

HOUSE OF REPRESENTATIVES—Friday, July 30, 1971

The House met at 12 o'clock noon.

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

Eye hath not seen, nor ear heard, neither have entered into the heart of man, the things which God hath prepared for them that love Him.—I Corinthians 2: 9.

Eternal God, from whom cometh all things good and true, in the quiet of this moment we open our hearts unto Thee. Thou art everywhere and now in this silence we would find Thee and be found by Thee.

"Spirit of God, descend upon my heart; Wean it from earth; through all its pulses move; Stoop to my weakness, mighty as Thou art, And make me love Thee as I ought to love."

Strengthen Thou our faith, restore our courage, make us great in goodness and good in our greatness that we may triumph over wrong and conquer every evil intention. Put beneath us Thy strong foundation and send us out into this day to be Thy loyal and loving children. In Thy holy name we pray. Amen.

ORDER OF BUSINESS

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

The SPEAKER. Will the gentleman withhold his point of order until the Chair disposes of the Journal?

Mr. KOCH. Mr. Speaker, I prefer not to, because I intend to pursue that aspect at a subsequent time, and I, therefore, insist on my point of order.

The SPEAKER. Will the gentleman from New York withhold his point of order until the Chair receives a message?

Mr. KOCH. Very well, Mr. Speaker.

MESSAGE FROM THE SENATE

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

H.R. 943. An act to provide mortgage protection life insurance for service-connected disabled veterans who have received grants for specially adapted housing;

H.R. 3146. An act to authorize the Secretary of Agriculture to cooperate with the States and subdivisions thereof in the enforcement of State and local laws, rules, and regulations within the national forest system;

H.R. 6239. An act to amend the maritime lien provisions of the Ship Mortgage Act of 1920; and

H.R. 9181. An act to amend the Northwest Atlantic Fisheries Act of 1950.

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

S. 1316. An act 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; and

S. 2378. An act to confer U.S. citizenship posthumously upon Abdul Mushin Gallozi.

CALL OF THE HOUSE

Mr. KOCH. Mr. Speaker, I renew my point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

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

A call of the House was ordered.

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

[Roll No. 222]

Abourezk	Frenzel	Nelsen
Anderson, Tenn.	Gallagher	Poage
Ashley	Gray	Purcell
Boland	Grover	Quillen
Bray	Hagan	Rlegle
Carter	Heckler, Mass.	Saylor
Celler	Hollifield	Scheuer
Chisholm	Horton	Scott
Clark	Hosmer	Sisk
Clay	Hungate	Stafford
Collier	Jacobs	Stephens
Dellenback	Jones, N.C.	Symington
Dent	Jones, Tenn.	Tiernan
Devine	Kemp	Van Deerlin
Diggs	Long, La.	Whalley
Donohue	McClure	Widnall
Edwards, La.	McCulloch	Wydler
Esch	Mann	Wyman
Fish	Metcalfe	Yatron
Foley	Michel	Young, Tex.

The SPEAKER. On this rollcall 372 Members have answered to their names, a quorum.

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

THE JOURNAL

Mr. BOGGS. Mr. Speaker, I move that the Journal be approved, and I move the previous question on the motion.

The previous question was ordered.

The SPEAKER. The question is on the approval of the Journal.

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

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

The SPEAKER. The Chair will count.

Two hundred one Members are present, not a quorum.

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

The question was taken; and there were—yeas 374, nays 10, not voting 49, as follows:

[Roll No. 223]
YEAS—374

Abbutt	Dennis	Keating
Abernethy	Derwinski	Kee
Abourezk	Dickinson	Keith
Adams	Dingell	King
Addabbo	Dorn	Kluczynski
Alexander	Dow	Kuykendall
Anderson, Calif.	Dowdy	Kyl
Anderson, Ill.	Drinan	Kyros
Anderson, Tenn.	Dulski	Landgrebe
Andrews, Ala.	Duncan	Landrum
Andrews, N. Dak.	du Pont	Latta
Annunzio	Dwyer	Leggett
Archer	Edmondson	Lennon
Arends	Edwards, Ala.	Lent
Ashbrook	Edwards, Calif.	Link
Ashley	Ellberg	Lloyd
Aspin	Erlenborn	Long, Md.
Aspinall	Eshleman	Lujan
Badillo	Evans, Colo.	McClory
Baring	Evins, Tenn.	McCloskey
Barrett	Fascell	McCollister
Begich	Findley	McCormack
Belcher	Fish	McDade
Bell	Fisher	McDonald, Mich.
Bennett	Flood	McEwen
Bergland	Flowers	McFall
Betts	Flynt	McKay
Bevill	Foley	McKevitt
Blaggi	Ford, Gerald R.	McKinney
Blester	Ford,	McMillan
Bingham	William D.	Macdonald, Mass.
Blackburn	Forsythe	Madden
Blanton	Fountain	Mahon
Blatnik	Fraser	Mailliard
Boggs	Frey	Martin
Boland	Fulton, Pa.	Mathias, Calif.
Bolling	Fulton, Tenn.	Mathis, Ga.
Bow	Fuqua	Matsunaga
Brademas	Galifianakis	Mayne
Brasco	Garmatz	Mazzoli
Brinkley	Gaydos	Meeds
Broomfield	Gettys	Melcher
Brotzman	Gialmo	Mikva
Brown, Mich.	Gibbons	Miller, Calif.
Brown, Ohio	Goldwater	Miller, Ohio
Broyhill, N.C.	Gonzalez	Mills, Ark.
Broyhill, Va.	Goodling	Mills, Md.
Buchanan	Grasso	Minish
Burke, Fla.	Green, Ore.	Mink
Burke, Mass.	Green, Pa.	Minshall
Burleson, Tex.	Griffin	Mizell
Burlison, Mo.	Griffiths	Mollohan
Burton	Gross	Monagan
Byrne, Pa.	Gubser	Montgomery
Byrnes, Wis.	Hagan	Moorhead
Byron	Haley	Morgan
Cabell	Hall	Morse
Caffery	Halpern	Mosher
Camp	Hamilton	Moss
Carey, N.Y.	Hammer-	Murphy, Ill.
Carney	schmidt	Murphy, N.Y.
Casey, Tex.	Hanley	Myers
Cederberg	Hanna	Natcher
Celler	Hansen, Idaho	Nedzi
Chamberlain	Hansen, Wash.	Nichols
Chappell	Harrington	Nix
Chisholm	Harsha	O'Beay
Clancy	Harvey	O'Hara
Clausen,	Hastings	O'Konski
Don H.	Hathaway	O'Neill
Clawson, Del.	Hawkins	Passman
Cleveland	Hays	Patman
Collier	Hechler, W. Va.	Patten
Collins, Tex.	Heckler, Mass.	Pelly
Colmer	Helstoski	Pepper
Conable	Henderson	Perkins
Conte	Hicks, Mass.	Pettis
Corman	Hicks, Wash.	Peyser
Cotter	Hogan	Pickle
Coughlin	Hollifield	Pike
Crane	Howard	Pirnie
Culver	Hull	Podell
Daniel, Va.	Hunt	Poff
Daniels, N.J.	Hutchinson	Powell
Danielson	Ichord	Preyer, N.C.
Davis, Ga.	Jacobs	Price, Ill.
Davis, S.C.	Jarman	Price, Tex.
Davis, Wis.	Johnson, Calif.	Pryor, Ark.
de la Garza	Johnson, Pa.	Pucinski
Delaney	Jones, Ala.	Qule
Denholm	Jones, N.C.	Railsback
	Karh	Randall
	Kazen	

Barick	Shibley	Thone	[Roll No. 224]	Stanton,	Thomson, Wis.	Whitten
Rees	Shoup	Tiernan	YEAS—334	James V.	Tiernan	Widnall
Reid, Ill.	Shriver	Udall		Steed	Udall	Wiggins
Reid, N.Y.	Sikes	Ullman		Steele	Vander Jagt	Williams
Reuss	Sisk	Vander Jagt	Abbutt	Steiger, Ariz.	Vanik	Wilson, Bob
Rhodes	Skubitz	Vanik	Abernethy	Stokes	Veysey	Wilson,
Riegler	Slack	Veysey	Abourezk	Stratton	Vigorito	Charles H.
Roberts	Smith, Calif.	Vigorito	Abzug	Stubblefield	Waggonner	Winn
Robinson, Va.	Smith, Iowa	Waggonner	Adams	Stuckey	Wampler	Wolf
Robinson, N.Y.	Smith, N.Y.	Waldie	Addabbo	Sullivan	Ware	Wright
Rodino	Spence	Wampler	Alexander	Symington	Watts	Wylder
Roe	Springer	Ware	Anderson,	Talcott	Whalen	Yates
Rogers	Staggers	Watts	Anderson, Ill.	Taylor	White	Zablocki
Roncalio	Stanton,	Whalen	Anderson,	Thompson, N.J.	Whitehurst	Zwach
Rooney, N.Y.	J. William	White	Anderson,			
Rooney, Pa.	Stanton,	Whitehurst	Tenn.			
Rosenthal	James V.	Whitten	Andrews, Ala.			
Rostenkowski	Steed	Widnall	Andrews,			
Roush	Steele	Williams	N. Dak.			
Rousselot	Steiger, Ariz.	Wilson,	Annunzio			
Roy	Steiger, Wis.	Charles H.	Arends			
Roybal	Stephens	Winn	Ashbrook			
Runnels	Stokes	Woff	Ashley			
Ruppe	Stubblefield	Wright	Aspin			
Ruth	Stuckey	Wyatt	Aspinall			
St Germain	Sullivan	Wylder	Baldillo			
Sandman	Symington	Wyllie	Baker			
Sarbanes	Talcott	Yates	Baring			
Satterfield	Taylor	Young, Fla.	Barrett			
Scherle	Teague, Calif.	Young, Tex.	Begich			
Schmitz	Teague, Tex.	Zablocki	Belcher			
Schneebell	Terry	Zion	Bell			
Schwengel	Thompson, Ga.	Zwach	Bennett			
Sebelius	Thompson, N.J.		Bergland			
Seiberling	Thomson, Wis.		Betts			
			Bevill			
			Biaggi			
			Blester			
			Bingham			
			Blackburn			
			Blatnik			
			Boggs			
			Boland			
			Bolling			
			Bow			
			Brademas			
			Brasco			
			Brinkley			
			Broomfield			
			Brotzman			
			Brown, Mich.			
			Brown, Ohio			
			Broyhill, Va.			
			Buchanan			
			Burke, Fla.			
			Burke, Mass.			
			Burleson, Tex.			
			Burlison, Mo.			
			Burton			
			Byrne, Pa.			
			Byrnes, Wis.			
			Byron			
			Cabell			
			Caffery			
			Camp			
			Carney			
			Casey, Tex.			
			Cederberg			
			Celler			
			Chamberlain			
			Chappell			
			Chisholm			
			Clancy			
			Clawson, Del.			
			Collier			
			Collins, Ill.			
			Collins, Tex.			
			Colmer			
			Conable			
			Conte			
			Conyers			
			Cotter			
			Coughlin			
			Crane			
			Culver			
			Daniel, Va.			
			Daniels, N.J.			
			Danielson			
			Davis, Ga.			
			Davis, S.C.			
			Davis, Wis.			
			Deaney			
			Dellums			
			Denholm			
			Dennis			
			Derwinski			
			Dingell			
			Dow			
			Dowdy			
			Drinan			
			Dulski			
			Duncan			
			du Pont			
			Dwyer			
			Edmondson			
			Edwards, Ala.			
			Edwards, Calif.			
			Eilberg			
			Erlenborn			
			Eshleman			
			Evans, Colo.			
			Fascell			
			Fish			
			Fisher			
			Flood			
			Flowers			
			Foley			
			Ford, Gerald R.			
			Ford,			
			William D.			
			Forsythe			
			Fountain			
			Fraser			
			Frelinghuysen			
			Frey			
			Fulton Pa.			
			Fuqua			
			Galifianakis			
			Gallagher			
			Garmatz			
			Gaydos			
			Gettys			
			Gialmo			
			Gibbons			
			Goldwater			
			Gonzalez			
			Goodling			
			Grasso			
			Green, Oreg.			
			Green, Pa.			
			Griffin			
			Griffiths			
			Gubser			
			Gude			
			Hagan			
			Halpern			
			Hamilton			
			Hammer-			
			schmidt			
			Hanley			
			Hanna			
			Hansen, Idaho			
			Hansen, Wash.			
			Harrington			
			Harvey			
			Hathaway			
			Hays			
			Hechler, W. Va.			
			Heckler, Mass.			
			Helstoski			
			Henderson			
			Hicks, Mass.			
			Hicks, Wash.			
			Hogan			
			Hollifield			
			Howard			
			Hull			
			Hunt			
			Hutchinson			
			Ichord			
			Jarman			
			Johnson, Calif.			
			Johnson, Pa.			
			Jones, Ala.			
			Jones, N.C.			
			Karth			
			Kastenmeter			
			Kazen			
			Keating			
			Kee			
			Keith			
			Kemp			
			Kluczynski			
			Koch			
			Kuykendall			
			Kyl			
			Kyros			
			Landgrebe			
			Landrum			
			Latta			
			Leggett			
			Link			
			Lloyd			
			Long, Md.			
			Lujan			
			McClory			
			McCloskey			
			McCullister			
			McCormack			
			McDade			
			McDonald,			
			Mich.			
			McEwen			
			McFall			
			McKay			
			McKevitt			
			Macdonald,			
			Mass.			
			Madden			
			Mahon			
			Mailliard			
			Mann			
			Martin			
			Mathias, Calif.			
			Mathis, Ga.			
			Matsunaga			
			Mayne			
			Mazzoli			
			Meeds			
			Melcher			
			Mikva			
			Miller, Calif.			
			Mills, Ark.			
			Mills, Md.			
			Minish			
			Mink			
			Minshall			
			Mollohan			
			Monagan			
			Moorhead			
			Morgan			
			Moss			
			Murphy, Ill.			
			Murphy, N.Y.			
			Myers			
			Natcher			
			Nedzi			
			Nichols			
			Nix			
			Obey			
			O'Hara			
			O'Konski			
			O'Neill			
			Passman			
			Patman			
			Patten			
			Pelly			
			Pepper			
			Perkins			
			Pettis			
			Peyster			
			Pickle			
			Pike			
			Podell			
			Poff			
			Powell			
			Preyer, N.C.			
			Price, Ill.			
			Price, Tex.			

Mr. CONYERS. Mr. Speaker, in view of the fact that the Senate has put the Lockheed matter over until Monday, would a motion to adjourn be in order?

The SPEAKER. The Chair will state that of course a motion to adjourn is always in order, and the relevance of side or collateral issues is unimportant.

Mr. CONYERS. I thank the Speaker.

MOTION TO ADJOURN

Mr. CONYERS. Mr. Speaker, I move that the House do now adjourn.

The SPEAKER. The question is on the motion to adjourn.

The question was taken; and the Speaker announced that the noes appeared to have it.

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

The SPEAKER. The Chair will count. Two hundred forty-three Members are present, a quorum.

Mr. CONYERS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

So the motion to adjourn was rejected.

FREEDOM OF THE PRESS, TV STYLE

(Mr. PIKE asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. PIKE. Mr. Speaker, the lucky American people who were watching the "Today Show" on NBC this morning got a classic example of freedom of the press, TV style, in action.

Comedian George Jessel was the guest, and was being himself. He had the bad judgment to make very unfavorable comparison between Pravda, the New York Times and the Washington Post. His hitherto genial host on the "Today Show," Mr. Ed. Newman, turned suddenly and powerfully ungenial. He told Mr. Jessel that opinions such as that were simply not to be uttered. Mr. Jessel was not told that his judgment was bad or his opinion was wrong, just flatly that he might not say anything that bad about the media on the media. Mr. Jessel was cut off.

And that is the way it is, "Today," with freedom of the press and freedom of speech in America.

RAIL AND DOCK STRIKE

(Mr. DELLUMS asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. DELLUMS. Mr. Speaker, the present rail and dock strike has meant that each day millions of dollars worth of food is rotting in the fields and warehouses of California; it is truly insensible and inhumane to allow these vast quantities of food to be destroyed. There are millions of people in the world who desperately need this food. Since it is unrealistic to assume that the U.S. Government could authorize a program to distribute this food within our own country, it has been suggested to me by Miss Cynthia

Iammediato of San Francisco that the U.S. Government undertake immediate action to provide funds to assist the 6 million or more victims of the Pakistan civil war by providing them with this food. Let me quote from the contents of those secret messages that the distinguished Senator from Massachusetts disclosed:

Prospects for averting widespread hunger, suffering and perhaps starvation are not, repeat, not good.

We have a responsibility to both the people of East Pakistan and the people of the world to assist these victims of a political tragedy. And so I call for the President to immediately establish a program to ship vegetables and other crops that are rotting in the fields and in the warehouses of Western States to the people of East Pakistan. For the relatively small amount of money that must be appropriated in order to ship to these victims of starvation. Food that would otherwise go to waste—we would be accomplishing an extremely vital task. A task that we should assume is an obligation to our fellow man.

RECOMPUTATION OF MILITARY PAY

(Mr. PICKLE asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. PICKLE. Mr. Speaker, I am today introducing legislation that would reestablish the recomputation principle in military retired pay.

The present policy, which was enacted in 1958, reduced significantly retirement pay benefits. Presently, a retired military man's pay is a percentage of his active duty pay at the time he retires. This system has resulted in many retirees, who retired within months of each other, receiving different retirement benefits. My bill would provide that a retiree's pay be based on a percentage of the active duty pay presently being given to the active duty personnel of the same rank as the retiree.

Our military retirees are men and women who have dedicated the major portion of their adult lives to the defense of our country. They should be able to enjoy a good standard of living after their retirement.

At a time when we are talking about creating a voluntary military system, I think we should take a careful look at the retirement program. Private industry uses attractive retirement systems to attract career employees. We should use much the same incentive in attracting career military personnel.

Mr. Speaker, I urge that Congress take immediate action on recomputation. Our military retirees have waited long enough.

PROVIDING FOR CONSIDERATION OF H.R. 8432, EMERGENCY LOAN GUARANTEE ACT OF 1971

Mr. COLMER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 566 and ask for its immediate consideration.

The Clerk read the resolution as follows:

H. RES. 566

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8432) to authorize emergency loan guarantees to major business enterprises. After general debate, which shall be confined to the bill and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider the amendment in the nature of a substitute recommended by the Committee on Banking and Currency now printed in the bill as an original bill for the purpose of amendment under the five-minute rule, and all points of order against said substitute for failure to comply with the provisions of clause 7, rule XVI, and clause 4, rule XXI, are hereby waived. At the conclusion of such consideration, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER. The gentleman from Mississippi is recognized for 1 hour.

Mr. COLMER. Mr. Speaker, I yield the usual 30 minutes to the gentleman from California (Mr. SMITH) and pending that I yield myself such time as I may consume.

Mr. Speaker, as a reading of the resolution has already apprized you, the resolution provides an open rule with 3 hours of general debate, waiving points of order on two provisions of the bill, one as to germaneness and another as to appropriations. The bill will be open for amendment under the 5-minute rule.

Some dissatisfaction was expressed on the floor about the time limit of 3 hours of general debate. I should like to emphasize what we already know, namely, that in general debate very few Members are present. But under the 5-minute rule, when time is important, the Members are here to pass upon amendments. In that connection, Mr. Speaker, I hope that those in charge of the bill, even though it is Friday and Members want to get away, will not curtail sharply time on these amendments.

In my view, after several years serving in this body, I feel it is ridiculous to have an important amendment here and then have the time limited, and maybe limited to 20 minutes, when 25 people will stand up and say they want to speak on it, with the result they will get about three-quarters of a minute each. So I hope those who are in charge of the bill on the floor in the Committee of the Whole will not follow that policy here today, because this is a very important bill.

Mr. Speaker, if I may be personal for just a moment, I do not think there is a bill that has been considered in this body, certainly this year, that has given

me more personal concern than has this bill. Why do I say that? Because as usual, there are two sides to this issue. It seems to me they are pretty sharp here.

One of them is, of course, the question of lending money to a gigantic industry to keep that industry in business, to give it an opportunity to furnish employment, and to serve as a backlog for defense production, but above everything else, this occurs at a time when unemployment we are told is higher than at any other time in recent years. Here we could do away with—I have forgotten how many thousands of workers, and I will yield to someone briefly if he can furnish me that information.

Mr. PATMAN. It is 60,000.

Mr. COLMER. The chairman of the committee says about 60,000 people, and I appreciate his having my memory refreshed.

We are passing bills every week here to train people to work, and yet, by pulling down this plant, we would turn back 60,000 people and put them on the unemployment side of the ledger. That is very, very important particularly at this period.

Now what was the other side of the coin that gave me so much concern? It was that we would in a sense be embarking here on a new venture. I could not say we would be setting a precedent, but at least we would be laying the groundwork to get into the big league in the area of guaranteeing loans.

But, Mr. Speaker, when I analyze what is involved here, namely the loss of 60,000 jobs, the adverse effect if not liquidation of some 35,000 contractors and subcontractors plus 11,000 additional jobs furnished by small business enterprises; the sharp reduction in revenue to the Government and the general bad effect upon the whole economy of the country, I am driven to the conclusion that the best interest of the country and its taxpayers lies in some remedial relief to this huge industry.

Incidentally, I do not happen to be one of those who subscribes to the theory that big business is necessarily bad business just simply because it is big.

In connection with the unemployment which would result from the bankruptcy of this huge enterprise, I want to again remind my colleagues that for many months now there have been many bleeding-heart appeals to bring about full employment as well as to help small business.

If it is wrong as a matter of principle for the Government to guarantee loans to big business, under the same yardstick is it not bad to guarantee them to small business?

So I say, after wrestling with my conscience—and I really mean that—for weeks on this problem, I came around, I admit rather reluctantly, to the conviction that this legislation is justified.

Let me say in that connection that I do not have a Lockheed plant or a subsidiary of Lockheed in my State, so far as I know, and certainly not in my congressional district. I do not have these people who will be thrown out of employment in my district. I do not own one dime's worth of stock in Lockheed or any of its subsidiaries.

But I am interested in the economy of this country, both present and future.

I am not going to go into the merits of the bill we have here. The gentleman from Texas and others will do that. But we have a bill here that provides for setting up a board. I understand there will be amendments offered to change the personnel of that board, but I do not have time to go into all that. This would make it an overall general piece of legislation that would affect others than Lockheed in the future.

There is kicking around in the House and kicking around in the other body—which incidentally, usually, I say again regretfully, calls the turn—a proposal that would make this just applicable to the Lockheed enterprise. I do not like that. As conservative as I am reputed to be, I would prefer to see general legislation that was applicable to all industries which could qualify rather than picking out one and singling it out to have what we consider favorite treatment under this bill.

I do not know what is going to happen. That is not going to be conclusive with me. But I do prefer the broader approach.

I want to close with one thought, and I offer it for your serious consideration. During the hearings before the Rules Committee on this bill I took the liberty of suggesting to the chairman of the Committee on Banking and Currency and others present that the banks involved here should be required to participate to some limited extent in this guarantee. Why did I come to that conclusion? The banks, we are told, have a stake here of \$400 million. They have a big stake. We are told that one of the reasons for this legislation, is that if Lockheed goes into bankruptcy then its assets will be practically worthless because of the peculiar type of their tools, and other assets. The banks would thereby lose the major portion of their loans.

Of course, the same, I have to admit, would be true if they went bankrupt after this loan was provided.

I come back to my small business loans. In small business loans—at least a large percentage of them—the Government guarantees the loan, but the local bank participates in it. So I am suggesting here, and I am constrained to offer an amendment under the 5-minute rule that the banks participate to the extent of 10 percent in the risk loan. They already participate to the extent of \$400 million, yes, but they should participate in this loan that the Federal Government is asked to give up to the extent of 10 percent.

Some of my friends who are very much interested in this legislation say that that will upset the applecart and that it would have to go to conference. Well, you are going to have to go to conference anyhow, I assume, because it will be a very rare occasion if the other body takes what this body passes. As a matter of fact, I understand the current situation at the other end of the Capitol is that they are going back to the one-shot \$250 million bill.

So, Mr. Speaker, I have unburdened myself of what was on my mind here for your consideration. I am not going to fall out with anyone who differs with me on

the conclusions I have reached, because, after all, I realize that it is a very difficult situation. Let us deliberate with but one objective in mind—the best interest of the country.

I hope the rule will be adopted and a satisfactory bill passed.

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

Mr. Speaker, House Resolution 566 covers the provisions under which H.R. 8432, the Emergency Loan Guarantee Act of 1971, will be considered by the House. It provides for 3 hours of debate under an open rule. The original bill was stricken and a substitute prepared in the nature of an amendment. Points of order are waived against the substitute under clause 7, rule XVI and clause 4, rule XXI. The first waiver is to protect the substitute from being stricken on the basis of some part of it being nongermane. Inasmuch as the entire substitute is an amendment, if any part is nongermane the entire substitute would fail. The second provision has to do with the restriction against any committee appropriating money which does not have the authority to do so. Possibly some of the language in the substitute could be considered as appropriation language. Any amendments can be offered to the committee amendment.

Mr. Speaker, the purpose of the bill is to establish standards and procedures to control the granting of emergency loan guarantees to major domestic businesses whose failure would seriously damage the growth of the economy and the national employment situation. The bill authorizes such loan guarantees in the aggregate amount of \$2,000,000,000, with any single borrower limited to \$250,000,000 in loan guarantees. Authority to make loan guarantees under the legislation expires on December 31, 1973.

H.R. 8432 creates an Emergency Loan Guarantee Board to administer the program and promulgate rules. It is to be composed of the Secretary of the Treasury, as chairman, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Federal Reserve Bank in the district in which an applicant firm is located.

The bill provides that after October 1, 1971, the Board may not make a loan unless it notifies Congress, a period of 29 days elapses, the Congress being in session. During that period either body, by resolution, may disapprove the loan guarantee proposed to be made.

Economic criteria must be met by any company seeking loan guarantee assistance. As set forth in section 4, they require that; first, the loan be necessary to enable the borrower to continue to furnish goods and services it produces; second, credit is not otherwise available on reasonable terms or conditions; and, third, the earning power of the borrower, together with the pledged security, furnish reasonable assurance of loan repayment. Further, the bill requires that: first, the lender certify to the Board that it will not make the loan without a guarantee; and, second, the guarantee be for a maximum of 5 years and may be renewed once for a term of 3 years.

The Lockheed Aircraft Corp.'s situation is illustrative of the type of problem which can arise. It is a large firm handling a number of defense contracts. It is also one of only three companies producing large commercial aircraft.

The production of the L-1011 airbus has led to the current difficulties. At this time, some 24 banks have already advanced Lockheed about \$400,000,000. Airline companies which have ordered the L-1011 have put up some \$240,000,000 in advance purchase payments.

There is no additional cost to the Government. The bill was reported by a vote of 23 to 11. The administration supports the legislation.

Mr. Speaker, admittedly this is a controversial matter. Some would prefer the one-time \$250 million guaranteed loan to Lockheed. Some prefer the \$2 billion situation as contained in this bill. Some undoubtedly feel that the Government should not engage in attempting to keep private enterprise from going bankrupt. Undoubtedly amendments will be offered.

In this respect, Mr. Speaker, it is my understanding that the leadership and those in charge of the bill on both sides of the aisle and others have arrived at a tentative agreement to go back to the original \$250 million one-shot loan for Lockheed.

That could be handled in several different ways under the rule as it is presented. However, it is my understanding that the manner in which they will try to proceed is that when we reach the stage of the reading of the bill, at that particular time a unanimous-consent request will be made that the bill be considered as read for purposes of amendment. Some four amendments will then be offered, hopefully by unanimous consent to be considered en bloc. These will be to the substitute in the nature of an amendment in order to redirect it to the original bill which was proposed by the gentleman from Wisconsin (Mr. REUSS). It will be along the lines of a Senate bill, but with some amendments. In any event, the \$2 billion will be reduced to \$250 million, and the board structure will be changed somewhat. Also, there are certain other amendments. That is the procedure that I understand has been more or less agreed to.

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

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

Mr. REUSS. Everything the gentleman has said seems to be in exact accord with the facts, except the sponsorship of the amendments by the gentleman from Wisconsin.

Mr. SMITH of California. I am sorry. I saw the gentleman from Wisconsin sitting there, but it is my understanding that the gentleman from Ohio (Mr. ASHLEY) will offer these amendments. In any event, I believe that is the procedure that we will reach.

Although precisely accurate figures cannot be made as to what the results will be if Lockheed goes bankrupt, testimony indicated that at least 35,000 persons now gainfully employed would be immediately affected. Possibly as many as 60,000, including skilled technicians and engineers, would find their employ-

ment jeopardized. A tremendous amount of the products used in the L-1011 are obtained through subcontracts. Testimony indicated that possibly 35,000 small businesses would be damaged if Lockheed goes under.

It is extremely difficult to be precise on the overall loss, but estimates indicate that possibly \$750 million would be lost in taxes. This could affect cities, counties, States, and the Federal Government. Approximately \$1.4 billion in materials have been ordered and are waiting to be fabricated. Think of how many people will be affected from that standpoint of their business, their profits and taxes if Lockheed is permitted to go bankrupt.

In attempting to consider further ramifications it seems reasonable to me that if all these people become unemployed, they will have that much less money to spend for food, clothing, gasoline, and other necessities of life. It is almost unbelievable what the ramifications might be if one of our largest defense corporations like Lockheed goes bankrupt.

There seems to be some misunderstanding from the standpoint of this being a cost to the taxpayer. Actually no money is involved. There will not be an appropriation. The Federal Government is simply guaranteeing a loan which the banking institutions will make. The banks have loaned as much money as they can under the circumstances. After all they put out their depositors' money and if they loaned further money without a guarantee they might find themselves in extreme difficulty with the bank examiners.

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

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

Mr. PATMAN. Mr. Speaker, the gentleman made a statement about the procedure to be followed, and I believe he did not continue on to give the rest of the procedure. The gentleman from Ohio (Mr. ASHLEY) will introduce the four amendments, and ask that they be considered en bloc—which we hope will be accepted—but in the event an objection is heard, why, then, the gentleman from Ohio (Mr. ASHLEY) will offer each amendment individually at the appropriate places.

I believe that is the way we expect to handle it.

Mr. SMITH of California. I thank the gentleman from Texas.

It seems to me that there are changes around here every 30 or 40 seconds. I understand that would be the way it will be handled, by asking unanimous consent to consider the four amendments en bloc. If that is not granted they will be taken up individually. After that, other amendments could be offered.

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

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

Mr. ASHLEY. Let me say that the understanding we have between us continues in effect. I believe the chairman was simply trying to indicate that there will be an effort made to have the amendments considered en bloc. That failing, they will of course be offered separately.

Mr. SMITH of California. Actually, the

amendments all relate to cleaning up the substitute, and then if there are further amendments which someone wishes to offer they can do so. It would be a much better procedure, I think, to consider the four amendments en bloc.

Mr. ASHLEY. The four amendments in question are those, as has been indicated by the gentleman in the well, and they have been agreed upon by the leadership on both sides of the aisle, and by the chairman and ranking minority member of the Committee on Banking and Currency.

Mr. SMITH of California. And I assume the gentleman will explain them in detail during general debate?

Mr. ASHLEY. That is correct.

Mr. SMITH of California. The effect of this, as I say, is simply to guarantee this loan, and I mentioned about the banks. There is property that will be pledged. All the property that is securing the bank loans at the present time, this is going to be subjected to this loan.

If Lockheed obtains the loan and then goes bankrupt, the Government will have to take care of its guarantees. However, all of Lockheed's assets with the exception of a few million dollars in debentures and unpaid wages at the time of bankruptcy if it occurs after the loan is made, is pledged as security. Their property is well worth more than \$250 million.

I do not see how the Government can possibly lose by guaranteeing this particular loan, because they will have all of that real estate and property which would be taken over as a first lien in case they go bankrupt. In addition to that, no dividends will be paid and nothing will be paid to the banks in connection with their pending loans until such time as the \$250 million is repaid. More than enough orders are pending not only to repay the \$250 million which Lockheed will apply for, but also to make a profit so that other loans can be repaid.

On Wednesday we passed a bill costing almost \$4 billion. A considerable amount of the money therein is for the purpose of creating about 150,000 jobs.

That is taxpayers' money. This bill if passed would retain probably as many as 150,000 people on their present jobs without costing the taxpayer any money.

Due to the cutback in defense contracts thousands of people in southern California have lost their employment. If Lockheed goes bankrupt the unemployment will be materially increased and will become extremely critical. This would be extremely unfortunate at a time when efforts are being made to expand our economy.

Mr. Speaker, we have many, many programs where loans are made to assist businesses. We have many programs in connection with job training. All of these cost the taxpayer money. This program in my opinion will not cost the taxpayer any money. It seems to me that it is the best possible thing we can do to help solve some of our many problems.

Over the years Lockheed Aircraft Corp. has been a stalwart from the standpoint of keeping the United States of America the No. 1 Nation in the world. Before World War II they developed the Hudson bomber.

I think some of you will remember that bomber was a great help, and played

a tremendous part in keeping England from being defeated prior to our entering the war, when there were no other aircraft available.

Probably England might have fallen if it had not been for the Hudson bomber over there. It was a good work horse.

When Boeing started making the B-17, the Department of Defense and the Government wanted more B-17's. They requested Lockheed to build it also. Lockheed set up a line and cooperated to do it at that time—and we did it—Lockheed did it—they set up a line and turned out the B-17 as fast as they possibly could. You know what a big help the B-17 was at that time during World II to the end.

Then they developed the P-38 which was a rather peculiar looking aircraft, but a really good fighter plane. I have flown in it many, many times. It was mighty helpful. Other companies were inventing other fighters. The P-38 certainly did its share to help maintain the United States of America and to keep it the No. 1 Nation. I think Lockheed deserves some help from us now for the good they have done to keep the United States in its position. Mr. Speaker, I certainly hope the House will pass appropriate legislation.

Mr. Speaker, I reserve the balance of my time and urge the adoption of the rule.

The SPEAKER. The gentleman from California has consumed 12 minutes.

Mr. COLMER. Mr. Speaker, I yield 5 minutes to the distinguished and able chairman of the Committee on the Judiciary, the gentleman from New York (Mr. CELLER).

Mr. CELLER. Mr. Speaker, I echo the sentiments that the gentleman from California just addressed to you concerning the excellent performance of Lockheed Corp. during World War II—during that war and since then. They have completed some 20,000 defense airplanes and, certainly, they have made many significant contributions to our defense effort including certain types of sophisticated military aircraft such as the Aegena rocket and the Polaris missile program. I think Lockheed is worth saving at the present time.

We hear tell much about a loan of this kind being a sort of socialization of our economy and that it would erode the strict discipline of the private enterprise system. That is just a lot of balderdash.

There are many precedents for the public sector coming to the aid of private business and private industry. I have but to refer to the RFC, the Reconstruction Finance Corporation. I have done some research concerning the RFC which rescued from the teetering brink of bankruptcy many, many thousands of business entities—and we were and are none the worse off as a result of that—and there was no deterioration of our private enterprise system.

The RFC was in existence for 25 years. It loaned \$40 billion to all manner and kinds of industries and businesses. The largest loan was made to a defense company—the Kaiser Corp. which received \$111 million in 1942. That loan was paid at 4 percent interest.

Other loans were made to—

The Lustron Corp. of Ohio received \$32.4 million.

An aircraft company, the Glenn L. Martin Co., received \$33.5 million.

Reynolds Metal Co. received \$51.2 million.

The Baltimore & Ohio Railroad received \$80 million.

I do not think the loan that we would now guarantee with reference to the Lockheed Corp. is any different than the aforesaid loan made by the RFC. Nor do I see any difference in principle between the Federal guarantee of bank loan to Lockheed and subsidies that we pay to farmers and the subsidies given to the merchant marine and the airlines and railroads and the mail subsidies to magazines and the indirect subsidies that are provided by the establishment of quotas for importers. And what about the loans of the Small Business Administration, set up to take small business firms out of the financial doldrums. Although smaller, these are just as large in principle as the Lockheed loan.

All of these subsidies and programs put a crutch under certain groups to compensate for—and in a very moderate way—what might be economic disadvantages beyond their control. That is common justice. By no stretch of the imagination does such Federal help dull private initiative as for the criticism against this help, it all depends upon whose ox is gored.

A certain group of men are now objecting to this Lockheed proposal although they espoused the granting of aid to the American Motors Co. That aid was a matter involving \$20 million.

To those friends of American Motors who would now object to aid to Lockheed, I would say:

And why beholdest thou the mote that is in thy brother's eye, but considerest not the beam that is in thine own?

What difference does it make with reference to giving aid to American Motors and giving similar aid to the Lockheed Corp.?

The Export-Import Bank loan program involves loans by private bankers to international traders through guarantees by the private sector. Are such loans any different from the guaranteed loans with reference to the bill before us?

Mark you well this: In 1967 the Douglas Aircraft Co. received a "V" loan guarantee for \$75 million to meet pressing financial problems growing out of defense contracts. It paid the loan and today is a flourishing company. Should we treat Lockheed any differently than we treated more or less its competitor, Douglas Aircraft? I do not think so.

And what about the impact on the economy if we let Lockheed go down the drain—and go down the drain it will unless this guaranteed loan is approved by us. There are 4,000 suppliers in 35 States. There impends 60,000 jobs. Recently we appropriated, I believe \$2.5 billion to help solve joblessness. That bill provided for the saving of 150,000 jobs and it involved appropriations. If this loan is paid, there will not be a penny cost to the Government, and we will have saved 60,000 jobs. Thirty-five States are involved because suppliers exist in 35 States.

In my own State there are suppliers on subcontracts involving over \$67½ million. In California contracts involve over \$438 million; in Texas, over \$113 million. The impact on those suppliers in 35 States if Lockheed fails would be enormous. Bankruptcy may be their fate.

This is no mere bailout for Lockheed. Beyond the \$400 million loans already made by banks to Lockheed, many others are involved, including thousands of stockholders, airlines who have made advanced payments for planes in a sum of \$250 million, subcontractors who have a stake in Lockheed in the sum of \$350 million. The total investment in the L-1011 is estimated at about \$1.4 billion. All this is outside the amount the British Government has in the Rolls-Royce engine, used in the Tri-Star airbus. Britain bestows about \$5 million per weeks to Rolls-Royce to keep it from bankruptcy.

If Lockheed goes under, and is not rescued, \$1 billion of domestic investment will go down the drain. This would include—says the Secretary of the Treasury—a \$500 million loss in Federal tax revenues, plus loss in local and State taxes, plus cost of unemployment and welfare benefits to those bereft of jobs.

At stake, too, are jobs—thousands of jobs. At Lockheed, there are 17,800 employees on the L-1011. The suppliers employ 16,000. That adds up to almost 34,000 jobs. All in all, probably 60,000 jobs impend. This is no fleabite in a period of great distress due to unemployment and underemployment.

Joblessness is over 6 percent in New York City. Joblessness hit 7 percent in Philadelphia. Among blacks in places, it is 20 percent.

There is danger of monopoly. There was testimony by Chairman Houghton of Lockheed that if his company failed, McDonnell Douglas will have an open field, with no competition, with its wide-bodied DC-10 and would inherit a wide-bodied trijet monopoly.

Haughton says this would be a monopoly position valued at about \$20 billion.

If Lockheed were forced out, it would be most difficult for another aerospace trijet company to enter the field to compete with McDonnell Douglas. It would not be possible for a new company to get into action, unless willing to risk hundreds of millions of dollars for essential designing, engineering, tooling, and testing for a viable plane. It would take 4 years to get into gear. It would thus lag 4 years behind an airplane in-being already flying. I deplore the likelihood of monopoly and thus support the bill.

What of our balance of trade? This past Tuesday Secretary of Commerce Stans warned that our balance of trade is turning against us and soon we shall have a negative balance. By not helping Lockheed we shall be weakening this deteriorating balance of trade. There are few places in the world, where one flies—in other than American aircraft—because we have the advantage in the high technology-aerospace field.

To permit the bankruptcy of Lockheed would remove a major factor contributing favorably to that trade balance.

In the air cargo area Lockheed's C-130

Hercules transports have been built for U.S. and over 20 foreign nations during the last 15 years. This airplane is still selling worldwide. Remove Lockheed and irreparable injury is done. We would accelerate our trade deficit.

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

Mr. HALL. Mr. Speaker, I would like to return to a discussion of the rule without reference to the substance matter of what that rule under the procedures of this House would make in order.

Mr. Speaker, I am particularly interested in the waivers of the points of order involved in this rule, and I appreciate the gentlemen on both sides of the aisle making adequate explanation today of why, under the proposed legislation this makes in order, that those rules were felt necessary. It is my feeling that the representative process of a republic operating under a limited constitution should be the most cherished possession of any elected Representative in Congress. Indeed, it totally embraces the public trust.

High judicial decisions have held to the one-man, one-vote principle in the people's House of Congress, and even now closely related decennial redistricting faces most of us. It follows, therefore, that each elected Representative is coequal with the other 434, just as the legislative branch is coequal with that of the judicial and the executive branches.

As the elected Representative seeks to inform himself so as to cast an enlightened vote on any pending matter, it becomes the responsibility of the manager of the legislation before the House to yield to said Member the right to seek such information, and the manager should so explain, especially when deviating from the established rules of procedure such as waiving points of order.

Waivers of points of order by unanimous consent or vote of the House on motion of the Committee on the Rules defines:

First. The rights of the individual and/or his constituency during the working of the will of the parent body.

Second. The representative process is injured and in fact, the thinking, distillation of information into intelligence, and the exercise of considered opinion or mature judgment is damaged—all a part of the truly exercised representative process, and

Third. Upsets the balance between the authorizing and/or legislative committee vis-a-vis the appropriating or operating committee of the House of Representatives structure—currently under study by the Joint Committee on Congressional Operations.

Records are available as to whether or not waivers of points of order and/or "closed rules" have been instituted by the "leadership"—including the Parliamentarian—by the committee seeking the rule, be it legislative or operating; or by the Committee on Rules.

This practice along with overuse of "unanimous consent," certainly violates the spirit of the Reorganization Act of 1970 as applicable to the House, and is

frequently a means of avoiding the requisite number of days that bills and reports are available to the Members prior to consideration, and the House as a whole working its will either directly or in the Committee of the Whole House on the State of the Union.

Although the need for haste in the people's body—House of Representatives—in originating and completing appropriation bills is apparent—yet often unnecessary and out of time-phase with the other body—this should never be done at the expense of violating the principle of checks and balances wherein longstanding rules of the House require authorization prior to appropriations. How else are we to preserve the sanctity of oversight, surveillance, review, and jurisdiction of legislative committees over the law as implemented by the executive and/or judicial branches?

Mr. Speaker, with each legislative day, the practice is becoming more ingrained in this House. And it is, indeed, tragic to observe individual and representative freedom erode and slip away, each time we permit ourselves to yield to "expedience."

Mr. GROSS. Mr. Speaker, will the gentleman from California yield the gentleman from Missouri 1 additional minute?

Mr. SMITH of California. I yield the gentleman 1 additional minute.

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

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

Mr. GROSS. Mr. Speaker, I want to commend the gentleman for his statement and say that the suspension of clause 4, rule XXI, as this rule provides, ought to be the concern of every Member of this House, if only because of the tremendous amount of money involved in this bill. This is a \$2 billion bill, and I am amazed that not one single member of the Appropriations Committee has gotten on his or her feet to protest this kind of a rubberstamp appropriation process in this huge amount.

I am utterly amazed that the rules would be suspended to appropriate this amount of money in this fashion. I hope the previous question is voted down so that the rule can be amended to strike this provision.

Again I thank my friend from Missouri for a statement that needed to be made, and for yielding to me.

Mr. HALL. Mr. Speaker, I appreciate the gentleman's comments. I repeat, we are becoming more ingrained and the Appropriations Committee is becoming more and more a fraternity.

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

Mr. ANDERSON of Illinois. Mr. Speaker, I can certainly appreciate the deep reservations that some Members of this body will have, that inherent in this legislation that the rule makes in order is the possibility that we are somehow discarding the discipline of the marketplace to the extent that we would perhaps place in jeopardy the system of competitive free enterprise. I think also that it is perhaps going to be somewhat difficult this afternoon to discuss this legislation in the terms of the larger objectives that I think we ought to be pursuing.

It has been so completely identified in the minds of the public as a Lockheed bill that I believe perhaps to a certain extent this has regrettably taken our minds from the main issue involved.

I believe that the most powerful argument in favor of the loan guarantee in this legislation is the very serious question which confronts us today of whether or not we are going to remain competitive in the international market. It seems to me that statistics which have been released just recently, within the past few days, indicate quite clearly that this is a question which is going to become increasingly urgent in the next decade. The \$6- to \$7-billion trade surplus we enjoyed during the mid-1960's has declined during the past 3 years to an average of less than \$2 billion.

This year, as we noted this week, we face the very real possibility for the first time since 1893 of being confronted by an actual trade deficit. I believe the deficit for the most recent quarter of the current year was nearly \$800 million.

It is the high technology exports of our country which are capable of helping the United States to maintain a favorable position as far as our balance of payments is concerned.

I would point out we have today a very fragile surplus as far as agricultural products are concerned. We have a chronic deficit of about \$2 billion in raw materials. We have a rapidly growing deficit in low technology products. The 1951 to 1955 average that we enjoyed was a surplus of \$1.8 billion. This has been converted as early as 1965 to a deficit of \$2.9 billion. In 1970 that deficit in low technology products had increased to \$6.1 billion. The figure for this year will surely be even worse in that regard.

It is only, I repeat, in the high technology products that we have had a large surplus recently, and in 1970 that amounted to \$9.6 billion.

But even this facet of the balance of payments picture reveals we have been static for the last 5 years, going back to 1965.

If that declines further because of the increasing diffusion of high technological capabilities then obviously our present trade difficulties are only going to be compounded, and a protectionist mentality may overcome the country, which would do irreparable damage to the entire U.S. economy and to the world economy as well.

Let me point out that the growing diffusion I speak of in high technology capability stems in large part from the increasing participation of foreign governments in the financing and risk bearing in some of these costly operations that are necessarily involved in producing these high technology products.

The European A300-B, which is a direct competitor, I am told, of the L-1011, is being jointly financed by France, Germany, and the Netherlands. Total Government supplied equity capital amounts to \$425 million out of an overall total of \$450 million.

We had testimony a few days ago before a subcommittee of this House, by Secretary of Commerce Stans. In his statement before that subcommittee he concluded—and I paraphrase his testi-

mony at this point—that it is going to be necessary to develop new incentives, new regulations, and new mechanisms of Government-business cooperation if our high technology export position is to be preserved.

It seems to me that this bears very directly on the whole Lockheed situation, because of the Rolls engine. There is a lot of opposition to assisting production of the L-1011 on the grounds that we will not be using the General Electric engine.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. SMITH of California. Mr. Speaker, I yield the gentleman 3 additional minutes.

Mr. ANDERSON of Illinois. Mr. Speaker, there is opposition in this Chamber because we are going to use the Rolls-Royce engine. Let me point out that this will put the manufacturer of the L-1011 in a much better position than to gain some of the European market, and particularly if Britain joins the Common Market, as now seems likely to be the case. It will give them a much better opportunity than if the DC-10, a solely American product, including the GE engine, is the only export product we have in this regard.

The estimates I have seen indicate that 100 or more planes conceivably could be involved in this because of sales to the European market.

Also, if the L-1011 drops out, there is the distinct possibility that the A300-B may capture some, or more of the American market than it would likely obtain if there were two American competitors for the domestic market. So, the Lockheed loan directly involves the question of our export problem and of maintaining a competitive airframe industry.

There is good reason to believe that the assumption that the DC-10 could pick up all of the potential L-1011 domestic market is erroneous—it is erroneous, I repeat—for the simple reason that the \$240 million that the airlines would lose if Lockheed went under is certainly going to limit their ability to buy tri-jets for many years to come. Thus, there would not be merely a shift in demand to obtain these airframes, but I submit there would be a significant reduction of demand for tri-jets due to pinched profits and decreased investment capabilities. I am told Eastern Airlines, for instance, has money tied up in the L-1011 equal to one-third of its net worth. The obvious consequence of the Lockheed bankruptcy would be less employment, as my colleague from California has already pointed out. There would also be less employment, less production, and less in tax revenues from the airframe industry. This is not to mention the further consideration and the further possibility that one or more of our American carriers, that is, airlines, might have to be rescued by a future Government loan or, more likely than that, that we would see further mergers and lessened competition in the trunk airline industry.

So, if we in our debate this afternoon consider this, we also ought to be considering this problem in the context of some of these larger questions that are

certainly involved, namely, of preserving the competitive position of the United States, particularly in this area of high technology products.

Mr. COLMER. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana (Mr. MADDEN), a member of the Committee on Rules.

Mr. MADDEN. Mr. Speaker, the rule under consideration calls up for House action on an unprecedented legislative request that the American taxpayers, through their Representatives in Congress, should come to the aid of mammoth corporations on the verge of bankruptcy. The usual strategy has been used by the powerful corporation and banking lobbies to present this bill at a very critical time of the session when the Members are about to leave for their annual August recess. Generally, legislation that cannot withstand the investigation and study of all the Members of this body, where the hearings before the congressional committee are brief and curtailed, always comes before the Congress in the last days before adjournment or recess vacation.

This legislation started several weeks ago as a request of the tottering Lockheed Corp. for a \$250 million loan. The powerful lobby behind this bill decided a few days ago that they could add another \$1,750,000,000 to this amount and pressure it through the Congress with the help of one of the most powerful lobbyists in Washington.

When this bill was before the Rules Committee last Monday I inquired if there was any testimony before the Banking and Currency Committee that if this \$250 million request for a loan were given to Lockheed would that terminate this legislation and place Lockheed in a position to continue operation and eventually pay the loan with interest back to the American taxpayers. The answer was that there could be no assurance of repayment, or some of the large banks of the Nation would gladly make the loan as an ordinary business transaction. No hearings have been held by the House Banking and Currency Committee on all the angles and facts regarding this legislation. The Banking and Currency Committee held no hearings from lending institutions other than the banks whose self-interest is directly tied to Lockheed. The \$1.75 billion in addition to the Lockheed loan would be distributed by the Secretary of the Treasury coupled with the advice of a couple officials representing the Nation's largest banking institutions. The New York Times stated the other day if such a situation developed that it would constitute a significant step toward establishment of fascism in the United States.

I read in the report on this bill excerpts from a letter of July 22, 1971, from Thomas S. Kleppe, Administrator of the Small Business Administration, and I read verbatim from two of the paragraphs of his letter:

Normally, we would not consider as eligible for a business loan an applicant which is facing bankruptcy, as we must find under our statute a reasonable assurance of repayment ability. This would obviously be difficult to do in most cases.

We do not have a record of loans made to firms facing bankruptcy, if there ever were any at all.

This administration has been very hesitant in releasing money to finance so many urgent programs which would aid our economic situation throughout the Nation and provide needed help for millions of our citizens. I notice in the report a breakdown of some of the things that could be done with the millions involved in this legislation on much-needed programs, to wit:

Using fiscal year 1971 estimates for budget authority, this sum represents more than ten times the full funding of the Teacher Corps; three times the full funding of the Food and Drug Administration; roughly two and a half times the full funding of Education for the Handicapped; and is roughly equal to the full funding of the School Lunch Program. Put another way, \$250 million would buy 17,500 low cost housing units of 3.5 to 4.5 rooms; 3,750 new public elementary and high school classrooms; 450 public health centers for a population of 50,000 to 100,000; 78 hospitals of 125 beds each; \$125 annual pay increases for some 2,050,000 public school teachers; and \$25 in increased aid for each of approximately 10 million educationally deprived children.

Mr. Speaker, if this legislation is passed today there, no doubt, will be many big business conglomerates who will be knocking at the Federal Treasury to secure loans or grants and follow the policy set down if the Lockheed legislation is approved by the Congress. On July 21 of this year I received a letter from one of my constituents in the first district of Indiana, demanding to know why one of America's great financial conglomerates, the Gulf and Western Corporation, has already, within the last few months, closed eleven factories and business operations in Michigan, Indiana and Ohio, which has idled thousands of workers. I shall include this letter from James N. Anogianakis with my remarks. Mr. Anogianakis sets out the names of the 11 industries closed by the Gulf and Western Corp., one of which, Taylor Forge, is located in my district.

Mr. Speaker, if this legislation is passed today maybe the Gulf & Western Industrial Products Co. will be before the Congress asking for financing similar to the Lockheed Corp.

The letter follows:

GARY, IND.
July 21, 1971.

HON. RAY J. MADDEN: I have put off writing to you the past several weeks in hopes of seeing you personally while in Gary, but since this has not come about I am putting it in writing.

Several weeks ago we were told that the Board of Directors of Gulf & Western had decided to close the Gary plant of Taylor Forge and we, members of Local 1231, International Brotherhood, Iron Shop Builders, Blacksmiths, Forgers & Helpers, were disturbed very much. It is not only the closing of this plant, in which we are employed, but also the closing of ten (10) other plants which, put together, has a very disturbing effect on the National Economy.

Why does the Government allow conglomerates such as Gulf & Western to buy up a number of small plants then after operating them for a year or so close them?

This evening we were informed that the Bargaining Committee had a meeting with company officials for tomorrow, but was canceled due to the company officials having

a meeting with the Air Force. The hammers, boring mills, heat treat furnaces (about 1 year old), rotary furnaces, etc. are all property of the Air Force, and we feel that this conglomerate has been making money with our money (as taxpayers) and now they tell us "We are not making enough money so we are closing your plant." I feel that such an organization does not deserve nor does it merit to have another Government contract. In the speech that the plant manager of the Cicero plant gave his workers he stated that they were quoting on an order with the Atomic Energy Commission which would total \$4,000,000 over the next 2 or 3 years, they are also quoting on 6 million dollars worth of business for the Silent Sub Program and in view of their inability to properly maintain and operate the other plants that they have swallowed up they should not be considered for this vital Government work. Why????????? They acquired the Gary Plant of Taylor Forge with all of this Government equipment and they can't make it go, how can they properly supply the above two projects?????????

In going back to the closing of plants here they are:

1. Bay Casting in Holland, Michigan.
2. E. W. Bliss Company's foundry in Hastings, Mich.
3. Scott's Inc. in Holland, Michigan.
4. Chase Manufacturing Company in Douglas, Michigan.
5. Grand Rapids Brass Plant of the Crampton Division.
6. Good Roads Machinery Div. of the E. W. Bliss Company in Minerva, Ohio.
7. Michigan Plating of Detroit.
8. Furniture City Plating of Grand Rapids.
9. Industrial Products at Grand Rapids.
10. Kamis Engineering in Pennsylvania.
11. Taylor Forge, in Gary, Indiana.

The above plants are part of the Gulf & Western Industrial Products Company alone and do not include other plant closings which have recently taken place in other Gulf & Western groups.

They built a 3 million dollar Lab and office building and an Etch house which will make for a substantial tax write off, which should be looked into.

Mr. Madden, in closing, I and many of our local 1231 members who have read this letter, hope that you can take some action directly or indirectly that something can be done with these giant octopus that have been condoned by the Government up to now. Would like to have you come, if possible, to our next scheduled union meeting, on Sunday, August 8, 1971 at the Union hall on the Southwest corner of 6th and Massachusetts.

Respectfully yours,

JAMES N. ANOGIANAKIS.

Mr. COLMER. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. CONYERS).

(Mr. CONYERS asked and was given permission to revise and extend his remarks.)

Mr. CONYERS. Mr. Speaker, I would like to associate my remarks with those of the gentleman from Missouri and the gentleman from Iowa. I would, in fact, ask that this rule be discussed with at least a quorum present. It is a \$2 billion piece of legislation and it was brought on the floor of the House while the other body is currently debating the matter.

Mr. Speaker, it would seem to me that the Committee on Rules might explain, if it is concerned with having full debate, as the distinguished chairman claims, why it is that on a number of bills it reports a rule which severely limits full consideration by the Members. I refer, for example, to the most recent instance in my memory, H.R. 1, the amendments

to the Social Security Act which were debated on June 21, where a closed modified rule waiving numerous points of order was reported. It seems to me that under such rules we are not considering fully the rights of all the Members to be heard here on these very important questions. I think the procedures by which we waive important points of order represent a very dangerous method to report out legislation.

With proper time for consideration, we might begin to consider the fact that no one has suggested that Lockheed might be able to take other steps, and that they might be able to liquidate part of their vast assets that presently exist. We might at least discuss all of the alternatives.

This bill, however, is brought to us as if we have no choice except to establish a policy which would loan money to this and other ailing corporate giants, or else let them go down the drain.

This legislation represents the height of folly in an upside-down welfare state in which we give further credence to the claim being made more frequently in this country that the rich get richer and the poor poorer.

The SPEAKER. The time of the gentleman has expired.

Mr. COLMER. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. REUSS).

Mr. REUSS. Mr. Speaker, I had intended to offer an amendment to the rule extending the time of general debate from 3 hours to 5 hours.

I was distressed that the request for 6 hours had not been granted, because to me it seemed that on as important a bill as this a longer time than 3 hours was needed in order to debate the issues. On the Committee on Banking and Currency alone, 17 individual members expressed their individual, additional, separate and dissenting views, and because of that I felt that they needed more time.

Here we have a \$2 billion bill with 3 hours of debate. That is \$666 million an hour.

That is a pretty good ratio—a \$2 billion bill, with a bare quorum here to consider it, and 3 hours of debate. Never has so much of the taxpayers' money been given away, by so few, and in so little time.

But, fortunately, I apprehend from the remarks of the gentleman from California (Mr. SMITH) and other Members, that an understanding, an arrangement, has been made whereby the \$2 billion will be contracted to \$250 million, and whereby safeguards to the taxpayers will be offered. This being so, I think that there has been tentatively achieved a bill only one-eighth as bad as the bill that emerged from the House Committee on Banking and Currency.

Accordingly, the reasons for my proposed amendment having largely been dissipated, and the Members, including myself, being anxious that we get on with the debate of this bill, I do not intend to offer my amendment.

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

Mr. COLMER. Mr. Speaker, I move the previous question on the resolution.

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

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

Mr. MITCHELL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

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

The SPEAKER. The Chair will count. One hundred eighty-nine Members are present, not a quorum.

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

The question was taken; and there were—yeas 325, nays 68, not voting 40, as follows:

[Roll No. 225]

YEAS—325

Abbott	Daniels, N.J.	Hull
Abernethy	Danielson	Hunt
Adams	Davis, Ga.	Hutchinson
Addabbo	Davis, S.C.	Jarman
Alexander	Davis, Wis.	Johnson, Calif.
Anderson	de la Garza	Johnson, Pa.
Calif.	Delaney	Jones, Ala.
Anderson, Ill.	Denholm	Jones, N.C.
Anderson, Tenn.	Dennis	Karth
Andrews, Ala.	Derwinski	Kazen
Andrews, N. Dak.	Dingell	Kee
Annunzio	Dorn	Keith
Arends	Dow	King
Ashley	Dowdy	Kluczynski
Aspinall	Downing	Kuykendall
Baker	Duncan	Kyl
Baring	du Pont	Kyros
Barrett	Dwyer	Landgrebe
Belcher	Edmondson	Landrum
Bell	Edwards, Ala.	Latta
Bennett	Edwards, Calif.	Leggett
Bergland	Erlenborn	Lent
Betts	Eshleman	Link
Bevill	Evans, Colo.	Lloyd
Biaggi	Evins, Tenn.	Lujan
Blester	Fascell	McClary
Bingham	Findley	McCloskey
Blackburn	Fish	McCollister
Blatnik	Fisher	McCormack
Boggs	Flood	McDade
Boland	Flowers	McDonald,
Bolling	Flynt	Mich.
Bow	Foley	McEwen
Brademas	Ford, Gerald R.	McFall
Brasco	Ford,	McKay
Brinkley	William D.	McKevitt
Broomfield	Forsythe	McKinney
Brotzman	Fountain	McMillan
Brown, Mich.	Fraser	McDonald,
Brown, Ohio	Frelinghuysen	Mass.
Broyhill, N.C.	Frey	Mahon
Broyhill, Va.	Fulton, Tenn.	Mailliard
Buchanan	Fuqua	Mann
Burke, Mass.	Gallifanakis	Martin
Burleson, Tex.	Gallagher	Mathias, Calif.
Burlison, Mo.	Garnatz	Mathis, Ga.
Burton	Gaydos	Matsunaga
Byrne, Pa.	Gettys	Mayne
Byrnes, Wis.	Giulmo	Mazzoli
Byron	Goldwater	Meeds
Cabell	Gonzalez	Melcher
Caffery	Grasso	Miller, Calif.
Camp	Gray	Miller, Ohio
Carey, N.Y.	Green, Oreg.	Mills, Ark.
Carney	Griffin	Mills, Md.
Casey, Tex.	Griffiths	Minish
Cederberg	Gubser	Mink
Celler	Hagan	Minshall
Chamberlain	Haley	Mizell
Chappell	Hamilton	Mollohan
Clausen,	Hanley	Monagan
Don H.	Hanna	Montgomery
Cleveland	Hansen, Idaho	Moorhead
Collier	Hansen, Wash.	Morgan
Collins, Tex.	Harsha	Mosher
Colmer	Harvey	Moss
Conable	Hathaway	Murphy, N.Y.
Conte	Hawkins	Natcher
Corman	Hébert	Nedzi
Cotter	Heckler, Mass.	Nichols
Coughlin	Hicks, Mass.	Obey
Culver	Hicks, Wash.	O'Hara
Daniel, Va.	Hillis	O'Konski
	Hollifield	O'Neill
	Howard	Passman

Patman	Ruppe	Teague, Tex.
Patten	Ruth	Terry
Pelly	Sandman	Thompson, Ga.
Perkins	Sarbanes	Thompson, N.J.
Pettis	Satterfield	Thomson, Wis.
Peysler	Schneebell	Thone
Pickle	Scott	Tiernan
Pike	Sebelius	Udall
Pirnie	Shipley	Ullman
Podell	Shoup	Vander Jagt
Poff	Shriver	Vanik
Powell	Sikes	Veysey
Preyer, N.C.	Sisk	Waggonner
Price, Ill.	Skubitz	Waldie
Price, Tex.	Slack	Wampler
Pryor, Ark.	Smith, Calif.	Ware
Pucinski	Smith, Iowa	Watts
Purcell	Spence	Whalen
Qule	Springer	White
Railsback	Stagers	Whitehurst
Rarick	Stanton,	Whitten
Rees	J. William	Widnall
Reid, Ill.	Stanton,	Wiggins
Reid, N.Y.	James V.	Williams
Rhodes	Steed	Wilson, Bob
Roberts	Steele	Wilson,
Robinson, Va.	Steiger, Ariz.	Charles H.
Robison, N.Y.	Steiger, Wis.	Winn
Rodino	Stephens	Wolf
Roe	Stratton	Wright
Rogers	Stubblefield	Wyatt
Roncald	Stuckey	Wylie
Rooney, N.Y.	Sullivan	Young, Tex.
Rooney, Pa.	Symington	Zablocki
Rostenkowski	Talcott	Zion
Roy	Teague, Calif.	Zwach
Roybal		

NAYS—68

Abourezk	Green, Pa.	Morse
Abzug	Gross	Murphy, Ill.
Archer	Gude	Myers
Ashbrook	Hall	Nix
Aspin	Halpern	Randall
Badillo	Hammer-	Rangel
Begich	schmidt	Reuss
Burke, Fla.	Harrington	Riegle
Chisholm	Hechler, W. Va.	Rosenthal
Clancy	Helstoski	Roush
Clawson, Del.	Henderson	Roussellot
Collins, Ill.	Hogan	Runnels
Conyers	Ichord	Ryan
Crane	Jacobs	St Germain
Dellums	Kastenmeier	Scherle
Dickinson	Keating	Scheuer
Drinan	Kemp	Schmitz
Dulski	Koch	Schwengel
Eckhardt	Long, Md.	Seiberling
Eilberg	Madden	Stokes
Fulton, Pa.	Michel	Wyder
Gibbons	Mikva	Yates
Goodling	Mitchell	Young, Fla.

NOT VOTING—40

Blanton	Grover	Pepper
Bray	Hastings	Poage
Brooks	Hays	Quillen
Carter	Horton	Saylor
Clark	Hosmer	Smith, N.Y.
Clay	Hungate	Snyder
Dellenback	Jonas	Stafford
Dent	Jones, Tenn.	Van Deerlin
Devine	Lennon	Vigorito
Diggs	Long, La.	Whalley
Donohue	McClure	Wyman
Edwards, La.	McCulloch	Yatron
Esch	Metcalfe	
Frenzel	Nelsen	

So the previous question was ordered.
The Clerk announced the following pairs:

On this vote:

Mr. Van Deerlin for, with Mr. Clay against.
Mr. Jones of Tennessee for, with Mr. Brooks against.

Mr. Dent for, with Mr. Diggs against.
Mr. Stafford for, with Mr. Dellenback against.

Mr. Grover for, with Mr. Frenzel against.
Mr. Carter for, with Mr. Snyder against.

Until further notice:

Mr. Hays with Mr. Devine.
Mr. Blanton with Mr. Horton.
Mr. Clark with Mr. Hosmer.
Mr. Pepper with Mr. Bray.
Mr. Hungate with Mr. Esch.
Mr. Yatron with Mr. Quillen.
Mr. Lennon with Mr. Hastings.
Mr. Long of Louisiana with Mr. McClure.

Mr. Donohue with Mr. Nelsen.
Mr. Vigorito with Mr. Metcalfe.
Mr. Smith of New York with Mr. Whalley.
Mr. Wyman with Mr. Jonas.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE TO FILE REPORT ON HOUSE CONCURRENT RESOLUTION 370 UNTIL MIDNIGHT SATURDAY

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce may have until Saturday midnight, July 31, to file a report on House Concurrent Resolution 370, regarding the closing of Public Health Service hospitals.

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

There was no objection.

EMERGENCY LOAN GUARANTEE ACT OF 1971

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8432) to authorize emergency loan guarantees to major business enterprises.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 8432, with Mr. CHARLES H. WILSON in the chair.

The Clerk read the title of the bill.

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

The CHAIRMAN. Under the rule, the gentleman from Texas (Mr. PATMAN) will be recognized for 1½ hours and the gentleman from New Jersey (Mr. WIDNALL) will be recognized for 1½ hours.

The chair recognizes the gentleman from Texas (Mr. PATMAN).

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

Mr. Chairman, if the members of the committee—if the Members of the House will be patient, I believe we can finish this bill in reasonable time. Certainly, we will not take all of the 3 hours allotted to us for general debate although we would like to have reasonable time to explain to the Members of the House, because necessarily the testimony had to be shortened and we did not have time to make the proper legislative history. The only way you can make it otherwise is by discussion on the floor of the House. We do not have sufficient time for that. There will be no effort made to unduly shorten the time under the 5-minute rule so far as I am concerned.

Mr. Chairman, H.R. 8432 was originally sent to the Congress as an emergency measure to assist the Lockheed Aircraft Corp. and to guarantee principal and interest to 24 commercial banks on \$250 million of credit.

This bill was amended in the Banking and Currency Committee and it now provides for an emergency loan guarantee board with authority to guarantee up to \$2 billion of bank loans for major corporations.

The larger measure—the \$2 billion—was approved narrowly in the committee with the key vote recorded as 18 for and 16 against with three absent. A switch of one vote, it is obvious, would have changed committee report accompanying H.R. 8432 reflecting the sharp divisions within the committee, particularly on the issue of aid for Lockheed versus a general catchall \$2 billion fund.

The bill as reported from the committee would grant authority to the Emergency Loan Guarantee Board to guarantee loans to major businesses when credit is not available from private sources and when the failure of the corporation would "adversely and seriously affect the economy of or employment in the Nation or any region." The Board could commit the Federal Government's backing to up to \$2 billion, but no single loan guarantee could exceed \$250 million.

The Board would be composed of the Secretary of the Treasury and two officials of the Federal Reserve System—the Chairman of the Board of Governors and the president of the Federal Reserve bank in the district where the enterprise to be aided is located.

Mr. Chairman, the parliamentary situation which developed in the Banking and Currency Committee did not allow the members to perfect the legislation before us. And it is my hope that the necessary improvements can be accomplished on the floor of the House. The bill, as it now stands, has serious defects and it is important that the perfecting amendments be adopted.

NO TESTIMONY ON BROADER BILL

First of all, we have had virtually no testimony in the Banking and Currency Committee concerning the \$2 billion bill and the Emergency Loan Guarantee Board. The hearings were devoted primarily to a discussion of Lockheed, its problems and needs. To vote a \$2 billion catchall package without hearings would, in my opinion, be the height of legislative folly.

Such a mammoth undertaking could be justified only after lengthy hearings and only after we have spelled out specific criteria and legislative guidelines. Also, it would seem wise for the House to have some idea of who the beneficiaries might be and what priorities might be established for the consideration of the applications. When we are talking about major enterprises—as this bill does—\$2 billion will not cover much ground and we need to know how the favored few will be selected for special Government aid—or whether the Congress will be requested repeatedly to increase the fund.

It is my suspicion that the administra-

tion will be back up here asking for more money for this Emergency Loan Guarantee Board just as soon as the first handful of corporations grab off this \$2 billion. If we adopt the bill as reported by the committee, we are establishing an open end slush fund and there is not one of us who can tell the taxpayers just how and when this fund will be utilized.

The possibilities are endless—and frightening. For example, the Chairman of the Federal Reserve Board told the committee that he very likely would have used such a fund to bail out the Penn Central Transportation Co. last year. We can be thankful that no such fund existed at that time.

A loan guarantee, as suggested by the Federal Reserve Chairman, would have papered over the gross deficiencies, the mismanagement, and, at times, outright illegal practices of this huge railroad conglomerate. The bankruptcy has brought reorganization of the railroad, and improvement in its financial picture and a general house cleaning. The railroad operates under a court-appointed trusteeship and, in my opinion, the reorganization was much in the public interest.

The Banking and Currency Committee has issued five reports detailing the mismanagement and questionable practices of Penn Central and none of these revelations would have been possible had a loan guarantee been made available to Penn Central to perpetuate its management team. The public would never have known the facts and down the road we would have been faced with an even greater corporate disaster with serious ramifications for our transportation industry and our entire economy.

LIMIT BILL TO LOCKHEED EMERGENCY

Mr. Chairman, these are the kind of dangers that we are flirting with when we talk about providing a vague board to dispense loan guarantees willy-nilly across the land. It is a dangerous situation and I urge my colleagues to amend this bill and limit it to the immediate problems of Lockheed Aircraft Corp. In such a way, we can deal with an emergency situation—as outlined by the administration—and not establish a precedent to provide endless welfare for big business to the detriment of our free enterprise system.

The administration originally requested no more than \$250 million for Lockheed and there is no reason for this Congress to go beyond this initial recommendation. No one in this administration has been able to tell us the name of a single corporation they have in mind after Lockheed gets its loan. By the administration's own testimony, there are no known emergency cases—other than Lockheed—and, therefore, there is no reason for the Congress to rush in to a \$2 billion program for big business.

Secretary Connally testified before the Banking and Currency Committee and stated:

Our principal concern of the moment is to obtain sufficient legal authority to permit us to Federally guarantee up to \$250 million of additional bank credit to the Lockheed Aircraft Corporation.

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From these words, it is obvious that the Congress would be meeting the immediate desires of the administration if it voted simply a \$250 million guarantee for Lockheed. We also have the testimony of the Deputy Secretary of Defense, David Packard, whom the administration has attempted to silence. But his words remain in the record and he states emphatically that the \$2 billion bill would create problems for the Defense Department, if not for the economy generally.

Mr. Packard, before assuming his present job, was one of this Nation's leading businessmen, heavily engaged in defense contracts and I do not think that we can easily ignore his advice.

The \$2 billion tag is bad enough but it is made even worse by the nature of the Board which would administer the fund. Even the Federal Reserve Chairman felt it was a mistake to give the Federal Reserve System a majority of the three-man Board. Dr. Arthur Burns stated:

Thus it would create confusion as to whether the Administration or the Federal Reserve System should be held accountable for the new Boards' actions. Both the Administration and the System would be given the appearance of responsibility without the authority to exercise it.

The question of who should administer the fund must be considered carefully and it is my opinion that the Board should be broad based, representing not just financial experts but people who are familiar with the general needs of the economy. There are worthwhile opinions beyond those of bankers and financial experts and they should be represented on any Board which is committing massive amounts of Federal tax moneys.

THE IMMEDIATE LOCKHEED SITUATION

While I feel that the \$2 billion open-end slush fund is a mistake, I do feel that we can vote a more limited bare-bones authority to help Lockheed over its immediate troubles. It is unfortunate that we do not have more options open to us on the Lockheed situation, and I do not think that there are many who are overjoyed about the necessity of bailing out this aerospace giant and the commercial banks.

But we find ourselves faced with a difficult situation which has been created by months of inactivity and apathy on the part of this Republican administration. We now have nationwide unemployment of about 6 percent—nearly 5½ million people looking for work and hundreds of thousands of others who have become discouraged and who have dropped out of the labor market. In some areas of the Nation, the situation is even more critical and one of these areas is southern California.

The aerospace industry has been plagued by rising unemployment in recent years and there are estimates that 400,000 workers have been dropped from this industry since 1967. Some estimates indicate that Lockheed, itself, has laid off 18,000 people in the last 2 years.

All of this raises large questions about the administration's failure to act earlier on the economy and to provide some imaginative approaches to special unemployment in the aerospace industry and

other areas shifting from wartime to peacetime projects. These problems did not occur just in the last few months and they are surely not limited to Lockheed. President Nixon's answers have been to veto major employment bills sent forward by the Congress and we have seen little in the way of a program to alleviate unemployment in any sector.

Now we have this administration coming forward seeking aid for a single industry and a single group of workers. All of us in the House can sympathize with the plight of these workers at Lockheed and I am in favor of providing assistance. At the same time, I hope that the administration—after spending all of this time and energy on Lockheed—will broaden its horizons and do something for the economy generally. I trust that no one—on either side of the aisle—believes that we can cure unemployment and stabilize the economy by chasing around the country shoring up individual corporations with guaranteed bank loans. We must have a more imaginative and more workable solution than this.

The Congress would have much more flexibility in dealing with Lockheed if we had a booming economy with an abundance of job opportunities. These Lockheed workers would have had a greater opportunity for jobs if this administration had not allowed the economy to slip so badly in recent months. The administration has sat idly by while the conditions have developed that require the Congress to take emergency action to help Lockheed.

In addition to the thousands of workers at Lockheed, we must also be concerned about the subcontractors and suppliers across the Nation. In data submitted for the hearing record, the chairman of the board of Lockheed, Daniel J. Haughton, stated that the failure of his corporation would have an impact on "3,500 subcontractor firms who supply both the L-1011 and Lockheed's military programs."

Some of these 3,500 subcontractors referred to by Mr. Haughton, page 25 of the printed hearing record, are directly involved with the L-1011 project. While these subcontractors are of varying sizes, it is obvious that some fall into the small business category and that is one of the reasons why I am so concerned about the future of this corporation.

THE ROLE OF THE COMMERCIAL BANKS

The most disappointing aspect of this entire controversy about Lockheed has been the failure of the commercial banks to meet their responsibilities. We would not be here today considering aid to Lockheed if there had not been a major breakdown in the banking system.

The 24 commercial banks which are involved in the loans to Lockheed could make the additional credit available without harm to their stockholders or corporate structure. There is no question about this.

Dr. Leslie C. Peacock, president of Crocker National Bank, San Francisco, Calif., established this fact beyond any question when he appeared before our committee. In discussing the Lockheed loan and its consequences to the banks, he stated:

My own bank could absorb this loss without financial strain and without raising a question of public confidence in the safety of the institution. While I should not presume to speak for other banks, I daresay that they are in the same position.

Yet, here we stand, as the House of Representatives, preparing to do something which the commercial banking system could do for itself.

It was President Nixon, in his state of the Union message, who told the nation:

But let us stop helping those who are able to help themselves but refuse to do so.

But the banks have awesome power, and they are demonstrating it once again. They have the power to refuse to carry out their responsibilities—when they are able to do so—and force the Congress of the United States to commit the taxpayers' money to this private project. This legislation is example No. 1 of the power of the banks to make the Federal Government do their bidding.

What makes it all the more galling is the fact that the banks have accepted massive Government subsidies to cushion them against the problems of making just such difficult loans. I refer to the so-called bad debt reserve which the banks have been allowed to set aside, and this provision was placed in the Nation's tax laws to encourage "venture" or "risk" loans and to allow the banks to help the economy through emergency credit problems. It was designed for just such a situation as faces us in this Lockheed proposal.

For years, the banks have been setting aside 2.4 percent of their loan portfolios for bad debt reserve. In other words this has been an automatic write-off for tax purposes regardless of what the actual losses might be in any given year. While writing off 2.4 percent, the banks' actual loan losses have been only 0.2 percent through the years. The difference has been a tremendous subsidy to the banks.

In fact, the 24 banks here have received more than \$1 billion in outright tax subsidies through the automatic bad debt writeoff. This is four times the \$250 million that Lockheed needs. The taxpayers have given the banks this subsidy, and now it is time that the banks used it to meet what we are told is a national public need.

Mr. Chairman, I place in the RECORD a copy showing the loan loss reserves of these 24 banks which, incidentally, control one-third of the assets of the U.S. banking system.

LOAN LOSS RESERVES OF LOCKHEED BANKS

Listed below are the balances in the loan loss (bad debt) reserve accounts of the banks which have participated in the outstanding Lockheed loan.

Balance in reserve, Dec. 31, 1970

[Bank and amount]

Bankers Trust Co.....	\$102,644,000
Bank of America.....	267,353,000
Bank of California.....	18,040,915
Chase Manhattan.....	304,302,000
Chemical Bank.....	122,353,000
Citizens and Southern National Bank.....	23,311,511
Continental Illinois National Bank.....	121,557,000
Crocker National Bank.....	46,000,673
First National Bank of Atlanta.....	9,545,443

First National Bank of Boston.....	55,617,000
First National Bank of Chicago.....	97,448,000
First National City Bank.....	302,108,000
Fulton National Bank.....	4,458,097
Girard Trust Bank.....	23,416,000
Irving Trust Co.....	44,000,000
Manufacturers Hanover Trust Co.....	156,773,000
Mellon National Bank.....	56,562,000
Morgan Guarantee Trust Co.....	113,745,000
Pacific National Bank of Washington.....	8,933,367
Philadelphia National Bank.....	29,165,000
Security Pacific National Bank.....	87,489,400
Trust Company of Georgia.....	5,937,289
United California Bank.....	56,578,000
Wells Fargo Bank.....	67,655,255

Total..... 2,124,992,950

Tax subsidy (48 percent tax rate)..... 1,019,996,616

Mr. Chairman, there is no excuse for the banks accepting this subsidy if they are not willing to meet their responsibilities to make "venture" loans. It is silly to suggest tacking a Government guarantee on top of a "bad debt" subsidy. The bad-debt reserve provision of the tax law should be repealed if the banks are unwilling to make these types of loans without insisting on a "double guarantee" from the taxpayers.

Mr. Chairman, I find it very difficult to understand why some of the Nation's most illustrious bankers would be seeking Federal intervention in their banking affairs by requesting Government participation in the Lockheed loan. There may well be degrees of risk in the Lockheed venture, but this hardly is an excuse for the banks to hide from their responsibilities. In fact, bankers have always told us that "risktaking" was one of the fundamental tenets of our banking and free enterprise system.

One of the banks to come before the committee was the First National City Bank of New York. Recently the chairman of the board of this institution, Walter B. Wriston, was quoted as saying:

Where we have gone wrong is to expect government to manage in order to build a riskless society. What the people of the world are really asking for is a return to risk. They want the education and opportunity to take risks. They want to participate in a system that is built on risks.

Mr. Chairman, however, we cannot deal with this problem of the banks today. But I hope that the Members of the House, Lockheed, the workers, the subcontractors, and the taxpayers will long remember the refusal of these 24 institutions to help the country in a time of great need.

In conclusion, I urge that the House vote a "bare bones" \$250 million loan guarantee for Lockheed Aircraft Corp. and nothing more. I urge that this be done in such a manner as to fully protect the taxpayers and provide the Federal Government with proper compensation for the risks that it is taking.

Once again, let me say to my colleagues that we would not be here today considering Lockheed's problems if, first, the administration had taken more vigorous steps to stimulate the economy and provide employment opportunities and,

second, the commercial banks had met their responsibilities to provide for the credit needs of the Nation.

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

Mr. PATMAN. I yield to the gentleman from Pennsylvania, a member of the committee.

Mr. BARRETT. Mr. Chairman, I rise in opposition to H.R. 8432. I am opposed to it in its present form, its original form, and any other form that may be contrived. This is a bad bill. It is both premature and precipitous. It will reward corporate mismanagement. Miscalculations, and blunders. It is presented to the House for action after 5 days of hearings which dealt almost exclusively with the present plight of the Lockheed Aircraft Corp., and that company's need for a \$250 million loan guarantee. That need, Mr. Chairman, was not fully explored or developed; it had originally been scheduled for 12 days of hearings. The report contains the views of 15 members of the committee who are opposed to the bill. Views which ably and clearly present cogent reasoning and arguments for the defeat of H.R. 8432.

Mr. Chairman, while the bill is tailored to provide the loan guarantee which the administration has so strenuously sought, it goes beyond that purpose and establishes a precedent and new concept in the relationships of Government, big business, and the financial marketplace which may be dangerous to our economy and form of government. We are faced with a proposal which provides for the Federal Government underwriting of loans to big business, by big banks.

Mr. Chairman, we have heard much in this Congress of revenue sharing—well this is another form of that concept—the proposal could be called the Financial Responsibility Sharing Act, instead of the Emergency Loan Guarantee Act, for it calls upon the sharing of the financial responsibility of the Federal Treasury with big business.

It presents the opportunity for poorly managed big business to raid the Federal Treasury through the back door. It is another effort to bail out big business and big banks by providing for these guarantees.

The committee hearings did not really deal with the measure before the House. There is a great void as to legislative history and intent. The proposed legislation is seriously defective in that it fails to establish proper and adequate criteria or guidelines for an enterprise to merit sharing the Government's financial responsibility. Section 4 of the revised bill reads in part:

A guarantee of a loan may be made under this act only if—(1) the board finds that (A) the loan is needed to enable the borrower to continue to furnish goods or services and failure to meet this need would adversely and seriously affect the economy of or employment in the Nation or any region thereof.

How large does the borrower, or enterprise, as it is elsewhere referred to, have to be to apply for a guarantee? It must certainly be of great size—big business—to "seriously affect the economy of or employment in the Nation or any region thereof."

Also of importance is: How is the "region" going to be defined or delineated and by whom? These are serious and important considerations. Are we to leave these and other items of similar import to the Emergency Loan Guarantee Board? If so, why is there any need for congressional review as established in section 12?

Gentlemen, these are just a few of the legislative items of a technical nature which were not covered, uncovered, developed, or what have you by the committee.

There are many, many other aspects of the effects of this legislation which were not explored or inquired into by the committee because of the near panic atmosphere set by the initial witnesses and administration spokesmen.

Representatives from 24 of the Nation's leading banks which now have loans to Lockheed totaling \$400 million, the largest single loan being \$30 million, appeared before the committee. These banks also undoubtedly have many millions of dollars lent to suppliers and subcontractors of Lockheed. It is the contention of the banks that many of these will fail if Lockheed does not get additional financing. They indicated that they will not lend another dollar to Lockheed without the Government guarantee. I question that position in light of what they already have invested. Further, the airlines which have orders with Lockheed stand to lose about \$250 million if the L-1011 program folds and they are also borrowers of these banks. These banks now hold one-third of the total commercial banking assets of the country, which totals approximately \$165 billion, and have loss reserves of \$2¼ billion. They have the assets and are in a financial position to make the additional loans to Lockheed. So, there are a combination of factors that raise serious question as to the need for Government involvement in the Lockheed affair.

Further, there is a question as to the competency of the Lockheed management. Deputy Secretary of Defense Packard said: "There was ample evidence of poor management on the part of Lockheed," referring to that company's handling of defense contracts. Secretary Packard also raised serious question as to whether Lockheed should have undertaken and should continue the L-1011 program.

The Dow Jones News Service on June 1, reporting from Paris on an interview with A. C. Kotchian, Lockheed president, reports him as having said that even if Congress fails to approve a \$250 million loan guarantee to Lockheed, the company will not give up in its efforts to get the L-1011 Tri-Star program off the ground.

Mr. Kotchian and a number of the witnesses noted that it was the British Government that insisted on some sort of U.S. backing for the Tri-Star, implying that failure to obtain the Government guarantee would result in the cancellation of the contract for the Rolls-Royce engines for the plane. Let us take a look at that. Rolls-Royce and the British Government have already invested well over \$100 million in the program.

They also have 30,000 jobs at stake and their reputation in the jet engine field. Mr. Kotchian indicated that there may be some other kind of backing that might satisfy the British. So again there is serious question about our involvement, without worrying whether we should be concerned with the British on this matter.

Mr. Chairman, the committee did not begin to explore the total ramifications of the bill before us and what it can mean to the relationships between Government, big business, and the financial marketplace. However, the hearings before the Appropriations Committee on the Department of Defense appropriations for fiscal year 1972 did take some testimony regarding the Lockheed Aircraft Corp. On May 25, Mr. Jack H. Vollbrecht, president of Aerojet-General Corp. testified. I believe some of his testimony is pertinent. The question was asked:

If the loan guarantee is not authorized or approved by Congress and Lockheed is forced into bankruptcy, do you believe our defense programs with Lockheed would be placed in jeopardy or is there a way for us to obtain our weapons systems under a receivership situation?

Mr. Vollbrecht replied:

I don't see any reason why they would be placed in jeopardy. I think it would be healthy, frankly, I really do. I have no qualms at all about it.

For one thing, Lockheed is not a single enterprise. It is a group of enterprises under one corporate group and most of those defense contracts are separated very clearly into one or another of the operating units. There is no reason why they could not continue on without any interruption at all as long as the people running them were assured, "keep going, fellows."

After all, the Government is funding these contracts and as long as the Government is willing to keep providing the necessary funds to those people, there is no reason for them to stop.

Mr. Packard said the same thing that even if the L-1011 program were to fail it would not seriously impair the defense contracts with Lockheed. So if there is some concern over our defense posture it is not shared by the Department.

Mr. Chairman, I believe of great interest is the testimony of Mr. Vollbrecht regarding the general attitude of the aerospace industry toward the Lockheed guarantee proposal. Commenting on the L-1011, he said:

In the L-1011 it is a clear case where the company undertook a venture which, for whatever the reasons might have been, simply didn't succeed, or hasn't succeeded up to this point without coming in and saying that the Government must participate in the thing in order to make it succeed.

Now, the point that upsets me about it is that this technique is what defense contractors have used historically to avoid going broke, to come in through normal Government channels of getting bailed out of their bad bids. In this case there wasn't any basis for the Government to bail them out and, by God, they had to surface. They had to come up and say, "you know, we have got to have some other way for you to do it. Here is a technique."

I say all you are doing is making the game clear to everybody. You can still play this game and if you are clever enough you will get away with it.

I just tell you, gentlemen, you have a good opportunity to make an example of a contractor who is a bellwether in this industry either way and the industry will read it exactly the way you treat them. It is common talk among the industry and they are waiting to see, and don't think they won't read those signs. There is no way you can cover them up. So if you want to continue having troubles with an industry who will come right back and say, "Well, what are you treating me different for? What is different about me? My problems are just as real to me as Lockheed's are to them." I think that is fair. I would expect to be able to come in and say "My God, we made a horrible mistake and we are about to go under and we want to be bailed out. And I'd want to know why you are not going to bail me out. If you say no, I want to know why."

Mr. Chairman, what is very clear from this exchange is that passage of this bill in any form may well be accepted as a signal for large defense contractors to ignore accepted business responsibility, operate in a very loose fashion, lose money if need be without concern because the Government will bail them out.

This you must agree is a very dangerous concept and attitude.

Will the Government be expected to underwrite the aerospace industry?

Will the program stop at \$250 million?

Will it stop at \$2 billion?

Where will it stop?

Again, I say that this is a bad bill and should be defeated regardless of the form it takes.

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

Mr. PATMAN. I yield to the distinguished gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, to sum it up, I understand you are going to support the \$250 million emergency loan program to Lockheed?

Mr. PATMAN. Surely, surely, I am going to support this bill with amendments. Lockheed has made a case and we cannot run the risk of not doing so. This could trigger a depression. Business and labor in 35 States are involved. This is no time to run that risk. We are losing in the fight against inflation and unemployment.

Mr. ANDREWS of Alabama. Mr. Chairman, will the gentleman yield?

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

Mr. ANDREWS of Alabama. I recall that the gentleman from Texas vigorously opposed the so-called bailout of Penn Central.

Would you tell us briefly what the difference between the Penn Central situation and the Lockheed situation is?

Mr. PATMAN. Yes; I can tell the gentleman.

Mr. ANDREWS of Alabama. Because at the time of the bailout they were on the verge of bankruptcy.

Mr. PATMAN. I will tell the gentleman something that has never been told, and never been printed.

Mr. ANDREWS of Alabama. Well, I will be glad to hear it.

Mr. PATMAN. A Penn Central director called me up one Friday night and said they wanted to see me, and they must see me immediately. I said, "All right, I will see you. Tomorrow is Saturday, but I will meet you Saturday morning."

They said they would be down, and

they were, and they were in my office all day long, and we had an Under Secretary and an Assistant Secretary of the Treasury, and we had other people, and we discussed this all day long. But when it got right down to doing something about it, they would not under any considerations agree to have the Government get its money back first. They would not subordinate any of their obligations to the Government's loan. They wanted that absolutely free and over and above any assets that they had. It was unlike this. Lockheed said, "Yes, we will pay the Government back first. We will subordinate even the banks, we will subordinate their obligations to the Government, we will let the Government be paid back first."

And this bill is written so that the Government of the United States, whatever money is paid out of the \$250 million, will be paid back before anyone else gets paid.

Mr. ANDREWS of Alabama. Will the gentleman yield for one further question?

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

Mr. ANDREWS of Alabama. If I understand the facts in this case correctly, the banks have already put in \$400 million into this, and Lockheed is already \$400 million in debt to the bankers.

Mr. PATMAN. That is right.

Mr. ANDREWS of Alabama. And this would add \$250 million to the indebtedness of Lockheed?

Mr. PATMAN. This \$250 million is to be an obligation.

Mr. ANDREWS of Alabama. Will it be fresh money?

Mr. PATMAN. It will be fresh money.

Mr. ANDREWS of Alabama. It will be fresh money from the banks?

Mr. PATMAN. In addition to the \$400 million.

Mr. ANDREWS of Alabama. From the banks?

Mr. PATMAN. If the Government guarantees it.

Mr. ANDREWS of Alabama. I understand that.

Mr. PATMAN. And the banks collect the interest in addition to that.

Mr. ANDREWS of Alabama. You mean the banks will collect the interest?

Mr. PATMAN. The banks will collect the interest.

Mr. ANDREWS of Alabama. That will make the total indebtedness of Lockheed to those banks \$650 million, \$250 million which is guaranteed by the Federal Government?

Mr. PATMAN. That is exactly right.

Mr. ANDREWS of Alabama. The gentleman from Texas has stated that these 24 banks have, as I believe you call it, a debt reserve?

Mr. PATMAN. A bad-debt reserve.

Mr. ANDREWS of Alabama. A bad-debt reserve, a slush fund, that was provided by the U.S. Government in the form of tax exemptions of \$1 billion?

Mr. PATMAN. That is the total subsidy to these 24 banks.

Mr. ANDREWS of Alabama. The total is \$1 billion?

Mr. PATMAN. That is right. That is after taking all their losses and deductions.

Mr. ANDREWS of Alabama. What

would the gentleman from Texas estimate the assets of Lockheed to be?

Mr. PATMAN. The total assets I assume are about \$1.4 billion.

Mr. ANDREWS of Alabama. One final question, if the gentleman will yield further?

Mr. PATMAN. I yield further to the gentleman from Alabama.

Mr. ANDREWS of Alabama. Why will not those banks make this \$250 million additional loan without Government guarantees when Lockheed has \$1 billion plus of assets?

Mr. PATMAN. Not only that, they want to get the benefits of any tax deductions in the future too, that is what they have in hand.

Mr. ANDREWS of Alabama. But my question is why will they not add \$250 million to that debt?

Mr. PATMAN. That is what I cannot understand. And when one member of the committee asked the Bank of America man, who was one of the two who were answering for the 24 bankers there, said, "Why don't you use this bad debt reserve that runs to \$1 billion for the 24 banks who are sitting here? There is only a \$250 million loan asked for?" he said, "We are saving that for a rainy day." And one of the members spoke up and said, "We are facing a hurricane right now."

Mr. ANDREWS of Alabama. I thank the gentleman.

Mr. STEPHENS. Mr. Chairman, if the gentleman will yield, in answer to the question raised by the gentleman from Alabama (Mr. ANDREWS) the banks have obligated themselves for \$400 million. They are now in the position of having been told by the bank examiners, whose people have come and looked at their loan portfolios, that "Lockheed loans are in the realm of classified loans," and that, "you should not, in the best interest of the bank, pay out any further advancement without additional collateral." Lockheed cannot put up any additional collateral. Under the law the banks could—I say could—advance more money even if the loans are classified. But under sound banking practices it is unwise for them to do so.

That is the answer, I believe, to the question asked by the gentleman from Alabama (Mr. ANDREWS).

Mr. PATMAN. I am not willing to accept that, with all due respect to my friend, the gentleman from Georgia (Mr. STEPHENS). You know, that classified loan—that does not mean they are classified to the extent that no further loans can be given to the people who made the loan.

I received from the proper regulatory agency the rules on that which are the same for the Comptroller of the Currency and the FDIC and the Federal Reserve Bank Board. The rules are that when they are classified ordinarily, you know, they look with disfavor on the loan—but there were evidences even among these 24 banks, where they had made loans to the same people that they had classified loans on. That does not deter them from making further loans.

The statement went further and said that sometimes it is a good thing to make a loan on a loan that has been classified,

because they could figure out for themselves that it would probably lead to a better condition for the borrower and he could pay back all of his debts, or a little better.

So, that is not an absolute deterrent. It does not stop the making of loans and certainly in a case like this where they have \$400 million at stake and where they have a 2.4-percent deduction for bad debt reserves—whether they have any bad debts or not—they get it anyway—and they could make a billion dollars that way and they can still get these bad debt reserves—and nobody else gets them. Other businesses did not get them. The railroads do not get them, individuals do not get such bad debt reserves. Only the banks like these 24 banks here.

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

Mr. PATMAN. I yield to the gentleman.

Mr. KEATING. Mr. Chairman, on the Federal guarantee of the \$250 million loan, will Lockheed get a lower interest rate on this loan than others in the marketplace?

Mr. PATMAN. That is to be negotiated—and that is the best information we could get.

What brought us down to this is that there was an agreement made by the different people involved and the Secretary of the Treasury, Mr. Connally, did read that agreement. There the British Government gives us notice—written notice that if we do not pass this—if we do not get ourselves in the position of living up to our part of the contract by August 8 that they will be out—do not consider them in any longer. That is a written notice from the British Government.

Also Rolls-Royce—there was the same kind of notice. If we do not put ourselves in a position to comply with our parts of the contract by that time, they are out.

Therefore, if we were to permit this Lockheed Corp. to go bankrupt, there is \$1,400,000,000 that would just go into the sand. It would not be worth anything. You take airplane parts and buildings and the know-how and the machine tools—they would be absolutely worthless. We were told that \$250 million will make them a going concern and save all this. They can pay their debts. So for that reason, that dateline is what attracted my attention—we do not want to run that risk and we should pass this thing quickly and get it over with and get ourselves in a position to comply with our part of the contract.

Mr. ST GERMAIN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. ST GERMAIN. Essentially, so far as the question of why banks will not go in for more than \$250 million, it was never really answered to the committee; was it? As a point of fact, some allegations were made but they never did answer it. Is it not a fact that if this guarantee is granted and they then subrogate themselves to the \$250 million that will be guaranteed by the Federal Government, there is an open end and the banks will end up with more security than they have at the present time from Lockheed?

Mr. PATMAN. Is the gentleman talking about the \$300 or \$400 million?

Mr. ST GERMAIN. The \$400 million. After the \$250 million guarantee, the banks will have more assets securing those loans than they presently have.

Mr. PATMAN. They would have additional assets. At one time they were valued at \$131 million. Now they are estimated to be worth \$300 million or \$400 million. Much of it is land that has appreciated to great value. I am willing for them to use it in connection with this \$250 million to save themselves, to enable them to pay their debts and to pay income taxes to the Government as they have in the past. Then we will all have fewer problems.

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

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

Mr. MAHON. I would like to have the gentleman's comments in regard to a very serious problem which now confronts the Committee on Appropriations, and which will probably confront the House next week.

There is pending before the Committee on Appropriations a budget estimate for \$1 billion to create public jobs—the Emergency Employment Act of 1971. This legislation recently passed the Congress and was signed by the President. The President has asked me and certain other Members of Congress to move quickly on the matter. There is a great push to get this \$1 billion proposal enacted in order to create a certain number of public employment jobs. How productive those jobs would be I personally think is quite doubtful. I am frank to say that I am most skeptical about the efficacy of the \$1 billion proposal.

Now, jobs are involved in the pending bill. Whether or not a bankruptcy would wash out those jobs I am not sure; I am not familiar with all the facts. But as between the \$1 billion proposal which we contemplate may be before us next week and the problem of jobs involved in the pending bill, how would you equate those matters?

Mr. PATMAN. May I suggest to the gentleman that he hold up on that a week or two. We are going to have a hearing on a bill that I think will solve all those questions and not use more than \$1 billion.

Back in 1932 Fiorello La Guardia came down the center aisle of the Chamber waving a bill that had been introduced in mimeographed form. It had not been printed or referred to a committee. It was known as the reconstruction finance bill.

Mr. La Guardia said:

Mr. Speaker, this bill helps out only the banks, the railroads, and the insurance companies.

And he was right. I voted for it. Others voted for it. We passed it because it would help the banks, help the building and loans, help to liquefy their frozen assets and put the country back on the track. Those three institutions were the ones who could do the most. Later they converted it so as to help anyone who had an application for a worthy project and they could get it considered if the bank would not make them a loan at a reasonable rate of interest. In that way the RFC handled \$40 billion in credit

to help the people; \$40 billion they could expend. They had a capitalization of \$500 million, and they could expend 17½ to 1. That act enabled them to do that. We had that from 1932 to 1953, and we should have had the RFC all the time. It should never have been abolished or repealed. But it was.

Now, you can take a billion dollars of that money and have a National Development Bank. You would be able to expend on the basis of 20 to 1, which is an orthodox figure. That would create a \$20 million bank, which should take care of our credit needs for the foreseeable future. You could use that \$1 billion for that purpose, I will state to the distinguished chairman of the Appropriations Committee, to solve many problems for many years to come.

Mr. MAHON. Does the gentleman support the proposed Lockheed loan for the purpose of making sure that we do not have greater unemployment, or does he support it for the purpose of making sure that these enormous defense contracts are not put in jeopardy, or what is the basis for the gentleman's support of the Lockheed loan?

Mr. PATMAN. No. 1 is unemployment. This bill requires no money—no appropriations. This bill will keep jobs—keep people employed. That is what this bill is about.

Between 60,000 and 70,000 people will be put out of jobs here. We already have between 5 million and 6 million people walking the streets, and we do not want to add to that, 10 percent more.

