Government should become a "partner" in this commercial venture. In my judgment, however, we have seen too many examples in recent years of Federal funds being wasted on unsound procurement programs and other Federal spending projects. It is time for Congress to put an end to policies which contribute to waste and inefficiency both in business and in Government. At a time when many small businesses have failed, or have reduced employment substantially, one can hardly justify bailing out other firms solely because of their size or political influence.

If Lockheed's financial position is so precarious that its creditors would have forced the giant aerospace company into bankruptcy before now except that, as one banker put it, "we don't want to be the ones to pull the plug," then one must assess the probable effects of such bankruptcy. First, it is not at all certain that the L–1011 project would be scrapped as a result of bankruptcy, for a trustee could issue "trustee certificates" and thereby obtain additional financing. Similarly, a trustee could "spin off" the airbus project to a financially stronger company. Deputy Secretary of Defense Packard has already testified that while the continuation of "defense programs will be less troublesome if the company survives," these contracts can be continued under bankruptcy without jeopardizing our national defense posture. Therefore, the only issue remaining is whether failure of the airbus project is likely to have sufficient impact on our economy to warrant government assistance.

Proponents of the Lockheed loan have described a multitude of hardships which will be endured by the employees of Lockheed and its suppliers, by service industries located in communities surrounding the Lockheed production facilities and those of its suppliers, and by the economy as a whole, if Lockheed fails. I am not at all convinced that these hardships need arise. On the contrary, a number of alternative proposals have been advanced during the course of our deliberations, thus far, which should be given serious consideration by Lockheed's management if the L–1011 program is indeed a viable project.

If a Federal guarantee is not forthcoming and the L–1011 project ceases, an econometric model developed by the University of California at Los Angeles' Graduate School of Business Administration indicates that unemployment in California would increase from a seasonally unadjusted level of 7.4 percent registered in May of this year to approximately 7.7 percent. Similarly, the unemployment rate in southern California would increase from 6.9 percent in May to 7.4 percent. This is, of course, still serious, but not when it is being claimed by the proponents of the Lockheed bail-out bill.

While present levels of unemployment in California and other States cannot be tolerated, the aerospace industry has long been subject to cyclical fluctuations which have been borne by the communities affected. My own State of Massachusetts is presently undergoing a period of readjustment with thousands of scientists and engineers unemployed, but Federal assistance has not been forthcoming to lighten the burdens of economic conversion. I have introduced several bills which are designed to deal with this problem and I am hopeful that the Banking Committee's Subcommittee on Defense Production and Stabilization will report them favorably later in this session of Congress. But the intent of the legislation which I have proposed is to aid in conversion, not to bolster a failing enterprise whose market is clearly marginal.

When Secretary of the Treasury Connally testified here almost 2 months ago, he stated that guarantee authority was being sought by the administration not because the L–1011 necessarily would be a commercial success, but because failure of that program at this time would have a most serious and adverse effect on employment and the economy. I question whether the program's demise will seriously affect the economy of California and the Nation as a whole. Lockheed and its suppliers have already laid off over 20,000 workers since the beginning of this year, with the number laid off exceeding the number of workers remaining on the project. I question whether it is wise to postpone the day of reckoning for those involved in this program by guaranteeing them dead end jobs.

It is arguable that the limited economic effects of the L–1011's demise would be more than offset by increased employment at McDonnell Douglas in Los Angeles which produces the rival DC–10, at domestic engine production facilities which would benefit from the use of American-made engines, and at thousands of small companies throughout the country which would produce parts for competing aircraft. Although the sizable increases in employment projected by McDonnell Douglas and General Electric must be viewed as self-serving, their estimates are nevertheless based on reasonable assumptions and therefore should not be rejected.

Finally, it has been argued that Rolls Royce—1971—Limited—and, in turn, the

British Government—will not supply the RB 211 engine to Lockheed unless a Federal guarantee is obtained by August 8 of this year. Even though the use of domestically produced engines may not be commercially feasible at this stage of development, there is reason to believe that the British Government will honor its obligations when faced with the harsh realities of no U.S. Government guarantee and the loss of approximately 30,000 British jobs.

In conclusion, Senate bill 2308 should be rejected because adequate consideration has not been given to the general guarantee approach and because a guarantee for Lockheed Aircraft Corp. alone is not justified by the facts presented. There is a natural economic incentive for the banks involved to expand their loans without a guarantee, if the project is indeed commercially viable; bankruptcy need not result in discontinuation of the L–1011; and the impact of Lockheed's failure or the airbus' demise on our national economy and defense posture is not sufficient to warrant supporting the proposed guarantee.

Mr. President, let there be no doubt that is no generic bill. It is purely and simply a Lockheed bailout bill, and nothing else. It never was intended to be anything more.

I, therefore, urge my colleagues in the Senate to review the facts carefully and to separate the chaff from the substantive material presented thus far, before making their decisions. I urge the Senate to reject the Lockheed bailout bill.

Mr. TOWER. Mr. President, I suggest the absence of a quorum and I ask unanimous consent that the time not be charged against either side on the McGovern amendment.

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

The legislative clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. THURMOND. Mr. President, in the past several months, I have received a great volume of mail concerning the legislation to authorize emergency loan guarantees to major business enterprises. Approximately 98 percent of this mail from all over the United States supports S. 2308 which would also help the Lockheed Aircraft Corp. over a temporary crisis.

Some of this mail is, of course, from those whose jobs are in jeopardy. Others who are also knowledgeable on this vital issue have presented very convincing facts in their letters which have been very helpful in bringing this vital issue into focus.

Mr. President, this mail along with many other sources of information, including the committee report, convinces me that passage of S. 2308 is essential for our country. I have selected a cross-section of this mail which is impressive to bring to the attention of my colleagues. I would like to invite the attention of my distinguished colleagues to letters from South Carolina, California, Ohio, and Georgia. Since I plan to highlight some of the points made by this mail in other remarks on the floor, I do not propose at this time to elaborate, other than to say that these letters are excellent rebuttals to the points made by some of my colleagues who oppose this legislation.

From among several hundred letters which support this legislation, I have selected five letters from the following who present convincing facts to opponents of S. 2308: F. Julian LeaMond, chairman, Charleston County delegation, Charleston, S.C., enclosing a resolution signed by members of the Charleston County House Delegation; Mr. Charles J. Watts, Jr., 850 Wellington Drive, Charleston, S.C.; Mr. J. N. Buckley, Manoa Court, Saratoga, Calif.; Mr. C. B. McKeown, president, B. F. Goodrich Aerospace and Defense Products, 500 South Main Street, Akron, Ohio; Mr. Forrest B. Yarborough, 128 Herrin Drive, Smyrna, Ga.

Mr. President, I ask unanimous consent for these letters to be printed in the CONGRESSIONAL RECORD at the conclusion of my remarks.

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

STATE OF SOUTH CAROLINA,
CHARLESTON COUNTY
LEGISLATIVE DELEGATION,
Charleston, S.C., July 8, 1971.

Sen. STROM THURMOND,
Senate Office Building,
Washington, D.C.

DEAR SENATOR THURMOND: The Charleston County House Delegation respectfully requests your consideration and support regarding the enclosed resolution.

Sincerely,

F. JULIAN LEAMOND,
Chairman, House Delegation.

RESOLUTION

Whereas, the Lockheed Aircraft Corporation is the nation's largest defense contractor and one of the most reputable companies in the aviation industry and an outstanding corporate citizen, and

Whereas, the continued healthy development and production of aircraft by the Lockheed Aircraft Corporation is of vital concern to the economic and national security of our nation, and

Whereas, the continued production of aircraft by the Lockheed Aircraft Corporation is of great concern to the advancement and maintenance of technical skills of a large segment of the people of our nation, and

Whereas, irreparable harm to both the National security and the economic situation would result from a Lockheed shutdown, in that the thousands of scientific, technical, and skilled personnel trained and now employed by Lockheed and thousands of subcontractors and suppliers would be displaced or lose jobs or be forced to work below their skill levels, and

Whereas, the Federal Government has requested Congress to authorize the guarantee of bank loans in the amount of $250 million to the Lockheed Aircraft Corporation, and

Whereas, if said bank loans are guaranteed by the U.S. Government, Lockheed will be able to obtain bank loans enabling it to continue it production, thereby assuring continued employment of its thousands of employees, and thousands of employees of its contractors and subcontractors at a time when vast government sums are being appropriated to help non-employed workers find jobs.

Now therefore, be it resolved by the undersigned members of the Charleston County House Delegation:

That the Congress of the United States is urged by this resolution and individual correspondence to support the administration's request that bank loan guarantees be made to Lockheed Aircraft Corporation.

F. Julian LeaMond, Thomas F. Hartnett, Herbert U. Fielding, Joseph P. Riley, Jr., Arnold S. Goodstein, J. Sidi Limehouse, III, James C. Joseph, Sr., Clyde M. Dangerfield, James M. Condon.

CHARLESTON, S.C., *July 11, 1971.*

The Hon. STROM THURMOND,
Senate Office Building,
Washington, D.C.

DEAR SENATOR THURMOND: I am writing to ask you to support the Lockheed Loan Guarantee Legislation. It is important to me and many others in South Carolina and to the Country. Failure of the guarantee could weaken our National Defense and could mean loss of thousands of jobs.

Unfortunately, because of the slanted press, mainly through Senator Proxmire, the hero of the Communist Daily World, we only hear unjustified criticism of Defense Contractors and the Military-Industrial Complex. We have listened to the criticism along enough and even without benefit of all the facts denied us by the press and other news media we both know that passage of this legislation is in the best interest of our Country.

Consider the following:

Failure to pass this legislation will constitute action on the part of Congress declaring, in effect, that it is public policy for a single aerospace company and a single engine company to be granted a monopoly position in a market valued at about $20 billion dollars.

Failure to pass this legislation could result in a bankruptcy that could have a staggering impact on the economy and threaten to substantially increase costs to the Government.

Failure to pass this legislation could result in a loss of a half billion dollars or more in tax revenues the Government will lose if the Tri-Star program fails and Lockheed is thrown into bankruptcy.

Failure to pass this legislation could result in a cost of $100 million Lockheed has committed to repay the Government following completion of the C5A program.

Failure to pass this legislation could result in loss of 60,000 existing jobs and add to the already growing welfare rolls.

Please do all you can to see that the Lockheed Loan Guarantee Legislation passes Congress.

Sincerely,

CHARLES J. WATTS, Jr.

JOHN N. BUCKLEY,
Saratoga, Calif., June 30, 1971.

Hon. STROM THURMOND,
4241 New Senate Office Building,
Washington, D.C.

DEAR MR. THURMOND: Attached is a copy of a letter I have sent to the Editor of Aviation Week wherein I have expressed the viewpoint of the current Lockheed situation through the eyes of a concerned Lockheed employee.

I would sincerely appreciate your taking a few moments to read it with, hopefully, the intent of gaining your support for this fine and deserving company.

Thank you very much.

J. N. BUCKLEY.

SARATOGA, CALIF., *June 15, 1971.*

Mr. ROBERT B. HOTZ,
Editor-in-Chief,
Aviation Week & Space Technology,
McGraw-Hill Building,
New York, N.Y.

DEAR MR. HOTZ: I am one of many individuals affected by the current and unprecedented attacks on my employer, Lock-

heed, by certain politicians, some of the press, a small self-serving part of our industry and, as a result of these, a good part of the general public. I'd like a chance to express a viewpoint which apparently few of them have bothered to look into; namely, that of an individual who happens to be working for Lockheed.

There is no question that some mistakes have been made nor is there a question that in a free and competitive economy we get lumps for our mistakes. But our problems have been the problems of all of our industry, fostered by the unyielding and upward changing requirements of our customers. As daring and visionary leadership made decisions to satisfy these customers, some unforeseen problems arose.

However, as an industry, our successes have far exceeded our failures and in the present situation the truly remarkable accomplishments of Lockheed, well known within aerospace and by our customers, have been withheld or downgraded by our critics as they distort and misrepresent our problems. This failure (deliberate or not) to disclose important facts for all to see and hear gets me where it hurts. Many of us at Lockheed, and in all of aerospace, have worked hard and for long hours before and since World War II. We have been equitably paid (although many will disagree with me) and we have enjoyed a feeling of accomplishment; a feeling that our efforts were contributing to the progress, stature, economy and defense of our nation, as well as our own well being.

We've also experienced the uncertainties of winning or losing contracts and programs, the moves around the country we've been asked to make, a few weird regulatory and contractual experiments by the Government, the incredible pettiness of some of those who audit and review compliance, some outside "experts" in practically every field of technical and administrative management who tell us how to run our business and, yes, from some of our own internal problems of management, administration and forecasting. There are the conditions we accept by taking a job and staying with it and up to now the pride in what we've done and the money we have made has offset the headaches associated with our self-chosen careers.

For Lockheed to grow as a major aerospace company and to be the No. 1 defense contractor certainly demonstrates that we have not been standing still. To move forward, our management has made bold and courageous decisions. Looking backward and before the final results are in, some of these decisions are loudly identified as catastrophic and permanent errors. But only the future, not the present, will really say whether or not Lockheed's C5A, AH–56, L–1011 and others will be as effective and successful, in every sense of the word, including cost and performance, as Lockheed's C–130, Agena, P–3, Polaris/Poseidon, F–104, C–141 and others of this generation, not to mention the Hudson, P–38, P2V, Connie T–33, F–80 and many, many others of the past. Can you wonder that we have such a feeling of pride in our company and trust in the present management most of whom can take credit for many of these accomplishments?

Now, all which has been "great" for me as a Lockheed employee is disappearing by our detractors' actions who appear only as contributors of "negativism" as opposed to the "positive" accomplishments of Lockheed. (And notice how many are jumping on this "bandwagon of negativism" as we are trampled into the ground under their stampeding feet. It's safe, it's popular, it's "beautiful." It may get votes, it's selling newspapers, books and magazines and it may even spin off some business to our fellow contractors. (How proud *they* must be!)