That is not all. National security is involved here. We do not know what is going to happen in the world. We want to be able to defend ourselves. If we destroy the know-how that is in the Lockheed Co., with the 71,000 employees and all the machine tools, we will be destroying a great deal of what we may need and need urgently.

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

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

Mr. MAHON. Mr. Chairman, it is argued that if Lockheed goes bankrupt, these jobs will not be jeopardized, that these contracts will continue, and the work will continue, and the people who are employed on these contracts will not lose their jobs. Did the gentleman explore that aspect of the matter, and if so, what were his conclusions?

Mr. PATMAN. It will create a monopoly. The more contractors that go out of business, the greater the monopolies will become. We have had a great deal of sad experience in dealing with monopolies. Now is no time to give them a greater and stronger grip on the throats of the American people.

Mr. PIKE. Will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from New York.

Mr. PIKE. Mr. Chairman, I am concerned about this job aspect too, and I do not know a thing about bankruptcy but I do know a little bit about building airplanes. What I find it difficult to understand is how we are going to lose these jobs if the company that is building the engines is already in bankruptcy and it can continue to build the engines,

but the company that is going to build the airframes cannot continue to build airframes if it goes bankrupt. Will the gentleman please explain?

Mr. PATMAN. I do not know where they are getting their money, but they are spending \$5 million a week right now, which is in the direction of helping us if we get into a position to carry on this contract.

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

Mr. PATMAN. I yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, I would like to answer the question that has just been asked. The British Government is paying out between \$3 million and \$5 million a week to keep Rolls-Royce going. They are taking a gamble at this time that the planes will be built for which they are going to furnish this particular engine.

Mr. PATMAN. That is correct.

Mr. WIDNALL. The government itself is paying out that amount.

Mr. PATMAN. That is correct.

Mr. WIDNALL. We have nothing to do with that. We are not guaranteeing any of that, but if we can pass this program, it will tie in with the other, and the whole thing can be continued.

Mr. PATMAN. And we will get the benefit of every dime of it.

I must cease and desist, because I have yielded more time than I should have, and I apologize for it.

I reserve the balance of my time, Mr. Chairman.

The CHAIRMAN. The gentleman consumed 46 minutes.

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

Mr. Chairman, the Lockheed situation was brought to our attention a number of months ago. As a matter of fact, a bill was introduced on May 19, 1971, with 19 sponsors in the House of Representatives from both political parties. Nine of the sponsors were from our particular committee. That bill provided for \$250 million in assistance through a loan guarantee fund.

In going through the committee, in the wisdom of the committee at that time, it was felt it would be wise to increase the amount to \$2 billion so that more guarantees could be provided. As circumstances have been changing from day to day, and as time is running out, we are to the point where we have to act promptly in an urgent situation, so we have felt and we believe that in coming in here today, actually we should compromise the amount and bring it down to the original amount that was sponsored by many Members of the House, which is \$250 million. I think it will do the job. I think it is urgently needed in the national interest, not only in the interest of Lockheed Aircraft, but also first and foremost in the national interest and in the interest of employment in the United States.

We have watched this steadily deteriorating situation. We can only compound the situation if we refuse to act to assist Lockheed at this time.

I hope every Member understands that the proposal does not propose giving

cash to anybody. It is a loan guarantee fund.

The proposal also means that the U.S. Government, for its loan guarantee, will have a first call on the assets of the Lockheed Corp. in case of major difficulty, in case it is necessary to go into bankruptcy.

We all feel that the \$250 million can be justified as responsibly needed in order to keep the company going and provide the means of producing this civilian airplane, for which there are 103 firm orders at the present time. These firm orders when delivered can more than cover the amounts that would be involved in the Government guarantee.

The Lockheed situation represents an almost unimaginable combination of circumstances which have combined to pose a major economic problem. It has highlighted philosophic questions which go to the root of our free enterprise system despite the fact that loan guarantees are hardly unique, and, in relation to the loans we have guaranteed, this one is definitely not large. Furthermore, it has posed the question of whether it is in the public interest for the Government to keep certain large corporations in business or not and a host of corollary questions.

There is no question regarding certain facts in this case. First, is the fact that Lockheed is the largest defense contractor in the country. Second, that it is a major factor in our aerospace industry, nor that that industry is already depressed as a result of the reductions in defense procurement and space exploration and the elimination of the SST. There appears to be no doubt whatsoever that if a guaranteed loan is not made available to Lockheed within a few days that it will go into bankruptcy and if this happens the L-1011 Tri-Star airbus is dead.

If this happens, there seems to be no doubt that some 60,000 people in 35 States will be added to the unemployment rolls, that \$1.4 billion of investments and loans already made will be lost, and that defense contracts in process at Lockheed will have to be renegotiated.

Some of the bill's opponents suggest that if Lockheed goes into bankruptcy, many of its defense-related activities will be continued. I think it is quite likely that this is so, which means that some 62,000 of their 72,000 employees might not lose their job. But no one who has appeared before us, or submitted statements, who knows anything about the aerospace or airline business, thinks that the L-1011 program could survive Lockheed's bankruptcy. No matter what confusing statements are made by this bill's opponents, this means that up to 60,000 people will be put out of work if this firm goes bankrupt.

It should be clear then that if we are concerned about problems of unemployment, then it is in the public interest to consider what appropriate steps might be taken to avoid such a massive layoff.

Some other consequences of Lockheed's failure are not so certain, but there seems again to be a little doubt that if it fails, 50 percent of the \$1.4 billion which has been invested so far in the L-1011 will be a tax deductible loss—with a cost to the

Government of \$750 million. The Treasury estimates the loss of income taxes at \$65 to \$95 million. In addition to this aggregate cost, loss recognition by creditors, shareholders, and suppliers will result in estimated short-run Federal revenue losses of \$275 to \$340 million.

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

Mr. WIDNALL. I yield to the gentleman from New York.

Mr. CELLER. Is there not also a danger, if Lockheed should go under and face bankruptcy, there would be a monopoly in the broad-bus aircraft field, leaving McDonnell-Douglas solely in the field, which would be in the neighborhood of a \$20 billion monopoly for the next 4 years?

Mr. WIDNALL. There is definitely that danger.

Testimony has made it clear that in certain industries, of which the aircraft industry is a prime example, the development and marketing of a product involves the aggregation of massive amounts of money, extremely diverse and sophisticated skills, and years of lead-time. Because of this, we are forced to recognize that the failure of the L-1011 project would mean we have only one other domestic producer of this generation of aircraft; namely, McDonnell-Douglas, with the DC-10. Despite the fact that Boeing may have the money and the expertise, they do not have time to get in this market. For reasons I will mention later, we consider it extremely important for the United States to preserve its superiority in the aerospace industry. But first, I want to point out the value of having strong competition in the manufacture of any generation of aircraft. Floyd Hall, chairman of the board of Eastern Air Lines, put it in very clear terms. He said:

For forty years, competition among the aircraft manufacturers has been the major force that has brought progress in safety, comfort, speed, technological design, and the two factors of purchase price and operating costs which are the airlines' major resources in holding down the price to the consumer.

Today we firmly believe that one of the main reasons the DC-10 and the L-1011 will each be exceptional airplanes is that the intense competition between the two is producing exceptionally high quality performance by the makers.

Because of price competition between Lockheed and Douglas for the initial Tri Jet orders, the base price offered to Eastern for the DC-10 with the General Electric engine dropped from \$15.4 million to \$14.9 million within a relatively short period in 1967 and 1968. Over the same period, the base price for the L-1011, with the Rolls Royce engine, dropped from \$16.1 million to \$14.25 million. . . . Thus, Eastern initially saved over \$2 million on an order of 50 airplanes by selecting the L-1011, and almost \$100 million over the initial offering price on the L-1011 itself.

Other testimony bore out Mr. Hall's contention that due to competition, both our domestic trijets are more economical to purchase and operate and offer more safety features. While I am sure Lockheed's bankruptcy would not motivate McDonnell-Douglas to reduce the quality of the DC-10, the competitive discipline on the price would disappear. Also, there would be significant delays in delivering the other benefits of the trijets to the

public, and who knows how long it would be until a new generation of aircraft improvements would appear.

There is no doubt whatsoever that there have been immeasurable benefits to the American public in terms of better, safer, faster, and more economical air transportation as a result of the competition between our domestic producers.

But continuing my comments on costs associated with Lockheed's bankruptcy. Additional unemployment compensation will amount to \$50 to \$75 million, depending on the duration of the adjustment period. It is quite obvious that any way you look at it, Lockheed's bankruptcy will cost the taxpayers far more money than the \$250 million which we are being asked to guarantee.

These are only the short-run costs. Badly needed sales of aircraft abroad, with resulting service and maintenance revenues, would be lost with an adverse long-term impact on our already critical balance of payments. This, by itself, is a problem of the first magnitude.

Let me make a short comment on foreign procurement in connection with this airplane and with the Douglas airplane. In the case of the Douglas airplane there is to be foreign procurement of 15 percent of the amount involved. In the case of the L-1011 it is necessary to have foreign procurement of 17 percent of the amount involved. So there is foreign procurement in both programs regardless. There is just a 2-percent difference between the Lockheed and Douglas programs.

Most of the world flies on American aircraft. In fact, our exports of aircraft, replacement parts, and service have been major factors in our efforts to maintain a favorable balance of trade. Having debated legislation here on this floor only a few weeks ago to broaden the activities of the Export-Import Bank, I need not review now all the facts regarding the serious decline in our Nation's trade balance. Let me just remind you that the only category of goods in which the United States maintains a clear competitive advantage is in the technologically intensive products. Maintaining the value of the dollar in international markets—that is, avoiding an official or de facto devaluation of the dollar—is dependent on maintaining a favorable balance of trade. Aircraft are essential to that. The foreign market for trijets is estimated at some \$27 billion. There is one foreign producer of a trijet, but Lockheed already has some few foreign sales for the L-1011 and seems reasonably certain to get others if it survives.

Every citizen who uses dollars—and I cannot think of any who does not—has an interest in what happens to our balance of payments. Maintaining a strong, productive, and competitive aircraft industry is in the public interest. I realize that there are many citizens who do not recognize the significance of this kind of consideration, but this is all the more reason why we here in the Congress must give responsible attention to such considerations.

Let me summarize, then, that I think it is clear that the public welfare is inextricably intertwined with the activities of certain of our major corporations.

Congress has repeatedly recognized this when the corporation is in the nature of a public utility, but it is obviously also true in the case of a firm such as Lockheed.

Having established this, we have examined what assurance there is that \$250 million would save the company, and why, in a free enterprise society, the Government should get involved. Let me treat the first point first.

I mentioned at the start the unimaginable series of events which led to Lockheed's problem. In a 2-year period, they had to write off a \$484 million loss on four defense contracts. Both the company and the Department of Defense admit that they share in the blame for this. This is in the record. Both the company and the Department of Defense admit they share in the blame for this.

Who was most at fault, we cannot determine without extended litigation, but be that as it may, it induced a liquidity crisis for Lockheed which it was about to resolve with additional unassisted private credit, when Rolls-Royce suddenly announced bankruptcy. This was followed by a renegotiation of the engine contract at higher cost, and the bankers' decision that further credit could not be extended to Lockheed without a guarantee.

Despite all these problems, the best brains in banking, defense, and aerospace, all estimate that \$250 million will pull Lockheed through its liquidity crisis and keep it alive. The banks will make the loan if the Government will guarantee it.

From all this, I think, it should be clear to all of us that granting a loan guarantee which does not cost any tax money would be a good bargain for the taxpayer. But it leaves open the question of why the Government should involve itself in this way.

The real question before us today is, whether we can, or will, apply enlightened flexibility to our interpretation of the unwritten policies concerning the relationship between government and business.

Personally, I have long cherished the free enterprise concept that any business, large or small, is a risk venture, undertaken by the owners for their own benefit, and that the Government's principal responsibility is to maintain an environment in which industriousness, honesty, and integrity bring their own rewards. Under the Constitution and our cherished concepts of free enterprise, our Nation has achieved the highest standard of living of any nation in the world and I say to you that it is this very success which has made us intolerant of failures and sympathetic to the needs of those who for any reason have shared less in our bounties. But it is both right and proper, and we apply the same measured flexibility to our concepts of free enterprise that we apply to interpretation of the Constitution.

Since at least the early thirties, we have been directing some portion of our Government's resources with more concern for the public welfare than the cost. When we have sought the reasons for the problems our programs sought to alleviate, it has not been to fix blame, but

to provide us with the guidance needed to shape corrective measures. Despite disagreements, we have inaugurated a broad range of Federal programs providing one form of assistance or another to a wide variety of businesses—not for the sake of the business or its owners—but to provide jobs or other benefits to the public. Let me cite a couple.

Tax incentives have been widely used. Do you recall why we passed the investment tax credit? It was to stimulate capital investments, improve productive capacity, create jobs, reduce unit costs, and improve the standard of living of our population. The tax credit went to the business firms, but we judged that the lost revenue would be more than offset by benefits to other citizens.

Do you justify that most controversial of tax incentives, the "oil depletion allowance," because you want to make oil companies rich, or because you want to assure adequate supplies of oil and gas to run our transportation systems and heat our homes?

FHA's mortgage insurance protects lenders against losses on the money they lend to homebuyers. The buyers pay the insurance premium and the lenders collect any payoffs, but we are proud of this program after 37 years of its operations, not because it has made mortgage lending profitable for banks, insurance companies, and others, but because it has made decent, safe, and sanitary housing available to millions of our citizens.

I hold up before you this massive catalogue entitled, "Catalogue of Federal Domestic Assistance." I could read from it now until the recess to demonstrate my point that the Federal Government has repeatedly provided some form of assistance to a variety of organizations when the public interest justified it.

The distinguishing feature in the Lockheed case is the size of the corporation. Here we have a case of a multimillion-dollar corporation and a consortium of 24 large banks asking for a loan guarantee of \$250 million. The opponents of the proposal have fostered the impression that the loan is for the benefit only of this large corporate entity. Nothing could be further from the truth. It has been clearly established that 35,000 of Lockheed's suppliers in 32 States will be hurt by our failure to grant this loan guarantee—and 27,000 of these firms are small businesses employing less than 500 people.

It would be the height of folly not to recognize the interdependency of large and small business firms or the very valuable contributions that large corporations can make to the economy and our standard of living.

Just in case you have not had the opportunity to consider the importance of a large firm like Lockheed to our economy, let me point out a few facts. First is the fact that American superiority in the manufacture of aircraft has made us a world leader in this field. The maintenance of this superiority is not just a matter of national pride. It is absolutely essential to the maintenance of a favorable trade balance. Of more direct and understandable importance, is the fact that 17,800 people were employed by Lockheed just on the L-1011 project

prior to Rolls-Royce's receivership. Lockheed's suppliers were employing another 16,000 people in 32 States in support of the L-1011. Everything we have been able to discover confirms the contention that the failure of this firm would plunge these 33,800 into unemployment posing immediate problems for us and would also have a severe adverse effect over the long run on our Nation's balance of payments. Is it in the national interest to let this happen? I think not.

The question that Lockheed has raised is not whether Lockheed itself is so important to our economy, but whether the public interest is better served by occasional Government assistance to specific large corporations.

In considering those policy questions, it would be foolish to overlook the scope of the large corporation's value to all the people. From what I have already said, it is obvious that the magnitude of Lockheed's L-1011 program is so great that in pure dollar terms, it would be cheaper to just give them \$250 million than to let them go broke—but far from this we propose only to guarantee loans made by private industry. If this is not a bargain for the taxpayer, I do not know what is.

Some have contended that the extension of this guarantee is the first step on the road to socialism. Whether this is so or not depends on the conditions which we establish for loan guaranty eligibility. One condition we have written into this bill is the requirement that the administrators make a finding that the extension of the loan can reasonably be expected to restore the beneficiary to a viable self-supporting condition. In Lockheed's case, the company has a long distinguished and profitable record. All the experts predict that if its present liquidity problem is alleviated, it will again be profitable. Under these conditions, it seems unlikely that the Government-guaranteed loan will be the forerunner of Government ownership and operation.

I think this is an extremely important condition and I think it should be imposed in the cold light of economic reality. If it is, I see no danger of this being a route to socialism. On the contrary, I think it is time for us to recognize that Lockheed is typical of the kind of enterprise it takes in this age of technology to produce this kind of product. We are proud of our worldwide excellence in fields like this and well we should be. It is folly to confuse our concepts of small businessmen competing fiercely with the risks involved in putting together a project of the magnitude of a new airliner. Lockheed's dilemma has forced on us the recognition that, in some fields, competition between giants in an international arena is the way of life. It is to preserve this competition in a free enterprise environment that we propose this bill. The welfare of too many of our citizens—both those directly involved in the project and those who must bear the burden of its failure—dictate that it is in the public interest to help preserve basically healthy firms such as this.

H.R. 8432 is responsive to the problem before us and is responsible in its re-

spect to our Nation's values. I urge its prompt enactment.

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

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

Mr. DON H. CLAUSEN. As I understand, the national and international market survey for the trijet airbus configuration that is in the same category as the L-1011; there is somewhere in the vicinity of 1,100 aircraft that could be sold in this particular family of aircraft.

Is this essentially what the testimony has revealed before the gentleman's committee?

Mr. WIDNALL. That is correct.

Mr. DON H. CLAUSEN. Those involved in the aircraft manufacturing field building this type of jet airbus include the Lockheed Corp., the McDonnell Douglas Corp. here in the States, but I think a most significant fact is the international competition that will come as a result of the construction and sale of the A-300 being built by the consortium in Europe; is that correct?

Mr. WIDNALL. That is true.

Mr. DON H. CLAUSEN. And with the planned building of the L-1011 using Rolls-Royce engines, it is my understanding that there will be an opportunity for Lockheed to sell somewhere in the vicinity of 50 and possibly 100 aircraft to European airlines, primarily because the Rolls-Royce engine will be used in the aircraft?

Mr. WIDNALL. It has been stated that the aircraft certainly can be sold overseas. The prospects for its sale are enormous.

Mr. DON H. CLAUSEN. For this reason and the many dire economic consequences that will evolve if this loan is not approved, particularly in California, I intend to support this guaranteed loan.

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

Mr. WIDNALL. I yield to the gentleman from Maryland.

Mr. MITCHELL. Thank you very much for yielding.

Do you know, or does any Member of this House know, what percentage or how much, if any, of the one-quarter billion dollars which Lockheed might get will be used in the development of a new Greek aviation industry with which we understand Lockheed has now entered into contract negotiations?

It is ironic that while some in this Congress are trying to bail out Lockheed, according to the press reports, Lockheed has entered into negotiations with both the French and the Greek aviation industries to help build up the Greek aviation industry. Do we have any guarantees that no portion of this quarter of a billion dollars will be used in that particular endeavor?

Mr. WIDNALL. To the best of my knowledge it will not be used. But I would state to the gentleman from Maryland that the Greek question that the gentleman presents now is something that was not alive at the time we held our hearings. This was never discussed.

Mr. MITCHELL. But now that it is alive, it seems to me it would be imprudent for us to move ahead on this without having some guarantees or some

knowledge of how much of that money will be going to the industries ruled by the Greek junta.

Mr. WINDALL. If the gentleman feels that that should be done right exactly at this moment, it is going to kill this bill we have before us, and it is going to kill the Lockheed company.

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

Mr. WIDNALL. I now yield to the gentleman from New York (Mr. CELLER).

Mr. CELLER. Recently, Secretary of Commerce Stans deplored the fact that we are facing a deficit in our balance of trade. Would not the gentleman agree that if Lockheed goes into bankruptcy, or fails and goes into receivership, that our deficit in our balance of payments would be accelerated because Lockheed does a great deal of business by exporting its planes to European airlines and to European entities, if this would deprive Lockheed of its ability to do that, to the extent their exports would be curtailed, then our balance of trade would be affected. So that it is to our advantage, at least from that aspect, to continue Lockheed.

Am I correct in that assumption?

Mr. WIDNALL. I will yield to the gentleman from Ohio (Mr. J. WILLIAM STANTON) to answer that question.

Mr. CONYERS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

One hundred three Members are present, a quorum.

Mr. J. WILLIAM STANTON. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. Yes; I will yield to the gentleman from Ohio.

Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. J. WILLIAM STANTON).

Mr. J. WILLIAM STANTON. Mr. Chairman, I take this time simply because the gentleman from New York (Mr. CELLER) wanted an answer in regard to the effect on our balance of payments if the Tri-Star is not built.

I have some figures here from the Secretary of Commerce, and the Commerce Department, that reveals that Lockheed, on potential sales to England of 38 planes, the trade balance effect would be approximately \$300 million.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri (Mrs. SULLIVAN).

Mrs. SULLIVAN. Mr. Chairman, no matter how one votes on H.R. 8432, the Emergency Loan Guarantee Act, our constituents will be deeply divided over our decisions. If you vote for the bill, the management and stockholders of Lockheed Aircraft Corp. will applaud you; the Nixon administration will be pleased; some bankers will be delighted by the profits this will bring to their institutions; but everyone who is concerned over the structure and direction of our economy will truly wonder and worry where the passage of such a bill would eventually lead the free enterprise system in the United States.

Had this bill become law only a few months ago, the same people who ran the biggest railroad into disaster would

today still be directing the operations from Penn Central, financed by loans guaranteed by the Government of the United States. Instead, Penn Central was forced into receivership, and the courts are in the process of straightening out one of the worst examples in modern times of corporate chaos and over-extended, mismanagement.

For there is little doubt in the minds of those who have worked on this legislation that Penn Central would have qualified for a bail-out guaranteed loan under H.R. 8432 as reported by the committee, had this bill been enacted prior to Penn Central's collapse.

The immediate stimulus to the bill before us is the financial brinkmanship of Lockheed. There is great controversy in our committee, and among informed people throughout the country, whether Lockheed should be saved from bankruptcy proceedings. But assuming that Lockheed's battered management does indeed deserve to be rescued from this prospective fate under the theory that the entire economy would be adversely affected by a Federal court-directed reorganization of its corporate and financial structure, Lockheed would qualify at the maximum for a guaranteed loan of only \$250 million out of a total guarantee fund in this bill of \$2 billion. What firms are lining up in the wings for the remainder? How far do we carry this concept of bailing out very big businesses by making available to them the full faith and credit of the United States, while at the same time thousands of other business firms would have no chance whatsoever of qualifying for help under this legislation because their prospective failure—while mighty serious to them and to their stockholders and suppliers and employees—would not "seriously and adversely affect the economy of or employment in the Nation or any region thereof?"

THE RUSH TO BIGNESS

Obviously, only major business enterprises—the biggest—are in the favored category covered by this bill. The march to supersize business, which has been so frightening in recent years, would be accelerated into a stampede, on the theory that if you are big enough the Government can not allow you to fail, no matter how inept the management, or how stupid the blunders that management might commit.

Penn Central provides a classic case history of corporate blundering and stupidity, laced with disregard of corporate ethics and public responsibility. Nevertheless, Penn Central would have qualified, undoubtedly, for a guaranteed loan under H.R. 8432; and Lockheed undoubtedly will, too, because this bill was initiated primarily to benefit Lockheed. Which corporation comes next for help out of the \$2 billion provided in this bill? After Lockheed, there would still be \$1,750 million available in the guarantee fund, to bail out at least 7 other huge corporations, but no one has ventured to tell us which firms might be in line and waiting. Unlike Lockheed, the others would not even have to go through the ordeal of a congressional investigation into their operational mistakes. Instead, three men—the Secretary of the

Treasury, the Chairman of the Federal Reserve Board, and the president of one or another Federal Reserve Bank would make the loan guarantee decisions in each instance, and then Congress would have the incredibly short period of 20 days to review each case and say no. The Lockheed loan apparently would not be subject to such a veto.

Mr. Chairman, I am against this bill, and I shall vote to recommit it to committee for further study. If that fails, I will vote against it.

If it is amended to restrict the loan guarantee just to \$250 million to bail out Lockheed, it would be a much better bill, but one which I would still have deep misgivings about. If it were amended to include the Comptroller General, along with the Treasury Secretary and Federal Reserve Board Chairman, in the 3-man board passing on loan guarantee applications, that, too, would be an improvement.

But nothing which can be done to this bill will make it smell sweet. The whole concept is wrong.

SAVING LOCKHEED—OR LOCKHEED'S PRESENT MANAGEMENT

If we are convinced that Lockheed's continued operation under the present management—mind, Mr. Chairman, I did not say its continued operation, because the firm would continue in business in any event, even if in reorganization; I said if its "continued operation under present management"—is essential to the economic health of the Nation, then let us have the courage to lend Lockheed whatever Federal funds it needs to tide it over, and lend the money at the going interest rate, and make money for the Federal Treasury on this deal. This is what I have urged right along—direct loans which would bring revenue back to the Treasury, rather than to the banks. Under this bill, the banks will lend out the money without risk, but collect millions upon millions of dollars of interest, while the Government takes all the risks.

Mr. Chairman, while it is not easy for any Member to make up his mind as to the right vote on this legislation, because of so many scare stories about the jobs which otherwise might be lost, there is more than enough information available to any Member who sincerely desires to dig through the facts. The hearings of our committee ran for only 5 days, but there are 463 pages of facts, data, and informed opinions in the printed volume available to every Member, showing that Lockheed will still produce planes whether or not this bill passes.

Our committee report contains a short discussion of the legislation in the majority views—actually a majority of 18 to 16 on the crucial vote—but it also contains 17 other statements of views—including four sets of individual views—one favorable and three critical—three sets of additional views—one favorable and two critical—one supplemental statement—favorable, but consisting almost entirely of the Treasury Secretary's prepared testimony—one set of separate views—critical—and eight sets of dissenting views—all highly critical.

When a committee divides 18 to 16, and CXVII—1784—Part 21

not on party lines, on a bill which obligates the Federal Government for \$2 billion of guaranteed loans to the very biggest businesses in the country, with disguised subsidies of many millions to banks, it seems to me that every Member would want to know the facts which led to such unusual disparity of opinion in the committee handling the bill.

Mr. Chairman, in my opinion, as I said in my dissenting views in the report, there are three basic choices open to Members of the House regarding H.R. 8432. They are to:

First, approve the bill in its present form despite the fact that virtually no testimony has been given, nor has there been any study by members of the committee, as to the scope, need, and effect of this legislation.

Second, amend the bill so that the assistance it provides is restricted solely to the Lockheed Aircraft Corp. Assistance for Lockheed was all the committee actually considered, and there is a real question in my mind as to whether that consideration even began to approach a level that could honestly be described as adequate.

Third, recommit H.R. 8432 to the committee for further hearings and in-depth study to determine whether:

First, the Nation's economy requires the Government to provide loan guarantees to large corporations which have so mismanaged their affairs and/or misjudged economic circumstances that they are no longer creditworthy without the full backing of the Government;

Second, reorganization of the Lockheed Aircraft Corp., sustaining those company programs and divisions which are viable and sound, would be in the best interests both of the corporation and the country.

A point that should be continually held in focus during debate of this issue is that this bill grew out of the Lockheed Aircraft Corp.'s application for a \$250 million loan guarantee to produce its L-1011 Tri-Star commercial jet airliner. And that is all Lockheed requested. It did not say that failure of the L-1011 program would result in a halt of all work underway or contracted for among all of its divisions. Quite the contrary. Both Lockheed and the Department of Defense have made it clear that defense production work, which comprises over 80 percent of all Lockheed production, would continue regardless of the fate of the L-1011 program. So in effect Lockheed requested assistance to help sustain a relatively small part of its overall activities—a program entirely in the commercial sector, having nothing whatsoever to do with defense.

Several months ago the Federal Reserve Board, while routinely helping to swing the Nation's economy from tight money-high interest rate inflationary conditions to loose money, high interest rate inflationary conditions, proposed the creation of an Emergency Loan Guarantee Board to protect large corporations in instances where management had failed to deal successfully with ordinary business and industrial problems and found survival impossible due to Fed-inspired economic cycles. Barring the Lockheed situation, that limp proposal probably would have been placed on a

gray shelf where it would have had a visibility quotient of nearly zero.

That idea, which should have been abandoned, was instead administered a life-giving transfusion in the Halls of Congress by people too embarrassed to admit they want to bail out an inept corporation whose leadership has found it impossible to avoid disastrous collapse of one program, and 24 of the Nation's largest banks—the people who played leading roles in producing this debacle with loans totaling \$400 million. These circumstances, manipulated by such people, have resulted in the presentation of H.R. 8432 as amended, a bill which would otherwise be recognized as a shambling legislative Frankenstein. We can all look forward to witnessing it stumbling through the economy, leaving havoc in its wake, making a mockery out of the words "free private enterprise system." It certainly is free and enterprising—free credit for failing management enterprising enough to remain afloat a little longer at the expense of the taxpayer. This is neither capitalism or socialism. It is a freak produced by the worst elements of both systems.

Legitimate need for H.R. 8432 as amended completely escapes my understanding. Not one witness from the private sector came forward during our abbreviated 5-day hearings to testify that this broad and blind bill, providing \$2 billion in Federal loan guarantees for big business, must be substituted for the administration measure which lends assistance to Lockheed alone. Not one industrialist was heard to state during the hearing that the large corporations of this Nation now require establishment of what I think has correctly been referred to as "a \$2 billion slush fund." Silence on the part of the very people this bill is designed to help leads inescapably to the conclusion that the legislation, in their view, is not needed. Those who disagree should compile a corporate list and make it public with the consent and approval of the companies identified.

The absence of response, however, will not last forever. Business and industrial entities, which will fail to meet the test of our competitive system and cannot justify the continued existence of failing programs, will come limping forward to present the case for their particular emergency—a \$2 billion gift cannot be ignored. Moreover, it is naive to assume that business and industrial entities are entitled to only one emergency loan guarantee. Having justified it once, how then is it possible that the next emergency of incompetence is not equally worthy of action? The result will be fail-proof corporate management relieved of the necessity of continually standing the test of competition, permitted to repeat its mistakes ad infinitum at the expense of the taxpayer. Viewed honestly, this is the free enterprise system working in reverse—working its way to self-annihilation in the name of public interest.

One of the most noteworthy things about H.R. 8432 as amended is what it does not say. Having stated that the legislation will be used to prevent damage to the Nation's economy, the bill's authors conspicuously omit any criteria

under which to develop standards by which the measure can be exercised. What constitutes economic damage? What degree of damage—whatever that is—is required to implement the legislation? Would the use of \$2 billion in available loan guarantees actually work against the best interest of economic development in view of the fact that the Federal Government has not indicated the slightest desire to establish a national economic development policy? In lieu thereof, it would appear the Nation will develop an economic policy under guidelines established through experience of guaranteeing loans for corporations which can no longer succeed.

By the same token, absolutely no consideration was given to the idea that a substantial portion of the \$2 billion in loan guarantees provided under H.R. 8432 as amended could and should be used to serve priority areas of the Nation's economy. Not one word was mentioned by witnesses about financing urgently needed public works and facilities or the construction of low- and moderate-income housing. No effort was made even to identify priority areas—or to establish a priority system under which the legislation will be used.

This bill is a blatant admission that the taxpayers of this Nation are required to foot expenses for large, failing businesses, and industrial and the financial institutions which have irresponsibly funded questionable programs administered by managements which will now be able to demonstrate their reliability, not by performance but rather by being able to lean comfortably on the full faith and credit of the U.S. Government. The crowd in the Kremlin, to say the least, must be smirking over our monumental lack of confidence in our economic system. This bill says in effect that capitalism as we know it can not be expected to work for the large corporate structures, which I for one had thought benefit most from it.

It is nothing more than self-deception to assume that the use of loan guarantees for large corporations who have otherwise run out of credit is a meaningful way of preventing increased unemployment. All that really takes place under this approach is the purchase of time to delay the day of reckoning which is inevitable, given the fact that the management that worked itself into a hole will simply be permitted to dig a little deeper with additional funds—or dig another hole under the banner of another program. Incompetence cannot be corrected by scattering \$2 billion in guaranteed loans around the countryside with the prayer that miracles will somehow occur where the money falls. What is far more likely to happen is that unemployment will increase in direct proportion to the capital invested in what is either an ill-conceived and/or mismanaged program. The use of loan guarantees to funnel more money into these programs means that eventual unemployment due to the final collapse of these programs will be greater than would have been the case had the projects in question been allowed a decent, merciful death. This kind of at-

tribution in our free enterprise capitalistic system occurs by the thousands among our small- and medium-sized businesses and industries every year, and the people of this Nation do nothing more than collectively shrug their shoulders and put the cause of death down as due to natural causes under the system.

To those people who favor H.R. 8432 as amended and point with satisfaction to existing Federal loan guarantee programs to support their position, I say that those programs by and large are designed for the little man who cannot obtain adequate capitalization at reasonable cost under conventional loan conditions from financial institutions in order to get into business. There is not one Federal loan guarantee program in existence which was designed to funnel millions of dollars of risk-free bank loans to those members of the Fortune magazine 500 list who have managed to run through their monumental resources and must turn with outstretched hand to the taxpayers of this Nation for still more money. The only instance that even remotely resembles the ridiculous situation I have just described is the Defense Production Act, which cannot be applied to commercial business and industrial purposes.

There are alarming similarities between the Lockheed situation now confronting Congress and the collapse of the Penn Central Railroad a little more than a year ago. Like Lockheed, the Penn Central came to the administration and to the leadership of Congress to request a Federal guarantee of a \$225 million loan under the Defense Production Act. It was impossible to bend an interpretation of the act to serve Penn Central under these circumstances, and the administration reluctantly but correctly let the railroad proceed to reorganization, which apparently is succeeding. Since then Congress has guaranteed Penn Central obligations, but only after inept and self-serving management has been replaced. The widely read Home Banking Committee staff investigation report on the railroad and the abuse of its resources by top management has made it undeniably clear that the administration would have made a serious blunder had the loan guarantee been granted and used to avoid reorganization. Today, this Congress is on the doorstep of the same basic decision. We are being asked to provide a \$2 billion program for unnamed companies whose affairs are so badly mismanaged that all sources of credit under the system have been shut off to them.

To the shock of House Banking and Currency Committee members, Federal Reserve Board Chairman, Dr. Arthur F. Burns testified that he would have approved authorization of a loan guarantee for the Penn Central had H.R. 8432 been in existence at the time the railroad was lobbying the White House and the Hill. It goes without saying that the Nixon administration would have unhesitatingly followed the same course since it had helped originate the idea of a Penn Central loan guarantee and has given its full support to a \$2 billion loan guarantee program.

It is an exceedingly difficult thing to

be adult—to be honestly responsible—when dealing with our personal affairs let alone the affairs of state. However, there's no way to avoid recognition of responsibility. This House cannot pull the silk edge blanket of political security over its head and childishly whisper to the Nation that it thinks it is doing right in approving this bill in its present form in order to avoid increased unemployment and growing lack of confidence in our economy. This bill is an indictment of our economy and our system. It is a declaration of no confidence and a non-plan for the future. Therefore, this legislation should be recommitted to the Banking and Currency Committee for further hearings and restudy.

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

Mr. REUSS. Mr. Chairman, any proposal that the Federal Government come to the aid of a failing company has to be viewed with the greatest skepticism. Under our system of free enterprise, the rewards of success go to companies and their stockholders. So it is only fair that the penalties for failure fall upon them as well. We start down a dangerous road when the Government starts getting into the business of insulating corporations from the consequences of bad management and bad fortune.

It is the possibility of failure which provides the greatest incentive for businessmen to operate efficiently and economically, and to produce the best possible product. For those businesses that cannot make it, we have a carefully worked out system of bankruptcy laws designed to make certain that all interested parties are treated as fairly as possible. This system has served us well, I would hate to see us depart from it.

My strong inclination, therefore, is to leave Lockheed, and its creditors, customers, and suppliers to work out their problems for themselves. There is one problem, and that is the workers who are now working on the L-1011, Lockheed's commercial airbus. If Lockheed goes into bankruptcy, there are strong indications that the 16,000 employees now working on the L-1011 will lose their jobs. While all of Lockheed's defense programs would continue without any loss of jobs, we still must be concerned about these 16,000 workers in the L-1011 program.

If the Federal Government were doing a proper job of managing the economy, no special steps would be needed to take care of these workers. There would be full employment without inflation, and any displaced workers would be able to move easily to other jobs. Unfortunately, this administration has so mismanaged the economy that unemployment is hovering around 6 percent nationwide. It is even higher in the southern California area where the L-1011 is being built. Faced with this grim reality, I would be willing to consider appropriate legislation to aid Lockheed and its workers.

But the bill before us today is not the way to do it. The bill reported by the committee is nothing but a \$2 billion slush fund for big business and big banks. It is not a bill for the welfare of Lockheed employees. It is a bill for the welfare of giant corporations and their

creditors. If this \$2 billion bill is passed, more shaky and mismanaged corporate giants will be elbowing for a place in line before the month is out. Lockheed's slogan is "Look to Lockheed for Leadership" and you can be sure that that's just exactly what they are going to be doing if we set up this \$2 billion slush fund for all of them to pick over.

Setting up a \$250 million pot is bad enough. A \$2 billion pot is eight times worse. At least with a Lockheed-only bill, Congress will have had some voice in deciding whether or not the guarantee should be made. Under the bill, as it now stands, however, the only chance for Congress to head off a guarantee is under the 20-day "One House Veto" section. Even if this provision is constitutional, which it probably is not, 20 days is not enough time for Congress to reach a judgment on questions of this magnitude. It took the Banking and Currency Committee weeks just to extract from Lockheed and the administration the information we needed to begin hearings. And this was a situation in which Lockheed and the administration knew there would be no congressional action unless the information was forthcoming. Under the present bill, however, there is no such incentive. In fact, the incentive is just the opposite. All a company has to do is withhold the necessary information from Congress for 20 days and they are home free.

Another problem with the present version of H.R. 8432 is that the taxpayers, who take all the risk, get nothing in return, while the banks and their failing corporate debtors take no risk at all, but get all of the benefits.

Under the bill, the banks are allowed a "reasonable" rate of interest. What this rate will be both the banks and Treasury Secretary Connally refused to say during the hearings. Clearly, however, since the banks are assuming no risk at all on this \$250 million in Government-guaranteed loans, the interest they charge should be minimal—certainly no more than the interest rate they charge on riskless loans.

In addition to the interest, the present bill says the Government should receive a "guarantee fee," but it does not say what that fee should be. To be fair to the taxpayers, this guarantee fee ought to be large enough to compensate the Government for the real risk they assume of having to pay off on the \$250 million guarantee. But Treasury Secretary John Connally, who will be the Federal Government's chief negotiator on the guarantee if this bill goes through, does not see it that way at all. In his testimony before the committee on July 20, he said:

I certainly think we will get a fee commensurate with the risk that we take, and if we do that, it will be a relatively small fee, because we are taking a relatively small risk—I do not think we are taking any risk at all, to tell you the truth. (Hearings, p. 357.)

However, the 24 banks involved have a much different view of the risk involved. Chauncey J. Medberry III, chairman of the board of the Bank of America and chief spokesman for the 24 banks, told the committee on July 15 that the banks would not lend the additional \$250 million without a Government guarantee

"because we feel the risk is too great for us to assume prudently"—hearings, page 165. Even if the banks got the same priority as to Lockheed's collateral that the Government would get, Mr. Medberry said he would not lend the money "because of the risk involved"—hearings, page 193.

We therefore have the unusual spectacle of Treasury Secretary Connally, who is supposed to drive a hard bargain on behalf of the taxpayers, giving the game away right at the outset and leaving the taxpayer with no return at all for assuming a risk which even the banks acknowledge is very substantial.

The Senate Banking, Housing and Urban Affairs Committee was nowhere near as generous with the taxpayers' money as Secretary Connally. In its report on the bill, the Senate committee said:

The committee intends that the guarantee fee shall be adequate to support the Government's administrative cost in handling the guarantee, and will reflect the risks assumed by the Government in making the guarantee. (Report, p. 12.)

However, the Senate committee neglected to spell this out adequately in their version of the bill. Therefore, H.R. 8432 must be amended to require that the Government's guarantee fee be large enough to compensate the taxpayers for their risk. This is no small matter, either. A 3-percent guarantee fee on a \$250 million loan over the 5-year life of the loan would come to some \$37½ million.

There is an even more basic unfairness lurking in this \$2 billion welfare program for big businesses. If \$2 billion is set aside to aid big businesses, that simply means there is going to be \$2 billion less in loans and credit available for deserving small businesses and anyone else who needs credit. Even Secretary Connally admitted this in the hearings, although with great reluctance:

Mr. REUSS. If we do pass the bill you recommend, the \$2 billion Senate bill, and it is used, then the \$2 billion that big business is getting means \$2 billion less for the rest of the economy, does it not?

Secretary CONNALLY. Well, obviously it has that impact. (Hearings, p. 356.)

However, Secretary Connally declined to embrace my suggestion that the name of the bill therefore be changed from the "Emergency Loan Guarantee Act" to the "Anti-Small Business Act."

Deputy Secretary of Defense David Packard criticized the broader \$2 billion bill for this same reason, although he later tried to withdraw that portion of his statement in order to adhere to the administration's line. In his prepared statement, Secretary Packard said:

There is another reason I believe broad legislation is unwise. A Government guarantee for a particular company or a particular industry does not generate more credit for the economy. For example, this guarantee only diverts the credit banks can offer someone else to Lockheed. We can afford to divert \$250 million under the circumstances. To provide a mechanism whereby \$2 billion could be diverted to firms in the defense industry or any other special industry is quite something else. (Hearings, p. 293.)

Let there be any doubt that this is sound, conservative economic doctrine,

let me quote from the testimony of Alan Greenspan before the Senate Banking Committee on June 21. Mr. Greenspan is a respected conservative economist and an adviser to President Nixon. In testimony opposing the Lockheed loan guarantee, he said:

Moreover, it is important to remember that when the Federal Government guarantees private credit, it does not add to the total financial resources available. It only moves one borrower up in the credit-rating queue at the expense of other borrowers who are not fortunate enough to have such a guarantee. (Senate Hearings, pp. 718-719.)

The Investment Bankers Association of America opposed the \$2 billion bailout bill on the same grounds. In a letter to Chairman Patman, the association, which represents some 620 investment banking firms throughout the country, said that they opposed Federal loan guarantees under conditions of monetary and fiscal restraint because this kind of assistance—

Would divert available credit to the assisted enterprise, away from other enterprises which also need credit, thereby substituting the judgment of those administering the program for the market mechanism. (Hearings, p. 456.)

Let there be no doubt, therefore, about what a vote for this bailout scheme means. Every loan dollar the Federal Government guarantees for some faltering big corporation means a dollar less in credit for small businessmen, homebuyers, people who must borrow to put their children through college, anyone who needs an auto loan, or a home-repair loan, or any kind of credit at all. A vote for this bill is a vote to take loan money out of their pockets and put it in the pockets of big business.

This country's experience with the Reconstruction Finance Corporation in the 1930's and 1940's is often cited as a precedent for the kind of broad-scale business bailout scheme we have before us.

The RFC did many good things during the depression and during World War II. It was an appropriate response to those two serious national crises. But when the RFC was carried on after the war—after the emergencies which called it forth had passed—it fell on evil days. During the late 1940's, charges of corruption and political favoritism surrounded the RFC. Hearings before a Senate Banking Subcommittee headed by Senator FULBRIGHT in 1950-51 revealed what *Business Week* magazine called at the time "a sordid story of graft and corruption."

Former President Herbert Hoover, who began the RFC back in the depths of the depression, testified at those hearings. He began his testimony by saying—

I believe that the RFC should be liquidated.

He said:

The social and economic purpose of the RFC, he said, had become submerged in support of risky business, and in bailing out creditors on a large scale.

He saw no reason, he went on, why the taxpayers' money should be used to subsidize larger peacetime business.

Large RFC loans, he said, have led to favoritism and corruption.

Jesse Jones, who headed the RFC for 13 years, also turned against his old agency after the war. In a letter to the Fulbright committee in April of 1950, he said he was "saddened" by the way the RFC "is now being misused." The RFC, he said, should be given a decent burial, lock, stock, and barrel.

He went on to say—

Government lending in competition with private business is not a proper function under our free enterprise system. When the Government finances business it is competing with private enterprise from which it gets much of its income. When it finances improvident business it takes from the profits of competing business, gets no taxes from the improvident, and loses on its loan.

As an example of the kind of RFC loan he did not like, Jesse Jones described a loan which has some striking similarities to the proposed loan to Lockheed:

As publicized, the Kaiser-Fraser loan was made to put men to work. The country can absorb only so many automobiles, and if Mr. Kaiser does not make them, others in the industry will, and with private funds. If Mr. Kaiser does not employ the men to make automobiles, the industry in that same vicinity will.

Mr. Jones made another important point. He said:

Money lending is just as much a vocation as any other calling in life, including that of politics and statesmanship. A successful money lender would probably not make much of a success in politics, and the reverse is probably true.

What, then, does the RFC experience teach us? It teaches us, I suggest, that the Federal Government should get into the business of making and guaranteeing loans only in the most extreme circumstances.

Another lesson is the danger in allowing Government officials, and especially politicians, to decide who shall and who shall not get credit in a free marketplace economy. The opportunities for favoritism and corruption are just too great. If men were angels, we would not have to worry about this. But they are not, so we must.

The bill before us sets up a \$2 billion slush fund, with a political appointee holding a most prominent position on the Board which is to dole out the boodle. If I were the chairman of the Republican National Committee, I would sleep sounder at night if I knew that I had this \$2 billion available for "emergencies."

Under this bill, we could change the name of the Emergency Loan Guarantee Board and revive the same initials used by the RFC—we could call it the "Republican Finance Committee."

Mr. Chairman, we should learn from our experience. It would be a mistake to set up a new RFC today. It would be subject to the same abuses as the RFC of the late 1940's. We should not start down that road again.

The bill should be voted down.

Mr. PATMAN. Mr. Chairman, I yield to the gentleman from Indiana (Mr. JACOBS).

Mr. JACOBS. Mr. Chairman, it is my understanding that this legislation will permit banks to lend \$250 million to Lockheed at a potential interest profit

of \$50-\$75 million without the slightest risk involved.

Whatever happened to risk capital? Free enterprise?

Was it Prof. Harold Hill, the music man, who spoke of "an ironclad lead to a three rail shot?"

Mr. PATMAN. Mr. Chairman, I yield to the gentleman from Connecticut (Mr. COTTER).

Mr. COTTER. Mr. Chairman, I will vote against this bill.

My overriding concern is that this legislation establishes a dangerous and unnecessary precedent: the Federal Government now takes it upon itself to bail out private companies which have failed to measure up in the free enterprise system. There is no need at this time for a new Reconstruction Finance Corporation.

The loan to Lockheed is unconscionable. First, I am not satisfied that all private lending sources have been exhausted. Second, I do not believe that Lockheed will survive even if the loan guarantee is granted, because the economic survival of Lockheed is tied to the L-1011 which cannot be a commercial success. Third, I feel that such a bail-out will seriously affect the ability of the U.S. Government to establish more realistic contracting procedures in the defense area. Finally, and most importantly, I believe that this Lockheed loan constitutes an unfair competitive advantage to the other airplane manufacturers and, in essence, constitutes substantial subsidy for the British engine manufacturer, Rolls-Royce, which is in competition with U.S. companies.

Furthermore, I have listened to the argument that our defense posture will be weakened by the bankruptcy of Lockheed; Deputy Secretary of Defense Packard effectively answered this argument. He asserted that the Federal Government would get its military equipment even if Lockheed went bankrupt.

Another argument that is raised, and one that I am very sensitive about, is unemployment caused by the cancellation of the L-1011. I just want to point out that my additional views to the committee report, which I will insert, demonstrates that the L-1011 will not be a commercial success and that I feel these employees will be out of jobs anyway. What we are being asked to do by approving this loan guarantee is further waste our scarce Government resources on an uneconomic project. I believe that the men and women involved in the L-1011 should have jobs, but I submit that supporting a project that has no chance for commercial success cannot be justified to the American taxpayer.

Therefore, Mr. Chairman, I will vote against the entire bill.

At this point I would like to insert my additional views on this legislation:

ADDITIONAL VIEWS OF WILLIAM R. COTTER ON
H.R. 8432

I oppose the Federal government Loan guarantee of \$250 million to the Lockheed Corporation.

I voted for the \$2 billion Emergency Loan Guarantee Act because the parliamentary situation in the Committee precluded a vote specifically on the Lockheed issue and other important issues.

I believe that this \$2 billion Emergency Loan Guarantee Act is the best means to kill the Lockheed loan because the bill is so seriously defective that the House will reject it.

The concept of a Reconstruction Finance Corporation has some validity when the economic condition of the country warrants it. However, the current economic condition of our Nation, serious as it is, does not indicate that there is a pressing need for such expansive legislation at this time. Furthermore, this bill would be an ineffective tool for assuring that both the economy and the taxpayer are being helped.

Should the economy deteriorate to the degree it did during 1928-1932, I am confident that the Congress would act expeditiously to establish a Reconstruction Finance Corporation. Now is not the time for such expansive legislation and Lockheed is not a worthy recipient of any additional Federal financial assistance.

L-1101'S AS LOCKHEED'S ECONOMIC "LIFE JACKET"

There is little doubt in my mind that Lockheed should be left to fend for itself in the private sector of the economy.

My views aside, the \$250 million guarantee to Lockheed, which is the major impetus behind this general bill, should be decided specifically by Congress. The House Banking and Currency Committee has held hearings, the staff has provided an informative report, and the Members of the Committee have devoted numerous hours studying the complex arguments surrounding this proposal. All of this activity on the Committee bill is for nothing if we say to the Executive Branch "we have studied the issue carefully, we have made up our minds, now you decide." This, I submit, is foolhardy and irresponsible.

Therefore, I believe that the Members of the House should vote specifically on the Lockheed loan. In my opinion, the facts of the case suggest that, even with this \$250 million Federal loan guarantee, Lockheed will fail. The reason is simple: the L-1011 Tristar, Lockheed's first major civilian aircraft since its economically disastrous Electra program in the early 60's, will not be a commercial success. The success of L-1011 is the most necessary ingredient in the economic survival of Lockheed.

To believe that Lockheed will become economically viable with this \$250 million guarantee is to assert that the L-1011 will be Lockheed's "economic life jacket". This is not the case!

Briefly, the L-1011 is a 250 passenger airbus with a U.S. airframe and British RB 211 Rolls-Royce engines. The British "won" the contract competing with other U.S. engine manufacturers by underbidding U.S. contractors, and are now in the process of increasing RD 211's costs and cutting back on the engine performance requirements. As a result, the final cost of the aircraft is unsettled.

The chance of economic success for L-1011 would be increased if it were a highly specialized aircraft, but the field is burgeoning with competition. The U.S. competition is the McDonnell Douglas DC-10 with a G.E. engine. The French-German entry is the A 300B. Given the state of the airline market there can be only the most serious doubts raised that the L-1011 will be a commercial success.

To make money on an airplane, the aircraft company must reach a "breakeven point", i.e. sell a certain number of aircraft, before there is any profit. Lockheed management estimates the breakeven point is 220 L-1011's, but the firm orders (not including tentative options) are now at 103. By Lockheed's own estimates this is 117 planes short of the breakeven point.

In addition, a study by the Office of Systems Analysis of the Department of Defense, a study by the way that was conveniently classified, demonstrated that Lockheed will

have to sell 390 L-1011's before it turns a profit!

If this were not devastating enough, the airline companies, facing continuing serious losses, seem reluctant to continue progress payments on the L-1011 without very strong guarantees. For the record, these are the preconditions that Delta Airlines (which has a firm order for 24) has required before it pays any more to Lockheed for the L-1011:

"1. Lockheed must demonstrate that it has available an unrestricted loan agreement of \$650 million on terms and conditions satisfactory to Delta's management [a U.S. loan guarantee is not specifically required].

"2. Delta must have satisfactory evidence that Lockheed and Rolls Royce (1971) have executed a firm contractual agreement for the continued manufacture, sale and delivery, as well as customer support requirements, of the RB-211 engines [this contract must be satisfactory to the other airline customers of Lockheed as well].

"3. Delta and other U.S. purchasers of the L-1011 aircraft and Air Canada and Rolls Royce are prepared to execute contractual arrangements satisfactory to them for the manufacture, sale and support of the RB-211 engines and spare parts therefor and that Delta's management must have received assurances reasonably satisfactory to it that Rolls Royce (1971) will support the RB-211 engines throughout the normal life of the L-1011 aircraft. We see one way to accomplish this, at least in part, by the placement of a substantial order for the L-1011 Rolls Royce Powered aircraft by British European Airways. During the past few weeks two Delta officials spent a week in Derby and London renegotiating Delta's RB-211 spare engine contract and holding a series of discussions with the Rolls Royce management and technical people. Subject to the program going forward, we believe we have resolved most of the outstanding issues of the renegotiation of the RB-211 spare engine contract. It might also be added that there seems to be some solid evidence that the new management of the Rolls Royce Aero Engine Division is a good one and that there are no known factors at this time which prevent the development of the engine."

"4. Delta, U.S. purchasers of the L-1011 aircraft and Air Canada and Lockheed are prepared to execute contractual arrangements reaffirming current orders for the L-1011 aircraft which would reflect revised delivery schedules, changes in price, specification and revised payment schedules.

"We have also as preconditions from our Board that Lockheed must satisfy us that its principal vendors will continue with the L-1011 program and that they are financially able to continue that program; that we receive a ruling from the Internal Revenue Service that each of our L-1011 aircraft to be delivered under the amended contract will be eligible for the investment tax credit.

"A further precondition includes the restructuring of the financing agreement with the United Kingdom banks and Delta and we expect to receive in the near future an unconditional letter from Lazard Brothers, the merchant banker for the financing, that the commitment will remain in full force and effect until the new financing becomes effective. The final condition is that at the time we propose to enter the amended contract with Lockheed that the Department of Defense shall have paid to Lockheed all amounts then due under its C5A, SCRAM, Cheyenne and shipbuilding contracts. *We understand that the other airlines have preconditions similar to ours, and for Delta's part we have continually stood willing and able, and do now, to discuss open matters on these preconditions at any time.*"

I have serious doubts that Lockheed and Rolls Royce can meet these stringent conditions. If these conditions are not met, the 103 firm orders for L-1011's are in serious trouble and Lockheed will be still further

away from its productive goals needed to make the L-1011 a success.

I conclude from this and other data that the L-1011 will not be a commercial success.

As has been pointed out over and over again, if the future were so rosy for Lockheed's L-1011, private investors would be flocking to Lockheed's door. Since this has not been the case, I cannot justify why the American taxpayer should guarantee any further loans.

Finally, I am sensitive to the adverse employment aspects in California and other areas should the L-1011 fold. But given the future for the L-1011, I believe that even if the loan guarantee is granted, Lockheed L-1011 employees and the employees of the L-1011 subcontractors will still be facing unemployment but the cost to the government will be \$250 million plus interest. The Lockheed loan should not be approved.

CONGRESS SHOULD DECIDE

Another glaring inadequacy in the Committee bill is that the Congress abrogates its responsibility to decide on the merit of these major loans. By establishing an Emergency Loan Guarantee Board that has the authority to approve loan guarantees, Congress has, in effect, removed itself from the decision process.

I believe that the Federal government should be the "banker of last resort" only after the specific Executive and Congressional authorization of each loan. The bill would be immeasurably strengthened by the requirement that Congress must specifically approve each loan the Board feels is necessary.

This proposal would assure that guaranteed loans of dubious merit, such as the Lockheed loan guarantee, would be analyzed and specifically approved or disapproved by the Congress.

Again, the Emergency Loan Guarantee proposal is justified in terms of the national interest, and the representatives of the American people, the President through his representatives on the Loan Guarantee Board and the Congress should be required to approve each loan.

During my questioning of Arthur Burns, former Counsellor to President Nixon and current Chairman of the Federal Reserve Board, I asked if he saw any serious objections to having Congress specifically authorize each loan. Chairman Burns answered, "I see no objection to this procedure, no, not at all. On the other hand, I do not think that general machinery for dealing with emergencies, possible emergencies, of the kind that is provided for by the Federal Reserve bill and the Senate bill, is needed and therefore I prefer it. But I see no objection to the procedure that you suggest."

ARE THE TAXPAYERS PROTECTED?

The Committee bill provides little protection for the taxpayer.

Despite the assertion of the witnesses that the government and, in turn, the American taxpayer will be protected, there are no specific requirements in the bill that this must be done before the loan is approved. In testimony before the Committee, the witnesses assured the Members that there were "understandings" that Lockheed creditors would subordinate their prior claims against Lockheed, should Lockheed fail. I am very skeptical about such "understandings" since they do not appear to have much legal validity.

Tragically enough, the Committee bill provides no clarification on this point in Section 6(f), the section dealing with this requirement. The only financial institution that is required to subordinate its prior lien on the affected company's assets is the financial institution that provides the loan that the Federal government guarantees. Should, for example, the Bank of America decide to provide the entire \$250 million to Lockheed under the government's guarantee, only the Bank of America will have to subordinate its

prior lien rights leaving the Federal government and the taxpayer in the very undesirable position of having to pay the \$250 million plus interest.

This bill, at a minimum, should be amended to require that all creditors legally subordinate their liens against the affected company so that the American taxpayer is protected.

In summary, the Committee bill is very seriously defective. At a minimum, these substantive changes should be made:

The Lockheed loan which cannot be justified on economic grounds should be specifically excluded from any loan guarantee program.

The bill should require meaningful Congressional participation by requiring specific Congressional authorization of each loan.

To protect the American taxpayer, all secured creditors of a company seeking a Federal loan guarantee should be required to subordinate their liens against the company to the U.S. government's lien.

Mr. PATMAN. Mr. Chairman, I yield to the gentleman from New York (Mr. BADILLO).

Mr. BADILLO. Mr. Chairman, I rise to voice my opposition to the pending legislation, the Emergency Loan Guarantee Act. No matter how this bill may be worded, we all know its main purpose: to rescue the Lockheed Corp. from almost certain bankruptcy through the use of tax dollars.

I remain unconvinced by the many pages of printed matter I have read and the many hours of debate I have listened to that it is in the national interest to bail out Lockheed from its financial difficulties.

There is no evidence that the national economy would be irreparably harmed by Lockheed's filing of a petition of bankruptcy and undergoing reorganization.

There is no evidence that the national defense would be irreparably harmed by Lockheed's filing of a petition of bankruptcy and undergoing reorganization.

There is no evidence that businessmen and consumers would regard a Lockheed bankruptcy petition as catastrophic.

And there is no evidence that the Nation's unemployment situation would be seriously affected one way or the other by Lockheed's bankruptcy petition and reorganization.

In what way, then, is it a disaster to the national interest for Lockheed to file for bankruptcy and to undergo reorganization in accordance with the law? A stronger, more efficient, and better-run company might actually result from this process.

The proponents of this legislation very rightly point out that no matter what its origin or original purpose the bill we now have before us is a generic one, a bill designed not only to aid Lockheed, but to aid other major businesses that may face a similar situation. This makes the proposal even more objectionable. I oppose it because it establishes a bad precedent and because it represents a further perversion of our national priorities.

Mr. Chairman, I am not opposed in principle to an active role for the National Government in the economy. But I do oppose involving the Government in what could become an endless succession of rescue efforts for failing businesses. This bill establishes a very dangerous

precedent by authorizing \$2 billion in loan guarantees for just such a purpose.

Where will it all end? Where will we draw the line? How many tax dollars will we eventually be forced to commit to this questionable practice? I warn my colleagues that on the basis of past experience we are only dealing with the camel's nose today. We must say "no" at this point or face the inevitable consequences.

Then there is the question of national priorities. I personally feel, Mr. Chairman, that at a time when we are constantly warned about budgetary constraints and limitations by the administration we have more urgent and pressing needs for \$2 billion than to rescue big business from mismanagement.

We need to fund comprehensive programs to put the unemployed back to work. We need to fund programs to rebuild our decaying cities. We need to fund programs to assure the delivery of quality medical care to all our citizens. We need to fund programs to educate and properly nourish our young and to provide for our elderly. We need to fund programs to preserve our environment.

These and similar programs, with nationwide impact and far reaching benefits, should take priority over special interest legislation for a few big businesses.

I urge my colleagues to defeat his bill. We must not continue to pervert our national priorities by squandering scarce resources on legislation of dubious national value.

Mr. WIDNALL. Mr. Chairman, I yield to the gentleman from Ohio (Mr. J. WILLIAM STANTON) such time as he may consume.

Mr. J. WILLIAM STANTON. Mr. Chairman, there have been statements made in recent weeks which contend that there will be a favorable impact in the Nation's balance of trade if the L-1011 program is terminated and DC-10's are sold in its place. These statements are highly inaccurate. In fact, this development will result in an unfavorable balance of trade of at least \$300 million.

There are hard economic facts underlying these estimated effects. First, it is not generally recognized that there is only a small difference in the amount of foreign manufactured parts for both aircraft. The costs of the Rolls-Royce engine being produced for the L-1011 is largely offset by the costs for wing and fuselage assemblies produced in Canada, Italy, and Japan for the DC-10. This foreign content cost differential is approximately \$550,000 per aircraft—less than 4 percent of the total contract price.

Second and more important, this small difference in foreign procurement costs will be more than offset by the number of L-1011's expected to be sold in the United Kingdom. If there were no Rolls-Royce powered L-1011 program, these United Kingdom requirements would be fulfilled by the European-built A-300B, according to all indications from many British officials. It should be remembered that a substantial part of the A-300B will be built in the United Kingdom. If counter argument is made that A-300B is G.E. powered, then do not fail to note that 40 percent of the work by value on this engine is performed in Europe.

For Lockheed's projected 409 aircraft program for the L-1011, sales of only 16 L-1011 aircraft in the United Kingdom would more than offset the difference in foreign procurement cost between the L-1011 and the DC-10. It is expected that a minimum of 38 trijet sales will be lost in the United Kingdom to the A-300B if there were no L-1011 program. This number of additional sales alone would provide a favorable balance of trade for the L-1011 program amounting to approximately \$300 million.

Worldwide, the continuance of the L-1011 program is estimated to result in a favorable balance of payments to the United States amounting to between \$500 and \$600 million.

Mr. WIDNALL. Mr. Chairman, I yield 8 minutes to the gentleman from Pennsylvania (Mr. WILLIAMS).

Mr. CONYERS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. One hundred and three Members are present, a quorum.

The gentleman from Pennsylvania (Mr. WILLIAMS) is recognized for 8 minutes.

Mr. WILLIAMS. Mr. Chairman, this legislation that we are considering today, H.R. 8432, the Emergency Loan Guarantee Act, is one of the most important pieces of legislation that will come before Congress during this session. Never has a bill been so important and, at the same time, so misunderstood. I hope that my comments today will clear up these misunderstandings and enable you to support H.R. 8432.

One of the most important issues facing us today is the condition of our economy. We all know that unemployment has been rising. We all know that tax revenues have been below expectations. These are conditions which we all want corrected, and favorable action on H.R. 8432 will be a long step in the right direction.

This bill provides for a \$2 billion loan guarantee program. The \$2 billion emergency loan guarantee program establishes an Emergency Loan Guarantee Board consisting of the Secretary of the Treasury, the Chairman of the Federal Reserve, and the President of the Federal Reserve Bank, of the district in which an enterprise is located.

This bill also establishes strict guidelines to be followed by the Board in guaranteeing any loans. In effect, the only corporations or companies that could receive a Government-guaranteed loan would be those with a temporary liquidity problem and not those which are perennial "losers."

This bill even provides that when the inability of an enterprise to obtain credit through normal sources is a result of poor management, the Loan Guarantee Board shall require changes in management before guaranteeing any loans.

During the time that any enterprise has a Government-guaranteed loan, the enterprise cannot pay a dividend on its common stock or make any payment on any other indebtedness until the Government-guaranteed loan is fully repaid.

This bill even provides that under a Government-guaranteed agreement, the lender must give the Government-guaranteed loan a priority on any collateral

securing earlier outstanding loans. In addition, the bill makes provisions for a guarantee fee and service charge to be paid to the Federal Government.

Obviously, these provisions of the bill will prevent any rush of corporations or companies to secure Government-guaranteed loans.

Now let us talk about Lockheed. Lockheed has been a profitmaking company for many years. They find themselves in their present difficulty due primarily to the Defense Department, under Secretary Robert McNamara, developing and using the total package procurement system.

Under this total package procurement system, the Pentagon would get an idea about a new type of aircraft, missile, or other military hardware, and decide how many of them they wanted. Then they would ask the suppliers for a bid on the total package.

Under the total package procurement program, the defense suppliers were forced to bid on the research and development necessary for the new equipment; the production of the prototypes, the setting up of the production line and producing the required number of units.

The pricing of any program which includes research and development is totally impractical, as a price cannot be set in advance on any research and development program. If it were possible to put a price on research and development, the Congress could appropriate a billion dollars for the research needed to discover a cure for cancer within a period of 1 year. What would probably happen is 1 year from now, we would have neither the \$1 billion, nor the cure for cancer.

In referring to the C-5A contract which the Government had with Lockheed, Deputy Secretary of Defense David Packard testified:

The total package procurement type of contract is unworkable for this type of program.

Yet, it was under the total package procurement type of contracts that Lockheed was forced to take a total loss of \$485 million.

The total package procurement program was such a failure that the Defense Department is no longer using it. Again, Secretary Packard stated:

During the last two and one-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.

Lockheed, their subcontractors, and certain airlines now have over \$1.3 billion invested in the L-1011, a commercial plane called the Tri-Star. Some L-1011's have been produced and are now undergoing flight tests to obtain the necessary certification. One Member of the other body stated that the L-1011 would not fly. The fact is that an L-1011 flew from the United States to the Paris air show and performed admirably at the show.

Lockheed has over 100 firm orders for the L-1011 and the proposed \$250 million Government-guaranteed loan to Lockheed would be repaid with the production of the 100th plane.

Due, principally, to the losses suffered by Lockheed under the total package pro-

curement program, 24 banks have loaned to Lockheed \$400 million. The fact is that these same 24 banks were making the arrangements to lend to Lockheed the additional \$250 million needed to complete the L-1011 program when Rolls-Royce went into receivership, and the L-1011 is equipped with Rolls-Royce engines.

Bankruptcy of Rolls-Royce caused the bank loans to Lockheed to become classified and, therefore, the banks were unable to lend the additional \$250 million to Lockheed. A classified loan is one that has developed a degree of risk, and the financial regulatory agencies do not look with favor on extending additional credit to companies whose loans have become classified.

However, the 24 banks have sufficient confidence in Lockheed's ability to recover that they have agreed to subordinate their loans to the Government-guaranteed loan. Also, Lockheed Corp. has made approximately a \$14 million profit during the first 6 months of this year.

The thought has been advanced that the L-1011 should use the GE engine. This is impractical as it would cost \$150 million to redesign the L-1011 airframe for the GE engine and a delay of 6 months would be encountered. Today, the British Government is subsidizing the Rolls-Royce to the extent of £1.5 to £2 million per week, and the fact that the L-1011 is using the Rolls-Royce engine will increase its foreign sales.

The continuation of Lockheed as a profitmaking company, and continuing Lockheed's subcontractors in business, means 60,000 jobs, and the loss of these jobs would endanger our economy. This means 60,000 working people paying taxes, and not 60,000 unemployed people collecting unemployment compensation benefits and, eventually, welfare.

Let us take a look at the past history of Lockheed. From 1961 through 1968, Lockheed paid \$328.9 million in Federal corporate income taxes alone. Of course, this does not include the millions of dollars paid in Federal income taxes by Lockheed's employees, their subcontractors, and the employees of the subcontractors.

During this same period of time, Lockheed had net earnings of \$344.2 million. This sum of money was paid to the stockholders who, in turn, paid Federal income tax on it.

Now, let us look at some of the arguments against the Emergency Loan Guarantee Act. The first is that the Federal Government should not be interfering in private enterprise, and that this bill would provide a precedent. The fact is that the Reconstruction Finance Corporation was formed in 1932 when this country was in the middle of the great depression. The RFC was formed to give assistance to private companies and corporations in order to enable them to expand, modernize and to continue as profitmaking organizations hiring more people. The RFC did a fine job in helping this country to get out of the depression.

During the life of the RFC, over \$38 billion was loaned to private enterprise in the form of direct Government loans. Almost \$2 billion was loaned to States,

their political subdivisions and government agencies. The fact is that on the loans made directly to private enterprise, the operation of the RFC showed a profit. Since the RFC made loans to private enterprise from 1932 until the early 1950's, this bill before us today is certainly not establishing a precedent.

If you think that Federal guaranteed loans are anything new, just consider the testimony by the Secretary of the Treasury, John B. Connally. He stated that Federal guaranteed mortgage loans at the end of this fiscal year are expected to exceed \$140 billion; there will be \$10 billion of outstanding Federal guarantees for low-rent public housing; Small Business Administration loans, and guarantees are expected to reach almost \$4 billion within the next year; and loans plus guarantees by the Export-Import Bank are projected to exceed \$9 billion dollars.

In addition, in 1967, the Federal Government made a direct \$75 million loan to Douglas through the V-loan program.

The argument is also advanced that some things have a greater priority, such as housing, education, and poverty programs. The answer to that argument is that if we do not have corporations, companies, and working people to pay the necessary taxes, we will not have any money for any social programs.

An amendment will be offered today to provide for the U.S. Government to make the \$250 million loan directly to Lockheed so that the Federal Government will get the interest on the loan. The fact is that we have just finished fiscal year 1971 with a deficit of at least \$23.3 billion, and the Department of the Treasury is having difficulty in borrowing enough money to meet its own obligations. The fact is that today the Treasury Department is paying 5.83-percent interest on short-term borrowing of 182 days, and it is having difficulty in securing any long-term credit at interest rates of over 7 percent.

An amendment will also be offered to reduce the \$2 billion Emergency Loan Guarantee Act to a maximum obligation of \$250 million from the present \$2 billion. The reduction to \$250 million would make this simply a Lockheed loan guarantee bill, and if another major corporation, or company encounters a temporary liquidity problem, we would not be able to assist them without going through another extensive, lengthy legislative process.

Consider the statement made by Dr. Arthur F. Burns, Chairman of the Federal Reserve, in which he stated:

Developments over the past year or so have underscored the need for standby authority for Government guarantees of loans to business firms in emergencies where the alternative could be severe damage to the national economy. We hope that such guarantees will be needed only rarely, if at all. But, in the light of recent experience, the prudent course is to put in place loan guarantee machinery, to provide better protection against the risk that a temporary liquidity problem of one business enterprise may grow into a major national problem.

In conclusion, the fact is that a vote for H.R. 8432 is a vote for maintaining 60,000 jobs, and a vote to strengthen our economy. It is also a vote to continue a

substantial revenue to our Federal Government, and to the other governments at various levels.

I urge my colleagues to support H.R. 8432.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio (Mr. ASHLEY).

Mr. ASHLEY. Mr. Chairman, when this legislation was introduced some months ago I confess I viewed it with considerable concern. However, during the extended hearings before our committee I became convinced, as I think most of us did who heard the testimony, that there was and there is ample justification, most persuasive justification, for a Federal guarantee of \$250 million of bank credit to the Lockheed Corp.

Let me say, Mr. Chairman, that initially I had reservations about the precedent that might be involved in this kind of legislation and that such a guarantee might be construed as an assault upon our bastion of free enterprise. However, in point of fact, Mr. Chairman, the precedent argument is not very telling.

As others have indicated, the Federal Government has guaranteed far in excess of \$100 billion in home mortgages.

Mr. CONYERS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

One hundred Members are present, a quorum.

The gentleman from Ohio (Mr. ASHLEY) will proceed.

Mr. ASHLEY. As you know, Mr. Chairman, the Export-Import Bank, an agency of the Federal Government, continues to guarantee hundreds upon hundreds of millions of dollars of export credit and that the Small Business Administration guarantees small business loans based upon this same principle. So, we cannot really take the position that this legislation represents a marked departure from past practices.

Mr. Chairman, I had reservations with respect to the management capability of Lockheed but I must say that the hearings were quite convincing on this point. As the gentleman from Pennsylvania who preceded me in the well has indicated, the difficulty is not one of bad management, but one that emanates very largely from the extraordinarily difficult position of having to bid under the total package procurement policy of the past administration.

I had reservations, Mr. Chairman, about the role that commercial banks should play, but I must say that we did have the direct testimony of the 24 major banks which extended \$400 million worth of credit to Lockheed. There does come a point with commercial banks, considering the risks involved, where they reach the end of the road. This point has been reached.

Unless they do have a Federal guarantee, they simply cannot continue to extend credit to the Lockheed Corp.

Initially, I had reservations about the actual impact of a Lockheed bankruptcy, whether or not the reports might not indeed be exaggerated. But here again the testimony was irrefutable that there will be extremely serious unemployment

ramifications if Lockheed does not survive; that there will be adverse defense implications, enormously severe trade implications, and that there will be the loss of \$400 million to the banks, \$240 million to the airlines and \$250 million a year in tax receipts if Lockheed is allowed to go under.

Finally, I have reservations about the risks to the taxpayers, as I am sure we all have had, but here again, Mr. Chairman, the fact of the matter is that there is little risk to the taxpayers under the legislation that is being advanced today.

I say that because in the first place there are firm orders of nearly 100 aircraft. After the sale of 101 aircraft the Federal guarantee will be expunged—and that is all but a certainty. But in the event that something should happen, as one of the speakers has pointed out, the collateral position of the banks is second to that of the Federal Government, so that there is really no way in the world that the Federal guarantee can cost the taxpayers one single dollar.

Even so, I have had reservations about the form of the bill that is before us now. It is for this reason, Mr. Chairman, that I will offer the four amendments that have been referred to earlier.

Under the pending legislation \$2 billion is established as a guaranteed loan fund authorization. There has been no justification for this amount. The principal amendment that I will offer will be to reduce this to \$250 million. There will be an ongoing, continuing mechanism for the Loan Guarantee Board to consider future applicants, if there be such. But there must be and there will be under my amendment the requirement that the Board come to the Congress for replenishment of the loan guarantee authority on a case-by-case basis. This will assure the proper kind of congressional consideration by both Houses of Congress.

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

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

Mr. GROSS. Mr. Chairman, I would ask the gentleman if I did not see a picture of 24 or 27 bankers during the hearings before the Committee on Banking and Currency, who appeared in behalf of this legislation?

Mr. ASHLEY. I do not know if the gentleman did or not. I think there was such a picture in one of the newspapers; yes.

Mr. GROSS. Well, were they there?

Mr. ASHLEY. Yes, they were there.

Mr. GROSS. If this risk is so good, does the gentleman mean to tell me that 27 bankers, or whatever it was—24 or 27—cannot find \$250 million?

Mr. ASHLEY. The reason that there is essentially no risk to the taxpayers is because the banks are willing to subordinate their collateral position to that of the Federal Government. That is why—

Mr. GROSS. We can go into that later.

Mr. ASHLEY. Let us go into it now.

Mr. GROSS. But if this risk is so good, why do they not put up the money?

Mr. ASHLEY. The point of the matter is that the banks have put up \$400 mil-

lion already. They are collateralized to that extent. And in their judgment it is not warranted, on the basis of risk, to loan another \$250 million without a Federal guarantee.

Mr. GROSS. I have heard most of the debate this afternoon. I have heard more than one Member say the Government would have a first lien on Lockheed's property, and other Members say that the Government would have priority.

Now, is there anything in this bill that guarantees a first lien to the Federal Government? I am not interested in a priority arrangement.

Mr. ASHLEY. The fact of the matter is that the Federal Government will have the first lien on the collateral that presently supports the \$400 million of bank credit already extended.

Mr. GROSS. But there is no such provision in this bill.

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

Mr. ASHLEY. I yield to the gentleman.

Mr. ECKHARDT. I agree with the gentleman's proposed amendment, but I am not sure though that I can support the bill even if it is amended. I want to ask a question about this of the gentleman.

It seems to me, it is entirely possible that the provision of section 6 which affords the guaranteed loan a priority superior to all other priorities under the bankruptcy act may go too far. Of course, it must be understood that this loan will be made prior to any bankruptcy or any chapter 10 reorganization.

Now if there is a prior lien to all possible claims, this means that the prior lien must be ahead—that it must be acclaimed ahead even of the administration of bankruptcy, which includes of course the wages of employees after the Section 10 reorganization—and it includes also the placing of this claim ahead of—

Mr. ASHLEY. Yes, ahead of the preferred creditors.

Mr. ECKHARDT. Yes, it places this claim ahead of preferred creditors, even the Federal Government. So what you will be doing is to place the banks ahead of the United States as creditors.

Mr. ASHLEY. Let me say that the preferred creditors in the Lockheed situation have agreed to the subordination of their collateral position.

Mr. ECKHARDT. But that is not quite the answer, I am afraid.

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

Mr. ASHLEY. I yield to the gentleman.

Mr. ROUSSELOT. Mr. Chairman, I would like to reply to the gentleman from Texas (Mr. ECKHARDT) and with reference to his concern. I, too, was concerned about the same issue that the gentleman has raised.

The Treasury Department recommended language to amend section 6 of the original bill to accomplish what the gentleman from Texas has suggested. This amended section 6 as it appears in this bill before us which would only be utilized if the Government did have to foreclose on Lockheed. I believe that the language was accepted in the Senate version—in our House version, and it was understanding that such language

will correct the situation raised by the gentleman from Texas.

I believe the gentleman from Georgia (Mr. STEPHENS) was also concerned about that and made sure this was corrected in committee.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WIDNALL. Mr. Chairman, at this time I yield 5 minutes to the gentleman from Ohio (Mr. WYLIE).

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield briefly?

Mr. WYLIE. I yield briefly to the gentleman.

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

I would like to reply to the gentleman from Iowa (Mr. GROSS). When the 24 bankers were sitting before our committee, as the gentleman has suggested, the issue he has raised was discussed as to why the banks were not in a position to go further with additional loans than they already have gone. The answer was, as I understand it, was because of various Federal and State bank regulations. That is why the bankers came before the committee. The bankers clearly admitted that the problem existed and that is why they felt it would be up to the Congress to help to correct that situation. And allow them to overcome Federal administrative restrictions.

Mr. WYLIE. Mr. Chairman, I thank the gentleman for his contribution.

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

Mr. WYLIE. I yield to the gentleman.

Mr. WIDNALL. I would just like to make this comment about the picture referred to by the gentleman from Iowa (Mr. GROSS). On the front page of the newspaper that published the picture, it said that the picture was taken at the House Commerce Committee.

So I do not know whether the record should be corrected so far as the paper is concerned or so far as the record here is concerned. But there was a misconception.

Mr. WYLIE. I thank the gentleman.

Mr. Chairman, I speak as one who, when this idea first surfaced was inclined to be against it but willing to listen. As a member of the Banking and Currency Committee I was privileged to participate in the hearings on this bill. I learned that it was not a blatant case of a big corporation asking for a give-away from the Federal Treasury with no strings attached, as first presented by opponents. It was not a direct loan from the Federal Government. The administration and Lockheed are asking for the guarantee of a loan which, I am convinced will never cost the United States a single penny.

If it is that good, why do the banks need a guarantee? That question has been repeated over and over again here today. Lockheed was only a few days away from the execution of the new \$600 million agreement, having virtually completed negotiations with all of the 24 lending banks, and the documents were virtually all completed and awaiting signature.

Before either the defense settlements or the credit agreement could be made final, however, we sustained another

major and unexpected blow in the receivership of Rolls-Royce.

Shortly after that, or while that process was going on, Rolls-Royce company went into receivership, and that was the reason the 24 leading banks then refused to sign the documents. They could not sign them because their loans immediately became what we call classified loans. That has been mentioned here before today.

Shortly after that Great Britain entered into an arrangement to give Rolls-Royce \$5 million per week to keep them in business, which they have been doing since Rolls-Royce went into receivership, but they are continuing this arrangement only until such time as they are sure Lockheed will continue in business, and they say that that involves a loan guarantee by the U.S. Government.

When Secretary Connally was before the committee—and I refer to page 368—I said:

Mr. Secretary, I find this problem that we have been discussing here to be very complex, almost an entangling wilderness to me.

When we started on this question before this committee, we were told that we needed this guarantee of a loan to keep some 30,000 workers from unemployment, and that, therefore, the guarantee is good for the whole economy. I guess there is that prospect, isn't there if this loan is not guaranteed?

Secretary Connally said—

There is no question about it.

Then I said—

If this loan is not granted, do you feel that there is some question as to the viability of this corporation as an ongoing enterprise?

Secretary Connally—

Yes, sir; I believe so. And I say without the loan, they are going bankrupt.

I asked Dr. Arthur Burns about this when he appeared before the committee because, basically, I believe in the free enterprise capitalistic system that we have, that those business enterprises which are efficient, well-managed, and offer a good product at a price that people are willing to pay and possess good business foresight will survive and prosper, and that those firms lacking in one or more of those areas will fail, leaving the efficient to survive and serve the best interests of our society.

Dr. Burns, in the RECORD on page 422, said, in response to my question along these lines—

Well, I am getting on in years. I look back to the happy days when the Federal Government never interested itself in questions of this sort.

Some may regret this, but I for one think that the guarantee authority has helped this country. I think it has helped to maintain national prosperity.

There is more involved than political philosophy or whether Lockheed could or should not go ahead with building a new aircraft called the TriStar, or whether the taxpayers should be called upon to assist a business enterprise.

It boils down to three basic considerations in my way of thinking:

One, are we going to take a chance on 30,000 to 60,000 people being out of work

and the ripple effect it will have on our economy?

Two, Lockheed is our largest defense contractor. Regardless how much we all yearn for peace, and irrespective of Vietnam, we cannot ignore the possibility that we may be called upon to defend ourselves at some point in the future. We must maintain a reserve of readiness, and Lockheed's potential is part of that reserve.

Three, there is the realization that this Nation's ability to transport people is sadly amiss. Railroad passenger service lost money.

The urban mass transit authorities are in trouble. We passed a \$4 billion mass transportation bill last year. Only three airline companies made money last year. And yet we must provide wings or wheels for people to get around in this world of ours. Maybe this is the real issue.

In conclusion I say in any event I now feel that this bill is the only road out of this entangling wilderness, and I now support it.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut (Mr. MCKINNEY).

Mr. MCKINNEY. Mr. Chairman, when I was first confronted with this proposition, I must say my answer was negative. The time is very limited, and the day is long, but I think I would like to take the Members very briefly through some of the reasoning and some of the opposition to the bill which I have heard.

There are those who say this would establish a precedent for the Government of the United States. Nothing could be further from the truth. We have had the FDIC, the FHA, the SBA, foreign subsidies, and the Overseas Investment Act. In fact, this very year we will require through the Overseas Investment Act that the taxpayers of this country refund between \$300 million and \$500 million to corporations that have had their profits taken away in South America. We also have the Export-Import Bank. The very competitor that is mentioned here, that would become a monopoly should Lockheed fail, was the recipient within this very decade of a V-loan, which has made it possible for the McDonnell-Douglas Company to survive and be where it is today.

There are those who said we are favoring big business. Let us take a look at what we are dealing with. Lockheed is not a massive business by itself. We are dealing with 60,000 subcontractors, 27,000 of whom are small businesses. In one of the smallest States in the United States, my State alone, \$66,700,000 worth of business and all the jobs that these dollars imply will go down the drain if this bill does not pass.

There are those who have said here that the Penn Central would have been saved under this bill. That is an out-and-out mistake. The Penn Central could never have qualified under this legislation. The Penn Central was bankrupt. Lockheed Aircraft is not bankrupt if the L-1011 goes ahead. They are simply totally nonliquid, mainly because of the ridiculous purchasing policies and a very doubtful contract by the Department of Defense.

People then say we are saving the banks. Let us analyze that question and look at it very carefully. If this legislation goes through and Lockheed still fails, the banks lose \$400 million. If Lockheed goes under right now, the banks merely lose the difference between the collateral they have and the \$400 million or a total of \$235,000, and the receivers of Lockheed have the right to sue the Pentagon and this Government for the decision that was made between the Pentagon and Lockheed management—and I, though not a lawyer, feel very sure they would win some of the money back, thus costing the taxpayer more.

Returning to the cost to the taxpayer, this particular bill does not cost the taxpayer one solid dime. In fact, the RFC and the Export-Import Bank, which guarantee loans, are two of the few things this Congress has ever done that have ever made the taxpayer a dollar.

The taxpayer, if Lockheed goes under, is faced with the tax write-offs of every individual investor and every corporation that loses money, and the country will be faced with greater unemployment and increased welfare payments and their ensuing effect on the economy of the Nation not to mention the loss of revenue to the States and communities in which Lockheed does business. Even Eastern Airlines, one of the few airlines making money, will lose one-third of its assets and probably have to go in default of its loan note and interest payments.

There is one other thing we say, that the banks could lend the money, because they have a reserve. Under Federal law, the very agencies we on Banking and Currency criticize for not doing their job, have stated that Lockheed cannot be loaned any more money, that these loans are substandard and are classified.

The truth of the matter is we come to a very basic question. Research and development in the aerospace industry, is an incredible expense, which is the most undercapitalized industry in the United States, for the gross product it delivers. The banks have extended the necessary credit to make up the difference. The message is out they can go no further. It is probable that if we looked at the bank's reserves, we would find them entirely and totally eaten up with aerospace loans which are questionable at the very best.

There is also the complaint that we are supporting foreign products. In fact, though the L-1011 contains the British engine, the entire gross worth of the L-1011 is only 17 percent foreign product. The DC-10 is 15 percent foreign product. We are not subsidizing foreign product by any more than a 2-percent difference in the gross cost of the planes. In fact without this foreign product the plane is not acceptable for export.

The CHAIRMAN. The time of the gentleman has expired.

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

Mr. MCKINNEY. Mr. Chairman, the last point I should like to try to get across is simply this: You and I went against, I believe, every principle we believe in, voting in this House to spend \$2.2 billion to create dead-end jobs, to put men

and women in places where they will have nowhere to go from, to create a situation of makework. With no cost to the taxpayer, but simply a little faith in this economy and in the future of our aerospace technology, we can keep 60,000 people working by passing this bill.

That is the highest priority in the United States of America today, keeping people working.

Mr. PATMAN. Mr. Chairman, I yield 8 minutes to the gentleman from Pennsylvania (Mr. MOORHEAD).

Mr. MOORHEAD. Mr. Chairman, I would like to relate a fable entitled, "The Repeal of Darwin," to the Members of the House. I believe it has been attributed to Aesop but I cannot tell for sure. I do not believe it is a hoax, but I have submitted a copy to the National Review for authentication, just in case.

Once upon a time, dearly beloved there lived in the kingdom of US a dinosaur who became so fat and slothful he could no longer compete in the Jungle of Free Enterprise with the McDonnell lions or the Boeing tigers.

So the dinosaur who, although slothful, was a resourceful beast, betook himself to the backyard of his ever-loving Uncle Samuel, who ruled the kingdom of Us, and said, "Uncle, you must feed me or else what are you going to do with 80 tons of dead, stinking dinosaur meat in your back yard?"

Ever loving Uncle Samuel said "Of course, I must feed you. But how can I justify this to my nieces and nephews who pay taxes to support me?"

And the dinosaur said—"Uncle Samuel, if you will only feed me, I will give to you in return:

"A C-5 airplane that will do marvelous things never before seen by the eyes of your nephews and nieces;

"A SRAM missile motor;

"A Cheyenne helicopter that will be swift as an eagle but agile as a hummingbird;

"Naval ships galore at costs much less than the lions and tigers could match;

"A tunnel that would serve you well."

"If you will feed me, I will even venture into the Jungle of Free Enterprise where all of the animals of the kingdom can frolic without your having to worry about protecting them. Here, I will construct another marvelous airplane—the L-1011 that all of your nephews and nieces will admire and covet."

And Uncle Samuel said, "Surely if you can perform these deeds you should be fed. Even my nephews and nieces will agree to that."

Even when the C-5 aircraft could not perform as was promised and cost twice as much, Uncle Samuel fed the dinosaur with a soft contract settlement.

Even though the SRAM missile motor couldn't perform, Uncle fed the dinosaur.

Even though the Cheyenne helicopter could not fly any more than an ostrich or an auk.

Even though the Navy ships cost more than agreed upon.

Even though the tunnel exploded killing 17 people.

Despite all this, Uncle Samuel went on feeding the dinosaur and the nephews and nieces didn't complain because they had been told that Uncle Samuel always

knew what was best for them when a question of national defense was concerned and national defense was a very Sacred Cow in the Jungle of Free Enterprise.

Despite all of this favored treatment the Dinosaur could not survive without help from his Uncle Samuel in the Jungle.

His L-1011 would not fly without further financial help from Uncle Samuel.

The nieces and nephews who paid the taxes for the C-5 overruns, the Cheyenne, the SRAM and the others objected.

They said that, where national defense was concerned, they didn't mind so much being bilked, but in the Jungle of Free Enterprise, the law was survival of the fittest.

But Uncle Samuel was wiser than his taxpaying nieces and nephews. He said, "What am I going to do with 80 tons of dead stinking dinosaur meat in my back yard. So therefore, I hereby repeal Darwin and declare that from henceforth the rule is the survival of the politically fattest and that because the Lockheed dinosaur is one of the politically fattest in the Jungle, it must be made to survive no matter how much it costs my taxpaying nieces and nephews.

And so, Mr. Chairman, in that not so far off and not so mythical country, which had brought to its people the highest standard of living in the known world by rewarding the leanest and fittest of the animals, the Law of Darwin was repealed and there began a new era in which sloth and mismanagement were not punished and, on the contrary, political power and influence were rewarded, and, until the country of Us fell apart, nobody was hurt except for the nieces and nephews who had to keep paying for their Uncle's soft-headed governmental policies.

I hope this fable will never happen to the United States of America.

Mr. WIDNALL. Mr. Chairman, I now yield 5 minutes to the gentleman from New York (Mr. LENT).

Mr. Chairman, will the gentleman yield to me?

Mr. LENT. I yield to the gentleman from New Jersey.

Mr. WIDNALL. I just regret that the Aesop fairy tale that was just recited left out a very essential element; namely, that the prehistoric animal was forced to swallow a \$200 million pill by Uncle Samuel. And that is all a part of the record.

Mr. LENT. Mr. Chairman, I rise in support of the bill. It seems very clear to me that this body has little alternative but to act favorably on this measure which is so critical to our Nation's delicately recovering economy.

During the course of the debate on this measure, we have been told that to guarantee these loans would be to endorse poor management and to encourage further overextensions by other private giants who know that the Federal Government will be there holding the net if they topple. This notion has clouded the immediate issue at hand, Mr. Chairman—whether the Congress can, in good conscience, reject the immediate welfare of a great many American people.

Absolutely no precedent is set by this legislation. We all know that loan guarantees to banks have been accepted for years. Further, nearly the whole of loans extended by the Small Business Administration, FHA, and Veterans' Administration home loans have long been guaranteed by the Federal Government. The Government has over \$100 billion in loan guarantees outstanding, so this loan guarantee is not unique.

Those who say that this action would be a featherbed maneuver to rescue big business miss the point here, Mr. Chairman. This important measure is designed to assist those who are employed to keep those jobs.

I need not again reiterate here the facts and figures illustrating the tremendous adversity that would befall the country if we do not act favorably on this measure. They have been amply stated by prior speakers.

All of us are well aware of how much and how many would go down the drain if we let this important question be decided on the basis of whether an economic wrist slap is in order for poor management practices.

I, for one, just do not wish to opt for the possibility of another 60,000 Americans being thrown out of work in this Nation at this critical period.

Neither do I wish to take part in the eulogies for the many small businesses which stand to be gutted if we deny this proposal.

Further, it seems clear to me that simple mathematics would rule out the alternative of a possible half-billion-dollar Federal revenue loss, coupled with the eventual leap in unemployment compensation and welfare payments, should we reject this measure.

The pure and simple fact, Mr. Chairman, is that if we do not act favorably upon this bill, the catastrophic effect would immediately be felt across the entire country, and an economy which is just beginning to demonstrate signs of brightness would be guillotined.

I do not want the resulting tremors of a massive bankruptcy thrust upon my own district, which has already been hard hit by unemployment in the aerospace and technical professions.

I fervently hope that we will experience no more Lockheeds. On the other hand, the overriding immediacy of the possible collapse would seem to dictate that we act here, not with the thought of meting out punishment, but rather with the interests of the thousands of workers likely to be affected in mind.

I hope my colleagues will join me in my reluctance to participate in writing the 60,000 pink slips that are likely to be issued if we choose the former motivation in making our judgment. I urge my colleagues to support this bill.

Mr. PATMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia (Mr. STEPHENS).

Mr. STEPHENS. Mr. Chairman, in the interest of time, about which all of us are now concerned, I will limit my remarks to 5 minutes so that some of the other Members may have an opportunity to talk.

Mr. Chairman, I was very interested in the fable that my colleague from

Pennsylvania (Mr. MOORHEAD) gave us a little while ago. I will now take a couple of minutes to tell the truth and let the fables speak for themselves.

Mr. Chairman, the truth is: This is an emergency. We support this legislation for the purpose of helping people keep jobs that already exist in this industry.

We heard Mr. MAHON ask the difference between this bill and the bill for \$1 billion to create jobs. The latter is a direct grant of appropriated funds to try—or hope—to create jobs that do not exist. The bill, we support, is to put up no Federal money to keep jobs already held by people. There is a vast difference.

To move to another truth, the Defense Department reputedly is not in agreement on the degree of responsibility its procurement contract demands has had on the terrific financial difficulties in which Lockheed found itself.

Mr. Chairman, I do not care about the conflicting reports that have been circulated. All I know is based upon the direct evidence before our committee. The Deputy Secretary of Defense Mr. Packard made the statement that the Lockheed financial difficulty is partially fixed in the way Lockheed had to bid and the way Lockheed had to operate on defense contracts.

All we are asking is this: Since the Government is partially responsible under the uncontroverted evidence, then the Government should take partial responsibility to help undo this difficult situation. This seems to me to be a fair and an honorable position.

Now, let us look at some other truths.

First. No precedent is set by this legislation. Guaranteed loans to banks have been an accepted practice for years. Almost the entire program of the Small Business Administration, Veterans' Administration home loans, and Farmers Home Administration is now financed by the Government guarantee of loans made by banks and private enterprise. The same procedure has been a major factor in the financing of the program of the Export-Import Bank and student loans for education.

Second. No money is loaned by the Government under the bill. Private banks make the loan. The money advanced is the money of the banks.

Third. The United States will be paid for each guarantee. A guarantee fee shall be prescribed and collected by the Government in connection with any loan.

Fourth. The United States gets a first lien. The Government shall have a priority with respect to any bank's interest in any collateral securing any guaranteed loan and any earlier outstanding loan.

Fifth. No loan will be guaranteed except as a national emergency. The burden of proof is on the applicant to show that its failure "would adversely affect the economy of or employment in the Nation of any region thereof."

Sixth. Allegations that this legislation is for big business is a myth. This legislation is designed to help people. It is to help those who are employed already to keep their jobs. This is the point of national emergency in this bill.

The Supreme Court some years ago punctured the myth of the impersonal and impregnable qualities of corporate

entities by saying it would "pierce the corporate veil" to find the substance of a matter under legal investigation. All evidence before the Banking and Currency Committee shows that this has been done and that certainly the substance of the legislative aim here is to help people. The dire circumstances of Lockheed Corp., makes it only the vehicle through which help may be rendered.

Seventh. Specific application of legislation to Lockheed. The initiation of this legislation was founded in the national need to give the employees of Lockheed Corp. and its subcontractors and their employees a fighting chance to keep their jobs. All evidence before the Banking and Currency Committee on the Lockheed situation clearly shows this has been the case.

Eighth. Some 27,000 small businesses adversely affected. The Secretary of the Treasury produced before our committee a stack of computer data that shows that 34,000 business entities would be adversely affected by a Lockheed failure. Of these, he said 27,000 were small businesses.

Ninth. Some 60,000 jobs may be lost. Evidence shows that subcontractors and major suppliers are in at least 35 States. At least 17,800 Lockheed employees on the Tri-Star program will be eliminated and 16,000 jobs at subcontractors and suppliers will be lost if Lockheed fails. Indirectly, other jobs will disappear in services such as waiters and waitresses, insurance agents, filling station jobs and the like. Computer data based on facts supplied by economists show a national economic effect in the loss of 60,000 jobs; 53,000 shareholders also would have investment losses. Thousands of these are small investors whose life savings are involved.

Tenth. A \$500 million loss in direct revenue to the United States. Undisputed testimony provided the committee shows at least half a billion dollars will be lost in direct revenue to the Government if Lockheed goes into bankruptcy. This consists only of corporate income and taxes both of Lockheed and its subcontractors and suppliers and the people who now work for them. This does not include revenues the States will lose. It does not include write-off losses at the banks on the \$400 million now on loan nor losses to airlines in advanced payments for the L-1011.

Eleventh. The Government risk. Even though putting up no money—the Government will be only an endorser—the Government gets a fee and takes a first lien and mortgage on all assets of the company which has an estimated net worth of \$285 million and will incur only a contingent liability of \$250 million to save itself from a sure loss of \$500 million. At the same time it will be serving the national need to save thousands of jobs.

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

Mr. DAVIS of Georgia. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS. I will be glad to yield to my colleague, the gentleman from Georgia (Mr. DAVIS).

Mr. DAVIS of Georgia. Mr. Chairman, I thank the gentleman for yielding and I want to associate myself with his re-

marks. As a Member of this House who represents the Lockheed Georgia plant I want to say that I sincerely hope that the membership of this committee will see fit to support the legislation in such form as it may be in at the time the committee finishes its deliberations.

Mr. Chairman, the Emergency Loan Guarantee Act of 1971 is being considered today not just as a remedy for the financial ills of a particular corporation, but as preventive medicine for the unemployment epidemic which will surely result if we turn our backs on the people in the aerospace and defense industries as they attempt to convert their efforts to civilian-oriented projects.

There has been a lot of talk recently in the Congress about the need for changing national priorities. If it is to be anything more than talk, I am convinced that we must stand up to the responsibility we owe the American people to plan this readjustment rationally.

We must wake up to the fact that unless the Government intervenes to assist firms in reorientation to a new market, we will encounter built-in resistance to our efforts to change national priorities.

We all know that the Lockheed Corp. is looking for guarantees on a commercial venture, and that this, the firm's first such project in a number of years, is at the heart of this controversy. But have we stopped to consider Lockheed's recent research in rapid transit and in STOL and VTOL aircraft, types of transportation sorely needed in our country today. The firm has the potential to do much more in this realm. We would be making a tragic mistake if we were to throw away a vast corporate resource which can be harnessed to our changing priorities.

I would like to examine several other key elements in the case before us today.

First, in December of last year, the Lockheed Corp. was asked by the Department of Defense to assume \$480 million in losses on various programs. Within 48 hours after this agreement had been mutually accepted, word was received that Rolls-Royce had gone into bankruptcy. This is the essence of Lockheed's current financial dilemma—a crisis for which the Federal Government bears substantial responsibility.

Second, there are definite precedents for assisting large firms, and usually the rationale for such support centers on the value of competition in our economy. For instance, American Motors was granted a \$20 million tax aid in 1967 in order to assure that a fourth major competitor be kept in the automobile industry. Another example was disclosed by Mr. C. J. Medbury, chairman of the board of directors, Bank of America, in testimony before the Senate Banking Committee. He said:

Loans have been guaranteed to promote competition. Some of the major aluminum reduction plants operating today were financed with such support.

There is, too, the quite direct precedent for assistance in the \$75 million V-loan arranged for Douglas Aircraft in 1967, when it was in trouble with its commercial programs.

Is not the argument for maintaining

competition at least as strong in Lockheed's case?