But from my personal viewpoint (yes, a viewpoint of one who has much to lose) will the abandonment of Lockheed by Congress and its ultimate failure be of benefit to anyone? Bankruptcy of the No. 1 defense contractor can only increase the taxpayers' burden and eventual reorganization will have a serious cost and schedule impact on ongoing needed defense programs. It will seriously impact our sluggish economy and I'm sure bring great joy to our enemies. It may destroy a "team" whose current technical capabilities are second to none and if history means anything be sadly needed in the not too distant future. This "team" may also be part of the answer in concurrently solving some of our socio-environmental problems. Will furthering Mr. Proxmire's political ambitions or ending up with only one or two commercial aircraft sources be good?

Will support of Lockheed by Congress hurt anyone? Support of a loan guarantee, even if it must be paid by the Government, will be less costly to the taxpayer and the economy than bankruptcy. Support will not enrichen Lockheed stockholders, officers, employees and subcontractors at the expense of the taxpayer, but can only help provide a platform for recovery. A loan guarantee really won't be against the American-way of free enterprise (there are many examples where the Government helps individuals and businesses) and it certainly won't hurt, as any progressive businessman knows, the GE's, MacDac's and any other private or publicly held business.

When all of the smoke blows away, the half-truths converted to whole-truths and the political ambitions revealed, Congressional support will simply be a helping hand from the nation to maintain the viability of a tough, but burned, competitor with a fine record of significant contributions to them and greatly needed capacity, capability and, yes, strong management for their needs of the present and especially the future. A strong foundation of companies (plural not singular) with known capability and capacity who will fairly compete for available commercial and defense business is the most important resource we have to regain the United States' faltering aerospace and perhaps economic leadership.

Let's not let a few politicians win any more skirmishes which could result in national disaster!

Very truly yours,

J. N. BUCKLEY.

B. F. GOODRICH AEROSPACE
AND DEFENSE PRODUCTS,
Akron, Ohio, July 9, 1971.

Hon. STROM THURMOND,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR THURMOND: As you know, on May 6, 1971 the President requested legislation from the Congress authorizing Government guarantees of up to $250 million for bank loans to be made available to Lockheed Aircraft Corporation. These loans would be used primarily for the L–1011 commercial transport aircraft program. Since that request, much has been said on both sides of the question as to the propriety of this kind of assistance for private companies.

It now appears that an amended Bill may be substituted for the President's original proposal and that the amended Bill may be of more general application, perhaps modeled after the RFC legislation.

Having given the matter much careful thought, it is the opinion of our Company that, when such help becomes the only means of preserving a substantial amount of industrial activity and employment, it becomes very much a matter of public interest. It is not only a proper but a most necessary function of Government to provide the help needed. Certainly a significant amount of public interest is at stake in the Lockheed case. Many thousands of jobs are involved in Lockheed and supplier plants. In this Division of The B. F. Goodrich Company, 20–25% of the total work force could be affected.

The several near precedents for this kind of temporary financial support are impressive. In addition, the Export-Import bank practice of making loans to foreign buyers for the purchase of U.S. made products would seem to be a pertinent consideration. Among Export-Import bank loans have been $600 million for purchase of 71 Boeing 747's, $190 million for purchase of 29 McDonnell-Douglas DC–10 aircraft and $3.5 million for purchase of Lockheed L–1011's.

It is generally accepted now that the L–1011 is an excellent airplane. We believe that its chances for success are reasonably assured, provided it can survive the present period of heavy initial capital investment.

We urge your active support of legislation, in whatever form, which will lend government assistance to Lockheed in the production of this commercial transport airplane.

Sincerely yours,

C. B. MCKEOWN.

SMYRNA, GA., *July 23, 1971.*

DEAR SENATOR THURMOND: It is my sincere hope that you will not be one of those followers of Senator William Proxmire who will go down in the records of history as helping destroy the American Industry by voting against the loan guarantee for troubled American industries. His plans do not stop at the destruction of Lockheed Aircraft Corporation, but once this goal is accomplished it will be Boeing Airplane Company, Grumman Engineering Company, North American Rockwell, McDonnell Douglas Corporation, General Electric, Pratt and Whitney Aircraft, the automotive industries and others. His political ambitions follow those of Joe McCarthy in that nothing is sacred to obtain political attention, even the destruction of the American Industry.

As pointed out in the attached press release from Hal Suit and Associates, West Germany has received 1 Billion, 472 Million, 400 Thousand American tax dollars since 1946 to rebuild their industries and Japan has received 2 Billion, 200 Million, 900 Thousand dollars. Now our Congressional group is reluctant to *guarantee* a 250 million dollar loan for the Lockheed Aircraft Corporation and up to 2 Billion dollars in loans to other troubled American industries. Some say that this is establishing a precedent for troubled industries even though the Government has guaranteed billions of dollars in loans through the Reconstruction Finance Corporation from 1932 to 1953, Small Business Administration since 1951, Agriculture, Federal Housing Administration, etc. The only precedent the Congress will set by failure to pass the bill supporting troubled industries is to prove that they can destroy American business.

Many Congressmen and other Americans have quickly forgotten Lockheed Aircraft Corporation's contribution to prevention of the destruction of the nation by development of the P–38, P–80, F–104, C–130, C–141, Polaris, Poseidon and their contribution to international trade with the Constellation and Electra aircraft. They also fail to remember the great contributions the employees of Lockheed make in 98–100% participation in buying U.S. Saving Bonds, Red Cross blood contributions and support to local and national charity in Heart Funds, Cancer Research, Tuberculosis, Polio and other united charity funds. They don't remember Lockheed's leadership in Equal Opportunity Employment, Junior Achievement, Employ the Handicapped and generous support of the Welfare Programs.

With the defeat of the bill that would provide a guarantee loan of 250 million dol-

lars and the bankruptcy of the Lockheed Aircraft Corporation, this great corporation team that has contributed so much to our nation is going to be destroyed. This is not only destroying our national defense capability and economy, but destroys the faith and trust the educational institutes and university students have in our Congressional leadership in regard to assistance to American enterprise. I am sure that the Communist world is smiling happily as they watch our own United States Congress destroy its large national defense industry and create an economic disaster.

Let's not destroy the American businesses in order for a few selfish politicians to proudly praise their victory in defeat of a bill that will help shore up Lockheed and some of the other potential American industries that are so vital to our National defense and economy.

I hope you will support the bill to assist the Lockheed Aircraft Corporation—it certainly is a cause well worth saving.

Sincerely,

FORREST B. YARBOROUGH.

Attachment.

HAL SUIT & ASSOCIATES

The following are excerpts from Hal Suit's speech at the Beta Gamma Sigma annual Alumni Dinner held at the Midnight Sun Restaurant in Atlanta

The term, "dangerous precedent" is being used as loosely on capitol hill nowdays as the word communist was bantered about during the Joe McCarthy era.

Every old chestnut that can be uncovered is being used right now by the sharp-shooters in Washington who are after Lockheed's hide.

We either have a lot of ignorant experts around or they are short-memoried, shortsighted, or both.

The Congressional foes of the proposed government underwriting of a 250 million dollar loan to the giant aerospace industry are talking as though the federal government has never put up as much as a thin dime, or guaranteed as much as a thin dime, to any American business during its two hundreds years of existence.

They either don't know any better or don't want to know.

In order to encourage the railroads to push Westward or to extend trackage to remote communities, the federal government literally gave the early builders hundreds of miles of right-of-way. If you think that's old hat, check on the direct subsidies currently being granted to secondary airlines to help cover their losses on unprofitable routes. Since 1964 the price tag on this direct aid has come to 353 million dollars.

The cash that goes to farmers annually for the price support programs for certain crops has been flowing so long that it's become the accepted way to keep the agricultural community solvent. Between 1933 and 1969 the federal government shelled out 40 billion, 376 million, 539 thousand dollars in one form of subsidy or another to tillers of the soil. These dollars have kept thousands of small and large farmers out of the poorhouse.

The Reconstruction Finance Corporation came into existence on February 2, 1932, and closed its books September 28, 1953. During those years the government kept thousands of big, middle-sized and small businesses from going under by disbursing 40 billion, 633 million dollars.

The same year the Reconstruction Finance Corporation wrapped up its affairs the government's Small Business Administration opened shop. Since 1953, the SBA has provided the financial props for thousands of small concerns that couldn't get straight loans from regular lending institutions without the government as a co-signer. In this situation the government has backed loans to the tune of 7 billion, 500 million, 775 thousand dollars. Without SBA many a young, struggling business, especially in the black communities, would have never made it off the ground.

But the bitter irony comes home in another area.

Today American companies are trying grimly to hang on to a shrinking share of the dollars changing hands in the marketplaces of the world and two of their toughest competitors just happen to be West Germany and Japanese businessmen. Both nations, and their business interests, have enjoyed the big-hearted generosity of Uncle Sam. We rarely loaned money to foreign industry and we haven't underwritten loans. We've given it away and called it foreign aid. Since World War II, according to figures supplied by the Agency for International Development, the United States has handed out in economic aid 45 billion, 872 million dollars. In military loans and grants, the figure comes to another 40 billion, 234 million dollars.

West Germany, for example, has received 1 billion, 472 million, 400 thousand American tax dollars since 1946. Japan's cut has come to 2 billion, 220 million, 900 thousand dollars. The 250 million dollars Lockheed needs is chicken feed compared to what we've put on the line to re-build shattered industries abroad.

Apparently it's all right to ante up for a Japanese electronic firm or to build a steel mill somewhere else in the world, but we aren't supposed to risk a red federal cent in an effort to save an American enterprise.

Opponents testifying before the Senate Banking Committee have argued that if Lockheed receives special protection from Congress other firms will start lining up seeking the same kind of relief.

They've been lining up for more decades than you can count on your fingers and toes and they'll be in line long after this crisis is passed.

The only precedent to many of our esteemed congressmen seemed to be worried about is not out of the past, but is a part of the future.

They want to establish a new precedent. They want to prove they can destroy an American business.

They've done a pretty good job on Lockheed.

That only leaves one un-answered question.

Who'll be their next target?

Mr. GOLDWATER. Mr. President, during the course of debate on the evening of July 28, I objected to a unanimous consent request made by the Senator from Wisconsin (Mr. PROXMIRE), who desired to enter a report highly critical of the Lockheed company without offering at the same time to identify the authors of the report.

Unfortunately, I was not able to stay in the Chamber, and the Senator from Wisconsin, acting perfectly within his rights, at a later time, did insert the report. I have read the report in this morning's RECORD, and, Mr. President, I feel even more strongly after having read it than when I objected that this type of insertion should not be made in the RECORD without identifying the source.

The report could have been written by anyone. A person in the academic field who does not like Lockheed, a scientist or an areodynamist, or just a citizen could have put these assumptions together; and when they are given the dignity of appearing in the CONGRESSIONAL RECORD they can be accepted, as they probably will be across this country, as true.

The report is as complete a conglomeration of statistsics and figures used in as improper a way as I have seen. What it all adds up to is a criticism of the Lockheed Co. for ever having started the L–1011. Let me remind my colleagues that among the great aircraft manufacturers in the world, Lockheed has always stood at the top. When I think of some of the outstanding airplanes they have built, such as the Vega, the F–80, F–94, F–12, SR–71, and the U–2, the Lodestar, the P–38, the F–104, the Constellation, to name only a few, I defy anyone using rationality and common sense to place any faith in an unsigned report that challenges the design and manufacturing ability of Lockheed.

As I said last night, I do not intend to vote for the Lockheed loan, but it is a matter of principle in that I think the Federal Government is far too involved in the daily operation of American business, but I will vote on that principle alone and not upon the suggestions that the Lockheed Co. has failed in its long record of outstanding contributions to aeronautics.

One part of the report is entitled "Lockheed Cost Credibility." I would suggest that the same anonymous authors who wrote the report might take a peek into the cost credibility of every function of the Federal Government, particularly in welfare, in the general cost credibility almost across the board of American business and labor today.

The activities of the American Congresses and Presidents of the past have caused the inflation which we are experiencing today, which in turn is the major contributor to cost overruns. The Senator from Wisconsin seems to be unable to grasp this simple fact of life, and I am surprised because I understand he is a graduate economist and should be able to recognize the source of economic disturbance. The economic disturbance we call inflation is not confined in its effects to the aircraft industry but runs across the board from the simple little repairs the housewife has to have made, to major construction.

Now as to the L–1011 itself, I have been in this airplane, although I have not flown it, and I find it to be of superb construction and superb design, and it is the consensus of men who have flown it that it will be a plane highly competitive with any airbus being made in the United States today and with the airbuses being made by France and Germany. I implore Senators who seem hellbent on destroying the aircraft industry of America to confine their objections to the Lockheed loan to a matter of principle, as I am doing, and not to the downgrading of a company that has been an eminent leader in the aircraft industry around the world for over 40 years.

This type of subtle, unsigned, unidentified attack has been used before on the floor of the Senate, and I hope that it will never be resorted to again. I intend to investigate this report further and am doing so at the present time in the hope that I can discover who the so-called experts were who so maliciously and in

such an intentional way destroyed facts and figures so as to make Lockheed look like a bad risk at anything it attempted.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Berry, one of its reading clerks, announced that the House had passed the bill (S. 2317) to extend the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act of 1965, with an amendment, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H.R. 19) to provide for a coordinated national boating safety program.

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses of the amendments of the Senate to the bill (H.R. 9382) making appropriations for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, corporations, and offices for the fiscal year ending June 30, 1972, and for other purposes.

The message also announced that the House had passed a bill (H.R. 9092) to provide an equitable system for fixing and adjusting the rates of pay for prevailing rate employees of the Government, and for other purposes, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills:

H.R. 3201. An act for relief of Faith M. Lewis Kochendorfer; Dick A. Lewis; Nancy J. Lewis Keithley; Knute K. Lewis; Peggy A. Lewis Townsend; Kim C. Lewis; Cindy L. Lewis Kochendorfer; and Frederick L. Baston;

H.R. 7109. An act to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management, and for other purposes;

H.R. 9020. An act to amend the Egg Products Inspection Act to provide that certain plants which process egg products shall be exempt from such act for a certain period of time; and

H.R. 9270. An act making appropriations for agriculture-environmental and consumer protection programs for the fiscal year ending June 30, 1972, and for other purposes.