While the Lockheed Corp. seeks loan guarantees on a commercial project, the success or failure of this bill will determine the ability of the corporation to perform its defense functions. If the company were dissolved, competitiveness in many types of Government bidding and competition in innovative aerospace design would be significantly reduced in the future.

Third, minimal risk is involved. The Lockheed L-1011 Tri-Star jet is flying and performing well. According to Mr. John H. Shaffer, Administrator, Federal Aviation Administration, in testimony before the Senate Banking Committee on June 10:

The L-1011 is further advanced and more trouble free than were many earlier commercial jet aircraft at the same stage of their development. We have actually invested some 50,000 man-hours on our certification process thus far. And that means we are about 60% of the way through our certification program.

Banks have already illustrated their faith in the program by putting up more than \$350 million. They have supplied an additional \$50 million under a verbal commitment and agreement while this legislation is sought. Lockheed seeks the loan guarantee for an additional \$250 million not because of a lack of faith on the part of bankers, but because there is a limit to what private bankers can do. They are demonstrably willing to invest in Lockheed. Some of these institutions have actually reached the limit of their loan authority in the absence of the guarantee, and the bill we are considering today would free those who so desire to invest more in the Lockheed project.

The taxpayers' money is protected under the proposal in the form of a prior lien on all assets. I quote the additional views on H.R. 8432 by one of the most respected men in this body, my dear friend and colleague, ROBERT STEPHENS, of Georgia:

The government shall have a priority with respect to any bank's interest in any collateral securing any guaranteed loan and any earlier outstanding loan.

Most importantly, Lockheed will be able to repay the guaranteed portion of its bank loan in 1974, after delivery of approximately 100 aircraft. Lockheed already has firm orders for 103 L-1011's and options for 75 more. The estimated market for the basic wide-body airbus is some 775 aircraft by 1980.

Fourth, there is adequate precedent for the amount of the Federal guarantees proposed in H.R. 8432, as reported out of the Banking and Currency Committee. I would quite frankly support a bill designed for Lockheed's needs alone. However, let me point out to the Members of this House that the \$2 billion figure offered in this bill when it came to the floor is dwarfed by more than \$140 billion in federally guaranteed mortgage loans estimated for the next fiscal year. I would further like to point out that even the "broad" committee bill being considered here is quite limited in scope when compared with the loan program of the old Reconstruction Finance Cor-

poration. It is my understanding that RFC made over 362 loans in amounts of at least \$1 million each during its two decades of service.

Finally, Mr. Chairman, I would like to point out that what is before us today is not a question of whether we should promote the corporation at the expense of individuals, but rather a clear-cut case for saving the tens of thousands of "little people" who work for Lockheed and its subcontractors, who will have been deliberately forgotten if the loan guarantee is rejected. I would like to remind the House that when we talk about loan guarantees for this company, we are talking about significant numbers of jobs, people and human lives will be hurt in this instance if Lockheed fails.

I do not believe that the country can afford the loss of the services of this firm. I do not believe that we can afford to toy with disaster for the estimated 34,000 subcontractors. I do not believe that we can afford another 60,000 unemployed if the L-1011 project is abandoned. The Congress must not turn its back on these Americans.

Mr. GETTYS. Mr. Chairman, throughout all of the debates and discussion on the matter of a loan guarantee for Lockheed, many statements have been made raising the question of whether we should bail out a large corporation. Of course, this is a legitimate question, but I believe we must look behind that question to determine what the real issues are and what the consequences would be if we allow a big corporation to go into bankruptcy.

The first effect is jobs—and that matter has been discussed many times, indicating how there would be a very adverse effect on our economy in many parts of the country. Another effect is the hundreds of millions of dollars lost in tax revenue to the Government both from the declaration of a billion and a half dollars in investment losses and from the unemployment and underemployment of tens of thousands of workers.

There are many other adverse effects which can be discussed in this unique case—but one that has received far too little attention up to now is the ripple effect on subcontractors, and even more importantly on small business firms.

One of the peculiarities of the aircraft manufacturing business is that a big prime contractor—like Lockheed—is completely dependent on thousands of small businesses which specialize in building aircraft parts and electronic components. This is why the aerospace industry always shows a very high percentage of small businesses in its list of suppliers. Currently, for example, over 70 percent of Lockheed's subcontractors and suppliers are small businesses—and the total number of them in all tiers on the L-1011 program alone is over 22,000. These numbers do not include firms which supply paper and pencils and furniture and adding machines and other office supplies. They include only those which contribute directly to production of the L-1011 airplane.

This dependence of the large prime contractor on small business occurs primarily because most of these small firms are specialists in some particular area

and they can make their product better and cheaper than it can be made by the large prime. There are tens of thousands of parts that go into any airplane and thousands of small businesses make most of those parts.

Because of the specialty nature of the small business subcontractor, he is just as dependent on the large company as the large company is dependent on him. His machinery, his equipment, and his plant buildings are all geared to manufacture parts that are suitable for aerospace products. His equipment and all of his facilities cannot be turned readily, if at all, to the manufacture of furniture or textiles or tin cans or any of the requirements for consumer goods.

All of this means that when a major project like the L-1011 goes down or when a major aerospace company like Lockheed goes down, the adverse ripple effect among thousands of small businesses would be very severe indeed.

In the first tier of L-1011 subcontractors—that is, those companies which have direct contracts with Lockheed on the L-1011—there are 1,012 small business firms who hold contracts even at this early stage in L-1011 production which are valued at more than \$120 million. In the second, third and lower tiers of subcontractors on the L-1011 program the latest estimates are that 22,094 are small businesses. The value of their contracts even at this early stage is estimated to be about \$400 million.

It is estimated that 33 percent of all L-1011 subcontract dollars will end up with small business firms as these dollars flow down through the various tiers of suppliers. This means the L-1011 program if it goes to the 409 airplane deliveries now projected by Lockheed would produce over \$1 billion worth of business for small business firms.

Because of the specialty nature of these small businesses many of them show that their L-1011 contracts are a major part of their business, and in a number of cases it is 75 percent or more. Thus, if the L-1011 contracts are canceled these firms would be left with idle machinery and plant space—thousands of idle employees—but with the overhead going on. Such a situation could be disastrous for dozens of small firms—could have a severe adverse impact on hundreds of others—and even where L-1011 contracts are minimal, the adverse financial impact could be very substantial.

With all these facts in mind, it is improper and inaccurate to say that we are voting on the question of whether to bail out a big corporation. Instead, we must consider also the severe ripple effects on thousands of small businesses who are the innocent bystanders in this unique situation.

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

Mr. KEATING. Mr. Chairman, today the Congress is being asked to approve a \$2 billion Federal loan guarantee program. I wish to register my strong objections to the passage of this bill.

The timing of the request has been too hasty from the time when the legislation was introduced to the time it has come before us on the floor.

I believe a reasoned analysis of the facts which were presented before Senate and House hearings dictates a negative response to this proposal.

I would like to briefly review the different aspects of this legislation.

Should the Federal Government involve itself in this kind of financial relief? Many have expressed support of this legislation on the basis the Federal Government was taking action to preserve a large company with a large number of employees at a time when our economy needs all the jobs it presently has. Nevertheless, most admit this is "stopgap" legislation. The specific request for this legislation was triggered by the Lockheed Corp. tottering on the verge of bankruptcy and threatening to go out of the business of producing Tri-Star aircraft. The immediate relief sought was Federal guaranteed financing to keep Lockheed going and keep the men on their jobs.

Those who object strenuously to Federal interference in the private sector have been told that the measure is just a temporary type of relief and is not meant to be a permanent solution by the Federal Government.

Testimony before House and Senate committees included Treasury officials, Lockheed officials and bankers and suppliers directly connected with the Lockheed operation. To my knowledge, not one independent or impartial witness testified in favor of the Lockheed loan.

I am afraid because of the manner in which this legislation has been handled we are relying on what may be pure speculations, and possibly in some cases gross exaggerations. If we act on the information we now have available, I am afraid we are placing ourselves in a position where we can be accused of being participants in a financial hoax, the cost of which will be borne by the American public.

Mr. Chairman, in support of this strong conviction, I offer the following facts for your consideration.

When Lockheed assistance was proposed, the initial fear was that it would create a precedent. This fear now has become fact. Prior to the time the Lockheed assistance legislation emerged from committee, it carried with it \$1,750,000,000 worth of assistance for other corporations to call upon in the future.

Employment figures given in committee testimony have been blown out of proportion to what the employment situation really is. Lockheed's president testified that some 11,000 Lockheed workers would be laid off if Lockheed terminated production of the Tri-Star. Additional testimony was given by administration officials indicating that 10,000 out of 16,000 suppliers and subcontractors would also lose jobs because of Tri-Star termination. In round figures, this comes to a direct layoff of some 20,000 workers as a result of Lockheed's failure to continue with the Tri-Star. However, the figure we hear so often here in the House and in the other body and the figure the American public hears and reads is not 20,000 but 60,000 jobs lost because of Lockheed's failure.

This 60,000 figure results from a job loss multiplication which apparently Lockheed officials and Treasury bureau-

crats have engaged in. This is a gross exaggeration of the job situation that will result if Lockheed fails to obtain Federal help.

If these supplying and manufacturing jobs are lost to Lockheed, they will in all likelihood be assumed by other American manufacturers and suppliers. The number of service-oriented jobs will not decrease to the extent stated by Lockheed proponents.

The reason this fact is not obvious to committee members and the general public is that complete testimony has not been given by other representatives of the aerospace industry and the financial community. All impartial witnesses, such as economist John Kenneth Galbraith, who did testify stated that the employment impact would not be as adverse as Lockheed indicated.

I might add that because of the heavy financial interest involved in this legislation, there was tremendous pressure exerted to have some members of the aerospace industry refrain from testifying and to move this legislation through as quickly as possible.

Another example of a distortion of the facts before us occurs in the discussion of how much of the Tri-Star plane and engine is produced in foreign countries and how much of the competing plane, the DC-10, is made in foreign countries.

A Lockheed factsheet claims that the Tri-Star aircraft with three Rolls-Royce engines is produced by dollar cost 17 percent in foreign countries. The competing aircraft, the DC-10, according to testimony given by Treasury officials is to be produced by dollar cost 15 percent in foreign countries. Aerospace industry sources other than Lockheed indicate that these figures are not accurate.

The true figures, it appears, are as follows. For the Lockheed L-1011, the figures are 24 percent foreign made for the initial cost of the aircraft. Estimates go up as high as 40 percent when one considers the 15-year life of the aircraft.

This is caused by the fact that the engines for the L-1011 are made in England and Northern Ireland while the engines for the DC-10 are made in the United States. The 15 percent foreign-made figure for the DC-10 may be accurate but officials manufacturing this aircraft have not submitted cost estimates to either of the committees which held hearings on this bill.

These figures are important because of the argument that this legislation is tantamount to the exportation of jobs at a time when the domestic employment market is weak. Instead of encouraging efficient industry and domestic manufacturers, we are being asked to export employment on the basis of one-sided facts and one-sided exaggerations.

My office contacted the Treasury Department last Wednesday and asked for the source of the percentages given in the hearings. We were told that Lockheed had prepared its own factsheet. One of Lockheed's bankers had information pertaining to the domestic-foreign ratios.

Incidentally, the fact that the hearings before the House committee were not made available to members until Wednesday of this week, less than 48 hours before the vote, attests to the way

this legislation is being pushed through the Congress.

One fact which has not been given the attention it deserves is Lockheed's capability to be an efficient commercial jet aircraft manufacturer and seller. It is not that now.

To date Lockheed has failed to deliver its first commercial passenger jet aircraft. Indeed Lockheed lost \$25 million on its last entry into commercial aircraft, the Electra turboprop program.

Mismanagement which Lockheed is now experiencing in the commercial aircraft field may well be evidenced in its gross underbidding in the C-5A competition. Deputy Secretary of Defense David Packard testified that Lockheed underbid Boeing by \$390 million on the C-5A contract. It then proceeded to have cost overruns on this project alone in excess of \$1 billion. In my opinion, this legislation is nothing more than a reward for this gross inefficiency.

In support of this opinion is the unanimity of the 24 leading banks acting as proponents for this legislation on Lockheed's behalf. These banks, with a thorough knowledge of Lockheed's past history of inept management now refuse to risk any more of their capital on Lockheed's chances of success. The banks have already pumped \$400 million into Lockheed. Now they firmly take the stand that the risk of future investment in Lockheed is too great for them and their shareholders. With unprecedented brashness, they appear before our committees and ask for the help of the American taxpayer.

I believe we should learn from the wisdom of these bankers and not suffer because of it. What the bankers will not ask of their shareholder, I will not ask of the American taxpayer. I believe our obligation to the American public is at least as responsible as a bank director.

Another important element in this loan proposal is its basic unfairness. We are requested to provide guaranteed money—presumably it will carry a less than market interest rate because it is guaranteed—while other aerospace firms must compete in the financial market for funds they need to develop and expand their industries. Present corporate financing rates are as high as 9.5 percent.

Lockheed aid has been compared in committee testimony to existing Government-aid programs, such as FHA, SBA, and so forth. I submit, gentlemen, that there is one basic difference and the difference is fundamental. Existing governmental programs are set up on a permanent basis to provide Federal assistance in areas which have been deemed to merit constructive support. These programs are not designed as stop-gap measures to protect companies on the verge of bankruptcy. Proponents have tried to compare this to the Reconstruction Finance Corporation which was set up in the 1930's and terminated after World War II. The purpose of the RFC was to provide money at a time when none was available at all. Most bankers will admit today that capital is available for economically viable programs. The simple fact of the matter is that this does not meet that requirement.

Another argument by proponents of this bill is the comparison of this loan to the V-loan of \$75 million to Douglas Aircraft Corp. in 1966. In this loan it was stated by the Defense Department that—

The loss of the productivity capacity of Douglas would seriously impair highly important defense and space programs.

In this case, Deputy Secretary of Defense Packard has stated that Lockheed's defense programs will continue even if the company goes into bankruptcy.

In discussing this bill we find ourselves constantly confronted with a one-sided view of reality. We are told that the L-1011 Rolls-Royce engine is not as polluting or as noisy as the DC-10 engine which could replace it. The DC-10 engine and aircraft are certified by the FAA and flying today. The L-1011 engine in the Tri-Star is not yet certified and has not yet met the FAA standards for full certification. The arguments about pollution and noise are mathematical and testing extrapolations thrown at us in the hopes that we will fail to see an accurate comparison between the two engines.

The basic question arises whether the Federal Government will in the future be required to pour more money into Lockheed or will be able to recoup its investment.

The entire aerospace industry is in a soft position. Thirty companies surveyed by Aviation Week and Space Technology reported combined peak employment of 941,955. At the end of 1970, their combined employment had declined to 606,294 and by June 1971 to 552,492 for a decrease of 390,000 employees from the peak. Most major companies expect employment reductions to stop by the end of 1972, although some companies see declines extending into 1973.

It is appropriate for us to ask whether in this kind of market Lockheed's chances of viability with the Tri-Star program are good.

The Department of Transportation and NASA conducted a study which indicated that there would not be enough potential market for multiple producers of this type of aircraft. The fact that McDonnell-Douglas has this type of aircraft on the production lines today and has delivered some, does not bode well for Lockheed's L-1011.

The findings of this report tend to be confirmed by recent actions by United States airlines which have dropped orders and options for the DC-10 and revised orders and options for the L-1011. Three U.S. airlines which had placed orders and options for the short-range model of the DC-10 have decreased these orders and options by a total of 44 aircraft since the beginning of the year because of the state of the economy and the airline industry.

Those who say that this bill should be passed argue that Lockheed's bankruptcy will disrupt our economy. While bankruptcy is distasteful, under bankruptcy law, the Lockheed corporation and function will not disappear. Its form may be altered and function changed somewhat but the majority of its employees and all of its economically viable programs will survive. The people who have

the most to fear in losing their jobs under bankruptcy reorganization are the present inept management.

Proponents of the bill have stated that it is necessary to maintain competition in the commercial aircraft industry. As I have already pointed out, the fact of the matter is that the Lockheed Co. has never produced a commercial jet aircraft.

Our task as legislators is to create a tax climate and business climate that encourages competition and rewards productivity. This bill disregards these basic concepts.

It is extremely distressing to me to see my colleagues place themselves in the shoes of bankers and money lenders where we will be called upon to judge individual loans to specific corporations. I would again point to the fact that no impartial bank supported this legislation.

This bill should be rejected.
Mr. WIDNALL. Mr. Chairman, I yield to the gentleman from California (Mr. BELL).

Mr. BELL. Mr. Chairman, I rise in support of a \$250 million Federal Government loan guarantee to Lockheed Aircraft Corp.

The Reconstruction Finance Corporation, in its lifetime of over 25 years, disbursed more than \$40 billion in direct loans. The RFC saved hundreds of firms from the ills of the thirties; it has been generally acknowledged as a financial success.

In the interest of the common economic and social welfare, Federal guarantees and loans have risen from \$94 billion in 1961 to \$131 billion in 1966 to an estimated \$191 billion in 1971.

In passing the Lockheed loan guarantee, Congress will not be establishing a dangerous precedent but continuing an extremely useful and necessary practice. The ills that would follow the collapse of Lockheed's L-1011 program well exceed the amount of the loan guarantee.

First, it has been estimated that a total of 60,000 employees will end up without jobs if the L-1011 is shut down. If present history is relevant, by next year only one in 10 of those laid off will have found new work.

The average age of the laid-off employees would be 44 years; approximately 5,000 of those employees are rapidly approaching the age of retirement. And yet, a large percentage would not be eligible for pension benefits despite the moneys that they have paid into the Lockheed fund.

As the unemployed enter the welfare rolls, the cost to the county, State, and Federal governments would staggeringly increase. The purely human loss of the unemployment is unestimateable.

Second, the loss of the L-1011 program would seriously hamper the already economically pressured airlines. One major airline corporation has estimated that the loss to them alone would be between \$110 and \$125 million; three domestic airlines have contracted for the wide-bodied trijets.

Third, 27,000 small businesses would be adversely affected by the program failure. The Federal Government pledged nearly \$4 billion to aid and sustain these same small businesses last year.

Fourth, if—as seems likely—the bankruptcy of Lockheed results, the Federal Government itself would be a prime loser. Assistant Secretary of Defense David Packard predicted that a Lockheed bankruptcy would adversely affect the cost of performing under existing contracts. It would inevitably result in substantial delays in military procurement.

The Treasury would suffer severe tax losses. Lockheed's creditors would likely deduct \$1 billion in investment losses on their tax forms; the resultant tax loss would substantially exceed the \$250 million guarantee.

As you have obviously gathered from the debate on the floor today and in the committee rooms during the past month, the list of severe harms that might follow the failure of Congress to pass the Lockheed loan guarantee is unending.

What risk to the taxpayer, though, is involved in the passage of such a guarantee?

The Government's prime collateral on a guaranteed loan to Lockheed is delivery of the aircraft. Lockheed has firm orders for 103 L-1011 aircraft, and options for 75 more. According to Secretary of the Treasury John Connally, these sales alone will almost generate enough cash to pay off the loan guaranteed by the Government.

Even if Lockheed were still to fail, however, the taxpayers' money would nonetheless be fully protected. The amount of loan guaranteed by the Government shall be secured by a prior lien on all of the company's assets and by the top priority in bankruptcy.

Mr. Chairman, I am sure that, after weighing the risklessness of the Lockheed loan guarantee against the expansive harms of the failure of the L-1011 program, Congress will overwhelmingly pass even the present version of H.R. 8432.

However, a major amendment is in order. The original bill introduced into the House was a simple \$250 million Lockheed loan guarantee. The legislation now before us has been labeled by some a \$2 billion welfare program for large corporations.

It might be that, with the economy in its severe condition, the time has come for another Reconstruction Finance Company. But such a major creation requires indepth hearings; no hearings have been held on the broad legislation before us.

It might be that the provision for a legislative veto will provide adequate protection against the misuse of the \$2 billion. But the provision is constitutionally dubious and legislative vetoes of executive decisions have been largely ineffective in the past.

It might be that the failure of the House to pass H.R. 8432 as it currently stands before us will lead to long conference sessions and the failure to pass final legislation before the congressional recess. But there is no reason to believe that Lockheed will file bankruptcy when it knows that a guarantee will definitely be legislated in September.

The free enterprise system has served us well. Let us continue to work with it and not against it.

Mr. WIDNALL. Mr. Chairman, I yield

to the gentleman from Ohio (Mr. WHALEN).

Mr. WHALEN. Mr. Chairman, I have given considerable thought to the Emergency Loan Guarantee Act of 1971. In reviewing the public dialog, I find that much of it fails to focus upon the really basic issue.

Many of those against this measure argue that by aiding private business firms, it perverts the free enterprise system. Yet, the use in our economy of Government resources to assist private enterprise is not a new concept. Innumerable Government-guaranteed loan programs already exist. For example, Government offers political risk insurance to those who invest abroad. Subsidies are available to farmers. Washington underwrites loans for small business. The Federal Government also conducts extensive student and housing loan guarantee programs.

By the same token, many proponents of H.R. 8432 present equally spurious arguments. It is contended that if the Lockheed Corp. is allowed to fail, the level of unemployment thereby generated will affect over 30,000 businesses. In my opinion, this assertion is fallacious for two reasons.

First, military orders will not be canceled should Lockheed go out of business. These orders probably will continue to be produced in the same facilities and by the same labor force but under new management and a new financial structure. Conceivably, Lockheed's demise might eliminate the civilian aircraft—L-1011—project. Nevertheless, it is quite probable that orders for this aircraft would be transferred to McDonnell Douglas which produces the DC-10. In fact, the McDonnell Douglas' DC-10 production line is located near the Lockheed L-1011 plant.

H.R. 8432 supporters also maintain that the Department of Defense's total package procurement approach, rather than Lockheed management, is largely to blame for this firm's financial plight. As a member of the House Armed Services Committee, I have been exposed to this issue for several years. My studies lead me to conclude that the fault clearly rests with Lockheed officials. Lockheed's C-5A bid was completely unrealistic—several hundred million dollars lower than that of its principal competitor whose specifications provided for a lighter aircraft. This either is ineptitude or a deliberate "buy-in". In either case, management must accept the responsibility. Operating performance subsequent to the C-5A contract award is replete with inefficiencies.

Rather, the critical issue, as I see it, is whether the proposed plan provides for an efficient utilization of limited Government resources. In other words, is this proposed new loan program a sound one? I believe it is not.

First, should this legislation be approved, its benefits will be restricted to unprofitable firms. This discriminates against the loan applicant's more efficient competitors. Further, attempting to salvage ailing enterprises inevitably will perpetuate corporate inefficiencies since normal market forces are not al-

lowed to prevail. Assured of their firm's continued existence, corporate officials are spared the urgency of changing their ways.

Second, in order to protect its guarantees, the Federal Government undoubtedly would be tempted to give contract preference to its loan clients. Not only would this favor less efficient firms but, concurrently, would inflict higher cost procurement awards upon the taxpayers.

Third, this program would attract applications from every ailing corporation in the United States. By determining which sick firms shall be saved and which shall be allowed to expire, the Government, in effect, substitutes its judgment for that of the marketplace.

Fourth, H.R. 8432 provides that, subsequent to October 1, 1971, Congress shall ratify all emergency loan guarantee decisions. The ramifications of subjecting loan guarantees to a political decision are clearly evident.

Mr. Chairman, I have voted affirmatively for several Government loan guarantee measures. However, for the aforementioned reasons, I am convinced that passage of H.R. 8432 will not enhance our existing Federal loan guarantee arsenal. Consequently, I shall vote against this measure today.

Mr. WIDNALL. Mr. Chairman, I yield 2 minutes to the gentleman from Georgia (Mr. BLACKBURN).

Mr. BLACKBURN. Mr. Chairman, in the last few moments we heard the comments of the gentleman from Pennsylvania (Mr. MOORHEAD) in which he characterized the Lockheed Corp. as a rotting, deteriorating, giant dinosaur, or something of that sort.

Mr. Chairman, I think we are all aware that the corporate entities in this country are made up of individuals, that no corporation functions without individuals whether they be management or labor. To characterize the tens of thousands of individuals who are employed by Lockheed as a rotting dinosaur does them a disservice, and I want to rise up on behalf of the employees of Lockheed, their families, their children, and others who are dependent upon them to say that they are quite viable individuals who are dependent upon Lockheed surviving for their own survival.

I vehemently object to the characterization of these individuals in their corporate body as being a rotting dinosaur.

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

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

Mr. MOORHEAD. I wish to say to the gentleman that I, too, support the workers of Lockheed. I believe that if Lockheed went through a corporate reorganization as the Penn Central in my State did, the workers would continue to work, and I say God bless the workers of both Penn Central and Lockheed.

Mr. BLACKBURN. I wish I could share the optimism of the gentleman, but I am thoroughly convinced that if we are going to do a service to the employees of Lockheed, we will support this measure.

Mr. WIDNALL. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. GOLDWATER).

Mr. GOLDWATER. Mr. Chairman, we are about to vote on a measure that will vitally affect both the security of this great Nation, and the hopes and dreams of thousands of Americans. I urge you to consider carefully the wider consequences of your actions, and the importance of backing Lockheed for the future of this country.

Lockheed is the Nation's largest defense contractor. Recent revelations have brought home the frightening fact that we are lagging behind Russia in many areas of our national defense. Should you, then, vote against a measure to safeguard the continued existence of a company which is responsible for all classified defense satellites, the U-2 and SR-72 reconnaissance aircraft, the strategically important Polaris and Poseidon missile systems, and antisubmarine warfare systems?

At a time when the economy is sluggish, and the unemployment rate is high, should you vote against a measure which would prevent the loss of millions of dollars in tax revenues, would insure thousands of jobs, and the return of \$1.4 billion in investments?

Most important of all—what about the American people? The lives of thousands of people, in nearly every State of the Union, will be radically affected if Lockheed is not saved. In my district alone, 17,000 jobs will be eliminated if Lockheed goes under. Add to that, thousands more—at AVCO's plant in Tennessee, where the wings of the L-1011 are being built; in Iowa, at Collins Radio; in New England, where Hamilton Standard is building the plane's air conditioning system.

I urge you to consider the human costs when casting your vote. Lockheed's employees are the backbone of this country—people who have linked their lives with faith in our technological and aeronautical superiority, people who have dedicated themselves to making America the world leader in aerospace and defense. Over the past few years we have been undercutting that faith in our country—are we now to deal it a death blow?

Earlier this spring as a member of the Science and Astronautics Committee I attended the Paris Air Show. Before my trip to France, I was convinced that, despite the aerospace cutbacks, America still stood first in the world in aviation. I returned to this country with the depressing knowledge that we are rapidly becoming a second-rate power; our preeminence in the skies is vanishing. The costs of having Ph. D.'s driving taxis and selling hamburgers are making themselves felt on the international level.

I would be the first to agree with a realignment of national priorities to provide more money for human needs. But at what point does this become a matter of cutting off our noses to spite our faces? Let us be really honest about human needs. Let us ask whether it is better to guarantee a job, or to invest it in destroying souls on welfare. We all know that there is severe discrimination against the older person in today's job market. What will happen to Lockheed's workers, who average 44 years of age?

What will happen to these highly skilled people in this period of severe aerospace cutbacks? No one can tell me and make it stick that they are all going to be taken over by other companies—it has not happened, and it will not happen.

I will tell you what will happen. Take the 30,000 people working on the L-1011 program. Because the job market in southern California is so bad, most of them will go on welfare. At an average case cost of \$2,326, this means an expenditure of \$697.8 million—almost three times the loan guarantee. And this is not recoverable money—it is irretrievably lost. It will not maintain human dignity, it will not create a salable property, it will not generate tax revenues.

This is a point that has been lost sight of in the great debate over "giving" money to Lockheed. We are not giving money to Lockheed. We are asking the Government to perform a service which it provides to almost every sector of the American society—loan guarantees. There are currently outstanding more than \$137 billion in federally insured and guaranteed loans. During the past year alone, \$436 million was loaned, not guaranteed, but directly loaned, for sales of Boeing and McDonnell Douglas jumbo jets. Our maritime industry, a bottomless pit of a money-loser, gets an annual subsidy of more than \$300 million—not a loan, not a guarantee, but a subsidy.

Why, then, the great debate over a loan guarantee to Lockheed? It is not as if this were the first time for such assistance to an important defense contractor. In 1967, Douglas Aircraft received a \$75 million loan guarantee under similar circumstances, and Douglas has not defaulted on this loan.

Many people have accused me of abandoning conservative principles to support the loan guarantee. But I cannot see any inconsistency in supporting the continuation of private enterprise over the expansion of welfare rolls. I cannot see any inconsistency in supporting our national defense and technological leadership over deterioration of our pool of knowledge and skills.

On the other hand, I can see an inconsistency in giving my constituents SBA loans for disaster assistance, HUD and VA loans for their houses, and HEW loans for their education—and then rendering them unable to pay off these loans by depriving them of their livelihood.

I ask you, then, to consider the costs. Weigh in your souls the cost of a loan guarantee—not money, just the prestige of the Federal Government—against the human cost of the collapse of a major national corporation. If your concern is human needs, then I think your decision must clearly be in favor of granting Lockheed the loan guarantee. This is not a budgetary abstraction—these are the American people watching and waiting for your decision.

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

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

Mr. CORMAN. I thank the gentleman for yielding. I wanted to conclude the Hens Christian Moorhead fairy tale that the gentleman told us a while ago. If

there were a dinosaur in that back yard, he found it very crowded. Among others who were there before Lockheed arrived, were the great steel manufacturers from Pennsylvania who 10 years ago said, "We can't compete in the jungle. You must impose import quotas to protect us."

The farmer was there forty years ago saying, "We must have cash grants to maintain stable farm prices."

Fifty years ago, the oil industry was there saying, "We must have the most favorable of all tax laws if we are to survive."

Over a century ago, the railroad industry said, "We can span this continent with a rail system if Uncle Sam will subsidize us."

More seriously, since this Nation was founded, it has taken a variety of steps to assist business in our free enterprise system. It is neither new nor novel.

Generally, the most costly, least effective method of assistance is the tax loophole. We never even know how much that is costing, but it is clearly in the billions every year.

Cash subsidies are expensive. We pay farmers alone nearly \$4 billion a year, and there are many other businesses in that line with their hand out.

Another favorite request of business is the imposition of import quotas, which are very helpful to industry but often very costly to both American consumers and American exports.

Direct Government loans, which do add to our gigantic national debt now amount to \$54 billion.

The least expensive help that the Government can give to free enterprise in need is a loan guarantee. We have done that for a current total of \$137 billion.

The request of Lockheed is a very modest request on the part of a fine company with fine workers. They ask not a penny. They ask for a loan guarantee. The risk in granting the loan is minimal. The result of refusal would be thousands of additional aerospace workers in the unemployment lines or welfare offices.

I urge my colleagues to support the loan guarantee.

Mr. PATMAN. Mr. Chairman, I yield 3 minutes to the gentleman from Rhode Island (Mr. ST GERMAIN).

Mr. ST GERMAIN. That is cutting down the time already, Mr. Chairman, but we will get it on the 5-minute rule.

I had hoped we would not hear the things that we have already heard, such as a quid pro quo, because there is a great deal of pressure being put on in other ways on this legislation.

I compliment the gentleman from Ohio (Mr. KEATING) for his thorough analysis of the hearings. Unfortunately, they were not extensive hearings. Mr. Galbraith did not testify. The hearings were brought to a screeching halt. We heard one witness opposing this, one labor man from the State of New Jersey, who unfortunately did not have the facts and figures at his fingertips. Other than that, the whole thing was stacked. Talk about the railroads. Here is a railroad job for sure all the way.

As to the number of jobs that will be lost if this legislation fails, it is not 60,-

000 as the administration states, but let us listen to what Mr. Haughton had to say about the employees. There are 10,000 employees working on the L-1011. He stated furthermore that even though the L-1011 continues, by the end of 1975, 3 years from now, the total number of Lockheed employees will go from 72,000 now to 59,000, there will be over 13,000 fewer employees.

And how many people will be employed on the Rolls-Royce engine? Mr. Haughton's testimony once again is that there are 30,000 jobs in Britain and Ireland for these engines that are going to be produced in foreign countries, and they are looking to us. They say the British Government is doing a great deal for Rolls-Royce. Why should not they? They are creating 30,000 jobs. It costs \$3.3 million per set of engines.

Let us look at another factor here. On the Export-Import Bank, one of my respected colleagues tried a comparison on the Export-Import Bank. Show me one Export-Import loan that was granted to bail out a firm on the verge of bankruptcy, because of inefficient, incapable management. This incidentally, this term, was used by Secretary of Defense Packard. He said the problems were due to inefficient management.

Furthermore, Mr. Haughton projects success even with this loan guarantee based on \$2 billion in defense work over the next 2 years—and Members can bet their lives the company will get it. It all boils down to this: No matter what, the American people are going to have to subsidize and keep Lockheed going. That is the thrust of this legislation.

Mr. WIDNALL. Mr. Chairman, I have no further requests for time.

Mr. PATMAN. Mr. Chairman, I have just a few requests.

I yield the gentleman from California (Mr. HANNA) 3 minutes.

Mr. HANNA. Mr. Chairman, being a modest and humble man, I am not in the well of the House to persuade anybody to change his mind. I may be wrong, but it has been my observation that in spite of the great wisdom and compelling rhetoric of those who take the well, they do not sway opinions on the issues back and forth, and cause the gentlemen in this House to change their minds.

Rather I take this well to bring comfort to those who take the position I do and support this legislation. I bring that comfort too from a rather humble base, because in this situation there are enough facts to support either side and enough experts to support any position. This, I suggest, is a place where we could take the kind of decisionmaking process that the great Chief Justice John Marshall took when he had a very difficult case before him. He listened carefully and then decided. Having taken his decision, he turned to his clerk and said, "This is my decision. You find the authority to back it up." I can assure the Members that if we use that process we can find whatever authority we need to back up a decision. In all the wisdom that has been presented, we will find there is plenty of such authority to back us up.

The other place where we might take some comfort is in the remembrance—a

rather humble one, too—that this country is great first because of the great things this Congress had done for it. This country is also great because it has been able to move ahead in spite of what this body has done.

I do not know whether this is one of the issues which will be great for the country because of what we have done or that it will remain great in spite of what we have done. I suggest you can make your decision and find the comfort you need in terms of looking at this as a practical, operating politician.

There is no problem. If you go home and somebody argues you should have decided the other way you should say to them, "You might be right, but that was not the sole view I held, and I was persuaded by some viewpoints I should like to expose to you." And you can say, "If you think I am wrong and have been that wrong that much, why do you not run for Congress, too?" There are very few who will pick up that challenge.

This is one time, I assure you, there are facts and facts and facts, and material and material and material. How much of it is operative is really difficult to decide, but I can tell you it is important to this country that it retain some of the capabilities which are in this company. It is important that at this time when our economy is being knocked around by so many blows that we fend off as many of them as we can.

I think this is a kind of defensive move. I am not trying to persuade you with a lot of facts, nor am I saying to you I have any great wisdom. I say as a practical matter I have made my decision. I know my clerk can find plenty of authorities to back it up. Those of you who are with me should take comfort in the ranks because you, too, can be supported.

Mr. PATMAN. Mr. Chairman, I have two more requests for time. I yield 1 minute to the gentleman from New York (Mr. KOCH).

Mr. KOCH. Mr. Chairman, we had 30 witnesses come to our committee. Only one testified against the bill because the committee cut the hearings short.

If you pass this bill the word will go out that if you are a billion-dollar corporation you can come to this Congress and get financial assistance but if you are one of the more than 11,000 small corporations or individuals who went bankrupt last year, if you are a "momma and pappa" store, you must sink or swim on your own.

Is that what we want this Congress to do?

This bill, whether it be a \$2 billion bill or a \$250 million bill, is wrong. I hope in the 5-minute rule period following general debate, I will have an opportunity to talk again and go into further detail.

Mr. PATMAN. Mr. Chairman, I yield 1 minute to the gentleman from Maryland (Mr. MITCHELL).

Mr. MITCHELL. Mr. Chairman, when the administration originally asked for a \$250 million loan guarantee for Lockheed, I thought that I had the dubious privilege of seeing the greatest depths to which the Government could sink. The great difference shown to this corpora-

tion, coupled with the callous indifference, often malice, shown to the poor, black, and other minorities of this country, lays bare the hypocrisy so misnamed as democracy. I was wrong, not about the meaning of the guarantee, but in my judgment of the depth of the abyss to which this Government could sink. The bill now before the house is eight times as large as the one previously mentioned and infinitely worse.

In the words of Senator ROBERT TAFT—
The breadth, magnitude and lack of enforceable controls in this measure makes it a financial gulf of Tonkin resolution.

The key, though, to this whole sorry state of affairs is still Lockheed, whether one is considering a broad or narrow bill. For Lockheed is the exemplar of the "need" for this guarantee program, a program to save businesses, as long as they are large enough and have built enough weapons. If Lockheed's present position does not hold up as evidence for a program of Federal big business welfare, then the whole program must fall. So, I want, first, to address myself to the question of Lockheed's case, in general, and to the L-1011 in particular.

The plane itself raises many serious doubts. The first, and probably most important one, turns on the question of utility and for whom that utility is intended.

The argument has been made that Lockheed's plight, coupled with the losses of the airlines last year, dictate Government intervention into, and planning for, the transportation industry. I agree that there should be governmental planning for the transportation industry, but the need is not in aerospace where the Lockheed loan guarantee leads. In particular the need for mass urban transit is clearly evident, but the people who would use such a system do not find as receptive an audience in the White House and Department of Treasury as do Lockheed, the airlines, and their customers.

Beyond such a simple governmental allocative problem, though, is the question of the specific plane, the L-1011.

First, there are those wonderful engines, the RB-211's; at least Lockheed keeps assuring us that they are wonderful. In view of Lockheed's management record, encompassing not only the C-5A, SRAM, the Cheyenne helicopter, but also the electra prop-jets of the 1950's.

I cannot accept Lockheed's word on faith. When McDonnell Douglas left the choice of engine for the airlines to decide, the General Electric CF-6 engine was selected. This casts great doubt upon the superiority of the RB-211. Lockheed claims that it reevaluated the engine situation and found the Rolls-Royce product superior. But it failed to highlight the extensive role that retooling costs must have played in that decision. Mr. Haughton simply states that switching to the General Electric engine could cost an additional \$150 million for 220 planes, thereby implying that the Rolls-Royce engine is some better for less.

But the real consideration is the intimate attachment between an airframe and the engine for which it was designed. As Secor D. Browne, chairman of

the Civil Aeronautics Board stated before the banking and currency committee:

"Since an airframe is always designed around its engines, the production of the RB-211 engine was the key to the continuation of the L-1011 aircraft as designed."

So the vaunted reexamination does not really mean as much as Mr. Haughton would have us believe. To reexamine the engine choice after design of the frame was begun will, necessarily, favor the previous engine. And this engine, while undoubtedly superior on paper, has run into severe problems in its actual development, and may never reach its potential. Other Lockheed projects have failed to achieve their full expected potential; the most blatant in memory is the C-5A. Any plane predicated upon the success of this engine is in an extremely doubtful position.

But, forget the realities of production, says Lockheed; we need the plane to provide competition for the DC-10. One may question this in view of the existence of the A-300B, short-range airbus, and the projected development of a smaller 747 by Boeing to compete for the airbus market. The fact is that the domestic air market grew tremendously during the last decade, and the building plans of both manufacturers and airlines were predicated upon that growth, or rather an extrapolation of it. The market will be smaller, and perhaps a contraction of the supply is in order. Certainly to argue as do Mr. Haughton and Mr. Connally that there is some a priori good about having three airframe manufacturers as opposed to two is the height of lunacy.

It might just be the case that Boeing and McDonnell Douglas can handle the airframe market by themselves. The projections of the total airbus market certainly do not contradict this, since each L-1011 is really only going to be replacing a DC-10.

In this kind of tough market, there is every reason to believe that the L-1011 cannot compete—and that the Government would be backing a vast misallocation of resources in pursuing its development any further. First it is interesting to apply the argument that Lockheed uses to show its own advantageous position in relation to manufacturers, that of the headstart. While Lockheed prides itself on being ahead of Boeing, it neglects the fact that McDonnell Douglas is ahead of Lockheed.

The 747 has distinct advantages. Since both it and the DC-10 will come in several versions, an airline could buy similar planes for different routes. For example, the purchase of a 747 for a flight from New York to Atlanta could be complemented with a short version of the same plane for a flight from New York to Washington. The obvious advantage is the saving in duplicated spare parts and labor procedures. The L-1011 has no comparable advantage.

In fact, the only real advantage for the purchase of the L-1011 is the preferential financing provided by the British. And this, plus the aforementioned engineering considerations of engine compatibility, lock the L-1011 into close agreement with the British. Yet the agreement

is not as firm as Mr. Connally and Mr. Haughton would have us believe.

According to Mr. F. D. Hall, chairman of the board, Eastern Airlines, Inc.:

The British Government has also indicated in recent months a clear readiness to accept the trend to less competition if necessary. They refused to subsidize the British Aircraft Corp., to build a short-range airbus to compete with the A-300B, and every aspect of their approach to the RB-211 engine problem has manifested a readiness to drop that project as well, if necessary.

And, according to my preliminary reading of the contract of the 10th of May, the British have two very readily available reasons to break the agreement, leaving the U.S. Government backing an airframe with no engines.

According to article 40 of the contract:

Before seeking the authority of Congress—the U.S. Government satisfied itself, having regard to the orders for L-1011 aircraft placed with Lockheed and the orders for L-1011 aircraft that might reasonably be expected to be placed with Lockheed, that Lockheed will be able to carry out the L-1011 project.

I know of no such study, and I doubt if the British Government does either, because I doubt that it exists. Directly following that provision is another that the airlines—

Affirm their intention to continue their participation in the L-1011 program.

Then, the agreement further specifies:

If the conditions specified—above—shall not have been satisfied before August 8, 1971 the obligations of Rolls-Royce and Lockheed under this basic agreement shall not take effect at all and the basic agreement on that date cease to be binding in any respect.

Yet Mr. Haughton tells us that some of the airline agreements will not be confirmed until the 1st of September. If the British need any excuse to back out, they certainly have at least one. Then the "best" that could be expected from a disastrous situation is a game of international power politics to complement the one that the President is trying to play domestically.

Aside from competition, another word that appears frequently in testimony is saving, usually of \$1.4 billion, as if sponsoring this misadventure would bring back money previously misspent, or turn it into instant production. Mr. Alan Greenspan, noted economic consultant of the firm of Townsend-Greenspan & Co., part-time consultant for the Federal Reserve Board, and former economic aide in President Nixon's campaign, stated flatly:

There appears little chance of full recovery of the \$1 billion-plus already invested in this project.

The argument to save this money is one without foundation. If the investment is worth saving, that is if the L-1011 is viable, one wonders why there are no long lines of buyers clambering for this hope diamond of the skies.

Beyond the question of the Tri-Star itself, there are those who would argue that we must support Lockheed, out of gratitude, out of penitence, or for security. For those who remember—with the great assistance of Lockheed statistics—

all that this country owes to Lockheed, I commend the article by Mr. Morton Mintz from the Washington Post of July 18, which I entered into the RECORD of July 20, beginning on 26271, explaining all that we have to be grateful for in the C-5 program. And, of course, this gratitude should be reinforced by the performance of Lockheed on the SRAM engine, its ship-building contracts, and the Cheyenne helicopter. There has been an attempt to put aside these failures and blame the whole sorry scene on now departed procurement policies, specifically total package procurement.

Whatever the problems introduced by those policies were, blaming all of Lockheed's failure on them overlooks the fact that some contracts that have turned out badly, especially in ship-building, were not negotiated under TPP. And additionally one cannot forget that Lockheed willingly decided to work under these contracts—and, to some degree, they must be regarded as a Lockheed management decision. While certainly the Department of Defense is not blameless, Lockheed is culpable also for its own failures.

Then, there are those who are feeling guilty in the wake of the settlements of the C-5A and the Cheyenne. But, viewed dispassionately, those settlements were not overly harsh, especially in view of the design of the company, to underbid, to bid in, and, through the use of various escalator clauses, rectify its own intentional wrong.

The C-5 bid from Lockheed was \$390 million below its nearest competitor, a difference designed to secure the contract, nothing more. In spite of that part of the C-5 settlement was a \$100 million loan to Lockheed that does not demand any repayment until 1974, and then only at the prime rate of interest, a curious figure for a company with something less than an AAA.

Then the last of the true Lockheed supporters are those who are so worried about national defense. The first reservation that comes to mind is, of course, the meaning of national defense. Some of us sincerely wonder how long a country that neglects the needs of its people is defensible, from a military standpoint alone, no matter how elaborate a military establishment that country constructs.

On those grounds alone, this fraudulent diversion of much needed public funds, puts to lie the contention that national defense is the primary concern. Beyond that, for those who are still interested in the physical defense plant, the missiles and space division will surely remain intact, no matter what the disposition of the whole company. The picture painted by the defenders of the national interest is one of a sheriff's sale, where the valuable properties would be dismantled, thereby destroying one of our great defense resources. The truth is that the most likely form of reorganization is not a sheriff's sale of the assets, but a reorganization of the company. And even if assets are sold off, the one "essential" to national defense, the missiles and space division, is solid, and it would be in the interest of creditors to make sure that it remain so.

The division dismantled is worth less than the division whole. No matter how avaricious and despicable the creditors, and how rapacious their desires toward Lockheed, their interest has to serve the "national security." And there should be no problem finding a buyer—at this point, when nothing is sure, the president of North American Rockwell has publicly offered to buy the division.

Now, beyond the question of Lockheed itself, there is a broader one of the desirability of supporting anything in the aerospace industry. I do not quarrel with the right of the Government, indeed its duty, to subsidize those parts of the economy that need subsidy to remain operating in the public interest. But I am not convinced that continued subsidy to aerospace is in the public interest.

By subsidizing a part of the economy, the Government is at least maintaining the present level of economic investment in that area, which obviously brings up the question of whether the present level is justified. I have already touched on one part of the overexpansion, the tremendous boom in civilian air travel in the last 10 years. Since there is a lead-time factor, necessitating planning for future increases, the airframe industry got caught when the boom began to level off. But there is another source of this over-supply, one of much greater import. The air war in Southeast Asia, especially the jet-fighter and helicopter missions, consumed large portions of our air defense. In response to this rise in demand, the aerospace industry grew, and was left without a market when the temporary bombing halt in 1968 signaled a lowering of the consumption of fuselages, if not of lives.

In the words of Mr. Greenspan:

If Lockheed is continuously propped up without a major reversal in the long-term aerospace outlook, some other major company in the industry must find itself in trouble. Unless we are willing to embark upon a major new aerospace weapons expansion, some contraction in the industry, some further losses of jobs, mergers and possibly bankruptcies, appear inevitable.

I do not advocate abandoning the present employees in the aerospace industry. I think that we should invest in their retraining so that they may lead socially useful lives. But we must face the fact that their skills are in great oversupply.

But, the question naturally arises, where does this leave Lockheed, what can the management do if the Congress fails in the hour of need? The picture painted by the management of the company, and by the administration is one of absolutely desperation, but must it be? The easiest solution would be to simply offer the presently unencumbered assets—specifically the missiles and space division—as collateral for the desired loan. In his testimony before the Banking and Currency Committee, Mr. Haughton said that he was willing to put up anything, but did not remember if the presently free property—which will become collateral in the collateral pool formed by the Secretary of the Treasury—had been specifically offered to the 24 banks.

Certainly a firm offer is not beyond the power of such a large corporation as Lockheed?

Beyond that—and I agree that the prospects for continued loans, assuming some degree of sanity on the part of the bankers, are indeed bleak. Lockheed should be willing to sell off profitable subsidiaries to raise the necessary cash. Mr. Haughton likes to term the present situation a temporary liquidity crisis, not reflecting up the basic soundness of the company; if this is so, he should be willing to sell the obviously profitable, and therefore attractive, operations, and stand by the rest of the company, in its financial soundness. Lockheed has already seen the viability of this alternative, having sold licenses, a computerized hospital information system, and a subsidiary, Ventura Manufacturing Co.

Of course these are not of the size needed to sustain Lockheed in this crisis, but they point up the alternative available. Lockheed's reluctance to sell anything large is only plausible if Mr. Haughton and his management do not think that programs like the L-1011 can support the company. But if they cannot, that must reflect upon their viability, and the worth of the programs. In its crudest sense, if the L-1011 is not good enough to support Lockheed, I do not know why this Government should become involved with it.

But even if sale fails, the company does not have to be dismembered in reorganization. Chapter X reorganization is a very broad alternative, starting with appointment of a trustee whose job is to find a fair and equitable solution.

If he finds it possible, he may even retain the present management. Lockheed's only argument against this form of reorganization is that customers and suppliers would stay away from a company whose future is in so much doubt. But I submit that Lockheed's future is in doubt right now. Witness after witness at banking and currency has said that this loan guarantee will not assure that Lockheed can continue. A thorough reorganization by a competent trustee could only seem to increase confidence in Lockheed's future. And there is precedent for reorganization of large companies. Both Paramount and 20th Century Fox were reorganized during the depression, a time when confidence could hardly be described as abounding.

At the very least, reorganization in Federal court would bring the decision-making out from the closed board room and into open court. William McC. Martin, former Chairman of the Board of Governors of the Federal Reserve System, has said that he would much prefer that the guarantee, if it is to be made at all, be made after all the facts have been brought out in open court. As the situation presently stands, the Congress is being asked to play banker for a huge corporation, without ever—thanks to the intervention of the administration—being able to investigate the company's books. In fact, some of us might even attribute at least a portion of the lack of confidence in Lockheed to its unwillingness to tell the whole truth to the public.

Even so simple a thing as the breakdown of cash flow and profits by division was almost impossible for the Banking and Currency Committee staff to obtain.

I do not wish to impute sinister motives to such honorable men as Mr. Haughton and his associates, but the company's record is not one of outstanding disclosure. If nothing else reorganization would remedy this situation. If, after the necessary information becomes available, a guarantee is still necessary, it may still be considered. But a thorough investigation, by someone not involved with the company, is certainly needed before the taxpayers' money is precipitously squandered.

But, as I said at the beginning of my remarks, this is not the whole of the enormity facing us. In all the efforts to avoid appearances of special privileges for Lockheed, special privileges for several Lockheeds have been created by this bill, so accurately referred to by Chairman PATMAN as the Campaign Financing Act of 1971. The bill is broad all right, so broad that the unintended implications are almost infinite. The Department of Defense is very concerned about the effect that this will have upon procurement policies, allowing of the type shown by Lockheed, and well they should be. In the words of Mr. Packard's original testimony:

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 . . .

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.

I cannot elaborate on this fine description of the disaster that this bill prefigures. But there are other problems which have remained unforeseen due to the lack of an articulate spokesman in the area in which they will arise.

Whether this Congress realizes it or not, it is setting a precedent that can only drag us in deeper into the financing of large corporations. According to Mr. Greenspan, the credit needs of this country are going to be far in excess of the supply.

By beginning this guarantee pool, for guarantees far in excess of anything done before, we will open the flood gates for a torrent of demands. This is bad enough in itself, but the relative lack of control to be over this pool makes misuse very likely. I do not wish to impugn the intentions of Mr. Connally and Mr. Burns—as well as whoever the third member eventually becomes—but it would be reasonable to expect them to respond to business pressures and rather than to the needs of the public, since they are greatly removed from the needs and desires of the people. The only contact that they will be able to maintain will be with that ambiguous phrase, the public interest, already so maligned in the Lockheed disaster. As Mr. ST GERMAIN said in committee, to Mr. Haughton:

I wonder if you know of any bankruptcy, other than perhaps that of a firm producing pornographic literature and films, that would be in the public interest.

Given such an ambiguous criterion, final determination is only going to be determined by the pressures that can be applied. I leave it to your past experience to discover what pressures will prevail.

We are told that we will be given 20 days' written notice of a guarantee by this triumvirate, but can anyone believe that this will be a sufficient safeguard to retain any degree of congressional control? We will be dependent upon the information provided by the Board, making each subsequent guarantee an intensification of all that is wrong with the present case. Chairman PATMAN has said that the undue haste with which this guarantee has been processed has "placed the Banking and Currency Committee and the House of Representatives in a situation where there must be an overdependence on the representations made by this administration." I submit that this can only become worse as the Congress must turn to other business in the future, and more guarantees are desired.

Then there is the problem of security for the Government. In the Lockheed case, there is a collateral pool for all of the banks holding liens. But this bill does not provide for that kind of an agreement in future loans. It requires that the institution actually loaning the money agree to subrogate its interest to that of the U.S. Government. Now, in cases where there are many other loans, if the property under lien by the Government fails, the other liens remain untouched.

In other words, the Government is stuck for the principal and interest of the cosigned loan, pending, of course, the patriotism and public spiritedness of Chase-Manhattan.

Finally there is a question of the method of the guarantee itself. The guarantee mechanism can only siphon off existing credit; it does not create anything new. In effect all that is happening is that the Government is redirecting the existing credit supply into businesses that it deems deserve it. Now this would not necessarily be bad except that this bill is designed just for large industry—maximum guarantee of \$250 million—meaning that money is going to be siphoned to large businesses, and, in particular, if Lockheed is any indication, large defense businesses.

For this misadventure has shown that the Government thinks first of the spear-makers, no matter what that means to those who will be gored. Forget the small businessmen and the poor who need that money. From now on it will be dispersed in the national interest; that is, those who can interest the National Government.

On July 24, the President urged us to act upon this matter "with all deliberate speed." He explained that he meant by August 6 to meet the deadline established by Great Britain. In 1954 the Supreme Court ordered that the schools of this Nation be desegregated, "with all deliberate speed." That process has taken 17 years, Mr. Chairman, and is not yet in sight of completion.

But on Lockheed, the President did not even give us 17 days. The orders of the Supreme Court of the United States,

issued in accordance with the Constitution, are carried out in slow motion, while the demands of the bankers, issued in accordance with their profit-and-loss statements, are run at 32 frames a second. The timing is out of a silent Groucho Marx comedy, and the logic is the purest in enforcing human rights, we are deliberate; in advancing corporate interests, we are speedy. When we legislate in such fashion and under such pressure, it is no wonder that this body has fallen in power and prestige, and continues to fall, vis-a-vis the executive. Mr. Chairman, we are not losing influence, we are squandering it.

The arguments presented for this bill, and the way it is being handled, are an insult to our intelligence as legislators and to the dignity of this body.

GENERAL LEAVE TO EXTEND

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all Members may extend their remarks at this point in the RECORD.

The CHAIRMAN. Is their objection to the request of the gentleman from Texas?

Mr. DINGELL. Mr. Chairman, reserving the right to object, I would like to ask the chairman of the committee and the ranking minority member whether they propose to curtail the right of Members to debate and to offer amendments under the 5-minute rule.

There are a lot of Members who are not on the committee and who have not had an opportunity to say anything on this bill and I would like to know before we grant such a unanimous-consent request whether or not the leadership on the two sides of the aisle propose to curtail the right of any Member to speak under the 5-minute rule and to debate.

Mr. PATMAN. There is no intention to keep any Member from speaking under the 5-minute rule.

Mr. DINGELL. I would like to hear from my friend on the minority side.

Mr. WIDNALL. There is no intention to do that.

Mr. DINGELL. I think that is very clear.

Mr. Chairman, I withdraw my reservation of objection.

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

There was no objection.

Mr. HANLEY. Mr. Chairman, at the outset of the Banking and Currency Committee hearings on this legislation, I was disposed against the measure, largely on the basis of my feeling that it represented an unwarranted governmental intervention into the free marketplace. Lockheed was in the process of building a commercial aircraft, it was developing quite serious financial problems, and the banks which were making loans to Lockheed for the Tri-Star project were turning off the tap. Certainly, this is a serious economic and financial problem, but it is not an unprecedented one. It happens in the business world, but perhaps not so often on such a scale.

In essence, I found it impossible for me to ignore the arguments presented by the administration. As the chairman said in his individual views in the committee report,

The Administration has told us that failure to pass legislation to assist this corporation will result in dire economic consequences, more unemployment, damage to subcontractors and suppliers, and a general lack of confidence in the economy. While it is my personal belief that there are better and more equitable ways to provide employment and economic stimulation, it is difficult to ignore the conditions put forward by the Administration.

Mr. Chairman, I associate myself completely with these remarks. For a long time now, I have been publicly and urgently pointing out the need to make basic changes in the administration's economic game plan. That plan is not working. Unemployment continues to rise and to become more persistent. The economy is not growing. It is not producing additional profits, additional jobs, and additional revenues for the various levels of Government. Interest rates are creeping up again. It looks like we are heading for the worst balance-of-payments deficit in a long time.

In the face of these facts, I feel that it is my responsibility in the national interest to support this legislation. The administration has told us that the collapse of Lockheed is going to make the economic picture a good deal more horrendous than it is now. I do not want that to happen, and so I reluctantly support the Government guarantee of those added loans which Lockheed needs from its bankers.

I say reluctantly because I wish the administration had proposed legislation of a broad nature to correct the ills of the economy. I would rather see concrete and positive steps to deal with the national economy to get it moving again. I intend to continue to press for this kind of action.

Mr. Chairman, we have bushels of assurances from the administration that this guarantee will cost the taxpayers not a cent. I accept these assurances from the President and his spokesmen, and I will support his legislation.

I plead again for administration leadership to deal with the sorry state of the national economy, only a small part of which is the Lockheed episode.

Mr. FRENZEL. Mr. Chairman, as a member of the Banking and Currency Committee, I had the opportunity to listen to and review the testimony presented on H.R. 4832 and to question representatives of the Lockheed Co., the 24-bank consortium, members of the administration and other witnesses. There can be little question that Lockheed is in serious financial difficulty, not all of which is its own doing. Certainly, many other circumstances, such as the total package procurement policy of the Defense Department, the subsequent one-sided settlement between the Defense Department and Lockheed, the unexpected collapse of Rolls-Royce, and unpredictably severe inflation—Government generated—have contributed to the unfortunate conditions that exist today.

But in spite of this evidence, I voted against H.R. 8432 in committee, and I still oppose the bill today.

In my judgment, it is neither the duty nor the jurisdiction of Congress to be an insurer of last resort. I believe this Congress will find it very difficult to deter-

mine equitably when it is in the public interest and for the public good to guarantee the obligation of one private corporation and when it is fair to turn down another firm which finds itself in the same financial circumstances, but for one reason or another, perhaps size, has less political muscle.

At this point I would like to read a portion of a letter—which has been edited to remove personal references—which I received from constituents who are wondering how we can assist Lockheed when their own enterprise is in difficult financial conditions through no fault of their own. They are, of course, without prospect of Government assistance.

This letter is not being written as a "plea for help," but, more or else, I guess I need a "listening post."

I have been reading with much interest regarding the Federal Government's intervention into helping Big Business out of their financial dilemmas, mainly Lockheed Aircraft Corporation.

I am writing as a wife of a husband who is in "small business." For the first 3 months of 1971, we suffered great financial losses due to the price war that was on.

The last three months, we have literally lost all motor traffic going into our store: reason, Sewer Commission installing of sewers—literally closing us off from all vehicle traffic. This project was to have been completed July 1, we now hear, maybe some time in August. By that time summer (when we do the bulk of our business) will be over. Next comes the city to widen the street by the store, plus installation of sidewalks and gutters—all well and good for progress, but what happens to business in the meantime, us in particular.

I believe that this letter points out the difficulty the people of this country have to find a distinction between the problems of Lockheed, the giant corporation and the cumulative total problems of many smaller businesses.

Once this bill has been passed I doubt that the Federal Government can ever again allow a large company to fail. The precedent that we will establish by this Federal bailout has enormous consequences which ought to be carefully considered today.

By guaranteeing the Lockheed loan, we are reversing the incentive system that has prevailed in this country's economic system since its founding. We are, in effect, rewarding failure. As long as we have provided a general indemnity against failure, it really makes no difference whether the calamity occurs by reason of mismanagement or misfortune. When the Government provides a guarantee against failure, it creates new and different incentives which will encourage in speculative ventures. We will be greatly reducing incentives to sharpen up management practices and improve total corporate efficiency. The incentives of the marketplace will be reversed.

When H.R. 8432 was first introduced, it contained a \$250 million loan guarantee which was understood to apply to Lockheed exclusively. In the past several months, a one-quarter of a billion dollars has ballooned to \$2 billion. The bill before us today contains a \$2 billion grab bag—less a quarter of a billion for Lockheed—for additional future bailouts. This large goody-bag will simply be available as a target for other companies in

distressed circumstances, and it will provide an incentive for them not to solve their own problems themselves.

Incidentally, this bill does provide for a congressional review of loans from the \$2 billion grab bag. However, the timing is set up in such a way that the review is meaningless. Therefore, even though, in my judgment, the \$250 million proposal sets the same precedent as the \$2 billion proposal, at least the Congress retains for itself the review of future bailouts under the \$250 million proposal.

Therefore, I have supported and will continue to support, an amendment to H.R. 8432 which would reduce the \$2 billion total to \$250 million.

Mr. Chairman, I believe that the granting of any Federal loan guarantee will serve as a precedent to commit this country for the future. We will, in effect, be telling the business corporations of this country that they may enjoy the benefits of a free enterprise system on the up or growth side but that we, the Federal Government, are willing to nationalize them on the downside. This precedent is one that I cannot support, and I urge the House to defeat H.R. 8432 today.

If the House, in its wisdom, determines that Lockheed's loan must be guaranteed, I would urge that the \$250 million guarantee be passed rather than the \$2 billion. Both proposals are contrary to our economic system and would set dangerous precedents, but the smaller is the lesser of two evils.

Mr. BROYHILL of Virginia. Mr. Chairman, I rise in support of H.R. 8432, the Emergency Loan Guarantee Act of 1971.

In spite of allegations to the contrary, I do not believe the first would-be beneficiary of this legislation, Lockheed Aircraft Corp., will be rewarded for mismanagement by its enactment. Some mismanagement may be involved in Lockheed's present plight, but the \$484 million loss Lockheed was forced to take under the now discredited total package procurement concept of our Defense Department caused Lockheed to be unable to finance their inventory buildup on the L-1011 commercial transport program in spite of their ability to operate at a small profit.

I do not believe we will be establishing a new principle with enactment of this legislation. Creation of a loan guarantee board with sufficient funds available to make guarantees to companies which have a significant impact on the economy of this Nation is no different, with the exception of the size of the beneficiaries involved, than our creation in other years of governmental funds to guarantee loans through the Export-Import Bank, the Federal Housing Administration, the Veterans' Administration, the Small Business Administration, and other Government agencies.

But I believe debate about whether or not we should provide Government-guaranteed loans for large corporations as we already do for small businesses, other nations and individuals, obscures the real issue at stake in the case of Lockheed or any other corporation on whose existence thousands upon thousands of jobs depend. When we think of large cor-

porations, all too often we forget we are thinking of groups of people. We are thinking in the case of Lockheed of 60,000 workers doing 60,000 jobs for Lockheed and its suppliers, who may well be added to the unemployment compensation and welfare rolls if Lockheed declares bankruptcy.

These people whose jobs depend upon the success or failure of Lockheed are highly skilled teams of engineers; administrators; planners; assemblers, and have made their careers in the aerospace industry in the years in which this Nation has demanded its expansion. They are not young people, ready to start over, in an already-depressed market. I understand that in the section of Lockheed where the L-1011 trijet transport is being built, the average age of the workforce is 45, with approximately 10,000 employees over 50, 5,800 over 55 and 4,000 over 60. If their section of Lockheed's operations fails, they will enter a labor market where the rate of unemployment is already one-third greater than the national average and the aerospace industry has declined approximately 30 percent in the past 2½ years.

Thousands of engineers and scientists are already unemployed across the Nation today. Thousands more have felt lucky to find work in jobs far below their level of ability. Many have existed for months on unemployment and welfare benefits. A few years ago we could not train them fast enough, to keep up with the Nation's rapid industrial expansion. Now we must retrain them in other fields or watch them and their families suffer immeasurably because of our callous indifference to their plight.

A few weeks ago, in recognition of the alarming rise in unemployment, Congress voted two and a quarter billion dollars to create some 150,000 "make work" jobs. Today, 60,000 jobs hang in the balance awaiting our decision on this bill which would not require cash, but only a loan guarantee. These are productive jobs, to turn out goods and services of benefit to our Nation, not "make work" jobs, and I think we have an obligation to save them.

Mr. Chairman, I urge enactment of the Emergency Loan Guarantee Act of 1971.

Mr. HORTON. Mr. Chairman, I am opposed to H.R. 8432. We were originally asked to authorize the Treasury to guarantee \$250 million in bank credits to the Lockheed Aircraft Corp. When it became evident that the Congress would refuse to bail out this one corporation suddenly in desperate financial condition, the technique changed. Now we are faced with a \$2 billion "generic" measure open to any number of large companies. In seeking to disguise bailing out Lockheed, we are now asked to authorize an incredulously far-reaching welfare program for big corporations facing "temporary adversity." This is a most curious interpretation of the free enterprise system.

Why is Lockheed in need of a loan guarantee? Because of its own mismanagement and miscalculations, it is conceded, which resulted in large cost growth and overruns. There are serious charges that Lockheed submitted low

bids on military contracts, knowing that it could count on the Department of Defense to help out with contract modifications. These policies could not be covered up completely, however. The General Accounting Office, congressional committees and DOD itself have found Lockheed to be seriously mismanaged. In testimony on Lockheed defense contracts, Deputy Secretary of Defense Packard stated:

There was ample evidence of poor management on the part of Lockheed.

He also made the following statement on Lockheed and the L-1011, a 250 passenger airbus:

Post policies have encouraged defense contractors, large and small to take on programs beyond their means. This 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.

Treasury Secretary Connally has said there is little risk in giving Lockheed the \$250 million loan guarantee. If this is so, why have 24 of the Nation's leading banks refused to lend a dollar to Lockheed without a Government guarantee? In making their case that Lockheed is no longer credit worthy, the bankers have convinced me that Lockheed is unworthy of any handout, particularly one supported by the taxpayer.

It has been plausibly suggested that Lockheed could fail even with a \$250 million Federal loan guarantee. The potential market for the L-1011, Lockheed's first major civilian aircraft since the Electra fiasco, leaves serious doubts about whether it would be a commercial success. By Lockheed's own estimates, the breakeven point is 220 L-1011's. A DOD study reportedly puts the breakeven point at 390. Yet, Lockheed has only 103 firm orders for L-1011's, and the competition in this wide-bodied commercial aircraft market is substantial.

My overriding concern with H.R. 8432 is that it would result in an unwarranted intrusion into the private sector. This legislation would undermine one of the most significant disciplines of the marketplace by eliminating the threat of failure. It strikes at the heart of the free enterprise system and sets a very dangerous precedent.

Despite the far-reaching effects this legislation could have on our economy, hearings have not been held on this specific bill. Certainly we should not act favorably on this measure until a comprehensive and searching analysis can be made in House hearings.

Mr. Chairman, we should remember that this is not the first time the Government has been asked to aid private companies. We have an excellent program for aiding small businesses, but the standards we use to judge which small firms should receive help are far higher than those being applied to the Lockheed case. It is a double standard when the Federal Government requires sound fiscal and managerial policies of small businesses,

but then sets up a special category to help a large corporation that would go under without Government aid.

From the standpoint of the Nation's taxpayer, the aerospace industry, and our free market economy, I cannot find merit in the emergency loan guarantee fund.

Mr. PODELL. Mr. Chairman, today we are called upon to consider a highly publicized and certainly controversial bill, H.R. 8432, the emergency loan guarantee fund.

This measure would provide up to \$2 billion in guarantee authority for loans to major businesses unable to pay their debts, provided the collapse of such enterprises would damage the economy of the country or a region. H.R. 8432 would limit loan guarantees to any one enterprise to \$250 million.

In addition, H.R. 8432 would establish a three-member Emergency Loan Guarantee Board composed of the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the Chairman of the Federal Reserve bank in the district of any given applicant.

Loans guaranteed under the act would have to be repaid within 5 years, but could be renewed for an additional 3 years. Guaranteed loans would bear interest at rates determined by the Board to be reasonable, taking prevailing interest rates into account.

The authority of the Board to enter into any guarantee or to make any commitment to guarantee would terminate on December 31, 1973.

While I wholeheartedly support efforts at resuscitating American businesses which have fallen on hard times, I am opposed to legislation that discriminates against the small businessman in favor of rich and powerful corporations. The small businessman has suffered tremendously during recent years. Last year alone, over 10,000 businesses with aggregate liabilities of \$1.9 billion failed in the United States. Why has no one attempted to protect these firms from failure by offering legislation designed to save them?

Many outstanding economists, including John Kenneth Galbraith and Milton Friedman, are opposed to H.R. 8432 on the basis that it would erode the free enterprise system. They contend that it would eliminate the discipline of the marketplace by eliminating the threat of failure via a dangerous governmental intrusion into our free enterprise economy.

We are all well aware that the \$2 billion emergency loan guarantee bill currently under consideration arises from the administration's attempt to bail the Lockheed Aircraft Corp. out of financial trouble.

Lockheed finds itself in severe financial straits as a result of a multiplicity of reasons. The negative impact of inflation, recession, and shifting demands for military and others goods and services on the aerospace industry has contributed to Lockheed's current plight. Nevertheless, it is particularly striking that perhaps the most serious problem from which Lockheed suffers is miscalculations on the part of its own management. Indeed, management miscalculations on a number of Government con-

tracts have resulted in losses to Lockheed approaching \$500 million.

In addition, Lockheed has produced several boondoggles for which it had entered into contract with the Government, including the C-5A which still fails to meet Air Force requirements and cost the American taxpayer \$2 billion in cost overruns. The Cheyenne helicopter development program is another example of Lockheed mismanagement. Originally it was set to cost \$95 million. Due to faulty preparation, nearly \$100 million more than that fixed price has already been spent and this helicopter has never flown. This same Lockheed management team has lost \$60 million on its last commercial aircraft, the Electra. It has also produced the F-104 which the U.S. Air Force still declines to use and which has been grounded by the primary purchaser, the German Government.

Currently, Lockheed has staked its latest commercial venture the Tri-Star superjet on Rolls-Royce, a failing British company.

My primary objection to this proposed legislation arises from the fact that under the provisions of H.R. 8432, small businesses would not be eligible for a loan guarantee. Thus, large corporations would be exempted from the element of risk which small businessmen face daily in their effort to succeed and prosper.

Our present economy languishing under the twin problems of inflation and recession is in definite need of strong efforts to help reverse it. The solution to this problem, however, lies not in a short-term shot in the arm for large corporations, but rather in major surgery aimed at aiding all businesses. Merely treating the symptoms of a diseased economy by aiding giant corporations fails to eradicate the existing problem. We need to take legislative steps to reinvigorate our economy that will be broad and far reaching.

If we act otherwise, our firms will gain access to credit not on the basis of economic merit, but on the basis of political clout.

Mr. CLANCY. Mr. Chairman, I rise in opposition to House Resolution 8432. This bill is written primarily to help Lockheed Aircraft Corp.

We should oppose this bill because, quite simply, it is bad business.

It will further unbalance our already deleterious balance of payments with foreign countries.

It, in effect, will export jobs to other countries while our own communities are feeling the economic hurt of growing unemployment.

It would indirectly subsidize the manufacture of an aircraft at a time when air travel is diminishing and there is insufficient demand for a new plane of this type.

Finally, a major cause of Lockheed's financial dilemma is poor management on the part of Lockheed and we should not perpetuate such mismanagement.

The competition has already beaten Lockheed in the marketplace. Only yesterday, the Federal Aviation Administration certified the DC-10 which is a McDonnell Douglas counterpart to the L-1011 Tri-Star that Lockheed would

produce. American Airlines and United Airlines will be flying the DC-10 soon.

The Rolls-Royce engine for Lockheed's L-1011 would not be tested until November of 1972 and it would not be available in the aircraft until April of 1973. What tests have been conducted indicate the Rolls-Royce RB-211 engines are louder than standards permit and spectators have said it produces visible smoke. The engines produced by General Electric for the DC-10 are quieter than the standards and are smokeless.

During ceremonies yesterday when the first DC-10 was delivered, James F. McDonnell, chairman of McDonnell Douglas, commented on the state of the aircraft business. He said his company has orders for 133 of the new planes but he added that McDonnell Douglas will have to sell 438 before the company will break even and start making a profit. Meanwhile, the airlines are dropping their options to order more new airplanes because the air travel business is declining.

Lockheed has orders for only 110 Tri-Stars—if they are produced 2 years from now. The clear implication from this fact and Mr. McDonnell's observation is that there is no way that Lockheed can soon repay the \$250 million loan which this bill would guarantee.

Lockheed is on verge of bankruptcy and its situation has been compared to the problems of keeping small businesses in operation. This is an erroneous comparison. Small Business Administrator Thomas S. Kleppe has said:

Normally we would not consider as eligible for a business loan an applicant which is facing bankruptcy as we must find under our statute a reasonable assurance of repayment ability.

There is no such assurance in Lockheed's situation.

The handout to Lockheed is tantamount to exporting employment to England where Rolls-Royce would manufacture the RB-211 engines for the Tri-Star. If Lockheed proceeds to produce the Tri-Star, its engines will be built by employed English factory workers. Yet only last week here in America, General Electric announced it will lay off more than 7,000 persons because of a decline in business and orders for jet aircraft engines.

To make another comparison of the DC-10 and the Tri-Star L-1011:

The engines of these comparable airplanes comprise 20 percent of their material and production costs. About 16 percent of the equipment for both the DC-10 and L-1011 must be imported. If the L-1011 is built, that means that 20 percent more of its cost will be imported. In total then, 36 percent of the L-1011 would be imported while only 16 percent of the homegrown DC-10 must come from foreign countries. Production of the L-1011 further unbalances our overloaded balance of payments.

Gentlemen, we are tending the business of our country. From this information, we can come to only one conclusion: Guaranteeing a \$250 million loan to Lockheed is bad business.

Mr. BRASCO. Mr. Chairman, as the debate over the case of Lockheed has mounted in intensity and feeling, emotion has begun to win out over facts. It

is time for us to return to consideration of some of these facts, for they are inescapable.

I believe that they make a strong argument for some form of Government guarantee in order to maintain this company as a viable economic entity. The Nation and our economy need such action on our part.

Certainly I have not been a friend of what has been termed "the military-industrial complex." Further, I have been a consistent and vehement critic of the massive cost overruns that have plagued the aerospace industry in the past few years. My comments have been offered on the floor of this Chamber more than once.

I will be the first to admit that Lockheed has been the victim of horrendously bad management. For the people who have made these mistakes at the top, and who are responsible for much of the company's troubles, I have no sympathy whatsoever. For all I care, they can be dispensed with in any further action taken by the Government or the company.

Granting all these factors, let us turn to the economic realities and the human equation confronting us. Also, let us consider that much abused term, "the national interest."

In January of this year, Lockheed employed approximately 30,000 workers. About 60,000 jobs were created through subcontractors who depended upon Lockheed for their livelihoods and contracts.

As of June of this year, the economic setbacks suffered by the company had reduced its payroll to approximately 16,000, a significant figure in terms of human suffering. At least another 30,000 workers employed by subcontractors are still dependent upon Lockheed's survival for their livelihoods. In sum, there are about 35,000 firms doing some work for Lockheed across the Nation. Seventy percent of them, according to the figures made available, are small business people.

The Government proposes to guarantee a \$250 million loan by a consortium of banks to the Lockheed Corp. for a period of 2 years. In other words, the Government is proposing to cosign a note for this corporation for a very limited time period. After that, the guarantee would expire. This is, therefore, a 2-year emergency measure offered in an effort to help the company over a temporary economic hump. Britain is doing much more for Rolls-Royce, and that is partially dependent upon the salvaging of the Lockheed Corp.

Mr. Chairman, what do the taxpayers of the Nation receive under the terms of this proposed guarantee? I believe they receive a considerable amount.

Sixteen thousand Lockheed jobs are saved. Sixteen thousand families will continue to have a breadwinner that is working in a severely depressed economy. At least another 30,000 plus jobs will be saved in the small business subcontracting area. I believe that this close to 50,000-job figure would have a significant impact upon a good many local and State economies.

Certainly I have no vested interest in such an action. The jobs saved will hard-

ly be in my home district. The men still employed will hardly vote in the city of New York. But the jobs saved will be American jobs. The families aided will be American families. The economy aided will be the national economy at a time when it can ill afford another cruel blow after the many it has taken in the past several years.

Lockheed's assets will be saved and maintained intact, along with its accumulated facilities and technology. There are only a handful of these massive aerospace giants, and though several of them have made some terrible mistakes in contracting in recent years, still the Nation needs them. This is true not just because of the jobs they represent and the taxes they pay, but also because of the assets they present to the Nation as a whole. They represent entities capable of turning out the immensely complicated weapons systems the Nation's defense requires now and will need in future years. We simply cannot dismember one of them as we would a tinker toy, in the expectation that we would be easily able to put it back together again in an instant.

Lockheed, prior to sustaining such heavy losses, paid some \$50 million annually in Federal taxes. Adding the tax revenue accumulated from Lockheed employees, the Federal Government benefits by several hundred million dollars, which I believe almost everyone will agree is a vast amount of capital. This does not even begin to count the Federal taxes paid by the workers who are employed by the subcontractors, as well as the subcontractors themselves. It is also well to bear in mind the fact that many of these subcontractors and the Lockheed plants themselves represent enormous portions of local and State tax bases in literally hundreds of communities across the Nation.

Another worthwhile fact to bear in mind is that Lockheed has in preparation a new commercial aircraft in the form of the L-1011. This aircraft is vital to continued competition among producers of such aircraft. This Nation is the leading producer and exporter of such commercial aircraft. Development and sale of this new plane will substantially aid our balance of payments, which in recent months has begun to emerge from the financial pages onto the front pages.

Mr. Chairman, I do not enjoy the role of defender of this guarantee. Yet I believe that we must understand the unassailable logic of the plan. We simply cannot afford to throw the baby out with the bath-water by allowing this corporation to suffer the ultimate fate of bankruptcy.

Listening to the emotional opposition facing this measure here today, I recall with irony that on July 12, President Nixon signed into law a bill which we, as concerned legislators, had passed to create 150,000 new jobs, at a cost to the taxpayer of approximately \$2.25 billion over 2 years. Shouldn't we now be concerned enough to save some 50,000 jobs already in existence—at no cost to the taxpayers?

In the end, the total national interest

is by far best served by keeping this company alive, producing and serving the Nation. For these reasons, I shall support the guarantee to Lockheed. Thank you.

Mr. GONZALEZ. Mr. Chairman, we are told that the bill we have before us is the Lockheed bill, but that is not so. This bill is not the bill that was introduced for the rescue of a single company. This bill is not the bill that the Committee on Banking and Currency had hearings on, and it is not even the same conception as we had in that bill.

This bill is one that no one has had any hearings on. It creates an authority eight times as great as is needed to effectuate the rescue of Lockheed. It creates a vaguely defined board to administer that authority. It creates a board with powers even more vague than the board itself. It provides a maximum of risk to the public with a minimum of protection.

If we are going to rescue Lockheed, let us be honest about it, and pass a bill for that purpose. But it is needless, dishonest, and irresponsible to pass this bill, because its intention, its conception, its provisions, are wholly inappropriate for the purpose of saving that great company.

It may well be that we have need of some general government authority to provide assistance to beleaguered businesses. If that is so, this bill does not provide anything like the resources we would be called upon to provide for that purpose. It certainly does not provide the administrative machinery that is needed for that purpose.

It seems the essence of irresponsibility to provide eight times the authority that is needed to do a particular job, and this bill does just that.

We are being asked to act in panic, when the time is for deliberation. This legislation sets a far-reaching precedent, one that we should not lightly establish.

We used to have the Reconstruction Finance Administration, and that worked very well indeed. It had the machinery to administer a program to rescue sick companies, and it had the authority. The Reconstruction Finance Corporation did its job very well, and even returned money to the Treasury.

But this bill does not provide that kind of machinery or authority.

At the very outside we should approve this bill only if its authority is cut to the amount needed to effect a rescue of Lockheed under proper conditions and procedure. Even at that we ought to provide for some logical, well-defined body to administer the program, and we ought to sharply define its powers. This bill sadly needs perfecting, and its general vagueness and weakness fully reflects the slapdash draftsmanship and entire lack of consideration the bill had in committee.

If this were a bill to rescue a string of small businesses, it might never have seen the light of day. If it were a two billion-dollar welfare program we would have had elaborate hearings and discussion and ample provision to protect the public purse and the public interest. Not so this bill.

We cannot act responsibly, if we act in all the haste that has been urged

upon us. We cannot act responsibly if we provide eight times the authority required to rescue Lockheed. We can save Lockheed and protect the public interest at the same time—but not by approving this bill as it stands, willy-nilly. There is no need for such unseemly haste and there is no need for us to compound a very sad and tragic situation by creating an even worse one.

It may be that we will find ourselves faced with a continuing emergency, and we ought to view this bill in that light.

We ought to understand that in such circumstances there is need for sober thought and careful action. If we aim to provide a general industrial rescue authority, we can only do so by the kind of careful action that created the successful Reconstruction Finance Corporation. That model is one that worked, and which the previous Republican administration destroyed. Now, we have another Republican administration demanding a vague, poorly defined, unknown risk to be taken in the name of Lockheed, but for what real purpose no one will say.

What is the real meaning of this bill?

What is the real meaning of its authority?

How is it possible to define an administering authority that is subject to change, depending on where the problem is?

How are we to know who even works for the board, since we are not providing for any professional staff?

How are we to know the risks, when we are not told?

How are we to protect the public interest?

Why do we need eight times the authority that Lockheed asked for, and the administration asked for?

With so many unanswered questions, how can we approve this bill, in its present form?

Mr. ANNUNZIO. Mr. Chairman, I support the legislation before the House today because I will always vote for legislation that creates or protects jobs, and that is exactly what we are dealing with today.

In Lockheed alone, we are dealing with some 60,000 human beings who stand to lose their jobs if we do not pass this legislation. I fully realize that, if Lockheed were forced into bankruptcy and a reorganization took place, some of the 60,000 employees would indeed keep their jobs, but there would also be many who would be laid off and I, for one, do not want to be in a position of having to pick out who stays and who goes in the event of a bankruptcy reorganization.

My concern then, quite clearly, is not so much to the merits of the management capability or, if you will, the mismanagement of Lockheed, or whether or not the aircraft now being built by Lockheed can be sold in sufficient quantity and prove airworthy enough to sustain the economic position of Lockheed. Let us assume for a moment that every charge made by the opponents of this legislation concerning the management capabilities of Lockheed and the shortcomings of the L-1011 are true. What these opponents of the legislation are asking us to do is to punish, not only those who are respon-

sible for the mistakes, but those whose only crime is being employed by Lockheed. Of course, it would be no problem for the top management of Lockheed, which is being charged with the mismanagement, to obtain new employment if this legislation fails to pass and Lockheed were indeed forced into a bankruptcy. But the same is not true for the thousands of workers many of them blue collar types, who would find it extremely difficult to find employment, given today's unemployment situation.

For the past 2 years, I have heard Member after Member of this body stand in the well to decry unemployment and to offer legislation and suggestions to reverse the unemployment trend. I, too, am concerned about unemployment and I, too, have stood in the well and spoken out about the problems of unemployment and, because of this, I cannot today vote for legislation that, rather than curing the unemployment problem, would compound it.

We have many Federal programs to provide job assistance for the unemployed and the underemployed, and Congress has been highly initiative, if not inventive, in formulating these programs. We spend millions of dollars a year on job training programs and constantly strive for more legislation to increase the programs. How, then, can we vote for legislation that may well put 60,000 people out of work.

Mr. Chairman, the Small Business Administration presently has outstanding more than \$2.5 billion in loans and guarantees to small businesses that are in much the same shape as Lockheed. The only difference is that these companies are small business and Lockheed is big business. If the legislation before us today were to provide the same amount of funds and under the same terms for small business, this legislation would have passed on the consent calendar and the only debate that would have taken place would have been colloquies among the Members of this body extolling the virtues of what a wonderful opportunity it is to help small business. In effect, the Lockheed bill may well be a small business bill, in at least part, for in addition to the employees who stand to lose their jobs, there are hundreds and thousands of small business subcontractors who are in a position to lose their businesses if they lose their Lockheed contracts.

In conclusion, Mr. Chairman, let me suggest that a vote for this bill is a vote to keep food on the dinner tables of thousands of Americans, and a vote against the bill is a vote for "jobocide."

Mrs. GRASSO. Mr. Chairman, I will vote for this legislation which, by assisting the Lockheed Corp., will secure the objectives of maintaining the economy, preserving jobs, and protecting the interests of the American taxpayer.

After long and careful thought, after the realities are weighed and the alternatives considered, this is my judgment.

Mr. Chairman, as a strong believer in our free enterprise system, I have special misgivings about the injection of this save-fail factor in our legislative structure. I deeply regret that the incentives

afforded by our system for corporations to produce efficiently—the hope for profit and the penalty of failure which has for so long resulted in excellent products that stand up well in the competitive market—must be supplemented by congressional enactment of legislation. Nonetheless, I am now convinced that the survival of significant segments of our economy, jobs for workers and preservation of the essential role of management, depend on the availability of the assistance which this legislation provides.

The immediate purpose of this legislation is to prevent bankruptcy of the Lockheed Corp., by assuring financing that will allow the company to continue work on the L-1011 Tri-Star airbus.

Yet, the issue reaches well beyond the Lockheed Corp., beyond the question of bankruptcy for a giant firm and all the technical considerations that accompany such a situation. The heart of the matter, it seems to me, is the national interest.

The argument that Lockheed is essential for the national defense has been made as reason enough to save the corporation. This is indeed the narrow view. Surely, there are divisions of Lockheed that are strong and necessary contributors to the national defense effort. But their products, after all, could be manufactured elsewhere and by other hands. We are even led to believe they might be produced more efficiently.

The broad view, however, encompasses much more than items of steel, conveyances of peace, or even machines of war. It represents the vast and tragic waste of our most precious national asset: the creativity and industry of our human resource, the very lives of our people.

Indeed, the severe unemployment situation that already exists in our country—Connecticut is an example with an unemployment rate of over 10 percent—is what our national interest is all about. We know that without a loan the fate of Lockheed is sealed. The corporation will fold. And if Lockheed goes, so will the jobs of a substantial number of the 75,000 persons directly employed by Lockheed, and many thousands more who work for subcontractors dependent on the Lockheed Tri-Star, a three-engine jumbo jet, the major commercial product for Lockheed in this decade. The human tragedy would be compounded many times over.

No one can deny the impact of Lockheed today. Its impact on the economy of Connecticut alone—indeed, on my Sixth District—is tremendous. Right now estimates for the amount of money at stake in Connecticut range from \$42 million to \$66,753,000 to \$97,232,000. However, by their own word, Hamilton Standard, located in Windsor Locks, has \$78.7 million in contracts and subcontracts, United Aircraft Co.'s Pratt & Whitney division at Southington has \$67,000 in subcontracts, and the Electronic Specialty Co. of Thomaston has \$28,000 in subcontracts. Elsewhere in the State, substantial sums are involved at United Aircraft Co.'s Norden Division in Norwalk, \$25,000 at North American Rockwell in Fairfield, \$1,854,000 at Barnes Engineering in Stamford, and a spokesman for A. W. Hayden in Waterbury says

that their subcontracts amount to a large six-figure sum. In all, somewhere between 500 to 700 Connecticut workers are involved.

My own district, with its unusually high unemployment figures—with Bristol's rate at 24.5 percent, New Britain at 14.5 percent, and Torrington at 14.3 percent—would be especially hard hit if Lockheed were to fail. According to figures furnished by the Lockheed Corp., Litchfield County companies, which include Torrington, would lose \$388,844—resources we can ill afford.

Mr. Chairman, my concerns are practical through and through. This legislation should be enacted into law for one reason and one reason alone: the national interest. Without the assistance provided in this legislation, Lockheed will not only fail, but so will other firms, as still others fall on even harder times than they are now enduring. Thousands and thousands more Americans will join the ranks of the unemployed.

The welfare of our Nation, its economic viability—in sum, its future—is my concern.

Mr. HAGAN. Mr. Chairman, I rise in support of H.R. 8432, the Emergency Loan Guarantee Act.

This act provides that a guarantee of a loan may be made if the Emergency Guarantee Loan Board finds that a loan is needed to enable the borrower to continue to furnish goods or services and the failure to meet this need would adversely and seriously affect the economy of or employment in the Nation or any region thereof.

It also requires that such credit be not otherwise available under reasonable terms or conditions to the borrower and that the prospective earning power of the borrower together with the value of the security pledged furnishes reasonable assurance of the repayment of the loan.

It is understood that without this loan authority the Lockheed Corp. would be headed for bankruptcy. Such bankruptcy would endanger many essential defense programs.

Lockheed's Polaris and Poseidon's missiles systems are critical elements in our national defense network.

We know that Russia is slowly and surely not only catching up with the United States but surpassing the United States in its military prowess.

It is essential for the defense of our country that there be no interruptions nor delays in the procurement of defense systems to protect our Nation.

The Army must count on the Cheyenne helicopter in its arsenal of weapons.

The C-5 is just coming into its own for the Air Force in giving the United States a lift capability direly needed if we are to remain a first-rate power in this troubled world.

Lockheed's shipbuilding is needed to continue the modernization of our fast-becoming obsolete Navy.

Lockheed's defense efforts have been part of its problem and yet these were for national needs.

America can no longer say we cannot afford a first-class defense establishment. To have such establishment we must have the wherewithal to produce these systems as a deterrent to those who would

use military power to defeat our interests around the world.

In addition to our defense needs, the bankruptcy of Lockheed would have a tremendous economic impact in loss of jobs which will affect all of America. In this time of high unemployment we can ill afford a loss of 30,000 jobs.

I submit, this aid to Lockheed is not setting a precedent since the Government has done it in many ways such as the RFC, export-import loans, in guaranteeing bank deposits and savings and loan deposits. We would now be guaranteeing an investment in the Nation's largest defense contractor.

If the spirit of competition is to continue among our defense contractors so that the end products will be superior products, then we must assist the Lockheed Corp. at this critical period.

Remember this is not a gift but a guaranteed loan to a company that has produced in the past and can do so in the future. I urge my colleagues to support this proposal with all its built-in safeguards not just for Lockheed but for the Nation.

Mr. HAMILTON. Mr. Chairman, I rise in opposition to H.R. 8432, a bill to provide guarantee authority for loans to major businesses unable to pay their debts.

I oppose this measure because it is damaging to our economic system, rewards bad management, and would be a misallocation of our financial resources.

DAMAGE TO THE ECONOMIC SYSTEM

Twenty years ago, the Hoover Commission on Government Organization stated that direct lending by the Government to persons or enterprises opens up dangerous possibilities of waste and favoritism, and invites political pressures. It is not the function of a democratic government to pick up the tab for the failures of private enterprise. Neither is it the business of the Government to decide which firms are important enough to continue operations, regardless of their financial situation.

The bill now being considered would put the Government in exactly that position. It would, by guaranteeing loans to Lockheed, enable that company to fulfill a commercial—rather than a defense—contract, by which Lockheed would benefit over its competitors in the field of aircraft manufacture. This would be a most undesirable precedent which would inevitably increase Federal control over business. Passage of the bill would weaken the discipline of the marketplace by eliminating the threat of failure. Economic factors, not political judgments, should determine whether a company survives.

If large companies can obtain Federal aid whenever they are in trouble, the Government could soon begin to regulate corporate financial practices and bank lending procedures. Once this practice was initiated, it would be difficult to shut off. Pandora's box would be open.

Federally guaranteed loans of the magnitude in the bill are also undesirable since it is the taxpayers who will repay the banks if Lockheed cannot. The banks would have no risk for making the \$250 million loan, yet they will be earning substantial amounts of interest on a no-

risk investment. Moreover, this procedure is open-ended since Lockheed may come back at a later date and request additional funds guaranteed by the Government.

If Lockheed's project for an "airbus" is commercially viable, it could be financed in the commercial money market without recourse to Federal guarantees. If not, why should the Government and the taxpayers pick up the tab?

As the Hoover Commission feared, to place the Federal Government in a position where it can pick and choose which private enterprises should or should not be allowed to slip into bankruptcy proceeding must inevitably lead to subsidization of the least efficient concerns in an industry.

REWARD BAD MANAGEMENT

This bill rewards bad management. Lockheed's project track record does not inspire confidence in its management:

It has incurred enormous cost overruns on the C-5A cargo plane and the SRAM missile.

Its management deliberately misled the Pentagon and reduced its bidding price by 10 percent on the C-5A program in order to underbid its competitor.

It has been investigated by the Securities Commission for less than full disclosure on a bond issue, thus misleading the public.

Many economists have noted that it is often the mere threat of bankruptcy that jolts business from inefficient practices in production, financing and marketing a product.

This broad legislation could intensify the Pentagon's already serious problem of holding private businesses up to adequate standards of performance on defense contracts. Lockheed has contributed to this problem by not meeting standards on the C-5A and SRAM projects.

MISALLOCATION OF FINANCIAL RESOURCES

This bill misallocates financial resources. Government loan guarantees tend to reduce the size of the pool of long-term savings available for non-guaranteed private borrowing. Since the total supply of savings is limited, and the guarantees compete with other potential users of the savings pool, their utilization would siphon off great blocks of funds and raise interest rates on those funds remaining in the pool to non-guaranteed borrowers.

Also, the bill is grossly unfair to small businesses, which would not qualify for guaranteed loans under its provisions. Eliminating risks for large corporations would concentrate technological innovation in such corporations at the expense of smaller competitors. Why should large business concerns be favored?

Subsidizing the Lockheed airbus will cut into orders for a competitor's aircraft product. The measure would thus protect Lockheed jobs at the expense of jobs in a competing firm. Since the engines for the airbus are to be British, Federal aid to Lockheed will also aid foreign producers and workers to the disadvantage of domestic jet engine manufacturers and workers.

Should the alternative to Federal aid be bankruptcy, it should be noted that

this does not necessarily mean loss of jobs. The Penn Central Railroad submitted to bankruptcy proceedings, but it is still in operation.

The national economy is in trouble, but a program of loan guarantees attacks the symptoms, not the causes of this trouble. Such a program would not be a fundamental strengthening of the economy. It only prolongs the ills that affect it.

Mr. BURLISON of Missouri. Mr. Chairman, in considering the emergency loan guarantee fund bill today, we are considering a measure which could have far-reaching consequences and multitudinous implications in the years to come. If passed, this bill could cause an erosion in the free enterprise system which could eventually lead to its demise. Not only are the questions of national security, unemployment, and competition within the industry involved, but also the questions of efficiency, responsible management, cost overruns, precedents, and the survival of the free enterprise system. Truly, this is a matter for serious study and contemplation. Admittedly, we long ago departed from an absolutely pure free enterprise system. Special interest power blocs have from time to time been able to get special privileges and preferences as a result of their excessive political power. I believe, nevertheless, that our system has remained fundamentally and basically one of free enterprise capitalism. To guarantee the success of big business generally is a radical departure and an admission that the hope for a free and competitive economy is gone forever. I am not ready for our Government to take this step.

The emergency loan bill would provide up to \$2 billion to guarantee loans to major businesses unable to pay their debts. These loans would be made only when the collapse of such firms would damage the economy of the country or a region of the country. It is seen that such a broad criterion would be universal and all inclusive. I do not see how the end result could be anything other than the complete socialization of American industry.

The original proposal was to guarantee a loan to Lockheed Corp. for \$250 million. However, in order to gain support for the Lockheed loan, the measure was broadened to include any major corporation who met the qualifications, and the guarantee figure was increased to \$2 billion. This action is seen by some as little more than an effort to gain additional votes for Lockheed by hinting at the possibility of making future guarantees available to other financially disabled companies.

I would like to take this opportunity to point out some of the possible effects of passage of this bill.

The small businesses would be put at a great disadvantage. Under this bill they would not qualify for guaranteed loans, thus causing all major innovative risk-taking to be shifted to the larger corporations. The small competitor would be forced out of competition in this area.

The people of this Nation pay a substantial amount of their income into various forms of taxation. This money is

urgently needed for housing loans, job creating programs, education, and a host of other programs of direct benefit to the taxpayer. To tie up \$2 billion for large corporations where there are so many other desperate needs for funds is highly questionable.

In a strictly business sense, the loan guarantee is not sound. According to a Defense Department analysis, Lockheed has at present orders for only 103 of the approximately 390 Tri-Star planes it must sell to break even. There is a strong possibility that the number of people laid off would not be as great as predicted. Several Lockheed employees work on other projects in addition to the Tri-Stars. The termination of the Tri-Star project would actually create thousands of jobs in competing firms. Those who cite tax revenue losses fail to recognize that the competing firms would nearly make up for any loss of revenue from Lockheed. For instance, McDonnell Douglas of St. Louis would surely take up much of the Lockheed slack.

If this bill is allowed to become law, the opportunities for fraudulent practices in dealing with the Government would be greatly increased. Because Government would have a strong interest in companies whose loans it guarantees, a conflict of interest could easily develop in the awarding of contracts. The door would also be opened for the perpetuation of deceptive bidding.

I seriously question the wisdom of the Government stepping into the free enterprise system to this unprecedented extent. The discipline of the market would be eliminated and with it the control exercised by the threat of failure. I agree with those who say that economic factors, rather than political factors, should determine the survival and prosperity of a company.

Unfortunately, this matter seems to have degenerated into a very partisan issue. I say this for the reason that the President and the Republican side of the aisle appear to be supporting the issue almost 100 percent. I believe their position is a shortsighted one because as I have noted earlier, the precedent that this legislation will set may well spell the end of the free enterprise system as we have come to accept it.

Hopefully, Mr. Chairman, the House will vote down the bill.

Mr. PIKE. Mr. Chairman, last year in the United States of America there were produced 6,550,203 automobiles, of which over 6,350,000 were produced by only three large corporations. Two small corporations produced the rest; 6½ million automobiles.

In contrast to that 6½ million automobiles, there were produced in America last year less than 9,000 aircraft, of which more than half were for general aviation. Five companies produced 6½ million automobiles, but to produce 9,000 aircraft took 20 aircraft companies.

Twenty companies to produce 9,000 planes. Five companies to produce 6½ million automobiles. It is my personal judgment that the demand for aircraft in America, both military and civilian, large and small, is not such that the Nation can sustain all those aircraft cor-

porations without continually subsidizing them.

If we bail out the biggest one this year, one or more of the smaller ones will fold next year or the year after. What we are short of in America is not facilities for producing aircraft. We have a glut of facilities for producing aircraft. What we are short of in America is facilities for producing aircraft engines. For the really powerful engines needed to propel both our giant commercial planes, our large military aircraft and our small fighter aircraft, we have in actuality only two producers of engines in all of America—the General Electric Corp., and Pratt & Whitney. It has been said by others who have looked at this problem that we really only have 1½, because much of the Pratt & Whitney work is subcontracted into Canada.

Let us assume that everything which the proponents of this loan to Lockheed tell us regarding jobs, regarding the gold flow, regarding the economy of the Nation generally, is true this day, this week, this year. I believe we have to look a little further than this day, this week, and this year. By bailing out this airframe producer this time, we will simply transfer the peril to other airframe producers in other places next year. This is a way of postponing a problem, but is certainly not a way of solving it.

The great danger to our aircraft industry and to our national defense lies in the lack of producers of aircraft engines. By bailing out an engine producer in England, we can only be hurting our own engine industry.

What this bill does in essence is have the Government take an active part in a program which adds to a capability already in surplus, and weakens a capability already dangerously weak. It is for this reason that I shall vote against this bill.

Mr. PELLY. Mr. Chairman, I rise in support of the Emergency Loan Guarantee Act. The substantial decrease in spending for space exploration, the cutback in commercial aircraft orders and the downturn in our economy have caused a severe employment crisis in the District I am proud to represent, so I am keenly aware of the need of legislation to avoid unemployment.

My mail has taken both sides of this question, and I have waited a long while, during which time I gave deep study to the issues, before reaching the decision to support this legislation.

One of the facts that is generally overlooked is that the precedent for this legislation was set a long time ago. The Reconstruction Finance Corporation was passed by the Congress and approved on January 22, 1932. Signing this legislation nearly 40 years ago, President Hoover said its purpose was "to permit business and industry to carry on normal activities free from the fear of unexpected shocks and retarding influences."

During the life span of the RFC, more than \$40 billion worth of loans were made to corporations, banks, special wartime companies and local governments.

In addition, Mr. Chairman, more than \$140 billion in Federal funds have been voted to guarantee home loans for Americans. Some objection is raised because

this bill would help big corporations, but already we have established a Small Business Administration to guarantee 90 percent loans to small businesses that have been unable to obtain bank credit. In fiscal year 1972 alone SBA is authorized to guarantee \$3.2 billion in loans to small businesses of America.

As I said, the precedent was set a long while ago.

We must look now at the future. Failure of this major U.S. enterprise would result in direct loss of 60,000 jobs throughout the country, financial hardship for 35,000 subcontractors and suppliers—of which 27,000 are small business, some located in my congressional district. Failure of Lockheed will result in increased procurement costs to the Department of Defense, a loss of tax revenue to the Federal Government and a substantial adverse effect upon our already critical international trade balance. This cost to the Government will exceed the amount of the \$250 million loan guarantee.

Our Government guarantees corporation investments in foreign underdeveloped countries. What is the distinction between guarantees to provide jobs and help the economy at home as against helping other nations?

Mr. Chairman, I do not feel too kindly in supporting this emergency loan guarantee bill because many of my colleagues and many Senators who urge its passage opposed the money for the supersonic transport which involved 50,000 jobs. But, considering the national interest—both defense and economic interests—I feel the responsible course for me is to support H.R. 8432.

Mr. HELSTOSKI. Mr. Chairman, our system of capitalism as an economic system is purported to have one overriding virtue—that of providing strong incentives for corporations to produce efficiently.

The capitalist theory is that the hope of profit and the fear of failure will reward the most efficient, and the least efficient will be forced out of the economic picture. Because of this hope of profit and the fear of failure, it becomes necessary to compete in the marketplace by creating the best products with the least waste.

The legislation before us today, if approved, will remove incentive and will become an instrument that rewards inefficiency. The fund proposed in this legislation would greatly weaken the incentives of major corporations to cut waste and to hold down costs, thereby propagating and rewarding inefficiency.

Proponents claim that Lockheed's demise will severely affect national security because of Lockheed's production of items essential to national security, and that its bankruptcy will produce severe local unemployment. If that be the case, then we can find remedies to correct them, but these do not justify a general measure to use public funds to prevent bankruptcies among major corporations.

Mr. Chairman, our industrial efficiency has been built upon the standards required to compete in the atmosphere of a free enterprise market. By rewarding inefficiency we will place additional pressures upon those firms who live up to in-

dustrial standards of fair and proper competition in a free and open market upon which our industrial supremacy has been built.

We have no obligation to Lockheed, or to any other industrial enterprise, to bail out their inefficient operations. There are many persuasive arguments for not taking on this obligation to guarantee any loans of this type as a matter of public policy.

It is my intention to vote against this legislation for I have come to the conclusion that the people of this country have little to gain and much to lose if their tax money is used in the manner suggested by this legislation.

Passage of this legislation cannot be justified. First, there is a good chance that the taxpayers will lose their quarter of a billion dollars that will go to Lockheed. The bankers, in supporting the concept of this loan, are themselves unwilling to take the risk of putting up their bank dollars with the Federal Government stating that the taxpayer will guarantee the loan. Why should our taxpayers assume this risk?

In addition, Mr. Chairman, this legislation is unfair to small business. The title itself expresses itself to "authorize emergency loan guarantees to major business enterprises." There is nothing in the entire text of the bill which would direct some of these guaranteed funds to small business endeavors. It is difficult enough for a small business concern to obtain a loan through SBA to start a business, but nothing in this legislation will enable such businesses to obtain relief in case of bankruptcy. Last year more than 10,000 businesses, most of them small ones, failed. Their aggregate liabilities were \$1.9 billion, but no one in the administration or in Congress rose up to help them survive.

I know of one small business firm in my congressional district which stands to go bankrupt because of the administration's action. This firm is a manufacturer of electronic equipment and has a contract from the Pakistan Government in the amount of \$230,000, but is unable to ship the contracted for equipment because their export license has been canceled. The company cannot receive payment until the material is actually placed on board a vessel. Yet, replacement parts of similar components are being shipped on the basis of other export licenses. Furthermore, the concern is the sole supplier of parts and equipment essential to the Naval Air Systems Command, playing a vital role in our national defense picture. Yet, their plea for assistance and survival, on the verge of bankruptcy as this point, has fallen on deaf ears in the administration. Even though the dollar amount of this contract is relatively small, the loss of this material which is ready for delivery and the dollar loss in special equipment to make these parts will cause bankruptcy of this small business concern. Since in this case the Government is the sole barrier to and the cause of this company staying in business, will it grant funds to help this organization stay in business? Nothing in this legislation provides for such relief.

Mr. Chairman, procurement and bid-

ding practices have been such that many contracts awarded to Lockheed were known to be too low in the offered bid. The hope was that the Government would cover the "losses" on the contracts. This has happened in many instances already known to the Defense Department. I do not wish to be a participant permitting a mismanaged industrial giant to use the taxpayer as a means of maintaining its industrial structure without meeting the need to change management. Under the bankruptcy laws, this would be necessary.

Should this bill become law, we would be setting upon a new course which would take us away from the business system with which this country has enjoyed so much success.

I know that there has been heavy lobbying done in behalf of this bill, but none of the arguments advanced in its favor have changed that fact that we would be rewarding inefficiency at the expense of the taxpayer.

Mr. MONTGOMERY. Mr. Chairman, I rise in support of H.R. 8432 and urge its favorable passage by my colleagues. We have heard many conflicting reports about this legislation and just exactly what it will and will not do. I personally believe the main accomplishments we will realize from the bill is the savings of thousands of jobs in different parts of the Nation. This includes not only the jobs of Lockheed employees, but the jobs of employees in those companies who supply parts for Lockheed products.

We have heard charges that we will be setting a precedent by passing this legislation today. I believe if my colleagues will stop and think for a moment they will realize that the Congress set the precedent many years ago. The precedent was set when the Small Business Administration was established.

It should also be noted that this is not a direct loan, as is the case with some SBA loans, but it is a guaranteed loan. The Federal Government will retain first mortgage on Lockheed properties and will also receive a guarantee fee. Plus, the Senate or the House will have a veto over any loans approved by the Emergency Loan Guarantee Loan Board.

We have heard a lot about the high rate of unemployment existing in this Nation. Unless we want to see a significant rise in the unemployment rate, we had best pass this legislation. If we fail to act, we will be placing thousands upon thousands of American men and women in the ranks of the unemployed.

Mr. FULTON of Tennessee. Mr. Chairman, the AVCO plant in Nashville, Tenn., is the largest U.S. subcontractor on the Lockheed L-1011 program. AVCO builds the L-1011 wing, and about 3,000 Tennessee jobs are at stake if the L-1011 is canceled. But, as important as this is to the State of Tennessee, it is perhaps even more important when we consider the ripple effect from the AVCO plant to its own second-tier subcontractors on the L-1011 program.

In testimony provided to the Senate Banking Committee, the president of AVCO described the disastrous effects on one medium-size AVCO subcontractor. This medium-size subcontractor had

taken a gamble, along with many other subcontractors on the L-1011 program, in that they had spent money far beyond their receipts from progress payments and thus became one of the investors, which in total amounts at this time to almost \$1½ billion.

This particular second-tier subcontractor, as of the end of May of this year, had expended \$16 million on the L-1011 program over and above the progress payments they had received. The net worth of that company is \$12.8 million, and it, therefore, is obvious that cancellation of the L-1011 at this time would throw such a company into bankruptcy and wipe out their employees as well as the company itself.

This is just one dramatic example of the ripple effect that will occur from our failure to help provide the peak financing required for continuance of the L-1011 program.

But there are many other examples that spring from AVCO subcontracts—and particularly among small business firms.

Out of the AVCO Tennessee plant, there are 414 subcontracts with business firms which employ less than 500 people. They average almost exactly 100 employees each. One listing provided to the Senate committee shows 14 small business firms whose L-1011 business with AVCO constitutes over 75 percent of their total business. Two of these firms are located in Tennessee and the others are located in four other States.

It is obvious that in these 14 cases, cancellation of the L-1011 would be catastrophic on the small business companies and their employees alike.

In many of the other small business firms which have contracts with AVCO, the adverse effects would be very severe, even though not quite as dramatic as in the cases I have listed.

Taking these cases one by one, and examining them individually, is still further explanation for why it is inaccurate and unfair to claim that our actions on the Lockheed matter are merely to bail out a big corporation, the British Government and Rolls-Royce, big airline companies, or big banks. Instead, it is far more important to consider the disastrous effects on tens of thousands of workers, tens of thousands of subcontractors and many thousands of small businesses.

Mr. Chairman, a list of the 14 business firms follows:

Jenks Metals, 741 Massman Drive, Nashville, Tennessee.

Missouri Metal Shaping, 9970 Page Blvd., St. Louis, Missouri.

Precision Specialties, Inc., 203 Aspen Street, LaFollette, Tennessee.

Mikol Missile Air, 18215 South Broadway, Gardena, California.

Aerostructures, Inc., P.O. Box 151, Rhomb, Texas.

B & B Mfg. Co., Boyd, Texas.

SKP Industries, 1930 Main Street, Grand Prairie, Texas.

Triangle Tool & Eng., 3301 South Pipeline Road, Hurst, Texas.

B. C. Company, 114 North East 15th Street, Grand Prairie, Texas.

Crown Distributors, Inc., 100 North University Street, Ft. Worth, Texas.

Polyphase Machine Co., 43-22 50th Street, Woodside, New York.

Continental Forge Co., 512 East Carlin Street, Compton, California.

Tube Products, 2508 Decator Street, Ft. Worth, Texas.

Putoma Corporation, 5101 California Parkway, Ft. Worth, Texas.

Mr. STOKES. Mr. Chairman, some call it "socialism for the rich" and others call it "welfare for the rich." But whatever we call it, the Emergency Loan Guarantee Act is another indication of the Nixon administration's total oblivion and lack of concern about the real needs of the American people, and particularly the needs of those who happen to be poor or members of one of the minority groups.

While minority businesses are floundering and dying for lack of operating capital, while more than 5 million Americans are out of work, while financial aid to needy students has dwindled to the point where many young people are deprived of the benefits of higher education, while only \$5 million can be spared to treat the more than 400,000 children affected by the poison in lead-based paint, while the food stamp program has been cut to increase the number of the hungry, while the administration decides that \$2,400 is a sufficient annual income for anyone—while all this is happening right now, Mr. Chairman, the President has decided that he can spare \$2 billion to save certain industrial behemoths which are failing because of mismanagement by their own executives.

If the corporation had been properly managed and if it had had a salable product, this whole question would never have come up. If Lockheed's management is inept and if it has an airplane that nobody wants to buy, it had better just fold up. And the \$250 million which, according to the President, is there for the asking could then be spent in, for example, placing the 11,000 people who will need some help finding employment commensurate with their skills.

Mr. Nixon can make all the public declarations he chooses on our budgetary deficit, our "financial crisis." He can veto a bill to create public service jobs on the grounds that such a measure would be inflationary. But when he then turns to the corporate establishment, hands it \$2 billion, and tells it that it no longer need fear failure, it suddenly becomes all too clear that there is a wide discrepancy between what President Nixon says and what President Nixon does.

There is nothing less at issue here than our future as a nation. For if there is to be a future at all, then our priorities had better be rearranged—now.

Let us take the \$2 billion so generously proffered by the administration and spend it where it is really needed. As I said earlier, we could begin with the individuals who will, unfortunately, suffer as a result of Lockheed's demise. Let us then take some of the money and put it into transportation. But we need not waste it on the Tri-Star, for which there is virtually no demand. No, instead we could spend it on pollution-free, comfortable and inexpensive inner city and intercity public transportation; in doing so, we would be taking a significant step toward making our cities convenient, clean, and economically feasible places in

which to live. Then we could turn to the people who now inhabit our cities. We could create thousands of jobs and help hundreds of small struggling enterprises with a fraction of this money. And for those persons who would not be fortunate enough to get jobs under our program, we would provide them with assistance—a minimum annual income, food stamps, educational assistance for their children—until such time as they too could find work.

Two billion dollars could go a long way if we but find a better way to spend it.

Mr. LLOYD. Mr. Chairman, the overriding consideration in my support of the bill to guarantee the loan to Lockheed was the unquestioned fact that, in the absence of such action, there would be an immediate impact of unemployment involving not only the 63,000 employees directly affected but tens of thousands of others working for subcontractors. It would not be consistent for us to appropriate new money to create jobs in the public sector as we have already done in this House and then allow the destruction of useful jobs in a basic industry by failure to act in the national interest.

Also, I prefer the bill finally considered by the House in the amount of \$250 million to the originally proposed "umbrella" legislation which would have authorized appropriation of \$2 billion and provided a tacit temptation to other companies to operate at too long a risk.

I agree with Dr. Arthur Burns, Chairman of the Federal Reserve Board, that there would be "enormous" economic repercussions if Lockheed's L-1011 program goes under. Additional private financing to Lockheed in addition to their present \$400 million debt is not available without this Federal guarantee.

In my opinion, there is little or no risk in the loan guarantee. Lockheed is ready, willing, and able to proceed with its commercial and defense contracts, and the Federal Treasury secures a first lien against Lockheed assets, which have a value in excess of \$1 billion.

There is ample precedent for this action. The Reconstruction Finance Corporation made loans and guaranteed loans to big business for years. We have a successful and ongoing program of guaranteeing loans to small business, which evidence proves has saved thousands of small businesses from bankruptcy. We have loan guarantees exceeding \$9 billion to foreign borrowers under the Export-Import Bank to purchase U.S. products. We guarantee mortgage loans in excess of \$140 billion. We would be shortsighted indeed to allow an economic tragedy to descend upon this country, already struggling with the unemployment created by transition from war to a peacetime economy, under the gross and narrow misconception that we are establishing a new precedent.

Mr. HARRINGTON. Mr. Chairman, I rise to oppose the guaranteed loan for Lockheed because it is bad business, it is undeserved and could only be done at the expense of other airplane manufacturers. If we were to put this loan in the proper perspective, we would find we were making a business transaction none

of us would make individually. I cannot blame the bank executives for wanting to back this loan. From a purely business point of view, what could be better than reaping interest on a loan they cannot lose? That is the case before us.

Lockheed has asked for loans amounting to \$250 million from a group of 24 banks. The banks' analysis shows that Lockheed's condition is so flimsy that they refuse to take a chance—unless the Government can guarantee they will get their money back. But the concept of interest on a loan relates to risk. The banks' reward for taking a risk is the interest it will gain when the debt is repaid. But here there is no risk and the banks will be reaping huge benefits from the interest while the Government pays the bill.

And what does the country stand to gain from this risk? Lockheed refuses to guarantee it will produce the Tri-Star even if the \$250 million is approved. There is the strong possibility that instead of manufacturing the plane, the company will go bankrupt anyway and the Government will be forced to repay the loan. Lockheed has already borrowed \$400 million to build the Tri-Star, and \$500 million is tied up in assets to support another project, the C-5A, a venture which has cost this country more, much more, than it bargained for.

In my own district, Mr. Speaker, General Electric has recently announced a layoff. If this loan passes, I could not question their bitterness. GE would be angry and deserve to be because, in this instance, the Government is supporting one company over its competitor. Lockheed's jets for the Tri-Star are manufactured in Britain by Rolls-Royce. GE makes a jet with the same performance capability for the McDonnell Douglas DC-10. If McDonnell Douglas and GE managed to make a plane very similar to the Tri-Star without Government support, why then should the Government then artificially maintain Lockheed to siphon away contracts from the DC-10?

This action cuts DC-10 orders—orders which McDonnell Douglas sorely needs. Because of the generally sagging airplane manufacturing industry and the sharp decline in airline travel, McDonnell Douglas has recently lost \$540 million in orders. Clearly, the industry is hungry for business. There can be no reason for this support when other companies are suffering even with sound management policies.

In sworn testimony before the Securities and Exchange Commission, Lockheed executives admitted to underbidding by 10 percent its figures on the C-5A to win the contract from Boeing. The C-5A now has a \$2 billion cost overrun with a unit cost of \$60 million instead of \$23 million each. Technical problems beset the plane and the General Accounting Office reported the plane in all likelihood will be unable to perform its major function. That 10-percent underbid is costing the country millions.

But Lockheed's mismanagement goes back a long way, to the time when the company executives decided that turbo-prop jets were the wave of the future. The

company geared for this new form of air transportation while the others, particularly Boeing, Douglas, and Convair, began manufacturing pure jets. The pure jets won. Lockheed, in fact, has not had a commercially successful large venture in 20 years. Unable to dig its way out of the hole, Lockheed tacks on its losses to each new project it can sell to a gullible buyer.

But this time we are the buyer and the time has come to say: "No sale." It is time to end this mistake because this is a private venture in which there is no national interest. Lockheed contends that 31,000 jobs in southern California are at stake. Both McDonnell Douglas and North American Rockwell are located in southern California. If Lockheed does go bankrupt, its employees will still be able to get jobs. This loan is too expensive a remedy for the number of jobs it will retain. The \$250 million, if applied to a public service employment program, would create 300,000 jobs instead of 31,000. These men will be able to work for other companies who will be hiring more men to deliver the increased sales. The only ones at Lockheed who need fear losing their jobs are the executives themselves, the men who are pleading this loan.

Their consistent mismanagement has been the downfall of this company. Their constant overruns coupled with poor equipment, as was the case with the SRAM rocket which was built with an engine incapable of meeting its specifications, have ruined the company. Within the industry, Lockheed is viewed with suspicion, a suspicion which is deserved. TWA executives have said they will refuse to accept the Tri-Stars they ordered unless the planes meet specifications. Lockheed has demonstrated its inability to meet specifications but with the added irony that it usually costs the customers million of dollars more.

Lockheed is a sinking boat. In a way, it is a parallel to Vietnam, for just as we are expected to pour men into a lost cause, so we are now expected to pour money into an equally disreputable venture. It is too late for Congress to supply the bucket of cash to bail this company out. It is time, it is not too late, to put an end to this failing venture.

Mr. BROOMFIELD. Mr. Chairman, I rise in opposition to the Emergency Loan Guarantee Act. My objections are based on two criteria: First, on a general level, the concept of the Federal Government loaning money to support private industry augurs the birth of a dangerous practice; and, second, as regards the specific firm for which this bill was designed—Lockheed—I would seriously doubt that their business practices and irresponsible management merit our relief.

In my opinion, the Government should avoid interference within a freely competitive marketplace. Free enterprise assumes that each member of the business community should labor under the same difficulties, encountering identical problems of production costs toward reaching a common goal. But this legislation would reward that company which through its own efforts has failed or miscalculated and penalize, in a sense, that which succeeded.

By assuming responsibility for loans to private corporations, the Government will not only be subsidizing industry, but the banking community as well. Given the opportunity to have their loans cosigned by the Government, why should not bankers try to exercise this option as often as possible? The consequences are all too apparent. Banks would be empowered to coerce us into constructing an artificial floor under their transactions in the guise of revitalizing the economy. Lending institutions would be encouraged to extend money to industries when prudence might dictate otherwise, secure in the knowledge that, if necessary, they can be bailed out by this law.

Mr. Chairman, history reveals that intrusions such as these into one sector of the economy often have ramifications which spread far beyond our initial intent. We must, therefore, use all deliberate caution before moving ahead. We have only a limited number of precedents to guide us in this area, and none are appropriately analogous to the present situation. The overwhelming weight of evidence demonstrates that this bill will serve as a dangerous precedent which will lead us into areas that in the past we have wisely avoided.

In addition, this measure is designed to protect only our largest corporations. It acts to discriminate against those small businessmen of whom over 11,000 went bankrupt last year. Granting, for reasons of discussion only, that the Government has the right to guarantee loans for private enterprises, why should we ignore small businesses which comprise 99 percent of all corporations. My impression in the past has been that we have sorely neglected these smaller forms which are most vulnerable to fluctuations in the economy.

Turning to the specific corporation for which this measure has been introduced, Lockheed, I have further misgivings over and above the general prohibitions that I have enumerated thus far. Lockheed has demonstrated by its record of the past decade serious managerial inadequacies. Yet this bill, which has been advanced on the grounds that it is needed to forestall imminent bankruptcy, holds no provisions for the removal of the present managerial staff. The same personnel which has steered Lockheed upon financial rocks will be entrusted with those funds appropriated for its relief.

The record reveals ample proof of this company's corporate irresponsibility and incompetence. The C-54 cargo plane, the production of which was accomplished with a \$2 billion cost overrun as well as the Cheyenne helicopter program are but two examples. Indeed it could be said that during the past decade the Federal Government has done more than enough to assist Lockheed; defense contracts have been consistently renegotiated in its favor whenever cost overruns have occurred.

Since Lockheed is a major Defense Department contractor, there has been some degree of doubt as to how its possible failure might affect our defense posture. In this regard, the testimony of Deputy Defense Secretary Packard is worth noting. He has assured us that in the event of bankruptcy, work on all defense related projects would still continue. If it were

suggested that this loan is necessary to provide for the completion of defense contracts, then I would view this proposal in an entirely different light. However, this is not the case. The money is earmarked only for use in the development of the Tri-Star 1011, a commercial plane.

Proponents of the Emergency Guarantee Loan Act have warned of a serious rise in unemployment should Lockheed go into receivership. However, a study of the evidence available indicates that these fears are not entirely justified. While there will be some degree of job losses, 85 percent of the firm's employees are engaged in defense work and will retain their employment.

In addition, the Tri-Star utilizes a British-built engine. McDonnell Douglas Aircraft which is building a similar class aircraft, the DC-10, uses an American-built powerplant. General Electric, contractor for the DC-10 engine, has estimated that if McDonnell were to hold the entire market for this class of plane, 10,000 additional American jobs would be created at their plant alone.

Pursuing this subject, we learn from a Department of Defense study that in order to break even, Lockheed would have to sell almost 400 Tri-Stars. Given this fact, and the fact that Bankers Trust, one of Lockheed's major creditors has projected that the market for this class aircraft is between 400 and 500, we are lead to the logical conclusion that there is hardly enough demand to justify or sustain two suppliers. As a result of subsidizing one competitor we may in the long run be adversely affecting the stability of both corporations. Thus we may generate large-scale unemployment at both McDonnell and Lockheed.

In conclusion, let me reiterate that this loan guarantee is for all intents and purposes, unprecedented in our history. It stands as a dangerous form of subsidy to our free enterprise system. At the same time the Lockheed Corp. has failed by its past record of mismanagement to indicate the capabilities necessary to compete in the aerospace industry. And finally, while in the short run it may seem to prevent unemployment, in the long run it could very well generate a great deal more unemployment than presently envisioned.

Mr. BINGHAM. Mr. Chairman, I have devoted a great deal of study to the matter before us, and I have listened to the debate.

I find myself completely unable to support the bill as it was reported out of committee. It is a hastily drafted piece of legislation which has had by no means the hearings, consideration, and study that should be given to the establishment of a program of such importance.

It may well be that this country now needs an updated form of Reconstruction Finance Corporation, with proper procedures, safeguards, and clear criteria for action. Certainly this bill does no such thing. Some of its provisions strike me as little short of fantastic: for example, the provision that the three-man board set up to approve loan guarantees can veto any transaction affecting the assets of a company given a guarantee. How Lockheed or any other company could operate under such a cloud of pos-

sibly arbitrary second guessing, I do not know. Nor is it clear how the veto power would be operated, at what point in the business process, or on what basis.

A bill limited to the Lockheed situation would be far preferable. It would, at least, be honest. It could be said to have followed intensive hearings in both houses of Congress on the merits of the situation. It would not open the door to all sorts of unforeseen future transactions, possibly having political origins, over which the Congress would have only an awkward and insufficient power of veto.

However, I will be constrained to vote against the bill even if it is limited to the Lockheed situation, although I frankly find the decision much more complicated than it has been painted by some distinguished newspapers and by some of my colleagues. I can see many good arguments for the Government issuing a guarantee in such a case, and I am not excessively bothered by the principle. The U.S. Government does issue guarantees in many different kinds of situations, if there is a good reason to do so, and in this respect there is no reason to discriminate against large corporations. The Government also makes loans, to large as well as to small corporations. I am advised, for example, that the McDonnell Douglas Corp. had the benefit not long ago of a \$75-million Government loan, under the V-loan program, at a time of financial stringency. And I am very concerned by the prospects for unemployment and economic hardship that may flow from a refusal by the U.S. Government to make the requested guarantee for Lockheed.

But fundamentally I run into this difficulty: If the business proposition that we are being asked to underwrite is as sound as it has been described to be, so that the risk of loss under the guarantee is insubstantial, then why are the banks not willing to take the risk? Of course, I can understand why the banks would prefer to have the guarantee, but I think they can find a way to preserve their investment, which is enormous, without the guarantee, if the demand for the plane is really there and if Lockheed is able to carry the contracts through to fruition. If those conditions are not present, then the Government should not be expected to issue the guarantee. I personally have grave doubts that, with the present economic difficulties facing the airlines, with their current low-average-load factors, the prospects for the F-1011 are actually not too bright. I am very much afraid that the company and the banks may very well be back for further help on the doorstep of the Congress a year or so from now, even if the present guarantee is made and the loan issued. And the arguments that will then be made will be the same arguments that have been made here today. And if the Government does not provide the further assistance, it will then have the Lockheed company on its hands, and that is not a pleasant or a desirable prospect.

Mr. MONAGAN. Mr. Chairman, I am opposed to the passage of H.R. 8432 in its final form.

While I might have considered supporting the bill as originally reported, the reduction through the amendments of the guarantee to a single company creates in my mind a danger that if we pass this bill, we shall be setting the stage for innumerable individual repeat performances whereby Government could itself become a sort of banker for large industry.

In the case of the broader proposal, I believe that its expressed principle is sound—that is that there should be a fund of Government assistance available to tide over difficult times companies which are sound, but whose assets are not liquid. The record in depression days of the RFC—one of the most successful Government ventures in history—proves, I believe, that the broad proposal is valid and workable.

Whether in fact it was embodied in H.R. 8432 is, of course, another question.

With the changes in the legislation, however, the bill before us has become an aid proposal for one company. It singles out some organization among many competing entities in this industry and sustains it—in spite of management defects—against its competitors who are still in business without the benefit of Government guarantee of their borrowings. This is objectionable because it interferes with the operation of the market and penalizes companies which have been efficient enough to keep out of economic difficulty.

I realize that there are economic implications for Connecticut in the continuance of operation of this company, but there are also competing companies and it seems clear that Government should be extremely hesitant to become involved on one side of a competitive situation.

I believe also that even without the guarantee, the most that the company would face would be a reorganization which would result in a rescheduling of its debts and possible changes in management which could prove to be beneficial in the long run. With such a reorganization, its subcontractors would continue.

For these reasons, then I shall vote against the bill.

Mrs. ABZUG. Mr. Chairman, the fact that we are considering this bill today is a stark comment on our misplaced national priorities. We work and struggle for years just to get committee hearings on legislation which will house the homeless, employ the jobless, or feed the hungry, but when a big corporation—or more correctly, the big banks supporting a big corporation—snap their fingers, we all jump to respond to their needs.

What does the proposed guarantee of \$250 million to Lockheed alone represent?

It represents 2½ times what the administration has requested for Federal air pollution programs for the new fiscal year.

It represents twice what is budgeted for highway safety.

It represents 2½ times what has been requested for cancer research.

It represents 13 times what we will

spend in fiscal year 1972 for health care for the children of migrant workers.

And what could \$250 million do, where might it go, if not poured down the bottomless, greedy hole which Lockheed and its bankers represent?

It could be invested in housing.

It could be invested in schools.

It could be invested in our environment.

It could be invested in generating jobs for our ever-increasing army of unemployed.

We are told that this is a sound company, that the Tri-Star is a sound project. In the same breath, we are told that our Nation's largest banks, institutions whose business it is to know what is financially sound and what is financially unsound, will not risk another nickel on this company and this program unless we put up a quarter of a billion dollars of the taxpayers' hard-earned money as a guarantee. And this despite the fact that they will be earning 9 or 10 percent interest on such a loan. I do not think that anyone here would personally co-sign for someone else's loan under such circumstances. If you would not risk your own money this way, you should not risk the people's money either.

The administration which tries to scare us by claiming that 60,000 jobs will be lost if we do not pass this bill is the same administration which recently vetoed a public works bill designed to provide over 200,000 jobs. It is the same administration whose ill-conceived, ill-executed economic policies have lost 2½ million jobs since 1969.

Senator TAFT, who has never been described as a spendthrift or a foe of our economic system, has called this bill a financial Gulf of Tonkin resolution.

It does not merely bail out Lockheed, but throws open the Treasury doors to any corporate comer whose banks want risk-free income at the public's expense.

It sets a precedent which could end up costing us billions upon billions of dollars.

It totally surrenders our legislative power of the purse.

It represents everything that is wrong with our ordering of national priorities.

I respectfully urge its defeat.

Mr. ROSTENKOWSKI. Mr. Chairman, I would, at this time, like to voice my opposition to the bill that is before the House today which would cast the Government in the role of guarantor for a loan to a private corporation. I believe such action would establish a dangerous congressional precedent.

It would be in my opinion, a serious, perhaps irreversible, intrusion into our free enterprise economy, the consequences of which might not be fully clear for years to come. It could possibly undermine the discipline of our American system by virtually eliminating the threat of failure in large business ventures. If corporations which deal with the Government were to operate in an atmosphere of total security fostered by such a guarantee, what incentives would there be to maintain an efficient operation? This is especially true when the

company involved is presently the largest civilian contractor with the Government.

Mr. Chairman, last year in my city of Chicago, hundreds of small companies were forced to go out of business because they could not obtain sufficient capital. I, therefore, do not feel that we in good conscience can justify a loan of such magnitude to a single American enterprise.

Many of my colleagues have today expressed concern about the consequent loss of jobs if Lockheed were forced to suspend operations. In a period of such high unemployment, their concern is admirable but all available evidence indicates that the resulting loss of jobs in this case has been greatly overstated.

Lockheed's chief competitors have declared on several occasions that they have the potential to absorb a minimum of 20,000 employees by January of 1972, in the areas of the country that would be hurt the most.

Mr. Chairman, less than 3 weeks ago, the President signed into law the Emergency Employment Act of 1971. In this act, the Congress provided \$2.5 billion for the express purpose of providing jobs for those thousands of unemployed. If the \$250 million that we are so concerned about today could be somehow channeled into the emergency employment program, the jobs created would far outweigh the loss of jobs created by the demise of a single corporation.

Mr. RANDALL. Mr. Chairman, I oppose H.R. 8432, which has been described as the Emergency Loan Guarantee Act of 1971. I add as a footnote to the above statement I supported the amendment of the gentleman from Ohio which was one of limitation, solely upon the premise as the lesser of two evils.

Although the Ashley amendment was passed on a voice vote and there was no opportunity to be recorded, I supported that amendment upon the theory that if the Loan Guarantee Act was bad when it guaranteed \$2 billion to any applicant who might come forward, then by the adoption of the limitation amendment it would be only one-eighth as bad because as to any single borrower there would be a guarantee limit of only \$250 million.

I cannot let it stand that the Ashley amendment is wholly good because it is a special interest amendment. We cannot kid ourselves. It will benefit one aircraft frame manufacturer. I have carefully used the word, "frame." Moreover it will benefit one foreign aircraft engine manufacturer. Neither of our two, and we have only two aircraft engine manufacturers in the United States, will be benefited.

Mr. Chairman, as certain other Members have expressed themselves, I have had to wrestle with my conscience to reach a conclusion as to whether to support or oppose this bill on final passage. In the course of my study of the pros and cons of this bill, the first signal of caution raised as a kind of cautionary flag was the fact the Committee on Banking and Currency divided 18 to 16 which means it was barely reported out.

The principle of this kind of a loan is, in my judgment, not good because it sets

a precedent from which we may never be able to get away from. Of course, I believe in the free enterprise system. Those who claim it is dead surely cannot be right.

Those who say that this country is in such bad shape that the failure to guarantee this loan for one company means we will be plunging into a depression must surely be prophets of doom and gloom of a very special kind. I know we are in a recession but I also know that there remains about 20 aircraft manufacturers that can carry on. Perhaps I should say there are 20 who manufacture aircraft frames. Remember there are only two who manufacture aircraft engines, Pratt & Whitney, and General Electric. But we are not helping our country where we are short and weak in the area of aircraft engines. Instead, this loan will benefit a foreign aircraft engine manufacturer, Rolls Royce.

Such theatrical statements that if we do not approve this loan we are shooting craps with the national interest is just not in accordance with the facts. Surely no one can argue this legislation is necessary for the maintenance of our national defense capabilities.

The Federal Government's subsidization of large corporations is contrary to the principle of free competition. If we pass this legislation, in the future all any company would have to do to qualify for a guaranteed loan is to convince this Emergency Guarantee Board, composed of the Secretary of Treasury, Chairman of the Board of Governors of the Federal Reserve System and the President of the Federal Reserve Bank in the District in which the firm is located that its collapse would seriously and adversely affect the economy of this Nation.

I have heard a lot about mismanagement of the corporation most talked of in connection with this loan. As I see it at this point, if this bill is passed and becomes law, what we are doing is to reward poor corporate management. If we pass this legislation we will be asked in the future to provide guaranteed loans for any company whose affairs are so badly mismanaged that all sources of credit have been shut off to them. This legislation should be recommitted to the committee for further hearings and re-study.

Mr. STRATTON. Mr. Chairman, in many ways the vote on this legislation to provide relief to the Lockheed Corp. is a difficult one to cast.

I have seen the L-1011 at the Paris Air Show. It is a very impressive aircraft and I would like to see it fly commercially. The Lockheed Corp. has had some problems with some of its key defense contracts, but it has also done some very outstanding defense work and its aircraft have generally been outstanding in their performance. I would certainly hate to see their professional skills and capabilities removed from the aircraft and defense production field. Especially am I disturbed at the thought that any failure on our part to act may bring on unemployment among the men and women who are loyal Lockheed employees.

But, Mr. Chairman, there are some other factors which trouble me deeply

about this proposal. In the first place, I wonder how many realize that the Federal Government has already agreed to underwrite \$750 million of the \$1 billion overrun which Lockheed came up with on the C-5A. Last year the Defense bill contained \$200 million for that purpose. The second installment is in the 1972 Defense authorization bill, which we have already passed here in the House—a whopping \$357 million. And the balance, presumably, will be paid in fiscal 1973. No matter what Lockheed's difficulties may be, is not \$1 billion of the taxpayers' money just a little too much to pay to assist one single, private company? Is not \$750 million enough without our going another \$250 million into the hole?

Second, Mr. Chairman, I have very grave doubts whether the economic outlook for these new jumbo jets is very good, in spite of the quality of the Lockheed Tri-Star.

As everyone already knows, the 747's are flying with very small passenger loads. The demand just is not there and the airlines are already cutting back on their orders for 747's. Moreover, the first two DC-10's, the most direct competitor of the Tri-Star 1011, have already been delivered to the airlines and are scheduled to be in service by the middle of August. Under these circumstances, where is the market going to be for these 1011's to make the venture economically successful? It may be a great plane, but I am afraid the 747 and the DC-10 have beaten Lockheed to the draw.

Finally, Mr. Chairman, I am deeply troubled by the fact that this loan guarantee is being used to help not only Lockheed but also to help the British Rolls-Royce Corp. In other words, the American taxpayer is being asked to underwrite the purchase of foreign engines for this aircraft at a time when American employees are already suffering the loss of their jobs in American industry because of a new rising floodtide of foreign imports to our shores. The electrical industry has already lost some 2,000 jobs as a result of foreign import competition and it is estimated this figure could go as high as 100,000 jobs. Only yesterday I took the floor of this House to protest the recent action of the TVA in buying Swiss turbines instead of American-made turbines, such as those from General Electric Corp., built in Schenectady in my own district. I pointed out that had this contract gone to Schenectady General Electric it would have meant 900 jobs for Schenectady workers for 1 whole year.

Without a doubt the purchase of British engines for this aircraft would have a very damaging effect on American jobs at a time when we are already gravely disturbed by mounting unemployment around the country. To go to this extent, Mr. Chairman, to damage American jobs and American products strikes me as a very unwise action indeed, and one that could deeply harm the American worker.

Therefore, I shall vote against the pending legislation and I hope it will be defeated.

Mr. DULSKI. Mr. Chairman, I oppose the pending legislation, H.R. 8432, the emergency loan guarantee fund bill.

I am seriously concerned about the precedent which we would be establishing.

I recognize the special problems of the Lockheed Corp., which originally prompted congressional consideration of financial assistance to this defense-oriented company.

During the course of consideration of help to Lockheed, it was decided to switch signals from legislation directed to the interests of this single company to broad legislation covering any major corporation whose financial difficulties threaten the economy.

I am quite familiar with the problems throughout the Government and civilian levels when a major company runs into financial reverses that threaten the company's future and the jobs to large numbers of employees.

It is well understood in the business community that some types of enterprise are considered "risk business" and that their fortunes depend upon many factors beyond the control of the company or the community. This applies, in particular, to those companies in the defense business, but it can and does apply just as easily to companies whose products suddenly lose public demand because of either oversupply or change in public fancy.

We have had considerable experience with programs, as well as with local initiative in finding ways to provide new employment for displaced workers. Such programs are on the books right now.

I cannot agree with those who feel we should launch into a new area of providing financial relief for private industry. I do not see how such an imposition upon the public purse can be justified. What is more, I am not at all certain about our ability to write into law an adequate definition to insure that these loans to big business—and this bill would assist just big business, not the average and small businessman—would be used only in emergency circumstances.

In this respect it seems to me that we very well could be providing an "out" for companies who are simply inefficient and/or mismanaged. Thus, it could be likened to a reward for inefficiency.

Mr. Chairman, I oppose this legislation as it comes from the committee, or even if it is changed back to the original Lockheed relief concept because I do not feel that the American taxpayers can rightfully be expected to bail out such companies.

Enactment of this legislation would be setting a dangerous precedent. Its ramifications could be endless and could cause more problems than it solves.

Mr. MOORHEAD. Mr. Chairman, despite the fact that I supported the Ashley amendment, I think that this is still a bad bill—bad for the country. Lockheed is not going to succeed on the L-1011 program because they cannot sell enough of these airplanes. McDonnell Douglas has publicly admitted that they must sell as many as 460 planes in order to make a profit. Yet on a comparable basis, Lockheed's plane is more expensive and, therefore, they are going to have to sell even more in order to make a profit. Yet they cannot because the total market is not there. Even Lockheed

agrees that there are only about 775 planes to be sold on the market. If you add 460 for McDonnell Douglas and at least an equal amount for Lockheed, that comes to at least 920 planes; but the market is only 775 planes. Therefore, someone is going to lose money. There are no two ways about it. If we bolster Lockheed now, either they will be back for more later or McDonnell Douglas will be forced into a loss position. It is just bad business any way you look at it.

Admittedly, this measure may save some jobs until after next year's election but that is all. If Lockheed continues in this program, it will not be a panacea for employment since the L-1011 is not a great creator of domestic employment since the foreign engine manufacturer employs as many people as Lockheed on the L-1011. Forty-two percent of the L-1011 costs are for foreign employment, not domestic. Therefore, the L-1011 program is not a great domestic employment generator.

The fact is that because this measure constitutes bolstering a loser, it sets a dangerous and unwise precedent.

It sets a very unfortunate precedent which could change the basic incentive system that has been so vital to success of our economy. One vital incentive to succeed is the risk of failure. Stripped of that incentive, our system could become bloated with an array of "public sector problems" as the banks now call them.

The Congress has been warned time and again against setting this kind of precedent by businessmen, economists, the Deputy Secretary of Defense Packard, and even by heads of major aerospace firms such as Fred Borch, chairman of the board of General Electric, William Allen, chairman of the board of Boeing, and Jack Vollbrecht, president of Aerojet General Corp.

For example, before the House Appropriations Committee in May, Mr. Vollbrecht ominously warned the Congress.

I just tell you, gentlemen, you have a good opportunity to make an example of a contractor who is a bellwether in this industry either way and the industry will read it exactly the way you treat them. It is common talk among the industry and they are waiting to see, and don't think they won't read those signs. There is no way you can cover them up. So if you want to continue having troubles with an industry who will come right back and say, "Well, what are you treating me different for? What is different about me? My problems are just as real to me as Lockheed's are to them." I think that is fair. I would expect to be able to come in and say, "My God, we made a horrible mistake and we are about to go under and we want to be bailed out," and I'd want to know why you are not going to bail me out. If you say no, I want to know why."

This measure is unsound from a business and economics standpoint and most unwise from a standpoint of establishing a dangerous precedent.

It does not help small business.

DOES THE LOCKHEED BILL REALLY HELP SMALL BUSINESS?

The claim has been made that this is really a small business bill. The figure 35,000 suppliers has been used freely in describing Lockheed subcontractors.

This figure relates to all Lockheed subcontractors on all programs and contracts, including military.

However, both Secretary Packard and Secretary Connally testified that Lockheed's military contracts would be completed regardless of what happened to the corporation.

How many subcontractors would you estimate would be affected by the termination of the L-1011 program?

The Treasury Department in supplying the House Banking Committee with material on subcontractors came up with a list of only 66 subcontractors that had a minimum of \$10,000 content per airplane.

More than 75 percent of the business done by these 66 subcontractors is carried out by the 10 largest subcontractors.

Of these 10 largest subcontractors, seven are among the 300 largest corporations in the United States and nine are among the top 1,000 corporations in the United States.

On the basis of these figures how can it seriously be contended that this bill in any substantial way will help small business?

It is abundantly clear from the above data that the claim that H.R. 8432 is a small business bill is simply a smoke-screen for balling out not only the Lockheed Aircraft Corp., 24 of the largest commercial banks in the United States, and some of the major air carriers in the country, but is also a bailout for additional major industrial corporations. In fact, very few small businesses are substantially affected by the Lockheed program.

LOCKHEED'S 10 LARGEST U.S. SUBCONTRACTORS

Name of company	Rank by assets ¹	Total commitments to Lockheed as of May 24, 1971	
Avco Aerostructures Division	81	\$299,193,100	
Menasco Manufacturing Co.	(?)	56,722,000	
Hamilton-Standard Division (United Aircraft Corp.)	67	38,732,600	
Collins Radio	225	32,567,800	
Sundstrand Aviation (Sundstrand)	250	25,423,500	
Murdock Machine & Engineering Co. (CCI)	654	17,847,600	
Sperry-Rand Corp.	75	13,299,000	
Curtiss-Wright Corp.	300	13,027,000	
Aluminum Co. of America	30	11,860,400	
Instruments Systems Corp.	912	11,784,000	
Total		\$520,557,000	

¹ Fortune Magazine, May 1971.

² Not available.

³ 75.8 percent.

FOREIGN SUBCONTRACTOR'S SHARE OF THE L-1011

Both Lockheed and the administration contend that the company's L-1011 airbus program holds such a prominent place in the Nation's economy that irreparable damage would result from termination of aircraft production.

However, Lockheed displayed far less concern about the benefits the L-1011 could bestow on the Nation's economy when it launched its airbus program. Data supplied by the company itself during the House Banking and Currency Committee hearing on the Lockheed loan guarantee legislation shows that foreign subcontractor costs amount to at least

24 percent of the overall price of each L-1011 produced.

Lockheed's board chairman, Daniel J. Houghton, testified that L-1011's will be priced at about \$15 million when the planes go into production. Of that total \$3.5 million will represent foreign subcontractors' share of the cost.

These findings have been confirmed by aerospace and civil aviation executives, engineers, and technicians who conducted an exhaustive study of economic consequences of eliminating the L-1011 program. In addition to verifying the Lockheed data, their study showed that only 12 percent of the overall price of the McDonnell Douglas DC-10, Lockheed's chief competitor in the airbus market, is reflected in foreign subcontractor costs. The group found that \$1.8 million of the DC-10 cost will go to foreign subcontractors—almost entirely to one subcontractor, McDonnell Douglas subsidiary in Canada.

Moreover, Lockheed-supplied data shows that not only will a large part of the revenue generated by L-1011 sales flow out of the country, but in addition Lockheed's foreign subcontractors employ almost as many people as are directly and indirectly working on the L-1011 in the United States.

Houghton testified that a total of 33,800 people are working on the L-1011 or employed by that program's domestic subcontractors. Rolls-Royce of England employs 30,000 persons alone to produce the L-1011 engines.

Ironically, the structure of the L-1011 program has provided in foreign countries nearly twice the number of jobs that it now is sustaining in the United States. Houghton has said that direct and indirect domestic L-1011 employment has been reduced to 15,800 since the beginning of the year. By the same token, production of the L-1011 will automatically mean a substantial division of employment between the United States and foreign countries. In sharp contrast with this, McDonnell Douglas' DC-10 program work force is comprised almost entirely of U.S. taxpayers.

Obviously, termination of the L-1011 program and the switch of wide-bodied airbus orders to McDonnell Douglas will mean increased employment in the United States.

At a minimum, any loan guarantee should make a provision that the airlines of the foreign engine supplier agree to purchase a specified number of the completed L-1011's.

Mr. ARCHER. Mr. Chairman, I rise in opposition to H.R. 8432 because I feel the path we would be taking is a dangerous one.

The American system of free enterprise has demonstrably shown itself to be the most flexible and productive economic system in man's history. It reached this unequalled greatness through the unhampered initiative and drive of individuals competing and cooperating in the free market. Government intervention in the workings of our capitalist system has deliberately been limited, for when even well-intentioned Government intrusions are allowed they more often than not hamper the discipline of the marketplace,

forcing distortions in the Nation's allocation of resources and a long-run decline in the progress and prosperity of the people.

All too often the proponents of governmental intervention in private enterprise look only at the immediate results of an act or policy affecting one or merely a few groups. The observation that the Government stands to lose more in lost revenues resulting from the collapse of Lockheed than it would risk by guaranteeing a \$250-million loan is compelling. But the long-term costs will be measured in more than dollars and cents. Any governmental tampering with the efficiencies and discipline of the marketplace will result in consequences of long duration and substance which will affect all of our society. Congress must be careful not to overlook the woods in a precise and minute examination of a particular tree. H.R. 8432 will drastically affect more companies and people than just the Lockheed Aircraft Corp., and its subcontractors.

What originated as a \$250-million guarantee for one firm has already blossomed into a \$2-billion measure open to any number of large companies. This legislation reported by the committee is the blueprint for a new, precedent-setting Federal loan guarantee program that cannot help but become a far-reaching welfare program for big corporations. The legislation is claimed to be a well-devised mechanism for the granting of loan guarantees to enterprises facing "temporary adversity." However, when realistically appraised it reveals itself as a potentially drastic step toward governmental dominance of the free market. To qualify for a guarantee, a company would merely have to convince the new Emergency Loan Guarantee Board that its collapse would "seriously and adversely affect the economy of the Nation or any region thereof." This will mean that once an enterprise has grown to substantial size it will always have the Government as an insurer of last resort. This Federal subsidization of large corporations is directly contrary to the spirit of free competition which has in the past inspired our economic system to so plentifully provide for us.

The argument of the committee that the Federal maintenance of large corporations insures competition overlooks the flexibility of the free marketplace. The company aided by the Government will continue to compete in the short run in its business field; but what of the potential competitors which are impeded from entering the field because of governmental favoritism toward the corporate giant? Surely the broader effects of such Federal preference will be the stifling of potential competition in areas of vital concern. Arbitrary manipulation of the discipline of the marketplace can in the long run only inhibit free competition.

This legislation is not necessary for the maintenance of our national defense capabilities. Deputy Secretary of Defense David Packard appeared before the committee on June 9, 1971, and testified that the loan guarantee could not be justified on the basis of national defense, as preventing a Lockheed bankruptcy was not

essential to the national defense structure: "Continuation of existing programs probably could be worked out satisfactorily with a bankruptcy receiver, or a trustee in reorganization." As Secretary Packard stated, the thrust of the issue is an economic one. Further testimony of Mr. Packard revealed that this legislation will even hamper free competitive bidding by Government contractors because it in effect subsidizes the low bidder who fails to perform his contract obligations. For this reason, the Deputy Secretary of Defense opposes H.R. 8432.

If our economic system is to continue its remarkable growth and development, it must be allowed to provide the opportunity for success that has so well stimulated the initiative of business in the past. And if our system is to provide the chance for success, it must also be willing to accept the risk of loss. If we remove this risk by Government guarantee, we will remove at the same time the incentive for extra effort and efficiencies in the marketplace. If we guarantee security, we sacrifice and limit the advantages and rewards of added achievement.

Congress should ponder the consequences of this proposal not only as it will affect a group interest in the short run, but as it will affect the general interest in the long run. H.R. 8432 must be opposed in order to prevent a harmful and precedent-setting Federal intervention in the realm of private enterprise. It is the duty of the Congress to carefully preserve and protect for generations to come the legacy of opportunity which is embodied in the free enterprise system and which will be severely infringed by passage of this legislation.

Mr. RARICK. Mr. Chairman, I rise in opposition to H.R. 8432, the bill to authorize emergency loan guarantees to major enterprises.

First, there are no provisions as to types of business enterprises to be aided. Such a decision is left entirely in the hands of a board under the control of the administration—chaired by the Secretary of the Treasury and made up of the Secretary and two members of the Federal Reserve Board—its Chairman, and the president of the Federal Reserve Bank in the district from which the loan application originates. This has all the appearances of another stacked deck against the American taxpayer.

Second, and certainly more important, I object to the makeup of the Board which will decide the policies of the Emergency Loan Guarantee Act. Recent newspaper articles indicate that the President is attempting to gain control of the Federal Reserve Board increasing its members. Such a move by the administration seems to indicate a move toward more and more socialism. I am unalterably opposed to any measure that will increase existing Federal control over the lives of individual American citizens, much less a program that is further destructive to free enterprise.

To allow the administration to control policies as to which company would be eligible for guaranteed loans to avoid bankruptcy is to court financial disaster. The American dollar is already under attack.

I refuse to be a party to any measure that would allow the administration to

bailed out any and all preferential companies from financial ruin without any strings attached.

I feel that this bill represents an attempt by our Government to trespass on forbidden territory. Adoption of this bill would only enlarge a Government-created problem. This chances too much additional power in the Federal Reserve Board.

I intend to cast my people's vote against H.R. 8432, the bill to authorize emergency loan guarantees to major business enterprises and ask that related news articles follow my remarks.

[From the Christian Science Monitor, July 30, 1971]

MR. NIXON WANTS THE FED

One expectable result of growing anxiety about the state of the American economy is the White House reaching for control over "The Fed" (The Federal Reserve Board).

According to latest reports Mr. Nixon wants to "pack The Fed" with five more governors of his own choosing. The Fed would, obviously, prefer to remain unpacked.

The issue is as old as time, but with vivid current meaning.

The ancient issue is control of the money supply. Does the king, palace, president, or whatever you want to call it, have a monopoly through the minting of coins and fixing the fineness of those coins on control of the money supply? Or does the banking and merchant community have its own separate money supply in the form of bank notes and credits which it regulates to its tastes regardless of the interests of the palace?

In medieval times (and even later) kings in financial trouble were known to "clip the coins" (literally shave off the edges) to get more spending money for their various needs. This was the original form of devaluation of the currency. It has been widely practiced down through the ages. It made it possible for the king to pay off his debts with cheaper money.

The Federal Reserve Board was set up as a separate and independent institution for the specific purpose of keeping politics out of management of the money supply. It was modeled on the Bank of England. It was empowered to relax or tighten the supply of money in its own good judgment. Under the original Bank of England-Federal Reserve system the palace, or Treasury, lost control over the money supply. The interests of the banking and merchant community took precedence over the political interests of the government.

In these times government increasingly wishes to be able to manage the money supply as one of its controls on the economy. The Bank of England, long under siege from the Treasury, was finally captured when Labour took office under Harold Wilson in 1964. In Washington the Federal Reserve still holds out as an independent source of credit and money.

The issue has come to a head. The Fed had been practicing an easy-money policy until some six months ago. It then became anxious about the continuing pace of the inflation. The Fed is now over on a tight-money policy which is why interest rates are going up. But at the White House Mr. Nixon is more concerned about unemployment than about inflation. He wants an easy-money supply to stimulate the sluggish economy and produce jobs. So The Fed and the White House are working at cross-purposes.

Should the White House have the ability to force The Fed to conform with its economic policies?

Every president since the founding of The Fed has wanted to be able to control it. One reason Arthur Burns is now chairman of The Fed is because Mr. Nixon thought he would be more amenable to White House

wishes than was his predecessor, William McChesney Martin. It is natural for a president to want control over The Fed. Whether he should have it is another matter about which we reserve judgment.

But meanwhile the move to gain control by appointing five more governors tells us how anxious the White House is about the state of the economy and how deeply concerned it is over the fact that employment is not going up as Mr. Nixon wishes it would.

[From the Evening Star, Washington, D.C., 1971]

BURNS' COMMENTS DRAW ADMINISTRATION'S ANGER

White House officials are floating reports that President Nixon is considering moves to curtail the independence of the Federal Reserve Board, apparently to show they are angry at Chairman Arthur F. Burns for criticizing administration economic policies.

High-ranking officials outside the White House said yesterday there is no chance that such proposals will be pressed, or that Congress would support Nixon if he tried.

There was speculation that the reports were floated to warn Burns to mute his public criticism and stick to the traditional role of a central banker in carrying out monetary policy.

The White House carefully avoided squelching the reports completely.

Press Secretary Ronald L. Ziegler said publicly that Nixon is not "considering" or "discussing" proposals to infringe the Federal Reserve's independence "at this point." He declined several opportunities to deny flatly that such proposals are under study in the White House.

SUGGESTIONS ADMITTED

Ziegler later told a reporter that the President does not have the proposals "under active consideration at this time," but added that "there are those in the administration who have made such suggestions."

He did not deny that he had confirmed the reports privately.

Herbert G. Klein, director of communications, said there have been "general discussions over a period" about whether the Federal Reserve has too much power, but said he does not know whether the issue has become more immediate.

United Press International had quoted administration officials as saying that key advisers had urged Nixon to press for expansion of the Federal Reserve Board from seven to 14 members, to increase his influence.

Dow Jones followed with a report that the administration is seriously considering, instead, legislation to bring the Federal Reserve into the executive branch, thus ending its independence directly rather than by adding pro-Nixon members.

HILL LEADERS DENY KNOWLEDGE

It appeared that the reports about curtailing the Federal Reserve's independence originated in the White House, without the knowledge of officials in other agencies dealing with the economy.

These officials said the reports came as a surprise, and ridiculed the idea of "packing" the board's membership or moving it into the executive branch.

"Bananas," a high-ranking official said, calling the reports "nonsense."

Republican and Democratic members of Congress who deal with the Federal Reserve also denied knowledge of administration efforts to infringe its independence.

Burns, formerly Nixon's closest economic adviser, reportedly has irked the President by contradicting the administration's claims of progress in curbing inflation, and by calling repeatedly for stronger action to stabilize wages and prices.

Nixon has rejected Burns' proposal for establishment of a wage-price review board.

[From the New York Times, July 30, 1971]

"LEAKS" ABOUT RESERVE SCORED BY
WHITE HOUSE

WASHINGTON.—A high White House official said today that the "leaks" earlier this week about possible consideration by President Nixon of a change in the status of the Federal Reserve Board "were not a legitimate expression of Presidential opinion."

This official who, following the custom of immediate Presidential advisers, declined to be named, registered to The New York Times his distress on two points:

The President was inaccurately portrayed by lower-level White House sources as considering legislation to increase the size of the Federal Reserve Board or to bring it into the executive branch of the government.

That Ronald L. Ziegler, the White House Press Secretary, had not more firmly denied the reports when queried yesterday.

Meanwhile, it has been established on good authority that the "leaks" came from the office of Herbert G. Klein, the President's director of communications, though not necessarily from Mr. Klein himself.

Reporters from United Press International and Dow-Jones News Service were given the "story" and were told that the President was "furious" with Arthur F. Burns, chairman of the Federal Reserve Board, who has differed with the administration on several points.

The same source told of presidential consideration of the changes in the status of the Federal Reserve. The Treasury and Council of Economic Advisers immediately declined any knowledge of such a plan.

Today the denial extended to the White House itself. But the situation will probably remain in some confusion until the President issues a statement of some kind, either directly or through Mr. Ziegler.

While it can be accepted that Mr. Nixon is not contemplating any legislative actions affecting the status of the Federal Reserve—which in any event would be highly controversial—it is plausible that he has been nettled by some of Mr. Burns' public comments.

Mr. LINK. Mr. Chairman, H.R. 8432 started out as a \$2 billion big business assistance fund from which loans could be made to ailing corporations, notably Lockheed—the company asking for immediate help. As amended to enhance passage, the bill would provide in effect, a \$250-million loan guarantee for Lockheed alone.

An amendment applying the same requirements to Lockheed as to loans by the Small Business Administration, whereby the lending bank guarantees 10 percent of the loan and the Government 90 percent, was offered and defeated. With that amendment, I could have given reasonable consideration to H.R. 8432. Without it, I cannot support the bill.

I have grave reservations when the same banks that have already invested \$400 million in Lockheed refuse to guarantee or arrange for 10 percent of another \$250 million. I cannot help but think of Federal Land Bank loans that by law are limited to lend only 65 percent of the value of the land. The Federal Land Bank does not offer a 100-percent guaranteed loan to farmers. Nor are 100-percent guarantees available to home-builders or small businessmen.

In the Committee report, one of several dissenting views is that of Congressman EDWARD I. KOCH. I quote a part of his statement:

The argument was advanced by Deputy Secretary Packard and others that what is proposed here is similar to the assistance given to small businesses by the Small Business Administration.

In response to a question I put before Mr. Packard on whether the SBA provides assistance to a small firm at the edge of bankruptcy, he responded:

"Yes, they come in on the edge of bankruptcy. This is one of the purposes, to help small business, and among other things to keep them from going into receivership."

A very fundamental question should be asked at this point: Is it the function of government to bail out bankrupt businesses—large or small? Because I was surprised at Deputy Secretary Packard's response and reference to SBA procedures, I wrote to the SBA to ascertain its policy on loans to small businesses on the verge of bankruptcy. I received the following response from the Administrator of the Small Business Administration, Thomas S. Kleppe, which speaks for itself.

"U.S. GOVERNMENT,
"SMALL BUSINESS ADMINISTRATION,
"Washington, D.C., July 22, 1971.

"HON EDWARD I. KOCH,
"House of Representatives,
"Washington, D.C.

"DEAR MR. KOCH: This letter will reply to yours of July 20, 1971 requesting information relating to whether the Small Business Administration would make loans to small businesses to avoid bankruptcy.

"The prohibitions which you cite in your letter would not necessarily preclude such loans, although they might, depending on the circumstances of a particular case.

"Normally, we would not consider as eligible for a business loan an applicant which is facing bankruptcy, as we must find under our statute a reasonable assurance of repayment ability. This would obviously be difficult to do in most cases.

"We do not have a record of loans made to firms facing bankruptcy, if there ever were any at all.

"I hope that this information is helpful. Please let us know when we can be of further service.

Sincerely,

THOMAS S. KLEPPE,
Administrator."

Now a word about the security of jobs involved, which figures most heavily in my concern about this bill. Going bankrupt would not necessarily mean that the company would go out of business. It could go into receivership and be operated by court-appointed trustees, and if it has any value at all and the airplanes it is making have any future, it could continue. A reorganization of management and closer scrutiny could benefit both the company and its workers.

Penn Central Railroad went bankrupt. The trains did not stop—workers did not lose jobs and now it is being straightened out under new management and direction of Federal courts.

The Lockheed plea for help in order to protect jobs for its workers and their families is a bit ironic when one considers the company is under contract with the now bankrupt Rolls Royce Co. of England to build the engines for their new L-1011 planes.

Mr. Chairman, H.R. 8432 could set a precedent whereby we could find our Government bailing out increasing numbers of large corporations at their request.

It is a travesty of justice for the tax-

payers of our country to afford this kind of guarantee to a large company on shaky financial ground when taxpayers themselves are refused similar privileges.

For the foregoing reasons, I cannot support H.R. 8432.

Mr. DANIELS of New Jersey. Mr. Chairman, I want to indicate my support for the Emergency Loan Guarantee Act of 1971, guaranteeing a \$250,000,000 loan to be made by private lending institutions to the Lockheed Corp.

I want to say, first, that in normal times I would not be willing to support such legislation. In normal times, however, the men and women employed by the Lockheed Corp.—and who will be laid off and out of work as a result of Lockheed's bankruptcy—will have no other jobs available to them. We are experiencing now one of the worst periods of unemployment in American history. I know that there is some disagreement as to the exact number of expected layoffs. But, to suggest that there is any real difference between allowing the layoff of 60,000 or 35,000 or 16,000 men from good paying jobs when no other jobs exist, is idle and irresponsible quibbling over other people's livelihoods. If we are in a position at this time to maintain the employment of 16,000 men, or even 5,000 men, on a worthwhile project, which itself will add to the number of available jobs, then it is irresponsible and unreasonable for us to do nothing.

This is not an appropriation bill. No money is being expended from the Federal treasury. What the Federal Government is saying by enacting this bill into law, is that there is a sufficient national interest to the national welfare in the continued viable operation of the Lockheed commercial Tri-Star project and that the Federal Government will stand behind a \$250,000,000 secured loan made by private lending institutions.

I believe that it is in the national interest to do this, not only because of the employment issue which I raised earlier, but because of the severe impact on our currently deteriorating balance of trade. There is, and will be, a large market for these aircraft. Certainly the McDonnell Douglas DC-10 and the Boeing 747 have indicated such a market. Not only are American domestic airlines purchasing the planes, but foreign governments as well are interested in the market. The DC-10, the Boeing 747, and the Lockheed Tri-Star are not, however, the same plane. They are similar but their differences are so substantial that they represent different portions of the airline market. Thus, if the Tri-Star is not built, that portion of the market would be picked up by foreign competition. Jobs that otherwise would have gone to Americans will go to foreign workers on foreign planes which will be sold to U.S. airlines to fill what would have been the Tri-Star position in the airline market. Thus, not only will we lose the wages, there will be an actual currency drain from the United States at a time when we can least afford it.

I have no pecuniary or political interest in the Lockheed Corp. There is no

Lockheed subsidiary in my congressional district nor is there a Lockheed subsidiary in the State of New Jersey. And, although there are a number of New Jersey companies which have contracts with the Lockheed Corp., none is in my congressional district. But, what happens in California, or in Georgia, or in Kansas, or in any other State of the Union, affects my constituents in Hudson County, N.J. If people on the other side of this great country are out of work, they can not afford to buy products manufactured by workers in New Jersey and in Hudson County. And if workers in Hudson County are subsequently laid off because no one will buy the products that they make, then the people in the service industries will also suffer in Hudson County. So in voting for this legislation, which may seem only to protect the jobs of men and women in California, I am seeking not only to protect the jobs of Lockheed workers, but the livelihood and security of my own constituents.

Mr. PATMAN, Mr. Chairman, I suggest that the Clerk read.

The CHAIRMAN. Pursuant to the rule, the Clerk will read the committee amendment in the nature of a substitute now printed in the bill as an original bill for the purpose of amendment.

The Clerk read as follows:

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

SHORT TITLE

SECTION 1. This Act may be cited as the "Emergency Loan Guarantee Act".

ESTABLISHMENT OF THE BOARD

SEC. 2. There is created an Emergency Loan Guarantee Board (referred to in this Act as the "Board") composed of the Secretary of the Treasury, as Chairman, the Chairman of the Board of Governors of the Federal Reserve System, and, for the purpose of considering and acting upon an application for a guarantee of a loan to any enterprise, the president of the Federal Reserve bank in the district of which such enterprise is located as determined by the Secretary of the Treasury. Decisions of the Board respecting procedures and other administrative matters may be made by the two permanent members of the Board. Decisions of the Board with respect to the granting or denial of an application for a guarantee of a loan to any enterprise shall be made by majority vote of all the members of the Board consisting of the two permanent members and the president of the Federal Reserve bank in the district of which said enterprise is located.

AUTHORITY

SEC. 3. The Board, on such terms and conditions as it deems appropriate, may guarantee, or make commitments to guarantee, lenders against loss of principal or interest on loans that meet the requirements to this Act.

LIMITATIONS AND CONDITIONS

SEC. 4. (a) A guarantee of a loan may be made under this Act only if—

(1) the Board finds that (A) the loan is needed to enable the borrower to continue to furnish goods or services and failure to meet this need would adversely and seriously affect the economy of or employment in the Nation or any region thereof, (B) credit is not otherwise available to the borrower under reasonable terms or conditions, and (C) the prospective earning power of the borrower, together with the character and value of the security pledge, furnish reasonable assurance that it will be able to repay the loan within

the time fixed, and afford reasonable protection to the United States; and

(2) the lender certifies that it would not make the loan without such guarantee.

(b) Loans guaranteed under this Act shall be payable in not more than five years, but may be renewable for not more than an additional three years.

(c) Loans guaranteed under this Act shall bear interest (exclusive of guarantee fees and service charges, if any) at rates not to exceed a rate determined by the Board to be reasonable, taking into account the range of interest rates prevailing in the private market for similar loans and the risk assumed.

SECURITY FOR LOAN GUARANTEES

SEC. 5. In negotiating a loan guarantee under this Act, the Board shall make every effort to arrange that the payment of the principal of and interest on any plan guaranteed shall be secured by sufficient property of the enterprise to collateralize fully the amount of the loan guarantee.

REQUIREMENTS APPLICABLE TO LOAN GUARANTEES

SEC. 6. (a) A guarantee agreement made under this Act with respect to an enterprise shall require that while there is any principal or interest remaining unpaid on a guaranteed loan to that enterprise the enterprise may not—

(1) declare a dividend on its common stock; or

(2) make any payment on its other indebtedness to a lender whose loan has been guaranteed under this Act.

The Board may waive either or both of the requirements set forth in this subsection, as specified in the guarantee agreement covering a loan to any particular enterprise, if it determines that such waiver is not inconsistent with the reasonable protection of the interests of the United States under the guarantee.

(b) If the Board determines that the inability of an enterprise to obtain credit without a guarantee under this Act is the result of a failure on the part of management to exercise reasonable business prudence in the conduct of the affairs of the enterprise, the Board shall require before guaranteeing any loan to the enterprise that the enterprise make such management changes as the Board deems necessary to give the enterprise a sound managerial base.

(c) A guarantee of a loan to any enterprise shall not be made under this Act unless—

(1) the Board has received an audited financial statement of the enterprise; and

(2) the enterprise permits the Board to have the same access to its books and other documents as the Board would have under section 7 in the event the loan is guaranteed.

(d) No payment shall be made or become due under a guarantee entered into under this Act unless the lender has exhausted any remedies which it may have under the guarantee agreement.

(e) (1) Prior to making any guarantee under this Act, the Board shall satisfy itself that the underlying loan agreement on which the guarantee is sought contains all the affirmative and negative covenants and other protective provisions which are usual and customary in loan agreements of a similar kind, including previous loan agreements between the lender and the borrower, and that it cannot be amended, or any provisions waived, without the Board's prior consent.

(2) On each occasion when the borrower seeks an advance under the loan agreement, the guarantee authorized by this Act shall be in force as to the funds advanced only if—

(A) the lender gives the Board at least ten days' notice in writing of its intent to provide the borrower with funds pursuant to the loan agreement;

(B) the lender certifies to the Board before an advance is made that, as of the date

of the notice provided for in subparagraph (A), the borrower is not in default under the loan agreement: Provided, That if a default has occurred the lender shall report the facts and circumstances relating thereto to the Board and the Board may expressly and in writing waive such default in any case where it determines that such waiver is not inconsistent with the reasonable protection of the interests of the United States under the guarantee; and

(C) the borrower provides the Board with a plan setting forth the expenditures for which the advance will be used and the period during which the expenditures will be made, and, upon the expiration of such periods, reports to the Board any instances in which amounts advanced have not been expended in accordance with the plan.

(f) (1) A guarantee agreement made under this Act shall contain a requirement that as between the Board and the lender, the Board shall have a priority with respect to, and to the extent of the lender's interest in any collateral securing the loan and any earlier outstanding loans. The Board shall take all steps necessary to assure such priority against any other persons.

(2) As used in paragraph (1) of this subsection, the term "collateral" includes all assets pledged under loan agreements and, if appropriate in the opinion of the Board, all sums of the borrower on deposit with the lender and subject to offset under section 68 of the Bankruptcy Act.

INSPECTION OF DOCUMENTS; AUTHORITY TO DISAPPROVE CERTAIN TRANSACTIONS

SEC. 7. The Board is authorized to inspect and copy all accounts, books, records, memoranda, correspondence, and other documents of any enterprise which has received financial assistance under this Act concerning any matter which may bear upon (1) the ability of such enterprise to repay the loan within the time fixed therefor; (2) the interests of the United States in the property of such enterprise; and (3) the assurance that there is reasonable protection to the United States. The Board is authorized to disapprove any transaction of such enterprise involving the disposition of its assets which may affect the repayment of a loan that has been guaranteed pursuant to the provisions of this Act.

MAXIMUM OBLIGATION

SEC. 8. The maximum obligation of the Board under all outstanding loans guaranteed by it shall not exceed at any time \$2,000,000,000, but in no event shall the Board guarantee loans to any one borrower in an amount greater than \$250,000,000.

EMERGENCY LOAN GUARANTEE FUND

SEC. 9. (a) There is established in the Treasury an emergency loan guarantee fund to be administered by the Board. The fund shall be used for the payment of the expenses of the Board and for the purpose of fulfilling the Board's obligations under this Act. Moneys in the fund not needed for current operations may be invested in direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof.

(b) The Board shall prescribe and collect a guarantee fee in connection with each loan guaranteed by it under this Act. Sums realized from such fees shall be deposited in the emergency loan guarantee fund.

(c) Payments required to be made as a consequence of any guarantee by the Board shall be made from the emergency loan guarantee fund. In the event that moneys in the fund are insufficient to make such payments, in order to discharge its responsibilities, the Board is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Board with the approval of the Secretary of

the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes and obligations.

FEDERAL RESERVE BANKS AS FISCAL AGENTS

SEC. 10. Any Federal Reserve bank which is requested to do so shall act as fiscal agent for the Board. Each such fiscal agent shall be reimbursed by the Board for all expenses and losses incurred by it in acting as agent on behalf of the Board.

PROTECTION OF GOVERNMENT'S INTEREST

SEC. 11. (a) The Attorney General shall take such action as may be appropriate to enforce any right accruing to the United States or any officer or agency thereof as a result of the issuance of guarantees under this Act. Any sums recovered pursuant to this section shall be paid into the emergency loan guarantee fund.

(b) The Board shall be entitled to recover from the borrower, or any other persons liable therefor, the amount of any payments made pursuant to any guarantee agreement entered into under this Act, and upon making any such payment, the Board shall be subrogated to all the rights of the recipient thereof.

CONGRESSIONAL REVIEW

SEC. 12. (a) The Board shall not guarantee or make a commitment to guarantee any loan after October 1, 1971, unless—

(1) at least twenty calendar days prior to making such guarantee, the Board transmits to the Congress a notification of its intention to make such guarantee together with a detailed justification therefor; and

(2) a period of twenty calendar days of continuous session of the Congress following the date on which the notification is transmitted elapses, and during such period there is not passed by either the Senate or the House of Representatives a resolution stating in substance that the Senate or the House of Representatives, as the case may be, does not approve the proposed guarantee. For the purposes of this paragraph, in the computation of the twenty-day period there shall be excluded the days on which the Senate or the House of Representatives is not in session because of adjournment of more than three days to a day certain or an adjournment of the Congress sine die.

(b) The provisions of sections 910-913 of title 5 United States Code, shall apply for the procedure to be followed in the Senate and House of Representatives in the exercise of their respective responsibilities under subsection (a) in the same manner and to the same extent as such provisions apply to the procedure followed in the case of reorganization plans; except that references in such provisions to a "resolution with respect to a reorganization plan" shall be deemed for the purposes of this section to refer to a resolution of disapproval under subsection (a) (2).

REPORTS

SEC. 13. The Board shall submit to the Congress annually a full report of its operations under this Act. In addition, the Board shall submit to the Congress a special report not later than June 30, 1973, which shall include a full report of the Board's operations together with its recommendations with respect to the need to continue the guarantee

program beyond the termination date specified in section 14. If the Board recommends that the program should be continued beyond such termination date, it shall state its recommendations with respect to the appropriate board, agency, or corporation which should administer the program.

TERMINATION

SEC. 14. The authority of the Board to enter into any guarantee or to make any commitment to guarantee under this Act terminates on December 31, 1973. Such termination does not affect the carrying out of any contract, guarantee, commitment, or other obligation entered into pursuant to this Act prior to that date, or the taking of any action necessary to preserve or protect the interests of the United States in any amounts advanced or paid out in carrying on operations under this Act.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the committee amendment in the nature of a substitute be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas? There was no objection.

AMENDMENTS OFFERED BY MR. ASHLEY

Mr. ASHLEY. Mr. Chairman, I offer four amendments and ask unanimous consent that they may be read and considered en bloc.

The Clerk read as follows:

Amendments offered by Mr. ASHLEY:

On page 6, line 21 strike "and, for the purpose of considering and acting upon", and strike lines 22 through 25, and on page 7, strike lines 1 through 8, and insert in lieu thereof "and the Chairman of the Securities and Exchange Commission. Decisions of the Board shall be made by majority vote."

On page 8, strike lines 9 through 14 and insert in lieu thereof the following:

"(c) (1) Loans guaranteed under this Act shall bear interest payable to the lending institutions at rates determined by the Board taking into account the reduction in risk afforded by the loan guarantee and rates charged by lending institutions on otherwise comparable loans.

"(2) The Board shall prescribe and collect a guarantee fee in connection with each loan guaranteed under this Act. Such fee shall reflect the Government's administrative expense in making the guarantee and the risk assumed by the Government and shall not be less than an amount which, when added to the amount of interest payable to the lender of such loan, produces a total charge appropriate for loan agreements of comparable risk and maturity if supplied by the normal capital markets."

Page 12, line 18, strike out "\$2,000,000,000" and all that follows thereafter down through the period on line 20, and insert in lieu of the matter stricken the following: "\$250,000,000."

Page 15, strike out line 1 and all that follows thereafter down through page 16, line 6. And redesignate the succeeding sections accordingly.

The CHAIRMAN. Is there objection to considering the four amendments en bloc?

There was no objection.

The CHAIRMAN. The gentleman from Ohio (Mr. ASHLEY) is recognized for 5 minutes in support of his amendments.

Mr. ASHLEY. Mr. Chairman, these four amendments that have just been read were presented as a result of an essential agreement reached by the leadership of the House on both sides of the

aisle and by the chairman of the Committee on Banking and Currency and by the ranking minority member.

The most important of these amendments, Mr. Chairman, is the amendment that would reduce the guarantee authorization from \$2 billion to \$250 million. If this amendment is adopted, it would follow then that section 12 of the legislation before us would not be necessary.

Section 12, which is based, of course, on an overall guarantee authorization of \$2 billion, would establish a mechanism for congressional review of very doubtful constitutionality. What it would do in effect would be to say that when the Emergency Loan Guarantee Board decides affirmatively in the future on an application for a loan guarantee, the matter would be referred to the Congress and that each body, the House and Senate, would have 20 days in which to concur or, rather, to express opposition to such action by the Emergency Loan Guarantee Board. As I say, the Attorney General has indicated that this legislative approach is of doubtful constitutionality.

It has been my premise, now concurred in by most, that a far more direct means of assuring a quick review of future loan guarantee applications would be to limit the amount of authorization in the first instance to \$250 million.

The Loan Guarantee Board would be in existence and it would be available to entertain future applications. Were such an application to be considered favorably by the Board, it would then become incumbent upon the Board to come to the Congress for loan guarantee authorization replenishment. So if the \$250 million loan guarantee goes to Lockheed, there would be no more authorization available until such replenishment. This will assure all the time that the Congress needs, both bodies of the Congress, to consider the matter, rather than having forced upon it this 20-day provision.

Mr. GROSS. Mr. Chairman, will the gentleman yield for one quick question?

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

Mr. GROSS. Would the entire \$250 million be dedicated to Lockheed?

Mr. ASHLEY. Yes.

Mr. GROSS. Or, would it be available to be spread out elsewhere?

Mr. ASHLEY. Well, the first \$250 million of loan guarantee would be allocated to the Lockheed Corp.

Mr. GROSS. I thank the gentleman.

Mr. ASHLEY. I think we should make clear that this is not legislation, despite appearances to the contrary—for the sole benefit of the Lockheed Corp., because we do establish an Emergency Loan Guarantee Board that is ongoing and continuing to entertain future applications that may arise.

The other two amendments, Mr. Chairman, involve the composition of Emergency Loan Guarantee Board. It was felt strongly by members of the committee—in fact by Dr. Burns himself—that the composition reflected in the legislation gives the Federal Reserve too much of a voice because it says that the Board shall be comprised of the Secretary of the Treasury, the Chairman of

the Federal Reserve Board, and the President of the Federal Reserve Bank representing the area in which the application is being made. We have changed that in the amendment to which I am addressing myself. It would keep the Secretary of the Treasury and the Chairman of the Federal Reserve Board, but in lieu of the President of the particular Federal Reserve Bank, we would instead have the Chairman of the Securities and Exchange Commission.

Now, finally, and this is a point that has been raised by others—

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

(By unanimous consent (at the request of Mr. GROSS) Mr. ASHLEY was allowed to proceed for 1 additional minute.)

Mr. GROSS. Will the gentleman yield for another quick question?

Mr. ASHLEY. Yes.

Mr. GROSS. If there is \$250 million—and only \$250 million—and it is earmarked for Lockheed, why have a Board? And what do you mean by the first \$250 million?

Mr. ASHLEY. Because it would be the function of the Board to entertain such future applications from distressed companies affecting the national interest as might present themselves. If the Board, a continuing body, were to find the application was meritorious then, as I say, it would be incumbent upon the Board to request the Congress to replenish the exhausted guaranteed authorization.

Mr. GROSS. Well, then, we are just going through an exercise it seems to me in abolishing the \$2 billion provision, because if you are going to create a Board to help distressed industries everywhere they may stick their heads up, I do not see any difference.

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

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

Mr. BROWN of Michigan. I think the gentleman unintentionally made a rather unequivocal statement which I think he would like to retract. The gentleman said that the \$250 million in the bill, if his amendment is adopted, is allocated for Lockheed. Under his amendment it is not allocated to Lockheed. It is presumed that the Board which will make the determination will give this first \$250 million to Lockheed.

Mr. ASHLEY. Let us not delude ourselves. We know perfectly well that that is what is contemplated.

Mr. BROWN of Michigan. But the gentleman says it is allocated by the legislation. It is not allocated by the legislation. That is why a Board would be in existence.

Mr. ASHLEY. Well, the gentleman can have it his way, but let us say the odds are 100 percent that the Lockheed Corp. is going to be the beneficiary of the first \$250 million.

Mr. BROWN of Michigan. It is not a question of me having my way. It is a question of what the legislation provides.

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

(By unanimous consent, Mr. ASHLEY was allowed to proceed for 3 additional minutes.)

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

Mr. ASHLEY. I yield to the gentleman from Georgia (Mr. LANDRUM).

Mr. LANDRUM. Mr. Chairman, the gentleman has stated that \$250 million is allocated in this bill to the Lockheed Corp., but as I understand his amendments there is no amount of money beyond the \$250 million allocated to any corporation or any applicant. Is that correct?

Mr. ASHLEY. That is true.

Mr. LANDRUM. All we do is to set up a board here which receives applications and passes the applications on to the Congress, and then it will be up to Congress to determine if a future amount should be allocated to any applicants. Is that correct?

Mr. ASHLEY. Precisely. The gentleman is entirely right.

Mr. COLLIER. Mr. Chairman, would the gentleman yield?

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

Mr. COLLIER. Mr. Chairman, I would like to allude very briefly to a statement that was made previously, and in the same breath remind that speaker that one of our late, great contemporaries and statesmen, Bernard Baruch, once said:

Every man has the right to his opinion, but no man has the right to be wrong in his facts.

Mr. Chairman, I refer to the statement made by the gentleman from New York (Mr. KOCH) who said that if you are a \$1 million corporation you can seek and get relief, but if you are a small business you cannot.

Permit me to suggest to the gentleman that since 1963 until the end of the fiscal year the Small Business Administration has approved \$7.6 billion in guaranteed loans for small businesses.

Mr. ASHLEY. Finally, Mr. Chairman, let me say that the—

Mr. DINGELL. Mr. Chairman, will the gentleman yield for a question?

Mr. ASHLEY. Mr. Chairman, I would prefer not to yield to the gentleman from Michigan at this moment, because I do want to address myself to the final amendment that the Members will be asked to pass upon, which is the result of the work of our colleague, the gentleman from Wisconsin (Mr. REUSS).

What this seeks to do is to assure that there is no inappropriate enrichment on the part of the banks that are taking no risks in the issuance of the credit of \$250 million to Lockheed. The risks, to the extent that there are risks, are being taken by the Treasury of the United States and the taxpayers, and this is going to be reflected in the interest rates that the banks should get and will get for essentially a risk-free loan. It is on this basis that the gentleman from Wisconsin (Mr. REUSS) has insisted upon this language that has the approval of both sides of the aisle.

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

Mr. ASHLEY. I yield to the gentleman from New York.

Mr. KOCH. Mr. Chairman, there was reference made, I believe, to the fact that the Small Business Administration has made loans to bankrupt corporations in

the past. In view of that I wrote to the Small Business Administration and I received this reply very shortly that says that "normally we do not consider as eligible for business loans an applicant which is facing bankruptcy because we must find under our statute a reasonable assurance of repayment ability."

The fact is that the Small Business Administration does not make this kind of a loan.

Mr. COLLIER. Mr. Chairman, will the gentleman yield, because I think that the record should show—

Mr. ASHLEY. Mr. Chairman, I must refuse to yield additionally to the gentleman because I believe it is best that we address ourselves to the pending amendments which are critical to the passage of this legislation.

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

(On request of Mr. DINGELL, and by unanimous consent, Mr. ASHLEY was allowed to proceed for 2 additional minutes.)

Mr. DINGELL. Mr. Chairman, if the gentleman will yield, I would like to know who are the other persons who have sought assistance under the provisions of the legislation before us.

Are there any other applicants or applications?

Mr. ASHLEY. To the best of my knowledge there have been no other applicants under the provisions of this legislation.

Mr. DINGELL. Is there anything in the hearing record of the committee which would indicate that there is any need for any assistance by any corporation or individual business or association?

Mr. ASHLEY. Yes; there is, I will say to the gentleman.

Mr. DINGELL. Will the gentleman tell us who they are?

Mr. ASHLEY. Yes, I will. There has been testimony from the Department of the Treasury that this kind of assistance may be indicated in the months and years ahead, and that it really is on this basis that a continuing board in their view should be established. The committee was satisfied on this point.

Mr. DINGELL. I would advise my good friend first of all that legislation like that was rejected by the Commerce Committee not very long back for a large number of so-called transportation companies. I would point out that at that time it was indicated that something like 18 railroads that may or may not come in under it and I am aware that at least two airlines that are in difficulty.

Mr. ASHLEY. It was the testimony of the Treasury to establish the Board to receive applications that may arise in the future.

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

Mr. ASHLEY. I yield to the gentleman.

Mr. MCKINNEY. Mr. Chairman, is it not true that we had testimony that Lockheed is not, in effect, bankrupt? The fact is that they have been required to put up capital assets and cash for this program that costs so much they are nonliquid and that if they are kept liquid, all of the materials and assets they have will become worthwhile and they are not in any way bankrupt.

Mr. ASHLEY. The gentleman is correct. The problem is essentially one of the cash flow. They are not the only private company that finds itself in distress.

Mr. MCKINNEY. I would suggest to the gentleman from New York that if he would ask the Small Business Administration, the Small Business Administration makes loans to nonliquid corporations. This is their policy.

Mr. ST GERMAIN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the gentleman from Iowa asked the question why we needed a board if, in effect, the \$250 million is for Lockheed and that is the extent of it, and there are no other requests?

Mr. Chairman, I would submit a different answer. I would submit that the board is necessary in this instance because the projections on the number of planes to be—that are ordered and under firm order are very optimistic.

As I stated earlier, this also presupposes \$2 billion at least in defense contracts for the next 2 years. It has been my contention throughout the hearings, and others feel the same way, that \$250 million is just a first step and that they will be back for more in the very near future.

Once we are hooked, we will be on the hook for a whole lot more.

Once again, on this item on the SBA, you go to the SBA for a loan and you mortgage everything that you own—your life insurance policies, your wife's pocketbook, your home, your automobile—everything you own personally is mortgaged.

You do not compare a SBA loan with this, just as you do not compare an Eximbank loan with this one.

I will conclude very quickly here by inserting another note, as to which other corporations might apply in the future. As was stated, there were 11,000 failures in the last year—1970—business failures. So we might look into the campaign contributions and I think we would find that Lockheed executives in the last campaign contributed \$38,000 to the Republican Party and \$1,000 to the Democratic Party. This might be a bellwether and this might be an indication, if one looks at other firms of this type with large contributions, as to where the next one might go.

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

Mr. WILLIAMS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to take issue with the statement just made by my esteemed colleague to the effect that the Lockheed Corp. made political contributions. If they did that, they violated the law and he should furnish that information to the Attorney General.

Mr. KOCH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, Lockheed belongs in bankruptcy. It belongs in bankruptcy just as the Penn Central belonged in bankruptcy. We were told that if Penn Central went into bankruptcy the railroad would stop moving and the country would come to an end. Yet the Republic still stands.

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

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

Mr. MOSS. When the gentleman says "bankruptcy," does he really mean chapter X, reorganization?

Mr. KOCH. Exactly; reorganization.

Why do you think these banks will not make the loan? The gentleman from Iowa (Mr. GROSS) raised the question before—why? Someone said, "We have never gotten the answer."

We got an answer. We got an answer from Mr. Medberry, spokesman for the banks. He said the loan is not bankable. Let me read some of the testimony:

Mr. KOCH. Let's assume for the moment that everybody at this table agreed to subordinate their loans to the bank or banks that come in and offer the additional 250 to continue this. Wouldn't you jump at that offer?

Mr. MEDBERRY. No, I certainly would not.

Mr. KOCH. Tell me why not.

Mr. MEDBERRY. Because of the risk involved. And I tried to put that into my testimony.

Mr. KOCH. Risk in the new \$250 million loan?

Mr. MEDBERRY. I stated that the Government still had some of the continuing risk on its guarantee. The bank, however, would have no risk on that 250 if the U.S. Government would guarantee it.

Mr. KOCH. Let me ask you this. Do you see any appreciable risk if all other loans were subordinated to your making an additional \$250 million loan which had a preference in the situation?

Mr. MEDBERRY. Yes, Mr. Koch, I do.

Here we have the heart of the matter. These banks will not make the loan. No one will make the loan even if they are given the same preferential position with the subordination privileges that they are offering to the Federal Government, because they say it is not a bankable loan.

Do you know why? Because the collateral is not any good. Mr. Medberry in effect, said, "What are we going to do with a design, a wing, or some other part if there is a foreclosure?" You cannot sell it. No other company is going to buy it. So when they talk about the assets of this corporation, those are not bankable, and that is why the banks want us to guarantee the loan.

Let us talk about some other testimony. Let us talk about the testimony of Dr. Burns, chairman of the Federal Reserve Bank. I have a high personal regard for him. He lives in my district, a marvelous and decent man. But do not bank on his testimony in this case. Let me tell you why. We asked him, knowing what he knows now, would he still with hindsight given the opportunity have provided Penn Central with the same loan guarantee? With hindsight, he said he would. Can you imagine that? He said that, knowing what has since happened with Penn Central, knowing that the trustee in bankruptcy is suing those officers and directors, and that maybe we will recover some of those assets, he still would have given them the loan guarantee.

I say do not rely in this case on Dr. Burns' advice.

Let us consider the testimony of Mr. Packard, Assistant Secretary of Defense.

Someone on this floor during general debate has said that we have got to worry about the defense industry. Assistant Secretary of Defense, Mr. Packard, specifically made it clear that this loan guarantee has nothing to do with defense industry considerations.

In conclusion, I want to tell you why I really am adamantly against this bill. If we do not guarantee the loan I firmly believe the banks are going to put the money up. Do you know why? They told us they had \$4.5 billion in loans outstanding to them related to industries doing business with Lockheed. All of them are not directly related to this particular L-1011 program, but they are related to Lockheed and its suppliers. Do you think they are going to let their \$4.5 billion go down the drain or even be endangered?

They want to make suckers out of us, and we ought not let them do it. I will vote no on final passage.

Mr. MOORHEAD. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Pennsylvania is recognized.

Mr. MOORHEAD. Mr. Chairman, I rise in support of the amendment offered by Congressman ASHLEY of Ohio. I should begin by stating that I am opposed to any loan guarantee for the Lockheed Aircraft Corp. Nonetheless, I believe that this \$250 million is the issue that Members of this House should be considering. This \$250 million loan guarantee for Lockheed is what the administration has been seeking. No one has come forth with the names of any other large corporations in need of financial assistance. As it exists now, if we were to pass on a measure that included \$2 billion in guarantees, we would be aiding an unspecified corporate John Doe.

During the proceedings of the Banking and Currency Committee, the testimony heard was confined almost solely to the Lockheed situation. We heard Lockheed's management, Lockheed's bankers, Lockheed's customer in the person of Secretary David Packard and we heard Treasury Secretary Connally who proposed the original administration bill. All of this testimony concerned just a \$250 million loan guarantee to Lockheed. The administration's bill included just a \$250 million loan guarantee for Lockheed. It did not involve \$2 billion in loan guarantees. We just have not considered the substance of the \$2 billion bill sufficiently to warrant consideration by the House.

The administration has not sought \$2 billion in guarantees as contained in the committee bill. As a matter of fact, Secretary Packard has stated his opposition to this broad bill since an unwise precedent of the Federal Government bailing out private enterprise on a wholesale scale would be set.

Secretary Connally when he appeared before the committee indicated that the administration would be willing to accept either a broad bill or the narrower version contained in Mr. Ashley's amendment.

So it appears to me that if we pass the narrower \$250 million in guarantees em-

bodied in the Ashley amendment, we will be giving the administration what they profess to want—which is to bail out their friends at Lockheed.

In summary, I intend to vote for the Ashley amendment. If we are being faced with a choice that involves two evils, I will choose the lesser of the two evils—and I think that blowing \$250 million is only one-eighth as bad as blowing \$2 billion on giveaways to big business.

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

Mr. MOORHEAD. I yield to the gentleman from Texas (Mr. ARCHER).

Mr. ARCHER. Mr. Chairman, is the gentleman familiar enough with the amendment of the gentleman from Ohio (Mr. ASHLEY) to say whether it leaves intact section 9 of the bill, which relates to the fund from which this guarantee will be paid? If it does, is the gentleman aware that section 9 includes an unlimited fund which totally bypasses the appropriations committee and is not limited either to the \$2 billion or the \$250 million, and which provides money can be spent on the expenses of the board, irrespective, I suppose, of how much they are, without going to the Appropriations Committee and with no oversight on the part of this Congress with respect to the spending of this board?

Mr. MOORHEAD. It is my understanding of the Ashley amendment that it is limited to \$250 million, and that if additional loan guarantees are required, they must come back to the Congress to replenish the loan guarantees.

Mr. Chairman, I will yield to the gentleman from Ohio to explain that.

Mr. ARCHER. It is a fund out of which the guarantees would be paid, if there is a loss, and this fund includes a provision that the expenses of the board shall be paid from the fund, and there is no provision for coming back to the Appropriations Committee of this body to have an oversight as to how this board will function and spend the taxpayers' money.

In addition, it proceeds on to say the board can issue bonds which will be bought by the Treasury out of the Liberty Bond series and will automatically increase the national debt without having to come back to this Congress and without having to go through the appropriations procedures involved in other matters. Will that continue to remain in the bill?

Mr. MOORHEAD. As I understand it, section 9 would remain the same. The loan guarantees would be the big thing—and nobody will accept a guarantee if there is no fund behind it. The guarantee would be limited to \$250 million.

Mr. ARCHER. I suggest the gentleman read section 9 of the bill and if it is not changed by this amendment, it is exactly as I have stated it is in the bill.

Mr. MOORHEAD. If the Ashley amendment is adopted, it will be permissible for the gentleman to offer an amendment correcting the defects of section 9, but I think the biggest defect is in section 8, and I think the Ashley amendment corrects that defect.

Mr. REES. Mr. Chairman, I move to strike the requisite number of words.

Mr. ASHLEY. Mr. Chairman, will the

gentleman yield, and I will clarify a point on section 9?

Mr. REES. Mr. Chairman, if the gentleman will permit me to work into my 5 minutes a bit, I would be happy then to yield to the gentleman.

The first amendment of the group of amendments under consideration is a very simple amendment, which states that the three-member board will consist of the head of the Federal Reserve, the Secretary of the Treasury, and the Chairman of the Securities and Exchange Commission.

The second amendment, is an amendment which makes sure the Government does not grant a giveaway interest rate. There were several comments on the floor about giving Lockheed an interest rate of perhaps 7 percent while McDonnell Douglas financed their DC-10 by borrowing at a 9 or 10 percent rate. We have language here suggested by the gentleman from Wisconsin (Mr. REUSS) to take care of this dilemma, which says the board must take into consideration "the total charge, which is not less than the finance charge being charged by private lenders for loans of comparable risks and maturity." This was done to protect the other efficient companies in the aerospace industry who go out on their own and borrow money in the money market.

The third amendment goes into the obligation. The gentleman from Texas asked a question on this. This is section 8 of the bill. It states that "the maximum obligation of the Board under all outstanding loans guaranteed by it shall not exceed at any time"—and then the language of the amendment will strike the \$2 billion and insert "\$250 million." That is the maximum obligation of the board.

When we get to section 9, it says that the funds shall be used for the payment of the expenses of the Board and for all other purposes in fulfilling the Board's obligations under the act. I would assume under this bill, if amended by the Ashley amendments, we would have the situation that the Board would grant a loan guarantee of \$250 million to one company, Lockheed Aircraft, and that if any other funds were needed by the Board they would be from the income of the loan guarantee fee or through the congressional appropriations process. If the Board wished authorization for guarantees they would have to come to the Congress and ask for more authorizations guarantees.

This is my analysis of section 9 and of section 8.

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

Mr. REES. I yield to the gentleman from Texas.

Mr. ARCHER. It seems to me very clear that the Secretary of the Treasury is empowered to go into the bond market and sell the securities of this country and add to the national debt without coming back to the Congress in order to put funds into this guarantee fund, so-called, and that this guarantee fund will be used not only to pay losses but also to pay expenses, whatever they might be, and there is no provision for coming back to the Congress.

Mr. REES. The maximum obligation

authorized by section 8 would be \$250 million. Once that obligation were used up the board would have nothing to do other than overseeing the \$250 million guarantee.

Mr. ARCHER. As I read section 8, it says that this is the maximum amount of the loan guarantee. Section 9, which follows it, does not say that the loan guarantee is the amount that will be in the fund. The fund is stated to be capable of paying the expenses of the board in addition to the loan guarantee.

Mr. REES. There is another question which might be of interest to the gentleman. A loan guarantee does not actually mean that the board goes out and sells Government bonds on the market. A loan guarantee is a guarantee. One does not go out into the market for funds until there is a default on the guarantee.

Mr. ARCHER. I understand that all of this is based on the assumption there will be a loss and payment will have to be made in the future.

When we talk about the expenses of the board we are talking about something in addition to anything under the loan guarantee. This fund is set up to pay those expenses, and the Secretary of the Treasury is empowered to sell bonds directly without coming back through this Congress, and to increase directly the national debt.

Mr. SCHEUER. Mr. Chairman, I rise today to urge my colleagues to vote against this measure and authorize \$2 billion in guaranteed loans to corporations, including a \$250 million loan guarantee to the Lockheed Corp. I believe that it would be a disastrous mistake to approve the use of public funds to try to insure the survival of a company whose management has demonstrated not only gross inefficiency and management, but also a contempt for the Government and the public.

According to sworn testimony in a Securities and Exchange Commission investigation, Lockheed management deliberately misled the Pentagon on the original cost of the C-5A program in order to win the contract and has continued to withhold information from the Pentagon relating to cost and technical problems of that program. I need not go into the numerous other well-documented examples of mismanagement demonstrated by Lockheed officials concerning the Cheyenne helicopter and the SRAM rocket development. The Lockheed management does not deserve to be rescued.

Furthermore, despite all the dire predictions coming from Lockheed officials as to the national economic consequences of failure to guarantee a loan, the only certain result of bankruptcy would be replacement of the Lockheed management and a temporary loss of the 31,000 jobs connected with the L-1011 project. Bankruptcy would not mean that subcontractors would lose their businesses, that hundreds of thousands of jobs would be wiped out, or that the Government would lose its prime defense contractor. It would simply mean the dissolution of Lockheed as a corporation in its own right and the reorganization of Lockheed projects and services.

Thus our national economic stability

is not really at issue here. What is at issue is a proposed policy to authorize the systematic use of public funds to rescue large corporations from bankruptcy on the basis of size and numbers alone. Under the proposed bill, any corporation, no matter what it produces and no matter how inefficient its procedures, becomes eligible for a guaranteed loan so long as it employs enough people. In passing this bill we are thus removing all the traditional incentives under our free enterprise system for efficiency and expertise in corporate management.

It has been argued that Lockheed's current crisis has been brought about not by mismanagement but by unforeseen and uncontrollable economic circumstances such as Government cancellation of contracts and the general economic depression. The Government should, therefore, bail out this blameless and innocent corporation. This argument not only ducks the basic issue of reward for poor management, but also fails to provide justification for a bill which would support large, blameless firms but not small ones.

The present state of the economy is such that almost every company in the country can point to losses resulting from inflation, cancellation of contracts and orders, and a general slowdown of the economy. No one is to blame for these losses. In every large city small businesses are folding due to the general deterioration of the economy. Why, then, should the Government supply risk-free loans to large corporations any more than it aids small- and medium-sized businesses which may be suffering similar fates? As John Kenneth Galbraith so accurately points out, this is not "old-fashioned socialism for the poor, but new-fashioned socialism for the rich." A policy which rewards size while it ignores quality will foster the most undesirable type of "economic growth" imaginable. It will not help our economy, but rather undermine the basic principles of the free market system.

There is one further compelling reason not to vote for this bill. Everyone who casts a vote today to support Lockheed is casting a vote for the status quo in the allocation of national resources. With the end of the Vietnam war at least in mind if not in sight, this Congress should be looking for new areas in which to invest our national resources. The present bill, designed to prevent the death of large and primarily defense-oriented enterprises, would have the effect of further committing Government funds to defense producers. If this country ever hopes to reorder its priorities, it must stick by the free market system of supply and demand and not commit itself indefinitely to the large defense interests which have become wedded to Government over the past two decades. This bill would only further commit this Government to support enterprises to which it is already overcommitted.