The enrolled bills were subsequently signed by the President pro tempore.

HOUSE BILL REFERRED

The bill (H.R. 9092) to provide an equitable system for fixing and adjusting the rates of pay for prevailing rate employees of the Government, and for other purposes, was read twice by its title and referred to the Committee on Post Office and Civil Service.

EMERGENCY LOAN GUARANTEE ACT

The Senate continued with the consideration of the bill (S. 2308) to authorize emergency loan guarantees to major business enterprises.

Mr. McGOVERN. Mr. President, is my amendment No. 326 the pending business?

The PRESIDING OFFICER. The Senator is correct.

Mr. McGOVERN. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from South Dakota is recognized for 5 minutes.

Mr. McGOVERN. Mr. President, I told the Senate on yesterday near adjournment time that I think good arguments have been made on both sides of this issue for Government loan guarantees. I have been inclined to oppose the Lockheed loan guarantee. However, I do recognize that strong arguments have been made in favor of it.

One part about this whole matter that I find very difficult to understand is how any Member of Congress can justify making available Government loan guarantee to a corporation simply because it is big.

This is not to criticize large corporations, but simply to suggest that if an argument can be made for providing Government loan guarantees for a big corporation that is in trouble, at least as much consideration ought to be given at any rate to Government consideration of support to those businesses that are small.

I frankly do not know how we are going to explain to the neighborhood grocer, filling station operator, the barber or beauty shop operator, or other people in trouble and who are limited in the availability of credit, our actions in bailing out big corporations and then denying them additional consideration.

The purpose of the amendment which I have introduced is to provide some measure of economic justice for small businessmen, and for farmers and ranchers, on the same basis that we argue for guaranteed loan assistance to Lockheed and her sister corporations.

Just as Lockheed faces problems because of inflation and tight credit, and I suspect mismanagement on the part of its directors, there are thousands of small businesses in every State of the Union in the same kind of squeeze. Certainly, that is true with regard to a great many farm operators. Last year some 48,000 farms collapsed, many because of the lack of low-cost credit, at a time when it was most needed.

I think the time has come for our country to address itself to that question. We have to decide whether as a matter of national policy we will show preference for the assembly line corporate business as against the small independent businessman. We must decide whether corporate agriculture over the family farm should be favored, and whether chain stores should be favored over neighborhood merchants.

It is my view that the resources of this country would be appropriately and profitably spent by aiding the small businessman, the small farmer, and the minority businessman, all of whom are discriminated against by the structure of our financial and economic system. Every Senator knows it is easier for a big corporation with an established line of credit to borrow money now, as it has always been, than it is for the small businessman to secure credit. Two billion dollars of loans would go a long way toward helping the little man in our economy.

Surely, our values and our sense of justice have not been so perverted that we hasten to prop up Lockheed with its many failures and demonstrable irresponsibility in dealing with public moneys, while we abandon the independent entrepreneur who stands alone in industry, agriculture, and commerce. The deck is stacked solidly against the individual, and this bill simply puts another ace up the sleeves of large corporations. I implore this body to spurn the attempt to make Government the handmaiden of big business.

The amendment now pending would at least extend the same open hand to our farmers and small businessmen. For those who want to provide assistance to our major corporations—deemed "major" because of their size—it should not be difficult to recognize that we should also provide help to the small businessman and farmer who, in the aggregate, constitute the major underpinning of our economy.

I do not have trouble understanding why, if the Lockheed Corp., is in trouble for one reason or another and has to shut down that will affect not only their employees, but also scores of other employees of subcontractors, but there are tens of thousands of other businesses that have no relation to Lockheed that are affected and that are in trouble and need our assistance.

Thus, in the name of economic justice, any Senator who supports the bill before us should have no difficulty in supporting this amendment.

What I am pleading for in this amendment, and I do not think I need to labor the case long and hard, is simply that we extend the same consideration to the small businessman as to the large one. I think that has been very much a part of the American tradition.

I would add that food for Americans is more vital than loans for Lockheed. Success in agriculture at home is far more important to our Nation than killing people and poisoning crops in the homeland of others. Yet, agriculture in America today has a lower priority than our massive expenditures for questionable ABM's, a lower priority than our forays into space, a lower priority than our handouts to the aerospace industry, and a lower priority than our construction of vast fleets of unnecessary bombers and ships.

If the United States survives this critical period as a leader among nations, it will not be due to our weaponry but rather to the fact that we are still able to feed and clothe our people. Our

successes in the field of agriculture have won us admiration throughout the world; our military adventures have won us the animosity and distrust of millions of the world's peoples.

There is great danger in ignoring agriculture, and most dangerous of all would be to ignore the pressing credit problems of the farmer. Adequate credit is his life blood. Already, huge nonfarm corporations are moving into farming, and if the family farmer cannot get the credit he needs, he will be crushed by the capital rich corporate giants.

The danger is not to the farmer alone. It is to every American citizen, for farm credit is as urban as the prices we pay in the supermarket. The best protection we can have against soaring food prices is an adequate flow of credit for the family farmer. For we have long known that farming in the hands of the family farmer is our best guarantee that food prices will be reasonable. And we know that farming in the hands of a few giants could produce the greatest leap in food prices we have ever seen.

At the beginning of the century, the farmers of America made little use of credit. It was cash or barter; farm credit was extremely hard to obtain. But today, as the result of vast changes in agriculture, credit is an essential tool for the successful farmer. This is true in South Dakota where our farmers had approximately $1 billion in credit at the beginning of 1970; and it is true in every State in the Nation. On January 1, 1970, American farmers had agricultural credit totaling over $58 billion, more than double the amount just 10 years earlier. And experts, predicting that there will be no letup in the demand for farm credit, tell me they expect to see the demand more than double by the end of this decade.

One success story in meeting the awesome needs of agricultural credit has been the farm credit system. I do not know of a single program which has done more for the farmers of this country at less cost to the taxpayer. And I know from my years with food for peace that this system is a model for developing countries throughout the world. The system has helped U.S. agriculture bring in a major percentage of all dollars earned by exports, and I can tell you that in terms of world peace our food shipments abroad have helped us far more than our arms shipments. Food and fiber produced by American farmers contribute far more to the peace and stability of the world than shells and bombs.

The Senate Agriculture Committee has just passed the Farm Credit Act of 1971. It should be of some comfort to the American taxpayer that this bill provides for no expenditure of Federal funds. Likewise, the farm credit system is now operating at virtually no cost to the Federal Government.

Despite the strides we have made in farm credit, there is more than ample justification for a guarantee for loans to farmers. Agriculture today is in a state of collapse. We are losing about 50,000 farmers a year because the prices they receive for their products barely covers the cost of production. The parity ratio has been hovering around 68 to 70 percent of parity, the lowest level since the depths of the great depression.

But at that time, the Congress passed humane and meaningful legislation to help the farmer which benefited the entire Nation. Today food is the best bargain available to the American consumer, although the farmers' share of what the consumer spends for food has reached an all-time low.

We must reverse the trend of farm foreclosures or farmers selling out for paltry sums after years of honest toil because they can no longer meet the payments today's heavily capitalized farming demands.

There is more than just a consumer stake in guaranteeing loans to farmers. Unless we assure the farmers of our Nation who produce the food and fiber we use they can stay on his farm, the headlong rural to urban migration will continue. Many of these rural migrants wind up in the ghettos because they are ill prepared for city life. As a matter of fact, more of the ghetto residents were born in rural America than there are lifelong ghetto residents.

Farmers are proud of their farm credit system. But if they fail to make the payments, their present recourse is literally the auction block. The farmer like the small businessman is certainly entitled to the same assurance from disaster Lockheed and its big sister corporations now seek.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. SPARKMAN. Mr. President, I wish to say a few words and if there is any time left over I shall be glad to yield to the Senator from South Dakota if he needs more time. I have discussed this matter with the Senator, and I am thoroughly in sympathy with what he is advocating.

However, I do not believe the amendment belongs as a part of this bill. I have assured him, and I make the promise now on the floor of the Senate, that our committee, which has jurisdiction of small business legislation—and I am sure that other members of the committee who are here will agree with me—will have early hearings on increasing the authority of the Small Business Administration to extend aid to small businesses. So far our big drawback has been the lack of adequate lending or guaranteeing authority, or ceiling.

We propose to double that ceiling; and I may say that the administration has orally given consent to our doing so, as I understand, so we certainly will be able to give very early attention to the problem to which the Senator has addressed himself. I cannot speak to the agricultural part.

Mr. President, I do not think that I am being immodest when I say that I have taken the lead in the consideration of most of the small business legislation that has been enacted by the Congress. These basic acts are the Small Business Act and the Small Business Investment Act of 1958. There have been numerous amendments to these acts through the years. I have also taken an active interest in legislation to aid farmers with needed loans.

Amendment No. 264 offered by Senator McGOVERN provides for the broadening of S. 2308 to include guarantees of loans to farmers and small business. The Board may delegate this authority to the Farmers Home Administration and to the Small Business Administration. The amount of the loan fund would be increased from $2 to $4 billion.

I am convinced that this amendment is unnecessary both for our farmers and for small business since both of these groups can secure guaranteed loans under programs already in operation in the Department of Agriculture and the Small Business Administration.

I would like to address myself primarily to that portion of the amendment dealing with loans to small business.

The Small Business Administration was set up specifically to make loans to small businesses which were in trouble and could not obtain needed financing through ordinary financial channels. As we all know, the SBA has not been making many direct loans in the last few years. Most of the loans that they make now are made under a guarantee agreement with banks. Some statistics showing the operation of SBA's regular business loan program for fiscal year 1971 which ended June 30, 1971, might be of interest. There were 13,754 regular business loans made, of which 11,894 were guaranteed, 1,602 were immediate participation in which the bank and SBA each contribute a portion of the loan at the time the loan is made, and 258 loans were direct in which SBA supplied the total amount. These loans totaled $923.9 million. Of this amount $817 million were guaranteed, $93.1 million immediate participation and $13.8 million direct.

The Congress has just recently enacted Public Law 92–16 which increased from $2.2 to $3.1 billion the amount of loans and guarantees which may be outstanding in SBA's business loan and investment fund. Also there is pending in SBA's appropriation bill for this fiscal year an appropriation of $275 million to that fund. This amount has been agreed upon by both the House and the Senate. SBA's guaranteed loan program is financed from this fund.

It is interesting to note the similarity between the way SBA operates its regular business loan guarantee program and the provisions of S. 2308.

Section 4(a)(1)(B) of S. 2308 provides that a guarantee of a loan shall be made only if credit is not otherwise available to the borrower under reasonable terms or conditions. Section 7(a)(1) of the Small Business Act has a similar requirement.

Section 4(a)(1)(C) of S. 2308 provides that the prospective earning power of the borrower, together with the character and value of the security pledged, furnish reasonable assurance that it will be able to repay the loan within the time fixed, and afford reasonable protection to the United States. Section 7(a)(7) of the Small Business Act has a similar requirement.

Section 4(a)(2) of S. 2308 requires that the lender certify that it would not make the loan without the guarantee. At present SBA requires that the bank state in its applications for a guarantee that

it would not make the loan without the guarantee.

Section 6(a)(1) of S. 2308 would prohibit a company from declaring a dividend on its common stock while a guaranteed loan was outstanding. SBA has a similar requirement on its guaranteed loans at present.

Section 7 of S. 2308 would authorize SBA to inspect and copy all accounts, books, and records and other documents of an enterprise which has received financial assistance under the bill. SBA now has a similar requirement for its guarantee loans.

As a matter of fact in many instances financial assistance is less stringent under SBA's present guarantee loan program than it would be under the provisions of this amendment.

I would like to point out at this time that small business will substantially benefit from this bill without this amendment. Lockheed has some 1,500 subcontractors. I am sure that most of these subcontractors are small businesses. It is impossible to tell how many, if any, of these subcontractors would go out of business if this bill fails to pass. But I think it is safe to say that all of them have a real financial interest in seeing that their contracts with the prime contractor, Lockheed, are completed and perhaps enlarged. So we are really not just enacting a bill solely for big business when we enact S. 2308. A great percentage of the aid will go to deserving small businesses.

This amendment would also be a duplication of the consolidated Farmers Home Administration Act of 1961. This act was carefully considered by the Agriculture Committee and the Congress and provides a sound program for loans to farmers.

Mr. President, I honestly believe that this is an unnecessary amendment and I urge the Senate to reject it. However, if the sponsor of this amendment, Mr. McGOVERN, desires to introduce this amendment as a regular bill, I will be glad to see that it is given thorough consideration by the Committee on Banking, Housing and Urban Affairs.

Mr. TALMADGE. I merely wish to point out that the Committee on Agriculture and Forestry has this year been extremely busy in providing more adequate funds and services to the farmers of the Nation. I compliment the distinguished Senator from South Dakota. He is chairman of the Subcommittee on Agricultural Credit and Rural Electrification. He has taken the leading part in these endeavors. Earlier in the year, the Senator's subcommittee reported a bill (S. 1806) which made very important changes, and he managed the bill on the floor of the Senate.

In addition to extending the authority of the Secretary of Agriculture to insure loans to October 1, 1975, S. 1806 increases the limitation of the Agricultural Credit Insurance Fund from $100 to $500 million. The bill increases the ceiling on farm operating loans from $35,000 to $50,000 and changes the direct operating loan program to an insured operating loan program. In addition, the bill makes several other important changes in the lending authority of the Farmers Home Administration.

Just today, the Senate passed S. 1483, which upgraded and improved all the farm credit agencies in the Nation. It expands them in very vital and important ways and, in my judgment, is the most important agricultural legislation the Senate has passed since the various credit agencies were created. So we are making tremendous progress in that regard, and the Senator from South Dakota has played a vital and very important part therein.

As the Senator knows, the most important bill pending before the Committee on Agriculture and Forestry at present is the rural development bill, of which the Senator is a cosponsor. It is attracting attention from not only rural areas, but from urban areas, as well. I have hopes that we can pass that bill this year.

The amendment of the Senator from South Dakota does not provide one additional cent of authority for farm loans since unlimited authority is already available. S. 2308, the bill which the Senator from South Dakota, would amend is designed to authorize emergency loan guarantees to major business enterprises. The Consolidated Farmers Home Administration also provides for emergency loans—loans that are designed to meet emergency needs of farmers and only farmers.

Certainly, S. 2308, even if it were amended by the pending amendment, would not be appropriate for the needs of farmers. Section 12 of S. 2308 provides for congressional review. This section provides that at least 20 calendar days prior to making a loan guarantee, the Federal Reserve Board would transmit to the Congress a notification of its intention to make such guarantee, together with a detailed justification for the guarantee. The Congress has 20 days in which to indicate their objection to the proposed loan guarantee.

Mr. President, I submit that it is absurd to get Congress in the business of approving every emergency loan that is made to a farmer or a small town businessman. The Congress has set up adequate machinery for making loans to farmers in dire straits and for small business. It has provided a reliable system of loan guarantees under the Small Business Administration. Both small businessmen and farmers have a program that is tailored to their own needs.

The very absurdity of trying to apply S. 2308 to the needs of farmers and small businessmen indicates the true purpose of the Senator from South Dakota. The Senator stated in submitting his amendment No. 309 to S. 2308 that he opposes S. 2308. It is evident that his amendment is just one more gimmick to defeat the bill. The Senator cannot be serious in his claims that his motive is to help the small businessmen and farmers of the Nation. If the Senator has any valid legislation which is needed to meet the credit needs of farmers, he should immediately introduce it and his subcommittee should hold hearings as soon as possible. The Committee on Agriculture and Forestry has acted promptly on all other important credit legislation this year, and I can promise the Senator that we will do the same on any new legislation that is serious.

The pending bill would be a very unwise vehicle on which to try to expand agricultural loans, because it provides for congressional review. It provides that at least 20 days prior to the making of a a loan guarantee, the Federal Reserve Board shall transmit to Congress notification of its intention to make such a loan guarantee, together with a detailed justification for the guarantee; and Congress has 20 days in which to indicate its objection to the proposed loan guarantee. I submit that that would be an absurd way to get Congress into the business of providing every emergency loan that is made to a farmer or a smalltown businessman. Congress has provided adequate machinery to make loans to farmers who are in dire straits, and to small business.

The PRESIDING OFFICER. The time of the Senator from Georgia has expired.

Mr. TALMADGE. I thank the Senator from Alabama for yielding. I implore the Senator from South Dakota to continue his work in the agricultural field. He is the chairman of the Agricultural Subcommittee on Rural Electrification. Together, I hope that we may improve the lot of the farmer in that way.

The PRESIDING OFFICER. Who yields time?

Mr. SPARKMAN. Mr. President, how much time do I have left?

The PRESIDING OFFICER. The Senator from Alabama has 4 minutes.

Mr. SPARKMAN. Mr. President, I yield 3 minutes to the Senator from Tennessee.

Mr. BROCK. Mr. President, the Senator's objective can be achieved, and I think it will be achieved this year.

Let me point out that earlier this year our committee passed a bill which increased the Small Business Administration's authority by $100 million and expanded its authority to extend assistance to small business.

The administration has recommended a $3.1 billion increase in authorization for 1974. So about $4 billion in assistance could be available to small business. When one applies the multiplier of the guarantees, there is a very significant increase in the authority for such assistance.

I think we all share the Senator's concern. I simply raise the point that we have under consideration, and will have shortly amendments to the present law, which will do more than is incorporated in the amendment the Senator offers on the floor today. I think that it is a better route to have the committee amend the Small Business Act. That is why I intend to oppose the Senator's amendment.

I thank the Senator from Alabama for yielding.

The PRESIDING OFFICER. Who yields time?

Mr. SPARKMAN. Mr. President, I yield 1 minute to the Senator from Georgia (Mr. GAMBRELL).

Mr. GAMBRELL. Mr. President, I would like to call to the Senate's atten-

tion, in reference to the pending amendment, a question that I put to Chairman Burns back when we had a hearing on March 10. I said:

I am concerned with the fact that small businesses, particularly in the homebuilding business, are among the first areas that are affected by monetary restrictions or tight money. They run out of credit first and they run out of it 100 percent before it affects a great many larger businesses.

I asked Mr. Burns what the Federal Reserve Board proposed to do about it.

Mr. Burns said:

You are putting your finger, Senator, on one of the most important and also one of the most poignant problems that we face in our economic and political society . . .

He went on to state that they have a study underway:

Such a study is under way at the Federal Reserve and I hope that in the late summer this study will be finished, so that it can be made available to the Congress—

As to what the recommendations are to implement just such a program as the Senator from South Dakota is interested in.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. SPARKMAN. Mr. President, how much time do I have left?

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. SPARKMAN. Mr. President, I am glad to yield it to the Senator from South Dakota in connection with his own time.

Mr. McGOVERN. Mr. President, I yield myself such time as I may consume.

I have listened to the responses of the Senator from Georgia (Mr. TALMADGE), the Senator from Alabama (Mr. SPARKMAN), manager of the bill, and the Senator from Tennessee (Mr. BROCK) as to what our responsibilities are to small business and agriculture, and I quite agree that the Congress has already taken some steps that are praiseworthy to provide additional authority to lend assistance to the hard-pressed small businessmen and farm operators, but I think, in all fairness, the guidelines which are laid down by the Small Business Administration and by our farm credit agencies are much tougher than those that are contemplated in the bill now pending, designed to benefit Lockheed and other major corporations.

As I read the pending measure, about all that Lockheed or any other corporation has to prove is that it is in deep trouble. It does not have to demonstrate that it is a safe risk or even that it has very sound management. It is quite clear to me that if a certain management is highly questionable, it could nevertheless get a loan, whereas a small businessman who comes before the SBA for a loan almost has to prove that his credit is so strong and that his management is so brilliant that he does not need a loan. It is almost a rule of thumb out in my country that if one is so strong in the way of credit and management as he must prove in order to get credit, he does not need a loan. That is how tough the criteria are in order to get small business loans, whereas what we are proposing for big corporations is that all they have to demonstrate is that they are in deep trouble and somebody would get hurt if such firms go under.

I might suggest that there are some 10,000 small business firms in this country that are in deep financial trouble, as Lockheed is. They are not very big. They do not have 100 lobbyists running around town, twisting the arms of Senators, in efforts to gain additional credits for them. But in the aggregate, those small firms are just as important to the economy of this country as the big giants are.

The same thing is true of the some 50,000 farmers who went broke last year, and who had to sell or dispose of their farms, and who are no longer on the farm. Those are the same people who are now piling into the cities at a time when every city is already overcrowded, and are being placed on the unemployment rolls and welfare rolls. It would be very interesting to know how many people on the unemployment rolls in Detroit, New York, Los Angeles, and other cities are former farmers or members of farm families, who were driven out of agriculture because of the lack of reasonable credit and other encouragement to stay in business.

Beyond that, there is another aspect in what we are offering to do for big corporations in the pending bill that is not available to the small businessman, and that is the fact that we are taking immediate action. I recognize that some time in the course of this session we may provide additional credit for small businessmen. I do not question the Senator from Alabama (Mr. SPARKMAN) or his sincere interest in doing something about these credit problems, but I repeat that we are showing emergency consideration for big business. We are saying that this situation is so acute that the Senate ought not to wait any longer. The president of the Lockheed Corp. even criticized the Senator from Wisconsin (Mr. PROXMIRE) for holding the bill up for 2 days.

What I am suggesting is that if there is such a great urgency for dealing with the problem of big corporations, the time has come to show the same degree of concern for the small entrepreneur of this country.

So I am going to press for a rollcall on this measure. I think we ought to stand up and be counted on it. It does not in any way indicate any lack of appreciation on my part for what has been done by the Committee on Agriculture and Forestry, by the Senator from Alabama (Mr. SPARKMAN) and his committee, and the other Senators in their concern for small business. I do not question either their sincerity or their commitment. I hope they will vote with me on this amendment, which will show the country and the small businessmen and the farmers and the ranchers of this Nation that we are not any more interested in bailing out Lockheed than we are in helping the ordinary citizen of this Nation.

So it is on that basis, Mr. President, that I rest my case for this amendment.

Mr. BROCK. Mr. President, will the Senator yield for a clarification?

Mr. McGOVERN. I yield.

Mr. BROCK. I think the Senator made reference to the fact that the provisions of his amendment would not be as tightly administered.

I should like to read from the testimony of Thomas Kleppe, the Administrator of the SBA. He said:

As I read the provisions of this bill, the lending authority conducted thereunder would be except for the size of the borrowers, along much the same lines as SBA operates. However, the collateral requirements would be such that the Government's interests would be even better protected than they are under our loan activities.

This bill was tailored very carefully to protect the Government's interests fully. I think its provisions are much more restrictive than under the Small Business Administration.

I thank the Senator for yielding.

Mr. MUSKIE. Mr. President, if we are going to use the power of the Federal Government to mitigate the economic consequences of the business difficulties of large corporations, I feel we should do the same for small businesses and farmers. Although the economic consequences of failure of these smaller enterprises are not as great nationally or regionally as the failure of a company as large as Lockheed, their impact upon the individual employees or owners and upon the town or city in which they are located can be just as great.

For example, in today's New York Times, there is an article about the suffering caused in northern Maine due to the failure of potato farming in Aroostook County. The article clearly shows that the effect upon farmers, their families, and the towns of northern Maine is just as severe as the effect of a failure of Lockheed would be upon families and communities in southern California or Georgia. That is why Ralph Smith, a potato farmer who gave up farming after 32 years asks:

Wouldn't it be better if they let me keep my equipment and keep farming—at least I could feed my family. It seems if the government can vote money to help Lockheed, if they can bail out the Penn Central Railroad, they could let me go on farming.

I think Ralph Smith has a point. I ask unanimous consent that the article from the New York Times be reprinted in full in the CONGRESSIONAL RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. MUSKIE. If we help protect those working for the big corporations from the consequences of business failure caused by temporary difficulties, we should help those involved with smaller enterprises.

I have reservations about the present form of the McGovern amendment. The additional authorization of $2 billion may not be a reasonable amount for its purpose. Perhaps the original $2 billion guarantee limitation is enough for both purposes. And the requirement that the amendment adds to section 8 of the bill—that loans to small businessmen and farmers be equal in any given calendar year to loans to large corporations—seems too rigid.

But I feel, when all these considerations are weighed, that if the National Government is going to use its power to mitigate the consequences of business failure, it should use that power even-handedly. Therefore, I shall vote for the McGovern amendment so that small and large businesses and the employees that work for both are aided by this legislation.

The article follows:

EXHIBIT 1

ONCE BOOMING POTATO FARMS DIE IN MAINE

(By Bill Kovach)

PRESQUE ISLE, ME.—The road to Ralph Smith's farm cuts across rolling hills that his great-grandfather cleared for farming after the Civil War.

At each bend in the gravel road there is some mark of the four generations of Smiths who have farmed the red loam of Aroostook County: "There's where great-grampy built the first frame house around here." "Grampy built that pond there using rocks culled from the fields."

At the end the road makes a little fishhook into the yard in front of Ralph Smith's comfortable frame house. Behind the house there are 150 acres of weeds.

"One day," he says quietly waving toward the weed-choked fields, "there comes a spring when you can't go any further. You wake up and you're not a farmer any more."

That spring came this year for Ralph Smith, after 32 years of growing Katahdins, Russet Burbanks and Kennebecs, the Maine potatoes that once dominated the American potato market. Five straight years of bad weather, poor yields and low prices have left him and many others here smothered in debt.

EQUIPMENT SOLD AT AUCTION

When he was unable to make the minimum payments required on Government mortgages, Mr. Smith's equipment was taken by the Farmers' Home Administration and sold at public auction. When taxes and insurance come due on his house in the fall, he says, he will leave that too.

In the same way all across Aroostook County, Maine's largest and northernmost, families who have dug potatoes from the earth for generations are being squeezed out by changing economic patterns in agriculture. So far this year there have been five major auctions representing the end of an estimated 200 farming families.

Aroostook County, never wealthy except in the days when self-contained farms were the dream of young families, has plunged deep into a depression in the last decade.

The county has lost almost 2,500 farm units over 30 years. Most experts agree that many of the remaining 1,300 will not remain long on the land. There are 17,000 people—20 per cent of the total population—receiving surplus food. Unemployment is set at 12 per cent and the young are leaving the county rapidly.

Aroostook's story is one of a traditional single-product economy being swept away by an ever-changing national economy. Aroostook, which produces 95 per cent of the Maine potatoes, is now only one small piece in that section of agriculture it once dominated.

"WE GET THE BLAME"

"We get the blame for all this, but that just isn't right," complains Cluny McPherson, a local official of the F.H.A. Mr. McPherson approaches discussions of potato farmers' troubles with the caution of a man building houses of cards. As failures mount and F.H.A. foreclosures generate frequent auctions, the confused and frustrated anger of the farmers focuses more and more on Federal programs.

"We get the blame," says Mr. McPherson again, "but the problem is basically one of supply and demand. Prices are down because reclaimed land in the West is going more and more into potatoes. A farmer needs a good year every year and they've had a terrible run of luck here for the past five years."

To bad weather and prices, other students of the economic blight of the Maine potato farmer add several other factors: the land has been worn out and production has dropped from 150 barrels per acre to 135; Idaho, which now overwhelms the market, has a better growing season and a more aggressive sales and promotion program. Then, there is marketing.