Mr. PATMAN, Mr. Chairman, I wonder if we can get an agreement on time. We have this one amendment under consideration. How many Members would like to speak on this? I should like to ask unanimous consent, just on this one amendment, that we close debate

in a certain length of time. I do not want to cut any Member off, if any Member wants to speak on this particular amendment and all amendments thereto.

The CHAIRMAN. Does the gentleman from Texas ask unanimous consent to limit debate?

Mr. PATMAN. Yes, Mr. Chairman, I ask unanimous consent that all Members standing may have 5 minutes and then the discussion close at that time.

The CHAIRMAN. How much time is the gentleman asking?

Mr. PATMAN. Each Member who is standing may be given 5 minutes and at the end of that time the discussion will close.

The CHAIRMAN. Will the gentleman kindly state to the Chair how much time he wants?

Mr. PATMAN. On this amendment and all amendments thereto.

Mr. THOMPSON of Georgia. Mr. Chairman, reserving the right to object, will the gentleman give a time certain? I would not object to a time certain, but I do not know how much time the gentleman is talking about. I would like to reserve the right to object.

The CHAIRMAN. How much time does the gentleman want?

Mr. PATMAN. Forty minutes. There are eight standing, Mr. Chairman. I ask unanimous consent that all debate on these amendments and all amendments thereto close in 40 minutes. I am referring to the Ashley amendments and all amendments thereto.

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

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Indiana (Mr. DENNIS).

Mr. DENNIS. Mr. Chairman and members of the committee, I would not like to have this debate close leaving the impression that only those who are inclined to be ill disposed toward business or the free enterprise system or who want to make it a political whipping boy are opposed to this bill. I believe the committee knows that I do not belong to this school of thought. I am a free enterprise man and I am opposed to this bill for that very reason.

Not everyone of my general persuasion agrees on this matter, as is only natural, because it is a controversial bill; but let us consider the bill for just a moment.

It sets up a governmental board to take care of sick and ailing industries which come in and want to apply for Government assistance. I submit that this is an unhealthy practice. These industries must come in to a political body, and these men on the board are going to be under terrific political and economic pressure. Their judgment is a flexible one under this bill, as it probably has to be. Under the bill they can waive requirements, as may be necessary. I submit to the committee that what will happen is that the friends of the administration in power, whatever that administration may be, are going to get loans, and are going to get waivers, and are going to get favors, and we will have a very sick and unhealthy climate created.

This would be true under either the present bill or the bill with the amendment now proposed. The bill is perhaps a little better with the amendment in it, but nevertheless it is a special-interest measure with the amendment, because it is designed and tailored for one particular corporation. Even though under the proposed amendment you do have to come back to the Congress to obtain additional loans, which is a slight improvement, I submit that this body, too, is very ill qualified to pass upon applications of that kind. The bad principle still remains.

The question of employment and the question of national defense have been exaggerated here, because everyone knows that this company, the Lockheed Corp., if it does go into bankruptcy, is going to reorganize under section 10 of the Bankruptcy Act, and the trustee appointed by the court is still going to run the business as is necessary in order to make a profit.

The main thing wrong with this bill is that it is inconsistent with free enterprise, because it starts us down the wrong road. It brings about an illegitimate marriage between Government and industry which cannot work properly. It sets a bad precedent from which we are never going to be able to get away.

Perhaps, Mr. Chairman, I am too much of a purist, because I believe in free enterprise, and it is possible that free enterprise in this country is, perhaps, already dead. However, I do not want to help celebrate its funeral here this afternoon by further voting for and accelerating its demise.

Therefore, Mr. Chairman, I oppose the bill.

The CHAIRMAN. The Chair recognizes the gentleman from New York (Mr. PIKE).

Mr. PIKE. Mr. Chairman, I know I oppose this bill and I think I oppose this amendment too.

We have in the United States of America five automobile manufacturers and last year they manufactured 6,550,203 automobiles and three of them manufactured 6,300,000 of those automobiles.

We made less than 9,000 planes in all of America last year, but we used 20 manufacturers to do it.

We are not short of airframe producers in America. We are short of aircraft engine producers in America. We have 20 companies making airframes while there are only two companies in the United States of America who make the big engines which we need to drive the planes. We have Pratt & Whitney and we have General Electric.

So, what this bill does is it bails out another airframe manufacturer, of which we have a surplus coming out of our ears. It sends all of the money for the engines on the L-1011 over to a competitor in England. We are not helping America where America is weak and that is the aircraft engine manufacturing process. We are helping America where we have a surplus and a capability coming out of our ears.

Mr. Chairman, as to this particular amendment, what concerns me about it is what we are saying. We are saying we are going to save the biggest one. Well,

if we have this surplus aircraft manufacturing capability which I see in America, if we save the big one today, the next to the biggest one is going to be in next year and then the smaller ones are going to be in the year after that, because what we are doing is preserving something for which there is not an adequate demand at the present time.

What we are saying by this amendment is that we are favoring the very biggest and we are going to save it, but if you are anything less than that, we are going to let you go down the drain.

Mr. GERALD R. FORD. Mr. Chairman, will the gentleman yield?

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

Mr. GERALD R. FORD. I am sure the gentleman from New York (Mr. PIKE) recalls that 4 or 5 years ago the Congress did approve legislation that financially helped one of the smallest automobile manufacturers by a very significant change in the tax laws. So, there is a precedent for helping industry. The gentleman mentioned the automotive industry and the Congress did do that a few years ago.

Mr. PIKE. But we have still only three major automobile manufacturers and besides that you have American Motors and Checker. We have 20 aircraft manufacturers in America and I will bet my bottom dollar that if we pass this legislation and one of the smaller ones comes in which is in real difficulty, they will not in a million years get the kid glove treatment which has been given here to the biggest defense contractor in the country.

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. ECKHARDT).

Mr. ECKHARDT. Mr. Chairman, I wish to point out something about bankruptcy reorganization under chapter 10, and reorganization that preceded that under 77(b), that has not been fully appended here.

Now, I was very fascinated by the gentleman from Pennsylvania's comparison in his parable concerning the dinosaur in the backyard. I think he made it aptly as an illustration of the fallacy of disturbing economic Darwinism, but I would like to point out that there is not a dinosaur in our backyard which will die and rot if we do not feed it. A corporation is not a human being, and it is not any kind of animal being. It is a great complex of relationships, of powers, of lines of control and ties and forces which, operating in a certain pattern, can produce certain results. Such a corporation owns property, it employs people, but the dissolution of the corporation itself is not the death of a dinosaur, it is the unloosing of these strings and ties so that they may be taken up by other business forces.

I would like to point out to you that 77(b) has been used for reorganization of a number of large corporations. Twentieth Century-Fox, for instance, and many other big corporations.

A court order approving a chapter 10 petition is no warrant that a reorganization is assured, but it provides a reasonable opportunity for a disinterested

trustee under court supervision to explore the prospects of a plan.

In this particular instance, this device could be used under reorganization of a corporation: The trustee may determine himself what portions of the corporation to operate, those parts that are necessary as, for instance, for defense. Were Lockheed in reorganization section 216 (10) (11 U.S.C. 616 (10)) would permit the chapter 10 trustee to sell an operating division and keep and operate another one. The retained division could be the recipient of favorable contracts or of renegotiated contracts that might pull them out of their difficulties.

But let me point out to you one thing that this bill does, it overreaches. It provides that once we make this \$250 million additional loan, "The Board shall take all steps necessary to assure such priority against any other persons." See section 6(f) (1). Let us suppose that this corporation does go into reorganization under chapter 10. If it does, these claims of the bank are, or may be arguably, superior even to the costs of administration under chapter 10.

This would mean that Lockheed employees, suppliers, subcontractors, and all others who supply goods and services to the trustee cannot be paid unless the guaranteed loan is paid in full or adequate and sure provisions are made therefore.

So what we will do if we pass this law is assure that, if this loan does not work and does not pull Lockheed out of its dire financial difficulties, chapter 10 reorganization will not be practically available because employees, suppliers, subcontractor, and all others who supply goods and services to the trustees may not be assured payment. The banks have a \$250 million claim at least arguably superior to theirs. We thus assure bankruptcy or strongly incline the result toward bankruptcy.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio (Mr. J. WILLIAM STANTON).

Mr. J. WILLIAM STANTON. Mr. Chairman and members of the Committee, I rise in support of the amendment offered by my colleague, the gentleman from Ohio (Mr. ASHLEY).

I think that in many ways the amendments that the gentleman has offered improve the bill that was presented to the Committee earlier, and which came out of our committee.

I am particularly pleased that the gentleman saw fit to change the membership of the Board in which the membership of the Board, as you all now know, will be made up by the Secretary of the Treasury, the Federal Reserve Board Chairman, and the Securities and Exchange Commission Chairman.

Beyond that, Mr. Chairman, I would simply like to say that, as one of the members of the committee, that my first feelings and observations concerning this matter were to be against it. The witnesses appeared and testified over a period of several weeks. And when you sit there hour after hour and you hear the testimony of the Chairman of the Federal Reserve Board and the testimony of the Secretary of the Treasury of the

United States of America, and you hear the thoughts and the thoughts of other such people who are in charge of the finances of this country, you could come to only one basic conclusion, in my opinion, the thought of bankruptcy of this particular corporation and the after effects that this would have on employment throughout our country, are devastating to think about.

I figured that they know far more about the intricacies of the financial industries of this country than I do, and I am willing to accept their word for it.

Mr. Chairman, I shall vote for the amendment and vote for the bill.

The CHAIRMAN. The Chair recognizes the gentleman from California (Mr. ROYBAL).

Mr. ROYBAL. Mr. Chairman, the following statistics should be carefully considered. The \$500 million in corporate and personal income tax revenues, \$1.4 billion in investments, a \$2.5 billion sales backlog, and thousands of jobs are in jeopardy if the Congress does not adopt the proposed \$250 million loan guarantee to the Lockheed Aircraft Corp. in some form.

The cancellation of the L-1011 aircraft would have severe repercussions to the aerospace industry in southern California. It is virtually certain that the 17,000 Lockheed employees assigned to the L-1011 program, plus an additional 15,000 employed by subcontractors, would immediately be left without jobs. This would add 32,000 to the 130,000 already unemployed in aerospace alone. Unemployment now stands at 6.1 percent of the labor nationally, and at 7.5 percent in the five-county area of southern California. More than 345,000 people are out of work in those five counties—265,000 in Los Angeles County alone. The collapse of Lockheed would not only increase, but complicate, the unemployment picture in that area of California.

Moreover, the average age of the Lockheed-California company employee is 44.4 years, while the average seniority is 13.5 years. Of this total work force, there are 10,000 employees over 50 years of age; nearly 6,000 over age 55; and 4,000 over age 60. One can sympathize with these older workers who, in the event of bankruptcy, would indeed have difficulty finding work in an already depressed aerospace industry.

These statistics are bleak and do not begin to account for the many thousands of workers who have exhausted their unemployment benefits or are currently underemployed. If Lockheed should collapse, I am certain that thousands more would be driven to some form of Federal assistance—eventually welfare. Currently one out of every eight persons, or more than 907,000 persons, are receiving welfare assistance in Los Angeles County. Each additional welfare recipient caused by unemployment and the exhaustion of unemployment benefits represents an additional cost—to the county of \$365 per year; to the State of \$698 per year; to the Federal Government \$1,163 per year, for a total of \$2,326 per welfare case per year. The collapse of Lockheed might well result in the addition of 60,000 additional individual welfare cases

in southern California alone at an astronomical cost to the local taxpayer in additional local property taxes and State and Federal income taxes. From these statistics one can see that Lockheed's collapse would be disastrous to the Nation's economy in general and to those workers involved in particular.

I am convinced that we must continually bear in mind the grave threats to the unemployment situation and consequently to the Nation's economy which would result if the Lockheed Aircraft Corp. perishes. I believe the benefits to the aerospace industry and to the Nation's economy would be heightened with the granting of this loan guarantee. It is a modest risk on the part of the Federal Government. Weighed against the certain disaster facing those to be added to the unemployment and welfare roles if we fail to act, I urge my colleagues to support this proposal for a guaranteed loan.

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

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

Mr. SCHERLE. I thank my distinguished colleague for yielding.

Mr. SCHERLE. Mr. Chairman, Congress is in the midst of debating whether to provide emergency loan guarantees for corporations on the skids. The focus and principal cause of the controversy is Lockheed Aircraft, a major producer of civilian and military airplanes. Lockheed officials contend that unless the company can borrow \$250 million immediately, it will go bankrupt. But Lockheed is so widely known as a poor credit risk that no bank or consortium of banks will lend the money unless the Federal Government guarantees the loan. It is widely acknowledged by just about everyone in the business community—except Lockheed officials—that bad management is the source of the company's troubles. Bankrolling Lockheed would amount to subsidizing sloppiness and rewarding inefficiency and waste in the private sector with public funds.

The administration supports the measure because it does not want to see a major defense contractor go under, and because it wants to avoid the possibility of throwing 60,000 people out of work. If Lockheed declared bankruptcy, however, its creditors would probably take over management of the company rather than liquidating it, and a new and healthier enterprise might emerge.

Regardless of the fate of this one company, however, the Government should not get into the business of subsidizing the mistakes of private corporations. If we wish to preserve even a vestige of the free enterprise system, which is the source of this Nation's strength, we should insist that private businessmen take the consequences of their own errors without looking to Uncle Sam to bail them out. Entrepreneurs who are willing to take risks in order to make profits must also be willing to accept losses. Lockheed's managers certainly do not come to us asking to share their profits—in fact, this company has been one of the prime offenders in giant cost overruns—so why should we absorb their losses?

The Lockheed proposition, moreover, could have limitless ramifications. Many big companies could argue that their continued prosperity affects the national interest. If we rescue Lockheed from the consequences of its own bad management, why not countless others? What incentive will faltering companies have to compete effectively in the marketplace if they can always fall back on Federal aid? The American taxpayer already bears far too many burdens to assume what is rightfully the responsibility of private enterprise.

Mr. GROSS. Mr. Chairman, at the outset let me say that I have not been entertained lately by the bankers of New York or anywhere else, and I do not feel at all left out. And I have not been paid any honorariums lately to the tune of \$6,000 or even \$1,500, and I do not feel left out.

Mr. Chairman, I am opposed to this amendment to provide \$250 million for the reason that I think it is a come-on. It is less worse than \$2 billion, but I believe it is a come-on. I would not be at all surprised to learn that manipulations are already going on, and this bill, if it is approved for \$250 million, will come back from the other body doubled, to the tune of about \$500 million, and perhaps more. I wonder if we will hear anyone on the floor of the House, if this passes—and I hope it does not—stand on the floor of the House today and say that this bill will come back from the other body with only the \$250 million in it as approved by the House.

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

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

Mr. REUSS. I will be glad to stand up and say that if a bill providing \$250 million passes, and if I am a member of the conference committee, I will fight to the end to see that no more is added, and I will vote against any such proposal.

Mr. GROSS. I know the gentleman's feelings on this matter. But I was waiting for the gentleman with the plaid vest to rise and say that the House conferees will fight to the end for \$250 million and no more.

Mr. Chairman, I have heard practically all the debate this afternoon, and I am beginning to wonder whether this bill is to bail out Lockheed or the British Rolls Royce engine company. It seems to me that I heard a little while ago from, I believe it was the gentleman from Rhode Island, that the crack of the dinosaur's tail was in England and Ireland.

Mr. ST GERMAIN. That is correct, 30,000 jobs.

Mr. GROSS. So, is this a bill to bail out Lockheed or is it a bill to bail out Rolls-Royce? I am not interested in bailing out Rolls-Royce. We ought to do business, as others have suggested, in the United States of America. This country can provide an engine capable of flying any plane, and I am not interested in bailing out the British in this deal.

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

Mr. GROSS. I yield to the gentleman from Texas.

Mr. PATMAN. I assure the gentleman that, as far as I am concerned, if the

House adopts the amendment providing a \$250 million guarantee, conferees will be appointed upon my recommendation and Mr. Widnall's recommendation that will stand by the will and desire of the House.

Mr. GROSS. "Until death do us part." I have heard the Chairmen of other committees arise on the floor and make the same statement. I will not go into detail now, but some of them are on the floor now, one in particular. They tell us that the Senate is not going to write legislation for the House, and all too often we have gotten it right between the eyes in conference with the Senate.

The CHAIRMAN. The Chair recognizes the gentleman from Rhode Island (Mr. ST GERMAIN).

Mr. ST GERMAIN. Mr. Chairman, the amendment in fact does improve the bill that came out of the committee to a great degree. Yet we should consider the fact that on a piece of legislation as important as this, we had one witness, Chairman Burns of the Federal Reserve Board. He was the only witness we had on this item. He testified for approximately 2½ hours on the last afternoon of the hearings.

Once again, I repeat, we are legislating without really having studied the matter at all.

As for the American Motors situation, we have heard that referred to by the very capable minority leader, but it seems to me that was an amendment sneaked in on the Senate side.

Mr. GERALD R. FORD. If the gentleman will yield, my recollection is that it was a very beneficial tax proposal for American Motors from Wisconsin. I do not believe the distinguished chairman of the Ways and Means Committee and the ranking minority member would try to sneak anything through.

Mr. ST GERMAIN. I said it was sneaked in on the Senate side. It was a Senate amendment and, when the legislation came back to us, as with all legislation in this area, there was no opportunity to vote on the separate item, so we had to buy it.

Mr. GERALD R. FORD. I am not sure how it was approved in the other body, but the fact is that American Motors got a very generous tax benefit.

Mr. ST GERMAIN. I agree wholeheartedly, and I yield to the gentleman no further.

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

Mr. ST GERMAIN. I yield to the gentleman from California.

Mr. ROUSSELOT. I thank the gentleman, Mr. Chairman, I am sure the gentleman from Rhode Island would recall that Deputy Defense Secretary Packard said he did want a very minimal amount, \$250 million to be exact, so I do think we ought to legislate it that way.

Mr. ST GERMAIN. We ought to bring that up.

Mr. ROUSSELOT. Yes, let us talk about it.

Mr. ST GERMAIN. Mr. Packard came before the committee and said he wanted \$250 million. He came before our committee, and he changed his testimony. He wanted \$250 million, but the admin-

istration wanted \$2 billion. I wonder where the gentleman stands now?

Mr. ROUSSELOT. If the gentleman remembers, Mr. Packard was very candid in his remarks, saying he favored a \$250 million loan guarantee, because, he stated, that the Defense Department shared the responsibility in making it very difficult for Lockheed to perform on this unbelievable contract introduced by Secretary McNamara, as the gentleman knows. So the record does show that there were several witnesses who favored the \$250 million loan guarantee.

Mr. ST GERMAIN. But by the same token, when I asked Mr. Haughton if he would do it over again, would he once again bid on this type contract, he said, "I probably would."

The fact remains that Mr. Packard came up and in his original testimony said he favored \$250 million, and then he was forced to go for the \$2 billion, and I end on this note. Where will the administration stand when this comes out at \$250 million?

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. PATMAN).

Mr. PATMAN. Mr. Chairman, I will not take the 3½ minutes, but I hope the House will adopt these amendments offered by the gentleman from Ohio (Mr. ASHLEY), and we will send the legislation to the Senate. I hope the Senate will adopt it completely. If they do not, I believe they will substantially. But if they were to attempt to raise it by any amount above \$250 million, we will ask for a conference. On that conference will be men and women who believe in carrying out the spirit and the will of the House, and we will be adamant in that. I assure the Members I personally believe this is in the best interests of our country and in every way in the interests of the taxpayers especially, as well as everybody else. I hope and trust the amendments are adopted by a big vote so as to impress the other body.

The CHAIRMAN. All time has expired.

The question is on the amendments offered by the gentleman from Ohio (Mr. ASHLEY).

The amendments were agreed to.

AMENDMENT OFFERED BY MR. COLMER

Mr. COLMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COLMER: Page 7, on line 10 insert "(a)" immediately after "Sec. 3." and insert immediately below line 13 the following new subsection:

(b) No guarantee agreement made under this Act shall provide for the payment under a guarantee of more than 90 percent of the outstanding unpaid balance of principal and interest which is due and owing on a guaranteed loan at the time payment under the guarantee becomes required.

Mr. COLMER. Mr. Chairman, I ask unanimous consent that the amendment may be reread, because there was so much confusion in the Chamber I could not even hear it myself.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The Clerk reread the amendment.

Mr. COLMER. Mr. Chairman, let me say, if I may have the attention of those who are interested in this bill.

What I am trying to do here is to place this loan upon a parallel basis with the loan that is made under the SBA to small business.

I addressed the House briefly earlier today on the rule and pointed out I had wrestled with this problem in my own conscience for the last several weeks trying to make up my mind whether it was to the interests of the country or not to have this loan made. I reluctantly came to the conclusion that it was to the best interests of the country, for the reasons that have already been adduced here this afternoon and which I do not have time to reiterate.

I find it very difficult to understand how some of the people who call themselves "liberals" can oppose this bill when the people whom they are most interested in are the people who would be the greatest beneficiaries of this loan—the working people.

But I come back to the proposition and reiterate what I said earlier, that I do not believe big business within itself is bad business. I believe under our system of government little business and big business should be treated alike.

Under the SBA—I believe it is section 7 of that bill—the Government guarantees 90 percent of the loan and the bank guarantees 10 percent. So what this amendment would do, in just a word, is to say that in addition to the liabilities—and I recognize that—which the banks already have, of some \$400 million, because of the great stake they have in the Government coming to their rescue here, they ought to be willing to participate for an additional 10 percent of the risks involved in this new loan.

That is all there is to it.

I have not counted any heads around here, and I do not know what chances you have of passing this bill or what chance you have of losing it, but I say it would make it much more palatable to a lot of us who have had trouble making up our minds if this amendment were adopted.

Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

Mr. COLMER. I am happy to yield to my good friend from Maryland.

Mr. LONG of Maryland. I applaud the gentleman's amendment. I think he has introduced something which is equitable and worthwhile. I do think big business should certainly not be treated any more generously than small businesses.

Would not the gentleman agree that this is a kind of a 10-percent token of good faith? If the banks and others are not going to put up 10 percent to save their own skins, then it may not be worth saving.

Mr. COLMER. I thank the gentleman for his comments.

I now yield to my good friend from Alabama (Mr. ANDREWS).

Mr. ANDREWS of Alabama. If I remember correctly, the bankers told the committee they would not guarantee one dime of the \$250 million. Is that not right, Mr. Chairman? In other words, they have a 100-percent guarantee and

not 90 percent like small business applicants have. Is that not right?

Mr. COLMER. Well, of course, if the gentleman will permit me—

Mr. ANDREWS of Alabama. It might be true the gentleman's amendment would make it such that the bankers would not accept this guarantee.

Mr. COLMER. Well, if they do not, then they run the risk of losing their \$400 million.

Mr. ANDREWS of Alabama. Well, it is right that they said they would not.

Mr. COLMER. Very well. But let the Congress act. It is the responsibility of the Congress to try to protect the taxpayers.

Mr. LONG of Maryland. Would the gentleman yield again for a question?

Mr. COLMER. I am very glad to yield to the gentleman.

Mr. LONG of Maryland. Would the gentleman's amendment then allow the \$250 million to be put up with an additional 10 percent by the companies, or does this knock \$25 million off and the Government then only guarantees \$225 million?

Mr. COLMER. The bank puts up the money, the \$250 million. All this amendment would do is to say that in the event the company went bankrupt they would share up to 10 percent in the losses.

Mr. LONG of Maryland. And the Government would only lose then \$225 million. Is that right?

Mr. ASHLEY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this amendment may have superficial appeal, but I earnestly suggest that it should be voted down.

The very distinguished chairman of the Committee on Rules has suggested to us that we should not treat big business any differently than small business. He suggests further that since the Small Business Administration loans are made at 90 percent that this rule should be applied to the legislation under consideration here. This is a comparison of apples and oranges, because, as a matter of fact, under the Small Business Administration program the Government does not insist that its position in terms of collateral be prior to that of other creditors, but in this legislation this is what is provided for. So there is no similarity between the operation of the Small Business Administration program and this program. Yet it is insisted under this amendment that the banks be guaranteed only 90 percent of the risk.

Mr. Chairman, let me make this clear. This is shooting craps with the national interest, because we have the testimony of the 24 banks involved that they are so far committed, \$400 million worth, that they, in the absence of a guarantee of the extent of the loan, not 90 percent or 99 percent, will not make it.

So, if we were to adopt this amendment and if this were to be written into the law, we would be saying to the banks, "You either contradict the testimony that you gave before the committee to keep Lockheed solvent on this basis or you do not." This is shooting craps with the national interest.

Mr. Chairman, I would strongly urge that there is no similarity between the SBA program and this particular legis-

lation. Superficial appeal, yes. But let us look beyond the superficial appeal. The programs are not comparable; they are not parallel.

Mr. Chairman, we had better realize what we are talking about at this 11th hour is a most complex kind of arrangement where the banks have said they will take a secondary position in terms of collateral—totally secondary to the position of the United States—if there is the 100-percent guarantee.

Mr. Chairman, if we are going to start to pull apart the agreement and the package that has been entered into on a preliminary basis and that package involves Great Britain, our State Department, our Treasury Department, and all that has gone into this, then I say we are doing it at the peril of the national interest.

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

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

Mr. BROWN of Michigan. I concur in what the gentleman says. Would not the gentleman agree that, really, to have the banks subordinate their loans to the Government's lien, is worth a lot more than 10 percent?

Mr. ASHLEY. The fact of the matter is that the banks' agreement to take a secondary position was based upon the 100-percent guarantee.

Mr. Chairman, if we adopt this amendment, the banks, obviously, are going to say that this is not a part of the preliminary agreement that we reached; if it is only 90 percent, then we will have to take another look at the position we took with respect to the collateral.

Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Maryland.

Mr. LONG of Maryland. I thank the gentleman for yielding. I understand the position of the banks, because they are in this thing to the extent of about \$400 million, are they not?

Mr. ASHLEY. At the present time they are.

Mr. LONG of Maryland. However, this is money they are going to lose if the whole enterprise collapses.

Mr. ASHLEY. That is true.

Mr. LONG of Maryland. I am a little bit puzzled as to why the banks will do something to the extent of \$400 million but they will not go out on the limb for another \$25 million in order to save the \$375 million.

Mr. ASHLEY. I can only respond to the gentleman that it does come at a point at which the risk involved simply does not permit the banks to extend further credit.

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

Mr. MOSS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment.

I want to agree with the gentleman from Ohio that this is not in fact comparable to the Small Business Administration loans. However, I think it might be advisable for us to make it more like Small Business Administration loans and ask for this 10-percent participation by

the lending institutions in this additional \$250 million.

I think one of the points that ought to be made here is that they have a rather curious arrangement under the present loans of \$400 million, and I assume the requirement of 20 percent being maintained in the lending institutions as compensating balances will continue for this added \$250 million. Now, they have the use of about \$80 million as compensating balances under their present \$400 million of loans. They are going to be placed in a more favorable position with this new \$650 million package. I might point out that not the Government of the United States, but these lending institutions which are going to subordinate their loans are going to be placed in a more favorable position because of this, because the Government of the United States is doing 90- to 95-percent of the business with Lockheed, and in the event of bankruptcy, under the situation existing at this moment, has a prior claim over all the creditors.

And that becomes less; as a matter of fact, the Government is going to have to support the role as a creditor against Lockheed on this loan guarantee agreement.

Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

Mr. MOSS. I yield to the gentleman from Maryland.

Mr. LONG of Maryland. Mr. Chairman, would the gentleman from California agree with me that this gigantic corporation should be able to pull in its belt and find somewhere \$25 million?

Mr. MOSS. Of course it could.

We have been discussing here all afternoon everything but the realities of the situation. The alternative is not bankruptcy and forced liquidation of the Lockheed Corp., the alternative would be to go into a Federal court and seek an orderly reorganization under chapter 10 of the bankruptcy laws. And the trustee would be empowered to insure and in fact would have to insure the continued operation of the company.

The only people who might be hurt would be Rolls-Royce because they would not come under that. Undoubtedly an arrangement would have to be made to produce the engines required here domestically rather than across the ocean.

Mr. LONG of Maryland. Mr. Chairman, if the gentleman will yield further, I think the gentleman would agree that bankers are pretty practical people, and that, if a group of banks gave another group a proposition like this, the latter would leap at it. As a matter of fact, I would like to make a little wager to someone on the other side—

Mr. LONG of Maryland. Then I would like to wager a dinner at a clean restaurant—if one can be found in Washington—that the banks would not turn down this proposition.

Mr. MOSS. The practicalities of the lending institutions are evidenced and brought sharply into focus by the fact that we are at this moment considering this legislation.

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

Mr. MOSS. I yield to the gentleman from New York.

Mr. STRATTON. Mr. Chairman, I want to rise in support of the amendment offered by the chairman of the Committee on Rules, the gentleman from Mississippi (Mr. COLMER). There seems to me to be nothing very unusual about this procedure, because when we were talking about the SST it was alleged that it was foolish to put in Federal money into that project if the banks were not willing to put up any of their own money. So, I do not believe it is unreasonable in this case to suggest that the banks ought to put up 10 percent of the money for the Lockheed loan. The two situations seem to me to be similar. I believe that the gentleman from Mississippi is offering a very sound amendment.

Mr. J. WILLIAM STANTON. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, I take the time of the Committee at this late hour for a very important reason, and that is to point out to the Committee and to point out to the very distinguished chairman of the Committee on Rules, the gentleman from Mississippi (Mr. COLMER), who I would say would rank as the most beloved Member of this House, that the amendment that he has introduced, as the gentleman from Ohio (Mr. ASHLEY) has tried to explain, completely eliminates the possibility of the Secretary of the Treasury making any arrangements and completing the arrangements that have been made, that brought this bill before us today.

I will tell you why this is so: First of all, the difference between the Small Business Administration and what we are doing here has been explained. You should understand this, also, that the banks, as I understand it, have \$400 million invested, and they have collateral. We are making a loan guarantee of \$250 million. We are taking the collateral and we are now into a \$650 million program for the banks.

What the gentleman is insisting upon is that the banks participate in 10 percent of any loss, as I understand the gentleman's amendment, and the Federal Government would participate in 90 percent. But I say to you that already the banks have some 62 percent involved when you consider the \$650 million.

In addition to this, if this bill goes through, there are some \$450 million in commitments with the airlines, suppliers, and the rest, in addition to what is already paid into the particular program. You have no loan guarantee with that.

So I say to the very distinguished and very popular chairman of the Committee on Rules that this would be a very crippling amendment in my opinion, and I wish sincerely that the gentleman would reconsider his amendment.

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

Mr. J. WILLIAM STANTON. I yield to the gentleman.

Mr. STEPHENS. Mr. Chairman, I want to point out that I value the opinion of the gentleman from Mississippi. But I want to point out to the House that we considered this in committee. This proposal was made in the commit-

tee. This proposal would add no security whatsoever to what they are already giving.

In addition to that, we would be putting the banks in a much more precarious position than they are already in.

Mr. GERALD R. FORD. Mr. Chairman, will the gentleman yield?

Mr. J. WILLIAM STANTON. I yield to the gentleman.

Mr. GERALD R. FORD. Mr. Chairman, let me make two points very, very quickly.

First, the Government is giving a 100-percent loan guarantee under the bill and the Government is not going to lose a dime because they have all of the assets of Lockheed available. Therefore, the Government's position is better than if this amendment were to be passed.

The second point is—and this is the important point—this is an arrangement that has been finely drawn after much negotiation. It is an agreement on many sides. If any action is taken that undermines that arrangement in toto, then the whole thing falls apart and you will have the most adverse impact on the economy of the United States, at least during my service in the Congress over the past 22 years.

I warn you that any adverse action that is taken to disturb this arrangement would have very serious ramifications throughout the United States.

I hope this amendment is defeated, Mr. Chairman, as much as I like, admire, and respect the distinguished gentleman from Mississippi.

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

Mr. J. WILLIAM STANTON. I yield to the gentleman.

Mr. COLMER. Mr. Chairman, in reply to the very able and lovable leader of the minority, may I ask him for whom he speaks, when he says it is all cut and dried and agreed to. Is he speaking for the House? Is he speaking for his side as a party? Who is he speaking for? Is he speaking for a few who have gone together here and who have said this will not work out and something should be worked out?

I wrote up quite a speech here earlier today why I would vote for the bill.

I still think they ought to participate in this. They are the people who stand to lose \$400 million unless the Government comes to their rescue.

Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

Mr. J. WILLIAM STANTON. I yield to the gentleman.

Mr. LONG of Maryland. Mr. Chairman, I am a little puzzled by the statement made by the minority leader that the Government is in a sense guaranteeing against losing this money because the banks have put up this \$400 million and stands behind it.

If that is—if this is such a good proposition that the Government cannot possibly lose this \$250 million, why has not some consortium of banks come forward to do what the Government is being asked to do?

Mr. GERALD R. FORD. The banks have already put up \$400 million. They

have certain collateral that protects this interest. They will put up \$250 million more except the U.S. Government will guarantee this portion of the total borrowings. The U.S. guarantee is protected by the \$400 million in collateral that the banks have at the present time. So the Federal Government has \$650 million in collateral to protect a \$250 million loan.

Mr. PATMAN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I admire and respect the distinguished and able chairman of the Committee on Rules very much. In fact, he is one of the most popular Members of this House and he deserves that recognition and that honor.

When the gentleman mentioned the subject to me I thought it sounded very good. But when I began to consider the fact that we are working with a deadline, first, and a definite amount, second, I take a different view. The package deal has been put together by the Secretary of the Treasury and others relating to this. We have been given notice that the British Government will not live up to its agreement longer than August 8. If we do not come through with our part before that time, they are no longer responsible. We have the same notice from Rolls-Royce. Therefore, we must operate under a deadline.

It is possible that many of you object to that. I object, too, but at the same time it is a package deal. We must do it or not do it. It is a question of whether we want to save this company, to save some 34,000 small businessmen, and at the same time it will prevent further unemployment. I believe in view of the fact that this deadline is approaching, and in view of the fact that we are dealing with a definite amount, \$250 million, any change in this arrangement will probably result in a dispute between the two Houses. We would then go to conference and possibly be delayed longer than the deadline.

We are running that risk. It is not necessary to do it. This is too small to run such a risk. It means a lot to our country, to the unemployed people, and we want to do something that will be helpful. I believe passing this bill as it has been recommended here up to now will get the job done.

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

Mr. PATMAN. I yield to the gentleman from Mississippi, the distinguished chairman.

Mr. COLMER. I thank the chairman of the Banking and Currency Committee, and I return all the compliments he paid me without reiterating them.

Has the Senate acted upon this bill?

Mr. PATMAN. They are acting on it now. We are trying to stop the filibuster. If we pass the bill now as we have it, we will stop the filibuster over there. Otherwise it will continue.

Mr. COLMER. Can the gentleman give us a U.S.F. & G. bond that that will happen?

Mr. PATMAN. No; but the leaders over there are pretty good, and yesterday the leaders agreed to do this and then they tried to change it. They were unsuccessful, and the people who really caused it

to be scuttled I think are favorable to it now.

Mr. COLMER. The gentleman thinks so, but I would wager to my friend of long standing that the other body will not pass the package that you are asking for and you will have to go to conference. Now, you can work out this amendment if it is adopted. But I am sure the gentleman will agree with me that we in this body have our own obligation to legislate.

I want to ask the gentleman one question. This was considered in your committee; was it not?

Mr. PATMAN. It certainly was.

Mr. COLMER. And it was voted down by how many votes? Was it by a vote of 18 to 16?

Mr. PATMAN. That was the vote on the \$2 billion proposal. That pertained to the \$2 billion rather than the \$250 million.

Mr. COLMER. I am informed—

Mr. PATMAN. Your proposal did not come to a vote.

Mr. COLMER. I am informed that it did.

Mr. PATMAN. The gentleman from Ohio (Mr. ASHLEY) said that it was apples and oranges, entirely different, not comparable.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MOORHEAD. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Pennsylvania is recognized.

Mr. MOORHEAD. Under the Small Business Administration law, no matter whether a bank has already made a loan, defers and agrees to let a guaranteed SBA loan have priority ahead of it, still under the law passed by the Congress of the United States the maximum guarantee is 90 percent. I submit that we should do no more for big business in the United States than to provide the 90-percent guarantee. If the banks are genuinely sincere, they will go along with it. Therefore, I support very strongly the amendment of the gentleman from Mississippi.

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

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

Mr. PATMAN. I wonder how many Members wish to be heard on this particular amendment. I intend to ask unanimous consent that debate be limited on the amendment and all amendments thereto to 10 minutes.

Mr. MOORHEAD. Mr. Chairman, I observe the gentleman from Louisiana standing. I would be glad to yield the rest of my time to him.

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

Mr. WAGGONNER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, several months ago I discussed at length this proposed amendment with the members of the committee and a number of people on both sides of the aisle, who were concerned about what we might do that would parallel what we are doing in the instance of guaranteeing Small Business Administration loans. An honest effort was made, so the members of the com-

mittee tell me, to try to arrive at something that was workable—and they could not.

I admit there is something desirable about this amendment, something attractive. I am one of those who say that we on this occasion are doing nothing more than exercising the best of poor alternatives if we support this proposal, but I am one who is convinced that the best interests of this country will be served by supporting this guaranteed loan. We have other guaranteed loan programs. Some guarantee 100 percent such as participation certificates. There is no way for the Government to lose in this particular case.

If we had before us today a proposal creating a permanent program that was going to parallel for big business what SBA does, then by all means we should incorporate some feature such as this amendment proposes into the program, but we have reduced the bill now to a one-shot \$250 million proposition. Whether there are any deals or not, there is real optimism and every reason to believe that if we pass this bill now, it having been reduced to a one-shot \$250 million guaranteed loan, the people on the other side of this Capitol early next week will consider this bill, and the filibuster over there will be ended.

Now, the banks are already in this proposition without a guarantee. They have \$400 million of their money already on loan to Lockheed. They have subordinated that \$400 million to this \$250 million. The Government has first mortgage on all Lockheed assets. Those agreements have been negotiated. They are in writing now. If, as I believe, there is something to be said for acting and acting now in the interests of the U.S. Government—and I criticize Lockheed for ever making the deal with Rolls-Royce in the first place, I would rather they had American engines, but with the prospect of Britain dropping out and with the overall picture what it is, as attractive as this amendment is, if we want this program consummated, if we want this loan made to serve the best interests of the economy and the Defense Establishment of this country, then I think we ought to vote down this amendment and, as distasteful as it is, let us vote finally for this proposal and I admit I am going to have to hold my nose to do it.

So, Mr. Chairman, I urge the rejection of the amendment offered by my colleague, the gentleman from Mississippi (Mr. COLMER).

The CHAIRMAN. The question is on the amendment offered by the gentleman from Mississippi (Mr. COLMER).

TELLER VOTE WITH CLERKS

Mr. DINGELL. Mr. Chairman, I demand tellers.

Tellers were ordered.

Mr. DINGELL. Mr. Chairman, I demand tellers with clerks.

Tellers with clerks were ordered; and the Chairman appointed as tellers Messrs. COLMER, ASHLEY, PATMAN, and J. WILLIAM STANTON.

The Committee divided, and the tellers reported that there were—ayes 176, noes 205, not voting 53, as follows:

[Roll No. 226]
[Recorded Teller Vote]

AYES—176

Abbitt	Frey	O'Byrne
Abouzeck	Fuqua	O'Hara
Abzug	Gallifanakis	Perkins
Addabbo	Garmatz	Pickle
Anderson,	Gaydos	Pike
Tenn.	Gibbons	Powell
Andrews, Ala.	Gonzalez	Preyer, N.C.
Andrews,	Green, Oreg.	Pryor, Ark.
N. Dak.	Green, Pa.	Quile
Archer	Gross	Randall
Ashbrook	Gude	Rangel
Aspin	Haley	Rarick
Badillo	Hall	Reuss
Barrett	Hamilton	Rlegle
Begich	Hammer-	Roberts
Bennett	schmidt	Robison, N.Y.
Bergland	Harrington	Roe
Bevill	Harvey	Rogers
Blaggi	Hechler, W. Va.	Roncallo
Blester	Helstoski	Rosenthal
Bingham	Henderson	Roush
Blatnik	Hicks, Mass.	Runnels
Boland	Hicks, Wash.	Ruth
Brademas	Hogan	Ryan
Broomfield	Hosmer	St Germain
Burke, Mass.	Howard	Sarbanes
Burleson, Tex.	Hutchinson	Scherle
Burlison, Mo.	Ichord	Scheuer
Burton	Jacobs	Schmitz
Byrne, Pa.	Jarman	Schwengel
Chisholm	Jones, N.C.	Scott
Clancy	Karh	Seiberling
Clawson, Del.	Kastenmeier	Slack
Cleveland	Kazen	Smith, Iowa
Collins, Ill.	Keating	Steed
Colmer	Koch	Steele
Cotter	Kyros	Steiger, Wis.
Crane	Lennon	Stokes
Culver	Link	Stratton
Daniel, Va.	Long, Md.	Stubblefield
Daniels, N.J.	Lujan	Sullivan
de la Garza	McCloskey	Symington
Delaney	McKay	Taylor
Dellums	Madden	Teague, Tex.
Denholm	Mailliard	Terry
Dennis	Mann	Thompson, N.J.
Dingell	Martin	Thomson
Dow	Mazzoli	Tiernan
Downing	Melcher	Udall
Drinan	Mikva	Ullman
Dulski	Miller, Ohio	Vanik
Eckhardt	Minish	Wampler
Edmondson	Mink	Watts
Eilberg	Mitchell	White
Evans, Colo.	Moorhead	Whitten
Fascell	Moss	Wolf
Fisher	Murphy, Ill.	Yates
Flood	Natcher	Young, Tex.
Fountain	Nedzi	Zwach
Fraser	Nix	

NOES—205

Abernethy	Chappell	Gray
Adams	Clausen	Griffin
Albert	Don H.	Gubser
Alexander	Collier	Hagan
Anderson,	Collins, Tex.	Halpern
Calif.	Conable	Hanley
Anderson, Ill.	Conte	Hanna
Annunzio	Corman	Hansen, Idaho
Arends	Coughlin	Hansen, Wash.
Ashley	Danielson	Harsha
Baker	Davis, Ga.	Hathaway
Baring	Davis, S.C.	Hawkins
Belcher	Davis, Wis.	Hébert
Bell	Derwinski	Heckler, Mass.
Betts	Dickinson	Hillis
Blackburn	Dorn	Hollifield
Blanton	Duncan	Hull
Boggs	du Pont	Hunt
Bolling	Dwyer	Johnson, Calif.
Brasco	Edwards, Ala.	Jones, Ala.
Brinkley	Edwards, Calif.	Keith
Brotzman	Eshleman	Kemp
Brown, Mich.	Evins, Tenn.	Kuykendall
Brown, Ohio	Findley	Kyl
Broyhill, N.C.	Fish	Landgrebe
Broyhill, Va.	Flowers	Landrum
Buchanan	Flynt	Latta
Burke, Fla.	Foley	Leggett
Byrnes, Wis.	Ford, Gerald R.	Lloyd
Byron	Forsythe	McClory
Cabell	Frelinghuysen	McCollister
Caffery	Fulton, Pa.	McCormack
Camp	Fulton, Tenn.	McDade
Carey, N.Y.	Gallagher	McDonald
Carney	Gettys	Mich.
Casey, Tex.	Giallmo	McEwen
Cederberg	Goldwater	McFall
Celler	Gooding	McKevitt
Chamberlain	Grasso	McKinney

McMillan	Poff	Stanton,
Macdonald,	Price, Tex.	J. William
Mass.	Pucinski	Stanton,
Mahon	Purcell	James V.
Mathias, Calif.	Railsback	Stelger, Ariz.
Mathis, Ga.	Rees	Stephens
Mayne	Reid, Ill.	Stuckey
Meeds	Reid, N.Y.	Talcott
Miller, Calif.	Rhodes	Teague, Calif.
Mills, Ark.	Robinson, Va.	Thompson, Ga.
Mills, Md.	Rodino	Thomson, Wis.
Minshall	Rooney, N.Y.	Veysey
Mizell	Rooney, Pa.	Vigorito
Mollohan	Rostenkowski	Waggoner
Monagan	Roussetot	Waldie
Montgomery	Roy	Ware
Morgan	Roybal	Whalen
Morse	Sandman	Whitehurst
Mosher	Satterfield	Widnall
Murphy, N.Y.	Schneebeli	Wiggins
Nichols	Sebelius	Williams
O'Konski	Shipley	Wilson, Bob
O'Neill	Shoup	Wilson,
Passman	Shriver	Charles H.
Patman	Sikes	Winn
Patten	Sisk	Wright
Pelly	Skubitz	Wyatt
Pepper	Smith, Calif.	Wydler
Pettis	Smith, N.Y.	Wylie
Peyster	Spence	Young, Fla.
Pirnie	Springer	Zablocki
Podell	Staggers	

NOT VOTING—53

Aspinall	Frenzel	Michel
Bow	Griffiths	Myers
Bray	Grover	Nelsen
Brooks	Hastings	Poage
Carter	Hays	Price, Ill.
Clark	Horton	Quillen
Clay	Hungate	Ruppe
Conyers	Johnson, Pa.	Saylor
Dellenback	Jonas	Snyder
Dent	Jones, Tenn.	Stafford
Devine	Kee	Van Deerin
Diggs	King	Vander Jagt
Donohue	Kluczynski	Whalley
Dowdy	Lent	Wyman
Edwards, La.	Long, La.	Yatron
Erlenborn	McClure	Zion
Esch	McCulloch	
Ford,	Matsunaga	
William D.	Metcalfe	

So the amendment was rejected.
The CHAIRMAN. Are there any further amendments?

AMENDMENT OFFERED BY MR. DINGELL

Mr. DINGELL. Mr. Chairman, I offer an amendment.

The Clerk reads as follows:

Amendment offered by Mr. DINGELL: Page 12, on line 3, insert "(a)" immediately after "Sec. 7." and insert immediately below line 14 the following new subsection:

"(b) The General Accounting Office shall make a detailed audit of all accounts, books, records, and transactions of any borrower with respect to which an application for a loan guarantee is made under this Act. The General Accounting Office shall report the results of such audit to the Board and to the Congress."

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

Mr. DINGELL. I would be very happy to yield to the distinguished Chairman, the gentleman from Texas (Mr. PATMAN).

Mr. PATMAN. Mr. Chairman, we have considered the amendment offered by the gentleman from Michigan (Mr. DINGELL) and the other one, and we have agreed that we can accept them. We have conferred with counsel and others, and we are perfectly willing to accept them.

Mr. DINGELL. I thank the gentleman.

Mr. WIDNALL. Mr. Chairman, would the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, I would like to understand this amendment a

little better. I do not have a copy of it in front of me.

Mr. DINGELL. I will be very happy to make a copy available to the gentleman.

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

Mr. DINGELL. I will be happy to yield to the gentleman from New Jersey.

Mr. WIDNALL. Does this mean that before the loan is made that there would have to be a GAO audit?

Mr. DINGELL. That is correct, there would have to be a GAO audit in regard to any loan guarantee that is made.

Mr. WIDNALL. If that is the case, this would mean that you could not possibly have the audit completed, and a copy of the audit could not possibly be ready in time to help the corporation.

Mr. DINGELL. The language of the amendment is as follows:

The General Accounting Office shall make a detailed audit of all accounts, books, records, and transactions of any borrower with respect to which an application for a loan guarantee is made under this Act. The General Accounting Office shall report the results of such audit to the Board and to the Congress.

I would say to the gentleman from New Jersey that it does not require that the audit take place before the loan is made, but the audit must, in any event, take place.

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

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

Mr. BROWN of Michigan. Mr. Chairman, the amendment offered by the gentleman from Michigan (Mr. DINGELL) says that an audit shall be made on any applicant.

Mr. DINGELL. No, it does not. It says that:

The General Accounting Office shall make a detailed audit of all accounts, books, records, and transactions of any borrower with respect to which an application for a loan guarantee is made under this Act.

Mr. BROWN of Michigan. "With respect to which an application for a loan guarantee is made under this Act," the GAO would have to audit anyone who made an application under the act.

Mr. DINGELL. The word is "borrower."

I would say to my friend, the gentleman from Michigan, that "borrower" is a word of the art, and is well understood. It means someone who borrows money. And if the gentleman will permit, with respect to which an application is made. We have here before us only one person who is going to apply for the money, and that is Lockheed. Since Lockheed is a borrower, Lockheed is going to get a GAO audit. And that is the thrust of this amendment. The audit does not come before the loan, but a GAO audit will be made.

Mr. BROWN of Michigan. If the gentleman will yield further, I think that this could be clarified so that the gentleman's intent is clear.

Mr. DINGELL. I say to the gentleman from Michigan that we are making the legislative history at this time, and it says we are going to have a GAO audit of the borrower.

Mr. BROWN of Michigan. But the language speaks to the application, it does not say with respect to the borrower who has received a loan guarantee.

Mr. DINGELL. For the benefit of my good friend, the gentleman from Michigan, a person who wants to get a loan is a borrower, and the words "with respect to which an application for a loan guarantee is made under this Act," is to define which borrower is going to be getting a GAO audit, because evidently there are many thousands of borrowers in this country.

The function of the amendment is a very simple one.

Mr. PATMAN. Mr. Chairman, would the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Texas.

Mr. PATMAN. In other words, this is after the fact, and it is not before the fact.

Mr. DINGELL. The gentleman from Texas is entirely correct. The audit is post facto as opposed to preliminary to.

Mr. PATMAN. After he has already borrowed the money.

Mr. DINGELL. The gentleman is correct, and I agree entirely with my good friend, the gentleman from Texas, and I hope my Republican friends will accept this amendment.

Mr. Chairman, I will yield to any Member of the minority who wishes to be heard.

Mr. GERALD R. FORD. Mr. Chairman, will the gentleman yield?

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

Mr. GERALD R. FORD. Mr. Chairman, it is late, and there is lots of conversation going on, but I thought I heard the gentleman from Michigan (Mr. DINGELL) say this: That the legislative history on this amendment is that the audit would be after the loan guarantee is made.

Mr. DINGELL. That is the way I read the language of the amendment. But there has to be a full and complete audit made.

Mr. GERALD R. FORD. Mr. Chairman, I have no objection to such an audit, but it would be impractical to have such an audit prior to the applicant obtaining the loan.

Mr. DINGELL. I am not trying to make an unworkable arrangement out of the bill even though I do say to my friend that I do intend to vote against it.

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

Mr. DINGELL. I yield to the gentleman.

Mr. BROWN of Michigan. If that is your intent, would you not be willing to make it much cleaner by just taking out the part that deals with the applications so that it would read:

To examine the books, records, and transactions of any borrower with respect to which a loan guarantee is made under this Act.

Mr. DINGELL. I would be happy to accept it, but I already have an agreement on the part of the minority Member and the chairman of the committee handling the legislation.

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

Mr. DINGELL. I yield to the gentleman.

Mr. MOSS. Mr. Chairman, I think the amendment improves the bill. But I would point out the unusual nature of the guaranteeing party asking for the audit after the fact of making the guarantee. This is an unusual and imprudent practice that this House is indulging in here tonight that we are going to guarantee it and then look over the books and find out if our judgment was good. That is not very good economics.

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

Mr. DINGELL. I yield to the gentleman.

Mr. ASHLEY. Mr. Chairman, I think the gentleman is mistaken. Under the legislation, the loan guarantee board of course has the authority to look into the books and records of the applicant in question; is that not so?

Mr. DINGELL. As I understand the bill, that is the way it works.

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

The question is on the amendment offered by the gentleman from Michigan (Mr. DINGELL).

Mr. DINGELL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. WIDNALL and Mr. DINGELL.

Mr. DINGELL. Mr. Chairman, I demand tellers with clerks.

The CHAIRMAN. The gentleman's request comes too late. Tellers have already been appointed.

The Committee divided, and the tellers reported that there were—ayes 163, noes 76.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. DINGELL

Mr. DINGELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DINGELL: Page 11, insert immediately below line 23 the following new paragraph:

"(3) The Board shall not guarantee any loan under this Act unless such loan is treated as an expense of administration and receives the highest lien on the borrower's property and priority in payment under the Bankruptcy Act."

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

Mr. DINGELL. I yield to the distinguished chairman of the committee.

Mr. PATMAN. Mr. Chairman, we have considered this amendment. The gentleman has been kind enough to give us a copy earlier in the day and, after conferring with Members and counsel on this side of the aisle, we might be inclined to accept and recommend it.

Mr. DINGELL. Mr. Chairman, I thank the gentleman from Texas for his gracious acceptance of the amendment.

Mr. Chairman, let me explain the genesis of this amendment very briefly to the Members. This is exactly the same language as was included in the Penn Central guarantee. This simply makes abundantly clear that the function of the bankruptcy laws would be in this in-

stance and in the instance of this guarantee to assure absolute, unquestioned first priority to the United States in the event that Lockheed goes into bankruptcy.

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

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

Mr. WIGGINS. Mr. Chairman, under the amendment would the U.S. Government have priority over the claims of employees?

Mr. DINGELL. The gentleman is correct. The Federal Government under this would have claims over any creditor secured or unsecured, regardless of whether it was by lien agreement or by some kind of statutory assurance. The gentleman is correct, the U.S. Government claim would be superior to claims of employees as—I would inform the gentleman from California—the banks would under the proposal we have before us.

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

Mr. DINGELL. I yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, do I understand that the Government would have priority over employees' claims?

Mr. DINGELL. The gentleman is correct, but under the bill we have before us, so would the bank.

Mr. WIDNALL. I cannot believe the Government would go for this.

Mr. DINGELL. I would tell the gentleman from New Jersey he is supporting legislation which would give the banks priority.

Mr. WIDNALL. No.

Mr. DINGELL. And I have no objection to seeing that the Federal Government has this priority.

Mr. WIDNALL. Mr. Chairman, I rise in opposition to this amendment. I just find it unbelievable that the House is being asked to support an amendment to a bill that will give priority over wage claims of employees. This is shocking to me.

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

It would be shocking to me also.

Mr. WIDNALL. Mr. Chairman, I have not yielded yet—not yet.

Mr. Chairman, the contrast is always made with the banks and organizations like that. Under this proposed legislation, the banks are getting a loan guarantee of \$250 million if they make the \$250 million loan that the Government is allowed to guarantee, but their loans and liens would be subordinated to those of the U.S. Government, and it is clearly understood, we have understood all along, that we cannot wipe out wage claims.

These would have priority, and we would make no attempt to try to give other than first priority to those wage claims. It is something unbelievable to me.

Mr. GERALD R. FORD. Mr. Chairman, will the gentleman yield?

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

Mr. GERALD R. FORD. It is my understanding of the bankruptcy laws of the United States that wage claims have

the highest priority, period. I am amazed that the gentleman from Michigan would offer an amendment which would take away the wage claims of employees and put them behind the U.S. Government. I do not believe we ought to change the bankruptcy laws in this legislation. I am for the employees, and Uncle Sam can take second place.

Mr. PATMAN. Mr. Chairman, I move to strike the requisite number of words.

That was in the original bill, section 6, commencing on page 4:

The payment of the principal of and interest on any loan guaranteed pursuant to the provisions of this Act shall be secured by a first and prior lien on the property of the enterprise and shall be entitled to a priority superior to all other priorities in proceedings under the Bankruptcy Act.

But we struck that out. That was stricken out, and the other language did not include that and was inserted instead.

We struck out what the gentleman complains about. We struck it out of the original bill. That is what was in the original bill, and we did not like it; therefore, it was stricken out. If the gentleman will look at it, it was stricken out.

Mr. GERALD R. FORD. Mr. Chairman, will the gentleman from Texas yield?

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

Mr. GERALD R. FORD. I cannot imagine the distinguished chairman of the Committee on Banking and Currency supporting an amendment which fundamentally amends the Bankruptcy Act.

Mr. PATMAN. I am against it. I am on the gentleman's side.

Mr. GERALD R. FORD. I knew the gentleman from Texas would be on the right side by opposing this amendment. Let us vote.

Mr. PATMAN. We struck that language.

Mr. GROSS. Mr. Chairman, I move to strike the necessary number of words.

The gentleman from Texas accepted the amendment.

Mr. PATMAN. Surely. I accepted the amendment.

Mr. GROSS. Less than 5 minutes ago.

Mr. PATMAN. Yes. But it is not like the gentleman said it was.

Mr. GROSS. The gentleman heard it read by the reading clerk and accepted it. Now he seeks to disavow his position.

Mr. PATMAN. It is section 6, on page 4, which is what he was complaining about. That was stricken out of the bill. It is not in the bill.

Mr. GROSS. Mr. Chairman, I will take only another 30 seconds or so.

This whole bill is unbelievable. The gentleman from New Jersey (Mr. WIDNALL), says it is unbelievable that this amendment should be offered. The whole bill is unbelievable. If you vote for this bill here tonight you will not be driving a nail in the coffin of the free enterprise system; you will be driving the biggest spike you ever saw into it.

Mr. STEPHENS. Mr. Chairman, I move to strike the requisite number of words.

There seems to be confusion about what this amendment amounts to. In the interest of trying to pass a bill tonight, one that will be acceptable to everybody, that we might understand, I rise to oppose the amendment and say, let us vote it down.

Mr. KAZEN. Mr. Chairman, I move to strike the necessary number of words.

I take this time to ask the gentleman from Michigan (Mr. DINGELL), if this is the identical provision that was in the Penn Central bill?

Mr. DINGELL. The gentleman from Texas is entirely correct. This is exactly the same language that was in the guarantee legislation we passed on Penn Central.

So anyone who voted for the Penn Central bill voted to put the United States above the wages of the workers.

Mr. DINGELL. Will the gentleman yield further?

Mr. KAZEN. Yes.

Mr. DINGELL. I would like to make it very plain the amendment does not change the priority of the workers' interest nor does it change the priority of the Federal Government's interest with respect to workers' claims at all, but it changes under this proposal only one thing, and that is the relationship of the Federal Government's claims to other secured claims. It places the Federal Government's claims clearly above any other secured claim. It does not affect the impact of the Federal Government's claims with relation to labor claims at all. Under the bill before us the Federal Government's claims under this bill are prior to labor claims.

I know my good friend, the minority leader, confused us in the well of the House and was trying to confuse the House before, and the chairman is confused, along with other Members, but I hope that I have helped to clear this up.

Mr. GERALD R. FORD. Will the gentleman yield?

Mr. KAZEN. I yield to the minority leader.

Mr. GERALD R. FORD. Let me point out the difference between the Penn Central case and this one. In the Penn Central case we made the loan after the fact, after the company had gone into bankruptcy or under chapter 10. So the facts are totally different. They are not comparable. There is just no reasonable relationship between the two.

The gentleman from Michigan himself said on the floor of the House that employees' wages under his amendment are secondary to the claims of the United States. That is a fundamental change in the Bankruptcy Act of the United States, and I do not think we ought to change the Bankruptcy Act in legislation like this. We should not make employees' claims secondary to the Government's.

Mr. DINGELL. Will the gentleman yield?

Mr. KAZEN. I yield to the gentleman.

Mr. DINGELL. I want to make it very plain that we have already voted once on this language and if, as the gentleman from Michigan would have this House believe, the person who is going to get the benefit of this guarantee, Lockheed, is in the kind of shape that they are, there is

nothing to be afraid of in regard to the amendment. If they are in bad shape, perhaps it would be well for us forthwith to kill the bill and save both the taxpayers and the employees from the monstrosity which is about to be foisted upon them.

Mr. KAZEN. Will the gentleman answer this question for me? Are the wages of workers considered to be unsecured?

Mr. DINGELL. Wages of workers are considered to be secured.

Mr. KAZEN. Secured?

Mr. DINGELL. Under the bankruptcy laws. That is correct.

Mr. KAZEN. Then, under your amendment, the interests of the United States will come before those, because they come before everything else.

Mr. DINGELL. Under my amendment, the Federal Government's claim would come before any secured creditor. Under the language of the bill before the House the claims of the U.S. Government would also come before any secured claims. It does not change the relationship at all between the two.

Mr. ECKHARDT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I only rise to find out just exactly what this bill does and what the amendment would do.

Frankly, I raised this same question on the bill as it is now written, because I think under section 6 there is a legal provision for making these claims superior to workers' claims, contractors' claims, or any claims that may arise after chapter 10 reorganization.

I would just like to point out what I am talking about. On page 11, section (c) of the bill, it states as follows:

The Board shall take all steps necessary to assure such priority against any other persons.

That says "any other persons." It seems to me that such may include persons who may come in after the chapter 10 reorganization and who may make a claim for services rendered against the trustee—

Mr. THOMPSON of Georgia. Mr. Chairman, will the gentleman yield?

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

Mr. THOMPSON of Georgia. The gentleman is a good constitutional lawyer. The gentleman realizes that the Constitution of the United States protects people from ex post facto law.

The Penn Central was in bankruptcy. The priorities of the parties had been established at the time we passed the guarantee. If that language was in there it could not have disturbed the priorities of the workers, because that had been established prior to that. Lockheed is not in bankruptcy.

If we do this, we put the U.S. Government ahead of the worker.

Mr. ECKHARDT. I am not talking about Penn Central. I am talking about Lockheed. What I am saying is that this law seems to me to give a prior claim, or to give permission to write in a prior claim and even to give a directive to make a prior claim for \$250 million ahead of any labor claims that might arise after proceedings have been had under chapter 10.

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

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

Mr. DINGELL. I think I can help my friends on the minority side understand this amendment because they seem to be confused about it.

The bill says that the Board must pay certain compensation, including the priority of Government claims.

The amendment says that the Board shall not guarantee any loan under this act unless such loan is treated as an expense of administration and receives the highest lien on the borrower's property and priority in payment under the Bankruptcy Act.

It does not change the labor lien, except where he consents thereto.

I hope that explanation will be of some help to my colleagues on the other side of the aisle in understanding the amendment.

Mr. ECKHARDT. I believe my colleague's amendment, as he explains it, would show an intent not to place the \$250 million ahead of workers' claim. If that is true, the amendment would actually better the bill.

Mr. DINGELL. Mr. Chairman, if the gentleman will yield further, what the amendment does is this: It does not affect the right of any person who does not agree to have his rights affected. This amendment would protect them.

Mr. ECKHARDT. If that is true the gentleman's amendment would improve the bill.

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

PREFERENTIAL MOTION OFFERED BY MR. GROSS OF IOWA

Mr. GROSS. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. GROSS moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. GROSS. Mr. Chairman, it is now 8:45 in the evening and this amendment has just opened up another one of those lawyers' monopolies on the House floor. This could go on until midnight.

Why not adopt the preferential motion which I have just offered to strike the enacting clause. By adopting the motion we can settle this issue the way it ought to be settled—by killing this monstrosity and go home promptly.

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

Mr. GROSS. I yield to the gentleman from Louisiana.

Mr. PASSMAN. This amendment has been explained in such fashion that no Member can understand it. Why not vote it down and start all over?

Mr. GROSS. Why not vote to strike the enacting clause and get it all over with? That is the fate it deserves.

The CHAIRMAN. The question is on the preferential motion offered by the gentleman from Iowa (Mr. GROSS).

The preferential motion was rejected. Mr. CELLER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, there seems to be so much confusion and disagreement as to what the amendment offered by the gentleman from Michigan (Mr. DINGELL),

really means, that I think we should not approve it. We have had enough deliberation on it. I think that the committee should have time to consider it, and by so doing we will have their mature judgment on it.

Mr. Chairman, I would like to say insofar as the principles of the bankruptcy law are concerned, that claims of workers are superior to all other claims. If the wording of the so-called Dingell amendment impinges upon that principle it should be voted down. The workers' wages are sacred, and our prosperity depends upon the workers' wages. I need not go into that.

But I am sure we do not wish to interfere with the orderly procedure of the men who are earning their wages by the sweat of their brows.

There is no reason why, in view of all the confusion here, as to what this amendment means that we should not vote it down, then have the committee at a subsequent time give its mature judgment to it.

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

AMENDMENT OFFERED BY MR. GIBBONS TO THE AMENDMENT OFFERED BY MR. DINGELL

Mr. GIBBONS. Mr. Chairman, I offer an amendment to the amendment offered by the gentleman from Michigan (Mr. DINGELL).

The Clerk read as follows:

Amendment offered by Mr. GIBBONS to the amendment offered by Mr. DINGELL: Add the following: "Nothing in this amendment shall place the claim of the U.S. Government ahead of the wage earners of the borrowers."

Mr. GIBBONS. Mr. Chairman, I think the amendment explains itself.

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

Mr. GIBBONS. I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, I suggest that time is getting late, and we ought to have time to terminate this bill, and I suggest and ask unanimous consent that we limit the debate on all amendments to 20 minutes.

Therefore, Mr. Chairman, I ask unanimous consent that all debate on all amendments close in 20 minutes.

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

Mr. PELLY. Mr. Chairman, I object. The CHAIRMAN. Objection is heard.

Mr. GIBBONS. Mr. Chairman, my amendment is a very simple amendment. It just clearly spells out that the lien that the U.S. Government obtains here shall not be prior to the liens of the workers, or the wage earners, or the borrowers. That is all that it does. It is very simple. It ends this argument that we have had here, and it answers the question of the gentleman from Michigan (Mr. GERALD R. FORD), and it answers the question of the gentleman from New York. Mr. CELLER).

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida (Mr. GIBBONS), to the amendment offered by the gentleman from Michigan (Mr. DINGELL).

The amendment to the amendment was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan (Mr. DINGELL), as amended.

The amendment, as amended, was rejected.

The CHAIRMAN. Are there any further amendments?

Mr. ADAMS. Mr. Chairman, on that I ask for a division.

The CHAIRMAN. The Chair will state that the request of the gentleman from Washington (Mr. ADAMS) comes too late inasmuch as the result of the vote had been announced to the committee.

Mrs. HECKLER of Massachusetts. Mr. Chairman, earlier this week, I notified my colleagues of my intention to offer an amendment to H.R. 8432 that would require the Board to hold public hearings and publish transcripts of them.

With the acceptance of the \$250 million figure, which makes the legislation specific rather than general, the point of my amendment becomes moot. That is why I shall not offer the amendment, and I felt an obligation to explain the reason to my colleagues.

The CHAIRMAN. The question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CHARLES H. WILSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 8432) to authorize emergency loan guarantees to major business enterprises, pursuant to House Resolution 566, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the committee amendment in the nature of a substitute? If not, the question is on the amendment. The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. MOSS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 192, nays 189, not voting 51, as follows:

[Roll No. 227]

YEAS—192

Abernethy	Baring	Broyhill, Va.
Adams	Belcher	Buchanan
Addabbo	Bell	Burke, Mass.
Alexander	Betts	Burleson, Tex.
Anderson,	Blackburn	Burton
Calif.	Blanton	Byrnes, Wis.
Anderson, Ill.	Boggs	Byron
Anderson,	Bolling	Cabell
Tenn.	Brasco	Caffery
Annunzio	Brinkley	Carey, N.Y.
Arends	Brown, Mich.	Carney
Ashley	Brown, Ohio	Casey, Tex.
Baker	Broyhill, N.C.	Cederberg

Celler	Hébert	Price, Tex.
Chamberlain	Hillis	Pucinski
Chappell	Holifield	Purcell
Clausen,	Hunt	Rees
Don H.	Johnson, Calif.	Reid, Ill.
Collier	Kazen	Reid, N.Y.
Collins, Ill.	Keith	Rhodes
Collins, Tex.	Kemp	Roberts
Colmer	Kuykendall	Robinson, Va.
Conable	Kyl	Rodino
Corman	Landgrebe	Rooney, N.Y.
Daniels, N.J.	Landrum	Rooney, Pa.
Danielson	Leggett	Rousselot
Davis, Ga.	Lent	Roybal
Davis, S.C.	Lloyd	Sandman
Davis, Wis.	McClory	Scott
Dickinson	McCollister	Sebelius
Dorn	McCormack	Shriver
Downing	McDade	Sisk
Duncan	McDonald,	Smith, Calif.
Dwyer	Mich.	Smith, N.Y.
Edmondson	McEwen	Staggers
Edwards, Ala.	McFall	Stanton,
Edwards, Calif.	McKevitt	J. William
Eshleman	McKinney	Steed
Evins, Tenn.	McMillan	Steele
Fish	Mailliard	Stephens
Fisher	Mathias, Calif.	Stuckey
Flood	Mathis, Ga.	Teague, Calif.
Flowers	Matsunaga	Teague, Tex.
Flynt	Meeds	Terry
Ford, Gerald R.	Miller, Calif.	Thompson, Ga.
Forsythe	Mills, Ark.	Thomson, Wis.
Frelinghuysen	Mills, Md.	Veysey
Frey	Minshall	Vigorito
Fulton, Pa.	Mizell	Waggoner
Fulton, Tenn.	Mollohan	Waldie
Fuqua	Montgomery	Wampler
Gallagher	Morgan	Ware
Garmatz	Morse	Watts
Gettys	Murphy, N.Y.	Whitehurst
Giaimo	Nichols	Widnall
Goldwater	O'Konski	Wiggins
Grasso	O'Neill	Williams
Gray	Passman	Wilson, Bob
Griffin	Patman	Wilson,
Gubser	Patten	Charles H.
Hagan	Pelly	Winn
Halpern	Pepper	Wright
Hanley	Pettis	Wydler
Hanna	Pirnie	Wyllie
Hansen, Wash.	Poff	Young, Tex.
Hawkins		Zablocki

NAYS—189

Abbitt	Evans, Colo.	McKay
Abourezk	Fascell	Macdonald,
Abzug	Findley	Mass.
Andrews, Ala.	Fountain	Madden
Andrews,	Fraser	Mahon
N. Dak.	Galifianakis	Mann
Archer	Gaydos	Martin
Ashbrook	Gibbons	Mayne
Aspin	Gonzalez	Mazzoli
Badillo	Goodling	Melcher
Barrett	Green, Oreg.	Mikva
Begich	Green, Pa.	Miller, Ohio
Bennett	Gross	Minish
Bergland	Gude	Mitchell
Bevill	Haley	Monagan
Biaggi	Hall	Moorhead
Biester	Hamilton	Mosher
Bingham	Hammer-	Moss
Blatnik	schmidt	Murphy, Ill.
Boland	Hansen, Idaho	Natcher
Brademas	Harrington	Nedzi
Broomfield	Harsha	Nix
Brotzman	Harvey	Obey
Burke, Fla.	Hathaway	O'Hara
Burlison, Mo.	Hechler, W. Va.	Perkins
Byrne, Pa.	Heckler, Mass.	Peyster
Camp	Helstoski	Pickle
Chisholm	Henderson	Pike
Clancy	Hicks, Mass.	Podell
Clawson, Del	Hicks, Wash.	Powell
Cleveland	Hogan	Preyer, N.C.
Conte	Hosmer	Pryor, Ark.
Coyers	Howard	Quile
Cotter	Hull	Railsback
Coughlin	Hutchinson	Randall
Crane	Ichord	Rangel
Culver	Jacobs	Rarick
Daniel, Va.	Jarman	Reuss
de la Garza	Jones, Ala.	Riegler
Delaney	Jones, N.C.	Robison, N.Y.
Dellums	Karth	Roe
Dennholm	Kastenmeier	Rogers
Dennis	Keating	Roncallo
Derwinski	Koch	Rosenthal
Dingell	Kyros	Rostenkowski
Dow	Latta	Roush
Drinan	Lennon	Roy
Dulski	Link	Runnels
du Pont	Long, Md.	Ruth
Eckhardt	Lujan	Ryan
Eilberg	McCloskey	St Germain

Sarbanes	Springer	Tiernes
Satterfield	Stanton,	Udall
Scherle	James V.	Ullman
Rees	Steiger, Ariz.	Vanik
Scheuer	Steiger, Wis.	Whalen
Schmitz	Stokes	White
Schneebell	Stratton	Whitten
Schwengel	Stubblefield	Wolf
Seiberling	Sullivan	Wyatt
Shiple	Symington	Yates
Shoup	Talcott	Young, Fla.
Sikes	Taylor	Zwach
Skubitz	Thompson, N.J.	
Slack	Thone	
Smith, Iowa		

ANSWERED "PRESENT"—1

King

NOT VOTING—51

Aspinall	Ford,	Metcalfe
Bow	William D.	Michel
Bray	Frenzel	Myers
Brooks	Griffiths	Nelsen
Carter	Grover	Poage
Clark	Hastings	Price, Ill.
Clay	Hays	Quillen
Dellenback	Horton	Ruppe
Dent	Hungate	Saylor
Devine	Johnson, Pa.	Snyder
Diggs	Jonas	Spence
Donohue	Jones, Tenn.	Stafford
Dowdy	Kee	Van Deerlin
Edwards, La.	Kluczynski	Vander Jagt
Erlenborn	Long, La.	Whalley
Esch	McClure	Wyman
Foley	McCulloch	Yatron
		Zion

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Dent for, with Mr. Brooks against.
 Mr. Price of Illinois for, with Mrs. Griffiths against.
 Mr. Van Deerlin for, with Mr. Jones of Tennessee against.
 Mr. Kluczynski for, with Mr. William D. Ford against.
 Mr. Kee for, with Mr. Clay against.
 Mr. Stafford for, with Mr. Dellenback against.
 Mr. Carter for, with Mr. Horton against.
 Mr. Grover for, with Mr. Myers against.
 Mr. Bow for, with Mr. Esch against.
 Mr. Ruppe for, with Mr. Bray against.
 Mr. Johnson of Pennsylvania for, with Mr. Devine against.
 Mr. Spence for, with Mr. Frenzel against.

Until further notice:

Mr. Hays with Mr. Hastings.
 Mr. Aspinall with Mr. Jonas.
 Mr. Foley with Mr. McClure.
 Mr. Hungate with Mr. Bray.
 Mr. Yatron with Mr. Diggs.
 Mr. Donohue with Mr. Metcalfe.
 Mr. Dowdy with Mr. Erlenborn.
 Mr. Long of Louisiana with Mr. Snyder.
 Mr. Edwards of Louisiana with Mr. Whalley.
 Mr. Clark with Mr. Saylor.
 Mr. Michel with Mr. Nelsen.
 Mr. Quillen with Mr. Zion.
 Mr. Wyman with Mr. Vander Jagt.

REQUEST THAT THE WELL BE CLEARED

Mr. GROSS. Mr. Speaker, I ask that the well of the House be cleared.

The SPEAKER. The well of the House will be cleared. Members desiring to change their vote or to vote "present" will do so from their seats or standing by their seats.

Mr. ROBERTS changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

FURTHER MESSAGE FROM THE
SENATE

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

H. Con. Res. 384. Providing for an adjournment of the two Houses from August 6, 1971, to September 8, 1971.

The message also announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

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.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 10061) entitled "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," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MAGNUSON, Mr. STENNIS, Mr. BIBLE, Mr. BYRD of West Virginia, Mr. PROXMIRE, Mr. MONTROYA, Mr. HOLLINGS, Mr. ELLENDER, Mr. COTTON, Mr. CASE, Mr. FONG, Mr. BOGGS, Mr. PERCY, Mr. BROOKE, and Mr. YOUNG to be the conferees on the part of the Senate.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed, and to include extraneous material.

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

There was no objection.

APPOINTMENT OF CONFEREES ON
H.R. 10061, DEPARTMENTS OF LA-
BOR AND HEALTH, EDUCATION,
AND WELFARE AND RELATED
AGENCIES APPROPRIATIONS, 1972

Mr. FLOOD. Mr. Speaker, I ask unanimous consent to take from the Speaker's table 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, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania? The Chair hears none, and appoints the following conferees: Messrs. FLOOD, NATCHER, SMITH of Iowa, HULL, CASEY of Texas, PATTEN, MAHON, MICHEL,

SHRIVER, Mrs. REID of Illinois, and Messrs. CONTE and BOW.

CONFERENCE REPORT ON H.R. 6531,
EXTENSION AND REVISION OF
THE DRAFT ACT AND RELATED
LAWS

Mr. HÉBERT submitted the following conference report and statement on the bill (H.R. 6531) to amend the Military Selective Service Act of 1967; to increase military pay; to authorize military active duty strengths for fiscal year 1972; and for other purposes:

CONFERENCE REPORT (H. REPT. No. 92-433)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 6531) to amend the Military Selective Service Act of 1967; to increase military pay; to authorize military active duty strengths for fiscal year 1972; and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

TITLE I—AMENDMENTS TO THE MILI-
TARY SELECTIVE SERVICE ACT OF 1967;
RELATED PROVISIONS

SEC. 101. (a) The Military Selective Service Act of 1967, as amended, is amended as follows:

(1) Section 1(a) is amended to read as follows:

"(a) This Act may be cited as the 'Military Selective Service Act.'"

(2) Section 3 is amended to read as follows:

"Sec. 3. Except as otherwise provided in this title, it shall be the duty of every male citizen of the United States, and every other male person residing in the United States, who, on the day or days fixed for the first or any subsequent registration, is between the ages of eighteen and twenty-six, to present himself for and submit to registration at such time or times and place or places, and in such manner, as shall be determined by proclamation of the President and by rules and regulations prescribed hereunder. The provisions of this section shall not be applicable to any alien lawfully admitted to the United States as a nonimmigrant under section 101(a)(15) of the Immigration and Nationality Act, as amended (66 Stat. 163; 8 U.S.C. 1101), for so long as he continues to maintain a lawful nonimmigrant status in the United States."

(3) The first two paragraphs of section 4(a) are amended to read as follows:

"Except as otherwise provided in this title, every person required to register pursuant to section 3 of this title who is between the ages of eighteen years and six months and twenty-six years, at the time fixed for his registration, or who attains the age of eighteen years and six months after having been required to register pursuant to section 3 of this title, or who is otherwise liable as provided in section 6(h) of this title, shall be liable for training and service in the Armed Forces of the United States: *Provided*, That each registrant shall be immediately liable for classification and examination, and shall, as soon as practicable following his registration, be so classified and examined, both physically and mentally, in order to determine his availability for induction for training and service

in the Armed Forces: *Provided further*, That, notwithstanding any other provision of law, any registrant who has failed or refused to report for induction shall continue to remain liable for induction and when available shall be immediately inducted. The President is authorized, from time to time, whether or not a state of war exists, to select and induct into the Armed Forces of the United States for training and service in the manner provided in this title (including but not limited to selection and induction by age group or age groups) such number of persons as may be required to provide and maintain the strength of the Armed Forces.

"At such time as the period of active service in the Armed Forces required under this title of persons who have not attained the nineteenth anniversary of the day of their birth has been reduced or eliminated pursuant to the provisions of section 4(k) of this title, and except as otherwise provided in this title, every person who is required to register under this title and who has not attained the nineteenth anniversary of the day of his birth on the date such period of active service is reduced or eliminated, or who is otherwise liable as provided in section 6(h) of this title, shall be liable for training in the National Security Training Corps: *Provided*, That persons deferred under the provisions of section 6 of this title shall not be relieved from liability for induction into the National Security Training Corps solely by reason of having exceeded the age of nineteen years during the period of such deferment. The President is authorized, from time to time, whether or not a state of war exists, to select and induct for training in the National Security Training Corps as hereinafter provided such number of persons as may be required to further the purposes of this title."

(4) The fourth paragraph of section 4(a) is amended by striking out "Secretary of the Treasury" and inserting in lieu thereof "Secretary of Transportation".

(5) Section 4(b) is amended by striking out "Secretary of the Treasury" each time it appears and inserting in lieu thereof "Secretary of Transportation".

(6) Section 4(d)(1) is amended by striking out "(except a person enlisted under subsection (g) of this section)".

(7) Section 4(d)(3) is amended by striking out "Secretary of the Treasury" each time it appears and inserting in lieu thereof "Secretary of Transportation".

(8) The last proviso of section 5(a) is amended by striking out "and" at the end of paragraph (1); by striking out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon and the word "and"; and by adding a new paragraph as follows:

"(3) no local board shall order for induction for training and service in the Armed Forces of the United States an alien unless such alien shall have resided in the United States for one year."

(9) Section 5 is further amended by adding at the end thereof the following new subsections:

"(d) Whenever the President has provided for the selection of persons for training and service in accordance with random selection under subsection (a) of this section, calls for induction may be placed under such rules and regulations as he may prescribe, notwithstanding the provisions of subsection (b) of this section.

"(e) Notwithstanding any other provision of this Act, not more than 130,000 persons may be inducted into the Armed Forces under this Act in the fiscal year ending June 30, 1972, and not more than 140,000 in the fiscal year ending June 30, 1973, unless a

number greater than that authorized in this subsection for such fiscal year or years is authorized by a law enacted after the date of enactment of this subsection."

(10) The first sentence of section 6(a)(1) is amended by striking out the period and inserting in lieu thereof a colon and the following: "Provided, That any alien lawfully admitted for permanent residence as defined in paragraph (20) of section 101(a) of the Immigration and Nationality Act, as amended (66 Stat. 163, 8 U.S.C. 1101), and who by reason of occupational status is subject to adjustment to nonimmigrant status under paragraph (15)(A), (15)(E), or (15)(G) of such section 101(a) but who executes a waiver in accordance with section 247(b) of that Act of all rights, privileges, exemptions, and immunities which would otherwise accrue to him as a result of that occupational status, shall be subject to registration under section 3 of this Act, but shall be deferred from induction for training and service for so long as such occupational status continues."

(11) The second sentence of section 6(a)(1) is amended by striking out "eighteen" each time it appears and inserting in lieu thereof "twelve".

(12) Section 6(b)(3) is amended by striking out "section 4(i)" and inserting in lieu thereof "section 5(a)".

(13) Section 6(b)(4) is amended by striking out "or section 4(g)".

(14) Section 6(d)(1) is amended by striking out "Secretary of the Treasury" each time it appears and inserting in lieu thereof "Secretary of Transportation"; and by striking out "section 4(d)(3) of this Act" each time it appears and inserting in lieu thereof "section 651 of title 10, United States Code".

(15) Section 6(d)(5) is amended by striking out "Environmental Science Services Administration" each time it appears and inserting in lieu thereof "National Oceanic and Atmospheric Administration".

(16) Section 6(g) is amended to read as follows:

"(g) (1) Regular or duly ordained ministers of religion, as defined in this title, shall be exempt from training and service, but not from registration, under this title.

"(2) Students preparing for the ministry under the direction of recognized churches or religious organizations, who are satisfactorily pursuing full-time courses of instruction in recognized theological or divinity schools, or who are satisfactorily pursuing full-time courses of instruction leading to their entrance into recognized theological or divinity schools in which they have been pre-enrolled, shall be deferred from training and service, but not from registration, under this title. Persons who are or may be deferred under the provisions of this subsection shall remain liable for training and service in the Armed Forces under the provisions of section 4(a) of this Act until the thirty-fifth anniversary of the date of their birth. The foregoing sentence shall not be construed to prevent the exemption or continued deferment of such persons if otherwise exempted or deferrable under any other provision of this Act."

(17) Section 6(h)(1) is repealed.

(18) Section 6(h)(2) is amended by striking out the designation "(2)" and the word "graduate" from the first sentence.

(19) Section 6(i)(1) is amended to read as follows:

"(1) Any person who is satisfactorily pursuing a full-time course of instruction at a high school or similar institution of learning and is issued an order for induction shall, upon the facts being presented to the local board, have his induction postponed (A) until the time of his graduation therefrom,

or (B) until he attains the twentieth anniversary of his birth, or (C) until he ceases satisfactorily to pursue such course of instruction, whichever is the earliest. Notwithstanding the preceding sentence, any person who attains the twentieth anniversary of his birth after beginning his last academic year of high school shall have his induction postponed until the end of that academic year if and so long as he continues to pursue satisfactorily a full-time course of instruction."

(20) Section 6(i)(2) is amended to read as follows:

"(2) Any person who while satisfactorily pursuing a full-time course of instruction at a college, university, or similar institution is ordered to report for induction under this title, shall, upon the appropriate facts being presented to the local board, have his induction postponed (A) until the end of the semester or term, or academic year in the case of his last academic year, or (B) until he ceases satisfactorily to pursue such course of instruction, whichever is the earlier."

(21) Section 6(j) is amended by (A) striking out in the third sentence "local board pursuant to Presidential regulations" and inserting in lieu thereof "Director"; and (B) adding at the end of such section the following: "The Director shall be responsible for finding civilian work for persons exempted from training and service under this subsection and for the placement of such persons in appropriate civilian work contributing to the maintenance of the national health, safety, or interest."

(22) Section 6(o) is amended to read as follows:

"(o) Except during the period of a war or a national emergency declared by Congress, no person may be inducted for training and service under this title unless he volunteers for such induction—

"(1) if the father or a brother or a sister of such person was killed in action or died in line of duty while serving in the Armed Forces after December 31, 1959, or died subsequent to such date as a result of injuries received or disease incurred in line of duty during such service, or

"(2) during any period of time in which the father or a brother or a sister of such person is in a captured or missing status as a result of such service.

As used in this subsection, the term 'brother' or 'sister' means a brother of the whole blood or a sister of the whole blood, as the case may be."

(23) Section 9(j) is amended by striking out "or Treasury" and inserting in lieu thereof "or Transportation".

(24) Section 10(a)(3) is amended to read as follows:

"(3) The Director shall be appointed by the President, by and with the advice and consent of the Senate."

(25) Section 10(b)(2) is amended by changing the first semicolon to a colon and inserting immediately thereafter the following: "Provided, That no State director shall serve concurrently in an elected or appointed position of a State or local government without the approval of the Director;".

(26) Section 10(b)(3) is amended by striking out all down through the first period and the succeeding seven sentences, and inserting in lieu thereof the following:

"(3) to create and establish within the Selective Service System civilian local boards, civilian appeal boards, and such other civilian agencies, including agencies of appeal, as may be necessary to carry out its functions with respect to the registration, examination, classification, selection, assignment, delivery for induction, and maintenance of records of persons registered under this title,

together with such other duties as may be assigned under this title: *Provided*, That no person shall be disqualified from serving as a counselor to registrants, including service as Government appeal agent, because of his membership in a Reserve component of the Armed Forces. He shall create and establish one or more local boards in each county or political subdivision corresponding thereto of each State, territory, and possession of the United States, and in the District of Columbia. The local board and/or its staff shall perform their official duties only within the county or political subdivision corresponding thereto for which the local board is established, or in the case of an intercounty board, within the area for which such board is established, except that the staffs of local boards in more than one county of a State or comparable jurisdiction may be collocated or one staff may serve local boards in more than one county of a State or comparable jurisdiction when such action is approved by the Governor or comparable executive official or officials. Each local board shall consist of three or more members to be appointed by the President from recommendations made by the respective Governors or comparable executive officials. In making such appointments after the date of the enactment of the Act enacting this sentence, the President is requested to appoint the membership of each local board so that to the maximum extent practicable it is proportionately representative of the race and national origin of those registrants within its jurisdiction, but no action by any local board shall be declared invalid on the ground that any board failed to conform to any particular quota as to race or national origin. No citizen shall be denied membership on any local board or appeal board on account of sex. After December 31, 1971, no person shall serve on any local board or appeal board who has attained the age of 65 or who has served on any local board or appeal board for a period of more than 20 years. Notwithstanding any other provision of this paragraph, an intercounty local board consisting of at least one member from each component county or corresponding subdivision may, with the approval of the Governor or comparable executive official or officials, be established for an area not exceeding five counties or political subdivisions corresponding thereto within a State or comparable jurisdiction when the President determines, after considering the public interest involved, that the establishment of such local board area will result in a more efficient and economical operation. Any such intercounty local board shall have within its area the same power and jurisdiction as a local board has in its area. A local board may include among its members any citizen otherwise qualified under Presidential regulations, provided he is at least eighteen years of age. No member of any local board shall be a member of the Armed Forces of the United States, but each member of any local board shall be a civilian who is a citizen of the United States residing in the county or political subdivision corresponding thereto in which such local board has jurisdiction, and each intercounty local board shall have at least one member from each county or political subdivision corresponding thereto included within the intercounty local board area."

(27) Section 10(e) is repealed.

(28) Section 10(f) is amended by striking out "\$50" and inserting in lieu thereof "\$500".

(29) Section 10 is further amended by adding at the end thereof a new subsection as follows:

"(h) If at any time calls under this section for the induction of persons for training and service in the Armed Forces are discontinued

because the Armed Forces are placed on an all volunteer basis for meeting their active duty manpower needs, the Selective Service System, as it is constituted on the date of enactment of this subsection, shall, nevertheless, be maintained as an active standby organization, with (1) a complete registration and classification structure capable of immediate operation in the event of a national emergency, and (2) personnel adequate to reinstitute immediately the full operation of the System, including military reservists who are trained to operate such System and who can be ordered to active duty for such purpose in the event of a national emergency."

(30) Section 11 is amended to read as follows:

"Sec. 11. Under such rules and regulations as may be prescribed by the President, funds available to carry out the provisions of this title shall also be available for the payment of actual and reasonable expenses of emergency medical care, including hospitalization, of registrants who suffer illness or injury, and the transportation and burial of the remains of registrants who suffer death, while acting under orders issued under the provisions of this title, but such burial expenses shall not exceed the maximum that the Administrator of Veterans' Affairs may pay under the provisions of section 902(a) of title 38, United States Code, in any one case."

(31) Section 12 is amended by adding at the end thereof a new subsection (d) as follows:

"(d) No person shall be prosecuted, tried, or punished for evading, neglecting, or refusing to perform the duty of registering imposed by section 3 of this title unless the indictment is found within five years next after the last day before such person attains the age of twenty-six, or within five years next after the last day before such person does perform his duty to register, whichever shall first occur."

(32) Section 13(b) is amended by adding at the end thereof the following: "Notwithstanding the foregoing sentence, no regulation issued under this Act shall become effective until the expiration of thirty days following the date on which such regulation has been published in the Federal Register. After the publication of any regulation and prior to the date on which such regulation becomes effective, any person shall be given an opportunity to submit his views to the Director on such regulation, but no formal hearing shall be required on any such regulation. The requirements of this subsection may be waived by the President in the case of any regulation if he (1) determines that compliance with such requirements would materially impair the national defense, and (2) gives public notice to that effect at the time such regulation is issued."

(33) Section 15(d), is amended to read as follows:

"(d) Except as provided in section 4(c), nothing contained in this title shall be construed to repeal, amend, or suspend the laws now in force authorizing voluntary enlistment or reenlistment in the Armed Forces of the United States, including the reserve components thereof, except that no person shall be accepted for enlistment after he has been issued an order to report for induction unless authorized by the Director and the Secretary of Defense and except that, whenever the Congress or the President has declared that the national interest is imperiled, voluntary enlistment or reenlistment in such forces, and their reserve components, may be suspended by the President to such extent as he may deem necessary in the interest of national defense."

(34) Section 16(g) (3) is amended by in-

serting "bona fide" immediately before "vocation".

(35) Section 17(c) is amended by striking out "July 1, 1971" and inserting in place thereof "July 1, 1973". The amendment made by the preceding sentence shall take effect July 2, 1971.

(36) At the end of the Act add a new section as follows:

"PROCEDURAL RIGHTS

"Sec. 22. (a) It is hereby declared to be the purpose of this section to guarantee to each registrant asserting a claim before a local or appeal board, a fair hearing consistent with the informal and expeditious processing which is required by selective service cases.

"(b) Pursuant to such rules and regulations as the President may prescribe—

"(1) Each registrant shall be afforded the opportunity to appear in person before the local or any appeal board of the Selective Service System to testify and present evidence regarding his status.

"(2) Subject to reasonable limitations on the number of witnesses and the total time allotted to each registrant, each registrant shall have the right to present witnesses on his behalf before the local board.

"(3) A quorum of any local board or appeal board shall be present during the registrant's personal appearance.

"(4) In the event of a decision adverse to the claim of a registrant, the local or appeal board making such decision shall, upon request, furnish to such registrant a brief written statement of the reasons for its decision."

(b) Notwithstanding the repeal of section 6(h) (1) of the Military Selective Service Act of 1967 made by subsection (a) (17) of this section, any person (1) who is satisfactorily pursuing a full-time course of instruction at a college, university, or similar institution of higher learning, (2) who met the academic requirements of a student deferment prescribed in such section 6(h) (1), and (3) who was satisfactorily pursuing such a full-time course prior to the date of enactment of this Act and during the 1970-1971 regular academic school year shall be deferred from induction for training and service in the Armed Forces under the same terms and conditions such person would have been deferred under the provisions of such section 6(h) (1) had such provision not been repealed.

(c) The Secretary of Defense and the Secretary of Health, Education, and Welfare shall conduct a joint study of practicable means of meeting the medical needs of the Armed Forces through means which would require less dependence on medical personnel of the Armed Forces. In carrying out such study special consideration shall be given to the feasibility of providing medical care for military personnel and their dependents under contracts with clinics, hospitals, and individual members of the medical profession at or near United States military installations within and outside the United States. The results of such study, together with such recommendations as the Secretary of Defense and the Secretary of Health, Education, and Welfare deem appropriate, shall be submitted to the President and the Congress not later than six months after the date of enactment of this subsection.

(d) (1) Subject to the provisions of paragraph (2) of this subsection any surviving son or sons of a family who (A) were inducted into the Armed Forces under the Military Selective Service Act of 1967, (B) have not reenlisted or otherwise voluntarily extended their period of active duty in the Armed Forces, and (C) are serving on active duty with the Armed Forces on or after the date of enactment of this subsection, and

such son or sons could not, if they were not in the Armed Forces, be involuntarily inducted into military service under the Military Selective Service Act as a result of the amendment made by paragraph (22) of subsection (a) of this section, such surviving son or sons shall, upon application, be promptly discharged from the Armed Forces.

(2) The provisions of paragraph (1) of this subsection shall not apply in the case of any member of the Armed Forces against whom court-martial charges are pending, or in the case of any member who has been tried and convicted by a court-martial for an offense and whose case is being reviewed or appealed, or in the case of any member who has been tried and convicted by a court-martial for an offense and who is serving a sentence (or otherwise satisfying punishment) imposed by such court-martial, until final action (including completion of any punishment imposed pursuant to such court-martial) has been completed with respect to such charges, review, or appeal, or until the sentence has been served (or until any other punishment imposed has been satisfied), as the case may be. The President shall have authority to implement the provisions of this subsection by regulations.

(3) Notwithstanding the amendment made by paragraph (22) of subsection (a) of this section, except during the period of a war or a national emergency declared by Congress, the sole surviving son of any family in which the father or one or more sons or daughters thereof were killed in action before January 1, 1960, or died in line of duty before January 1, 1960, while serving in the Armed Forces of the United States, or died subsequent to such date as a result of injuries received or disease incurred before such date during such service shall not be inducted under the Military Selective Service Act unless he volunteers for induction.

Sec. 102. Section 1 of the Act of August 3, 1950, chapter 537, as amended (10 U.S.C. 3201 note), is amended by striking out "July 1, 1971" and inserting in place thereof "July 1, 1973".

Sec. 103. Section 9 of the Act of June 27, 1957, Public Law 85-62, as amended (81 Stat. 105), is amended by striking out "July 1, 1971" and inserting in place thereof "July 1, 1973".

Sec. 104. Sections 302 and 303 of title 37, United States Code, are each amended by striking out "July 1, 1971" whenever that date appears and inserting in place thereof "July 1, 1973".

Sec. 105. Section 16 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2216) is amended by striking out "July 1, 1971" and inserting in place thereof "July 1, 1973".

Sec. 106. Unless prohibited by treaty, no person shall be discriminated against by the Department of Defense or by any officer or employee thereof, in the employment of civilian personnel at any facility or installation operated by the Department of Defense in any foreign country because such person is a citizen of the United States or is a dependent of a member of the Armed Forces of the United States. As used in this section, the term "facility or installation operated by the Department of Defense" shall include, but shall not be limited to, any officer's club, non-commissioned officers' club, post exchange, or commissary store.

TITLE II—PAY INCREASE FOR UNIFORMED SERVICES; SPECIAL PAY

Sec. 201. Section 203(a) of title 37, United States Code, is amended to read as follows:

"(a) The rates of monthly basic pay for members of the uniformed services within each pay grade are set forth in the following tables:

"COMMISSIONED OFFICERS

"Pay grade	Years of service computed under section 205														
	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
O-10 ¹	\$2,111.40	\$2,185.80	\$2,185.80	\$2,185.80	\$2,185.80	\$2,269.50	\$2,269.50	\$2,443.50	\$2,443.50	\$2,618.40	\$2,618.40	\$2,793.30	\$2,793.30	\$2,967.60	\$2,967.60
O-9	1,871.40	1,920.60	1,961.70	1,961.70	1,961.70	2,011.20	2,011.20	2,094.60	2,094.60	2,269.50	2,269.50	2,443.50	2,443.50	2,618.40	2,618.40
O-8	1,695.00	1,745.70	1,787.40	1,787.40	1,787.40	1,920.60	1,920.60	2,011.20	2,011.20	2,094.60	2,185.80	2,269.50	2,361.00	2,361.00	2,361.00
O-7	1,408.20	1,504.20	1,504.20	1,504.20	1,571.10	1,571.10	1,662.60	1,662.60	1,745.70	1,920.60	2,052.60	2,052.60	2,052.60	2,052.60	2,052.60
O-6	1,043.70	1,147.20	1,221.90	1,221.90	1,221.90	1,221.90	1,221.90	1,221.90	1,263.30	1,463.10	1,537.80	1,571.10	1,662.60	1,803.30	1,803.30
O-5	834.60	980.70	1,047.90	1,047.90	1,047.90	1,047.90	1,080.30	1,137.90	1,213.80	1,304.70	1,379.70	1,421.10	1,471.20	1,471.20	1,471.20
O-4	704.10	856.50	914.40	914.40	930.60	972.30	1,038.30	1,097.10	1,147.20	1,197.00	1,230.30	1,230.30	1,230.30	1,230.30	1,230.30
O-3	654.30	731.10	781.20	864.90	906.00	938.70	989.10	1,038.30	1,063.80	1,063.80	1,063.80	1,063.80	1,063.80	1,063.80	1,063.80
O-2	570.30	622.80	748.20	773.10	789.30	789.30	789.30	789.30	789.30	789.30	789.30	789.30	789.30	789.30	789.30
O-1	495.00	515.40	622.80	622.80	622.80	622.80	622.80	622.80	622.80	622.80	622.80	622.80	622.80	622.80	622.80

¹ While serving as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, basic pay for this grade is \$3,000 regardless of cumulative years of service computed under section 205 of this title.

² Does not apply to commissioned officers who have been credited with over 4 years' active service as enlisted members.