A study by the Northern Maine Regional Planning Commission has pinpointed as a major problem the domination of the field by large chain stores that ended the old system of sales directly between farmers and retailers and established a layer of dealers between the farmer and his outlet.

"Buyers know," says the report, "they can play dealers against each other and dealers in turn pit farmers against each other to the point of reducing prices on the grower end of the marketing cycle."

There may be dozens of other factors, but they all move toward the same result, one manifested by Ralph Smith.

Mr. Smith began growing potatoes in high school as part of a Future Farmers of America project. In 1946, discharge from the Army in hand, he settled with his bride on 150 acres of the Smith homeplace and began raising potatoes and a family.

"It was 1965 that I had my last good year," he recalled recently. "Then everything began to fall apart."

With the reluctance of an independent man who, late in life, has begun to question his own ability and worth, Mr. Smith traces his plunge toward failure this way:

In 1966 prices were so low he held his crop until January hoping for a better price. The gamble failed and he lost money. For the first time in his life he had to borrow money from the Government to plant a crop in 1967.

Nineteen-sixty-seven "was a bitch from the start." Rain during the fall harvest season kept machinery and hourly paid labor idle for three crucial days and he sold his crop under an emergency Federal program for a price that did not even cover the harvest.

Nineteen-sixty-eight, 1969 and 1970 were much the same—borrowing to put out a crop and losing money at each harvest. By the end he was essentially sharecropping his land under a "crop and chattel mortgage" that put everything he once owned up against the chance of success.

"I've worked 16 to 18 hours a day on this farm since 1946," Mr. Smith concluded. "And now I'm 52. I've had three heart attacks. I've still got two children at home and two in college and I'm finished. I'm going to lose it all."

CONFUSION AND BITTERNESS

There is confusion in his voice and no little bitterness as he looks around the weed-grown field of his farm and asks: "Wouldn't it be better if they let me keep my equipment and keep farming—at least I could feed my family. It seems if the Government can vote money to help Lockheed, if they can bail out the Penn Central Railroad, they could let me go on farming."

At the auction the next day, Ralph Smith was joined by other farmers who have been forced out in recent years. In each case the story was the same—years of independence ended suddenly by changes they only vaguely understood.

"Look there," Mr. Smith called to a neighbor, "they just sold that truck for $1,200. The body alone would cost more than that."

Then they fell to talking about what is going on—about auctions to sell their equipment at less than its worth just to "change some figures on a piece of paper" and to force them off the farms and into an uncertain and glutted labor market.

"It just seems like it would be better if they let me keep farming," Mr. Smith said to no one in particular. "It just doesn't make any sense."

LOAN GUARANTEES FOR BIG BUSINESS

Mr. CHURCH. Mr. President, I oppose the Emergency Loan Guarantee Act now before the Senate. More properly this bill should be labeled the Big Business Relief Act of 1971.

This legislation, if enacted, would not only provide the apparatus through which the Lockheed Corp. could receive the $250 million loan guarantee it has so relentlessly sought from Congress but would, in addition, set up a program which would allow other major corporations to turn to the Government for similar guarantees when they make mistakes in business judgment which cause them to experience business reverses.

I oppose the original legislation which would have simply given a loan guarantee to Lockheed. But this bill compounds the error. Rather than simply guaranteeing one company $250 million, this bill will create a Government underwritten loan program for big business to the tune of $2 billion. If the bill is enacted, we will see a long line of corporations pushed by their creditors through the doors of the Federal Treasury where their defaults will be made whole with public coin.

This bill means that the American taxpayer, not the lender, is to be made the risktaker of last resort in big business ventures. Once we start down that road, we abandon the very foundation of free enterprise—the basic principle that private business must assume the risk for success or failure, profit or loss, in the competitive marketplace.

Last year, over 10,000 small businesses in this Nation went bankrupt, but the Treasury Department did not step forward to offer these little companies a helping hand in the form of Federal loan guarantees. Nor does the Government step forward to offer assistance to hard-pinched taxpayers who must negotiate loans each April to pay their Federal income taxes.

We have been told that this loan guarantee involves little risk for the Federal Government. But, if this were so, then why is the Government guarantee needed in the first place? Why should the Government become involved? If the credit rating of Lockheed is so high, why are the banks refusing to make loans to the corporation without a warranty from the Federal Government?

On the other hand, if Lockheed is not a good financial risk, why should the American taxpayer bear the loss for a subsequent default of the corporation?

We are told that the continued financial stability of Lockheed is essential to the national defense. However, Deputy Defense Secretary David Packard has assured the Congress that the Defense Department could continue to do business on its contracts with Lockheed even if it were operated in receivership.

We are told that if Lockheed goes under, it could result in the loss of as many as 60,000 jobs. Such a figure is pure fiction since Lockheed would continue operations in receivership. In addition, it does seem strange that this administration should suddenly concern itself about jobs when 2.4 million jobs have been lost to the economy since President Nixon took office. The way to create needed jobs is to improve our Nation's overall economy, not to prop up a single ailing, failing firm.

Moreover, the distinguished Senator from Wisconsin makes an excellent point when he notes that if the L–1011 program, which has led Lockheed to its current financial straits, is not viable, we are not preventing a loss of jobs but only postponing the inevitable day when the jobs will be lost anyway. In short, we are providing "dead end" jobs for these employees—the type of jobs the President said should be avoided when he vetoed the public service employment bill passed by Congress last year.

Mr. President, the case against this bill is compelling. Yet, last week's vote shows that big business remains firmly seated in the saddle. The Senate has already decided to approve the bill, even before the arguments are heard. So let the word go out: A Republican administration and a Democratic Congress are about to perpetrate a travesty. Henceforth, public credit will be available to any business big enough to pry open the doors of the Federal Treasury, while the risks of "free enterprise"—whatever remains of it—will be borne by the small businessmen whom President Nixon, when runing for office, used to call "forgotten Americans."

Who would ever have thought that all the pious talk about changing priorities would turn out to mean: Socialism for the rich, free enterprise for the poor.

LOCKHEED'S PROBLEMS CAUSED BY GROSS MISMANAGEMENT

The taxpayer might be more sympathetic to proposals to bail out big industry if the cause of industry's shaky finances was a sudden accident or an unforseen change in technology. But these are not the causes of Lockheed's misfortune. Lockheed's problems have been caused by gross mismanagement. Henry M. Durham, former Lockheed Aircraft Corp. assistant division manager charged his former company with "disasterously rotten management" that wasted "untold millions of dollars." Durham has provided us with chapter and verse on the inefficient, wasteful, and sometimes improper practices of the Lockheed Aircraft Corp. He points out case after case where Lockheed workers ordered duplicate parts to use rather than using the parts already available. The parts situation became so bad that it was characterized as being "out of control."

Yet when this mismanagement was called to the attention of top management, the complaint was scraped under the table and the mismanagement continued. Durham was demoted because of his relentless fight against inefficiency and waste. It is his management that should be rewarded, not that of his Lockheed seniors.

I ask that Henry Durham's comments, appearing in the July 18, 1971 issue of the Washington Post, be printed in the RECORD for the information of my colleagues and the public.

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

[From the Washington Post, July 18, 1971]

VAST LOCKHEED WASTE CHARGED BY FORMER MANAGER

(By Morton Mintz)

MARIETTA, GA., July 17.—A former Lockheed Aircraft Corp. assistant division manager has given The Washington Post voluminous documentary evidence which, he charges, reveals "disastrously rotten management" that wasted "untold millions of dollars."

Mismanagement was Lockheed's "real problem," accounting for much of the estimated $2 billion or more in cost overruns on the giant C–5A transport plane, Henry M. Durham said in an interview.

He ridiculed a key argument made on Capitol Hill by Lockheed chairman Daniel J. Haughton in behalf of the pending bill to save the company from bankruptcy with a government guarantee for a loan of up to $250 million.

"The problem was not so much our ability to manage, but the type of contracts under which we had to operate—contracts that now have been found unworkable and are no longer used on new programs," Haughton told the House Banking and Currency Committee Tuesday.

In contrast, Durham cites examples of inefficient, wasteful and even, he contends, improper practices. His records show that the examples were among those he had provided Lockheed in pressing for reforms.

Durham says he was in charge of major production-control activities for the C–5A program, running "a control and supply organization" that procured, stocked, issued and delivered parts at the Lockheed-Georgia division.

A company spokesman, however, minimized his importance by referring to him as "a supply man" and not an executive.

Initially, in responding to a reporter's inquiry, W. P. Frech, director of manufacturing at Lockheed-Georgia, spoke of Durham as "a good employee who worked hard."

Later in the conversation, however, Frech characterized Durham as "a disgruntled employee" who lacked "justification for his actions" and was "not in a position to know" whereof he spoke.

Durham's charges are "false—all of them, practically," Frech said. "We have minute, functional systems to prove that all systems are 'go'."

The controversy may be clarified on Capitol Hill, where Sen. William Proxmire (D-Wis.), a leading opponent of the loan bill has asked Durham to testify before the Senate Subcommittee on Economy in Government. No date has been set.

In alleging mismanagement of the C–5A program, Durham cites these examples:

A survey of five C–5As showed that from 65 to 87 per cent of the parts issued, and presumably installed before final assembly, in the month ending April 6, 1970 were reported missing. The specific figures, as listed in a memo to Durham from a subordinate, W. T. Garrison:

Ship 0020 (the company's designation for the 20th C–5A), 1,356 parts issued, 893 missing; Ship 0021, 1,533 issued, 1,038 missing; Ship 0022, 1,492 issued, 1,120 missing; Ship 0023 1,039 issued, 912 missing; Ship 0024, 364 issued 305 missing.

Trying to find out what lay at the bottom of such problems, Durham, who was with Lockheed for 19 years, and Ron Newberry, of the C–5 Production Task Force, investigated a random sampling of 160 parts listed as "missing" from Ships 0009 and 0010.

Their main finding, made in a report of Oct. 13, 1969, was that 67.5 per cent of the parts claimed to be missing actually were—but that Lockheed nonetheless had certified the affected sectons of the aircraft to be complete, Durham said.

RECEIVED PAYMENT

By so certifying, Durham contends, the company was able to obtain Air Force payment for work that had yet to be accomplished, and, at the same time, to be credited for an "on schedule" performance.

An additional 16.3 per cent of the parts claimed to be missing actually were not, the report said.

The investigation report also revealed that 8.2 per cent of the parts listed as missing had been installed, but for no recorded reasons and in violation of company rules.

An additional 5.5 per cent of the parts were where they were supposed to be, the report said.

Finally, 2.5 per cent of the parts reported missing should not have been replaced because they were specified by engineering requirements, the report said.

Durham did not so much as hint that a single C–5A was delivered to the Air Force in unsafe condition. His concern, instead, was overwhelmingly with management efficiency in the control of aircraft parts.

Quality-control and production personnel, in reports supposedly reflecting the true condition of Ship 0023, said that 30 parts were missing from the wing of this C–5A when it moved to final assembly on March 11, 1970. But five days later, in a memo to a superior, Durham said that an audit showed the number of parts not actually installed, or not recorded by managers as having been installed, to be 1,084, or 36 times as many as those claimed.

Durham said that Lockheed reordered very small parts (VSPs), costing from 16 cents to $37.50 each, on the basis of supplies in stores or warehouses rather than on the basis of what he calls "an adequate inventory accountability system." One result, he said, was that VSPs were "scattered on floors, tables, in boxes, heaps—all over the place. They were being swept up and dumped. Finally, somebody caught on . . ."

But as of May 1, 1970, according to a memo he wrote on that date, VSPs that "should cost around $560,000 per aircraft" are "currently exceeding over $1,000,000 per ship." On this basis, he calculated, the overrun merely on VSPs for the C–5A program could come to $30 million.

(The 1965 contract estimate of the price for each C–5A was $20 million; 115 were to be built. Since then, the price has approximately tripled, and 81 are to built.)

After Ship 0008 made its first flight, about 2,000 parts previously procured on the basis of being needed were returned to stock as not needed, Durham told V. H. Brady, his immediate superior, in a memo on Nov. 24, 1969. This wasted "thousands and thousands of dollars," he told a reporter. "It happened on all ships, constantly."

When a ship arrives at the flight line, Durham said, it is theoretically in such an advanced state of completion that, apart from engineering changes, only components such as radar gear and flight equipment need be added.

But after Ships 0009 through 0014 arrived at the flight line, calls went out for replacements of 15,291 "missing" parts and 5,294 defective, or "butchered," parts, according to internal reports, Durham said.

When a C–5A moved to flight-test status it was, again in theory, almost ready to be flown, Durham explained. But on the basis of the number of calls made for parts for the first eight C–5As to reach flight test, he cal-

culated that 79,600 items had to be delivered, mostly to replace missing parts.

After Ship 0020 reached final assembly, calls went out on a single day, April 8, 1970, for replacements for 48 parts that previously had been delivered and signed for, Durham's aide, Garrison, told him in a memo. On the same day, 42 similar duplicate part requests were made for Ship 0021, and 27 for Ship 0022. the memo noted.

Once delivered as a result of such duplicate requests, large numbers of parts could not be installed, Durham said in the interview. The reason, he said, was that the components to which they were to be attached were strewn around—"on the floor, on tables, in people's pockets, under tables . . ."

Redundant ordering, he said, frequently occurred because production personnel, impatient with a procedure requiring them to certify, and quality-control specialists to verify, that a part was defective, would additionally invoke a speedier procedure intended exclusively for missing parts. In this way, "thousands of parts were being double-ordered and double procured."

After a wing cracked on a grounded C–5A undergoing simulated flight conditions on July 13, 1969, Lockheed set up a wing-modification program in Palmdale, Calif. Durham said that the Marietta plant then got a "panic" order for kits of two or more parts each. "Thousands of parts" had to be rounded up, packaged and shipped—Air Express—to Palmdale, he said.

In a memo on April 28, 1970, E. V. Shaddix, manager of the modification program, told Durham the kits were not needed and "are being returned to you for re-stocking . . ."

In a memo of Nov. 3, 1969, to Brady, his boss, Durham told of the shipment of numerous parts kits to Eglin Air Force Base, Fla., following a careful inspection to assure that each listed part actually was present. On Oct. 30, 1969, Shaddix phoned from Eglin to tell Durham that several needed parts were missing, the memo related. J. L. Ferrell, manager of the company's flight-test control department, then went to Florida to investigate.

Ferrell found that a root problem was the failure of planning personnel to order all the necessary parts to start with, the memo said. That aside, Ferrell discovered the parts situation to be "out of control." The memo continued:

"For example, some . . . kits were piled under a coat rack . . . All of these kits were partially opened. Blue prints and parts were strewn on the floor, laying on cabinets . . . stacked up in hallways and on top of desks . . ."

A Lockwood logistics supervisor said that a company flight-test crew, on arriving at Eglin, "demanded all of the kits, removed them from whatever control they were under, broke them open, and started to work," the memo reported.

"He further indicated that since that time he had no control of the situation at all," the Durham memo continued. "In fact, he said he has accumulated and stored several parts in his hotel room."

At a Lockheed parts plant in Chattanooga, Durham charged, procurement personnel commonly bought items at "premium prices" from outside suppliers, even though the same items were stocked in the company's own "stores" in Marietta, as could be readily determined by "pressing a button" for a computer printout.

An April 2 purchase order shows that, for example, Lockheed ordered a small amount of sheet steel from a frequently patronized supplier, the J. M. Tull Metals Co. of Atlanta. Durham obtained a print-out showing that Lockheed already had similar sheet steel on hand in Marietta, he said. On a square-foot basis, Durham said, Tull Metals' price was $3.15; Lockheed's was 67 cents, about one-fifth as much.

Numerous aircraft parts must be built to extremely close tolerances or must meet other "exotic" requirements, according to Durham. But Lockheed, at exorbitant cost, sometimes set such requirements needlessly, for noncritical equipment such as a missile dolly used only on the ground, he said.

Durham illustrated his point with a purchase order, dated last Feb. 15, for some rod ends from Southwest Products Co. of Monrovia, Calif. The price was $437.30 each. Rod ends meeting cruder specifications, but perfectly adequate, would cost only a few dollars each, he said.

Another purchase order shows that a year earlier, Lockheed bought identical rod ends from the same company—but at a unit price of $336.30, or $101 less.

At Lockheed's Chattanooga plant, Durham said, he found expensive tools and equipment "rusting away in the back yard." These items included drills, carbide cutters, and 18 castings that were "concealed under scrap metal and other junk." He said Lockheed has paid a total of $10,488.45 for 13 of the castings.

"Management people walked through this jungle every day but took no action to correct it," Durham said in the interview.

Also at Chattanooga, Durham said he found that the stockrooms carried 4,894 categories of miscellaneous small parts (MSPs), but that only 813 actually were necessary. Yet, Durham said, "many of the unneeded parts at Chattanooga were critically needed in Marietta.

In a May 8, memo, copies of which he sent to Lockheed chairman Daniel Haughton and to R. H. Fuhrman, president of Lockheed-Georgia, Durham said that "Ship 0002 was a shell when it was originally delivered to flight test even though it was reported to be in good shape . . .

"On Ship 0008, . . . over 10,000 parts were delivered and over 4,000 finally returned to normal stock because they were not required to get the ship in a flying condition." (After Ship 008 became airborne, Durham reported that 2,000 more parts were returned as unneeded, as previously noted).

President Lyndon B. Johnson flew down here on March 2, 1968, for the "roll-out" ceremony for the first C–5A, Ship 0001. But major portions of that aircraft, including the nosecap, claimed by the company to be complete, were "window-dressing"—"dubbed" or "faked" units hastily contrived to look impressive but, Durham charged, nowhere near functional.

Ordinarily, engineering changes in the C-5As required parts removal and replacement. Often, this could be accomplished with reworking, or modifications, of the originals.

But, Durham said, "millions of dollars worth of purchased parts were erroneously scrapped" and substitutes purchased usually because the Planning Division had called for scrapping rather than reworking. The division was "under great pressure to reduce the number of behind-schedule engineering jobs," Durham said.

Durham complained about this to Lockheed-Georgia president Fuhrman. Abuses such as this occur "with the full knowledge of many members of management up and down the ranks," Durham said in a memo dated April 17, 1970.

"I have been very disappointed with my superiors for lacking the fortitude and courage to go to the top if necessary to get serious problems corrected," he told Fuhrman.

"I was specifically instructed to direct all reports and comments directly to Mr. Brady (Durham's immediate superior) but could not get him to do anything concrete," the letter said.

"I realize now that it is because certain members of management feel they must conform and not rock the nice, tight little boat they have constructed.

"I believe one cannot afford to jeopardize the company by conforming to such standards. One must operate with directness and integrity in the best interests of the company, not the individual."

UNLIKELY CANDIDATE

Henry Durham's 19 years with Lockheed might well have marked him as an unlikely candidate to become a whistle-blower.

Born 44 years ago in Bradenton, Fla., he attended Georgia State and the University of Georgia for 3½ years, served 3½ years in the Marine Corps and then joined Lockheed as a dispatcher. Moving up through the ranks, he was named an assistant division manager, responsible for all production-control for C-5As moving to flight-line and flight-test status, in October, 1968.

Most of the time at Lockheed, he said, he worked 11-hour days and 7-day weeks, usually without claiming overtime.

His wife, Nan, recalled how it became routine long ago for her to prepare two suppers each day, an early one for their two children and herself and a late one for her husband.

A CORPORATION MAN

Durham, not without a touch of bitterness, says he had been a corporation man through and through. "If Lockheed wanted it, I assumed it was good," he said.

He was a hawk on the Vietnam war but now has "sort of moderated my views." Decals of the American Flag and the National Rifle Association adorn the rear window of his jeep-type vehicle.

At Lockheed, where he had as many as 300 employees under him, Durham won lavish praise.

"Among his many qualifications are unquestioned loyalty, energy, initiative, product and corporate knowledge, ambition, and an insistence on a job well done—first of all by himself, and secondly by all reporting to him," R.C. Goddard, who succeeded V.H. Brady as Durham's immediate superior, said in a letter of Feb. 24, 1970.

"It is our unqualified opinion that Mr. Durham would represent a real asset to any organization to which he might be assigned," Goddard added.

Later, in a formal commendation, Goddard said, "For a job well done under adverse conditions, this company expresses its sincere appreciation."

But a few days after signing the commendation, Goddard and Brady told Durham that he must accept either a demotion—to manage the C–5H refurbishment program, with a pay cut of $20 a week—or a layoff.

Durham said the explanation he was given was that only he was qualified to manage the program. He didn't believe it. The real explanation, he insists, had to be his relentless fight against inefficiency and waste.

In the spring of 1970, he carried his case to Lockheed-Georgia president Fuhrman. "He listened, mostly," Durham said of the 1¼ hour interview.

APRIL LETTER

Following up, he told Fuhrman in the April 12, 1970, memo how he had been disillusioned:

"I expected all concerned to come to the rescue, but, instead, received a very adverse reaction which continues.

"I discussed the problem with my immediate superiors, imploring them to take it up the line, to no avail . . .

"I was specifically instructed to direct all reports and comments directly to Mr. Brady but could not get him to do anything concrete."

Durham opted for the layoff. "I was going to be my own man," he said in the interview. "You can become a pawn—bent, twisted."

Telling Goddard of his decision, Durham said in a letter, "I do not have the audacity to say I am always right. However, I do plan to always act in accordance with my honest

opinions, principles and convictions, regardless of the consequences."

Durham had asked for two weeks to train a successor. But the day after he sent the letter, Goddard startled him by telling him to leave that very afternoon and refusing to explain why.

Durham recalled the episode a week later in a letter to Fuhrman. After "19 years of dedicated service," Durham told him, he was "rushed out" of the plant, with an initial refusal even to let him gather up his personal belongings.

Such treatment usually was reserved for a person who has been fired, the letter said, and it was "monstrous."

A week later, on May 25, Durham chronicled his story to Lockheed chairman Daniel Haughton.

In a 3-page, single-spaced letter supported by copies of documents such as those given to The Post, Durham told of a call from V. H. Brady directing him "to keep quiet and hide" a specific missing-parts report; of a dawning "horrible realization" that data were being withheld from corporate management (including Haughton), and of "charts produced to illustrate how beautiful everything was rather than the true facts."

"PROTECTIVE SOCIETY"

Durham also told Haughton of "what I choose to call the Lockheed-Georgia Management Protective Society" . . . To be a member, one must worry more about protecting his hide and the hides of his superiors than working in the best interests of the company and the country."

After he met with Fuhrman, Durham told Haughton, "I was ostracized, criticized, pushed into a corner and eventually downgraded."

Yet, he told the board chariman, he was "not seeking revenge"; neither was he asking for reinstatement or a new job. Rather than work with the people he had been with at Lockheed, Durham said, he would go elsewhere and "dig another foxhole."

Despite all of this Durham still had faith in the company. "Lockheed management as a whole throughout the corporation is beyond reproach," he told Haughton. "I know the Lockheed Corporation had to be built on integrity to be as large as it is . . ."

Haughton, replying almost at once, said he had read the letter, "perused" the documention, and planned to talk with Fuhrman and request an investigation.

Once the investigation is complete, Haughton, Fuhrman or the investigator would contact Durham, the board chairman said. (No one ever contacted him, Durham says).

"I hope you find a job that you will be happy with," Haughton's letter concluded.

After leaving Lockheed, Durham looked for a job, painted his house and spent more time with his family than he had for many years.

ASKED TO COME BACK

Then Frech, the director of manufacturing at Lockheed-Georgia, asked him to come back. "Not with those people," Durham remembers replying.

A couple of weeks later, Frech phoned again to renew the invitation. This time, Durham accepted—even though it meant a cut of more than $80 a week below his previous salary, and working 100 miles away in Chattanooga where, at still more cost, he would have to rent an apartment for use during the workweek.

Durham says he took the offer, last August, because he asked for, and got, assurance from Frech that the "mess" at Lockheed would be straightened out, because he still was confident that the investigation Haughton promised would be made, and because he was sure the investigation would vindicate him.

Once in Chattanooga, however, Durham said he found things continuing much as before. Also as before, he protested, again to no avail.

Thus, on Aug. 24, in a detailed memo to C. L. Starnes, manager of the Chattanooga facility, Durham said, "The stock situation is, at the best intolerable. Parts are crowded, piled and jammed into bins . . . Housekeeping is non-existent.

Last May, Durham, saying he decided "I couldn't stand it any more," asked again to be laid off. Frech recalled it differently, saying Durham left after being told that, with employment shrinking, he'd have to "take a little bit of a downgrade."

Before leaving, Durham hand-wrote a 23-page letter to Starnes, including instructions for his successor and "observations and constructive criticism."

The letter included detailed analyses of the familiar problems, reports on such reforms as Durham had been able to achieve, a plea for a crackdown on "shabby performance" and a closing wish for "good luck."

For two months now, Durham has been trying to start a business selling aerosol products to retail accounts in the Atlanta area. His wife has become the breadwinner, working as a caseworker for the Cobb County Family and Children Services.

ADMINISTRATION LEADER OPPOSES BILL

Mr. CHURCH. Mr. President, in deciding how to vote on this important issue, I believe that we can look to Deputy Defense Secretary David Packard, a highly successful businessman before he entered Government service, for advice. In his testimony before the Senate Banking Committee, Secretary Packard said that he would not support the Lockheed loan guarantee if it would create a precedent. Yet, that is just what the bill has become, a broad authority to bail out any big company that cannot hack it. Secretary Packard knows where this path leads—to inefficiency and waste. He knows that the only force, that the only compulsion preventing mismanagement is the need to make a profit. Unfortunately, he finds it difficult to bite the bullet and repudiate the administration's line on this legislation.

An editorial appearing in the New York Times on June 11, 1971, focuses attention on Packard's misgivings. I think it deserves being read into the RECORD.

The editorial is captioned "The Lockheed Precedent," and reads as follows:

In his testimony before the Senate Banking Committee, Deputy Defense Secretary David Packard virtually knocked the props from under the Nixon Administration's case for the Government to guarantee up to $250-million in loans to the Lockheed Aircraft Corporation.

In contrast to earlier assertions of Treasury Secretary Connally that great harm would be done to the nation's defenses if Lockheed were permitted to go bankrupt as a result of its inability to finance the civilian L–1011 airbus, the Pentagon's chief procurement officer said he regarded bailing out Lockheed as an economic rather than a defense issue. The Defense Department, he indicated, could obtain the weapons systems from the company for which it had contracted even if it were operated by a court-appointed receiver, although possibly at somewhat higher cost.

Lockheed's competitors—McDonnell Douglas and Boeing—regard it as unfair for the Government to guarantee loans to Lockheed and fear that the Government will seek to prop the company up with extra defense contracts. What the economic issue really comes to is saving the jobs of Lockheed's workers—although Mr. Connally and the Administration seem equally eager to save the jobs of Lockheed's present management as well. Secretary Connally has rejected the proposed amendment of Senator Cranston of California that the $250-million loan guarantee be made conditional upon replacing Lockheed's management.

It is not clear how many of Lockheed's workers—or of its subcontractors—would lose their jobs if the company went bankrupt. Eighty to 90 per cent of the company's business is still defense; about 16,000 of its 70,000 employes are working on the civilian L–1011. Presumably, even in receivership, the defense employes would not lose their jobs. McDonnell Douglas and Boeing are eager to pick up both the orders and some part of the work force on the L–1011. Subcontractors presently have about 7,000 to 8,000 workers committed to Lockheed's airbus, but the subs can and do work for the other airframe producers, as well.