"COMMISSIONED OFFICERS WHO HAVE BEEN CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

"Pay grade	Years of service computed under sec. 205											
	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
O-3	\$864.90	\$906.00	\$938.70	\$989.10	\$1,038.30	\$1,080.30	\$1,080.30	\$1,080.30	\$1,080.30	\$1,080.30	\$1,080.30	\$1,080.30
O-2	773.10	789.30	814.20	856.50	889.80	914.40	914.40	914.40	914.40	914.40	914.40	914.40
O-1	622.80	665.10	690.00	714.60	739.80	773.10	773.10	773.10	773.10	773.10	773.10	773.10

"WARRANT OFFICERS

"Pay grade	Years of service computed under section 205														
	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
W-4	\$666.30	\$714.60	\$714.60	\$731.10	\$764.40	\$798.00	\$831.00	\$889.80	\$930.60	\$963.90	\$989.10	\$1,022.10	\$1,056.00	\$1,137.90	\$1,137.90
W-3	605.70	657.00	657.00	665.10	673.20	722.40	764.40	789.30	814.20	838.80	864.90	897.90	930.60	963.90	963.90
W-2	530.40	573.60	573.60	590.40	622.80	657.00	681.90	706.50	731.10	756.60	781.20	806.10	838.80	838.80	838.80
W-1	441.90	507.00	507.00	549.00	573.60	598.50	622.80	648.30	673.20	698.10	722.40	748.20	748.20	748.20	748.20

"ENLISTED MEMBERS

"Pay grade	Years of service computed under section 205														
	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
E-9 ¹						\$756.90	\$774.30	\$792.00	\$809.70	\$827.70	\$843.90	\$888.60	\$975.00	\$975.00	
E-8					\$635.10	652.80	670.20	687.90	705.30	722.10	740.10	783.60	870.90	870.90	
E-7	\$443.40	\$478.50	\$496.20	\$513.60	\$531.30	548.10	565.50	583.50	609.60	626.70	644.10	652.80	696.60	783.60	
E-6	382.80	417.90	435.00	453.00	470.40	487.50	505.20	531.30	548.10	565.50	574.50	574.50	574.50	574.50	
E-5	336.30	366.00	383.70	400.50	426.60	444.00	461.70	478.50	487.50	487.50	487.50	487.50	487.50	487.50	
E-4	323.40	341.40	361.20	389.40	405.00	405.00	405.00	405.00	405.00	405.00	405.00	405.00	405.00	405.00	
E-3	311.10	328.20	341.10	354.60	354.60	354.60	354.60	354.60	354.60	354.60	354.60	354.60	354.60	354.60	
E-2	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	299.10	
E-1	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	268.50	

¹ While serving as Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, or Sergeant Major of the Marine Corps, basic pay for this grade is \$1,185 regardless of cumulative years of service computed under section 205 of this title.

Sec. 202. (a) Chapter 5 of title 37, United States Code, is amended by adding after section 302 a new section as follows:

"§ 302a. Special pay: optometrists

"(a) In addition to any other basic pay, special pay, incentive pay, or allowances to which he is entitled, each of the following officers is entitled to special pay at the rate of \$100 a month for each month of active duty:

"(1) a commissioned officer—

"(A) of the Regular Army or the Regular Navy who is designated as an optometry officer;

"(B) of the Regular Air Force who is designated as an optometry officer; or

"(C) who is an optometry officer of the Regular Corps of the Public Health Service; who was on active duty on the effective date of this section; who retired before that date and was ordered to active duty after that date and before July 1, 1973; or who was designated as such an officer after the effective date of this section and before July 1, 1973;

"(2) a commissioned officer—

"(A) of a reserve component of the Army or Navy who is designated as an optometry officer;

"(B) of a reserve component of the Air Force who is designated as an optometry officer; or

"(C) who is an optometry officer of the Reserve Corps of the Public Health Service;

who was on active duty on the effective date of this section as a result of a call or order to active duty for a period of at least one year; or who, after that date and before July 1, 1973, is called or ordered to active duty for such a period; and

"(3) a general officer of the Army or the Air Force appointed, from any of the categories named in clause (1) or (2), in the Army, the Air Force, or the National Guard, as the case may be, who was on active duty on the effective date of this section; who was retired before that date and was ordered to active duty after that date and before July 1, 1973; or who, after the effective date of this section, was appointed from any of those categories.

"(b) The amount set forth in subsection (a) of this section may not be included in computing the amount of an increase in pay authorized by any other provision of this title or in computing retired pay or severance pay."

(b) The table of sections at the beginning of chapter 5 of such title is amended by inserting

"302a. Special pay: optometrists."

immediately below

"302. Special pay: physicians and dentists."

Sec. 203. (a) Chapter 5 of title 37, United States Code, is amended by adding after section 308 a new section as follows:

"§ 308a. Special pay: enlistment bonus

"(a) Notwithstanding section 514(a) of title 10 or any other provision of law, a person who enlists in any combat element of an armed force for a period of at least three years, or who extends his initial period of active duty in a combat element of an armed force to a total of at least three years, may, under regulations to be prescribed by the Secretary of Defense, be paid a bonus in an amount prescribed by the Secretary, but not more than \$3,000. The bonus may be paid in a lump sum or in equal periodic installments, as determined by the Secretary.

"(b) Under regulations approved by the Secretary of Defense, a person who voluntarily, or because of his misconduct, does not complete the term of enlistment for which a bonus was paid to him under this section shall refund that percentage of the bonus that the unexpired part of his enlistment is of the total enlistment period for which the bonus was paid.

"(c) No bonus shall be paid under this section with respect to any enlistment or extension of an initial period of active duty in the armed forces made after June 30, 1973."

(b) The table of sections at the beginning of chapter 5 of such title is amended by inserting

"308a. Special pay: enlistment bonus."

immediately below

"308. Special pay; reenlistment bonus."

SEC. 204. Section 403(a) of title 37, United States Code, is amended to read as follows:

"(a) Except as otherwise provided by this section or by another law, a member of a uniformed service who is entitled to basic pay is entitled to a basic allowance for quarters at the following monthly rates according to the pay grade in which he is assigned or distributed for basic pay purposes:

"Pay grade	Without dependents	With dependents
O-10	\$230.40	\$288.00
O-9	230.40	288.00
O-8	230.40	288.00
O-7	230.40	288.00
O-6	211.80	258.30
O-5	198.30	238.80
O-4	178.80	215.40
O-3	158.40	195.60
O-2	138.60	175.80
O-1	108.90	141.60
W-4	172.50	207.90
W-3	155.40	191.70
W-2	137.10	173.70
W-1	123.90	160.80
E-9	130.80	184.20
E-8	122.10	172.20
E-7	104.70	161.40
E-6	95.70	150.00
E-5	92.70	138.60
E-4 (over 4 years' service)	81.60	121.50
E-4 (4 years' or less service)	45.00	45.00
E-3	45.00	45.00
E-2	45.00	45.00
E-1	45.00	45.00

A member in pay grade E-4 (less than four years' service), E-3, E-2, or E-1 is considered at all times to be without dependents."

SEC. 205. (a) Chapter 7 of title 37, United States Code, is amended by adding at the end thereof a new section as follows:

"§ 428. Allowance for recruiting expenses

"In addition to other pay or allowances authorized by law, and under uniform regulations prescribed by the Secretaries concerned, a member who is assigned to recruiting duties for his armed force may be reimbursed for actual and necessary expenses incurred in connection with those duties."

(b) The table of sections at the beginning of chapter 7 of such title is amended by adding at the end thereof the following new item:

"428. Allowance for recruiting expenses."

SEC. 206. Section 3 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2203) is amended to read as follows:

"Sec. 3. For the duration of this Act, section 403(a) of title 37, United States Code, is amended by striking out that part of the table which prescribes monthly basic allowances for quarters for enlisted members in pay grades E-1, E-2, E-3, and E-4 (four years' or less service) and inserting in lieu thereof the following:

"E-4 (four years' or less service)	\$81.60	\$121.50
E-3	72.30	105.00
E-2	63.90	105.00
E-1	60.00	105.00"

SEC. 207. Section 4 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2204) is amended by inserting immediately before "": Provided further" the following: "; or (7) for the calendar months in which such member serves on active duty for training (including full-time duty performed by members of the Army or Air National Guard for which they receive pay from the United States in accordance with section 204 of title 37, United States Code, if that training is for a period of 30 days or more."

SEC. 208. Section 7 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2207) is amended by striking out "to enlisted members on active duty for training under section 262 of the Armed Forces Reserve Act

of 1952, as amended (50 U.S.C. 1013), or any other enlistment program that requires an initial period of active duty for training."

SEC. 209. The foregoing provisions of this title shall become effective on October 1, 1971, except that section 203 shall become effective on such date as shall be prescribed by the Secretary of Defense, but not earlier than February 1, 1971, and section 206 shall become effective July 1, 1971.

SEC. 210. The enactment of this title shall not reduce the pay to which any member of the uniformed services was entitled on June 30, 1971.

SEC. 211. Not later than June 30, 1972, the Secretary of Defense shall report to the Chairmen of the Armed Services Committees of the Senate and of the House of Representatives on the effectiveness of the provisions of this title in increasing the number of volunteers enlisting for active duty in the Armed Forces of the United States.

TITLE III—ACTIVE DUTY STRENGTH LEVELS FOR FISCAL YEAR 1972

SEC. 301. For the fiscal year beginning July 1, 1971, and ending June 30, 1972, each of the following armed forces is authorized an average active duty personnel strength as follows:

- (1) the Army, 974,309;
- (2) the Navy, 613,619;
- (3) the Marine Corps, 209,846; and
- (4) the Air Force, 755,635;

except that such ceilings shall not include members of the Ready Reserve of any armed force ordered to active duty under the provisions of section 673 of title 10, United States Code, members of the Army National Guard, or members of the Air National Guard called into Federal service under section 3500 or 8500, as the case may be, of title 10, United States Code, or members of the militia of any State called into Federal service under chapter 15 of title 10, United States Code. Whenever one or more units of the Ready Reserve are ordered to active duty after the date of enactment of this section, the President shall, beginning with the second fiscal year quarter immediately following the quarter in which the first unit or units are ordered to active duty and on the first day of each succeeding six-month period thereafter, so long as any such unit is retained on active duty, submit a report to the Congress regarding the necessity for such unit or units being ordered to active duty. The President shall include in each such report a statement of the mission of each such unit ordered to active duty, an evaluation of such unit's performance of that mission, where each such unit is being deployed at the time of the report, and such other information regarding each such unit as the President deems appropriate.

TITLE IV—TERMINATION OF HOSTILITIES IN INDOCHINA

SEC. 401. It is hereby declared to be the sense of Congress that the United States terminate at the earliest practicable date all military operations of the United States in Indochina, and provide for the prompt and orderly withdrawal of all United States military forces at a date certain subject to the release of all American prisoners of war held by the Government of North Vietnam and forces allied with such Government, and an accounting for all Americans missing in action who have been held by or known to such Government or such forces. The Congress hereby urges and requests the President to implement the above expressed policy by initiating immediately the following actions:

- (1) Negotiate with the Government of North Vietnam for an immediate cease-fire by all parties to the hostilities in Indochina.
- (2) Negotiate with the Government of North Vietnam for the establishing of a final date for the withdrawal from Indochina of all military forces of the United States contingent upon the release at a date certain of

all American prisoners of war held by the Government of North Vietnam and forces allied with such Government.

(3) Negotiate with the Government of North Vietnam for an agreement which would provide for a series of phased and rapid withdrawals of United States military forces from Indochina subject to a corresponding series of phased releases of American prisoners of war, and for the release of any remaining American prisoners of war concurrently with the withdrawal of all remaining military forces of the United States by not later than the date established pursuant to paragraph (2) hereof.

TITLE V—IDENTIFICATION AND TREATMENT OF DRUG AND ALCOHOL DEPENDENT PERSONS IN THE ARMED FORCES

SEC. 501. (a) The Secretary of Defense shall prescribe and implement procedures, utilizing all practical available methods, and provide necessary facilities to (1) identify, treat, and rehabilitate members of the Armed Forces who are drug or alcohol dependent persons, and (2) identify those individuals examined at Armed Forces examining and entrance stations who are drug or alcohol dependent persons. Those individuals found to be drug or alcohol dependent persons under clause (2) of the preceding sentence shall be refused entrance into the Armed Forces and referred to civilian treatment facilities.

(b) The Secretary of Defense shall report to Congress within 60 days after the date of the enactment of this Act with respect to (1) the plans and programs which have been initiated to carry out the purposes of subsection (a) of this section, and (2) such recommendations for additional legislative action as he deems necessary to combat effectively drug and alcohol dependence in the Armed Forces and to treat and rehabilitate effectively any member found to be a drug or alcohol dependent person.

TITLE VI—APPOINTMENT OF CERTAIN REGULAR TEMPORARY, AND RESERVE OFFICERS TO BE MADE SUBJECT TO THE ADVICE AND CONSENT OF THE SENATE

SEC. 601. Section 593(a) of title 10, United States Code, is amended to read as follows:

"(a) Appointments of Reserves in commissioned grades below lieutenant colonel and commander, except commissioned warrant officer, shall be made by the President alone. Appointments of Reserves in commissioned grades above major and lieutenant commander shall be made by the President, by and with the advice and consent of the Senate, except as provided in section 3352 or 8352 of this title."

SEC. 602. Section 3447(b) of title 10, United States Code, is amended to read as follows:

"(b) Temporary appointments of commissioned officers in the Regular Army shall be made by the President alone in grades below lieutenant colonel and by the President, by and with the advice and consent of the Senate, in grades of lieutenant colonel and above. Temporary appointments of commissioned officers in the reserve components of the Army shall be made by the President alone in grades below lieutenant colonel and by the President, by and with the advice and consent of the Senate, in grades above major."

SEC. 603. (a) The second sentence of section 5597(e) of title 10, United States Code, is amended to read as follows: "Such appointments shall be made by the President alone, except that appointments under subsections (f) and (g) in grades above lieutenant commander in the Navy shall be made by the President, by and with the advice and consent of the Senate."

(b) The second sentence of section 5787 (e) of such title is amended to read as follows: "Each such appointment to a grade

above lieutenant commander in the Navy or to a grade above major in the Marine Corps shall be made by the President, by and with the advice and consent of the Senate."

(c) The first sentence of section 5791(b) of such title is amended to read as follows: "Permanent and temporary appointments under this chapter in a grade above lieutenant commander in the Naval Reserve and in a grade above major in the Marine Corps Reserve shall be made by the President, by and with the advice and consent of the Senate."

(d) The first sentence of section 5912 of such title is amended to read as follows: "Permanent and temporary appointments under this chapter in grades above lieutenant commander in the Naval Reserve and in grades above major in the Marine Corps Reserve shall be made by the President, by and with the advice and consent of the Senate."

Sec. 604. Section 8447(b) of title 10, United States Code, is amended to read as follows:

"(b) Temporary appointments of commissioned officers in the Regular Air Force shall be made by the President alone in grades below lieutenant colonel and by the President, by and with the advice and consent of the Senate, in grades of lieutenant colonel and above. Temporary appointments of commissioned officers in the reserve components of the Air Force shall be made by the President alone in grades below lieutenant colonel and by the President, by and with the advice and consent of the Senate, in grades above major."

Sec. 605. Section 275(f) of title 14, United States Code, is amended by inserting the following sentence after the second sentence: "An appointment under this section to a grade above lieutenant commander of an officer in the Coast Guard Reserve shall be made by the President, by and with the advice and consent of the Senate."

TITLE VII—MISCELLANEOUS PROVISIONS

Sec. 701. Section 412(d) (2) of Public Law 86-149, as amended, is amended by (1) striking out "the President" and substituting in lieu thereof "the Secretary of Defense", (2) striking out "January 31" and substituting in lieu thereof "March 1", and (3) adding at the end thereof the following: "Such justification and explanation shall specify in detail for all forces, including each land force division, carrier and other major combatant vessel, air wing, and other comparable unit: (A) the unit mission and capability, (B) the strategy which the unit supports, and (C) the area of deployment and illustrative areas of potential deployment, including a description of any United States commitment to defend such areas. Such justification and explanation shall also include a detailed discussion of the manpower required for support and overhead functions within the Armed Services."

And the Senate agree to the same.

F. EDWARD HÉBERT,
MELVIN PRICE,
O. C. FISHER,
CHARLES E. BENNETT,
MR. ARENDS,
ALVIN E. O'KONSKI,
MR. BRAY,

Managers on the Part of the House.

JOHN C. STENNIS,
HENRY M. JACKSON,
HARRY F. BYRD,
MARGARET CHASE SMITH,
STROM THURMOND,
JOHN TOWNE,
PETER H. DOMINICK,

Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R.

6531), an act to amend the Military Selective Service Act of 1967; to increase military pay; to authorize military active duty strengths for fiscal year 1972; and for other purposes, submit the following joint statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House, on April 1, 1971, passed and sent to the Senate H.R. 6531, which extended the induction provisions of the Military Selective Service Act of 1967 and related authorities for a period of two years, from July 1, 1971, to July 1, 1973. The bill also authorized increases in basic pay and basic allowance for quarters and subsistence and set the authorized strength of the active-duty forces for the fiscal year beginning July 1, 1971.

The Senate, on June 24, 1971, amended H.R. 6531 by striking all after the enacting clause and substituting new language in the form of an amendment.

As a consequence of Senate action, there existed 28 major differences in the House and Senate versions of H.R. 6531. The majority of differences involved amendments added by the Senate for which there were no comparable provisions in the House bill. Each of the differences is identified below, together with an explanation of the action taken thereon in the conference report to resolve the difference.

DIFFERENCE NO. 1

The Senate bill provided a ceiling of 130,000 on inductions in fiscal year 1972 and 140,000 on inductions in fiscal year 1973 and provided that these inductions can be exceeded only by Congressional authorization.

The House bill contained no similar provision. The House conferees were satisfied that the ceilings imposed were consistent with the planned inductions for the fiscal years concerned. They agreed that the ceilings could be raised by statute if such were found to be necessary. They also agreed that this legislative ceiling, combined with the legislative ceiling on the authorized annual average strengths for military manpower, would provide an important degree of legislative control over military manpower and should prevent a large increase in military manpower without Congressional approval.

The House conferees believe the induction limitation is consistent with the philosophy of the Executive Branch's efforts to move towards an all-volunteer force. The House, therefore, accepted the Senate amendment.

DIFFERENCE NO. 2

The Senate version contained a provision, referred to as the Mansfield Amendment, which declared it to be the policy of the United States to terminate all military operations of the United States in Indochina at the earliest practicable date and to provide for withdrawal of all U.S. military forces not later than nine months after the date of enactment, subject to the release of all American prisoners of war held by the Government of North Vietnam and forces allied with such Government.

To effect such policy, the provision urges and requests the President to:

(1) Establish a final date for withdrawal from Indochina of all U.S. forces contingent upon release of prisoners of war, such date to be not later than nine months after enactment;

(2) Negotiate with North Vietnam for an immediate cease-fire;

(3) Negotiate with North Vietnam for a series of phased withdrawal of U.S. forces in exchange for a corresponding series of phased releases of American prisoners of war, with withdrawal of all forces and release of all prisoners of war not later than a date set by the President under No. (1) above or an earlier date agreed on by negotiation.

The Senate had voted in favor of the deadline in the Mansfield Amendment.

The House bill contained no such provision. On the contrary, the House has, on several occasions, rejected the idea of a specific deadline for withdrawal of U.S. troops from Vietnam. On the day that the House agreed to send H.R. 6531 to conference, June 28, 1971, the House specifically rejected a motion to instruct the conferees to accept the Mansfield Agreement.

In view of this vote and in view of the several previous instances when the House had rejected legislative amendments similar to the Mansfield Amendment, the House conferees vigorously opposed the Mansfield Amendment in its initial form and were adamant in upholding the will of the House. The Senate conferees were equally insistent on the position of the Senate and on inclusion of the substance of Mansfield Amendment as a prerequisite for final approval of the bill.

The conferees, therefore, debated this issue for an extended period; and the majority of the seven meetings held during the month that the legislation was in conference were devoted solely to this one provision.

On July 1 the conferees announced agreement on all of the other 27 differences, and the meetings since that time have been devoted to the Mansfield Amendment.

The conferees have agreed to the language of Title 5 as it appears in the conference report.

The language of the conference report expresses the provision as the sense of Congress rather than the policy of the United States. The conferees believe this language is more appropriate to properly reflect a policy position being taken by the Congress.

The provision, therefore, expresses the sense of Congress that the United States terminate at the earliest practicable date all U.S. military operations and provide for withdrawal of U.S. forces at a date certain subject to release of all American prisoners of war and an accounting for American missing.

The House conferees pointed out that the original language referred only to prisoners of war held by the Government of North Vietnam and forces allied with such government and was silent on Americans missing in Southeast Asia. More than three-fourths of the more than 1,600 American servicemen listed by the Department of Defense as prisoners of war or missing in Southeast Asia have never been accounted for by the other side. The Department of Defense has indicated there are over 375 men held in North Vietnam, in addition to more than 80 held in South Vietnam and several in Laos. However, the other side, in official statements, has accounted for less than 360. Only one man of all those missing in South Vietnam has been permitted to communicate with his family, and no list of prisoners has ever been furnished by the Viet Cong. An accounting for the missing, therefore, as well as release of acknowledged prisoners of war, will be necessary to end the ordeal of missing Americans and the anguish suffered by their families. The conferees, therefore, agreed to language which makes the orderly withdrawal of U.S. military forces at a date certain subject to the release of American prisoners of war by North Vietnam and forces allied with North Vietnam and "an accounting for all Americans missing in action who have been held by, or known to, such government or such forces."

In carrying out the intent of the provision the President is urged and requested by the language of the conference report to negotiate for an immediate cease-fire, to negotiate for establishing a final date for withdrawal of all U.S. forces contingent upon release of all American prisoners, and to negotiate for an agreement which would provide a series of phased and rapid with-

drawals subject to a series of phased releases of American prisoners of war. As part of the latter negotiations would be the release of any remaining Americans held concurrent with withdrawal of all remaining U.S. military forces by a date not later than a date established by the President or such earlier date as agreed upon by negotiating parties. This language deletes the setting of a date nine months after enactment as proposed in the original amendment, however, the conferees agreed that it was imperative to emphasize negotiations to establish a cease-fire since such could bring a termination of the killing in Southeast Asia at the earliest date.

DIFFERENCE NO. 3

The House bill approved the strength authorization requested by the Administration for fiscal year 1972 of 2,609,409.

The Senate version provided for a reduction in the authorization of 56,000 below that authorized by the House. Thus the strength authorized by the Senate amendment is 2,553,409. The reduction imposed by the Senate language would reduce the Air Force's average strength by 3,000 for fiscal year 1972, the Navy's strength by 3,000, and the Army's strength by 50,000. The conferees agreed that the strength reductions could be absorbed by the Armed Forces in light of the reductions being made in U.S. forces in Vietnam.

Under the Senate version of the bill the authorized ceiling may be exceeded by the President acting alone only if he calls up Reserves.

The House conferees accepted the personnel strength limitations recommended by the Senate with, however, a clarifying House amendment. The amendment simply makes clear the right of the President to order to active duty National Guard and Reserve personnel to cope with civil disturbances, etc., without regard to the personnel ceiling limitations contained in this provision of the bill.

The conferees agreed that this legislative ceiling, combined with the legislative ceiling on inductions would help assure that if the President finds it necessary to make rapid military manpower increases in a future emergency, he would do so only by calling Reservists to active duty.

DIFFERENCE NO. 4

The House bill provided for an automatic third year of alternate service for conscientious objectors as recognition of the additional Reserve service incurred by a two-year draftee. The House bill also provided for the induction of conscientious objectors who do not satisfactorily perform their assigned alternate civilian service. Finally, the House bill provided that the program of alternate work or service to be performed by the conscientious objectors be established and supervised under regulations issued by the President and administered by the Director of Selective Service. This latter provision represents a departure from present practice which places responsibility for assigning work to a local draft board and responsibility for monitoring the individual's performance to the State Director of Selective Service. This provision reflects the belief that national requirements for workers of this kind exceed the number of individuals to be granted conscientious objector classification and that assignment of personnel on a national basis under the supervision of the Director of Selective Service can provide the flexibility for effective and full utilization of conscientious objectors in alternate civilian service.

The Senate amendments required conscientious objectors to be available for a third year of alternate service only if Reserves are called up in time of national emergency. The Senate language further prohibited induction of conscientious objectors in cases where a claim for conscientious objector status is filed after an induction notice is received.

After extensive discussion, the conferees of both bodies receded from their positions.

The conferees agreed to accept an amendment proposed by the House conferees which removes any requirement for a third year of alternate service but retains the House provision allowing for assignment and monitoring of conscientious objectors to alternate service by the Director of Selective Service. The Senate conferees accepted this amendment with the understanding that the Director of Selective Service may draw heavily on the experience and recommendations of the local boards and State Directors in assigning conscientious objectors to alternate service and that local arrangements under which alternate service is now performed with religious and other organizations will not be needlessly disrupted.

The Committee of Conference emphasizes its belief that the young man who is granted the classification of conscientious objector (I-O) and is then assigned to alternative civilian service may be required to parallel in his experience, to a reasonable extent, the experiences of the young man who is inducted in his stead. The inductee leaves home, gives up his current civilian pursuits, and is sent to some distant place with seldom the opportunity to more than briefly return home during his course of service. He subjects himself to a rigorous life, many times under the most uncomfortable of conditions, and at the risk of life and limb. He is governed throughout the period of service by a system of rules and regulations, the disregard of which subjects him to various disciplinary measures including fines and prison. Where he performs his duties is dictated by national needs, not personal desires.

Obviously, a civilian work program for a conscientious objector can not entail even a reasonable facsimile of the many burdens which are placed upon the inductee who took the conscientious objector's place in combat and may have given his life. The Committee is therefore adamant in its view that the Selective Service System should place the conscientious objector in an alternative work program which genuinely contributes to meeting valid national requirements for work that conscientious objectors are capable of performing, regardless of the location of such work.

The House conferees were adamant in their opposition to a Senate amendment which would have prohibited the induction of registrants who filed a claim of conscientious objection after receipt of their induction notice. Therefore, the Senate receded with the understanding that in unusual cases, local boards would have the discretionary authority of extending to such registrants a hearing on their late claim if the circumstances so warranted.

It should be stressed that the language of the conference report retains the existing statutory language defining a conscientious objector. This statutory language has been subjected to intense legal scrutiny and interpretation by the United States Supreme Court. Therefore, no purpose would be served by rewriting this language to invite further unnecessary litigation.

DIFFERENCE NO. 5

The House bill and the Senate amendment thereto differed substantially in their provisions relating to military pay.

The House bill provided substantial increases in basic pay, primarily for draftees and other men with less than two years of service, and also provided substantial increases in quarters allowance or Dependents Assistance Allowance for all personnel, the first such increase since 1963. The basic pay increases of the House bill would have an annual cost of \$1,825.4 million. The quarters allowance increase of the House bill would have an annual cost of \$640.1 million; the Dependents Assistance Allowance increase, an annual cost of \$184.1 million. The House bill included no authority for an initial enlistment bonus.

The Senate amendment provided higher increases in basic pay for members of the uniformed services, at a total annual cost of \$2,667 million. On the other hand, the Senate bill provided no increase in Basic Allowance for Quarters; it provided an increase totaling \$79 million annually in the Dependents Assistance Allowance for junior enlisted personnel. The Senate amendment authorized the payment of an initial enlistment bonus of up to \$6,000 for up to 6 years of service, as recommended by the Administration.

The Administration had proposed a \$908 million basic-pay increase in fiscal year 1972, a \$79 million increase in Dependents Assistance Allowance, and no increase in Basic Allowance for Quarters for fiscal year 1972. The Administration's proposal was defined as the first step of a two-step increase with additional basic-pay increases and substantial increases in Basic Allowances for Quarters to be requested in fiscal year 1973. The House bill essentially incorporated the fiscal year 1972 and fiscal year 1973 Administration proposals in the belief that the full increases were required in fiscal year 1972 if the Armed Forces were to have a reasonable chance of moving towards an all-volunteer force within two years. The Senate amendment as regards pay essentially carried out the recommendations of the Gates Commission, a Presidential commission which had made a series of recommendations for pay increases as part of a proposal for an immediate move to an all-volunteer force.

After extensive discussion, both houses receded from their position and the conferees agreed on a compromise on the three major pay issues which includes the following:

(1) The basic-pay increase of the House bill, totaling \$1,825.4 million on an annual basis;

(2) A substantial portion of the Basic Allowance for Quarters increase proposed in the House bill, at a total cost of \$409.8 million on an annual basis; and Dependents Assistance Allowance increases totaling \$105.9 million on an annual basis. The House bill would have moved the Basic Allowance for Quarters and Dependents Assistance Allowance up to 100 percent of a proposed military standard which was based on FHA standards for comparable income groups. The compromise will raise Basic Allowance for Quarters and Dependents Assistance Allowance to 85 percent of that standard.

(3) Authority for an initial enlistment bonus providing for a first-enlistment bonus of up to \$3,000 for individual enlistees for three years of service with the bonus limited to individuals enlisting or extending their period of obligated service in the combat elements. The authority to pay such bonus is temporary in nature and will expire on June 30, 1973.

The conferees reached the following compromise on their other differences in the compensation section of the legislation:

The House bill had provided for special pay for optometry officers in the Armed Forces on a graduated scale of \$50 per month for optometrists in the grades of O-1, O-2 and O-3; \$150 per month for those in pay grades O-4 and O-5; and \$200 per month in pay grades O-6 and above. The Senate amendment had provided special pay for optometry officers at a flat rate of \$100 per month regardless of grade. Information from the Department of Defense indicated that the inadequacy of the military officers' salary structure to attract and retain optometrists was most apparent in the earliest years of service and that the greatest retention value would accrue from having the bulk of special pay go to young optometry officers. The conferees emphasized that the extra pay should not be considered a precedent for authorizing additional special pay for other categories of officers.

The House, therefore, recedes.

The House bill had included Dependents Assistance Allowance payments for Reservists as requested by the Administration at an annual cost of \$20 million. The Senate amendment had deleted this provision.

The Senate recedes.

The House bill had included a slight increase in Basic Allowance for Subsistence at a total annual cost of \$37.8 million. The Senate amendment had deleted this increase.

The House recedes.

[In millions of dollars]

	Adminis- tration proposal	House proposal	Senate proposal	Agreed to by conferees
Basic pay.....	908.0	1,825.4	2,667.0	1,825.4
DAA.....	79.0	184.1	79.0	105.9
BAQ.....	0	640.1	0	409.8
BAS.....	0	37.8	0	0
Enlistment bonus.....	40.0	0	40.0	20.0
Recruiter expenses.....	2.9	2.9	2.9	2.9
Optometrists.....	0	.5	.6	.6
DAA reservists.....	20.0	20.0	0	20.0
Annual total.....	1,049.9	2,710.8	2,789.5	2,384.6

The preceding table compares the provisions agreed to by the conferees with the proposals of the House and Senate and the original Administration proposal.

H.R. 6531—Pay Provisions of Bill Agreed to by Conferees, based on a full year cost for fiscal 1972.

The conferees agreed that the pay provisions, except for UAA, of the legislation shall be effective on October 1, 1971. On this basis the fiscal year 1972 cost of the compensation increases will be \$1,788.3 million, \$738.4 million above the amount allotted for such purpose in the President's proposed fiscal 1972 budget. The members of the Conference Committee wish to point out that military personnel received a pay increase in January, 1971, and are scheduled to receive another such automatic increase in January, 1972. Thus, with the provisions of the present legislation, effective October 1, there will be three pay increases provided military personnel in a period of 13 months.

The Committee on Conference believes that the compensation package as agreed upon is a balanced program. It concentrates

most of its increase in first-terminer pay, while at the same time providing substantial increases in income for careerists which should have favorable impact on long-term retention. By providing increases in allowances which are nontaxable, the conference report increases the take-home pay over what would have been available to military personnel if all increases had been in basic pay. The conferees believe that the legislation will truly provide military personnel, at all grades, with realistic and competitive levels of pay which bears a sound relationship to civilian wages for equivalent levels of work and responsibility.

In the final analysis the effectiveness of the compensation increases in attracting and retaining career personnel will be most accurately reflected in the increase in income available to the individual. The following table, therefore, compares the regular military compensation for representative examples of various pay grade made available by the House and Senate bills and finally by the conference report as compared to present rates.

COMPARISON OF AVERAGE ANNUAL REGULAR MILITARY COMPENSATION¹

Pay grade	House bill	Senate bill	Conferees' agreement	Present (Jan. 1, 1971) rates	Pay grade	House bill	Senate bill	Conferees' agreement	Present (Jan. 1, 1971) rates
Colonel/captain (O-6).....	\$27,197	\$24,850	\$26,389	\$24,850	Sergeant major/master chief petty officer (E-9)....	\$14,919	\$13,417	\$14,392	\$13,417
Lieutenant colonel/commander (O-5).....	21,821	19,796	21,122	19,796	Master sergeant/senior chief petty officer (E-8)....	12,812	11,571	12,334	11,571
Major/lieutenant commander (O-4).....	18,234	16,527	17,630	16,527	Staff sergeant/1st class chief petty officer (E-7)....	11,053	9,980	10,634	9,980
Captain/lieutenant (O-3).....	15,025	13,591	14,501	13,516	Staff sergeant/petty officer, 1st class (E-6).....	9,550	8,647	9,180	8,611
Lieutenant/lieutenant (i.g.) (O-2).....	11,474	11,138	11,045	10,166	Sergeant/petty officer, 2d class (E-5).....	7,691	7,248	7,356	6,889
Lieutenant/ensign (O-1).....	8,985	9,611	8,659	7,807	Corporal/petty officer, 3d class (E-4).....	6,457	6,329	6,189	5,253
Chief warrant/commissioned warrant (W-4).....	17,653	16,088	17,074	16,088	Private 1st class/seaman (E-3).....	5,893	5,831	5,663	3,931
Chief warrant/commissioned warrant (W-3).....	14,537	13,097	14,023	13,097	Private/seaman apprentice (E-2).....	5,484	5,530	5,311	3,345
Chief warrant/commissioned warrant (W-2).....	12,299	11,108	11,859	11,104	Recruit/seaman recruit (E-1).....	5,036	5,320	4,872	3,165
Warrant officer/warrant officer (W-1).....	10,138	9,195	9,738	9,033					

¹ Regular military compensation is defined as basic pay, basic allowances for quarters, basic allowances for subsistence and the tax advantage which accrues because the allowances are not subject to Federal income tax.

DIFFERENCE NO. 6

Both the House and Senate versions of H.R. 6531 restore to the President discretionary authority over student deferments.

The President has announced his intention to withdraw student deferments from all those who received them after April 23, 1970, the date on which the President announced his intentions to request from Congress authority to eliminate such deferments.

Under the House bill the President would have complete discretion to withhold or grant student deferments as of any date he sets.

The Senate amendments would prohibit the President from removing deferments retroactively from those who met the educational requirements for them during the regular 1970-71 academic year. Under the Senate amendments, therefore, such students would be deferred until graduation, or reaching age 24, or ceasing to pursue their course of study satisfactorily, whichever comes first. The President would, under the Senate version of the bill, have authority to eliminate student deferments for those who enter college in the summer of 1971, or later.

The Senate conferees were adamant in their views on this matter; and the House conferees, therefore, reluctantly receded and accepted the Senate language.

DIFFERENCE NO. 7

The House bill expanded the exemption presently in law for sole-surviving sons to include all members of a family if a father or brother or sister has been killed in action or died in the line of duty or subsequently dies or is totally disabled as a result of injury or disease incurred during service.

The Senate version provided that no person may be inducted who has lost a mem-

ber of his immediate family through service in the Armed Forces or who subsequently died as a result of injuries received or disease incurred in the line of duty. The Senate version also provided that any surviving son or sons serving on active duty with the Armed Forces who were inducted and who would have been eligible for exemption from induction under the language of this provision may, upon application, be promptly discharged from the Armed Forces.

The conferees agreed to accept the Senate language with an amendment providing the sister or brother must be "of the whole blood" and providing further that the exemption applies in the case of family members lost subsequent to December 31, 1959. The language accepted by the conferees also retained the existing "sole-surviving son" exemption for those registrants who qualify on the basis of a loss of a member prior to December 31, 1959.

DIFFERENCE NO. 8

The House bill did not change current law which provides exemption from induction for divinity students.

The Senate amendment changed the status of divinity students from an exemption to a statutory deferment, making divinity students technically liable to service until age 35 if, for one reason or another, they do not pursue a career in the ministry until they reach that age. The exemption for ministers was left substantively unchanged.

Without the provisions of the Senate bill a divinity student would not be liable to the draft after he reached age 26, and it would therefore be possible to remain in divinity school until that point and then pursue some career other than the ministry and thereby avoid an obligation to military service.

The House conferees agreed that the Sen-

ate language more clearly carried out the basic intent of Congress in providing divinity students freedom from their military obligation on the assumption that they were going to practice in the ministry subsequent to their completion of training for the ministry.

The House, therefore, recedes.

DIFFERENCE NO. 9

The House bill prohibited the collocation and consolidation of local draft boards.

The Senate version provided that local boards may be either consolidated or collocated, but only after the approval by the governor of the state.

The Director of Selective Service informed the conferees that the House provisions would require the creation of 340 new local boards in sparsely populated counties, most of which have never had a board even during full mobilization. This would involve recruiting and training a minimum of 2,600 additional uncompensated personnel to serve as board members, government appeal agents and medical advisers and would require the establishment of 340 new offices.

However, the Director of Selective Service assured the conferees that even should the Senate language be adopted, there are no current plans to resume the nationwide collocation of boards across county lines, halted with the passage of the House bill.

The House, therefore, recedes.

DIFFERENCE NO. 10

The Senate amendment contained a provision relating to reentry rights into college whenever practicable for veterans who had been earlier inducted into the Armed Forces. Another provision would have made available government funds to pay counseling personnel for veterans in college who desire to participate in a counseling program.

The House bill contained no similar provisions.

The House conferees pointed out that these provisions, which had not been subject to hearings in either house, were outside the jurisdiction of the House Armed Services Committee and that, if desirable, they should be subject to the consideration of the Veterans' Affairs Committee which has jurisdiction in this legislative area.

The House conferees were adamant in their views on this matter and the Senate conferees, therefore, reluctantly receded.

DIFFERENCE NO. 11

The Senate amendment contained language providing for simultaneous registration to vote in Federal elections for 18-year-old men at the time they register for service, with a proviso that a governor might veto such voter registration for his state.

The House bill contained no similar provision.

The conferees were advised by the Director of Selective Service that the provision would cause severe administrative difficulties for the Selective Service System.

The House conferees, therefore, refused to accept the Senate amendment; and the Senate conferees, therefore, reluctantly receded.

DIFFERENCE NO. 12

The Senate amendment added two separate titles to the bill, Titles 5 and 6, to provide for the identification and treatment of drug and alcohol dependent persons in the Armed Forces and other measures relating to international drug traffic.

The House bill contained no similar provisions.

The language of the Senate amendment contained:

1. A statement of findings concerning the prevalence of drug and alcohol dependency in the Armed Forces;

2. Provisions to encourage drug and alcohol dependent persons to seek treatment and rehabilitation, and to provide such treatment and rehabilitation through Armed Forces facilities and personnel trained to deal with drug-dependent persons;

3. Findings of fact and requirements for periodic reports to Congress concerning international heroin and narcotic drug control.

The House conferees argued that the language of the Senate amendment could create considerable administrative difficulty for the Department of Defense in its present form. The language provided that drug and alcohol dependent persons "shall not be subject to disciplinary or other punitive action based on information given in seeking or receiving such assistance"—that is, treatment and rehabilitation. The House conferees pointed out that this language constituted a grant of amnesty from prosecution for whatever crimes or offenses which may be disclosed during treatment or rehabilitation, without regard to whether such offenses are related to drug or alcohol use. The amendment established a medical officer-patient privileged communication status for drug and alcohol dependent persons. The House conferees argued that this medical confidentiality provision could result in difficulty for the military services in obtaining full information as to the physical and mental capacity of its members and conflicted with the rules of evidence established for trials by courts-martial.

The Senate language also precluded the discharge for an unlimited period of time of any drug or alcohol dependent person who is responding to treatment and provided that a member in such an instance who has fulfilled his service obligation may not be discharged unless he requests it. The House conferees pointed out that the language of the Senate amendment conflicted with certain provisions of Title 10 of the United States Code.

The House has not had the benefit of

hearings on or prior study of these provisions. Because of their broad implications and because of the importance and complexity of the issues involved, the House conferees could not support the language of the Senate amendment in the form in which it was brought to conference.

The House conferees pointed out that an issue of such serious nature and such complexity deserved to be treated fully in separate legislation rather than solely in a limited way as an amendment to legislation in another area. Adequate study and hearings by the appropriate committees by both houses should precede the adoption of detailed legislation on the drug and alcohol dependency problem.

On the other hand, the conferees of both houses were unanimous in their concurrence that drug abuse is a profoundly serious national problem that is having a grave effect on the Armed Forces.

The Senate conferees, therefore, after extensive discussion, receded from their amendment and the conferees of both houses concurred in a more limited amendment to read as follows:

SEC. 401. (a) The Secretary of Defense shall prescribe and implement procedures, utilizing all practical available methods, and provide necessary facilities to (1) identify, treat, and rehabilitate members of the Armed Forces who are drug or alcohol dependent persons, and (2) identify those individuals examined at Armed Forces examining and entrance stations who are drug or alcohol dependent persons. Those individuals found to be drug or alcohol dependent persons under clause (2) of the preceding sentence shall be refused entrance into the Armed Forces and referred to civilian treatment facilities.

(b) The Secretary of Defense shall report to Congress within 60 days after the date of the enactment of this Act with respect to (1) the plans and programs which have been initiated to carry out the purposes of subsection (a) of this section, and (2) such recommendations for additional legislative action as he determines necessary to combat effectively drug and alcohol dependence in the Armed Forces and to treat and rehabilitate effectively any member found to be a drug or alcohol dependent person.

The conferees desire that the language of the conference report as adopted be considered an interim step. It requires that positive action be undertaken by the Armed Forces towards identifying, treating and rehabilitating members of the Armed Forces who are drug or alcohol dependent persons and at the same time provides for a report to the Congress by the Secretary of Defense within 60 days after the enactment of this Act with plans and programs initiated and with recommendations for such additional legislative authority as may be required. In addition to requiring the Department of Defense to commence treatment and rehabilitation programs, this provision provides for a report to the Congress which will be of great benefit to the appropriate committees of each house in their study of possible further legislative action.

The conferees of both houses believe that additional effective legislation will probably be necessary to combat the serious drug-abuse problem in the Armed Forces and that consideration of such legislation should commence at the earliest practical date.

The conferees on the part of both houses have, therefore, agreed to the language in the conference report with the understanding that it is to be a prelude to further legislative action by the respective Armed Services Committees in the 92nd Congress.

DIFFERENCE NO. 13

The Senate bill contained a provision stating that no regulation issued under this act shall become effective until 30 days after the

date on which such regulation has been in the federal register.

The House bill contained no such provision.

The House conferees agreed that the provision was in the interest of equity and, therefore, accepted the Senate language.

DIFFERENCE NO. 14

The Senate version of the bill provided a series of procedural reforms in the Selective Service System which would have guaranteed to each registrant asserting a claim before a local or appeal board a series of procedural rights as follows:

1. The opportunity to appear in person before any local or appeal board;

2. The right to present witnesses before a local board;

3. Attendance of a quorum of any local or appeal board during a registrant's personal appearance;

4. A written report upon request when a local or appeal board has rendered a decision adverse to the claim of a registrant; and

5. The right to be accompanied and advised by private counsel at a personal appearance before a local or appeal board.

The House bill contained no similar provisions.

The House conferees expressed the concern that some of these provisions would prevent Selective Service boards from carrying out their functions in an expeditious manner and might encourage harassing and delaying tactics by those desiring to disrupt the effective functioning of the Selective Service System. After extensive discussion the House conferees agreed to accept the Senate amendments with regard to items 1, 2, 3, and 4. The Senate conferees pointed out that under the language of their amendment these rights would be granted pursuant to such rules and regulations as the President may prescribe and the regulations under which the rights were granted should be drafted in such a way as to preclude abuses and obvious delaying tactics. The Senate conferees pointed out further that the right to present witnesses is specifically subject under their amendment "to reasonable limitations on the number of witnesses and the total time allotted to each registrant."

With the understanding, therefore, that the regulations implementing these provisions will be drafted in such a way as to protect the orderly and efficient functioning of the Selective Service System and not result in an unreasonable burden on local draft boards, the House accepted the Senate position on items 1-4.

The conferees agreed that granting the right of counsel at appearances before local and appeal boards would require an unacceptable increase in the workload of local boards, could not reasonably be instituted without the retention of an extensive legal apparatus to provide attorneys for each local board, and might result in inequities to registrants, giving an advantage to those whose economic status makes it easier for them to obtain counsel.

The Senate, therefore, recedes.

DIFFERENCE NO. 15

The House bill provided that to the extent practicable the members of a local draft board "shall accurately represent the economic and sociological background of the population which they serve but no induction shall be declared invalid on the ground that any board failed to conform to any particular quota as to race, economics, religion, sex or age." The bill provided this requirement shall be fully implemented by January 1, 1972.

The Senate version contained language providing that in making future local board appointments the President is requested to see that to the maximum extent practicable a board "is proportionately representative of the race and national origin of those regis-

trants within its jurisdiction, but no action by any local board shall be declared invalid on the ground that any board failed to conform to any particular quota as to race or national origin."

The Selective Service System has been meeting with success in its efforts to date to increase minority membership on local boards. The conferees agreed that the Senate language would be sufficient to ensure continued movement in the direction of desirable representation on local boards and would, with the absence of an arbitrary deadline, be easier to administer.

The House recedes.

DIFFERENCE NO. 16

The Senate version contained language providing that physicians who serve for four years in doctor-shortage areas would be relieved of liability under the Selective Service Act.

The House bill contained no similar provision.

The House conferees pointed out that existing provisions in the law provide for occupational deferments when these are required in the national interest and that the President could utilize this authority for selected deferment of physicians if he so chooses.

The Senate, therefore, recedes.

DIFFERENCE NO. 17

The Senate amendment contained a requirement for four separate reports and studies to be made by the Executive Branch and to be provided to the Congress.

The House bill contained no such provision.

The House conferees agreed to accept the Senate provision for two of these studies, a joint Department of Defense—Department of Health, Education, and Welfare study of military use of civilian medical facilities and a study of the effectiveness of Title 2 of this Act in increasing the number of voluntary enlistments in the active-duty uniformed services of the United States. A study presently underway in the Department of Defense on use of civilian medical personnel and facilities can be restructured to include Health, Education and Welfare. The Department of Defense agreed the study of the effect of compensation increases on the number of volunteers is desirable.

The other two items called for in the Senate version of the bill were a modification and explanation of the manpower report presently required of the Executive Branch and a study of military housing. The House conferees agreed to accept the requirement for an expanded manpower report subject to an amendment deleting the portion of the Senate language which required the justification and explanation of manpower requirements to include a statement of the way in which missions, capabilities, strategies and deployments would be affected by a 10-percent reduction in authorized strength for each service below that recommended in the budget for the next fiscal year.

This later requirement, the conferees believed, would force the Secretary of Defense to submit an alternative military program in conflict with the proposals of his President.

The House conferees pointed out that the issue of military housing was already the subject of a sufficient number of studies.

The Senate, therefore, recedes on this latter item.

DIFFERENCE NO. 18

The Senate version of the bill contained language prohibiting enlistment after an induction order has been issued.

The House bill had no similar provision, in effect retaining current law which prohibits enlistment after an induction order is received.

The House accepts the Senate language.

DIFFERENCE NO. 19

The Senate version contained a provision prohibiting job discrimination against American citizens and their dependents in hiring on United States military bases in any foreign country.

The House bill contained no such provision.

The purpose of the Senate provision is to correct a situation which exists at some foreign bases, primarily in Europe, where discrimination in favor of local nationals and against American dependents in employment has contributed to conditions of hardship for families of American enlisted men whose dependents are effectively prevented from obtaining employment.

The House accepts the Senate provision.

DIFFERENCE NO. 20

The Senate amendment contained a provision that a high school senior who reached 20 years of age during his senior year be permitted to graduate prior to induction.

The House bill contained no similar provision.

Current law provides a deferment for a high school student until his 20th birthday or graduation, whichever occurs first.

The House accepts the Senate provision.

DIFFERENCE NO. 21

The Senate amendment contained a provision establishing an intensive counseling program for high school students to be administered by the Selective Service.

The House bill contained no similar provision.

In the opinion of the House conferees, the amendment raised a question as to whether the Federal government could, or should, attempt to make schools abide by the provision and the conferees agreed that while such counseling could be provided by Selective Service when requested, a mandatory requirement in the law is undesirable.

The Senate recedes.

DIFFERENCE NO. 22

The Senate amendment contained language providing that if calls for induction are discontinued because the Armed Forces achieve an all-volunteer basis, the Selective Service System shall be maintained as an active standby organization with personnel adequate to reinstitute immediately the full operation of the system, including military Reservists who are trained to operate such system and who can be ordered to active duty for such purpose in the event of a national emergency.

The House bill contained no similar provision.

The House accepts the Senate language.

DIFFERENCE NO. 23

The Senate amendment contained language requiring henceforth that appointment of Reserve officers of the rank of major/lieutenant commander and above be subject to the advice and consent of the Senate.

The House bill contained no similar provision.

The House conferees agreed to accept the Senate language with an amendment to apply the requirement uniformly to regular and Reserve officers and to limit the requirement to officers in the grade of lieutenant colonel/commander and above.

In substance, as a result of the amendment, temporary promotions in the grade of lieutenant colonel and above for both Regular and Reserve officers will be subject to Senate confirmation. Presently only those in the grade of general officer require this action.

In addition, permanent Reserve appointments in the grade of lieutenant colonel and colonel will be subject to Senate confirmation. The bill does not change existing law which requires confirmation for permanent promotions for Regular officers. It, therefore,

makes uniform the system for all promotions for both components in the grades of lieutenant colonel and colonel.

DIFFERENCE NO. 24

The Senate amendment contained language providing that the National Advisory Committee of the Selective Service shall, in the performance of its function, give appropriate consideration to the needs of the civilian population, as well as the Armed Forces.

The House bill contained no similar provision.

The House conferees were able to persuade the Senate conferees that existing procedures within the Selective Service System now adequately provide for the purposes the Senate language is designed to achieve.

The Senate recedes.

DIFFERENCE NO. 25

The House language provides that aliens who claim nonpermanent status may remain in the United States for two years before being liable for service. The purpose of this language was to prevent nonresident aliens residing in the United States for periods in excess of 24 months from avoiding the requirements of the Selective Service law.

The Senate bill contained no such provision.

The Senate bill included four additions to the Act, proposed by the Administration, which had been rejected by the House. These four additions would provide induction exemption for the following four classes of aliens:

1. Aliens holding foreign-affairs-oriented occupations such as in a diplomatic or counselor capacity, or with a public international organization;

2. Aliens who are not in an exempted category but who are not yet residents in the United States for one year, so as to give the said alien sufficient time to accclimate to American culture and the English language;

3. Additional nonimmigrant aliens who are not now exempted from liability under the Selective Service Act, such as temporary workers, treaty traders, or investors, fiances of American citizens and temporary visitors for business or pleasure. Such persons, in point of fact, are not now subject to registration until after they have been in the United States for an extended period but the language was requested by the Department of State to clarify the law for foreign governments;

4. Any person who has served at least 12 months' active duty in the Armed Forces of a nation with which the United States is associated in mutual defense activities. The present legal requirement is 18 months.

The Senate conferees were able to persuade the House conferees that the Senate amendment was in the interest of equity for aliens.

The House recedes.

DIFFERENCE NO. 26

The law presently limits maximum length of service on local draft boards to 25 years. The House bill would have reduced this to 15 years.

The Senate amendment compromised the limit at 20 years.

The House recedes.

DIFFERENCE NO. 27

The House bill provided an increase from \$50 to \$500 in travel pay for uncompensated Selective Service employees.

The Senate bill limited the increase to \$250.

The Senate recedes.

DIFFERENCE NO. 28

The House bill provided that a person who receives an induction order while pursuing a full-time course of instruction at a college, university or similar institution shall have

his induction postponed until the end of the term or the academic year in the case of his last academic year.

The Senate amendment made a revision to provide the induction shall be postponed until "the end of the semester or term, or academic year in the case of his last academic year." The Senate amendment, therefore, simply adds the word "semester" to preclude any misconception of the word "term."

The House recesses.

In addition, the conferees wish to point out that the amendment extending the authority to induct persons for training and service is retroactively effective to July 2, 1971. The intent of the conferees in making the effective date retroactive is to provide that the period beginning July 2, 1971 and ending on the date of the enactment of H.R. 6531 be treated as an induction period solely for the purpose of insuring that there will be no lapse in the entitlement of any member of the armed forces, or his estate, to the Federal tax benefits which are available to servicemen and their estates as a result of certain service during an induction period.

F. EDWARD HÉBERT,
MELVIN PRICE,
O. C. FISHER,
CHARLES E. BENNETT,
MR. ARENDS,
ALVIN E. O'KONSKI,
MR. BRAY,

Managers on the Part of the House.

JOHN C. STENNIS,
HENRY M. JACKSON,
HARRY F. BYRD,
MARGARET CHASE SMITH,
STROM THURMOND,
JOHN TOWER,
PETER H. DOMINICK,

Managers on the Part of the Senate.

PERSONAL EXPLANATION

Mr. FOLEY. Mr. Speaker, on the last vote just taken by the House I was in the Chamber, and I was on my feet seeking recognition for the purpose of registering my vote, but due to the confusion in the Chamber I was not recognized for the purpose of voting. Had I been recognized I would have voted "no."

LEGISLATIVE PROGRAM

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

Mr. SMITH of California. Mr. Speaker, I take this time for the purpose of asking the majority leader as to the program for the balance of this week, if any, and the program for next week.

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

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

Mr. BOGGS. Mr. Speaker, in response to the inquiry of the gentleman from California (Mr. SMITH), we have completed our legislative business for this week.

The program for next week is as follows:

On Monday we have the Consent Calendar, to be followed by four District of Columbia bills under unanimous consent. They are not controversial, and they are as follows:

H.R. 2995, regulate practice of podiatry,

H.R. 7096, establish health standards for employees of food establishments,

H.R. 8744, to amend Police-Firemen's Salary Act, and

H.R. 9580, to authorize the District of Columbia Commissioner to make agreements with Maryland and Virginia regarding trucking fees.

Then there are 12 suspensions, as follows:

House Joint Resolution 1, War Powers of Congress and the President,

H.R. 9798, Lincoln Home National Historic Site,

H.R. 760, Vessel Documentation Act,

H.R. 701, Duck Stamp Increase,

H.R. 7117, Fishermen's Protective Act Amendments,

H.R. 9442, Executive Level Positions for GAO,

H.R. 8689, Overtime Pay for Part-time GS Employees,

H.R. 3628, Equality of Treatment for Women Federal Employees,

House Concurrent Resolution 370, Public Health Service Hospitals Resolution,

H.R. 9261, Alien Ham Radio Operators,

H.R. 1074, Motor Carriers Reports to I.C.C., and

H.R. 7048, Federal-State Joint Communications Board.

To be followed on the same day by House Resolution 557, a resolution of inquiry on military aid, and a House Joint Resolution, the number will be given later, authorizing continuing appropriations for the time we will be gone on the August recess.

Tuesday and the balance of the week:

The Emergency Employment Act Appropriations. This is subject to a rule being granted.

This has been requested by the President.

H.R. 9910—Foreign Assistance Act. Under an open rule with 3 hours of debate.

H.R. 9727—Marine Protection Research and Sanctuaries Act. Under an open rule with 2 hours of debate.

I would like to emphasize that conference reports may be brought up at any time. I might especially call attention to the Members to the conference report on the draft bill which has just been filed and there are a number of conference reports on appropriation bills as well as a number of other important conference reports. We will recess on Friday, August 6 until noon, Wednesday, September 8. This resolution has been adopted.

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

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

Mr. GROSS. What is the procedure under which this House Resolution 557 and this other unnumbered joint resolutions are being brought up? What is the procedure for bringing them up? They are not coming up, apparently, under suspension of the rules. Are these privileged resolutions?

Mr. BOGGS. The resolution of inquiry is a privileged resolution and we have permission to bring up the continuing resolution.

Mr. GROSS. If I may ask that—from what committee are they?

Mr. BOGGS. One is from the Commit-

tee on Appropriations and the other is from the Committee on Armed Services. An inquiry resolution is always privileged. We have had several inquiry resolutions in the past several weeks, as the gentleman knows.

ADJOURNMENT OVER TO MONDAY

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourns to meet on Monday next.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. BOGGS. Mr. Speaker, I ask unanimous consent that business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

NINTH ANNIVERSARY OF U.S. ARMY MATERIEL COMMAND

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

Mr. FLYNT. Mr. Speaker, on August 1, the U.S. Army Materiel Command will celebrate its ninth anniversary. This great organization, the "Arsenal of the Brave," is headed by an outstanding soldier, a leader of leaders, a dedicated citizen, a great humanitarian, a man whom I know is respected by all who have had the privilege of knowing him: Gen. Henry A. Miley, a distinguished public servant of the highest order.

In my personal dealings with General Miley, I have developed the greatest respect and highest admiration for this outstanding military leader and truly humane man. Under General Miley's able leadership, AMC provides the Army's weapons and equipment, including research and development, procurement and production, storage and distribution, inventory management, maintenance, and disposal. Some 13,000 military and 134,000 civilian personnel are directly employed in AMC's nationwide network of more than 180 military installations and activities.

Relatively young in relation to the rest of the Army, the U.S. Army Materiel Command inherited a tradition of excellence from the Technical Services which extends back to the earliest days of our Nation. Building on that proud tradition, U.S. Army Materiel Command has forged a record of logistics response to the needs of the fightingman that is unparalleled.

Its initial phase of consolidation and organization was interrupted by the demands of the Cuban crisis, and by the war in Southeast Asia. Through the magnificent efforts of the men and women of AMC, those logistical demands were met in an outstanding manner.

Commenting on AMC's performance,

on the occasion of its ninth anniversary, Gen. W. C. Westmoreland, Army Chief of Staff, stated:

Since its establishment as a separate command, the Army Materiel Command has maintained the highest traditions of technical and professional competence. The versatility and dedication displayed by its members in the development and production of materials and weapons have led to great progress in Army operations and are worthy of the highest praise.

The Army Materiel Command has contributed significantly to the efficiency and effectiveness of our national defense. I join all members of the Army in wishing you continued success in your future efforts to enhance our combat readiness.

Since November 1, 1970, Gen. Henry A. Miley, Jr., has been the commander of AMC. Boldly moving out from the base established by his predecessors, General Miley has made outstanding progress toward establishing and maintaining a viable and dynamic logistical base for the Army, in a period of decreasing resources.

Eminently qualified for assignment to his present position, General Miley is no stranger to logistics. A 1940 graduate of the U.S. Military Academy, this Boston-reared officer served with the Ordnance Corps during World War II from New Guinea to the Philippines.

Subsequently, he served on the faculty of the Ordnance School, received a master's degree in business administration from Northwestern University, attended the Army War College, and further broadened his logistical talents while assigned as Director of Procurement and Production, AMC; as Assistant Deputy Chief of Staff for Logistics, Department of the Army; and as Deputy Commanding General of Army Materiel Command, prior to his present assignment.

His only desire has been to serve his country, and to sustain and protect and provide for our soldiers wherever they are stationed.

Under the leadership of General Miley, AMC progress during the past year has been highlighted by the institution of management innovations designed to conserve resources and to establish and maintain a fully responsive logistical base for the Army in the face of steadily declining funds occasioned by the phase-down of the war in Southeast Asia.

Selected reorganization through consolidation or realignment of functions and activities has been undertaken to improve efficiency in operations. Reorganizations have primarily been directed toward increasing overhead efficiency, combining facilities to improve efficiency and to reduce costs.

Continuing an effort begun in October 1969 to seek significant improvements in weapons system acquisition procedures, AMC has intensified application of the "Should Cost Analysis" technique. The technique encompasses a detailed, intensive review of a contractor's management and production practices to identify and determine the costs resulting from mismanagement and uneconomic, inefficient practices. Elimination of such projected costs permits the Government to develop a negotiation cost objective based on reasonable attainable economies and efficiencies. Not intended to

take the place of contractor management, the technique provides a means of ascertaining the most reasonable prices in the absence of normal competitive restraints and promises substantial cost savings. Seven such studies have been completed to date and three are currently in progress.

AMC also has selected two planned procurements for initial application of the "life cycle costing" technique. This is a technique by which the successful bidder in a price competition is chosen on the basis of cost of ownership rather than acquisition cost alone. In other words, the successful bidder will be selected on the basis of the lowest ultimate cost of an item to the Government during its useful service life. Considered is cost of acquisition, operating, maintaining, supporting and even disposing of an item.

Related to these efforts, training has been intensified resulting in expanded use of existing training courses as well as the development and utilization of 12 new courses in AMC schools, all geared to improving the materiel acquisition process.

An AMC-instituted program for reliability improvement of selected equipment—RISE—has led to the identification of 135 potential candidates for reliability improvement, with an estimated cost avoidance of \$293 million. Objectives are: to survey performance of all AMC equipment to identify the components contributing the most to performance degradation and high maintenance cost; analyze the components identified to determine the degree of reliability improvement that can be made; and, to begin reliability improvement programs on those offering the greatest return on investment. Some 80 of the 135 potential projects are already underway or proposed for funding with a potential cost avoidance of \$120 million.

Huge costs savings are being achieved through the substantially increased use of retread tires to meet the Army's tire replacement requirements. Retreading is now being accomplished in the United States and about 11 foreign countries, with the bulk of the work done by private industry. To date, 126 Army installations have reported 144,000 tires retreaded and savings of \$5.4 million in the first half of fiscal year 1971. Savings for the entire year are estimated at \$14 million. Plans are underway to begin retreading specific sized aircraft tires and the feasibility of rebuilding solid rubber tires, roadwheels, and tank track for combat vehicles is now under study.

The command readied a plan during the period which, assuming necessary financial support, will make it possible to complete its efforts to successfully comply with the pollution abatement requirements of Federal, State, and local laws in the production and operation of its equipment and facilities throughout the United States. Pollution sources slated for early emphasis include vehicles, industrial and military engines, aircraft, fuels and lubricants, and fixed facilities. In the later area, 258 sources of pollution were identified for corrective action at 51 AMC installations.

Sixteen defense items are involved in

coproduction projects with six foreign countries and NATO, resulting in an estimated \$562 million gold flow to the United States. New business for the military sales program in the first three quarters of fiscal year 1971 is \$420 million as compared to \$323 million for the entire preceding fiscal year.

In its continuing program to improve the present and future combat capability of the Army, AMC has made significant progress in the development and fielding of weapons and associated equipment:

Work is progressing on an Army technical data system—ARTADS—an effort to design and control the manufacture of a system that will assimilate and coordinate other field computer operations and further extend automation on the battlefield of the future. Scheduled to be absorbed are three major computer projects already in operation: Tactical operation systems—TOS; tactical fire direction system—TACFIRE—and the air defense control and coordinating system—ADCCS. Slated to be added is a fourth component part—automatic flight operation centers—AFCC.

Another advanced project is the AN/TRN-30, an omnidirectional radio ground beacon intended as an aid to navigation for Army aircraft. It is designed for use at base airstrips and remotely dispersed landing facilities where heavier aids such as ground control approach are not available or are impractical. The equipment is in two configurations, the pathfinder—man portable—and the tactical—semi-fixed—with range capability of from 15 to more than 100 nautical miles. When employed in conjunction with available aircraft automatic direction finders, it can provide bearing and indication of station to aircraft crews who can then correlate this information with topographical or aeronautical charts to determine position.

Army requirements were approved for a utility tactical transport aircraft system—UTTAS—to replace the UH-1 "Huey" as the Army's squad carrier. Industry will initially be requested to submit proposals for the engine development contract. The airframe development contract will follow at a later date. It is planned to select two airframe manufacturers for a competitive "fly off," at which time a single manufacturer will be selected for production. Promised is greater payload, airspeed, reliability, and survivability, resulting in a more cost effective machine for operational units.

First phase development was begun for a new heavy lift helicopter—HLH—capable of lifting 22.5 tons, nearly twice the payload of the Army's current model. Boeing Co.'s Vertol Division received a \$12 million initial contract to design, develop, fabricate, test, and demonstrate selected advance technological components. This effort is expected to lead to a conceptual configuration for the huge bird which is viewed as promising a giant step forward in wartime logistics support of combat forces, over beachheads before port facilities can be created—over mountain ranges—through forests and swamps, while roads and bridges are being built.

A newly developed laser guidance technique for missiles was successfully demonstrated. In tests conducted at White Sands Missile Range, specially fitted large rockets were fired and guided to precise impacts at ranges of more than 10 miles by homing on laser beams reflected off a ground target.

Two types of far infrared thermal imaging systems were combat tested and evaluated in Vietnam with a high degree of success. These systems are passive and depend upon heat emitted from the targets and their background. One system, the night vision forward looking infrared—FLIR—is helicopter mounted for airborne surveillance, detection, recognition, and fire control. The other is the handheld infrared thermal viewer—AN/PAS-7—utilized by ground troops for the detection and recognition of personnel at short ranges. Potential commercial applications include the system's possible use for detecting flaws in materials.

A new high-explosive 155-millimeter rocket-assisted projectile has been developed which greatly increases the range and effectiveness of the Army's M-109 self-propelled howitzer. The projectile contains a rocket motor designed to ignite 7 seconds after firing to optimize range performance. Current plans call for utilizing the projectile also in the XM-198 155-millimeter lightweight towed howitzer now under development. A similar projectile has also been developed for use in 105-millimeter howitzer systems which, in combination with an improved propelling charge, provides increases in range from 12,800 to more than 15,000 meters.

A promising development in weaponry is the XM-204 soft-recoil 105-millimeter towed howitzer. In a soft-recoil system, approximately half the firing impulse is imparted mechanically into the recoiling parts during the run-up period resulting in a rapid forward motion. When firing occurs, it takes about half of the actual firing impulse to stop this forward motion before recoil can start. At the end of recoil, a short, controlled counter-recoil stroke returns the system to its latched position. Advantages are improved firing stability, reduced weight and package size, increased rate of fire and a greater range than its predecessors.

Now entering production is the high mobility GOER family of vehicles. A production contract was awarded in May 1971 for a mix of 1,300 vehicles including 812 cargo carriers, 371 fuel dispensing carriers and 117 wreckers.

Competitive requests for proposal were being readied for release to industry for the XM-800 armored reconnaissance Scout vehicle program. The Scout will have greater armor protection than the M-114 presently used in reconnaissance and security missions and will provide a balanced combination of mobility, agility, and detection capability in all weather. The plan is to award expanded contract definition—ECD—contracts to two or more contractors in the fourth quarter of fiscal year 1972.

New vehicles issued to Army units during the period include the M-561 1½-ton truck, more familiarly known as the

Gama Goat. The six-wheeled vehicle has separate tractor and carrier bodies connected by an articulation joint which permits them to pitch and roll in relation to one another and maintain tire-to-ground contact for exceptional cross-country mobility over all terrain.

These accomplishments are noteworthy, and I congratulate General Miley and the men and women of the Army Materiel Command on these significant accomplishments.

UNFULFILLED PROMISES: EDUCATION FOR MIGRANT FARMWORKERS

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

Mr. BADILLO. Mr. Speaker, I want to call to the attention of our colleagues another program which is supposed to benefit migrant farmworkers, but which has failed to achieve its objectives.

Given the fact that up to half of the migrant labor force is under 25 years of age and fully a fourth are between 14 and 17, there can be little doubt that educational opportunities is the most pressing need of migrant farmworkers. Migrant children generally face educational barriers and haphazard educational opportunities because they move with their families or drop out in order to supplement family incomes.

The migrant amendment to the Elementary and Secondary Education Act was supposed to deal with this problem by providing grants to the States so that they and their localities could plan and operate compensatory education programs for migrant children during the school year and/or summer session.

In 1970, 45 of the 47 States eligible to participate in migrant programs drew upon an appropriation of about \$51 million. Home States tend to work on a concentrated educational program for the regular school year so that children may leave early and arrive late while host States emphasize compensatory summer session programs for preteens and teenagers. Both types of programs are supposed to attack five major needs of migrant children: language training, health and medical care, cultural development, self-image improvement, and nutrition.

The National Committee on the Education of Migrant Children recently conducted a year-long study of the status of education for children of migratory farmworkers. Their report, Wednesday's Children, was highly critical of the program. The report notes that it is poorly funded at the national level and has low priority within the U.S. Office of Education.

Moreover, the program is the victim of poor planning and implementation. This results in unspent funds and, of course, no benefits for migrant children. For fiscal years 1967, 1968, and 1969, \$12.1 million was returned unspent by the States and another \$4.4 million was unallocated. Over these 3 fiscal years, then, \$1.7 million of appropriated funds went unused. Think of the number of

children who might have been reached with these funds.

One of the problems facing this program is the impossibility of estimating how many children are being served. At the time of NCEMC's study, neither unduplicated enrollment figures nor average daily attendance records for migrant children were available. NCEMC did turn up evidence, however, that many eligible students were not being reached by the program.

The study also criticized the fragmented, hit-or-miss approach adopted by most States. No national thrust or program leadership was provided by the Office of Education which has opted instead for a policy of deference to local and State practices. This lack of leadership has caused difficulties in many areas, not the least of which is the haphazard approach to staffing of the program.

Allow me to quote at length from the report on staffing policies in several northern States—Illinois, New Jersey, New York, Washington, and Wisconsin.

It was in northern projects that the phenomenon of predominantly Anglo professionals serving predominantly Mexican-American, Negro, or Puerto Rican migrant children was most striking. In many communities, "home folks first" had been institutionalized into a fixed employment policy. (This is the policy of offering employment to local teachers or professionals regardless of special training or abilities.) In only one did minority groups give evidence of being strong enough to even begin to protest this policy.

In a New York State school district with large numbers of poor Negro and Puerto Rican children, not a single principal or teacher in nine schools of the district was Negro or Puerto Rican. It was stated that several Negro teachers have been accepted for employment, but only one had ever taught there (he stayed one year) because the others had been unable to find suitable housing in the town. Of the eight school-year aides, four were Puerto Rican, two were Negro, and two were Anglo. In addition, two "reverse Peace Corps" volunteers from Costa Rica and Argentina were providing many educational and social services which were otherwise completely unavailable to Puerto Rican children and parents. In the 1969 summer migrant education project (pupil enrollment 70% Puerto Rican, 20% Negro, 10% Anglo), teachers had been 100% Anglo. However, the director reported utilizing a number of recruitment sources from outside the school system to try to build a more heterogeneous staff for the 1970 summer school.

In all other summer projects visited (in the Northern states), all teachers were Anglo. However, one director and two supervisors were Mexican American, and a fairly substantial number of home-school coordinators, classroom and community aides were minority group members.

As indicated by local questionnaire response, only 28% of the 1968-69 regular school year programs and 46% of the 1969 summer programs in our sample employed any migrant adults in any capacity.

Of the large numbers of aides observed in 1970 summer migrant education programs, few were recruited from the migrant stream. In the Illinois and New Jersey projects we observed, there were, to the best of our information, no current or former migrants employed as aides. In a New York summer school, two teen-age aides were migrants (they expected to return to Florida and graduate from high school the following

school year). A Washington State summer school employed two former migrants as aides. In one Wisconsin summer school, ten of the 21 teen-age Neighborhood Youth Corps aides were migrants; in another Wisconsin community, one migrant mother was employed as the only aide in the summer school program.

The NCEMC also found "wide variations in the amount and quality of in-service staff training. In most projects, they found little evidence that in-service training programs were having an important impact on day-to-day classroom performance."

This is another example of a Federal program that needs to be made to work as intended before Congress attempts to write new legislation of benefit to migrant farm workers. The program has great potential, but this potential is not now being realized because of weak leadership from the Office of Education and inadequate funding for the program by the Congress. We can easily remedy these faults.

A POSITIVE APPROACH TO FOREIGN TRADE ILLS BY CHAIRMAN MILLS

(Mr. FULTON of Tennessee asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. FULTON of Tennessee. Mr. Speaker, every day in many a painful way it becomes more and more evident that the administration's quixotic policies have not, are not and will not ease the many economic ills which continue to plague the Nation.

Indeed, it appears that unless the Congress exerts its leadership the current dose of Republican "prosperity" may well spell economic disaster for the country.

The latest ill is in the field of foreign trade where it appears the United States may, this year, run a staggering deficit for the first time in nearly a century.

Fortunately there are level heads and keen intellects who see the need for action now and have positive proposals.

Yesterday, in fact, some excellent recommendations on the urgent matter of eliminating our balance-of-trade deficit and reasserting America's will and ability to resume its leadership in this field were offered by Chairman WILBUR D. MILLS in a speech delivered at the Washington Press Club. I insert Mr. MILLS' speech in the RECORD at this point and commend it to the consideration of our colleagues:

REMARKS OF THE HONORABLE WILBUR D. MILLS

I was most pleased to agree to your President's request and to be the first speaker of the Washington Press Club's 1971-72 year. I don't know whether or not there is significance in the fact that the Washington Press Club operates on a fiscal year basis. I know the Federal Government from time to time has shifted its collection of taxes from one fiscal period to another for the obvious purpose of collecting more revenue at an earlier date.

I certainly assumed when I agreed to come that your Club is on a sound financial basis. In recent months, I have had the honor of addressing a number of gatherings through-

out the country. In some instances, the parties are of the opinion that their financial plight needs the assistance of the Federal Government in the form of general revenue sharing. My message has been one of understanding of their problems but also one of assurance that the only general sharing that the Federal Government is capable of at this time is a general sharing of budgetary deficits. Thus, if this Club is interested at all in the possibility of revenue sharing, my message to you is the same.

I would nevertheless like to generally share a few thoughts with you on a different, but no less continuing, deficit this country faces. This is the deficit situation in the United States balance of payments. It was recently estimated that the United States balance of payments for the second quarter of this year will range between \$6¼ and \$7 billion, depending on the method of computing the deficit. This compares with a \$5.5 billion deficit for the first quarter of this year in terms of official government figures on the official reserve transactions balance. Thus, on the basis of this most recent estimate, the United States deficit in its international transactions on the official settlements basis is running at an estimated rate in excess of \$20 billion, annually. This situation, in my opinion, requires immediate attention and, I might add, affirmative action.

As you are aware, the post World War II economic policies of the United States were achieving by the end of the 1950's many of the goals which had been set forth—expanded international trade through trade liberalization, encouragement of economic growth abroad through foreign assistance programs, and an international monetary system with freely convertible currencies for most of the major countries.

In pursuing these policies, however, we failed to take into account that the outflow of dollars, on balance, represented a shift in productive capacities throughout the world. Further, we have not responded to some of the underlying reasons for the continued shift of productive capacities abroad and the economic adjustments that are resulting, which are discernible in terms of our balance of payments accounts.

Moreover, the measures previously adopted have not been successful in reducing the outflow of dollars. As our payments deficits have continued, the value of the dollar in international currency markets is becoming increasingly dependent on the willingness of others to hold large and increasing supplies of dollars. Thus, I submit that continued balance of payments deficits of the magnitude occurring the first quarter of this year and estimated for the second quarter are creating a crisis of confidence which the United States cannot afford.

It is usually concluded by those who recommend a passive stance by the United States on the payments deficits that the primary responsibility of the United States and the most effective action the U.S. can take is to control its inflation and restore vitality to its economy.

I could not agree more that this is the number one issue facing the country today, and obviously not just for balance of payments reasons. I have, of course, previously made my views known on the need for an effective incomes policy in view of our continuing inflation, the high rate of unemployment and pessimistic projections of capital investment trends.

The Administration may be committed to reasonable price stability and reasonably full employment (although there are some doubts about the later). In point of fact, neither is being achieved.

As it has been observed, we cannot reduce our payments deficits without becoming more competitive. I would observe we cannot become more competitive unless our producers

are assured of some stability in their costs, and our workers are assured of some stability in their cost of living. Here again we have a crisis of confidence that deserves more action and less benign neglect, for even a benign irritation, if left unattended, can become fatal.

We cannot wait for fundamental adjustments in the international monetary system; nor can we afford the time it will take for other nations to make difficult but clearly required decisions regarding the value of their own currency and their own economic policies.

Between 1962 and this year, our gross national product rose 74 percent; and exports rose 99 percent. However, imports rose 144 percent over the same period. And although exports rose more than GNP, the United States exports declined as a share of total world exports. Thus, it is hard to refute the conclusion that our procedures have become relatively less competitive in world markets. We can no longer ignore the aggregate effect of trade practices and government actions abroad that place our producers at a disadvantage in this market and in export markets.

As our international position has evolved from a position of leadership to one of partnership in international economic affairs, reflecting the shift in comparative economic strength, we must regain the flexibility to take action consonant with the economic adjustment problems we face.

Moreover, in exploring the possibility of action to alleviate immediate problems, we must assume that other countries will be understanding of our problems and cooperate in finding solutions. In my conversation with foreign officials, I find that they are strong and effective advocates against United States actions that might impinge on their own trade and economic interests. Just as important, I also find they are realists in recognizing that this country has the right and the obligation to take action or alternatively and sometimes preferably to seek their cooperation in preventing basic imbalances in economic forces from endangering the whole framework of international economic cooperation that both they and we have sacrificed so much to achieve.

In my opinion, the United States must act promptly to correct the disequilibrium in its international economic relations before further outflows of dollars bring about a crisis from which none of the trading countries of the world could completely escape.

There are a number of approaches which can be adopted which could bring about a more immediate redress in some of our international payments accounts. One of the approaches that was proposed by the Administration last year and included in the Trade Act of 1970 is the Domestic International Sales Corporation (DISC). This proposal recognizes that to some extent our own tax laws encourage investment in productive facilities abroad rather than export sales of products produced in this country.

I believe the DISC proposal to be responsive to some of the many pressures facing United States firms to shift their productive facilities to foreign countries rather than maintaining their productive facilities here. I believe it to be completely in the interest of the United States workers, many of whom are becoming concerned that the shift of productive facilities abroad is threatening their employment opportunities.

In view of the strong support of the Administration last year, I have been somewhat surprised that it has failed to formally forward the DISC proposal to the Congress this year or to request any priority action in this regard. I believe the DISC proposal should be given an order of high priority and have so indicated this to Administration officials.

Just as the role of the dollar in the inter-

national monetary system at this time makes it difficult to change the value of the dollar in reference to other currencies, some of the international trade rules agreed to years ago, while serving the interest of our trading partners are inconsistent with our own practices and place our producers at a disadvantage in world markets. One example is the border tax system based on the value added tax most European and many other countries have adopted.

The disadvantages to United States producers stemming from border tax systems, particularly in the European Economic Community, have been the subject of much international discussion, all of which has been quite fruitless in terms of removing the disadvantages to the United States. Despite the lack of accommodation on the border tax issue, the border tax system itself has implications for our current situation and may offer a temporary solution to growing unsatisfactory conditions in our trade balance, pending more fundamental improvements in our economic posture.

An export rebate/import surcharge approach is what I have in mind. Obviously, such a proposal has many significant ramifications in terms of both the position of the United States in the world economy and in its relations with individual countries.

However, the recent trends in trade are so disadvantageous as they relate to our balance of payments situation that every consideration should be given to this means of restoring some equality for United States producers in world markets. Obviously, a sizable border adjustment for balance of payments reasons would necessarily be temporary. On the other hand, if other countries with value added tax systems find it impossible to reach some arrangement with the United States on the effects of the border tax system, I feel that a permanent system of tax adjustment at the border reflecting the incidence of domestic taxes in the United States should definitely be considered.

I am aware that other countries and many interests in our own country will decry even the examination of this proposal. They will again point to international rules which prohibit such measures, even for legitimate balance of payments reasons. These same rules, of course, did not prevent at least three of our major trading partners in the last decade from adopting import surcharges and two countries also granting export rebates in response to their own balance of payments problems.

In my opinion, the Committee would welcome the opportunity to explore the ramifications of this type of an approach in view of our pressing balance of payments and balance of trade situation.

There are, of course, other measures that can be taken less directly related to the competitive position of domestic producing interest, but nevertheless meaningful in reducing the outflow of dollars.

One example is the authority given the President, as yet unused, to impose the interest equalization tax on short-term funds being placed abroad.

In 1970, short-term capital outflows rose to a level of about \$1.1 billion. In the first quarter of 1971, this short-term outflow continued to worsen, reaching an annual rate of more than \$1.3 billion. In the case of liquid bank claims, the outflow more than doubled—going from \$119 million in 1970 to \$288 million (at an annual rate) in the first quarter of 1971. The biggest shift, however, was in the category of nonbank liquid short-term capital flows. Here, our position changed from an inflow to the United States of \$392 million in 1970 to an adverse outflow in the first quarter of 1971 to \$640 million (on an annual rate basis)—a shift of over \$1 billion. While the figures on short-term capital outflow still are not available for the second quarter of 1971, I think it is obvious that the

situation worsened considerably, at least up until the time of the revaluation of the mark.

This precipitous outflow of short-term capital funds is something which the Congress realized might be happening when it last acted on the interest equalization tax. It was to check outflows such as those we have just experienced that the Congress gave the administration standby authority to impose the interest equalization tax on debt obligations of less than a year. The widest possible latitude was given the administration to exclude categories of debt involving business or personal transactions, to avoid affecting short-term loans made to assist business enterprises of U.S. persons. However, it was contemplated that this authority would be used in connection with nonbusiness related bank deposits, bank acceptances, commercial paper and certificates of deposit. These are the outflows motivated primarily by an interest rate gain or a gain due to exchange rate fluctuations.

The administration was given this authority to minimize this outpouring of short-term investment capital during difficult periods of stress. However, it was a real disappointment to me that the administration failed to use this authority during the period of difficult relationships with the mark earlier this year. An innovative policy on the part of the administration would have made use of this tool provided by the Congress to deal with this problem.

One of the major sources for the continued outflow of dollars has been the military assistance programs and related military activities abroad. In view of the seriousness of our balance of payments situation, quite aside from the question of our continued military presence in Europe, I feel that immediate talks should be held with our NATO allies toward the complete elimination of the net balance of payments costs to the United States for its share of defense commitments in costs to the United States for its share of defense commitments in Europe.

I have discussed the various approaches outlined above because of my conviction that the balance of payments situation demands action by the United States Government, cooperation of American commercial and financial interests that might be affected by these proposals, and the understanding and cooperation of our friends abroad. There undoubtedly are other measures that should be considered. Insofar as they involve proposals within the jurisdiction of the Committee on Ways and Means, I believe, the committee would give high priority to any responsible interim measure to reduce the dangers in our balance of payments problem.

I certainly recognize that some of these measures if implemented could have significant repercussions. I think we must recognize, however, that the continued strength of the dollar must rest as it has in the past on the productive and competitive capability of our own producers and their workers and the wisdom and expertise of our financial community.

As has been stated before, we cannot reduce the deficit in our balance of payments unless we become more competitive. We cannot become more competitive until we stem the inflationary tide and restore vitality to our producing economy. Nor will more stable price trends suffice in view of the many disadvantages facing our producing interest. This is why temporary measures are necessary to mitigate these disadvantages until more sound conditions of trade can be established with the cooperation of our trading partners.

Quite aside from these measures I have discussed there is undoubtedly a need to reorganize and strengthen the international monetary system. The fundamental changes in that system that are required will obviously take a long time to accomplish. The

extent to which any change in the international monetary system will be reflective of the long-run interests of the United States depends to a large degree upon the amount of confidence other countries have in our ability to act with wisdom and understanding. I believe that such confidence requires that we act now in those areas in which we can move toward restoring balance in our international accounts.

AIR SAFETY DEMANDS COLLISION AVOIDANCE SYSTEM

(Mr. FASCELL asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. FASCELL. Mr. Speaker, the tragic mid-air collision today in northern Japan hit close to home. The flight engineer on the All-Nippon Airways—ANA—Boeing 727 was Donn M. Carpenter, of Miami, Fla.

The air collision disaster, the worst single loss-of-life incident in aviation history, claimed over 160 lives.

This tragedy could have been avoided. Mid-air collisions need not—and, indeed, should not—occur. Inexpensive collision avoidance systems can, and must, be perfected.

In 1967, shortly after the mid-air collision in Asheville, N.C., which claimed the lives of 82 people, including nine Floridians and the Secretary-designate of the Navy, I introduced legislation to encourage the development of an effective, economical collision avoidance system for use by all aircraft.

Today, despite rapidly developing technology, the vast majority of aircraft flying over this country do not have the benefit of such a device. The present cost of collision avoidance systems is prohibitive for all but the commercial airlines.

Last year the House Government Operations Committee, of which I am privileged to be a member, issued a 2-year investigative report outlining the deficiencies in air traffic control improvement programs.

At that time I said that Federal aviation efforts to develop a low-cost collision avoidance system for small aircraft had failed to keep pace with the increasing traffic control crisis.

The magnitude of the problem is shown by the fact that approximately 80 percent of all aircraft are of the smaller general aviation category, flying under visual flight rules outside the control of radar and air controllers on the ground.

I believe that the technological capability exists to develop a reasonably priced collision avoidance system and that it is now appropriate for the Congress to direct the development of that system.

Accordingly, I am today introducing legislation to require the Secretary of Transportation to coordinate and take whatever steps necessary, including research and development, to make available as soon as possible a collision avoidance system for use on all civil aircraft.

The bill also specifically directs that the collision avoidance system must be sufficiently low in cost so that it will not impose an unreasonable economic burden on air carriers and other aircraft owners and operators.

Mr. Speaker, I urge our colleagues to join in support of this vital legislation. No effect is too great to avoid the tragic loss in life and property that inevitably accompanies a needless air disaster.

THE CROSS FLORIDA BARGE CANAL PROJECT

(Mr. YOUNG of Florida asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. YOUNG of Florida. Mr. Speaker, in the Public Works Appropriation bill, H.R. 10090, which passed this House yesterday, there were included funds for the phasing out of the Cross Florida Barge Canal project. My purpose in making this statement is to make it clear to my colleagues that the approval of funds for this project is for the purpose of terminating the project and that by no means can the term "continued funding" be misconstrued to read "continued construction."

The funds necessary for the termination of this project were agreed upon by the members of the Florida delegation prior to their approval of the Florida fund request. The Corps of Engineers has been directed to close down the project and the funds appropriated will be to allow completion of work on the existing canal projects necessary to leave construction on the project in a safe condition and the Corps shall have flexibility within the amount budgeted to take such settlement actions as may be appropriate in connection with this project. Careful research has been made of this stipulation in the bill and I have the concurrence of my distinguished colleagues, Congressman JOHN RHODES, ranking member of the Subcommittee on Public Works of the Appropriations Committee, that my understanding of the language of the bill is correct.

When agreement on this matter was reached by the Florida delegation it was so reported by several Florida newspapers and at this point I would like to include the text of one of these articles and call special attention to the reference to the delegation supporting the funds to close out the canal projects.

The recorded vote on the Public Works Appropriation bill will show that the members of the Florida delegation remain steadfast in their stated agreement that funds be appropriated for the phasing out of the Cross Florida Barge Canal and should not be misinterpreted as a vote to continue the canal.

The article follows:

[From the Fort Lauderdale News, May 27, 1971]

DELEGATION ON OPPOSITE BANKS AFTER CANAL DISPUTE

(By Tom Vinciguerra)

WASHINGTON.—The Florida congressional delegation's deep split over the shutdown of the Cross-Florida Barge Canal has loomed dark clouds over federally financed public works in South Florida.

The procanal old guard Democrats of the delegation, headed by Rep. Robert Sikes, D-Crestview, turned a delegation luncheon yesterday—traditional during Florida's annual pitch for pork barrel funds—into a eulogy

over the demise of the delegation's historic unity on public works projects.

NEAR-DONNYBROOK

Pouring oil on troubled waters, Rep. Sikes, delegation dean, said: "If we fight each other's projects in this delegation, we lose cohesive ability to stand together and work for all of Florida."

The Florida luncheon in the Capitol, sandwiched between Senate and House appearances of Florida officials before congressional committees, nearly erupted into a donnybrook.

For years, Sikes said, the Florida delegation worked together to support each other's public works project. He said he hoped the luncheon would not be the last time the delegation was together.

Then the anticanal members of the delegation had their say. Republican Bill Young Pinellas County's freshman congressman who has been backing President Nixon's shutdown of the Cross-Florida Barge Canal all the way, was not moved by the historic split in the Florida delegation.

On his feet, Young told his colleagues: "Whenever politicians meet and always agree on something, the people better watch out."

He said he would continue to vote his convictions.

LAMENTS SPLIT

Rep. Charles Bennett, D-Jacksonville, canal advocate battling President Nixon's shutdown on legal grounds—he says the President can not withhold money the Congress votes to spend—said he was going through a "chilling experience with regard to government."

Bennett pledged to continue to judge each Florida project on its merits, but he lamented the split in the delegation over the canal.

Republicans J. Herbert Burke, R. Broward, and Louis Frey, Orlando, canal opponents, sent aides to the luncheon.

Rep. James Haley, D-Sarasota, who opposes the canal, quoted former Speaker Sam Rayburn as telling him once he had better reflect the views of 51 per cent of his constituents or he would not be a congressman long.

His constituency, said Haley, is against the canal.

Rep. Bill Chappell, D-Ocala, canal proponent, said the shutdown would do more to damage ecology than help it.

ENDORSE FUNDS

All the congressmen said they support the canal authority's request for \$5 million to phase out the facility, which runs from Yanketown to Jacksonville.

The \$12.6 million request of the Central and Southern Florida Flood Control District (FCDD), while endorsed unanimously, still was not seen as a shoo-in.

Under questioning, some of the Florida lawmakers mentioned the problems of cutbacks in government spending and the fight against inflation.

Between the lines, observers read that pork barrel backscratching in the Florida delegation is over. The FCD may have to rely on the South Florida congressmen alone to push through the budget request unscathed if push comes to shove over funds.

The shutdown will come behind closed doors of the committee, where strings are pulled. The old guard North Florida Democrats, who pull powerful strings in Congress because of their seniority, put the canal opponents in South Florida on notice.

CHILDHOOD LEAD POISONING

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

Mr. RYAN. Mr. Speaker, I am pleased to announce to the House that today the

Senate adopted an amendment to its version of the Labor-HEW Appropriations bill for fiscal year 1972, adding an additional \$7.5 million to the \$7.5 million reported by the Senate Appropriations Committee to fund the Lead-Based Paint Poisoning Prevention Act (Public Law 91-695). Thus, the Senate bill now contains a total of \$15 million to combat childhood lead poisoning.

While this is a commendable step—and I particularly commend the senior Senator from Massachusetts (Senator KENNEDY) who offered the amendment on behalf of himself and the Senator from New York (Senator JAVITS) and the Senator from Pennsylvania (Senator SCHWEIKER)—the amount provided by the Senate is still \$10 million below the amount authorized by the Lead-Based Paint Poisoning Prevention Act.

I urgently hope that the House conferees will accept the full amount provided in the Senate bill when they convene in conference, so that a meaningful Federal assault on childhood lead poisoning can begin.

HOGAN INTRODUCES RESOLUTION FOR SAFEKEEPING OF HUNGARIAN HOLY CROWN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland (Mr. HOGAN) is recognized for 10 minutes.

Mr. HOGAN. Mr. Speaker, I am today introducing a concurrent resolution expressing the sense of Congress that the Holy Crown of St. Stephen should remain in the safekeeping of the U.S. Government until Hungary once again functions as a constitutional government established by the Hungarian people through free choice.

I am very pleased, Mr. Speaker, that the following colleagues have chosen to cosponsor this resolution with me:

Mr. ADDABBO of New York.

Mr. ANDERSON of Illinois.

Mr. BRASCO of New York.

Mr. BYRNE of Pennsylvania.

Mr. CRANE of Illinois.

Mr. DERWINSKI of Illinois.

Mr. DULSKI of New York.

Mr. FORSYTHE of New Jersey.

Mr. FUQUA of Florida.

Mr. HALPERN of New York.

Mr. HELSTOSKI of New Jersey.

Mrs. HICKS of Massachusetts.

Mr. HORTON of New York.

Mr. KEATING of Ohio.

Mr. KEMP of New York.

Mr. LANDGREBE of Indiana.

Mr. MCKEVITT of Colorado.

Mr. MONAGAN of Connecticut.

Mr. PELLY of Washington.

Mr. PUCINSKI of Illinois.

Mr. ROUSSELOT of California.

Mr. SANDMAN of New Jersey.

Mr. SCHERLE of Iowa.

Mr. WILLIAMS of Pennsylvania.

Last week, July 19-23, many of our colleagues rose in this Chamber and commemorated the 13th annual observation of Captive Nations Week. In my own remarks on July 21, I noted that every year, during this observance, much talk is bandied about, deep concern is expressed, and much tribute is paid to the

many who suffer under Communist oppression. However, it is rarely possible to take some kind of constructive action which will live on after the well-meaning words have long since died away.

Mr. Speaker, today, just one week after rising in this Chamber to acknowledge our concern about the plight of the Captive Nations, some of us in this body are taking some constructive action in the form of the concurrent resolution which I am today introducing. While this resolution will affect only the peoples of one Captive Nation—Hungary—I believe it will indicate that the annual tributes of the American Congress during Captive Nations Week are not just so many empty words.

With this in mind, I would like to offer a word of explanation about the need for the resolution I am introducing today. In 1945, the Holy Crown of St. Stephen was entrusted to the U.S. Government for safekeeping until such time as Hungary became free once again to function as a constitutional government established through free choice. The Holy Crown is a national treasure of immense historical and symbolic significance to Hungarians, and American-Hungarians, who believe that governmental power is inherent in the Holy Crown itself.

In the course of recent diplomatic negotiations it has become apparent that a possibility exists that the Crown may be returned in an effort to promote American-Hungarian relations. My concurrent resolution expresses the sense of Congress that this not be done until Hungary again functions as a constitutional government established by the Hungarian people through free choice. We must not break our sacred trust and thereby indicate our lack of hope in Hungary's future. The Holy Crown of St. Stephen must be kept in trust in America, and we must uphold the belief of Hungarians everywhere that someday freedom and independence will return to Hungary, as well as to other Captive Nations.

Mr. Speaker, I ask that this concurrent resolution be included at this point in the RECORD.

H. CON. RES. 385

Concurrent resolution expressing the sense of Congress that the Holy Crown of St. Stephen should remain in the safekeeping of the United States Government until Hungary once again functions as a constitutional government established by the Hungarian people through free choice

Whereas the Holy Crown of St. Stephen is a national treasure of great symbolic and constitutional significance to the Hungarian people; and

Whereas the United States Government is in possession of the Holy Crown of St. Stephen, it having been entrusted to the United States in 1945 for safekeeping until Hungary should once again function as a constitutional government established by the Hungarian people through free choice; and

Whereas Hungary is presently under the control of an atheistic communist regime in whose interest it would be to destroy the Holy Crown of St. Stephen; and

Whereas the communist government of Hungary has proposed that the Crown be given to that government in order further to improve the atmosphere of American-Hungarian relations; and

Whereas relations between the United States and the communist government of

Hungary have gradually been resumed, and discussions have taken place with a view to the settlement of various longstanding bilateral problems; and

Whereas it is possible that the Holy Crown may be considered as a negotiable item by the United States Government; and

Whereas the hopes of the oppressed people of Hungary for a future of freedom and liberty, and the hopes of their brothers and sisters the American-Hungarians in this country, will be dashed if the United States Government breaks its sacred trust and relinquishes the Crown: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That it is the sense of Congress that the Holy Crown of St. Stephen should remain in the safekeeping of the United States Government until Hungary once again functions as a constitutional Government established by the Hungarian people through free choice.

CONGRESSIONAL MEDAL OF VALOR FOR NEXT OF KIN OF POW'S AND MIA'S

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. TALCOTT) is recognized for 5 minutes.

Mr. TALCOTT. Mr. Speaker, the war in Indochina is tragic, cruel, and curious beyond description. Almost uniquely, there are no heroes—although magnificent acts of heroism have been performed.

"Loyalty," "bravery," "dedication," "duty," and "competence" are words practically unseen and unheard in the record numbers of the volumes written, recorded, and televised about this miserable war—although loyalty, bravery, dedication, competence, and performance of duty have been displayed in unsurpassed degree by our military forces who have been ordered to wage the longest, most frustrating war in our history.

Perhaps our POW's and MIA's will be the heroes—as well as the hostages and pawns—of this interminable war.

If the POW's and MIA's are not to be heroes—if they are, instead, to be merely human sacrifices on the altar of our fumbling forays into the thankless business of preserving peace and safeguarding personal security; or if they are, instead, to continue to be human pawns in the complex chess game of international politics between the free world and those marauders behind the iron, bamboo, and jungle curtains—then I humbly submit that the next of kin of our POW's and MIA's are heroes or heroines above compare.

I have been privileged to know and serve in combat with some extraordinary Americans—including recipients of the Congressional Medal of Honor—but never have I known a more patriotic, brave, courageous, or devoted group than the wives and families of our prisoners of war and those missing in action.

Never has a nation owed so much to so few.

None of us can appreciate the agony and grief, the interminable waiting, the distress of family separation at the most vital time of family life, the day-in, day-out frustration of not knowing whether one's loved one is dead or alive.

None of us can achieve the only desire of the next of kin; namely, that their servicemen be returned to freedom

promptly, safely, and soundly. The next of kin are even more helpless.

We can, and should, express our compassion for the horrendous ordeal of our POW and MIA families, our gratitude for their service, our recognition of their heroism and valor. To offer a mere token of our Nation's gratitude and in recognition of the extraordinary loyalty, courage and valor of the next of kin of our POW's and MIA's, I have proposed and introduced House Joint Resolution 811 to establish the Congressional Medal of Valor, the complete text of which I insert at this point in the RECORD. I trust it is self-explanatory.

The resolution follows:

H.J. RES. 811

Joint resolution to establish the Congressional Medal of Valor and to authorize its award to certain next of kin of servicemen missing in action or prisoners of war in Indochina by the President with the advice and consent of the Congress

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

We, the Members of the Senate and the House of Representatives:

In humble gratitude for the heroic sacrifices of our servicemen who have become prisoners of war or missing in action while serving our Nation on missions in Indochina; and

Quite mindful that the only award their wives and families would ever want is the early safe and sound return of their men to freedom; but, nevertheless,

Recognizing the distress and frustration inflicted upon the families of these servicemen by reason of the paucity of information furnished by their captors to their families regarding their condition and whereabouts; and

Understanding the anxieties and mental tensions imposed upon the families of these men by reason of the refusal of their captors to permit satisfactory communication between prisoners and family; and

Appreciating the anguish and grief of not knowing for long periods of time whether one's husband, father, son, or brother is dead or alive, ill or well, injured or sound, tormented or at ease; and

Respecting their steadfast endurance of these and other agonies; their quiet patience—in the face of the interminable waiting; and their remarkable forbearance—in spite of continuous propaganda and psychological warfare waged directly and indirectly against them from home and abroad; and

Admiring their quiet personal bravery; their public gallantry—in spite of their private grief; their selfless spirit of mutual support—in spite of the dearth of public knowledge or appreciation of their plight; their loyalty to their Nation and its ideals—despite the drumbeat of doubts urged upon them by various foreign enemies and domestic adversaries; their devotion to their serviceman's principles and aspirations—despite his remoteness in time and distance; their amazing grace—even while their Government's policy concerning them appeared neglect or vacillating; their incredible good cheer as they continually prepared for a happy reunion—all the while inwardly saddened by the haunting knowledge that the dreams of such a happy reunion might never occur; their abiding faith that their Government was "doing all it could"—even when nothing significant but disappointment after disappointment transpired; and their refusal to espouse any bitterness concerning the gross inequity between the humane treatment accorded prisoners of our Government, and their families, and the inhumane treatment by the enemy; and

For these and other reasons too numerous

to enumerate and too poignant for us to appreciate: Now, therefore, be it

Resolved, That:

We, the Senate and the House of Representatives of the United States of America, in Congress assembled, in great admiration and boundless gratitude.