Although there would undoubtedly be dislocation and hardship for some of the engineers and workers now engaged on the L–1011, it is nonsense for the Administration to contend that its program to solve the national unemployment problem—with some five million workers out of jobs—would be jeopardized if Lockheed failed. The economists who have appeared before the Senate Banking Committee have stressed repeatedly that the answer to the nation's unemployment problem must be found in the Administration's over-all economic policies and programs, not in rescuing the L–1011.

One of the crucial issues presented by the proposed Lockheed bail-out is that of the precedent it establishes for other failing defense—or nondefense—producers. Mr. Packard, a highly successful businessman before he went to the Pentagon, said that if he thought the Lockheed loan guarantee would establish such a precedent, he would oppose it; he could support it only as "a specific, single case." But Senator Proxmire replied, "Once you do something like this in Congress . . . it becomes a precedent."

Whatever political advantage the Administration may see in waging its battle to rescue the L–1011, the bail-out has no justification on economic, defense, or managerial grounds. And it could set a dangerous and very costly precedent for other companies.

NO PERMANENT GET-WELL FUND FOR BUSINESS

Mr. President, I do not think that it is the role of our Government to set up a sort of get-well fund for every ailing big business. I am under the impression that the basic premise of our economy is a system in which business management is rewarded for performance and penalized for lack of performance. Yet today we seem to be in the process of setting up a get-well fund for the large business that has failed. Certainly, no company has shown less efficient management than Lockheed. It is almost a case history in mismanagement. The end result in this case, however, is not a change of management but an appeal for aid. The end result is not receivership and reorganization of the company. It will be the same old cost-overrunning, failure-to-meet-specifications company that we knew before. This is the organization we are asked to bail out. To do so would be a most serious error.

An article in the Washington Daily News on July 21, 1971, entitled, "How many Lockheeds are we prepared to bail out?", poses the real question. It reads as follows:

Whatever justification there is for bailing out the near-bankrupt Lockheed Aircraft Corp., there is no justification for setting up

a permanent get-well fund in Washington for every ailing business corporation.

Yet that seems to be what Congress and the Nixon administration now have in mind—guaranteeing up to $2 billion in private bank loans for shaky companies whose collapse possibly would be a blow to the economy.

Bills to that effect already have been approved by the Senate Banking Committee and introduced in the House. And the administration is willing to accept a broad loan guarantee program if that's what it takes to rescue Lockheed from bankruptcy this summer.

Deputy Defense Secretary David Packard was overruled from above when he tried to oppose a permanent guarantee program in testimony before the House Banking Committee.

Mr. Packard, who formerly ran a $300-million-a-year electronics firm in California, was told to delete his criticisms of the $2 billion backup fund and simply endorse the $250 million loan guarantee for Lockheed.

Judging by his earlier testimony, Mr. Packard even had reservations about the Lockheed loan, calling it a "dangerous" precedent that might encourage companies to overextend themselves, then lean on the government for help.

It is quite likely, for example, that other aircraft companies and hard-pressed airlines would turn to Washington once the door were open for emergency aid.

As Mr. Packard points out, the Defense Department has been trying for several years to discourage companies from underbidding defense contracts on the assumption that extra money would be available later for cost overruns.

Why promote such speculation?

And who's to say whether a sick company will be able to survive, even with a government-backed loan?

No one denies that Lockheed is in trouble. Or that the collapse of the company might disrupt defense contracts or temporarily jolt the economy.

But the nation would be foolish indeed to invite other companies to take the same risks—and make the same mistakes—that Lockheed did, knowing that Uncle Sam would be around to cushion the fall.

BUSINESSMEN WIDELY OPPOSE AID TO LOCKHEED

Mr. President, perhaps the most telling argument against the loan guarantee program is the opposition of the Nation's top business leaders to this legislation. This opposition was repeatedly echoed at the spring meeting of the blue-ribbon Business Council at Hot Springs, Va. Donald M. Kendall, president of Pepsi Co., Inc., said that as a precedent the legislation disturbs him. William Allen, chairman of Boeing Co. and Fred J. Borch of the General Electric Co. actively were drumming up opposition to the legislation proposed to bail Lockheed out.

When our senior business management opposes a program of this type, we should reconsider. If there were a legitimate argument for providing assistance to this segment of the aerospace industry, I am sure that industry leaders would be the first to say so. But they do not. They oppose this move. Some can only do it privately because they rely on Government contracts for their business.

Nevertheless, a recent article appearing in the Wall Street Journal points up the opposition of many business leaders to this proposal. I shall read excerpts from it.

ADMINISTRATION'S BID TO BAIL OUT LOCKHEED IS WIDELY OPPOSED BY TOP BUSINESS LEADERS

(By Albert R. Hunt)

HOT SPRINGS, VA.—The nation's top business leaders overwhelmingly oppose the Nixon administation's effort to bail out Lockheed Aircraft Corp. with $250 million in loan guarantees.

This sentiment was repeatedly echoed, often privately, by members of the blue-ribbon Business Council at its spring meeting here. "There appears to be almost universal opposition to government intervention in the Lockheed situation," said one council member.

During the sessions the businessmen also expressed:

—Strong doubts that inflationary pressures are significantly receding and particularly worry about the possibility of a new burst of inflation next year.

—Continuing skepticism over the administration's forecast of a rapid economic recovery this year. They generally predicted that the unemployment rate will remain higher than 5% until late next year.

—Surprisingly little concern over the international monetary crisis, although several executives said the complexities of the situation baffled them.

—Deep concern over growing antibusiness sentiment in the country. But they were admittedly perplexed over how to cope with this problem.

A "DISTURBING PREDICAMENT"

Many of the businessmen were plainly troubled by the Lockheed proposal. "As a precedent, it disturbs me," said Donald M. Kendall, president of PepsiCo Inc. and a close friend of President Nixon. Asked whether a Lockheed failure could dangerously undermine business confidence, he responded, "It would affect my confidence."

Some council members, including William M. Allen, chairman of Boeing Co. and Fred J. Borch, chairman of General Electric Co., even were actively drumming up opposition to the administration's proposal, according to one participant at the meetings. GE reportedly has attacked the plan because Lockheed's L1011 plane would use a Rolls-Royce engine, which competes against GE's own jet engine.

Mr. Borch's opposition particularly antagonizes administration officials. "It seems pretty hypocritical that in the same week GE would ask Congress for reimbursement for its expenses on the supersonic transport plane, and then oppose any effort to help "Lockheed," one administration man fumed.

But these officials conceded that the Lockheed proposal faces a tough uphill fight in Congress. "As of now, our chances are certainly less than 50–50," one insider said. Some top officials are known to believe the only chance for favorable congressional action is to broaden the proposal so other companies also could qualify for similar guarantees.

Over the weekend, Senate Democratic Majority Leader Mike Mansfield of Montana said it isn't "the function of a democratic government to pick up the tab for the failures of private enterprise," the Associated Press reported. But the Senate Leader added he "wouldn't be surprised" if Congress approved the Lockheed request.

GLOOM ON INFLATION

On the question of the economy, all the council's leaders voiced concern that although inflation appears to be abating somewhat, the problem is far from under control. "Inflation is still the No. 1 problem in this country and I'm frankly not optimistic about making much progress over the next year," one corporate executive said.

Irwin Miller, chairman of Cummins Engine Co., said wage and price controls are necessary to reduce the unemployment rate to the 4% level. Mr. Miller also called for a reinstatement of the 7% investment-tax credit in place of the administration's proposed liberalization of depreciation guidelines and suggested this should be accompanied by an increase in the corporate tax rate.

But George Shultz, director of the Office of Management and Budget, said he disagreed "sharply" with Mr. Miller's call for controls. He said inflationary pressures have been moderating "for a number of quarters." And at a press conference, Mr. Miller said the reaction of his fellow businessmen to these proposals was "substantially unfavorable."

Some of the economic advisers to the council, however, expressed concern that the current "expansionary forces could rekindle inflation in 1972," and generally agreed that "no increase in monetary and fiscal stimulus is currently required." These advisers reiterated their forecast of three months ago that the gross national product will total about $1.05 trillion this year, rather than the $1.065 trillion forecast by the administration.

JOBLESS RATE

The advisers predicted that real output will grow about 3% this year and that inflation "isn't expected to exceed 4.4%," down from last year's 5.3% pace. But they predicted only a "moderate drop" in unemployment to about 5.5% by year-end. On Friday, the Labor Department reported the jobless rate edged up to 6.1% last month from 6% a month earlier.

In response to questions, R. V. Hansberger, president of Boise Cascade Corp. and chairman of the council's economic committee, said the jobless rate will remain above 5% until "late 1972." The Nixon administration has said the unemployment rate will be in the area of 4% by the middle of next year.

The business leaders also forecast a "weak third quarter" this year because of the current heavy steel buying in anticipation of any possible strike. But the economic consultants agreed a steel strike would have only a "very minor impact" on the economy, Mr. Hansberger said.

THE MONETARY ENIGMA

The businessmen said they were watching the international financial situation closely, but voiced few hard opinions on this subject. "It's all so complex it's difficult to figure out what's happening," confessed one corporate chieftain.

Vice President Spiro Agnew, however, told the businessmen the international problems wouldn't be allowed to impede U.S. economic growth. "We shall continue to take appropriate action to reduce the temporary glut of dollars abroad," the Vice President said in a prepared text for his dinner address to the business leaders. "But what we will not do is put the U.S. economy through the wringer in order to deal with a temporary situation."

Much of the three-day meeting was spent discussing the increasing public criticism of business. Thomas W. Benham, executive vice president of Opinion Research Corp., told the businessmen that surveys show an increase in antibusiness sentiment in every year since 1965.

Most of the business leaders agreed that business' image problems largely are caused by the increased interest in consumerism and environmental matters and by the problems of inflation. And a number of businessmen conceded that some of the criticism was intimate.

CHALLENGE TURNED DOWN

There wasn't any consensus, however, on how to deal with this problem. C. B. McCoy, chairman of Du Pont Co., suggested that "head-to-head contact with critics" is often desirable. But a short while later, at a press conference, James M. Roche, Chairman of

General Motors Corp., turned down a debate challenge issued a few weeks ago by consumer advocate Ralph Nader. "I see no benefit in anyone from General Motors debating Mr. Nader," he said, asserting that GM always has responded to Mr. Nader's many criticisms of the company.

Ironically, the staunchest defender of business turned out to be a government official—Commerce Secretary Maurice H. Stans. He said surveys show that business "is more than 99.44% pure" in that buyers are fully satisfied with transactions. Pressed on this point, Mr. Stans later conceded this was only his own "personal estimate."

Despite differences over the Lockheed proposal and the economy, the businessmen generally expressed satisfaction with President Nixon. A number, however, were less enthusiastic about Mr. Agnew. "The vice President has said a lot of things that needed to be said," observed one council member. "But I think he's really polarized the country," he added. In contrast, many businessmen heaped lavish praise on Treasury Secretary John B. Connally, who canceled his scheduled appearance before the group because of the international financial crisis.

FEDERAL HEALTH INSURANCE FOR AILING CORPORATIONS

Why is it that 6,000 or 16,000 or 60,000 jobs connected with Lockheed deserve special attention? Is this the way we go about reemploying the 4.7 million Americans who are unemployed? You know and I know that a sound economic growth policy is more than a patch and plaster job. What is needed is a steady, aggressive, well-thought-out economic growth policy that will insure adequate employment opportunities for those who wish to work. Let us put money into better transportation. Let us put money into better housing. But let us not put money into poor management to bail out failing firms. In this connection, an editorial opposing the proposed legislation appeared in the Washington Star of May 10, 1971. Since the Star is a Republican paper which usually supports the administration, I should like to read the editorial into the RECORD. It is entitled, "Saving Lockheed."

The administration's proposal for $250 million in federal loan guarantees, to assure financing for Lockheed Aircraft Corporation's TriStar air bus project, is a questionable solution to a private business problem. The rationale of the plan is that the taxpayers' backing is needed to keep Lockheed out of bankruptcy and thus avoid a serious blow to the national economy.

The questions raised by such a federal role in a commercial, non-defense venture include (1) how the precedent would affect the future of the private-enterprise system, (2) whether the government sponsorship would be fair to Lockheed's competitors in civilian airliner production, (3) whether judging from Lockheed's past ability to get itself into immense financial difficulties the $250 million would be the last of such guarantees and (4) how vital Lockheed is to either the country's economy or the national security.

These and other doubts will be raised by skeptics in both houses of Congress, and the burden will be on the administration and its leading spokesman on the subject, Treasury Secretary Connally, to provide good answers. The committee hearings, we trust, will be thorough.

The Lockheed affair already has encouraged proposals for much wider legislation providing a sort of federal health insurance for ailing corporations. This might remove the curse of favoritism from the special bill to aid Lockheed, but it will require deep thought about the proper government role in business. Are the taxpayers to be the ultimate risk-takers in industrial ventures, or are we to take a step toward nationalization of vital industries?

A sour note in the Lockheed bail-out plan is that corporation's involvement in, and at least partial responsibility for, hundreds of millions of dollars in defense-cost overruns. The taxpayers' experience with the nation's largest defense manufacturer has been anythink but happy in latter years. Lockheed's defense-contract problems have contributed to the TriStar mess, along with factors outside Lockheed's control, particularly the bankruptcy of Rolls-Royce, British supplier of the TriStar's engines.

Whether the 31,000 jobs dependent on the TriStar project should be the deciding economic factor is another matter. The question could be put to the 4.7 million Americans who were unemployed last month, and who might feel they have a claim to equal treatment.

The PRESIDING OFFICER (Mr. BEALL). All time having expired, the question is on agreeing to the amendment of the Senator from South Dakota (Mr. MCGOVERN). On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Oklahoma (Mr. HARRIS), the Senator from Minnesota (Mr. HUMPHREY), and the Senator from Rhode Island (Mr. PASTORE) are necessarily absent.

I further announce that, if present and voting, the Senator from Indiana (Mr. BAYH), would vote "yea."