Do hereby, establish the Congressional Medal of Valor for conspicuous bravery, courageous conduct, and loyalty far above and beyond the call of any civilian duty by next-of-kin of United States servicemen missing from combat missions or prisoners of war in Indochina; and

Authorize the President to make such awards at the time and in the manner he deems appropriate, with the advice and consent of the Congress; and further

Authorize such prerequisites of such award as the Congress may from time to time deem appropriate.

Every Member of Congress represents these unfortunate servicemen and these extraordinary American families who have displayed such valorous citizenship while enduring such extreme suffering. International justice may have failed for these valorous fellow citizens, but national gratitude should pour out to them.

We ought to continuously remind ourselves that most of us have endured this far away bestial war in a secure and safe place and have enjoyed a very comfortable, cozy, and affluent life—while our POW's and MIA's suffered and sacrificed and their families endured their agony, strain, and loneliness right here among us.

I hope that the Committee on Armed Services will hold hearings promptly and that every Member will extend this token expression of gratitude.

TAKE PRIDE IN AMERICA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. MILLER) is recognized for 5 minutes.

Mr. MILLER of Ohio. Mr. Speaker, today we should take note of America's great accomplishments and in so doing renew our faith and confidence in ourselves as individuals and as a nation.

As reported by Geography for Today:

Good land, plus a varied climate, plenty of farm machinery, and scientific know-how makes the United States the world's leading agricultural country. There have been years when the value of our agricultural products have been greater than all other countries combined. We not only produce enough crops to make our people the best fed on earth—but we have helped feed many other parts of the world.

In normal years for example the United States produces 27 percent of the world's cotton, 52 percent of the world's corn, 33 percent of the world's oats, to mention a few.

BUS AND TRUCK SAFETY ACT OF 1971

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. FINDLEY) is recognized for 5 minutes.

Mr. FINDLEY. Mr. Speaker, a headline in The National Observer of June 7, 1971, reads "Danger Rides With Big Rigs"

and beneath it is the subheading "Be-ware: Faulty Trucks, Drivers Are on Roads." The bare statistics on truck accidents are frightening. According to the Bureau of Motor Carrier Safety, in 1969 alone there were 47,877 big-rig smashups that killed 1,953 persons, injured 24,106 and caused \$102 million in property damage. And these figures do not tell the whole story, for they cover only a fraction of the trucks on U.S. highways.

The Observer article, written by August Gribbin, declares that motorists unwittingly test their luck on untold occasions just by mingling the family car with the big rigs on the highway. The Observer states that there is evidence that significantly large numbers of long-distance truck drivers take amphetamines and drink while driving. Many pilot seriously defective machines. Others force themselves to stay at the wheel after fatigue has made them dangerous.

In New Jersey, the danger of mixing cars and trucks together has become so serious that special lanes, separated from the others, have been added to the New Jersey Turnpike for the use of cars only.

Each year, more Americans are killed on our Nation's highways than died at the height of the Vietnam war. And although the Vietnam war and American casualties have now been reduced, the slaughter on the highways continues at a frightening pace.

Today, I am introducing the Bus and Truck Safety Act of 1971. This bill would require each truck and bus under the jurisdiction of the Interstate Commerce Commission to be equipped with a tachograph, a recording instrument which provides a permanent record by chart of speed in miles-per-hour, distance traveled, and the number and duration of stops, as well as other pertinent information.

Experience in foreign countries where the tachograph is mandatory equipment shows clearly that these devices promote speed control, serve as a warning to drivers and provide accurate records for owners, drivers and law enforcement agencies. Several States already have such laws or are considering them and this year alone bills to require tachographs on buses were introduced for the first time in Connecticut, Massachusetts, and Rhode Island. A bill to require the use of tachographs on other vehicles in addition to buses was introduced in New York.

Congress and the American people have acted to reduce the killing in Vietnam. Now it is time for us to act forthrightly to reduce the killing on our highways which takes far more lives. I am hopeful that hearings can be held on this bill and that Congress will enact it at an early date.

H.R. 10267

A bill to require that buses and trucks operated in commerce be equipped with instruments to provide a record of certain operating data, and for other purposes

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

REGULATIONS

SECTION 1. (a) (1) Not later than the one hundred and eightieth day after the date of enactment of this Act, the Secretary of Transportation (hereafter in this Act referred to as the "Secretary") shall prescribe and publish regulations in the Federal Register establishing specifications for one or more instruments for installation in buses and trucks operated in commerce which shall (A) indicate the speed of such buses or trucks, in miles per hour, (B) provide a non-resettable odometer to record the total miles traveled by such vehicle up to at least one million miles, (C) indicate by a signal, whether visible or audible, to the driver of such bus or truck when it is exceeding a specific rate of speed, and (D) provide for a permanent visible record (by chart) or (i) the speed of such vehicle (in miles per hour), (ii) the distance traveled (in miles), (iii) driver changes (if any), and (iv) the number and length of periods during which the vehicle was not operated, and (E) be attached to such bus or truck and secured from unauthorized use with a lock or seal in such a manner as to automatically indicate on the record required by clause (D) each time any such instrument or instruments are opened.

(2) Such specifications shall include specifications with respect to (A) accuracy under various forces and conditions, (B) visibility or audibility, as the case may be, and (C) resistance of such instrument or instruments to impact and corrosion.

(b) The Secretary shall by regulations provide by whom and for what period of time any records made by such instruments shall be retained.

ADMINISTRATIVE PROCEDURE AND JUDICIAL REVIEW

SEC. 2. The provisions of subchapter II of chapter 5, and chapter 7, of title 5, United States Code, shall be applicable with respect to regulations prescribed under section 1 of this Act.

PROHIBITED ACTS

SEC. 3. (a) It shall be unlawful for any person to operate or cause to be operated in commerce any bus or truck manufactured on or after January 1, 1974, unless such bus or truck is equipped with an instrument or instruments which comply with regulations prescribed by the Secretary pursuant to section 1 of this Act.

(b) It shall be unlawful for any person to operate or cause to be operated in commerce after January 1, 1976, any bus or truck manufactured before January 1, 1974, unless such bus or truck is equipped with an instrument or instruments which comply with regulations prescribed by the Secretary pursuant to section 1 of this Act.

(c) It shall be unlawful for any person to offer for sale for use in any bus or truck or to install in any bus or truck any instrument or instruments, which are represented by such person to comply with regulations prescribed by the Secretary pursuant to section 1 of this Act, unless such instrument or instruments in fact comply with such regulations.

PENALTIES

SEC. 4. Any person who willfully and knowingly violates section 3 of this Act shall be fined no more than \$1,000 for each such violation.

DEFINITIONS

SEC. 5. As used in this Act—

(1) The term "commerce" means commerce between any place in a State and any place outside thereof, or between places in the same State but through any place outside thereof.

(2) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and any possession of the United States.

(3) The term "motor vehicle" means any

vehicle driven or drawn by mechanical power which is manufactured primarily for use on the public streets, roads, or highways, except any vehicle operated exclusively on a rail or ralls.

(4) The term "bus" means any motor vehicle designed to carry more than eight passengers.

(5) The term "truck" means any motor vehicle designed to carry property in furtherance of any business activity.

The text of the article from The National Observer follows:

[From the National Observer
June 7, 1971]

**DANGER RIDES WITH BIG RIGS—BEWARE:
FAULTY TRUCKS, DRIVERS ARE ON ROADS**

(By August Gribbin)

You may drive superbly—like an Al Unser of the sedan set. But skill avails little when a passing tractor-trailer heaves a wall of water from a wet road and drowns out your vision, or when a 70,000-pound van follows too closely down a steep hill and there's no way to elude it. Then you trust to luck.

In fact, motorists unwittingly test their luck on untold other occasions just by mingling the family car with the big rigs on the highway.

There is evidence that significantly large numbers of long-distance truck drivers take amphetamines and drink while driving. Many pilot seriously defective machines. Many force themselves to stay at the wheel after fatigue has made them dangerous. This despite industry concern and sometimes lavish spending on safety.

ACCIDENT RATES DECEIVE

Similar past allegations have had small impact, largely because they lacked proof. Many motorists recoil at such reports, for they've come to regard big-rig truckers as the best, most-courteous drivers on the road. Truckers change flat tires for elderly ladies and help other distressed motorists. Besides, it obviously takes skill just to maneuver a giant truck.

Truck companies and the American Trucking Associations, Inc. (ATA), the industry's trade organization and lobbyist, explain—correctly—that trucks' accident rate is lower than cars'. They say the rate keeps dropping even though more trucks take the road each year. The rate for all trucks is 14.6 accidents per million miles driven, according to ATA figures; later National Safety Council statistics put it at 12.6. The rate for cars is 27.7.

Yet the small Bureau of Motor Carrier Safety, the Department of Transportation's truck-safety policeman, has intensified and expanded its accident investigating and reporting in recent months. Its files now abound with illustrations of the threats big rigs pose.

Examples?

In early morning on U.S. Highway 70 outside Roswell, N.M., a tractor-trailer eased onto the wrong side of the road toward an onrushing Buick, which defensively swerved far onto the road shoulder. Still the truck rammed it, killing its four occupants.

Federal officials blamed the trucker, terming him "negligent, . . . inattentive, dozing, or very possibly disoriented" because a "psychological or physical disorder" made him unable to stay awake while driving in darkness.

A truck lugging bombs over U.S. 75, which meanders through Coalgate, Okla., tried to make a right turn in the town. The rig flipped. The bombs didn't detonate, but two persons suffered injuries; property damage totaled \$10,000. Official finding: The truck's improperly secured load shifted, tipping the trailer.

Near Rockland, Fla., a tractor-trailer hauling grapefruit roared up behind a line of five cars pausing at a traffic light on U.S. 1. It didn't stop. Three persons died; six were

hurt. Federal officials said the driver "had amphetamines in his possession."

ONE YEAR'S TOLL: 1,953 DEAD

Outside Ashton, Idaho, a runaway tractor-trailer hit a herd of cattle on a bridge, then bounded to a river bank below. The driver died. Federal officials said the truck's brakes were "almost nonfunctional and so badly neglected that [the truck] obviously had been in a dangerous condition for a relatively long period of time."

Investigators said the trucker had not kept the mandatory driving log properly, lacked a valid medical certificate, and apparently had not slept more than 2½ hours in the 29 hours preceding the crash. Among his effects was an empty whisky bottle with a partially dissolved tranquilizer in it.

Freakish, isolated incidents? Not at all.

Bureau of Motor Carrier Safety (BMCS) files contain reports of 47,877 big-rig smash-ups that killed 1,953 persons, injured 24,106, and caused \$102,051,590 in property damage in 1969. The BMCS hasn't completed its 1970 tally yet, so The National Observer hand-counted 1970 reports of the six largest—and purportedly the most safety-conscious—trucking companies.

Those six carriers alone had at least 4,317 accidents in which 36 persons died and 96 others were injured seriously. The totals are conservative, because some carriers' files spanned only eight months.

Roadway Express Inc., Akron, Ohio, the nation's third-biggest carrier by ATA reckoning, topped the list with an 11-month record of 790 accidents, killing 16 persons and seriously injuring 21. R. R. Johnstone, Roadway vice-president, refused to converse about "such a sensitive subject as safety" over the phone.

Asked again, by telegram, to comment and to reply to a Roadway driver's criticism of Roadway's safety program he wired: "Suggest you review steady improvement in safety performance before accepting criticism of one driver as fact." In 1969 Roadway reported 869 crashes that took 29 lives and hurt 427 persons. How many were seriously injured isn't known. The bureau's 1969 figures don't show the degree of injury.

The file of the nation's biggest carrier, United Parcel Service, New York City, lacked a month's accounting from an Ohio subsidiary. Otherwise it reported 629 accidents, 10 fatalities, and 13 serious injuries. A company spokesman remarks: "Unfortunately we are all the victims of human folly—if not ours, then someone else's."

FIGURES DON'T TELL ALL

The nation's second-largest carrier, Consolidated Freightways, Inc., Menlo Park, Calif., reported 1,093 crashes that killed 26 persons and injured 492 in 1969. Consolidated's 1970 file shows 400 wrecks causing five fatalities and 13 serious injuries in eight months.

O. H. Fraley, Consolidated's executive vice-president, comments: "We don't like to talk in terms of the number of accidents. No other company does. The number of accidents is relative to the number of miles driven. The number might look large, but the frequency rate of truck accidents is going down. Our road-accident frequency in 1970 was 16 per cent lower than in 1969."

Not even the BMCS contends that its statistics realistically portray the state of big-truck safety. Its figures are far too conservative, for they cover only a fraction of U.S. trucks.

Arthur MacAndrew, chief of the bureau's compliance division, explains: "Some 18,000,000 U.S. vehicles carry truck-license tags. Of those only 5,000,000 are the medium and heavy trucks we're concerned with. About half of those big rigs engage in interstate commerce and thus come under our jurisdiction. Really we deal with and get our data

from roughly 10 per cent of the nation's truck fleet."

Besides, bureau officials have discovered that at times companies don't report accidents. All mishaps causing \$250 property damage, personal injury, or a fatality must be reported.

But last fall, for example, the bureau alleged that Thunderbird Freight Lines, Inc., of Phoenix failed to report accidents. For that and other reasons Thunderbird was fined \$3,000.

Moody Suter, Thunderbird's vice-president for safety, comments: "They charged us with 15 counts of failure to file [reports of accidents causing \$16,600 in property damages]. We got that cut to about six charges that we didn't contest."

Evidence of big-rig safety problems comes from other sources too:

The National Safety Council has compiled information from 23 states and tallied 725,000 big-rig crashes in 1969. They killed 4,700 persons.

The New Jersey Turnpike Authority says large trucks constitute 12 per cent of its road's traffic. But they're involved in 31.1 per cent of all accidents and in 61.8 per cent of all fatal accidents.

The University of Michigan's Highway Safety Research Institute found large trucks "overinvolved in accidents" in Oakland County, Michigan, which is traversed by main roads connecting Detroit with Flint and Saginaw. The discovery is based on one of the first applications of a formula that considers known accident-causing factors and comes up with "accident norms" for various kinds of vehicles.

John Reed, a former governor of Maine who heads the National Transportation Safety Board, declares: "I say the big trucks do pose a significant safety problem. The generally strict Federal regulations apply only to 10 per cent of the trucking industry. States' rules cover all trucks, but the states' rules aren't now good enough to get bad drivers off the roads. We need an upgrading of those regulations."

COWCATCHERS AND BETTER BRAKES

After analyzing a truck-caused New Jersey Turnpike pile-up that took six lives and involved six trucks plus 23 other vehicles, Mr. Reed's board recently recommended installing special bumpers on trucks. They would function like cowcatchers on locomotives and streetcars, preventing the high-riding trucks from shearing the tops off cars they hit—or that hit them.

The board suggested occasionally segregating trucks into special lanes, forbidding "overtaking and passing by heavy vehicles," and creating standards that would make trucks less prone to tip over. It also called for tougher truck-brake standards.

According to the Bureau of Public Roads, the average passenger car traveling 50 m.p.h. needs 122 feet for stopping; the average three- or four-axle truck needs 445 feet.

Dr. William Haddon, the physician who heads the Insurance Institute for Highway Safety and formerly ran the nation's traffic and highway safety programs, declares: "It's obvious that mixing small, fast-stopping vehicles with ponderous, slower-braking ones would create a problem. And it does. It's an inherent safety hazard."

The Department of Transportation has faced the problem. Its National Highway Traffic Safety Administration ruled in March that trucks built after Jan. 1, 1973, must be able to stop almost as quickly as automobiles.

"We agree there should be improvement in current truck-brake performance," volunteers Kevin Smith, manager of product reliability for the International Harvester Co., Ford, and other truck makers agree.

Yet manufacturers, trucking companies, and some Government officials consider the Transportation Department's braking specifi-

cations and deadlines unrealistic. They want the rule modified and delayed. A BMCS engineer estimates that the proposed new brake systems would add \$2,200 to the cost of an 11-axle truck.

The ATA "seriously doubts" the new system can be developed by 1973. It frets that truck makers may be unable to warrant that trucks with the new brakes will function with existing trailers. Loss of this "compatibility" would cost trucker and shipper time and money.

Even if opponents fail to delay implementation, the brake rule's impact will come slowly. Just 150,000 new replacement trucks enter the long-haul fleet yearly. At that rate, it conceivably could take 33 years before the entire fleet had presumably better brakes.

THE FENDER DILEMMA

The reason: Trucks, unlike cars, live on and on. They are routinely rebuilt piecemeal as parts wear out. A truck that looks sparkling new may be just a new cab fitted onto an aged, overhauled diesel engine and chassis.

Other aspects of safety are being scrutinized too. Anticipating Federal regulation, truck makers are studying the feasibility of fenders to reduce spray from trucks on wet roads.

"It's a horrendous problem," says Gale Beardsley, Ford's chief heavy-truck engineer. He and others say that fenders big enough to permit the wheels' considerable vertical and horizontal movement would cause trucks to exceed width limits. They say fenders would necessitate major trailer modifications, cause maneuvering troubles, and inhibit the air flow that cools brakes.

Truck makers deny there's a hazard in the air blizzing that passing trucks give cars. About the alleged tendency of some tall trucks to flip over, International Harvester's Kevin Smith volunteers:

"There are no Federal standards governing this. But auxiliary stabilizing devices are available now." Ford's Mr. Beardsley adds: "Trucks tend to sit on the road. Their current stability characteristics are quite acceptable if drivers drive them with reasonable intelligence."

The motor-carrier bureau also has set new driver-qualification regulations. It has found "a marked increase" in accidents involving "unqualified," "reckless," "accident prone," "mentally and physically ill," "emotionally unstable," and "drunk drivers." So for the first time it has provided for "removal from service" of drivers convicted of "motor-vehicle crime involving drug or alcohol abuse or of fleeing the scene of a fatal or injury-producing accident."

"Of course, we have to rely mainly on voluntary compliance with rules," comments Kenneth L. Pierson, BMCS deputy director. "To police this industry, surveying company and driver records and examining all trucks, we'd need tens of thousands of inspectors." The bureau has 203 employees; 103 are inspectors.

STATES MAKE FEW CHECKS

The bureau's unarmed inspectors work with state police. They check trucks at weighing stations and other public facilities, crawling over and under rigs, looking for such things as bad brakes, malfunctioning lights, and faulty trailer connections.

In many states sporadic BMCS road checks and inspections of company files provide the only effective policing. Bureau officials say this. So do drivers.

Dale Crum, a trucker from Lemoyne, Pa., with 15 years and a million miles of driving experience, says: "Yes, I've had my outfits checked. Twice."

Ronald Perry of Dillsburg, Pa., another veteran driver, declares: "I've heard more about inspections than I've seen 'em. But the times the state police checked me they

ambled around with their clipboards. Anybody could see they didn't know what to look for. They waved me through when my truck was fallin' apart."

A Department of Transportation official comments: "Relatively few states have tough regulations for police to enforce. The quality of regulation runs the gamut. For all intents and purposes Louisiana has no rules and no enforcement; Arizona has the best."

Seventeen states have adopted all of the Government's model motor-carrier strictures, which are the toughest; 14 have adopted a few. Except for California, whose laws are considered rigid, the remaining 18 states have weak state laws or none.

THE INSPECTION DEBATE

Bureau inspectors checked 46,731 tractor-trailer units in 1969. They found 10,781 vehicles—23.1 per cent—so unsafe that they had to be immediately barred from the highway until repairs were made. Some 8,400 of those vehicles had dangerously faulty brakes. The number of defective vehicles spotted was up 8 per cent over 1968.

"Those figures make us look bad," admits Will Johns, director of the trucking associations' safety operations. "But remember, the Transportation Department inspects only the dogs, the trucks that look and sound bad. You would expect it to detect a higher number of faults that way than it would if it checked all trucks."

Drivers confirm that Federal inspectors tend to be selective. But some contest Mr. Johns' conclusion. Mr. Crum says: "I feel that they [the inspectors] never touch the big companies. They see you're with a big outfit and they wave you by. They get the small carriers and the private individuals. But a lot of times the private individuals' equipment is as good if not better than we drive."

One veteran driver alleges he has had to drive with no brakes after his company told him to take the truck to a garage; it would not send a mechanic to him. He alleges seeing trucks "pass" company safety inspections and take the road with "brake drums completely broken off a wheel, and with broken fifth wheels."

The "fifth wheel" isn't really a wheel, but a heavy metal plate attached to the platform just behind the tractor cab. It holds the trailer coupler and lets it pivot during turns. A weakened fifth wheel could cause the trailer to break loose.

Mr. Perry, who quit trucking late last year to become a preacher, asserts: "I know companies let safety flaws go by. They let tires get down pretty slick. Brakes may be bad; the company figures it will get to fixing them next week. Some companies figure a truck's okay if it will make the next run."

Drivers concede that company higher-ups occasionally do order garage men not to let a truck with a single safety fault reach the road. But in the next breath the executives badger dispatchers to move urgently needed cargoes, the truckers say. "That's where everything falls apart: They feel they've got to keep the trucks rolling," says Mr. Perry.

"I drove for a small carrier once," a veteran driver relates. "Went across the Pennsylvania Turnpike from Ellwood City, Pa., clear through the Blue Mountain tunnel [roughly 130 miles], wiping snow from the windshield with a wrench because the wiper motor had been broken for some time. Here I was with two gear shifts to handle, plus a steering wheel and a wrench. When I told the guy [the truck owner] I wanted the wipers fixed, he said I was 'ridiculous,' and to 'get going.'"

BIG BARK, LITTLE BITE

Both driver and owner thereby broke the law. Federal regulations prohibit drivers from driving, and owners from letting them drive, unsafe trucks. Each safety violation carries a possible \$100 to \$500 penalty, applicable

alike to \$12,000-a-year drivers and to carriers like Consolidated Freight, whose 1970 revenues totaled \$397,248,000. The BMCS can revoke a driver's license or ask the Interstate Commerce Commission to rescind a carrier's operating certificate in serious cases.

But prosecution is light. "We prosecute more than zero and less than 1,000 cases a year. We keep the laws; we haven't time to keep the statistics," declares Dave Benkin, the Federal Highway Administration's assistant chief counsel for motor-vehicle law. Mr. Pierson, BMCS deputy director, estimates the bureau prosecutes 500 cases a year.

The BMCS can levy fines for records-keeping violations, or it may turn these and other cases over to the Federal courts. "Commonly the courts impose minimum fines," says Mr. Benkin. "We get the impression the courts do not regard motor carrier violations as serious. We have had judges exonerating attorneys for making a traffic court of our court."

The bureau may use its administrative muscle as it did last year against Associated Transport, Inc., the country's seventh-ranked hauler in terms of revenues grossed.

The BMCS alleged that the company violated safety regulations 5,000 times within three years by operating unsafe, improperly equipped trucks; "having drivers drive more than 10 hours in one day"; "filing false [driver] logs"; and failing "to keep vehicle condition reports." The agency ordered Associated to begin a thorough safety program and dictated how the program must run. It levied no fine.

A SURVEY'S ALLEGATIONS

Thomas L. Mainwaring, an Associated executive vice-president, says, "We're co-operating fully and will continue to co-operate fully in carrying out this comprehensive safety program."

But BMCS actions leave some analysts unimpressed. Robert C. Fellmeth of Ralph Nader's Center for the Study of Responsive Law suggests in his book, *The Interstate Commerce Omission*, that the bureau does too little.

Mr. Fellmeth points to an analysis of 1,700 replies to a safety poll of 50,000 long-haul drivers. Eighty per cent of the respondents said they drove at times with inadequate brakes; 73 per cent said exhaust fumes seeped into their trucks' cabs; 70 per cent said their equipment had weak or broken springs; 56 per cent drove tractors with broken fifth wheels; 60 per cent said they drove on treadless tires; and 64 per cent assertedly piloted rigs with faulty lighting systems.

Moreover, 51 per cent of the drivers alleged that it was "fairly common" for drivers to exceed Federal driving-time limits; 61 per cent said "bennies" or "pep pills" were commonly used. Drivers complained of too little time off between duty stretches; of being forced to drive under hazardous conditions; and of being encouraged at times to mark their required log books inaccurately—and thus illegally.

The Government requires drivers to keep logs, to ensure compliance with work limits. No driver may legally drive more than 10 hours in a 15-hour "on-duty" period, which may include driving, waiting for repairs, loading or unloading, and the like. After that he must have eight hours off. He may legally work no more than 70 hours within eight consecutive days.

There's a reason why drivers push themselves illegally to the point of using pep pills. Big companies pay drivers 13 to 14 cents per mile, depending on the size of the truck. These truckers make \$12,000 to \$20,000 a year. A few make \$25,000.

PRESSURES ON DRIVERS

Men working for small companies or driving their own "gypsy" rigs, usually heavily mortgaged, are paid by the load. The more

loads they deliver, the more they earn. So they stay on the road, and they hustle.

One small-company driver relates: "Once I drove five days straight. I was havin' trouble with the truck. Oil leaks. I repaired them as I went. I loaded and unloaded. And drove. My wife caught me and hugged me when I finally climbed from the cab. I don't remember anything from then until I woke up in bed some time later.

"Believe me," the driver urges, "there are companies whose dispatchers say, 'Don't worry about that book [the log]. You're a good man. You can do it. Keep going.'"

Much of what these drivers say is "absolutely untrue," argues Warren Ambler, general safety manager of Ringsby United, a large Colorado freight mover. He particularly denies that his company or others ever knowingly permit defective vehicles on the road.

Lloyd Rizer, vice-president of Navajo Freight Lines, another big Denver hauler, adds: "When you have a \$30,000 piece of equipment and valuable cargo besides, you're just not going to question a driver or mechanic and risk breakdowns. You can't afford to turn a truck over or burn it up. You've got to be safety-conscious."

The ATA asserts that most companies, especially those under Federal jurisdiction, are sticklers for safety. They hold safety seminars for drivers and reward truckers driving the most accident-free miles.

Many companies have safety directors who patrol the roads to spot company drivers violating regulations. The directors may place letters of reprimand in offenders' personnel files. They may fine, suspend, or even fire drivers for grievous offenses.

Still, trucking executives say they have relatively little direct control over drivers. They say men sometimes feign fatigue or illness in the name of safety and slow deliveries of tens of tons of cargo. The shipping public "always wants its freight before breakfast," one executive says. "And if one company can't deliver it, its competitor can."

"SAFETY FACE" VS. "SAFETY FARCE"

The company's ability to avoid mishaps and to deliver the goods on time depends too on the uncontrollable: tangled traffic, foul weather, poorly designed highways, and "wild" motorists. In the light of this, the regulated carriers are proud of their accident records.

Pacific Intermountain Express (PIE) of Oakland, Calif., is considered one of trucking's most safety-conscious companies. Its extensive safety program and low accident rate have won PIE the trucking industry's highest safety award 10 times. It won in 1969 with an accident rate of 3.1 accidents per million miles. (The 1970 winner has not been announced.)

Ken Beadle, PIE's vice-president for safety, says: "As of the first quarter of 1971 we're ahead of that winning record. But safety is more than a business thing with all of us. It means dollars, but it also represents civic duty. We care about the motorists."

The ATA, whose members are the 50 states' motor-carrier-safety associations, rates safety high. It supplies books, driver manuals, films and slides, speeches, and other safety-campaign materials to its member groups.

Some 42 state members have safety councils made up of trucking-company executives. They sponsor auto rodeos for teen-agers, defensive-driving courses, and exhibits. Some run brief safety seminars at truck stops on major trucking routes.

But during a 9½-hour, shouted conversation above the growls of a tractor pulling 32,000 pounds of potentially dangerous chemicals, a driver yells: "The bosses call safety programs our 'safety face.' They're our 'safety farce.'"

This trucker has driven nearly a decade for top companies. He alleges that in the name of safety executives gig drivers for speeding over some routes but ignore offenders who must

race over other routes simply to meet company-imposed schedules. He says safety directors clamp down on incorrect log entries made by drivers plying some routes and blink at persistent infractions by drivers who must work overtime to meet schedules on others.

"You say you're bushed and can't take an assigned trip, and you're forced to take 15 hours off, or maybe 24," the driver continues. "Your name goes to the bottom of the board (the assignment-rotation list). You needed a few hours rest, but you wind up with a day or two off, a smaller pay check, and a reputation as a crybaby. Your union chapel chairman just may or may not back you up if you stand pat. So you take the load. That's the system. Think it's safe?"

SUPPORT FOR BIPARTISAN PROPOSAL, NATIONAL LEGAL SERVICES CORPORATION ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. STEIGER) is recognized for 15 minutes.

Mr. STEIGER of Wisconsin. Mr. Speaker, the Committee on Education and Labor is soon to undertake the markup of the legal services section of the Economic Opportunity Amendments of 1971. I take this opportunity to describe the strong support which exists for the bipartisan proposal to establish an independent Legal Services Corporation.

All told there are 121 Members of the House and Senate who have introduced the bipartisan Legal Services Corporation Act, H.R. 6360. There is a reintroduction of this bill today.

Like the legal services program itself, our bill is a nonpartisan effort to provide access to the legal system to people who cannot afford to pay the cost of legal services. It is our aim to insure the independence of this effort. The board is carefully balanced. The public, legal profession, legal services lawyers, and their clients are equally involved in determining the policies and procedures of this corporation.

I am including as part of my remarks today some of the editorials, letters, resolutions, and articles that have appeared in recent weeks.

It is a particular pleasure to include the following list of cosponsors, representing nearly one-third of the House membership on each side of the aisle:

SPONSORS OF THE BIPARTISAN BILL CREATING A NATIONAL CORPORATION FOR LEGAL SERVICES

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[From American Bar Association Journal,
June 1971]

NEW NICHE FOR NATIONAL LEGAL SERVICES
(By John D. Robb)

Since its inception in 1965 the national legal services program, operating with the Office of Economic Opportunity, has expanded legal services to the poor and has gained wide support. However, external political attacks and conflicts and administrative problems within the OEO have given impetus to the development of plans to provide a new place in the Federal Government structure for the legal services program.

The national legal services program has operated within the Office of Economic Opportunity since its inception in 1965. A highly successful part of the war on poverty, it was created initially under an administrative interpretation of the Economic Opportunity Act of 1964. It has enjoyed statutory legitimacy since 1967 (42 U.S.C. § 2809). As a part of the community action program within the OEO for most of its existence, the legal services program has derived important advantages from this association. The quality of service to the poor has improved greatly and its availability has also expanded enormously as annual expenditures for legal aid have increased twelve times, from \$5 million to \$60 million, in six years. In addition, the linkage with the community action program generally has provided the legal services program with a broadly based community support that has helped to establish, nurture and expand individual programs—often in the face of apathy or opposition from other local groups, including (on occasion) local bar associations. But the OEO parentage also has involved legal services in numerous external and fratricidal conflicts that have sapped its strength and impeded its effectiveness.

Sharing the same roof within a larger agency has exposed the legal services program and its lawyer-administrators to the conflicting policies of the community action program and of the agency itself, as well as to political pressures exerted against their lay superiors within the agency. The Murphy amendment, which some Senators tried unsuccessfully to attach to the OEO appropriation in the fall of 1969 and which the American Bar Association opposed, would have given the governors life-or-death veto power over individual projects and would have precluded the exercise of professional judgment and action by legal services attorneys to bring actions against governmental agencies.¹

Although it was the best organized of these external attacks, the Murphy amendment was but a reflection of the numerous day-to-day attempts by some members of Congress, governors, politicians and others to interfere with the effective functioning of the program.

¹ For a more detailed discussion and documentation, see my articles, *Controversial Cases and the Legal Services Program*, 56 A.B.A.J. 329 (1970), and *Poverty Lawyers' Independence—Battle Cry for Justice*, 1 N.M. L. Rev. 215 (1971). See also Editorial, *Defeat of the Murphy Amendment*, 56 A.B.A.J. 244 (1970).

These pressures have intensified recently as the OEO has endeavored to make the agency more responsive to the mayors and governors, whose departments and agencies have been frequent defendants in actions brought by legal services lawyers. The OEO's failure directly to override Governor Reagan's recent veto of the grant to the excellent California Rural Legal Assistance program is one of the dismal results of these pressures.

Internal conflicts within the OEO also have taken a sharp toll. Since 1967 the legal services program has fought three serious and determined efforts by administrators within the agency to have effective control of the program transferred from lawyers to laymen, an action that would have splintered the program's centralized responsibility to the Bar by transferring administration from Washington to ten widely scattered regions.² Only heroic efforts by the organized Bar, legal services lawyers, poverty community representatives and Congressional leadership have averted this. Transfer of the legal services program from the OEO is also part of the Nixon Administration's plan to "spin off" established programs and leave the OEO with research and experimental projects only.

As a result of the impairment of independence arising from the inclusion of legal services in a large agency, of the internal disruptions in the OEO and of the long-range plan to transfer the OEO's operating programs to other agencies, plans for a new home for the legal services programs are being developed and considered by the organized Bar, the Nixon Administration and numerous members of Congress.

Informal consideration of a new place for the legal services program by American Bar Association officials, the National Legal Aid and Defender Association, legal services lawyers and a few members of Congress has gone forward intermittently since early in 1968. Studies of the problem have been accelerated sharply in the past year. The Department of Justice, the Department of Health, Education and Welfare, the Department of Housing and Urban Development, the judiciary, the Administrative Office of the United States Courts, and a separate agency have been considered as prospects. At present an independent corporation is the leading candidate.

The first study, dated April 25, 1968, was prepared by lawyers in the legal services program at the request of American Bar Association officials. After a review of the alternatives, the study concluded that the independent corporation or agency offered the best solution. Initial deliberations in 1968 by an N.L.A.D.A. committee under the chairmanship of Howard Westwood of the District of Columbia leaned heavily in favor of the Justice Department. In February, 1969, William T. Gossett, then President of the American Bar Association, and Maynard J. Toll, president of the N.L.A.D.A., presented a memorandum to certain Cabinet officer members of the Nixon Administration's Urban Affairs Council. This urged an independent agency, foundation or quasi-public corporation as the ultimate place for the legal services program and an independent agency within the Office of the President as the immediate solution. In the same month, members of a subcommittee of the National Advisory Committee on the Legal Services Program and of the American Bar Association's Section of Individual Rights and Responsibilities, under the leadership of Earl Johnson of Los Angeles and Jerome J. Shestack of Philadelphia, prepared a proposal for a quasi-public corporation to be known as the National Justice Foundation and to be modeled after

² See Editorials, *What Price Professionalism?*, 56 A.B.A.J. 1172 (1970), and *A Cloudy Legal Services Picture*, 57 A.B.A.J. 243 (1971).

the Communications Satellite Corporation or the National Science Foundation.

In the summer of 1969 the American Bar Association Committee on Availability of Legal Services, of which F. William McCaig of St. Louis was chairman, recommended the unification of all federally funded legal services programs under either a federally chartered nonprofit corporation or a commission under the executive branch.

In June of 1970, Jean and Edgar Cahn submitted a study, *Legal Services: Alternative Organizational Models*, to the President's Advisory Council on Executive Reorganization (the Ash Council) in which they recommended a transfer to the judiciary as the first choice and an independent agency as the second. The Ash Council opted for the latter and recommended the transfer of legal services to a "nonprofit corporation chartered by Congress". It went on to say, "The legislation to establish a public corporation could be modeled on the amendments to the Communications Act of 1934 which established the Public Broadcasting Corporation and should be considered in connection with the Administration's review of the Economic Opportunity Act of 1971." The Nixon Administration's legislation to implement this proposal was introduced in Congress in early May.

The most recent and thorough study is that conducted by the Committee on Right to Legal Services of the Section of Individual Rights and Responsibilities, under the chairmanship of William R. Klaus of Philadelphia, and cosponsored by the Standing Committee on Legal Aid and Indigent Defendants, entitled *The Corporation for Legal Services: A Proposal*. This four-months' endeavor, directed by Charles Edson of Washington, D.C., won the approval in principle of both sponsoring committees last February.

Drawing on the information obtained from a lengthy review of various governmental, quasi-governmental and private structures, including more than seventy interviews with key government and bar officials, members of Congress and others, this report, as finally revised in late March, 1971, also favors an independent agency in the form of a private, nonprofit corporation chartered under the laws of the District of Columbia. Also patterned on the Corporation for Public Broadcasting, which was established by Congress in 1967, the proposed corporation would be governed by a nonpartisan board comprised of representatives of the organized Bar, other distinguished lawyers, lawyers with legal services backgrounds and persons suggested by representatives of clients.

On March 18 and 19 of this year, separate but identical bills (H.R. 6361 and S. 1305) which enjoy strong bipartisan support from more than 100 members of Congress, were introduced in the House and Senate to create an independent, private, nonprofit corporation, the National Corporation for Legal Services, along the lines advocated by the Ash Council and the Edson report.

On April 30 the Board of Governors of the American Bar Association endorsed the independent corporation concept, supporting in principle "the creation of a federally funded nonprofit corporation to administer monies which will be used to fund programs which will provide a broad range of legal services to persons unable to afford the services of an industry, the charter of which shall contain assurances that the independence of lawyers involved in the legal services program to represent clients in a manner consistent with the professional mandates shall be maintained".

The Nixon Administration bills were introduced in the Senate (S. 1769) on May 5 and in the House of Representatives (H.R. 8163) on May 6.

The arguments in favor of lodging the legal services program within a larger exist-

ing agency are that it would provide stability and broader support for the program. However, there are serious conflicts of interests problems with respect to Justice, HUD and HEW, which are the most logical choices.

Justice is the Federal Government's lawyer. It advises federal agencies, and it would be called on to defend them against the challenges to their actions and practices that legal services lawyers might find necessary to bring on behalf of their clients. Justice's additional role as federal prosecutor would increase the difficulty.

HEW and HUD have been among the most frequent defendants of the various federal agencies involved in suits brought by legal services lawyers. Although both agencies have small federally funded legal services programs of their own, HEW maintains and values close relations with the states whose welfare and other agencies are also frequently challenged by legal services program clients. Additionally, HUD is oriented to the problems of the cities, whereas legal services programs have an important role in rural areas.

It is unlikely that the legal services program's operation within these larger agencies could be free of the many agency-wide administrative and policy conflicts that have plagued it within OEO. It must be conceded that the controversial activities of legal services have made it an orphan, unwanted by existing agencies that might otherwise lay claim to its custody.

Either the judiciary or the Administrative Office offers a neutral and prestigious base of operations, much freer from political pressures than existing executive agencies. The furnishing of counsel to indigent defendants in the federal courts has operated comfortably within the Administrative Office under the authorization provided by the Criminal Justice Act. However, the success of a passive role of merely administering funds in a defender program provides no assurance that the more energetic civil legal services program, including its law reform or "law improvement" aspects, will find a similar congenial atmosphere. This arrangement, moreover, would impose further nonjudicial chores on an already overworked judiciary. The disputed activities of legal services programs might provoke attacks on the courts and multiply the staggering problems that now beset the judiciary.

A separate agency status would free the program from intra-agency domestic fights. That status would better insulate it from the day-to-day political and other outside interferences with the attorney-client relationship that have threatened the independence of its lawyers. Moreover, outside pressures would be directed against lawyer-administrators, who best understand the ethical imperatives against succumbing to those pressures.

The program can never be immune from attempts to subject it to political influence, including attacks during the authorization and appropriation processes in Congress, and its isolation in a private, separate agency may well lessen an administration's sense of responsibility for its well being, with a consequent loss of protection from attacks. Nor can the separate agency be guaranteed freedom from politically motivated appointments to its board of directors. So while there is no ideal solution, the separate corporation offers the legal services program a charter of freedom from many of the difficulties that have beset it in the past.

This plan seems best suited to accomplish the objectives of the Bar for a good quality program that preserves the standards and ethics of the profession, including the independence of the lawyers within the program. However, expanded, long-range support by the Bar, the poor, the legal services lawyers and Congressional supporters will be re-

quired if the program is to survive the attacks of its enemies in its more vulnerable proposed new position.

The American Bar Association has endorsed in principle the creation of a federally funded, nonprofit corporation to administer the national legal services program, the charter of which should assure the independence of lawyers in the program "to represent clients in a manner consistent with the professional mandates". Several bills are before the Congress to establish independent, federal corporations. In March identical bills to create a National Legal Services Corporation were introduced in the Senate (S. 1305) by Senator Mondale of Minnesota and in the House of Representatives (H.R. 6361) by Representative Steiger of Wisconsin. Each bill had wide cosponsorship. In the first week of May President Nixon sent a message on the subject to the Congress, and the Nixon Administration bills were thrown in the hopper, the sponsors being Senator Cook of Kentucky (S. 1769) and Representative Quie of Minnesota (H.R. 8163).

A major difference between the bills is the composition of the proposed corporation's board of directors. The Mondale-Steiger corporation has a board of nineteen members, of which only five would be appointed by the President. The Nixon Administration bills propose a board of eleven, with six being Presidential appointments. The Association's President, Edward L. Wright, stressed in Congressional testimony in early May that the interest of the Bar was the establishment of a sound program in which high-quality legal services are furnished in accordance with high professional standards "We are hopeful", he declared, "that the differences in the various approaches can be resolved satisfactorily and that meaningful legislation can be enacted at the earliest practicable moment."

REMARKS OF REPRESENTATIVE WILLIAM STEIGER, BEFORE ABA YOUNG LAWYERS SECTION, PANEL ON EXTENSION OF LEGAL SERVICES TO THE POOR, BILTMORE HOTEL, NEW YORK CITY, JULY 8

We are here to explore the best way of delivering legal services to low-income persons. At the outset, it might be well to give you some of the personal history of the Legal Services Corporation legislation of which I am a sponsor.

Our bill is identified as H.R. 6360, introduced in the House by Democrat Lloyd Meeds and Republican William Steiger. Its companion bill is S. 1305, introduced in the Senate by Senator Mondale. The identical legislation enjoys the co-sponsorship of 125 Members of both Houses of Congress. It is commonly referred to as the Mondale-Steiger bill, as the Steiger-Meeds bill, as the Mondale-Meeds bill, as the Cranston bill, the Brooke bill, the Kennedy bill, the Taft bill, the Blester bill, and/or the bipartisan bill. More than 100 of us proudly attach our names to the legislation, and we hope that does not confuse any potential supporter of the bill. It is often noted that H.R. 6360 has broadly bipartisan support. That is true. The bill has been introduced by exactly 1/2 of the Republican membership, and exactly 1/3 of the Democratic Members of the House. You who are students of Congress nevertheless know that while such broad sponsorship is a good start, we are still a long way from final passage.

In May, the Administration offered its own legislation for a Legal Services Corporation. It varies from the bipartisan proposal in some important respects, but chiefly in the make-up of the Board of Directors. Before 1971 is over, there will be a number of legal services battles. The greatest of these, and the last to be resolved, will be that of the Board of the new corporation.

Since the independence of the Board of Directors will be the heart of the controversy, let us examine the two proposed Boards.

It has been argued by a few of the young leaders of PLEA, the poverty lawyers for effective advocacy, that the corporation board ideally should be controlled exclusively by the poor and their lawyers.

On the other side, it is proposed by the Administration that the corporation board should be appointed exclusively by the President.

The bipartisan legislation strikes a balance. 1/2 representing the public sector by Presidential appointment; 1/3 representing the legal profession, by virtue of their office in the organized bar associations; 1/3 representing the legal services clients and their lawyers, by election of those groups.

Our board composition builds in two advantages. There is insulation from political control and pressure, because 2/3 of the Board is non-politically appointed, and no one appointive authority has a majority. It also builds in accountability to the legal profession, in the hope of maintaining high ethical and professional standards, and accountability to low-income clients who have an interest in the quality of services rendered.

The legislation was introduced for the first time this past March 18. It had been in various stages of drafting for over two years. As early as 1968 it was apparent that the OEO Legal Services attorneys could not provide equal representation to the poor if they must continually be watchful of political attack and pressure resulting from the program's location in the executive branch of the federal government. The choice of moving the OEO program to a non-profit corporation funded through OEO but administered by an independent Board of Directors, was a result of long and careful study by many people.

In the past two years, the concept of the National Legal Services Corporation has gained very wide acceptance. The American Bar Association Committee on Right to Legal Services and the President's Advisory Council on Executive Organization—called the Ash Commission—both reached the conclusion that the objective of legal services, that is, assuring that the Nation's poor have full access to our legal system under a program that is secure financially, independent professionally, and clearly visible to the people who are served, will stand the greatest chance of success by making the OEO program an independent corporation. The basic mission of the program is to be unchanged.

Unhappily, the Administration bill contains no requirement that there be participation by the poor, or their attorneys, on the Board of the legal services program. We believe that the presence of the poor is vital if the Board of Directors is to have credibility and if the program is to have visibility.

There are other basic differences between the two proposals. The Administration's bill would restrict legislative advocacy of issues on behalf of the poor. Ours would not.

The Administration's bill would set restrictions on cases that could be handled and circumstances under which appeals could be taken. No such restrictions are contained in the bi-partisan bill.

We truly believe that placing a statutory restriction on appeals and on legislative advocacy will undermine the purpose of the legal service program and will impose a burden on Legal Services attorneys that no private practitioner would tolerate. If we are to be true to our belief in equity under law, the role of the Legal Services lawyer must have the same flexibility as that of other lawyers.

Furthermore, the Code of Professional Responsibility carefully guarantees that lawyers be free to exercise independent judgment in serving a client, free of any restrictions.

ABA President Edward Wright delivered some compelling testimony during our Education and Labor Committee hearings of these proposals in May. In guiding the Com-

mittee with respect to the Code of Professional Responsibility, Mr. Wright's exchange with my co-sponsor Lloyd Meeds is worth noting. Let me quote it for you:

Mr. MEEDS. What could you tell us generally, sir, about the duty of an individual attorney in seeking employment or accepting employment by an organization which had adopted regulations which in effect compromised the ability of the individual attorney to in all respects represent the client to the full extent of his ability and to take advantage of all available mechanisms to proceed for his client's best interest?

Mr. WRIGHT. Any lawyer who believes that any employer imposes restrictions on his professional judgment and complete freedom of activity should not accept the employment. If after engaging in the employment he learns for the first time that restrictions are sought to be imposed, then he should withdraw.

I want to say this. I welcome your very gracious invitation to talk in this area. The code of professional responsibility is not the collection of pious platitudes; it is, we think, a pretty earthy document that has teeth in it. On the one hand it has bare bone commitments without which a lawyer cannot act without being subject to his principal and it has his aspiration or laudatory aspects, but the code is very, very specific that a lawyer cannot serve his client if he is not independent. Anything in any program, federally funded or otherwise, that tends to restrict that professional independence is violative of the code and the lawyer must not engage in anything that it sanctions.

Mr. MEEDS. So that if we in Congress were to enact legislation which was unduly restrictive, we would in effect be very severely, if not totally, limiting the number of people with whom we could expect to accept employment in a Legal Services Program.

Mr. WRIGHT. I think you would shackle the program.

It is clear from Mr. Wright's testimony that no attorney can meet his professional responsibilities to a client if there are outside restraints on the types of cases in which he can participate, or the kinds of issues he can raise.

As one who has been a legislator for the past 11 years, I might note that the experience of Legal Services lawyers can provide legislators with essential background in shaping social legislation, at the national level, as well as at the municipal and state level. I concur with the OEO National Advisory Committee recommendation that lobbying may be a perfectly appropriate activity when problems of poverty clients demand legislative solution. The bipartisan legislation aims to carefully protect the right of legislative advocacy, leaving any restrictions in this area to the decision of the Corporation Board.

The Administration bill, in addition to curtailing legislative advocacy except in the case where a legislative committee specifically invites testimony, would also impose restrictions on political activity during attorneys free time. The bipartisan bill provides only that the Corporation may not contribute to, or otherwise support, any political party or candidate.

During House testimony, the program director of the National Bar Association, Donald M. Stokes, was particularly critical of the proposed restrictions on legislative and political activities.

"Representing black lawyers," he said, "we find this particularly undesirable, as blacks throughout the country have just begun to participate in the political system in meaningful numbers. To deprive a lawyer who happens to work all day in a Legal Services office from being a part of that total political system which has made America what it is today we think is a very unrealistic concept."

In concluding, I want to pay tribute to the Administration's efforts toward at least part of our goal—developing an independent corporation. The imperfections that I have mentioned cannot go unrectified, but that does not mean our goal is insurmountable.

I also want to express appreciation for the work of the Young Lawyers Section—particularly of Bill Ide and Joe Mullen—for their great assistance and advice.

There is one thing that has distressed me a little in news reports on this issue, including news reports that have described some of the activities of this convention. One would think, from reading the news, that it is strictly a liberal idea—strongly opposed by conservatives—that equal representation be provided to the low-income people of this country. That simply is not so. The broad sponsorship of the bipartisan bill clearly proves the opposite. Some of the most highly regarded conservatives in the Capitol are promoting an unfettered, independent, and expanded program of legal services.

The concept of law reform—that is, the use of law to achieve social change beneficial to the poor—is indeed a bold idea. But from a historical standpoint—when we note that the road to social change has been strewn with bodies and burned out buildings—I think that achieving social reform through the courts of law and through the legislatures is a momentarily conservative approach to today's problems.

The program is also firmly rooted in the principle of the right of the individual. To assure that the poor individual possesses the same power to file suit as does his affluent counterpart is to assure that the powers of the state respect the rights of every individual. That not only develops a confidence in the law to be a force for good, it is also a remedy based on sound conservative precept.

Bringing test cases to court is not a liberal tactic either. It is a lawyerlike method of offering the courts an opportunity to see what the intent of the law really was.

I know there are lawyers who approve of laws that prevent a person from receiving welfare benefits until he has been in a state as a resident for a year, three years, or more. There are lawyers serving on local Legal Services boards who feel that many of the laws and court decisions which the poor want to challenge are good laws and good decisions. That is to be expected. That is healthy.

What we who sponsor the bipartisan bill are most concerned about is that lawyers fully appreciate the duty of lawyers serving their clients—rich or poor—the duty to use every argument, and every ethical stratagem, to afford—without restriction—truly equal representation in the United States.

I submit that is the best way of leaving our society and our essential institutions intact. That is the wise approach to the problems we face, and it is a conservative approach just as much as it is a progressive and liberal approach.

[From the New York Times, May 13, 1971]

TO SAVE LEGAL SERVICES

The Administration is on the right track in seeking to create an independent agency that would immunize Federally financed legal services for poor clients from the vetoes and political pressures of Governors and local officials. How to attain this goal—and guarantee equal justice for the growing number of indigent persons who cannot afford lawyers—is being debated in Congress.

At the present time some 2,000 dedicated attorneys are working in programs all over the country that are supported by the Office of Economic Opportunity's Legal Services Division. These 900 neighborhood law offices and university study projects have represented millions of clients directly and in

test cases since 1965. The American Bar Association, law school deans and private practitioners have supported their pioneering work.

But the pressure brought by Governor Reagan against the California Rural Legal Assistance program—a program that has won the plaudits of members of the bar in the state and of independent judicial investigators—has caused firings and resignations in Washington. Governor Reagan's veto of the Federal legal aid project in California could overturn the programs in every other community unless the Administration and Congress devise a new formula circumventing statehouse politics.

We believe this end could best be achieved under a proposal of Senator Mondale, Minnesota Democrat, and Representative Steiger, Wisconsin Republican, which would set up a legal corporation whose members would be variously appointed by the President, the Chief Justice, major bar groups, legal services attorneys and an advisory council of poor clients. In this and other respects, the Mondale-Steiger bill is an improvement over the Administration proposal, which still leaves a door open for statehouse resistance.

[From the Washington Star, June 5, 1971]

UNSNARLING LEGAL AID

In California, the rural legal assistance program for poor people is battling for survival, against the governor of the State. That process is providing magnification of federal-state friction at its worst and is a lesson in the inherent abrasiveness of effective anti-poverty legal assistance. Whatever decision is reached in the special commission hearings in California—whether Governor Reagan's veto of the federally funded program is upheld or not—the conflict underlines the need for basic changes.

Now the American Bar Association's board of governors has gone solidly on record for the drastic alteration that must be made. It is supporting "in principle" the creation of a new National Legal Services Corporation to provide poor citizens with the legal aid they need. If this independent, non-profit corporation is set up, this function will be stripped away from the Office of Economic Opportunity, which will be delighted to be rid of it. And the new system (which also would be federally financed) should be stronger and more efficient than the present embattled, fragmented legal aid program of the OEO.

The concept of a separate legal aid agency now has the endorsement of both the White House and a sizable segment of Congress. There are sharp differences, however. The administration has offered legislation that would empower the President to name all of the board of directors. Senator Walter Mondale's bill, which is co-sponsored by 22 senators, would establish a much more autonomous body. Its board would include the top officials of several bar associations and appointees of the President, the chief justice, a council of poor people served by the program and an organization of legal-services attorneys. Neither bill would prohibit the filing of class-action suits, or actions against the government, on behalf of the poor, and both would remove the governors' veto prerogative. But the administration measure includes some debatable restrictions on political activities by legal-services lawyers.

It seems that an administration would want to spread the appointive power around to avoid being held directly responsible by every state politician, business and interest group feeling the bite of a legal-services suit. The Nixon administration is now getting an unpleasant taste, in California, of that responsibility. Under the Mondale plan, of course, Congress would have the ultimate power; it could cut off the money for the whole operation.

Certainly the corporation attorneys should

be given much flexibility, but within a regulatory framework insuring that only the genuinely poor would be served. They also should have maximum protection against political battering at the state and local levels and that will be difficult to provide as long as governors retain the veto power.

[From the Washington Post, Mar. 20, 1971]
SEPARATING LAW FROM POLITICS

One of the major problems of the lawyers in the Legal Services Program is the knowledge—the haunting kind—that the eyes of politicians are always on them. Governors, mayors, the men on Capitol Hill, plus the inevitable private interests—all of these are in positions of power, sometimes used for the good of the people, sometimes not. The temptation to squash or destroy an LSP operation which threatened or challenged the security of this power has often been too great for some politicians. A notorious example is the recent attack of Gov. Ronald Reagan against a major and successful California program (an attack to which the Nixon administration yielded); many other examples exist also. For this reason, a bill introduced Thursday calling for an independent, federally funded National Legal Services Corporation is both needed and welcomed.

Nearly 100 senators and representatives of both parties—including ones called "liberal" and others called "conservative"—support one of the basic tenets of the bill, namely that no political interference be allowed. The proposed corporation—modeled after the Corporation for Public Broadcasting—would be adequately funded. A 19-member board—including five appointed by the President and confirmed by the Senate, six from the organized bar, six to represent poverty lawyers—would issue grants to programs without concern or fear of the political implications. This is a departure from the current procedures of the program, but the new freedom does not mean that suddenly poverty lawyers would go wild with power. The reverse is true; politicians would no longer be tempted or allowed to go wild with their power.

There is sense and fairness to this proposal, one which can easily serve as a model for the administration to aim at. As for the poor, why should they have their legal rights interfered with, merely because those rights sometimes interfere with a statehouse or city hall game plan? One would think governors or mayors—servants of the people—would be glad to have lawyers bringing the protection of the law to the very people who have so often been unprotected. Most governors and mayors are glad, of course. The reason for the new proposal is to make sure that the political prejudices of a few—one way or the other—bear no influence on the availability of the law to the poor.

[From the Des Moines Tribune, May 15, 1971]
LEGAL AID FOR POOR

A congressional battle is expected over two plans to take the program of legal services for the poor "out of politics." President Nixon has submitted a plan, countering a couple of key features in a proposal offered earlier by Senator Walter Mondale (Dem., Minn.) and Representative William A. Steiger (Rep., Wis.).

Both plans set up a Legal Services Corporation independent of the Office of Economic Opportunity (OEO), which has been operating the legal aid program as part of the federal government's antipoverty efforts. The separate corporation is an attempt to insulate the legal aid program from political pressures. Programs in California, Missouri and several Southern states ran into strong opposition from governors and other elected officials when legal services were provided for militants and controversial political figures working among the poor or in black ghettos in big cities.

The Nixon plan takes away from the state governors the power they had under the OEO program to veto legal services, as Ronald Reagan did with California's Rural Legal Assistance program. The presidential proposal, contrary to earlier speculation, also allows for class-action suits brought in behalf of large groups.

Under the Mondale-Steiger plan, lawyers working with the poor could offer the full range of legal services available to other Americans in both civil and criminal matters. The Nixon plan retains the OEO restriction against representation in criminal cases. This is a major shortcoming of the Administration proposal.

Many minor crimes grow out of the conditions of poverty. Much of the drug problem, for example, can be linked to poverty areas, partly because of social conditions developing in poor neighborhoods and partly because of the kind of law enforcement exercised among the poor. A number of minor crimes—disturbing the peace, for example—often result from the protests and demonstrations the poor have used to attract public attention to their plight. To bar legal aid lawyers from criminal cases is a distinct handicap on the poor.

And so, for that matter, is the Nixon plan's restriction against political activity, including voter registration drives, by the legal aid lawyers. Political action is fundamental in a democracy. It should not be denied to the representatives of the poor. The Mondale-Steiger bill prohibits, as it should, the national and local governing boards from contributing to or supporting any candidate.

Nixon's offering looks like a compromise, removing a few onerous administrative features of the OEO operation but retaining enough restrictions to placate conservative politicians. The Mondale-Steiger plan shows a sensitive concern for the plight of the poor who have neither the money nor the influence to get legal remedies for their troubles.

[From the Winston-Salem Journal, June 12, 1971]

CONFLICT, BUT NOT POLITICS

One of the oldest slogans in American life is that "You can't fight city hall." Six years ago that expression became a little less valid when Congress created a legal services program in the Office of Economic Opportunity to help poor people get an even break in the courts and agencies of the land.

Since then, more than 2,000 lawyers in the program have handled more than a million legal problems for the poor, ranging from juvenile and domestic cases to consumer abuses and landlord-tenant disputes.

Conflict, of course, is at the heart of this work. Unfortunately, these lawyers have had to cope with a lot of conflict that has little to do with their clients' problems. In far too many instances politicians have capitalized on the fact that legal-aid clients don't have many votes. Governors and other politicians have either tried to kill off local programs or curb their effectiveness, and the Nixon administration has been something less than a staunch defender of the program. The most recent example occurred in California, where Gov. Ronald Reagan vetoed a rural legal aid program that had battled with great success against state bureaucracies in behalf of the poor. Instead of overriding the veto, the OEO granted the program a six-month extension to preserve some frayed political ties between the President and Gov. Reagan. And last winter the OEO director tried (unsuccessfully) to make local programs even more susceptible to political pressures by transferring more control over them to regional offices. Although he lost this battle, he got the scalps of two top officials in the legal services program who resisted the change.

In short, the Nixon administration has permitted the legal services program to become highly vulnerable to political pres-

ures, and the worst fear expressed by the organized bar when the program was created—that the independence of attorneys to pursue their clients' causes would be damaged by politics—has come to pass.

Even the administration has recognized this. An administration bill has been introduced in Congress that would remove the program from OEO and create a private, non-profit, Legal Services Corporation to provide legal aid to the poor.

Unfortunately, the administration bill has serious weaknesses. All the directors of the corporation would be appointed by the President, which is hardly the way to remove politics from legal services. Even worse, the bill seems to reflect a basic distrust of lawyers and their judgment. Not even in unusual circumstances would legal-aid lawyers be allowed to represent clients in criminal cases. Any sort of lobbying would be prohibited. And lawyers in the program would be flatly prohibited from testifying before city councilmen, county commissioners, state legislators or congressmen unless they were invited.

A bill introduced by Sen. Walter Mondale earlier this year would set up the same kind of entity but has none of these flaws. Six of the 19 members of the board would be the heads of national legal organizations, giving the organization solid support and professional direction. Six members would be either program attorneys or clients, reflecting the practical needs of the program. Six would be appointed by the President and one by the Chief Justice.

Most important, the Mondale bill would not hem in lawyers with needless restrictions. As Sen. Mondale put it, "The attorneys operating under this program, so long as they act in accordance with the highest standards of the legal profession, will be free to raise any legal claims on behalf of their clients—regardless of whether these claims challenge the policies and practices of government agencies or challenge the validity of existing legislation. And they will be free to do so without fear of retaliation or political intimidation."

The poor, even more than the rest of us, need help in getting a fair shake, not only in city hall but in county courthouses, federal and state offices and corporate board rooms. The Mondale bill would free a band of hard-working lawyers from the politics that so often prevents them from challenging the faulty parts of an otherwise healthy "system." Let us hope Congress recognizes its merits and passes it.

[From the Dayton (Ohio) Daily News, June 5, 1971]

LEGAL SERVICES

Although the Nixon administration has agreed to the principle of making legal services a public corporation, its legislative proposal for reconstituting the agency is too weak.

Legal services needs to be an independent corporation for its own protection. To properly represent the poor, the agency sometimes has to kick the discriminatory policies and practices of government on behalf of the poor. The agency's success in California particularly has aroused the ire of politicians who think that the government should be able to do whatever it wants to poor folks and that the agency should give them less controversial services, such as making out wills, perhaps.

If the agency is independent, it can be free of political pressures. However, Mr. Nixon's proposal would require that all the corporation's directors be appointed by the president. It would also restrict some of the agency's crucial activities, such as lobbying for law reform. The best contribution the Nixon proposal makes is the recommendation of three-year funding to give the program continuity.

The soundest proposals for the legal services corporation have been proposed by Sen. Walter Mondale (D-Minn.). Sen. Mondale proposes that a board of directors be chosen partly by the president, partly by the chief justice of the United States, and partly with ex-officio members. The Mondale bill would give the corporation more of the broad powers it needs to be flexible and effective.

[From the Des Moines Tribune, Apr. 5, 1971]
LAWYERS FOR POOR

More than 100 U.S. House and Senate members have introduced legislation to eliminate the threat of political interference in legal services programs for the indigent. The measure seeks to insulate legal aid from politics by creating a private, nonprofit National Legal Services Corporation to furnish legal assistance.

Government-financed legal aid is provided now through the legal services program of the Office of Economic Opportunity (OEO). Law suits by the agency in behalf of clients against local, state and federal agencies have kept the legal services program in continual hot water. A session of Congress does not go by without an effort being made to curb the scope of OEO legal services. Governors have veto power over the programs, subject to being overridden by OEO.

The proposed National Legal Services Corporation is intended to operate free of vetoes and other political threats. Policy for the program would be made by a 19-member board of directors consisting of five public members named by the President, one by the chief justice and six members named by legal organizations. The remainder would represent attorneys and clients.

The proposal's major weak spot is its plan for financing. Local legal services programs would be allocated funds by the corporation, but the source of funds would continue to be OEO appropriations voted by Congress. Members of Congress could retaliate against legal aid by cutting appropriations or conceivably by attaching conditions to the way the money is spent.

OEO is a politically sensitive agency. Top administrators are in the political arena and are subject to pressures from state and local officials and members of Congress. Moving legal services out of OEO and into something like the National Legal Services Corporation would make political interference in the relationship between poverty lawyers and their clients less likely, but an independent source of financing is needed to assure that attorneys will be truly free to serve the interests of their clients.

[From the Salem (Oreg.) Capital Journal, March 23, 1971]

TO ASSURE LEGAL AID

An excellent proposal to insulate anti-poverty legal aid services from political coercion has been introduced in Congress. It has the backing of an impressively large group of senators and congressmen of both parties.

Legal aid is one of the best features of the nation's effort to reduce poverty, but it has suffered at the hands of politicians who don't like to see poor people asserting their rights—especially with government help.

The problem has been most extensive in southern states, but California's Rural Legal Assistance program also has suffered.

The proposed law would create a nonprofit National Legal Services Corp., which would assume legal aid activities which now are directed by the Office of Economic Opportunity (OEO).

Although Congress would continue to provide the money—\$140 million in the first year—a 19-member board would run the program. Five directors would be appointed by the President with Senate approval, one would be named by the chief justice of the

Supreme Court and the others would be chosen by groups representing the poor, the American Bar Association and legal defender associations.

Sen. Alan Cranston of California, one of the 18 senators and 77 House members sponsoring the measure, said Congress "must remove the politics and political gamesmanship from legal services. Otherwise we run the risk of permitting this last access to orderly change to be closed off."

A similar approach has been followed for the postal service, for the National Science Foundation, and for the Public Broadcasting Corp.

Congress should pass the bill without delay and thereby assure the poor of the equal protection the law affords, but which they cannot claim without legal aid.

[From the Boston Globe, Mar. 19, 1971]

FRIENDS FOR LEGAL SERVICES

Democrat Edward M. Kennedy and Republican Edward W. Brooke united forces in Washington this week to sponsor legislation that would set up an independent corporation, outside any existing Federal agency, to administer legal services to the poor.

The fact that the Bay State's two senators, one a Democrat and one a Republican, were among the seven in the nation sponsoring the bill is a proud moment for Massachusetts and a new milestone for bipartisan politics.

When former Harvard football captain Terry Lenzner and his deputy, Frank Jones, were fired as directors of the Office of Economic Opportunity's Legal Services program last November, Lenzner said he believed his dismissal was "the result of basic philosophical differences as to whether the program was going to be run for the poor, or for the politicians of this country."

The program, which continues to have the support of every major legal organization in the country including the American Bar Association, had been threatened with loss of funds in Worcester following charges that three city councilmen who voted against rent control were landlords and therefore acting in violation of conflict of interest law. It was threatened with censure in New Bedford for objecting to excessive bail following last summer's racial disturbances, and blocked from filing a civil rights lawsuit charging police harassment of Spanish poor in Holyoke.

Following complaints from the governors of California and Florida and from the Republican Party in Mississippi, OEO director Donald Rumsfeld tried unsuccessfully to tame the program by regionalizing its direction under non-lawyers. When this failed, Mr. Rumsfeld introduced a new policy based on "decentralization."

Since then, Ronald Reagan has vetoed OEO funds for the California Rural Legal Assistance program. And Legal Services' new director, Frank Carlucci, has probed and terminated additional programs, including the Los Angeles Neighborhood Legal Services Agency.

It may be true that some of the country's 850 neighborhood legal offices have operated beyond their assigned scope or failed to follow correct procedures. But it is equally clear that this arm of the poverty program has done its job in bringing "Equal Justice Under Law" to those who formerly had no defense against the dictates of big business or government itself.

As long as our elected officials depend for their support on moneyed contributors, the poor are likely to get short shrift within a politically oriented agency. The Administration, which has said it would submit its own bill supporting a legal services corporation, has recognized the problem. But the co-sponsors of the congressional legislation now take matters into their own hands, keeping the promise made to 500 OEO attorneys and staff aides by Kennedy last December.

It is good to have Brooke by Kennedy's side on this issue.

[From the Wichita Eagle, May 14, 1971]

LEGAL AID VALUABLE, SHOULD BE INDEPENDENT

The federal program of legal services to the poor has become a "workhorse" in the effort to secure equal rights in America, "pulling briskly and tirelessly at the task as the nation moves forward," President Nixon told Congress May 5.

The occasion was his sending to Congress an administration bill, which would restructure and presumably strengthen the legal services program. In extensive praise of the existing program, the President sounded much like Sen. Walter F. Mondale, D-Minn., who introduced a bill March 18 that also would restructure legal services. (Kansas Sen. James Pearson was one of the sponsors.) A similar bill was introduced in the House March 19.

Although the administration and Mondale bills are parallel in many ways, they also differ in significant matters. Upon analysis, the administration bill looks weaker in many respects, including the important one of protecting legal services from political pressures.

Both bills propose to free the legal services from the O.E.O. and create an independent, nonprofit Legal Services Corporation. In this, both are following the recommendation of the Ash Council which last November reported on a study of the executive organization of federal government. Both propose setting up the new corporation along the lines of that of the Public Broadcasting Corp., which like legal services tends to become controversial and needs protection from undue pressures.

Senator Mondale's bill would provide a board with broad representation to direct the Legal Services Corporation. Its 19 members would be as follows: five appointed by the President with the advice and counsel of the Senate; one appointed by the Chief Justice of the Supreme Court, on recommendation of the Judicial Conference of the U.S.; six serving because of their offices—the president and president-elect of the American Bar Assn., president of the American Trial Lawyers Assn., president of National Legal Aid and Defenders Assn., president of the American Assn. of Law Schools, and president of the National Bar Assn.; three chosen by a clients' advisory council; three by a project attorneys' advisory council; and last, the executive director of the corporation.

If that seems a complicated list, it nevertheless has the virtue of providing a broad selection of professionals and laymen to guide the corporation. It wouldn't be ready-made for manipulation or pressures.

The President's far simpler proposal could set up a board vulnerable to pressures and even orders. He suggests that there be an 11-member board, all appointed by the President, with the advice and consent of the Senate. As to qualifications, he suggests only that a majority be lawyers. He would not allow any full-time employe of the federal government on the board, thus eliminating the executive director himself. To make it bi-partisan, the President's bill forbids more than six to be of the same political party.

What would happen to the independence of such an organization if all its members were appointed by, for instance, Ronald Reagan (whose political course obviously is aimed at the White House)? Reagan is an open foe of legal aid, and he's not the only politician who is.

Mondale proposed that the new corporation be funded at \$140 million for 1972; \$170 million for 1973. (Cost over-runs on the C-5A, he pointed out, could fund such a program for 10 years.)

While admitting that "four out of five legal problems of the poor still go unattended," President Nixon proposes funding the new corporation only at the present level, about \$76 million annually.

We believe with President Nixon that legal aid has proved itself valuable to the nation, and that it should be made independent and assured of continued support.

But the bills already introduced in the House and the Senate seem better designed than the administration bill to accomplish those goals.

[From the Dayton Daily News, Mar. 20, 1971]
INDEPENDENT LEGAL SERVICES

Two rules of thumb for reform are: If a government service is shoddy, turn it over to private enterprise. If private enterprise doesn't do it right, turn it over to government.

The proposal for preserving federal legal services program calls for half of each of the above medicines—an independent corporation, funded by Congress and run by an autonomous board.

A bipartisan group of 98 senators and representatives is sponsoring legislation to establish such a corporation so the lawyers will be free from political pressure.

An example of one political pressure comes from Gov. Ronald Reagan of California. Gov. Reagan is angry because some of the Office of Economic Opportunity legal services lawyers started suing the underlying cause of some of the poor people's problems. That underlying cause happened to be the State of California which, like other bureaucracies, has its own ineptitude, silly laws and political inertia built into the system.

Certainly the legal services ought to be shielded from political retribution, and the lawyers ought to concentrate on test cases to make government and laws responsive to the public.

So, hurrah for the effort.

Only a nagging question remains. What if the legal services corporation becomes timid? If it is shielded from interference by regressive politicians, might it not also be shielded from the prodding of progressive politicians?

It would be reassuring if detailed legislation resolved that point.

[From the Philadelphia Inquirer, Philadelphia, Pa., Mar. 30, 1971]

LEGAL SERVICES PROGRAM NEEDS RELIEF FROM POLITICAL ASSAULT

We don't know whether to extend congratulations or condolences to former Pennsylvania Attorney General Fred Speaker.

Let's make it congratulations, for now, despite the fact—all right, make it because of the fact—that he has volunteered to step into a hornets' nest.

Mr. Speaker has been appointed by the Nixon Administration to head the Office of Economic Opportunity's Legal Services Program. The journalistic custom is to affix the adjective "embattled" before the name of the program, and we shall not depart from the custom. Legal Services has been embattled from its inception as part of the Johnson Administration's "war on poverty," and for the very good reason that it has sought to do legal battle on behalf of the poor, and for the even better reason that it has been very successful.

But its activities in defending the rights of the poor through litigation have brought down the wrath of state and local officials in many parts of the nation.

In Mississippi, where the antipoverty lawyers have fought for voting rights for blacks and the right of blacks to receive services equivalent to those received by whites, Gov. John Bell Williams exercised his power to veto further Federal funding of the state program. The OEO, after much controversy, exercised its own power to override.

In California, Gov. Ronald Reagan vetoed the \$1.8 million California Rural Legal As-

sistance program, which, among other things, forced him to rescind heavy cuts in California's Medicaid program. More controversy, half-settled by a top-level Washington decision to extend the legal services grant for six months instead of a year. Governor Reagan called it a victory for his side. The OEO said it was a compromise—"not a phase-out or a transition grant."

Time will tell, but there is little likelihood that the controversies over Legal Services in particular and the OEO in general will soon simmer down.

So Mr. Speaker will have his hands full and knows it. We differed with him on occasion during his eight months' tenure as state attorney general, most notably when, just before he was leaving office, he unilaterally ruled the death penalty unconstitutional in Pennsylvania. We did not quarrel with the end but with the means, but we must say that we admire Mr. Speaker's demonstrated readiness to wade into controversy, his capacity for innovation (as in the environmental task forces he set up in the Justice Department) as well as his legal knowledge and political talents.

We think, though—without wishing to take the edge off the compliments—that the task he now assumes may be beyond any man. As now set up, the legal services program for the poor invites hostile pressures from those whose toes it steps on. Controversy is not only built-in but encouraged.

A bipartisan group of senators and representatives have now introduced a bill which would create a National Legal Services Corporation, funded by Congress but operated autonomously by a board composed of private and public members. The Administration has been preparing similar legislation but with a more limited authority in the area of law reform.

We think the wider the scope, the more effective the corporation can be. It cannot be expected to put an end to all the controversies that swirl about legal services for the poor, but it could certainly tend to insulate those services from political assault.

The program is invaluable, even if the governors of Mississippi and California do not sympathize with it, for it provides a means by which the poor, the unorganized, the victims of discrimination, can obtain due process of law, including the reform of the law itself, through "the system" rather than against it. A public corporation, independent of political pressures and expediency at any level of government, would be the best means of achieving this end.

[From the Sacramento Bee, Mar. 20, 1971]
CONGRESS SHOULD ENACT NEW MEASURE TO INSULATE LEGAL AID FROM POLITICS

An impressively large bipartisan group of senators and congressmen has proposed what appears to be the logical way to remove anti-poverty legal aid services from the pressure of political coercion, such as has afflicted the exemplary California Rural Legal Assistance program.

The entire federal program of legal aid to the poor has suffered from interference by politicians and powerful corporate pressure groups for years.

The new legislative proposal, which has received initial backing from US Sen. Alan Cranston, D-Calif., promptly was cosponsored by a bipartisan group of 18 senators and 77 House members. It would establish a private, nonprofit National Legal Services Corporation to take over the legal aid to the poor directed by the Office of Economic Opportunity. Its first year's budget would be \$140 million.

Such a body would be insulated from the political pressures which have crippled anti-poverty legal aid. Though funded by Congress, it would be directed by a 19-member

board. Five of the directors would be named by the President, with Senate approval, and one by the US chief justice. The others would be named by advisory groups representing the poor, bar association groups and legal defender associations.

The legislation makes strict provision for the corporation's autonomy and the complete freedom of its lawyers to represent the poor in every ethical domain of the law.

As Cranston observed: "We must remove the politics and political gamesmanship from legal services. Otherwise we run the risk of permitting this last access to orderly change to be closed off."

Precedent for the establishment of such a corporate body designed to free important programs from political pressure exists in the National Science Foundation and the Public Broadcasting Corporation. These have been able to do their good work in science research and educational television without constraints of selfish pressure groups.

The poor of this nation, already voiceless in so many ways in their relationship to the establishment, deserve no less than equal treatment before the law, which such programs as CRLA have provided. Congress should enact the legislation forthwith. One of its prime dividends would be to insure the continued good work of CRLA which Gov. Ronald Reagan sought to end by vetoing its OEO funds. CRLA and similar programs in other states should not have to operate under the shadow of this kind of interference.

[From the Sacramento Bee, May 5, 1971]

FREE LEGAL AID FOR POOR FROM POLITICS

Legal services for the poor, such as the exemplary California Rural Legal Assistance, could operate much more effectively if established nationally as an independent, nonprofit corporation divorced from political pressures of the kind brought against CRLA by Gov. Ronald Reagan.

On that point there is growing agreement in Washington. A split arises, however, between a Nixon administration plan and the one proposed by a group of 23 senators led by US Sen. Walter F. Mondale, D-Minn.

President Nixon proposes to establish a Legal Services Corp. but would fund it with only \$68.9 million the first year and in addition would limit the scope of legal services lawyers. They would not be permitted to handle any kind of criminal case. They would be circumscribed in their work when it tends to conflict with local and state governments.

Mondale's plan, to set up a National Legal Services Corp., would provide more realistic funding of \$140 million the first year and \$170 million the next.

This seems the better program because in addition to providing enough money to make it effective, it would not impose upon the anti-poverty lawyers the restrictions sought by Nixon.

In both cases, the nonprofit corporation would be funded by the federal government without provision for veto by governors, as now exists for these legal services. It was Reagan's veto of CRLA funds which brought the issue to focus and made it clear legal services should be independent of politics.

Mondale's proposal is superior to the administration's in another respect. The senator wants the corporation to be directed by a 19-member board, many of whom would serve ex-officio or be appointed by bar associations.

Nixon proposes an 11-member board, all appointed by him. This obviously risks injecting political pressures on the highest level. It would jeopardize the needed independence of legal services for the poor.

Both sides should be able to reach agreement. They are one as to the need for continuing the anti-poverty legal services. Nixon has called it "securing justice within the system and not on the streets." Mondale says it has enabled the poor "to use the system for

redress of legitimate grievances at a time when many were advocating violence and disruption."

[From the Wisconsin Press Association,
Mar. 16, 1971]

"A WORK THROUGH THE SYSTEM" BILL

For those who really believe in working through the system and through the courts of the country, the bill recently co-sponsored by Rep. William Steiger to shift the federal legal services program into a semi-independent corporation was a good move.

The basic concept behind the legal services program is that the poor are entitled to the same availability of legal help as is available to the well-to-do elements of our society.

At present, the legal services program, which hires some 1,800 lawyers, the second largest collection of legal talent in the country next to the Justice Department, is housed in the Office of Economic Opportunity.

But its existence there is an uncomfortable one, because governors have the right of veto over most OEO projects and generally are unsympathetic to an agency that occasionally files suits against state and local officials.

Thus, legal services has incurred much political heat from grass roots politicians who find nothing debatable about the way they are administering the law.

The heat has increased with the repeated success of OEO lawyers, usually young men, in challenging treatment of the poor. One landmark case won by OEO was the striking down of residency rules used to discriminate against those on welfare.

Other examples are legal pressures brought to insure that southern officials properly use the food programs that should be available to black poor in the south.

This "working through the system" via federal funded lawyers is a program that needs to continue and needs to be insulated from the direct heat of local politics.

By settling it up outside of OEO, with a responsible board of directors, including the head of the American Bar Association, this insulation may be provided.

Its independence can be guaranteed if the veto power of governors over the legal services program in their states is eliminated, as it should be.

[From the Washington Post, May 15, 1971]
A REPLY TO EVANS AND NOVAK ON LEGAL SERVICES BILL

We are replying to the Evans and Novak column which alleges that our Legal Service bill would focus legal aid on middle-class protesters rather than on the poor.

Such a charge is preposterous. To support their allegation, the columnists claim that our legislation to set up a Legal Services Corporation does not clearly state that only the poor will qualify for aid.

Our bill says quite specifically: Legal aid shall go to "individuals unable to obtain private counsel because of inadequate means." We also establish a priority for serving low-income persons whose means are least adequate to obtain private legal assistance.

Moreover, while both the administration's bill and our own are designed to serve the poor, our proposal requires that the poor—as well as the organized bar and legal services attorneys—have a voice on the governing board of the Legal Services Corporation. The administration's bill creates a board fully appointed by the President without assurance that these groups will be represented.

There are other basic differences between the two legal services bills which Evans and Novak overlooked.

For example, we feel at a time when courts at all levels are being over-worked, some poverty issues might well be resolved in the

legislatures rather than in the courts. The administration's bill would restrict legislative advocacy of issues on behalf of the poor. Ours would not.

The administration's legislation would set restrictions on cases that could be handled and circumstances under which appeals could be taken. No such restrictions are contained in our bill.

We truly believe that placing a statutory restriction on appeals and legislative advocacy imposes a burden on Legal Services attorneys that no private practitioner would tolerate. The Code of Professional Responsibility of the legal profession carefully guarantees that lawyers be free to exercise independent judgment, free of such restrictions.

We set no outright ban on legal representation for poor persons accused in criminal suits. In many states and cities of the United States, there is an unmet need for such representation of indigents, especially in misdemeanor courts. Any limitation on criminal cases would more appropriately be established by the legal Corporation rather than by Congress.

Evans and Novak fail to point out that during times of civil disturbance, judges, police, and local authorities—not the protesters—frequently initiate a request for Legal Services attorneys. On more than one occasion, local judges have said their courts could not handle mass arrest situations were it not for help from Legal Services lawyers.

It should be emphasized that our bill requires strict accounting of funds, and would prohibit the use of funds to support political parties and candidates.

Assuring equal access to the law to persons who cannot afford any access is not a partisan issue. Our bill is sponsored by 120 members of both houses of Congress—including Republicans and Democrats of widely varying philosophies.

It is unfortunate that Evans and Novak failed to report these facts. Far from prompting strife, our bill is aimed at keeping controversies out of the streets and enabling the poor to express their grievances in legitimate forums.

WALTER F. MONDALE,
U.S. Senator.
WILLIAM A. STEIGER,
Member of Congress.

WASHINGTON.

[From the Association of the Bar of the City of New York]

PROPOSED FEDERAL LEGISLATION TO ESTABLISH A NATIONAL NON-PROFIT LEGAL SERVICES CORPORATION

(By the Committee on Legal Assistance)

INTRODUCTION

During the present session of the 92nd Congress, two proposed pieces of legislation were introduced, each of which would establish a federal non-profit Legal Services Corporation having a measure of independence from political control. The first was introduced in both the Senate and the House (S. 1305 and H.R. 6360) by a bipartisan group of Senators and Congressmen and is referred to as the "Mondale-Meeds Bill." The other (S. 1769 and H.R. 8103) was introduced at the request and with the support of the Administration and is referred to as the "Administration Bill."

RECOMMENDATION

The Committee on Legal Assistance approves the Mondale-Meeds Bill. Although it approves the creation of a Legal Services Corporation having a measure of independence from political control, the Committee finds serious deficiencies in the Administration Bill so as to warrant an express disapproval of its enactment. It also recommends that the Mondale-Meeds Bill be modified to pro-

vide for appropriations for three-year periods, rather than for annual appropriations.

THE OBJECTIVE OF THE BILLS

The purpose of both the Mondale-Meeds and the Administration Bills, as appears both from their content and from statements made by their supporters on the floor, is to create a non-political organization which will provide federal legal services programs with some protection against short-term political pressures.

Since legal services programs must, by their nature, attempt to serve the least politically powerful members of society, and to protect them against more powerful people and institutions, there is a constant danger that the purposes of such programs will be frustrated by the interference of politically influential persons or groups. Events in recent years have made clear that this danger is not academic.

The Committee, accordingly, believes that it is appropriate to insulate legal services to some extent from the political process, and therefore approves the creation of a federal non-profit Legal Services Corporation.

COMPARISON OF THE TWO BILLS

Both the bills would add a new Title 9 to the Economic Opportunity Act of 1964, establishing a non-profit corporation, in the District of Columbia (the "Corporation"). The Corporation, financed by Congressional appropriations, would be authorized to make grants and otherwise provide financial assistance to programs furnishing legal services to the poor, and to carry out research, training, and technical assistance programs in related areas.

Both bills permit the Corporation to review and regulate the means by which recipients of the Corporation's assistance carry out their functions and provide that high professional standards shall be maintained. Both bills provide an advisory role for representatives of participating attorneys and the poor. Both bills would eliminate the gubernatorial veto over legal services programs (although the Administration Bill [§ 905(f)] provides for 30 days' advance notice of any grant or contract to the Governor of the state involved).

POINTS OF DIFFERENCE

(1) Selection of board of directors

The Mondale-Meeds Bill provides for a 19-member board, of whom five shall be appointed by the President with the advice and consent of the Senate; one shall be appointed by the Chief Justice of the United States after consultation with the Judicial Conference of the United States; six shall be officers of legal organizations (the American Bar Association, the National Legal Aid and Defender Association, the American Association of Law Schools, the American Trial Lawyers Association, and the National Bar Association); three shall be elected by representatives of attorneys engaged in providing legal services; and three shall be elected by representatives of the poor. The bill provides that the President, in making his initial appointments, shall give "due consideration" to the recommendations of associations of lawyers engaged in conducting legal services programs, and that thereafter the President shall give "due consideration" to the recommendations of individuals recommended by the board. (§ 904)

The Administration Bill provides for an 11-member board of directors, all of whose members will be appointed by the President with the advice and consent of the Senate, to staggered three-year terms. No more than 6 members of the board may be of the same political party. (§ 902)

The Committee favors the approach of the Mondale-Meeds Bill.

While it can be argued that appointment of all board members by the President in-

creases the chances of an effective, cohesive board of directors and prevents the board's domination by persons whose constituencies and points of view may be limited, the approach of the Mondale-Meeds Bill has at least two advantages. First, providing that board members shall be appointed in various ways, and that most of them shall not be appointed by any political officer, furthers the purpose of insulating the Corporation from political pressure. Second, the presence of representatives of project attorneys and of the poor on the board of directors will help to give visibility and credibility to the Corporation's activities.

(2) Powers of the corporation

While undoubtedly the principal activity of the Corporation, as contemplated by both bills, will be providing assistance to lawyers engaged in representing the poor, the Mondale-Meeds Bill authorizes the Corporation also to "increase opportunities for legal education" among minority group members or the poor (§906(a)(4)). Such authority seems entirely consistent with the purposes of the Corporation, and is a desirable feature of the Bill.

The Administration Bill's definition of the authority of the Corporation is less than clear at least in one respect. The Bill would authorize the Corporation "to represent the collective interests of the eligible clients under this Act before Federal agencies with a view to identifying and resolving issues which might otherwise result in multiple litigation arising out of the administration of the agencies' programs" (§904(a)(3)). This provision may be read as purporting to bind "eligible clients" by the actions of their representative, the Corporation. In any event, it does not seem consistent with the Corporation's purposes for it to discourage litigation against the Federal government by the poor.

(3) Restrictions

The Administration Bill will impose several restrictions upon the activities of the Corporation, and those who participate in its programs, which are undesirable in the opinion of the Committee.

The Administration Bill's provisions against lobbying or political activity are extensive and at times Draconian. It is provided that the Corporation shall have no opportunity to influence the passage or defeat of any federal, state or local legislation (§904(d)(2)); moreover, the Corporation is required to insure that all attorneys, "while engaged in activities carried on by legal services programs funded by the Corporation," also refrain from lobbying; and that attorneys employed full-time by such programs "refrain from such lobbying at any time" unless their views are requested by legislators. (§905(a)(6)).

The Administration Bill goes on to provide that attorneys, while engaged in activities funded by the Corporation, refrain from any partisan political activity associated either with a candidate for office "or an issue specifically identified with a National or State political party"; refrain from any activity to provide voters or prospective voters with transportation to the polls or similar assistance; and refrain from any voter, registration activity. The Bill provides that lawyers employed full-time in programs funded by the Corporation "refrain from the above enumerated activities at any time." (§905(a)(7)).

These provisions go substantially further than is warranted. It might be entirely appropriate for attorneys representing the poor, in the course of their duties, to express their views on proposed legislation that would help or hinder them, or would create or eliminate unfairness to their clients. Certainly there should be no restriction upon the personal political activity of full-time em-

ployees. The Mondale-Meeds Bill takes a preferable approach, providing only that "the Corporation may not contribute to or otherwise support any political party or candidate for elective public office." (§907(c)).

The Administration Bill expressly limits the Corporation to non-criminal representation (excluding also habeas corpus or similar proceedings brought to attack criminal convictions). (§905(b)(1)). While in fact the Corporation may be more effective if it confines itself to non-criminal representation, there seems no need to make the restriction statutory. The Corporation's board of directors should be able to determine how best to use its resources.

The Administration Bill prohibits the Corporation from awarding grants or entering into contracts with "so-called 'public interest law firms' which intend to extend at least 75 per centum of their resources and time, litigating issues either in the broad interests of a majority of the public or in the collective interests of the poor, or both." (§905(b)(3)). Again, while such activity might be deemed inappropriate by the Corporation—and, to the extent that it did not provide legal assistance to the poor, might be *ultra vires* under either of the proposed bills—there seems to be no need for an express statutory restriction. It is conceivable that the Corporation would wish to fund a program devoted to litigating an issue or issues in which "the collective interests of the poor" were predominant, and the Corporation should be permitted to do so.

The Administration Bill requires the Corporation to "establish a graduated schedule of fees which will require the client, if able, to pay at least a portion of the cost of legal services" (§905(a)(3)); and to "establish guidelines for a system for review of appeals. . . . to insure the efficient utilization of resources and to prevent the taking of frivolous and duplicative appeals" (§905(a)(8)). These provisions seem also to create unnecessary rigidity in areas where the Corporation should be left free to choose its course.

(4) Appropriations

Both bills contemplate periodic appropriations by Congress, rather than endowment, as the means for supplying funds to the Corporation. While endowment would be preferable, the funds for such endowment may simply not be available. The Administration Bill contemplates appropriations for three-year periods (§908); the Mondale-Meeds Bill seems to contemplate annual appropriations (§4). In this respect, the approach of the Administration Bill seems preferable. Long-term appropriations would serve the purpose of protecting the Corporation from the influence of temporary political trends.

LAW CENTER,

UNIVERSITY OF SOUTHERN CALIFORNIA,
Los Angeles, Calif., June 8, 1971.

HON. WILLIAM A. STEIGER,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN STEIGER: The undersigned are faculty members of the University of Southern California, School of Law. We are strongly committed to the delivery of quality legal services to the poor, and are supportive of the OEO Legal Services Program. We commend efforts to make this program a separate, independent corporation, free from political interference.

We feel that the Board of Directors of such a corporation should be representative of the client community, the general public and the legal profession. We feel that no public official or representatives of any one sector of the public should appoint a voting majority. Rather there should be a balance among the various interests represented by the corporation. This type of board structure insures *insulation* from public pressure

while at the same time assuring *accountability* to the representatives of the profession and the client community as well as the general public. We therefore endorse the provisions of the Bi-Partisan Bill, as introduced by Sen. Mondale and Rep. Steiger (S. 1305, H.R. 6360).

We most strongly endorse the provisions in the Bi-Partisan Bill which provide for the continuation of the ABA-OEO funded Council on Legal Educational Opportunities (CLEO), which makes grants for legal education to disadvantaged and minority students. We further endorse and commend provisions in the Bi-Partisan Bill which would provide for grants to law schools to increase clinical programs resulting in service to the community. We regret the absence of these provisions in the Administration Bill.

As professors of law we deplore the provisions of the Administration Bill which would restrict the services legal services attorneys could deliver to the poor. Most specifically we regret the provision requiring a system for review of appeals which interferes with attorneys' independent and professional judgment of the best course to take in servicing their clients. This restriction violates the Code of Professional Responsibility of the American Bar Association, and would force these attorneys to choose between their professional responsibilities to their clients and the regulations governing their employment. The limitation on legislative activity would prevent legal services attorneys from "proposing and supporting legislation and programs to improve the system . . . (and to) encourage the simplification of laws and the repeal or amendment of laws that are outmoded," as required in the Code of Professional Responsibility. We further believe that the restrictions on political activity are overly broad and deny these attorneys their basic rights to exercise their responsibilities as citizens. In addition, we feel a total ban on criminal representation is unwise, as detailed in the Administration Bill. There are many situations where this representation is necessary, and basic guidelines should best be promulgated by the Board of Directors.

In light of the above, we urge your support and passage of the Bi-Partisan Bill to establish a National Legal Services Corporation, as detailed in S. 1305, H.R. 6360.

Respectfully,

Dorothy W. Nelson, Professor of Law and Dean, Gary Bellow, Associate Professor of Law, Scott H. Bice, Assistant Professor of Law, and Associate Dean, R. Paul Burton, Professor of Law and Law Librarian, W. David Slawson, Professor of Law, Michael Reiss, Assistant Professor of Law, Martin Levine, Professor of Law, Earl Johnson, Jr., Associate Professor of Law, Christopher D. Stone, Professor of Law, Francis E. Jones, Jr., Professor of Law, Donald C. Grutson, Professor of Law, Michael H. Shapiro, Associate Professor of Law, Leonard G. Ratner, Professor of Law.

[From American Bar Association, Section of Individual Rights and Responsibilities, and the Standing Committee on Legal Aid and Indigent Defendants]

JOINT INFORMATIONAL REPORT: THE CORPORATION FOR LEGAL SERVICES—A STUDY

The Section of Individual Rights and Responsibilities and the Standing Committee on Legal Aid and Indigent Defendants, believing that a new home for the Office of Economic Opportunity's Legal Services Program is an issue of great current relevance and importance to the legal profession, submits this Study on the Corporation for Legal Services to the House of Delegates for its information. This Informational Report is a revision of an earlier Draft of the Report which was approved in principle by the

Standing Committee on Legal Aid and Indigent Defendants and the Council of the Section of Individual Rights and Responsibilities at their meetings in February, 1971. On April 29, 1971, the Board of Governors of the American Bar Association approved in principle the concept of a Corporation for Legal Services to house the federally-funded Legal Services Program. This Informational Report provides members of the House of Delegates with background information with respect to this concept.

THE BAR ASSOCIATION OF
SAN FRANCISCO,
San Francisco, Calif., May 14, 1971.

RESOLUTION

Whereas, this association has long striven to support programs which would insure adequate representation of the poor, and

Whereas, the Board of Directors of this association believe that the administration of legal services for the poor should be removed from the political arena.

Now, therefore, be it resolved that the Board of Directors of the San Francisco Bar Association, after review, favors the adoption of Senate Bill 1305 and H.R. 6360.

PIERCE COUNTY LEGAL ASSISTANCE
FOUNDATION,
Tacoma, Wash., June 25, 1971.

Re: Legal Services Corporation Bill
HON. WILLIAM A. STEIGER,
House Education and Labor Committee,
House of Representatives, Washington,
D.C.

DEAR SIR: The enclosed resolution was passed by the Board of Trustees of the Pierce County Legal Assistance Foundation with respect to pending legislation.

We hope that you will be able to support our recommendations.

Very truly yours,

DALE L. CARLISLE,
President.

RESOLUTION

Whereas, the Legal Services Program of the Office of Economic Opportunity has demonstrated that federally funded law offices for the poor can and do provide greatly improved legal services for low-income Americans; and

Whereas, Legal Services Programs throughout the United States have generally gained the support of the low-income communities they serve as well as that of the organized bar; and

Whereas, Legal Services attorneys have and will continue to be engaged in litigation on behalf of their clients as part of their work in providing legal representation for low-income citizens; and

Whereas, Legal Services Programs have in the past and will continue to be involved in litigation against federal, state and local governmental agencies and other political entities; and

Whereas, it is absolutely essential that Legal Services attorneys remain free from political influence and interference if they are to render truly professional, independent, effective and vigorous legal representation and thereby continue to have the confidence of both their clients and fellow lawyers; and

Whereas, the currently proposed "National Legal Services Corporation Act" provides an administrative and financial structure which will assure the professional independence of Legal Services Programs and attorneys;

Now, therefore, be it resolved that the Board of Trustees of the Pierce County Legal Assistance Foundation supports in principle the "National Legal Services Corporation Act" (H.R. 6360) and urges the United States Congress to promptly enact this legislation after amending it in the following ways and

possible others consistent with the general principles of the Act: All criminal cases not immediately, specifically and directly related to effective and aggressive representation of the civil claims of low-income people should be left for provision through other agency or means; and reasonable travel expenses for board and advisory committee members should be provided; a stronger statement in favor of class actions should be included; and members of the local bar should continue to be included in the boards of grantee agencies.

DALE L. CARLISLE, *President,*
Board of Trustees.

CROSBY, PANSING, GUENZEL & BINNING,
Lincoln, Nebr., June 10, 1971.

DEAR CONGRESSMAN: As you know, there are two bills before Congress to reorganize the Legal Services Program. S 1769 is the Administration's bill. S 1305 was introduced by Senator Mondale and Congressman Steiger. S 1305 has bipartisan support and is co-sponsored by more than 120 Congressmen.

Although the two bills are parallel in many ways, they also differ in significant matters. As President of the Board of Directors of the Lincoln Legal Service Society, Inc., I respectfully urge support of the Mondale bill.

The Administration bill appears weaker in several respects, particularly in protecting legal services from political pressures. Senator Mondale's bill would provide a board with broad representation to direct the Legal Services Corporation. Its 19 members would be as follows: five appointed by the President with the advice and consent of the Senate; one appointed by the Chief Justice of the United States, on recommendation of the Judicial Conference; six serving because of their offices—the President and President-Elect of the American Bar Association, President of the American Trial Lawyers Association, President of the National Legal Aid and Defender Association, President of the American Association of Law Schools, and the President of the National Bar Association; three chosen by a clients' advisory council; three by a project attorneys' council; and last, the Executive Director of the corporation.

This complicated list has the virtue of providing a broad selection of the professionals and laymen to guide the corporation. Such a group would not be easily subjected to manipulation or pressure.

The Administration's bill, while far simpler, would set up a board vulnerable to such pressures. S. 1769 would simply require an 11-member board, all appointed by the President, with the advice and consent of the Senate.

Also, the Mondale-Steiger plan would allow programs to offer a full range of legal services to the poor while the Administration's bill would limit services. Finally, the Mondale plan recognizes the need for substantial additional funding while S. 1769 would continue funding at present levels. This issue is of particular relevance to our program as our limited budget has resulted in a severe manpower shortage.

I urge you to support S. 1305 designed to build a truly effective legal service program for the poor.

Sincerely,

CROSBY, PANSING, GUENZEL & BINNING,
By THEODORE L. KESSNER.

CLARK COUNTY LEGAL SERVICE PROGRAM,
July 19, 1971.

DEAR CONGRESSMAN: As members of the Clark County Legal Aid Advisory Board, we are concerned with the continued quantitative and qualitative development of the legal services for the poor. We therefore have considered the various bills regarding the establishment of a Legal Services Corporation and we strongly favor the Mondale-

Steiger Bill (Senate Bill S-1305, House Bill HR-6360).

We feel this bill would create a corporation that is the least susceptible to political manipulation and the most responsive to the legal needs of the poverty community. By prohibiting any restrictions on bringing class actions or suits against government agencies, the bill insures suits will be brought based on legal merit rather than political considerations. Possible political inhibitions to forceful advocacy are further removed by having a truly representative board with a majority being lawyers.

In essence, the bill gives the corporations that autonomy which is an essential precision element in any ethical law firm. We know you share our common concern for protection of the legal rights of the economically deprived and urgently solicit your support of the Mondale-Steiger Bill.

Yours very truly,

CLARK COUNTY LEGAL SERVICES ADVISORY BOARD.

Wayne G. Clark, Esq., Earle W. White, Jr., Esq., Frank A. Schreck, Esq., Dean Breeze, Esq., Richard H. Bryan, Esq., Anthony Earl, Esq., Norman Hilbrecht, Esq., Leslie T. Jones, Esq., Robert Peccole, Esq., James F. Pico, Esq., Tony G. Terry, Esq., Jerome F. Snyder, Esq., W. Owen Nitz, Esq., R. N. Beatty, Stella Fleming, Peggy Smith, Ruby Duncan, Phillip Edden, Maude Hinton, Willie Jacobs, Kathryn James, Dorothy McCants, Louis Miller, Katherine Marsh, Thelma Hearson, Tom Wilson.

PREFACE

Background of the study

Since the inception of the Legal Services program in the Office of Economic Opportunity in 1965, concerned individuals, and groups such as the program's National Advisory Committee, have directed considerable thought to the program's permanent structuring. However, no formal study had ever been completed on this question.