I also announce that, if present and voting, the Senator from Rhode Island (Mr. PASTORE), would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Oregon (Mr. HATFIELD) and the Senator from Ohio (Mr. TAFT) are necessarily absent.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from Oregon (Mr. HATFIELD) would vote "nay."

The result was announced—yeas 18, nays 75, as follows:

[No. 176 Leg.]

YEAS—18

Bible	Hughes	Mondale
Burdick	Kennedy	Montoya
Byrd, W. Va.	Long	Muskie
Church	Magnuson	Pell
Hart	McGee	Randolph
Hartke	McGovern	Williams

NAYS—75

Aiken	Eastland	Moss
Allen	Ellender	Nelson
Allott	Ervin	Packwood
Anderson	Fannin	Pearson
Baker	Fong	Percy
Beall	Fulbright	Prouty
Bellmon	Gambrell	Proxmire
Bennett	Goldwater	Ribicoff
Bentsen	Gravel	Roth
Boggs	Griffin	Saxbe
Brock	Gurney	Schweiker
Brooke	Hansen	Scott
Buckley	Hollings	Smith
Byrd, Va.	Hruska	Sparkman
Cannon	Inouye	Spong
Case	Jackson	Stennis
Chiles	Javits	Stevens
Cook	Jordan, N.C.	Stevenson
Cooper	Jordan, Idaho	Symington
Cotton	Mansfield	Talmadge
Cranston	Mathias	Thurmond
Curtis	McClellan	Tower
Dole	McIntyre	Tunney
Dominick	Metcalf	Weicker
Eagleton	Miller	Young

NOT VOTING—7

Bayh	Humphrey	Taft
Harris	Mundt	
Hatfield	Pastore	

So Mr. MCGOVERN's amendment (No. 326) was rejected.

Mr. SPARKMAN. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. TOWER. Mr. President, I move to lay that motion on the table.

The motion was agreed to.

QUORUM CALL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BEALL). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HARTKE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

PRESIDENT NIXON'S APPOINTMENT OF AMBASSADOR WILLIAM J. PORTER AS PERSONAL REPRESENTATIVE TO VIETNAM PEACE TALKS IN PARIS

Mr. HARTKE. Mr. President, I have today sent the following letter to the distinguished chairman of the Foreign Relations Committee:

Hon. J. W. FULBRIGHT,
Chairman, Foreign Relations Committee, U.S. Senate

DEAR MR. CHAIRMAN: President Nixon has once again demonstrated his contempt for the United States Senate and for the orderly constitutional procedures which are supposed to govern the conduct of our foreign relations.

By his action yesterday in appointing Ambassador William J. Porter as his so-called "personal representative" to the Vietnam Peace Talks in Paris, Mr. Nixon has again violated the clear mandate of Article II, Section 2, of the U.S. Constitution, requiring the advice and consent of the Senate to any such appointment.

The naming of Ambassador Porter as a "personal representative" whose nomination need not go before the Senate is nothing other than a subterfuge, a transparent device for violating the Constitution by public relations gimmickery.

Similar evasions have deformed and discredited our constitutional system for nearly a generation. Wars have become "police action." Treaties have become "executive agreements." The Congress has supinely permitted itself to be stripped of its true constitutional authority in matters of war and peace so that today, as I said to the Senate last Monday in introducing Senate Resolution 156, our system resembles nothing so much as the Fifth Republic under Charles de Gaulle or the German Federal Republic under Konrad Adenauer.

This is worse than a constitutional tragedy. It is a defilement of the ideals which for almost 200 years have provided the energy to maintain this "government of the people, for the people, and by the people."

The basic principle of representative government in foreign policy making lies in a shambles at our feet. There may yet be time to put it back together. Nothing less than immediate, resolute action by the Foreign Relations Committee and the full Senate can restore the vitality to a badly injured system.

Sincerely,

VANCE HARTKE.

QUORUM CALL

Mr. HARTKE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the distinguished Senator from Nebraska (Mr. HRUSKA) be recognized for not to exceed 10 minutes, at the close of which time I again be recognized.

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

(The remarks of Mr. HRUSKA when he introduced S. 2373, dealing with professional basketball leagues, are printed in the RECORD under Statements on Introduced Bills and Joint Resolutions.)

ORDER FOR STAR PRINT OF AMENDMENT NO. 340

Mr. PEARSON. Mr. President, I ask unanimous consent that a star print be made of my amendment No. 340 to the amendment No. 308 by the Senator from Rhode Island (Mr. PASTORE) to S. 382 to correct a printing error.

In the third paragraph of my amendment, the words "title II" should be changed to read "title III."

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

QUORUM CALL

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GRIFFIN. Mr. President, I ask unanimous consent that the order for quorum call be rescinded.

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

U.S. CITIZENSHIP FOR ABDUL MUHSIN GALLOZI

Mr. GRIFFIN. Mr. President, earlier today I introduced a bill and stated the circumstances under which Mr. Abdul Gallozi, a native of Iraq who had lived in the United States for a number of years and was ready to become a U.S. citizen, was shot to death in his grocery store.

I now ask unanimous consent for its immediate consideration.

I wish to indicate that the question of immediate consideration has been cleared with the chairman of the Committee on the Judiciary and the ranking Republican member of the Committee on the Judiciary, as well as the leadership on this side.

Mr. BYRD of West Virginia. I have no objection.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Michigan?

There being no objection, the Senate proceeded to consider the bill (S. 2378) to confer U.S. citizenship posthumously upon Abdul Muhsin Gallozi, which was read the first time by title and the second time at length.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 2378) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 2378

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Abdul Muhsin Gallozi, a native of Iraq, shall be held and considered to have been a citizen of the United States at the time of his death.

QUORUM CALL

Mr. GRIFFIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

RECESS

Mr. BYRD of West Virginia. Mr. President, I move that the Senate stand in recess, awaiting the call of the Chair, with the understanding that the recess not extend beyond 5:30 p.m. today.

The motion was agreed to; and (at 4 o'clock and 52 minutes p.m.) the Senate took a recess subject to the call of the Chair.

The Senate reassembled at 5:14 p.m. when called to order by the Presiding Officer.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Berry, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill—H.R. 9667—making appropriations for the Department of Transportation and related agencies for the fiscal year ending June 30, 1972, and for other purposes; that the House receded from its disagreement to the amendment of the Senate numbered 24 to the bill concurred therein; that the House receded from its disagreement to the amendments of the Senate numbered 3, 5, 6, 14, 30, 31, and 49 to the bill, and concurred therein, severally with an amendment, in which it requested the concurrence of the Senate; and that the House insisted upon its disagreement to the amendments of the Senate numbered 22 and 23 to the bill.

PROGRAM

Mr. TOWER. Mr. President, I would like to take this opportunity to ask the distinguished acting majority leader if he could tell us what the plans are for the rest of the evening and could then recite the program for tomorrow.

Mr. BYRD of West Virginia. Mr. President, I thank the distinguished senior Senator from Texas.

There will be no further business today. The Senate will adjourn shortly until 9:30 a.m. tomorrow. Under the rules of the Senate, and in particular with respect to Standing Rule No. XXII, the 1-hour preceding the vote on the motion to invoke cloture will begin to run immediately upon the convening of the Senate at 9:30 a.m. This would mean that at 10:30 tomorrow morning, the Chair would ask the clerk to proceed with a mandatory quorum call, and upon the establishment of a quorum, the Senate would then proceed to take a mandatory rollcall vote on the motion to invoke cloture. The rollcall vote would begin at about 10:40 tomorrow morning.

At 11 o'clock tomorrow morning, under the order previously entered, whether or not cloture is invoked, the Senate will proceed to the consideration of the bill making appropriations for the Departments of Labor, and Health, Education, and Welfare, with a time agreement already entered thereon.

Mr. GRIFFIN. Mr. President, could the Senator tell us what he expects in the way of time to be consumed by the Labor and HEW appropriation bill?

Mr. BYRD of West Virginia. Mr. President, it would be my judgment, after having discussed the matter with Mr. MAGNUSON, the very distinguished chairman of the Appropriations Subcommittee on the Departments of Labor and HEW, that there could be several anticipated amendments and considerable discussion. Tomorrow will be consumed, for the most part, in the consideration and disposition of that appropriation bill.

Mr. TOWER. Mr. President, following that, we would return to the consideration of S. 2308.

Mr. BYRD of West Virginia. The Senator is correct. If there is enough time remaining, we would then return to the consideration of the pending business or perhaps take up conference reports. But if all of tomorrow afternoon is required—as I think it will be—in the consideration of the appropriation bill on the Departments of Labor, and Health, Education, and Welfare, there will not be much time for other business tomorrow.

On Saturday, when the Senate convenes at 10 o'clock—and that is the present order, which of course is always subject to change—the Senate will at that time then take up, immediately following the recognition of the two leaders under the standing order, the bill making appropriations for public works, with time limitations thereon of 1 hour on the bill and one-half hour on each amendment.

Mr. TOWER. Mr. President, the distinguished acting majority leader had said something to the effect that we could conceivably return to the consideration of S. 2308 on Saturday.

Mr. BYRD of West Virginia. Did I understand the able Senator to refer to the return to the consideration of S. 2308?

Mr. GRIFFIN. Yes, on Saturday.

Mr. BYRD of West Virginia. On Saturday, yes; I think I can safely say for the majority leader that it would be the plan possibly to return to the consideration of S. 2308 on Saturday following the completion of action on the public works appropriation bill if there is time enough to accomplish any progress.

Mr. GRIFFIN. Mr. President, I thank the Senator.

QUORUM CALL

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum, with the understanding hopefully that this will be the final quorum call of the day.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ADJOURNMENT UNTIL 9:30 A.M.

Mr. BYRD of West Virginia. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 9:30 a.m. tomorrow.

The motion was agreed to; and (at 5 o'clock and 23 minutes p.m.) the Senate adjourned until tomorrow, Friday, July 30, 1971, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate July 29, 1971:

DIPLOMATIC AND FOREIGN SERVICE

Nathaniel Davis, of New Jersey, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Chile.

Henry E. Catto, Jr., of Texas, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to El Salvador.

William G. Bowdler, of Florida, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Guatemala.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 29, 1971:

U.S. CIRCUIT COURTS

William H. Timbers, of Connecticut, to be a U.S. circuit judge, second circuit.

U.S. DISTRICT COURTS

Malcolm M. Lucas, of California, to be a U.S. district judge for the central district of California.

Lawrence T. Lydick, of California, to be a U.S. district judge for the central district of California.

Spencer M. Williams, of California, to be a U.S. district judge for the northern district of California.

C. Stanley Blair, of Maryland, to be a U.S. district judge for the district of Maryland.

Herbert F. Murray, of Maryland, to be a U.S. district judge for the district of Maryland.

Joseph H. Young, of Maryland, to be a U.S. district judge for the district of Maryland.

Charles L. Brieant, Jr., of New York, to be a U.S. district judge for the southern district of New York.

Paul Benson, of North Dakota, to be a U.S. district judge for the district of North Dakota

Albert V. Bryan, Jr., of Virginia, to be a U.S. district judge for the eastern district of Virginia.

U.S. PATENT OFFICE

Brereton Sturtevant, of Delaware, to be an examiner in chief, U.S. Patent Office.

DEPARTMENT OF TRANSPORTATION

Benjamin Oliver Davis, Jr., of Virginia, to be an Assistant Secretary of Transportation.

FEDERAL COMMUNICATIONS COMMISSION

Charlotte T. Reid, of Illinois, to be a member of the Federal Communications Commission for a term of 7 years from July 1, 1971.

CORPORATION FOR PUBLIC BROADCASTING

Zelma George, of Ohio, to be a member of the board of directors of the Corporation for Public Broadcasting for the remainder of the term expiring March 26, 1972.

COMMUNICATIONS SATELLITE CORPORATION

Frederic G. Donner, of New York, to be a member of the board of directors of the Communications Satellite Corp. until the date of the annual meeting of the corporation in 1974.

HOUSE OF REPRESENTATIVES—*Thursday, July 29, 1971*

The House met at 12 o'clock noon.

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

Be ye stedfast, unmovable, always abounding in the work of the Lord, forasmuch as ye know that your labor is not in vain in the Lord.—I Corinthians 15:58.

Eternal God, our Father, in all reverence and humility we pause in Thy presence to offer unto Thee our morning prayer. Lift us into the reality of Thy spirit where we may be still and know that Thou art God.

We come with hearts overflowing with gratitude and pray that this spirit may fill all our days. We have so much for which to be thankful: Homes where love dwells; churches where we can worship as we desire; friendships which bless our lives; a Nation that is free; work to do and the strength to do it.

Rekindle in us the fires of our faith and tune our hearts to Thee that we may be lifted above all malice and all ill will and with increasing confidence be made adequate for the tasks of this new day: Through Jesus Christ our Lord. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Without objection, the Journal stands approved.

There was no objection.

MESSAGE FROM THE SENATE

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

H.R. 3201. An act for the relief of Faith M. Lewis Kochendorfer; Dick A. Lewis; Nancy J. Lewis Keithley; Knute K. Lewis; Peggy A. Lewis Townsend; Kim C. Lewis; Cindy L. Lewis Kochendorfer; and, Frederick L. Baston.

The message also announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 8866. An act to amend and extend the provisions of the Sugar Act of 1948, as amended, and for other purposes.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 8866) entitled "An act to amend and extend the provisions of the Sugar Act of 1948, as amended, and for other purposes," request a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. LONG, Mr. ANDERSON, Mr. TALMADGE, Mr. BENNETT, and Mr. CURTIS to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 7109) entitled "An act to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 7960) entitled "An act to authorize appropriations for activities of the National Science Foundation, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9270) entitled "An act making appropriations for agriculture-environmental and consumer protection programs for the fiscal year ending June 30, 1972, and for other purposes."

The message also announced that the Senate agreed to the House amendments to the Senate amendments Nos. 4, 34, and 38.

MERGER OF THE TWO MAJOR BASKETBALL LEAGUES

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

Mr. BROOKS. Mr. Speaker, America has always been a sports loving nation.