In late 1969 the Section of Individual Rights and Responsibilities of the American Bar Association, under the then-chairmanship of Jerome J. Shestack, created its Right to Legal Services Committee in response to the concern of many Section members. Among other things, the Section Committee was charged with considering the long-range problems facing the legal services program. The Committee, chaired by William R. Klaus of Philadelphia, determined in April, 1970, to study the question of the permanent structuring of the national legal services program. Charles L. Edson of Washington, D.C. was appointed Staff Director. Edson had served both as the first Chief of Operations of the Legal Services Program and as General Counsel of the President's Commission on Postal Organization which performed a similar study.

Funding problems delayed commencement of the study of the Section of Individual Rights and Responsibilities until later October, 1970. At that time the American Bar Association Standing Committee on Legal Aid and Indigent Defendants, chaired by John D. Robb of Albuquerque, agreed to co-sponsor the study with the Section and to make R. Patrick Maxwell, Staff Attorney to the Standing Committee and the National Legal Aid and Defender Association available on a full-time basis. Such assistance, in addition to that acknowledged below, made it possible to complete the investigation and analysis deemed necessary in the relatively short time available.

The study consisted of the following:

1. The initial step was to identify existing models for a national legal services funding entity. The staff analyzed the organizational charts of appropriate departments and agencies and divergent recipients of public funds.

2. Intensive interviews were then undertaken with officials from those departments and agencies which preliminary analysis indicated were fruitful sources for comparison. We deemed this our most crucial activity, for theoretical analysis alone could not provide the data and information needed.

We conducted over seventy interviews at the Departments of Justice, Defense, Health, Education and Welfare and Housing and Urban Development, the Office of Economic Opportunity, the National Science Foundation, the National Foundation for the Arts and Humanities, the Corporation for Public Broadcasting, Gallaudet College, Howard University, the Office of Management and Budget, the National Academy of Science, the Federal Conciliation and Mediation Service, the National Aeronautics and Space Agency and with congressional staff assistants concerned with the issue under study. All those interviewed were most helpful. Many expressed a desire to participate in the study. We express our sincere thanks to those concerned individuals.

3. A survey posing essential questions was sent to all legal services project directors. The quality of their replies was impressive, providing many perceptive insights couched in well-reasoned responses. The bulk of the responses favored an independent federally-funded entity. Special Study IV sets forth the questionnaire and the responses.

The study encompassed several matters—legality and constitutionality of a private, non-profit federally aided corporation to house the legal services program, other governmental legal services programs, and analysis of agency structuring—which could not be treated in the body of the relatively short report that we sought. For that reason it was determined to include several special studies with the report to allow a fuller discussion of these matters than is contained in the main report. Although the study of the form of the Corporation for Legal Services is limited to Part III, the special studies hopefully will provide further insights.

We wish to acknowledge the generous support of the Ford Foundation in funding our staff assistance, and the excellent work of Charles L. Edson, Staff Director and R. Patrick Maxwell, Associate Staff Director.

The assistance of many contributed to the result. We wish to especially thank Henry Goldberg, Ernest W. Jenness, David R. Frick, Kimba W. Lovejoy, Michael Trister, John P. Tracey and Charles B. Ruttenberg, all of Washington, D.C.; to Sheldon L. Greene of San Francisco, California; to Ira Katz of Camden, New Jersey; to David Ellwanger and David C. Long, Chicago, Illinois; to Lydia Embry, legal assistant to Mr. Edson who bore the burden not only of typing endless drafts of this report but contributed to the editing as well; and to Jan Wright and Lucille A. Fisher for their secretarial help.

SUMMARY

The five years of the Legal Services Program of the Office of Economic Opportunity have been marked by singular achievement. Legal Services lawyers now handle a million matters a year for those who otherwise would see justice denied. Some cases have resulted in landmark judicial decisions significantly altering law affecting the poor. Impulses generated by the program have affirmatively affected the law schools, the law firms, and other legal institutions.

Both the program's success and the problems it faces dictate that serious thought be given to its permanent structuring. The goal of the study was to fashion a structure that would afford freedom to the legal services lawyer to take all action necessary for his clients, irrespective of notoriety, and yet promise program stability. The Administration has expressed a policy that OEO should incubate new programs and that,

once established, these programs should be "spun off" as operating entities. If this policy is pursued, it would appear that the future structure of OEO would not lend itself to retaining Legal Services.

The Departments of Health, Education and Welfare; Housing and Urban Development, and Justice each have some logical claim to the program, and long-term security might be gained if Legal Services were submerged within a large department. However, since legal services lawyers have brought numerous suits against both HEW and HUD and their respective funded agencies, an inherent conflict problem would be present. The Department of Justice represents these departments when they face court challenges. Placing Legal Services within any of them would cause serious conflicts. Further, Legal Services within either HEW or HUD would mean a replay of the disturbing administrative conflicts that have occurred at OEO. Placing the program within the Administrative Office of the Courts or the Judiciary itself was deemed undesirable on conceptual, administrative, and financial grounds.

The most desirable alternative appears to be an independent entity. Two variations of such entities—the business-type governmental corporation and the federally-chartered private profit-making corporation—were discarded as unsuitable. Several independent agencies within the Executive branch, such as the National Science Foundation and the National Foundation for the Arts and Humanities present models worthy of study. Both are grant-giving agencies, as is the OEO Legal Services Program. Both are relatively independent of outside pressure, a characteristic indispensable to Legal Services. The fact that such agencies fall within the Executive Branch raises doubts as to whether a program so structured would enjoy long-range freedom.

The study of independent entities focuses on one model of compelling attractiveness: the federally-funded private non-profit corporation exemplified by the Corporation for Public Broadcasting (CPB). Congress established this corporation in 1967 as a vehicle to channel federal funds to the producers and distributors of educational television programming. The concern that federal funding be isolated from program production which impelled creation of CPB has equal cogency with respect to the need for independence of the Legal Services program. During its three year history CPB has, in fact, experienced the freedom it was designed to enjoy. It has financed provocative programs, even challenging congressional practices; yet it has received steadily increasing congressional appropriations.

The precedent indicates that Legal Services could enjoy the same relative freedom if administered by such a private non-profit federally-funded corporation. It appears desirable as the permanent funding vehicle for the program. The Corporation would be governed by a board of directors, and policy guidelines relating to such selections are discussed herein. At a minimum, Congress should provide for a permanent appropriation at a sufficient funding level to adequately maintain current primary and ancillary services and provide for justifiable expansion. Such a corporation must legally maintain minimal relations with a government department, and HEW would appear to be a logical conduit for the appropriation.

PART I

THE BACKGROUND

Any analysis of the future of the Legal Services program necessarily requires reference to its past and its problems. Because of space limitations, only a brief discussion

will be given here, and reference is made to Special Study VI which contains a bibliography on this subject.

The legal aid movement

Organized attempts to provide legal assistance to the poor in this country date back to 1876 in New York City. A society was established "to render legal aid and assistance gratuitously to those of German birth who appear to be worthy thereof, but who from poverty are unable to secure it." Twelve years later a similar organization willing to render legal aid to all persons was established. Extension of legal aid was slow. By the end of 1913 only twenty-eight such local organizations provided legal aid in the United States.¹

Although the legal aid movement expanded substantially over the subsequent decades, it did not begin to meet the need. In 1964 there existed only about 25 civil legal aid offices reaching fewer than five per cent of those requiring legal aid. Nine cities with populations over 100,000 had no organized legal aid.² The overall national expenditures for legal services to the poor amounted to only \$5 million, less than two-tenths of one per cent of the national total spent for the assistance of attorneys. These inadequate sums could only finance inaccessible downtown offices, part-time and volunteer lawyers and a limited number of cases.³ As a result, the well-intentioned but under-funded legal aid movement hardly touched the legal needs of millions of American poor.

The legal services program

Legal Services in its present form began in 1964 with the funding by the Ford Foundation of pilot neighborhood law offices in New Haven, New York and Washington, D.C.⁴ Concurrently, the fledgling Office of Economic Opportunity began to consider the desirability of a legal services component of the "War Against Poverty." In 1965 the House of Delegates of the American Bar Association unanimously endorsed such a program—the first instance of the unlimited support that the organized bar has given the Legal Services program since 1965.

OEO funded its first local legal services program in that year under the general and specific authority contained in the Economic Opportunity Act of 1964.⁵ Since its inception, the OEO-funded national legal services program has decisively accelerated the effectiveness of civil legal aid in America. Today over 80 per cent of the money annually expended for legal aid comes from the Office of Legal Services. In fiscal 1970, over \$53 million was made available for financing services to nearly one million indigent persons.⁶

Rather than providing direct services through government employees, the Office of Legal Services makes grants to local non-profit corporations. These programs, each with its own governing board and program director, employ some 2000 lawyers in 934 neighborhood offices.⁷ Members of the client community serve in substantial proportion on all local program boards. The significant input from this source has proven invaluable to these programs.

In addition to field offices, OEO Legal Services funds complementary support programs. These include a recruitment program for recent law school graduates, the highly successful Reginald Heber Smith Fellowship program and centers specializing in housing law, health law, consumer problems, welfare law and economic development.

In general, the Office of Legal Services at OEO headquarters, headed by an Associate Director of OEO, oversees operations. Although grants are initially processed in regional offices, final authority is exercised by

Footnotes at end of article.

the Legal Services Director at headquarters, although the extent of this authority is constantly under debate and in flux. In addition, the national office supervises the monitoring and evaluation of legal services programs and processes research, development, training and technical assistance grants. About twenty attorneys serve on the headquarters staff and about twenty-five serve within the OEO regions.

Close contact with the organized bar to formulate policy is provided through a National Advisory Committee. The committee is composed of present and past presidents of such concerned organizations as the American Bar Association, the National Bar Association, the American Trial Lawyers Association and the National Legal Aid and Defender Association, in addition to other lawyers and laymen concerned with legal services. Recently, a National Clients Council was organized to speak for the interests of that important group.

Activities of the legal services program

While the nature and quality of services vary, legal services offices strive to provide a level of services equal in quality and scope to major law firms. Litigation covers the full range of problems, from individual wage attachment to suits challenging government action brought on behalf of thousands of poor. Legal services attorneys acknowledge a responsibility both to individual clients and to the client community as a whole. Accordingly, attorneys neither avoid services to individual clients nor action initiated on behalf of major segments of the community where appropriate. Attorneys devote service time to low-income community organizations seeking to further legitimate community aims. Programs undertake litigation which has an impact on the basic conditions of poverty and initiate action in the courts, administrative agencies and legislatures calculated to establish new and clarify old rights and entitlements for the poor.⁸ Often priorities must be established as a result of the growing caseload of many local legal services programs.

Independence of action is a decisive element in furnishing good services. Legal services programs are urged to maintain a constructive liaison and relationship with the organized bar and work with the non-client community. But control of legal matters reposes exclusively in the client and the attorney. The attorney is to be governed by the Code of Professional Responsibility in his relationship to the client.

Client Services on a Day-to-Day Basis

Much of the time expended by lawyers in local legal services programs has been devoted to servicing the everyday problems of their clients. Many attorneys average 500 matters each year. As noted, poverty lawyers served almost one million clients during fiscal 1970, in the areas of family, consumer, housing, welfare, administrative and juvenile law. Although most of these matters lacked dramatic impact to the client involved they meant a wrongful eviction stopped or a repossession voided—an injustice rectified. Most importantly, they helped to instill confidence that law and the judicial system benefit all, the poor and disadvantaged as well as those with means.⁹

Law reform and the legal ethic

Impact litigation has been a basic object of the Legal Services program since its inception. The OEO Legal Services Guidelines issued in early 1966 stressed the necessity for law reform—a position re-emphasized not only by all Directors of the Legal Services program but by OEO Directors as well. President Nixon recognized the need for

such activity when he stated in his Message of August 11, 1969:

"The sluggishness of many institutions—at all levels of society—in responding to the needs of individual citizens, is one of the central problems of our time. Disadvantaged persons in particular must be assisted so that they fully understand the lawful means of making their needs known and having their needs met."

In addition, the ethics of the legal profession require a lawyer to serve his client by any permissible legal remedy to secure his object. Canon 7 of the Code of Professional Responsibility commands "A lawyer should represent a client zealously within the bounds of the law." Ethical Consideration 7-1 elaborates:

The duty of a lawyer, both to his client and to the legal system, is to represent his client zealously within the bounds of the law, which includes Disciplinary Rules and enforceable professional regulations. The professional responsibility of a lawyer derives from his membership in a profession which has the duty of assisting members of the public to secure and protect available legal rights and benefits. In our government of laws and not of men, each member of our society is entitled to have his conduct judged and regulated in accordance with the law; to seek any lawful objective through legally permissible means; and to present for adjudication any lawful claim, issue or defense.

This explicit command makes no exception to a lawyer who feels that his clients' rights can only be redressed by challenging a law or practice that impinges on those rights. Indeed, lawyers serving private clients have traditionally engaged in law reform activities, challenging statutes, bringing test cases, instituting class actions for shareholders and otherwise seeking to change existing legal patterns on their clients' behalf. The poor would seem entitled to no less. In the final analysis, law reform is no more than a lawyer performing his ethical and professional duty for his client.¹⁰

Nevertheless, Legal Services has been sharply attacked because of controversial successful litigation. In both 1967 and 1969, former Senator Murphy of California introduced amendments to the anti-poverty legislation with the announced intent to preclude this activity. The earlier amendment would have prevented the use of Legal Services funds to sue a governmental agency. The second would have given a state governor an absolute veto over a legal services program, eliminating the statutory override of a state veto by OEO headquarters. Fortunately, both amendments failed of passage. In 1970 the Senate Finance Committee revived the issue, attempting to bar litigation challenging welfare laws designed to nullify court decisions.

State governors have sometimes attempted to halt law reform activity through the use of veto power against legal services programs. Governor Reagan's recent veto of the OEO refunding of the aggressive and successful California Rural Legal Assistance program is a recent example.¹¹ The veto disregarded endorsement by leading California bar associations and a pertinent ABA committee. The South Florida migrant program and the St. Louis legal services program were similarly vetoed by state officials, although OEO subsequently overrode those vetoes.¹² Such efforts to curb the law reform activities of legal services lawyers seem to reveal a startling insensitivity to the democratic process. Access to the courts to bring about needed institutional reform should be encouraged in a democracy. As Earl Johnson, a former Director of the OEO Legal Services Program stated in the July, 1967, issue of *Law in Action*, the legal services newsletter: "We cannot slam the door of the courthouse in the faces of the poor in fear they may win

a lawsuit and then cry out in indignation when they riot over the same grievances." The legal services lawyers have not created the tensions in our society which result in lawsuits. Indeed, the persuasive evidence is that they have diverted explosive problems into peaceful channels.

Effects on the profession

In addition to providing the poor with needed representation, the Legal Services program has sensitized the legal profession to the problems of the disadvantaged. Five years ago there were virtually no law school courses dealing with the legal problems of poverty. Now virtually all law schools offer such courses and clinics. A CCH Poverty Law Reporter now stands on library shelves with the Federal Tax Service.

Moreover, Legal Services has greatly affected the practice of law itself. It has provided employment and career opportunities for hundreds of able young lawyers who do not wish to practice immediately with traditional employers, the large law firms and corporations.¹³ Those who finally practice with these employers, as many eventually will, infuse their colleagues with a professional conscience drawn from their legal services experience. At the same time, many law firms send volunteers to work in legal services programs and have established public service units and even neighborhood offices staffed with firm lawyers to work with the problems of the poor. No longer is legal aid a matter of condescending noblesse oblige. It has become a matter of full-time concern for a substantial segment of the bar.

Basis of judgment

The next part of this report presents alternatives for the permanent structuring of the Legal Services program. The assessment should be made within the context of the programmatic issues and objectives presented in the attached Special Study V, a perceptive analysis prepared by the Citizens Advocate Center. Special Study V and the previous discussion suggest the desired ends by which these alternatives must be judged. Briefly summarized, to perform its mission, a permanent legal services structure must couple independence for the program with the security needed to assure its continuation.

Independence connotes:

Freedom of a lawyer to represent his client to the limits of his ability within the bounds of professional discretion, including any appropriate challenge to prevailing laws or practices and any appropriate action against public agencies.

Freedom from any political intimidation or retaliation for such representation whatsoever.

Freedom for a legal services lawyer to represent his client pursuant to the Code of Professional Responsibility and the highest practices of the profession without interference by any outside source, lay or legal. As Disciplinary Rule 5-107(b) states:

A lawyer shall not permit a person who recommends, employs or pays him to render legal services for another to direct his professional judgment in rendering such legal services.

As Ethical Consideration EC5-23 amplifies the issue:

Since a lawyer must always be free to exercise his professional judgment without regard to the interest or motives of a third person, the lawyer who is employed by one to represent another must constantly guard against erosion of his professional freedom.

By security is meant the establishment and funding of a permanent legal services structure with the capacity to achieve governmental, public, client and bar understanding of and support for the provocative and controversial role of legal services in a free society.

Footnotes at end of article.

THE ALTERNATIVES

Any recommendation concerning permanent Legal Services structuring requires an examination of a variety of alternatives. Consideration of these alternatives involved not only full and frank discussions with key officials involved in the departments and agencies but also statutory and structural analysis. The alternatives considered were:

1. The status quo: keeping Legal Services in the Office of Economic Opportunity; 2. A Cabinet-level department; 3. The Judicial Branch; and 4. An independent entity.

The Office of Economic Opportunity

Strident controversies involving Legal Services at OEO submerge the fact that but for OEO there would not be a Legal Services program. All OEO Directors, regardless of political affiliation, have warmly endorsed the program and have battled such challenges as the two Murphy amendments and the recent challenge by the Senate Finance Committee. Many local legal services programs would not have been established but for the prodding of the local bar by OEO's community action agencies.

There are, however, two compelling reasons why Legal Services should be transferred from OEO: (1) the current role of OEO as an innovator with no operating responsibility and (2) the recurrent disabling conflicts over control.

As President Nixon indicated in his Poverty Message of February 19, 1969, this Administration views OEO's major role as program innovation.

OEO's greatest value is as an initiating agency—devising new programs to help the poor, and serving as an incubator for these programs during their initial experimental phases. One of my aims is to free OEO itself to perform these functions more effectively, by providing a greater concentration of its energies on its innovative role.

The President reiterated this policy in an August 11, 1969, Message:

When a program has proven successful in the domestic area, it too may be transferred to other agencies or other levels of the government or even to the private sector if that seems desirable. This approach will leave OEO free to break still newer ground.

Consistent with these views, in his recently announced governmental reorganization plan, President Nixon proposed that the Community Action Program, OEO's main operating program, be transferred to the new Department of Housing and Community Development. It seems clear that the established and proven Legal Services program is ripe for spin-off.

Beyond the organizational consideration is the psychological problem. The five years of Legal Services in OEO have been marked with destructive administrative conflicts. This report will not elaborate or consider the question of regional versus national control of legal services. Countless man-years, both of national Legal Services personnel and other Washington OEO officials, have been devoted to resolving this conflict; the time might have been better spent in furthering the agency's mission. Yet similar struggles are constantly re-occurring in regional offices. On the local level, acrimony exists between legal services programs and the umbrella community action agencies of which they are often a part.

The good faith of the participants on either side is not questioned, as the controversy in the abstract is largely a philosophical one. However, it appears to be both re-occurring and persistently damaging. For example, the 1970 fight over the regionalization of Legal Services mirrored a similar struggle that occurred in 1967 over the report of the management consultant firm of McKinsey & Co., Inc which had suggested a similar decentralization. As stated in Part I, professional control

of the program and bar association involvement is essential to the continuation of independent and effective legal services, and these struggles are felt by the organized bar to represent incursions on the independence of the Legal Services program.

In light of past history and current trends in OEO, it is unlikely that the professional independence of the Legal Services program can be permanently achieved within the OEO structure. Accordingly, consideration was given to an alternative to the present arrangement. An initial consideration was the inclusion of Legal Services in a Cabinet-level department.

Cabinet-level department considerations

The argument has been made that the small and sometimes controversial Legal Services program should be placed within a larger department to insulate it from disabling attack. There is real merit to the departmental suggestion, and much attention has been directed to a detailed analysis of the advantages and disadvantages which follow from inclusion of Legal Services in an established agency. Of all the departments, the Departments of Health, Education and Welfare and Housing and Urban Development would be logical choices because they commit a substantial portion of their resources to the problems of the poor and also are currently sponsoring a legal services program. (See Special Study III for a full discussion of these programs.) The Department of Justice, as the nation's lawyer, deserves equally serious consideration. It would offer the advantage of control by lawyers who understand the legal process and its impact on legal services. Each of these three departments, then, has certain attractive aspects. However, there is one overriding objection to each: that of potential conflict of interest.

In the case of HEW, local legal services lawyers have brought many challenges against HEW-funded programs; often these challenges have been sustained by the courts. Successful attacks have been made on the one-year residency requirement for welfare recipients, the man-in-the-house rule¹ and the administrative practices of the fair hearing procedures.²

In the case of HUD, legal services lawyers have frequently and successfully attacked the relocation practices of HUD-funded urban renewal agencies³ and the admission and eviction procedures of local housing authorities.⁴

In the case of Justice, the problem is most severe. Justice represents HEW, HUD and, in fact, all governmental departments sued by a legal services program. Justice lawyers have the same legal, ethical and professional responsibility to defend the challenge as the poverty lawyer has to bring it.

In addition to these obvious conflicts, more subtle ones exist. Both HUD and HEW make most of their grants to state and local governments. These entities are often the prime target of legal services actions. Officials of these departments advise that legal services suits would prove embarrassing to them in their efforts to maintain an affirmative relationship with state and local governments.

In the case of the Department of Justice, the Attorney General would be in an inherently conflicting position when compelled to allocate budget funds between those who attack the legality of federal laws and those who defend them.

It has been suggested that the conflict might be avoided by structuring Legal Services as a quasi-independent agency within a given department. In the case of Justice, the Law Enforcement Assistance Administration (LEAA) is presented as an analogy.⁵ It represents a compromise between congressional desires to structure that agency outside the department and the then-Administration's wish to subject it to the Attorney General's

control. Although a director and two associate directors govern LEAA, it was placed under the "general authority" of the Attorney General.⁶ While LEAA has broad discretion in its day-to-day activities, the Attorney General has control in matters of significance. Thus, LEAA's mechanism neither avoids the conflict problem nor insures the necessary degree of independence.

The National Institutes of Health within the HEW structure have also been suggested as a model of a quasi-independent structure. In actuality, the institutes are an integral part of HEW; they report to an Assistant Secretary and are subject to pervasive departmental supervision and review of policy, personnel and budgetary matters.⁷ The Office of Child Development, which administers the Head Start program, likewise reports to an Assistant Secretary and hardly operates as an independent entity.⁸

Other objections have been lodged against placing Legal Services in one of the departments. HUD's jurisdiction, at least for the present, is basically urban, which might suggest delegating rural legal services to the Department of Agriculture. The resulting bisected Legal Services program would be possibly less effective than the present arrangement. The fact that the Justice Department is basically a prosecutorial agency might make legal services lawyers less acceptable to members of the client community; this could be especially true if the Legal Services program should ever undertake representation in criminal cases.

Finally, it seems likely that the administrative agonies that have plagued Legal Services in OEO would continue at HEW. State welfare departments control the operation of those few HEW-funded legal services that are now in operation. (See discussion of the HEW programs in Special Study III.) Residual federal direction of the program comes from a nonlawyer in the Community Services Administration, which in turn is part of the Social Rehabilitation Service. Conceptually, a legal services program in HEW is likely to be viewed and operated as another welfare program. Finally, we have been cautioned against the immersion of Legal Services in the ponderous HEW administrative structure.

In summary, the interests of Legal Services and the Justice Department, HEW and HUD are often synonymous. But to the extent that they are adverse, a marriage is precluded or at best inadvisable on grounds of incompatibility and a lack of assurance of independence.

Administrative office of the courts or the judicial branch

Suggestions have been made that the most appropriate place for Legal Services would be under the auspices of the Administrative Office of the Courts, or within the Judiciary itself. Then, Legal Services would be directed by the Director of the Administrative Office of the Courts with an advisory board. If Legal Services were to be operated directly by the Judiciary, a board would be appointed by the Chief Justice. Proponents of this alternative believe that legal services is an instrumentality of justice as are the courts. Placing Legal Services in the Judicial Branch would increase public confidence in the rule of law and operate to insulate the program from political pressure. It would enhance the professional prestige of the program and offers the greatest direct possibility of accelerating the evolution of the Judicial Branch. Finally, this proposal might generate a constituency for the entire legal system: the courts and, more broadly, Justice Under Law.⁹ These arguments have great appeal, but we find impressive countervailing considerations.

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First, the Administrative Office of the Courts is just that; an agency charged with the day-to-day administration of the federal courts. Some of its duties, as listed in the United States Government Organization Manual (1970/71), make this clear:

1. Supervise all administrative matters relating to the office of clerks and other clerical and administrative personnel of the courts. . . .

5. Fix the compensation of clerks of courts, deputies, librarians, and other employees of the courts whose compensation is not otherwise fixed by law. . . .

7. Regulate and pay annuities to widows and surviving dependent children of judges and necessary travel and subsistence expenses incurred by judges. . . .

It is questionable whether this office could or should be equipped to deal with the many sensitive political and policy matters that surface in the administration of the Legal Services program.

The Chief Justice, or other member of the Judiciary, moreover, should not have the responsibility of appointing the board. Involving the neutral role of the federal courts in resolving disputes with the guidance of a program that initiates federal and state litigation is perilous. Thus, conflict of interest is again a problem. The problem might be said to be minimal, however, since courts regularly appoint counsel to represent indigents.¹⁰ But many concerned with the federal judiciary, including prominent jurists and scholars in the field, have expressed concern that courts already perform too many non-judicial functions. Judges, they contend, should be relieved of administrative burdens such as appointing defense lawyers in criminal cases or even sentencing. To burden the courts with more such duties would be reversing the trend. They also distinguish the traditional responsibility of defender appointment from ultimate accountability for the far-reaching reform which may be pursued by clients utilizing the Legal Services program.

Finally, the Judicial Branch has throughout the years suffered from continually inadequate appropriations for its basic needs, such as research assistance and court administration costs. Legal Services might well suffer from these traditional difficulties were it within the Judicial Branch.

An independent entity or agency

The foregoing analysis rejects the status quo or the transfer of Legal Services to an existing department or to the Judicial Branch. In view of the considerations discussed, an independent entity is deemed the most appropriate structure. Of course, the independent entity model encompasses many possibilities. The charts in Special Study I demonstrate that at least sixty governmental bodies fall within this grouping without including regulatory agencies such as the Federal Communications Commission. These entities can be categorized into four groups: independent agencies in the Executive Branch; government-owned corporations; private non-profit corporations which receive federal funding; and private profit-making corporations established by congressional enactment.

We reject as inappropriate two of these forms: the government corporation and the federally-chartered private profit-making corporation.¹¹ President Truman well stated the use of government corporations in his 1948 Budget Message:

Experience indicates that the corporate form of organization is peculiarly adapted to the administration of governmental programs which are predominantly of a commercial character—those which are revenue produc-

ing, at least potentially, *self-sustaining*, and involve a large number of business-type transactions with the public. (emphasis ours)

Accordingly, Congress has utilized the corporate form when faced with a business-like task of large proportions, such as the Emergency Fleet Corporation during World War I, the Tennessee Valley Authority or, of very recent significance, the United States Postal Service. By its very nature, Legal Services is not a revenue-producing agency.

The profit-making corporation presents an inappropriate model, *a fortiori*. Congress creates such entities to encourage private activity in an area impressed with the public interest. Early examples include the Bank of the United States, which withstood a constitutional challenge in the landmark case of *McCullough vs. Maryland*.¹² Recent examples include the congressional effort to stimulate private initiative in the housing field through the National Corporation for Housing Partnerships, established in the Housing and Urban Development Act of 1968,¹³ and the Federal National Mortgage Association, transferred to private status by the same law.¹⁴ Communications Satellite Corporation (COMSAT) presents an example of congressional desire to retain some public linkage to a private corporation utilizing technology initially developed under the federal space program.¹⁵ The President appoints a minority of the directors in all three corporations but they are otherwise private concerns which attempt to make a profit for the benefit of their investors. Thus, they do not provide a ready analogy to the legal services program.

Independent Agencies

Congress has created numerous independent agencies that are not part of any of the eleven departments, although organizationally part of the Executive Branch. However, but for the regulatory bodies, these agencies are not truly independent as they are in the Executive Branch. In some cases, Congress wished to free a new program from the constraints imposed by an existing large bureaucracy, although often the new agencies have assumed the proportions of existing departments. The Atomic Energy Commission,¹⁶ NASA,¹⁷ and the Veterans Administration¹⁸ are prominent examples. In other cases Congress felt a need to divorce a particular function from the agency in which it was initially located. Thus, in the 1947 Taft-Hartley Act¹⁹ Congress spun the Federal Mediation Service away from the Department of Labor on the ground that its neutrality was in question by its inclusion in a department identified with the interests of organized labor. Independent agencies come with various structures in all sizes and with all missions. The study of these agencies has provided several fruitful analogies to the Legal Services program. Indeed, two such agencies, the National Foundation for the Arts and Humanities (NFAH)²⁰ and the National Science Foundation (NSF)²¹ provide attractive models for placing an independent Legal Services program within the Executive Branch. Special Study I discusses these programs in detail. The study is summarized here, using NFAH as a model.

The National Foundation for the Arts and Humanities consists of two relatively separate entities, the National Endowment for the Arts and the National Endowment for the Humanities, coordinated by a third, and relatively inactive, body known as the Federal Council on the Arts and Humanities. The Arts and Humanities Endowments are similarly structured. The President appoints a chairman, subject to Senate confirmation, to a four-year term. The chairman presides over a twenty-six member Presidentially-appointed council. The statute requires that the Arts Council, for instance, be appointed

from citizens widely recognized for their broad knowledge and experience in the arts, such as practicing artists, civic cultural leaders and members of the museum profession, who collectively provide an appropriate distribution of membership among the major art fields. In making the appointments, the President is requested to consider recommendations submitted by leading national organizations in the field. The law likewise restricts Presidential appointments to the Humanities Endowment board.

The primary purpose of each endowment is to make grants to groups or individuals for the production of artistic or cultural works, basic research in the humanities and related projects. Thus, each endowment plays much the same role as the Legal Services administrative structure in reviewing grant applications and making, monitoring and evaluating the grant. Significantly, the statutory language establishing the Arts Endowment prohibits federal control over the policy or program determination of any group involved in the arts.²⁴ The endowment has scrupulously followed this command and is not subjected to significant Administrative or congressional pressure that would threaten its independence.

Although not lavishly funded, funds appropriated to NFAH have significantly increased from fiscal 1970 to 1971, from approximately \$12 million to \$23 million. The Administration has taken a real interest in this program, accounting for the sizeable funding increase in an otherwise tight budget. Each endowment has made controversial grants, either because of grants to a grantee or for a work product that has encountered political notoriety or because of a grant to a project of questioned artistic or literary value.

The foundation model presents the greatest opportunity for independence of agencies within the Executive Branch. Its major liability results from such an agency being subject, and properly so, to Presidential direction and control. The foundation director, as a Presidential appointee, has great sensitivity to White House wishes. Although it is theoretically possible to structure the foundation so that the board appoints the foundation director, such a structure would run counter to the accepted practice of Presidential appointments. As Special Study I sets forth, President Truman vetoed the original National Science Foundation legislation which denied him the right to appoint the executive director. In the case of the foundations we studied, Presidential appointment does not seem objectionable on policy grounds. However, in the case of Legal Services, the greatest possible independence from the Executive is a real need because of the conflict problems heretofore discussed and the need to be free from political pressure. For these reasons, and because of the availability of a model that offers the promise of freedom from significant governmental domination, we do not make it our structural choice.

Private, Nonprofit Federally Aided Corporations

Perhaps least known of all government-affiliated entities, the federally-supported non-profit corporation enjoys a long history. Since 1867, the federal government has been the principal source of funds for Howard University, a comprehensive university organization located in the District of Columbia.²⁵ Howard is governed by its own trustees, selected independently from any federal government source. The federal government is similarly related to another private institution in the nation's capital—Gallaudet College, a higher institution for deaf persons.²⁶ Since 1879, Congress has been making funds available to the American Printing House for the Blind in Louisville,²⁷ a non-profit corporation, to assist in the education of the

Footnotes at end of article.

blind by distributing braille books and other equipment.

All of these corporations are included within the HEW budget and appear on the HEW organization chart. HEW's practical contact with these corporations is minimal, virtually limited to a sympathetic review of the budget submitted by each institution before HEW forwards it to the Office of Management and Budget. Our Washington interviews found that this has been a satisfactory relationship for both the department and the two universities. This of great significance, in that universities have a vital concern with the problem of academic freedom. Significantly, even during the period of student unrest, no undue political pressures were reported by these institutions.

Two well-known variations of the federally-assisted non-profit corporation are the American Red Cross²⁸ and the Smithsonian Institution.²⁹ Congress chartered the Red Cross to fulfill the United States' obligations under the Geneva Convention. The President appoints the chairman and seven members of the board of governors; however, the Red Cross receives no direct federal funding for its activities and in this respect differs from the Legal Services program. The Smithsonian Institution, a charitable non-profit corporation, has a dual status—private and governmental. It administers a number of federally-funded programs and, in its private capacity, receives and administers contracts and grants and accepts gifts and bequests from non-federal sources. Its governing body, the Board of Regents, includes the Vice President, the Chief Justice, three members of the Senate, three members of the House and six citizen members. The Smithsonian blends both public and private funding to carry out activities in the public interest.

Of all the federally-aided non-profit corporations, the Corporation for Public Broadcasting (CPB) appears to present the best model for the Legal Services program.³⁰ Since a corporation for legal services patterned after CPB is proposed in Part III, a full discussion of that entity is appropriate.

The corporation for public broadcasting

In January, 1967, after a year of study, the Carnegie Commission on Educational Television concluded a comprehensive report on public interest broadcasting. Significantly, the Commission recommended extensive federal funding for television program production, although acknowledging the free speech danger implicit in government participation in the communications media.

Because we contemplate federal assistance to Public Television on a far larger scale than at present, the pressing need arises to identify the manner in which federal funds will flow to the system. There is at once involved the relation between freedom of expression, intimately and necessarily a concern of Public Television, and federal support.³¹

The Commission proposed the establishment of a federally-chartered non-profit corporation which would be neither an agency nor an establishment of the United States Government. The considerations of broadcasting integrity that impelled the Carnegie Commission to suggest such an entity are equally relevant to the question of Legal Services freedom.

Legislation embodying the Commission's report was introduced shortly after its issuance. The following excerpts from the hearings show that Congress was appraised of and sensitive to the free speech problems involved.

Mr. Fred Friendly, a television consultant to the Ford Foundation, posed the issue at the Senate hearings:

Of one thing we can be certain: Public Television will rock the boat. There will be—there should be—times when every man in politics—including you—will wish that it had never been created. But Public Television should not have to stand the test of political popularity at any given point in time. *Its most precious right will be the right to rock the boat.*³² (emphasis added)

At the hearings Senator Hugh Scott (Pa.) recognized the necessity for . . . total freedom, if that could be obtained, in programming and in the presentation of ideas and in the protection of thought we hate, protection of the unpleasant, the protection of the Lar Dalys of this country, for example, who like to get out in uniforms and run for office, the protection of the oddball, beatnik, crackpot, jackass, fool, *the protection of anybody.*³³ (emphasis added)

Both the House and the Senate Committees recognized in their reports the compelling need for the government to keep its hands off the operations of the corporation. As stated in the House report:

How can the Federal Government provide a source of funds to pay part of the cost of educational broadcasting and not control the final product? That question is answered in the bill by the creation of a non-profit educational broadcasting corporation.

Every witness who discussed the operation of the Corporation agreed that funds for programs should not be provided directly by the Federal Government. It was generally agreed that a non-profit Corporation, directed by a Board of Directors, none of whom will be Government employees, will provide the most effective insulation from Government control or influence over the expenditure of funds.³⁴

The bill, as finally enacted, followed the recommendations of the Carnegie Commission, except in two important respects:

First, the statute as adopted provided that the President would appoint all fifteen members of the board of directors, with Senate confirmation. The Commission had recommended that the President appoint six members who would appoint another six. Rather than adopting this recommendation, the statute set forth certain guidelines for the President in making his appointments.

Congress also rejected the Commission's recommendation of an excise tax on television sets to finance the corporation. Financing was left to the normal annual appropriations process until experience would indicate the corporation's revenues and needs.

CPB Operations

The three year history of the corporation's operations indicates that it has in fact operated with the freedom it was designed to enjoy. As contemplated in its legislative history, the corporation has made funds available for the production of programming controversial in nature. CPB does not produce shows itself but instead grants funds to production centers. Such programs have included a critical study of the banking industry in which conflict of interest charges were made against congressmen with bank stock who vote on banking legislation. The congressional seniority system was attacked, and defended, in programs produced with CPB funds. Thus, the corporation is involved in far more controversial matters than such popularly accepted ventures as Sesame Street.

Corporation officials report no undue congressional or Administrative pressures to halt such controversial programming. Indeed, Congress has dramatically increased CPB's funding level during the past three fiscal years. In fiscal 1969, the corporation received \$5 million in appropriations. In fiscal 1970, Congress appropriated \$15 million to the corporation. In this fiscal year, Congress appropriated a total of \$23 million, \$20 mil-

lion outright and the remaining \$3 million on the condition that it be matched with private funds. In addition to the federal funds, the corporation received about \$2 million from private sources in fiscal 1970.

In spite of this funding pattern, financing represents the corporation's number one problem. Further, the annual appropriations process poses a special hardship to an industry that must plan at least two years in advance for its program production requirements. In spite of the unanimous feeling at CPB that it was better to have started without permanent financing than not to have started at all, we do not wish to understate this funding difficulty. It poses a prime objection to this alternative, although funding is a problem that will plague Legal Services no matter how structured.

Significantly the corporation has never enjoyed the single-minded support of prestigious constituent groups comparable to the backing that the American Bar Association and other legal groups have given Legal Services. It has, however, created an Advisory Committee of National Organizations to inform the public about CPB and to alert CPB to public needs and desires. Additionally, local stations have "friends groups" or similarly designated fund-raising entities and a National Friends of Public Television has been established.

Although the corporation is completely independent of the government, it does maintain some organizational relationships with the Department of Health, Education and Welfare. During its first year, the CPB budget was included within that of HEW. This practice ended when HEW found that it could not apply an across-the-board budget cut to CPB because it was a completely independent agency outside of departmental control. However, CPB still receives its appropriation in the bill which carries the HEW budget, reported out of the Subcommittee on Labor, Health, Education and Welfare and Related Agencies of the Appropriations Committee. In addition, the appropriation is made to HEW for transmittal to the corporation because the Treasury can only disburse federal funds against warrants drawn by a governmental agency.³⁵ Upon receipt of the funds, HEW immediately transmits them to CPB. Finally, at the request of the Office of Management and Budget, HEW transmits the corporation's authorization request to the Congress.

But for the question of permanent funding, CPB officials expressed great satisfaction with their organizational structure. Special praise was directed to the freedom from Civil Service regulations, grade structure and other governmental regulations that private status affords. Primary emphasis, however, was placed on the organization's main blessing—the freedom to be controversial.

The parallels between Legal Services and Public Broadcasting are by no means exact. The potential for controversy of legal services remains higher than that of broadcasting. Legal services do not just "rock the boat"; they sometimes alter its course. These considerations do not detract from the basic selection of the corporation; rather, they suggest a need to structure it so as to assure as much independence as can be obtained for an entity largely dependent on federal funds.

PART III

THE STRUCTURE AND DUTIES OF A CORPORATION FOR LEGAL SERVICES

On the basis of our study, we suggest consideration of the following elements in structuring the Legal Services program in a Corporation for Legal Services:

A. The corporation

That Congress establish the Corporation for Legal Services (hereinafter referred to as

Footnotes at end of article.

the Corporation) which will be chartered under the District of Columbia Non-Profit Corporation Act. The Corporation will not be an agency or an establishment of the United States Government.

B. The board

There have been more divergent opinions expressed on how to form the Corporation's board than on any other question that we faced. Because there does not presently exist any real consensus on detail of board structure, we shall instead present the following guidelines as guidelines to be taken into account in the decision on this question.

A majority of the board be composed of lawyers of which a significant number must be attorneys who have been engaged in providing legal services to the indigent.

Significant representation of the client community on the board, as well as the public at large.

Representation of the judiciary on the board, either directly or through appointive power.

Representation of leaders of the organized bar on the board by virtue of their office.

Appointment by the President of the United States of a portion of the board.

Non-partisan appointment and demonstrable support for the goals, achievements and accomplishments of the legal services program as the sole criterion for appointment.

There are persuasive reasons for having the board completely appointed by the President, as in the case of the Corporation for Public Broadcasting, because such a board is suited to fending off criticism and would add prestige to the Corporation. Of course, in making his appointments, the President could be required to select from certain categories (i.e., the client community, lawyers who have represented the poor, etc.).

There are also persuasive reasons for having the President appoint a majority of the board but with certain bar leaders serving by virtue of their office (i.e., the presidents of the American Bar Association, the National Bar Association, National Legal Aid and Defender Association, other bar associations, etc.) because of the crucial need for bar involvement in the Corporation. Some bar leaders have suggested that all the appointees be lawyers. Other suggestions would allow the President to appoint some board members but not a majority; for example, concerned groups such as client advisory councils and project attorney advisory councils would appoint board members and certain bar leaders would serve by virtue of their office. This would prevent any group or individual from appointing a majority.

Another thoughtful suggestion is that judges appoint the majority, or a significant number, of board members. Under one plan, each federal judicial council would appoint a person within the circuit, but not one of its members, to sit on the governing board. Similarly, it has been suggested that the Chief Justice appoint members. Advocates of these plans stress the prestige and protection that judicial involvement can bring to the corporation and the need for Legal Services to be considered an obligation of a society dedicated to the concept of equal justice under law.

Finally, some working legal services lawyers have proposed that their group be allowed to appoint the board majority, as they have to live with the program on a day-by-day basis.

All of these suggestions have persuasive reasons behind them and reconciliation of the different legitimate interests will be one of the most difficult tasks in establishing the Corporation.

It is suggested that the board function as a policy maker and, through a subcommittee,

as a forum for review of substantive grievances of grantees, including the refusal to renew a grant of more than two years standing at the current funding level. These functions reflect the usual apportionment of responsibilities and give the board an affirmative role in the affairs of the Corporation.

The board's policy-making function should be enhanced by in-put from clients, legal service attorneys and concerned citizens. As is now the case, a National Clients Council could be appointed to advise both the board and the president on policy matters. The Clients Council could review and comment on policy questions, such as the establishment of priorities and the hiring of the president and his deputy. This Council could be appointed by the board from a list of nominees submitted by national organizations representing client communities. The selection of members should assure that all regions of the country are represented.

A similar council comprised of legal service project directors and attorneys analogous to the present Project Advisory Group could advise on policies from the practitioners' point of view. In addition, an advisory council composed of representatives from leading national groups could be established to assure two-way communication between the Corporation and the public-at-large.

We emphasize the importance of advisory councils because of the crucial role played by the National Advisory Committee to the Legal Services Program. It has proven to be a source of strength as well as advice. However, that Committee has been hampered by lack of staff support, and we feel that the Corporation's advisory councils must have paid staff assistance. In addition, it would appear advisable that these councils be required to hold regular meetings and make formal reports to the board of directors at least on an annual basis.

C. Officers

That the board of directors choose a chief executive officer to be designated as president. That the corporation president, as all other officers, be employed on a full-time basis and have the duty to implement policy and oversee the operation of the program. The president would serve as ex officio member of the appropriate White House councils concerned with the problems of the disadvantaged.

There appears to be a consensus of views that the president of the Corporation, consistent with traditional executive powers, should have broad responsibility, subject to policy guidance from the board, for the conduct of the program, including the formation of the budget, making and terminating grants, changing grant levels, initiating new projects, handling complaints and insuring compliance with grants and government regulations.

Board approval of grants made over a certain amount, similar to the restrictions contained in the National Science Foundation legislation, does not appear to be advisable. This question, however, could be left to the board's discretion.

D. Purposes

In general, for the Corporation for Legal Services to function effectively it would have to enjoy duties along the lines set forth below:

1. Make contracts with or grants to local legal aid societies, legal services programs or similar entities which will deliver a full range of legal services to clients financially unable to obtain counsel otherwise. At the Corporation's discretion, grants would be made directly to a legal services project, through a community action agency or to such other entities as the Corporation determined appropriate. Services could be pro-

vided either by full-time staff lawyers or by private practicing lawyers under a contractual arrangement with an operating legal services entity. At present there is a substantial representation of the client community on local legal services boards and most experts in the legal services field believe this should be retained. The present governors veto of grants and the non-federal share requirement have generally met with disapproval by those most knowledgeable about the program and on balance appear to be undesirable limitations on the program.

2. Formulate guidelines for the operation of legal services programs by grantees.

3. Provide technical assistance to local legal services programs, either directly or through grants of contracts with other entities.

4. Make grants to or contracts with "back up" or resource centers expert in specific fields of poverty law, who in turn make that expertise available to legal services lawyers.

5. Make grants to universities and other entities for research, courses, clinical and practical programs relevant to the delivery of legal services.

6. Monitor all grants made for compliance with the terms thereof and evaluate the effectiveness of the performance of any grantee or contracting party.

7. Have responsibility for all government-funded legal services programs as follows:

- a. make recommendations on any proposal to establish a legal services program within any governmental department or agency.

- b. make recommendations on any proposed legal services funding under programs such as Model Cities administered by the Department of Housing and Urban Development.

- c. have such administrative responsibility for the legal services program funded under the Social Security Act as is now exercised by the Department of Health, Education and Welfare.

- d. provide monitoring, training, technical assistance and evaluation services on a reimbursable basis to other federal agencies having legal services programs.

- e. monitor any governmentally-funded legal services program to assure conformity with accepted standards of professional conduct.

As is now the case with the Office of Legal Services within the Office of Economic Opportunity, the Corporation would not perform legal services directly. Instead, it would be a funding entity charged with the responsibility of providing guidelines for grantees, deciding which projects should receive grants and monitoring and evaluating the expenditure of funds. This conduit arrangement removes the necessity for local programs to deal directly with the federal government, just as CFB shields program production centers from dealing with their governmental funding source, although the Corporation's funding source will ultimately be federal.

The non-federal share requirement has often imposed an undue burden on local programs. The Corporation should be free to use its discretion in this area, and for that reason we believe its continuance undesirable.

The relationship between the Corporation and the legal services programs now conducted by HEW, HUD and the Defense Department and the defender program under the Criminal Justice Act poses difficult policy questions. Merging all legal service functions, with the exception of the military, into the Corporation was considered. Much can be said for having all the government's legal aid activities under one authority. However, a careful examination of these programs reveals serious difficulties with such

a proposal (see Special Study III). Problems would exist in attempting to isolate HUD's funding of legal services through the Model Cities program and transferring that function elsewhere. Whether one of the 150 Model Cities desires legal services rests solely on local discretion and it is difficult to see how the grant-giving functions could be transferred to the Corporation. However, before HUD allows a model city to expend any funds on legal services, the Corporation should have the right to advisory input. Serious administrative difficulties would result if the Corporation attempted to operate the legal aid program carried on by the Department of Defense for its servicemen. We believe it would be desirable for the Corporation to perform the administrative role now played by HEW in channeling funds under the Social Security Act to those states that include legal services under a state welfare program and in making legal services demonstration grants utilizing funds authorized in said Act. Further, in the case of all government-funded legal services programs, the Corporation should provide training, technical assistance, monitoring and evaluation services on a reimbursable basis with the agency to assure that all such programs conform to acceptable standards of professional conduct.

We also considered the assignment of the administration of the Criminal Justice Act to the Corporation. However, the study indicates that the role now played by the Administrative Office of the Courts is essentially one of paying vouchers as they are submitted from the various federal courts. The Administrative Office sets forth no guidelines for running the program and performs no monitoring, evaluation or technical assistance. Little would be gained by appending this purely mechanical function to the policy-making Corporation. It is feared, moreover, that misunderstanding the role of the Corporation vis-a-vis local federal courts would be occasioned by such an amalgamation. Once established, the Corporation should consider the role it should play in administering the Criminal Justice Act and make appropriate recommendations.

E. Financing

That the Corporation receive a permanent authorization at a minimum of \$90,000,000 subject to increase as the need is shown for justifiable expansion of services, research, education and administration. That a permanent appropriation should be made for this amount.

We use the \$90,000,000 figure because of its long espousal by those concerned with the program as its minimum funding needs. This figure, developed by an OEO staff study several years ago, could well understate the need.

As with CPB, it is of crucial importance that the proposed Corporation receive funds other than by the annual appropriations process. Methods of achieving this objective include dedicated taxes, trust funds or a permanent appropriation. The latter appears to be the most appropriate in this case. (See Legal Memorandum, Special Study II.)

Concerning the application for the transmission of federal appropriations, it would be desirable for the proposed Corporation to have the same relationship with HEW as does the Corporation for Public Broadcasting. In other words, the Corporation's budget would not be contained within HEW's but would be transmitted directly to the Office of Management and Budget for review. As with CPB, the Corporation's budget would be considered in the same bill and by the same appropriations subcommittee as that of HEW, and the appropriation would be made to HEW for transmittal to the Corporation. Further, HEW would, at the request of the

Office of Management and Budget, transmit authorization requests for the Corporation for Legal Services. In view of the need for the proposed Corporation to maintain such a relationship with some agency, HEW is viewed as the most logical because of its overriding concern with the problems of the disadvantaged and its familiarity with such a fund-channeling mechanism. As a second choice to HEW, OEO could serve this function because of its long-standing connection with the Legal Services program and its responsibility for problems of poverty.

CONCLUSIONS

Judge Learned Hand taught that unless the spirit of liberty dwells within the hearts and minds of men, no court can be its ultimate protector. Similarly, unless legal services has wide-spread public and official support and understanding, no entity will withstand adverse pressures. However, within the ambit of this caveat, the type of Corporation for Legal Services studied and discussed in this report appears to afford the greatest promise of independence coupled with permanence. It presents an opportunity to the nation to make a lasting unequivocal commitment to the concept of justice for all.

FOOTNOTES

Part I

¹ Office of Legal Services, *Position and Background Paper for Airlie House Conference*, July 17-18, 1970, Section II-B.

² Wald, *Law and Poverty: 1965*, at p. 47.

³ See Note, *Neighborhood Law Offices: The New Wave in Legal Services for the Poor*, 80 Harv. L. Rev. 805-808.

⁴ The pioneering model for a legal services program as an adjunct of the War on Poverty is presented in Cahn and Cahn, *The War on Poverty: A Civilian Perspective*, 73 Yale L. Journ. 1817 (1964).

⁵ 42 U.S.C. 2701 *et seq.* A 1966 amendment to the Economic Opportunity Act set forth specific authorization for the program. See 42 U.S.C. 2809(a) (3).

⁶ Office of Legal Services, *op. cit.*, in Section III.

⁷ *Ibid.*

⁸ See generally Johnson, *Legal Aid and Social Reform*, Dialogue, Spring, 1971, pp. 56-64, for background on such impact litigation.

⁹ For an incisive discussion of the problem of caseload limitation, see Silver, *The Imminent Failure of Legal Services for the Poor: Why and How to Limit Caseload*, 46 Jour. of Urban Law 216 (1969).

¹⁰ For perceptive discussions of the law reform issue, see Robb, *Controversial Cases and the Legal Services Program*, 56 A.B.A. Journ. 329 (Apr. 1970), and Shestack, *Right to Legal Services*, to appear in the forthcoming book, edited by Dorsen, *The Rights of Americans: What They Are; What They Should be* (Pantheon, 1971).

¹¹ See Johnson, *op. cit.*, for a discussion of this legislative controversy and other attempts to stifle the program.

¹² 42 U.S.C. 2834 gives a state governor the power to veto a legal services grant within his state but provides that the OEO director may override such veto.

¹³ For an analysis of these phenomena early in Legal Services history, see Note, *Neighborhood Law Offices: The New Wave in Legal Services for the Poor*, *op. cit.*

¹⁴ *Shapiro v. Thompson*, 394 U.S. 618 (1969).

¹⁵ *Goldberg v. Kelly*, 397 U.S. 254 (1970).

¹⁶ *Western Addition Community Organization (WACO) v. Weaver*, 294 F. Supp. 433 (N.D. Cal. 1968).

¹⁷ *Escalera v. New York City Housing Authority*, 425 F. 2d 853 (2d Cir., 1970).

¹⁸ United States Government Organization Manual, at p. 198.

¹⁹ 42 U.S.C. 3711.

²⁰ United States Government Organization Manual, at pp. 345-347.

²¹ *Ibid.*, at p. 339.

²² See discussion of this alternative in Citizens Advocate Center, *Legal Services: What Next*, (1971) at pp. 8-12.

²³ As an extension of this concept, in Washington, D.C. judges of the United States District Court appoint the board of the local defender agency.

²⁴ See The President's Commission on Postal Organization, *Toward Postal Excellence* (1968).

²⁵ 4 Wheat. 316 (1819).

²⁶ 42 U.S.C. 3431.

²⁷ 12 U.S.C. 1717.

²⁸ 47 U.S.C. 731.

²⁹ 42 U.S.C. 2011 *et seq.*

³⁰ 42 U.S.C. 2451 *et seq.*

³¹ 39 U.S.C. 201.

³² 29 U.S.C. 172.

³³ 20 U.S.C. 951.

³⁴ 42 U.S.C. 1861.

³⁵ 20 U.S.C. 785; 20 U.S.C. 957.

³⁶ 20 U.S.C. 786; 20 U.S.C. 956.

³⁷ 20 U.S.C. 782.

³⁸ 20 U.S.C. 121.

³⁹ 24 U.S.C. 231.

⁴⁰ 20 U.S.C. 701.

⁴¹ 36 U.S.C. 1.

⁴² 20 U.S.C. 41.

⁴³ 42 U.S.C. 396. This suggestion is by no means unique to this report. The ABA Special Committee on Availability of Legal Services in its Report on Legal Aid in August, 1969, proposed such a corporation. See Annual Report of the American Bar Association (1969), Vol. 94 at p. 713.

⁴⁴ Carnegie Commission, *Public Television—A Program for Action*, at pp. 36-37.

⁴⁵ Hearings before Communications Subcommittee of Commerce Committee, U.S. Senate, April 11, 1967, 90th Congress, 1st Session, S. 1190, at p. 173.

⁴⁶ *Ibid.*, at p. 151.

⁴⁷ H.R. 90-794, Committee on Interstate and Foreign Commerce, on Public Broadcasting Act of 1967, August 21, 1967, 90th Congress, 1st Session, at p. 15.

⁴⁸ The precise language of the appropriation bill reads:

Corporation for Public Broadcasting Payment to the Corporation for Public Broadcasting.

To enable the Department of Health, Education and Welfare to make payments to the Corporation for Public Broadcasting, as authorized by section 396(k) (1) of the Communications Act of 1934, as amended, for expenses of the Corporation, \$20,000,000 to remain available until expended: *Provided*, That in addition, there is appropriated in accordance with section 396(k) (2) of such Act, to remain available until expended, amounts equal to the amount of total grants, donations, bequests, or other contributions (including money and the fair market value of any property) from non-Federal sources received by the Corporation during the current fiscal year, but not to exceed \$2,500,000. *Provided*, That this appropriation shall be available only upon the enactment into law of H.R. 17982 or S. 3558, 91st Congress. House Doc. 91-404, at p. 7.

THE SHARPSTOWN FOLLIES—XXIV

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 10 minutes.

Mr. GONZALEZ. Mr. Speaker, one of the specialties of the Frank Sharp empire was the pasting together of corporate paper. A great deal of this activity took place while Will Wilson was Sharp's legal adviser, and the result of these deals ultimately appears to have been the criminal conversion of corporate assets.

For example, in October 1968, a bank

controlled by Sharp, the Dallas Bank & Trust Co., made a loan of \$320,000 to Nashwood Corp., which was also controlled by Sharp. This money was used to purchase control of First Financial Life Insurance Co. This was very similar to a loan made from City Bank & Trust of Dallas, under similar arrangements. In the City Bank loan, bank examiners recognized the weakness of the paper and grew very critical. So Sharp moved the loan to the Exchange Bank of Dallas. Since it was not bankable in any but a Sharp bank—since they had unusual lending policies, mostly made to order for Sharp's benefit—the National Bankers Life Insurance Co. issued its guarantee to cover the loan.

It was apparently because Sharp knew that the Dallas Bank & Trust Co. loan was about as weak as the one he had obtained from City Bank, and because he wanted to avoid criticism from examiners, that he had National Bankers Life issue its letter of guarantee against that loan.

In both instances of course the general counsel of National Bankers Life was Will Wilson. He undoubtedly knew that the loans he was issuing guarantees for had been made from Sharp banks to Sharp interests. He certainly knew that the loan guarantee that was issued to Exchange Bank was made for the reason of making a Sharp loan bankable. He probably knew that in that case, the value of the collateral was worthless, if the RIC Industries collapsed, as that company did a few weeks later. Yet incredibly the guarantee was issued. More incredibly still, National Bankers Life paid off that loan when the borrower, South Atlantic Co. collapsed just as its main property, RIC did. Even though National Bankers Life could have and should have disavowed the guarantee because it was issued under fraudulent circumstances, the company paid off. This complex transaction amounts to conversion of corporate assets.

Now Will Wilson knew about all of this. He knew that Sharp was borrowing huge amounts of money from National Bankers Life and that he was at the same time tapping the insurance company for letters of guarantee to cover still other huge loans, which were coming out of Sharp's banks.

Wilson, as general counsel for Sharp's insurance company, his bank, and his realty company, and as representative for others in the Sharp circle, knew what was going on. He did not try to stop it, he did not disassociate himself from it, he did not resign, he did not object.

For 2 years, from the time that the SEC said that Sharp's scheme began, right up until the time he assumed the post of Assistant Attorney General, Will Wilson was in the middle of the Sharp empire. He knew that a grand scheme was going on and he helped carry it out. Such a man has no place in high public office.

BALANCE-OF-PAYMENTS AND TRADE DEFICIT

The SPEAKER pro tempore. Under a previous order of the House, the gentle-

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man from Massachusetts (Mr. BURKE) is recognized for 10 minutes.

Mr. BURKE of Massachusetts. Mr. Speaker, I request permission that the record be changed in the interest of accuracy. No one wants to be guilty of overstating a serious situation, especially in the area of international economics. In my statement yesterday, I overstated the balance-of-trade deficit for the first 6 months this year. In actual fact, the first quarter of this year produced a trading surplus of \$430 million, not a trading deficit. That, combined with a second quarter trading deficit of \$803 million would produce a trading deficit for the second half of \$439.4 million. The fact is that this figure is bad enough; there is no need to overstate my case. Everything I said about the seriousness of our trade situation yesterday is still true, and there is still need for action before any more time goes by, to tackle what is at the root of these continuing imbalances of trade; namely, the fantastic skyrocketing of this Nation's imports. The \$373 million first-half deficit has already assured itself of a place in statistical history as the first deficit for a 6-month period this century. This follows on the heels of a dismal performance for last year. Even though a \$2.7 billion surplus was registered then, it was far below the previously normal range of about \$4 to \$6 billion. This would appear to me to be plenty of evidence that what we are dealing with is no temporary, special situation, but rather a long-range trend. It is time that official spokesmen with responsibility in these areas stop excusing these figures and begin to respond to them.

In this respect, I think it is significant to observe that the distinguished chairman of the Ways and Means Committee, as usual, is on top of the situation. No one could ever accuse the chairman of rushing to a position on any matter so important as foreign trade. Therefore, the significance of his address last night to the Washington Press Club should not be lost on anyone here. In his address, the chairman indicated that it was time that the Nation realize that "continued balance-of-payments deficits of the magnitude occurring the first quarter of this year and estimated for the second quarter are creating a crisis of confidence which the United States cannot afford." The chairman then went on to say something which, considering its source, underlines the extreme gravity of the present situation as well as holding out the hope of effective action on the part of Congress in the near future.

In my opinion, the United States must act promptly to correct the disequilibrium in its international economic relations before further outflows of dollars bring about a crisis from which none of the trading countries of the world could completely escape.

Because of the case which the chairman uses in choosing his words in both recommending changes and analysing national economic problems, I feel the best thing I could do at this point is to insert into the RECORD the full text of the chairman's speech and resist the temptation of excerpting certain highlights. The speech follows:

REMARKS OF HON. WILBUR D. MILLS

I was most pleased to agree to your President's request and to be the first speaker of the Washington Press Club's 1971-72 year. I don't know whether or not there is significance in the fact that the Washington Press Club operates on a fiscal year basis. I know the Federal Government from time to time has shifted its collection of taxes from one fiscal period to another for the obvious purpose of collecting more revenue at an earlier date.

I certainly assumed when I agreed to come that your Club is on a sound financial basis. In recent months, I have had the honor of addressing a number of gatherings throughout the country. In some instances, the parties are of the opinion that their financial plight needs the assistance of the Federal Government in the form of general revenue sharing. My message has been one of understanding of their problems but also one of assurance that the only general sharing that the Federal Government is capable of at this time is a general sharing of budgetary deficits. Thus, if this Club is interested at all in the possibility of revenue sharing, my message to you is the same.

I would nevertheless like to generally share a few thoughts with you on a different, but no less continuing, deficit this country faces. This is the deficit situation in the United States balance of payments. It was recently estimated that the United States balance of payments for the second quarter of this year will range between \$6¼ and \$7 billion, depending on the method of computing the deficit. This compares with a \$5.5 billion deficit for the first quarter of this year in terms of official government figures on the official reserve transactions balance. Thus, on the basis of this most recent estimate, the United States deficit in its international transactions on the official settlements basis is running at an estimated rate in excess of \$20 billion, annually. This situation, in my opinion, requires immediate attention and, I might add, affirmative action.

As you are aware, the post World War II economic policies of the United States were achieving by the end of the 1950's many of the goals which had been set forth—expanded international trade through trade liberalization, encouragement of economic growth abroad through foreign assistance programs, and an international monetary system with freely convertible currencies for most of the major countries.

In pursuing these policies, however, we failed to take into account that the outflow of dollars, on balance, represented a shift in productive capacities throughout the world. Further, we have not responded to some of the underlying reasons for the continued shift of productive capacities abroad and the economic adjustments that are resulting, which are discernible in terms of our balance of payments accounts.

Moreover, the measures previously adopted have not been successful in reducing the outflow of dollars. As our payments deficits have continued, the value of the dollar in international currency markets is becoming increasingly dependent on the willingness of others to hold large and increasing supplies of dollars. Thus, I submit that continued balance of payments deficits of the magnitude occurring the first quarter of this year and estimated for the second quarter are creating a crisis of confidence which the United States cannot afford.

It is usually concluded by those who recommend a passive stance by the United States on the payments deficits that the primary responsibility of the United States and the most effective action the U.S. can take is to control its inflation and restore vitality to its economy.

I could not agree more that this is the number one issue facing the country today,

and obviously not just for balance of payments reasons. I have, of course, previously made my views known on the need for an effective incomes policy in view of our continuing inflation, the high rate of unemployment and pessimistic projections of capital investment trends.

The Administration may be committed to reasonable price stability and reasonably full employment (although there are some doubts about the latter). In point of fact, neither is being achieved.

As it has been observed, we cannot reduce our payments deficits without becoming more competitive. I would observe we cannot become more competitive unless our producers are assured of some stability in their costs, and our workers are assured of some stability in their cost of living. Here again we have a crisis of confidence that deserves more action and less benign neglect, for even a benign irritation, if left unattended, can become fatal.

We cannot wait for fundamental adjustments in the international monetary system; nor can we afford the time it will take for other nations to make difficult but clearly required decisions regarding the value of their own currency and their own economic policies.

Between 1962 and this year, our gross national product rose 74 percent; and exports rose 99 percent. However, imports rose 144 percent over the same period. And although exports rose more than GNP, the United States exports declined as a share of total world exports. Thus, it is hard to refute the conclusion that our producers have become relatively less competitive in world markets. We can no longer ignore the aggregate effect of trade practices and government actions abroad that place our producers at a disadvantage in this market and in export markets.

As our international position has evolved from a position of leadership to one of partnership in international economic affairs, reflecting the shift in comparative economic strength, we must regain the flexibility to take action consonant with the economic adjustment problems we face.

Moreover, in exploring the possibility of action to alleviate immediate problems, we must assume that other countries will be understanding of our problems and cooperate in finding solutions. In my conversation with foreign officials, I find that they are strong and effective advocates against United States actions that might impinge on their own trade and economic interests. Just as important, I also find they are realists in recognizing that this country has the right and the obligation to take action or alternatively and sometimes preferably to seek their cooperation in preventing basic imbalances in economic forces from endangering the whole framework of international economic cooperation that both they and we have sacrificed so much to achieve.

In my opinion, the United States must act promptly to correct the disequilibrium in its international economic relations before further outflows of dollars bring about a crisis from which none of the trading countries of the world could completely escape.

There are a number of approaches which can be adopted which could bring about a more immediate redress in some of our international payments accounts. One of the approaches that was proposed by the Administration last year and included in the Trade Act of 1970 is the Domestic International Sales Corporation (DISC). This proposal recognizes that to some extent our own tax laws encourage investment in productive facilities abroad rather than export sales of products produced in this country.

I believe the DISC proposal to be responsive to some of the many pressures facing United States firms to shift their produc-

tive facilities to foreign countries rather than maintaining their productive facilities here. I believe it to be completely in the interest of the United States workers, many of whom are becoming concerned that the shift of productive facilities abroad is threatening their employment opportunities.

In view of the strong support of the Administration last year, I have been somewhat surprised that it has failed to formally forward the DISC proposal to the Congress this year or to request any priority action in this regard. I believe the DISC proposal should be given an order of high priority and have so indicated this to Administration officials.

Just as the role of the dollar in the international monetary system at this time makes it difficult to change the value of the dollar in reference to other currencies, some of the international trade rules agreed to years ago, while serving the interest of our trading partners are inconsistent with our own practices and place our producers at a disadvantage in world markets. One example is the border tax system based on the value added tax most European and many other countries have adopted.

The disadvantages to United States producers stemming from border tax systems, particularly in the European Economic Community, have been the subject of much international discussion, all of which has been quite fruitless in terms of removing the disadvantages to the United States. Despite the lack of accommodation on the border tax issue, the border tax system itself has implications for our current situation and may offer a temporary solution to growing unsatisfactory conditions in our trade balance, pending more fundamental improvements in our economic posture.

An export rebate/import surcharge approach is what I have in mind. Obviously, such a proposal has many significant ramifications, in terms of both the position of the United States in the world economy and in its relations with individual countries.

However, the recent trends in trade are so disadvantageous as they relate to our balance of payments situation that every consideration should be given to this means of restoring some equality for United States producers in world markets. Obviously, a sizable border adjustment for balance of payments reasons would necessarily be temporary. On the other hand, if other countries with value added tax systems find it impossible to reach some arrangement with the United States on the effects of the border tax system, I feel that a permanent system of tax adjustment at the border reflecting the incidence of domestic taxes in the United States should definitely be considered.

I am aware that other countries and many interests in our own country will decry even the examination of this proposal. They will again point to international rules which prohibit such measures, even for legitimate balance of payments reasons. These same rules, of course, did not prevent at least three of our major trading partners in the last decade from adopting import surcharges and two countries also granting export rebates in response to their own balance of payments problems.

In my opinion, the Committee would welcome the opportunity to explore the ramifications of this type of an approach in view of our pressing balance of payments and balance of trade situation.

There are, of course, other measures that can be taken less directly related to the competitive position of domestic producing interest, but nevertheless meaningful in reducing the outflow of dollars.

One example is the authority given the President, as yet unused, to impose the interest equalization tax on short-term funds being placed abroad.

In 1970, short-term capital outflows rose

to a level of about \$1.1 billion. In the first quarter of 1971, this short-term outflow continued to worsen, reaching an annual rate of more than \$1.3 billion. In the case of liquid bank claims, the outflow more than doubled—going from \$119 million in 1970 to \$288 million (at an annual rate) in the first quarter of 1971. The biggest shift, however, was in the category of nonbank liquid short-term capital flows. Here, our position changed from an inflow to the United States of \$392 million in 1970 to an adverse outflow in the first quarter of 1971 to \$640 million (on an annual rate basis)—a shift of over \$1 billion. While the figures on short-term capital outflow still are not available for the second quarter of 1971, I think it is obvious that the situation worsened considerably, at least up until the time of the revaluation of the mark.

This precipitous outflow of short-term capital funds is something which the Congress realized might be happening when it last acted on the interest equalization tax. It was to check outflows such as those we have just experienced that the Congress gave the administration standby authority to impose the interest equalization tax on debt obligations of less than a year. The widest possible latitude was given the administration to exclude categories of debt involving business or personal transactions to avoid affecting short-term loans made to assist business enterprises of U.S. persons. However, it was contemplated that this authority would be used in connection with nonbusiness related bank deposits, bank acceptances, commercial paper and certificates of deposit. These are the outflows motivated primarily by an interest rate gain or a gain due to exchange rate fluctuations.

The administration was given this authority to minimize this outpouring of short-term investment capital during difficult periods of stress. However, it was a real disappointment to me that the administration failed to use this authority during the period of difficult relationships with the mark earlier this year. An innovative policy on the part of the administration would have made use of this tool provided by the Congress to deal with this problem.

One of the major sources for the continued outflow of dollars has been the military assistance programs and related military activities abroad. In view of the seriousness of our balance of payments situation, quite aside from the question of our continued military presence in Europe, I feel that immediate talks should be held with our NATO allies toward the complete elimination of the net balance of payments costs to the United States for its share of defense commitments in Europe.

I have discussed the various approaches outlined above because of my conviction that the balance of payments situation demands action by the United States Government, cooperation of American commercial and financial interests that might be affected by these proposals, and the understanding and cooperation of our friends abroad. There undoubtedly are other measures that should be considered. Insofar as they involve proposals within the jurisdiction of the Committee on Ways and Means, I believe the committee would give high priority to any responsible interim measure to reduce the dangers in our balance of payments problem.

I certainly recognize that some of these measures if implemented could have significant repercussions. I think we must recognize, however, that the continued strength of the dollar must rest as it has in the past on the productive and competitive capability of our own producers and their workers and the wisdom and expertise of our financial community.

As has been stated before, we cannot reduce the deficit in our balance of payments

unless we become more competitive. We cannot become more competitive until we stem the inflationary tide and restore vitality to our producing economy. Nor will more stable price trends suffice in view of the many disadvantages facing our producing interest. This is why temporary measures are necessary to mitigate these disadvantages until more sound conditions of trade can be established with the cooperation of our trading partners.

Quite aside from these measures I have discussed, there is undoubtedly a need to reorganize and strengthen the international monetary system. The fundamental changes in that system that are required will obviously take a long time to accomplish. The extent to which any change in the international monetary system will be reflective of the long-run interests of the United States depends to a large degree upon the amount of confidence other countries have in our ability to act with wisdom and understanding. I believe that such confidence requires that we act now in those areas in which we can move toward restoring balance in our international accounts.

THE TOCKS ISLAND DAM

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. ROONEY) is recognized for 10 minutes.

Mr. ROONEY of Pennsylvania. Mr. Speaker, several times yesterday during consideration of an amendment to the public works appropriations bill, which would have deleted a \$3.7 million appropriation for initial construction of the Tocks Island Dam, claims were made in this Chamber that the Council on Environmental Quality had rejected a Corps of Engineers statement on the environmental impact of the Tocks Island project.

I challenged that claim yesterday, but it was repeated minutes after I had refuted it. Further, in an editorial in today's New York Times, the claim is made:

Under the new Environmental Protection Act, the Army Corps of Engineers was required to file an environmental impact statement for the dam. It did so in February, but the statement was inadequate, as Army officials have conceded. To his credit, Chairman Russell Train of the Council on Environmental Quality returned it with demands for more thorough study.

I stated yesterday that the impact statement had not been rejected by CEQ because it has not even been completed. I explained that what had taken place was that the corps circulated a seven-page preliminary draft to various Government agencies with an invitation to comment.

Further, I stated that on April 6, 1971, during the Second Interagency Conference on Tocks Island Dam, the corps reported that the statement was still being developed, but that it already had been expanded to 56 pages. Not until the following day, April 7, 1971, did Chairman Train address his letter to the General Counsel of the Corps of Engineers suggesting that the original seven-page preliminary draft needed strengthening in several areas.

This afternoon I secured from the Corps of Engineers the exact text of the

letter dated February 3, 1971, which transmitted a copy of that preliminary draft to the Council on Environmental Quality. Addressed to CEQ's General Counsel, the corps' letter read as follows:

Enclosed is a draft environmental statement covering the Tocks Island lake project located in New York, New Jersey and Pennsylvania, for your advance information. A final statement will be transmitted upon completion of coordination with federal, state and local agencies.

The release of this statement to the general public can be made with the proper notation that it is a preliminary statement issued for the purpose of obtaining necessary views of governmental and private interests concerned with the impact of project development on the environment. Such views will be considered in the preparation of the final statement.

It was signed by Col. J. B. Newman, Executive Director, Corps of Engineers. The text of the letter speaks for itself.

In addition, my office this afternoon twice contacted the appropriate CEQ staff member to determine whether CEQ at any time considered that corps statement to be anything more or less than a "preliminary draft" being circulated to stimulate comment from various interested agencies. I was assured that CEQ had no misunderstanding of the draft's purpose and that it never regarded it as anything more than a working draft.

I make an issue of this solely because the Tocks Island Dam's history has been marked by circulation and publication of misinformation which has helped to generate public doubt and confusion. Several months ago Mr. Dow of New York, Mr. McDADE of Pennsylvania, Mr. THOMPSON of New Jersey, and I set out to gather factual information and make it available to the public. The statements in this Chamber about CEQ rejecting a corps environmental impact statement on Tocks Island Dam were wrong and the record proves it.

BEHIND THE TRADE DEFICIT

(Mr. BETTS asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

Mr. BETTS. Mr. Speaker, the United States has suffered 3 consecutive months of trade deficits, from April through June. This is the worst showing in our trade in many years and the outlook for improvement is bleak.

In response to this news a statement has been issued by O. R. Strackbein of the Nation-Wide Committee on Import-Export Policy in which he sets forth his views on the causes of our weak and deteriorating trade position in the world. I find much to support Mr. Strackbein's views and hope that all Members will take the time to read his analysis.

Under leave to extend my remarks I offer his statement for inclusion at this point in the RECORD:

BEHIND THE TRADE DEFICIT

(By O. R. Strackbein)

The three months of successive trade deficits reported by the Department of Commerce shout a warning that cannot be ig-

nored without the gravest economic consequences.

This reverse in our official trade balance is not a sudden development erupting from transient conditions. It has been in the making for a decade or more and was foreseen by those who are not blinded by emotional attachment to the theory of free trade.

Much more is at stake than officialdom seems to recognize.

The bare facts are that the United States stands in a critical position in its international economic relations. This position has been taking shape since World War II. It began when the other industrial countries of the world came to look upon the American productive system as desirable for themselves. This system had demonstrated its decisive prowess in turning the tide of war. There was no longer any doubt of its superiority in the provision of the weapons and materials of war no less than material abundance to the people who lived by that system.

The American formula evolved originally early in this century from the over-riding vision that saw in labor-wages or employee compensation the key to expansive mass-production and therefore an expanding economy. The "indefinite expansibility" of human wants could be catered to and exploited to the material benefit of producer and consumer alike. More and more people, indeed, the masses, could come into enjoyment of goods that formerly only kings could hope to have for themselves.

Recognition of wages, not as an evil, but as the very lifeblood of a dynamic and yeasty economy, took shape slowly but nevertheless surely in this country after the Great Depression. Even the opposition of the managerial and ownership forces gave way under the influence of this recognition.

The formula demanded two things among others: the maintenance of competition so that production costs would work as rapidly as possible to the lower price levels that would open mass markets for particular goods. The other was the arming of labor with sufficient bargaining power to assure a level of employee compensation that would sustain the potential mass market with effective or money-backed demand. At the same time the inventiveness of our people was taken for granted. Industrial discipline was, of course, also fundamental.

The development of this system also assumed a large populace of potential consumers; and these we had. The price of new products for which the demand was elastic, i.e., responsive to lowering costs, had then only to be brought within the reach of the mass pocketbook to strike a veritable bonanza. This was done over and over again in product after product. The classic example was, of course, the automobile and Henry Ford was the exemplar extraordinary.

Today the nonessential goods that cater to ease, comfort, convenience, pleasure and pride, have indeed all but overrun us and brought grievous problems in their train.

It was this system that made possible expansive employment at ever-higher rates of compensation, shorter hours and better working conditions.

Now this same system faces a crisis, aside from pollution and other besetting evils, that threatens its very existence. The irony is two-fold: the threat comes from its very success in extending its favors to other countries, and secondly it takes the form of competition, i.e., one of the very pillars on which our system rests.

Other countries in adopting our system have not yet taken all of it to heart. They have neglected the employee-compensation side of the equation and therefore have not built up the home mass purchasing power they need if they are to enjoy mass produc-

tion without too much dependence on exports.

The destructive competition they provide against us arises from this fact. Their resultant lower costs of production outflank our system specifically and systematically. As a result industries invest abroad and participate in the lower costs. This is a self-defensive move. As a source of additional revenue in lieu of greater exports they also license foreign producers to use our patents.

These twin movements have succeeded, unwittingly, to be sure, in destroying our accustomed routine of bringing out new products, reducing their costs and also those of established ones and then reaping the reward of a mass market. This prospect is now all but closed to us. Goods from abroad can and do beat us to the mass market with their lower costs. The avenues on which we relied in the twentieth century to open new jobs and expanding trade, merchandising, advertising, financing, insuring, etc. have been vastly narrowed, if not closed.

Full employment by the *private economy* necessarily becomes elusive. The expansive industrial employment takes place abroad rather than here. We stagnate as we hug the doctrine of free trade to our breast and spook over a word: *protectionism*, in one of the wildest accesses of unreason to which we have fallen victim in many years. Even our seemingly impregnable pragmatism has fallen prey to the Pavlovian conditioning of our minds by the doctrinaire medicine men of free trade.

The means of restoring the earlier conditions by means of which we reached world industrial leadership should be apparent. Imports must be controlled by limitation to a reasonable but not an open-end share of our market, and allowed to expand as our market expands.

POVERTY TEST FOR ELIGIBILITY UNDER THE BILINGUAL EDUCATION ACT

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

Mr. YATES. Mr. Speaker, I introduced yesterday a bill to eliminate the poverty test from the Bilingual Education Act.

The bill will strike from the present legislation the requirement that the families of the children eligible for bilingual programs must have incomes below \$3,000 or be receiving public assistance.

The law as it is presently written is surely an unfair one. The fact is that the difficulties which face children of limited English-speaking ability are by no means limited to the very poor or to those who are on welfare. Language difficulties inhibit the social progress and earning power of thousands of Chicagoans, young and old. Nobody should be excluded from receiving help in overcoming those difficulties whatever their income might be.

The present restrictive guidelines are designed to work to the advantage of the poor. But, in the long run, English-language deficiencies inevitably involve economic handicaps which can only increase the number of welfare recipients.

While the poor are able to improve their lot through the bilingual program, the not-so-poor are allowed to slip into poverty as a result of their language problems.

Whether or not a child of limited English-speaking ability is allowed to take part in a bilingual program could well

be the difference between a life of economic productivity and satisfaction and a life of poverty and despair. I will personally do everything I can to insure that any child that could benefit from a bilingual program will have the opportunity to get the help he or she needs.

I want to stress, however, that the problem of bilingual education goes beyond the poverty test in the present law. The Bilingual Education Act has never been adequately funded. For instance, though the act has an authorized spending level of \$100 million for fiscal year 1972, only \$35 million has been appropriated. Last year not even half of the programs which qualified for support under the present restrictive legislation were funded. Some 40 programs involving thousands of students were not started due to lack of funds. It is unlikely that the Congress will be willing to expand the program, as, of course, it would if the guidelines are dropped, unless adequate funding is provided. As a member of the Appropriations Committee, I will extend every effort to insure that adequate funding is provided.

LEAVES OF ABSENCE

By unanimous consent, leave of absence was granted as follows to:

Mr. EDWARDS of Louisiana (at the request of Mr. Boggs) on account of official business.

Mr. JONES of Tennessee (at the request of Mr. Boggs) for today on account of illness in the family.

Mr. CHARLES H. WILSON, of California (at the request of Mr. Boggs) for the week of August 2 on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. SPENCE (at the request of Mr. STRATTON), for 60 minutes, on Wednesday next, August 4.

Mr. STRATTON, for 60 minutes, on Wednesday next, August 4.

(The following Members (at the request of Mr. DAVIS of South Carolina) to address the House and to revise and extend their remarks:)

Mr. GONZALEZ, for 10 minutes, today.

Mr. BURKE of Massachusetts, for 10 minutes, today.

Mr. ROONEY of Pennsylvania, for 10 minutes, today.

(The following Members (at the request of Mr. CRANE) to address the House and to revise and extend their remarks:)

Mr. TALCOTT, for 5 minutes, on July 30, 1971.

Mr. MILLER of Ohio, for 5 minutes, today.

Mr. FINDLEY, for 5 minutes, today.

Mr. STEIGER of Wisconsin, for 15 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. FLYNT.

Mr. HAYS and to include an editorial.

Mr. DAVIS of Georgia immediately following the remarks of Mr. STEPHENS during general debate in the Committee of the Whole today.

Mr. GETTYS immediately following the remarks of Mr. DAVIS of Georgia during general debate in the Committee of the Whole today.

Mrs. HECKLER of Massachusetts and to include extraneous matter prior to the vote on the last bill.

The following Members (at the request of Mr. CRANE) and to include extraneous matter:)

Mr. BROOMFIELD in two instances.

Mr. RIEGLE.

Mr. DU PONT.

Mr. CONABLE.

Mr. HALL.

Mr. McCLOSKEY.

Mr. McCLORY in two instances.

Mr. SEBELLIUS in four instances.

Mr. RHODES in five instances.

Mr. FULTON of Pennsylvania in five instances.

Mr. MICHEL.

Mr. SCHMITZ.

Mr. WHITEHURST.

Mr. ZION.

Mr. BROYHILL of Virginia.

Mr. MILLER of Ohio.

Mr. FINDLEY.

Mr. SCHWENGEL in three instances.

Mr. KEATING in two instances.

Mr. HOSMER in two instances.

(The following Members (at the request of Mr. DAVIS of South Carolina):)

Mr. BOGGS.

Mrs. GRIFFITHS.

Mr. ROY in two instances.

Mr. MITCHELL.

Mr. JACOBS.

Mr. HARRINGTON in two instances.

Mr. HAMILTON in two instances.

Mr. GONZALEZ in three instances.

Mr. JAMES V. STANTON.

Mr. RARICK in four instances.

Mr. ABOUREZK.

Mr. VANIK in two instances.

Mr. ASPIN in two instances.

Mr. WALDIE in six instances.

Mr. PICKLE in two instances.

Mr. FAUNTROY in seven instances.

Mr. ROBINO in two instances.

Mr. HAGAN in five instances.

Mr. FOUNTAIN in three instances.

Mr. KLUCZYNSKI.

Mr. NIX.

Mr. DANIELSON.

Mr. COTTER.

Mr. FRASER in two instances.

Mr. JOHNSON of California in two instances.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 1316. An act 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. To the Committee on Agriculture.

S. 2378. An act to confer U.S. citizenship posthumously upon Abdul Muhsin Gallozi; to the Committee on the Judiciary.

ADJOURNMENT

Mr. DAVIS of South Carolina. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 9 o'clock and 30 minutes p.m.), under its previous order, the House adjourned until Monday, August 2, 1971, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XX, IV, executive communications were taken from the Speaker's table and referred as follows:

1005. A communication from the President of the United States, transmitting amendments to the request for appropriations transmitted in the budget for fiscal year 1972 for International Financial Institutions (H. Doc. No. 92-149); to the Committee on Appropriations and ordered to be printed.

1006. A communication from the President of the United States, transmitting amendments to the request for appropriations transmitted in the budget for fiscal year 1972 for the Department of Defense—Military (H. Doc. No. 92-150); to the Committee on Appropriations and ordered to be printed.

1007. A letter from the Acting Assistant Secretary of Defense (Installations and Logistics), transmitting a report of Department of Defense procurement from small and other business firms for July 1970–May 1971, pursuant to section 10(d) of the Small Business Act, as amended; to the Committee on Banking and Currency.

1008. A letter from the Attorney General, transmitting a report on the administration of the Foreign Agents Registration Act, covering calendar year 1970; to the Committee on the Judiciary.

1009. A letter from the Commissioner, Immigration and Naturalization Service, U.S. Department of Justice, transmitting a report on the disposition of applications for conditional entry to the United States from Austria, Belgium, France, Germany, Greece, Hong Kong, Italy, and Lebanon, during the 6 months ended June 30, 1971, under the provisions of section 203(a)(7) of the Immigration and Nationality Act; to the Committee on the Judiciary.

1010. A letter from the Secretary of Commerce, transmitting the 12th in the series of interim reports stemming from the U.S. Metric Study, prepared by the National Bureau of Standards, pursuant to Public Law 90-472; to the Committee on Science and Astronautics.

RECEIVED FROM THE COMPTROLLER GENERAL

1011. A letter from the Comptroller General of the United States, transmitting a report on improved controls needed over the extent of care provided by hospitals and other facilities to medicare patients, Social Security Administration, Department of Health, Education, and Welfare; to the Committee on Government Operations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk

for printing and reference to the proper calendar, as follows:

Mr. MORGAN: Committee on Foreign Affairs. H.R. 9166. A bill to amend further the Peace Corps Act (75 Stat. 612), as amended; with an amendment (Rept. No. 92-431). Referred to the Committee of the Whole House on the State of the Union.

Mr. STAGGERS: Committee on Interstate and Foreign Commerce. House Concurrent Resolution 370. Concurrent resolution to express the sense of Congress relative to certain activities of Public Health Service hospitals, outpatient clinics, and clinical research centers; with an amendment (Rept. No. 92-432). Referred to the House Calendar.

Mr. HEBERT: Committee of Conference. Conference report on H.R. 6531. (Rept. No. 92-433). Ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mrs. ABZUG (for herself, Mr. EDWARDS of California, Mr. HALPERN, Mr. KOCH, Mr. MIKVA, and Mr. RYAN):

H.R. 10240. A bill to amend title 10 of the United States Code to provide that abortions, sterilizations, and family planning services be performed in facilities of the uniformed services, and for other purposes; to the Committee on Armed Services.

By Mr. ANDERSON of Tennessee:

H.R. 10241. A bill to amend the Internal Revenue Code of 1954 to provide income tax simplification, reform, and relief for small business; to the Committee on Ways and Means.

By Mr. BYRON (for himself, Mr. BURTON, and Mr. HARRINGTON):

H.R. 10242. A bill to provide for the expansion of the Antietam National Battlefield in the State of Maryland, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. DAVIS of Georgia (for himself, Mr. MILLER of California, Mr. FULTON of Pennsylvania, Mr. MOSHER, Mr. BELL, Mr. FLOWERS, Mr. ESCH, Mr. PELLY, Mr. HANNA, Mr. CAMP, Mr. SYMINGTON, Mr. CABELL, Mr. SETBERLING, Mr. WINN, Mr. WYDLER, Mr. FREY, Mr. MCCORMACK, Mr. ROE, Mr. COTTER, Mr. KARTH, Mr. DOWNING, Mr. HECHLER of West Virginia, Mr. PRICE of Texas, Mr. GOLDWATER, and Mr. TEAGUE of Texas):

H.R. 10243. A bill to establish an Office of Technology Assessment for the Congress as an aid in the identification and consideration of existing and probable impacts of technological application; to amend the National Science Foundation Act of 1950; and for other purposes; to the Committee on Science and Astronautics.

By Mr. FASCELL:

H.R. 10244. A bill to amend section 312(c) of the Federal Aviation Act of 1958, relating to research and development, to require the Secretary of Transportation to coordinate the development of a collision avoidance system for use on all civil aircraft of the United States in the interest of safety in air commerce; to the Committee on Interstate and Foreign Commerce.

By Mr. FULTON of Pennsylvania:

H.R. 10245. A bill to amend title 38 of the United States Code to increase the rates, income limitations, and aid and attendance allowances relating to payment of pension and parents' dependency and indemnity compensation; to exclude certain payments in determining annual income with respect to such pension and compensation; to make

the Mexican border period a period of war for the purpose of such title; and for other purposes; to the Committee on Veterans' Affairs.

By Mr. FUQUA (for himself, Mr. COUGHLIN, Mr. MURPHY of Illinois, Mr. DAVIS of South Carolina, and Mr. RANGEL):

H.R. 10246. A bill to establish an Office of Technology Assessment for the Congress as an aid in the identification and consideration of existing and probable impacts of technological application; to amend the National Science Foundation Act of 1950; and for other purposes; to the Committee on Science and Astronautics.

By Mr. GUDE:

H.R. 10247. A bill to amend the act of June 27, 1960 (74 Stat. 220), relating to the preservation of historical and archaeological data; to the Committee on Interior and Insular Affairs.

By Mr. HALPERN (for himself, Mrs. ABZUG, Mr. ADDABBO, Mr. BRASCO, Mr. COLLINS of Illinois, Mr. CORDOVA, Mr. DANIELSON, Mr. DONOHUE, Mr. EDWARDS of California, Mr. HARRINGTON, Mr. HAWKINS, Mr. HELSTOSKI, Mr. MORSE, Mr. RANDALL, Mr. ROE, and Mr. STEELE):

H.R. 10248. A bill to establish a grant-in-aid program to encourage the licensing by the States of motor vehicle mechanics; to the Committee on Interstate and Foreign Commerce.

By Mr. MINISH:

H.R. 10249. A bill to amend the Urban Mass Transportation Act of 1964 to authorize grants and loans for parking projects and facilities; to the Committee on Banking and Currency.

H.R. 10250. A bill to amend title 23, United States Code, to authorize parking projects by local authorities and agencies designed to ease traffic congestion and expedite traffic safety and flow; to the Committee on Public Works.

By Mr. PRICE of Illinois:

H.R. 10251. A bill to prohibit common carriers in interstate commerce from charging elderly people more than half fare for their transportation during nonpeak periods of travel, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. QUILLLEN:

H.R. 10252. A bill to continue the expansion of international trade and thereby promote the general welfare of the United States, and for other purposes; to the Committee on Ways and Means.

By Mr. SAYLOR (for himself, Mr. DORN, Mr. HALEY, Mr. MICHEL, and Mr. MILLER of Ohio):

H.R. 10253. A bill to establish a uniform Federal policy for repayment of costs of Federal electric power projects, to provide the Secretary of the Interior with authority to carry out this policy, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. TEAGUE of Texas (by request):

H.R. 10254. A bill to provide for an additional life insurance benefit of \$5,000 in the case of certain beneficiaries of servicemen's group life insurance; to the Committee on Veterans' Affairs.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mrs. CHISHOLM, Mr. ANDERSON of Tennessee, Mr. BRASCO, Mr. HARRINGTON, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. DUNCAN, Mr. HAWKINS, Mr. ELBERG, Mr. CLEVELAND, Mr. FLOWERS, Mr. STOKES, Mr. ASPIN, Mr. HALPERN, Mr. DERWINSKI, Mr. RIEGLE, Mr. BEGICH, Mr. GUDE, Mr. REES, and Mr. MIKVA):

H.R. 10255. A bill to amend title II of the

Social Security Act so as to remove the limitation upon the amount of outside income which an individual may earn while receiving benefits thereunder; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. HARRINGTON, Mr. BRASCO, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. HAWKINS, Mr. YATRON, Mr. STOKES, Mr. FORSYTHE, Mr. ASPIN, Mr. HALPERN, Mr. RIEGLE, Mr. REES, Mr. RODINO, Mr. RYAN, and Mrs. HECKLER of Massachusetts):

H.R. 10256. A bill to amend titles II and XVIII of the Social Security Act to include qualified drugs, requiring a physician's prescription or certification and approved by a formulary committee, among the items and services covered under the hospital insurance program; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. HARRINGTON, Mr. BRASCO, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. SCHWENDEL, Mr. HAWKINS, Mr. YATRON, Mr. ASPIN, Mr. HALPERN, Mr. RIEGLE, Mr. BEGICH, Mr. MORSE, Mr. REES, Mr. RODINO, Mr. RYAN, Mrs. HECKLER of Massachusetts, and Mr. DENHOLM):

H.R. 10257. A bill to amend title XVIII of the Social Security Act to provide payment under the supplementary medical insurance program for optometrists' services and eyeglasses; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. BRASCO, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. HARRINGTON, Mr. DERWINSKI, Mr. RIEGLE, Mr. BEGICH, Mr. ABOUREZK, Mr. RYAN, Mrs. HECKLER of Massachusetts, and Mr. DENHOLM):

H.R. 10258. A bill to amend the Internal Revenue Code of 1954 to permit an exemption of the first \$5,000 of retirement income received by a taxpayer under a public retirement system or any other system if the taxpayer is at least 65 years of age; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. BRASCO, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. HARRINGTON, Mr. DUNCAN, Mr. MAYNE, Mr. STOKES, Mr. DERWINSKI, Mr. RIEGLE, Mr. BEGICH, Mr. ABOUREZK, Mrs. HECKLER of Massachusetts, Mr. DENHOLM, Mr. RHODES, Mr. MAZZOLI, and Mr. DRINAN):

H.R. 10259. A bill to amend the Internal Revenue Code of 1954 to permit the full deduction of medical expenses incurred for the care of individual 65 years of age and over, without regard to the 3-percent and 1-percent floors; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. BRASCO, Mr. HARRINGTON, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. ANNUNZIO, Mr. DUNCAN, Mr. YATRON, Mr. FLOWERS, Mr. STOKES, Mr. DERWINSKI, Mr. RIEGLE, Mrs. HECKLER of Massachusetts, Mr. DENHOLM, and Mr. RHODES):

H.R. 10260. A bill to amend title II of the Social Security Act to increase to \$750 in all cases the amount of the lump-sum death payment thereunder; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. BRASCO, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. HARRINGTON, Mr. RIEGLE, Mr. BEGICH, and Mr. DRINAN):

H.R. 10261. A bill to amend title XVIII of the Social Security Act to provide payment for chiropractors' services under the program of supplementary medical insurance benefits for the aged; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. PERKINS, Mr. NIX, Mrs. GRASSO, Mr. ANDERSON of Tennessee, Mrs. CHISHOLM, Mr. HARRINGTON, Mr. BRASCO, Mr. CHARLES H. WILSON, Mr. BYRNE of Pennsylvania, Mr. ROSENTHAL, Mr. HAWKINS, Mr. YATRON, Mr. HALPERN, Mr. REES, Mr. RODINO, and Mr. DENHOLM):

H.R. 10262. A bill to amend title XVIII of the Social Security Act to provide payment for chiropractors' services under the program of supplementary medical insurance benefits for the aged; to the Committee on Ways and Means.

By Mr. BIAGGI (for himself, Mr. ABOUREZK, Mrs. HECKLER of Massachusetts, Mr. DENHOLM, Mr. ROE, Mr. MAZZOLI, and Mr. DRINAN):

H.R. 10263. A bill to amend title II of the Social Security Act so as to remove the limitation upon the amount of outside income which an individual may earn while receiving benefits thereunder; to the Committee on Ways and Means.

By Mr. BROYHILL of Virginia:

H.R. 10264. A bill to amend the Internal Revenue Code of 1954 to provide an election by certain foreign corporations to treat interest income as income connected with U.S. business; to the Committee on Ways and Means.

By Mr. CEDERBERG:

H.R. 10265. A bill to provide a program of tax adjustment for small business and for persons engaged in small business; to the Committee on Ways and Means.

By Mr. FAUNTROY:

H.R. 10266. A bill to designate the legal public holidays to be observed in the District of Columbia; to the Committee on the District of Columbia.

By Mr. FINDLEY:

H.R. 10267. A bill to require that buses and trucks operated in commerce be equipped with instruments to provide a record of certain operating data, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. FULTON of Pennsylvania:

H.R. 10268. A bill to provide for the issuance of a commemorative postage stamp in honor of the 50th anniversary of the first radio broadcast; to the Committee on Post Office and Civil Service.

H.R. 10269. A bill to provide for the issuance of a special postage stamp in honor of the late Philip Murray; to the Committee on Post Office and Civil Service.

By Mr. HAWKINS:

H.R. 10270. A bill to improve education by increasing the freedom of the Nation's teachers to change employment across State lines without substantial loss of retirement benefits through establishment of a Federal-State program; to the Committee on Education and Labor.

By Mr. PICKLE:

H.R. 10271. A bill to amend title 10, United States Code, to equalize the retirement pay of members of the uniformed services of

equal rank and years of service, and for other purposes; to the Committee on Armed Services.

By Mr. STEIGER of Wisconsin (for himself, Mr. MEEDS, Mr. BINGHAM, Mr. CLEVELAND, Mr. DRINAN, Mr. FRELINGHUYSEN, Mrs. GRASSO, Mr. HORTON, Mr. LLOYD, Mr. MCKINNEY, Mr. ROUSH, Mr. J. WILLIAM STANTON, Mr. BOLAND, Mr. FASCELL, and Mr. THOMPSON of New Jersey):

H.R. 10272. A bill to amend the Economic Opportunity Act of 1964 to authorize a legal services program by establishing a National Legal Services Corporation, and for other purposes; to the Committee on Education and Labor.

By Mr. SYMINGTON (for himself, Mr. BEGICH, Mr. BINGHAM, Mr. COLLINS of Illinois, Mr. COTTER, Mr. DIGGS, Mr. EDWARDS of California, Mr. GIBBONS, Mr. GUDE, Mr. HALPERN, Mr. HANLEY, Mr. KOCH, Mr. LEGGETT, Mr. McCORMACK, Mr. MINISE, Mr. NIX, Mr. PREYER of North Carolina, Mr. PRICE of Illinois, Mr. PRYOR of Arkansas, Mr. RODINO, Mr. ROY, Mr. ROYBAL, Mr. SCHWENDEL, Mr. SHRIVER, and Mr. CHARLES H. WILSON):

H.R. 10273. 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, and committees and members thereof; to the Committee on Ways and Means.

By Mr. SYMINGTON (for himself and Mr. YATES):

H.R. 10274. 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, and committees and members thereof; to the Committee on Ways and Means.

By Mr. LEGGETT:

H.R. 10275. A bill authorizing the Secretary of the Army to establish a national cemetery at Camp Parks or Port Chicago, Calif., for northern California; to the Committee on Veterans' Affairs.

By Mr. MAYNE:

H.R. 10276. A bill to amend the act of February 28, 1947, as amended, to authorize the Secretary of Agriculture to cooperate with the Republic of Mexico in the control and/or eradication of any communicable disease of animals in order to protect the livestock and poultry industries of the United States; to the Committee on Agriculture.

By Mr. TERRY:

H.R. 10277. A bill to establish the Freedom of Information Commission to review procedures of declassifying information; to the Committee on Government Operations.

By Mr. WALDIE:

H.R. 10278. A bill to provide for the establishment and carrying out of a child advocacy program; to the Committee on Education and Labor.

By Mr. FRASER:

H.J. Res. 826. Joint resolution: Peace for Pakistan Resolution; to the Committee on Foreign Affairs.

By Mr. MORSE (for himself, Mr. ELLBERG, Mr. HORTON, and Mr. O'NEILL):

H.J. Res. 827. Joint resolution limiting military assistance and military sales to Pakistan; to the Committee on Foreign Affairs.

By Mr. ROE:

H.J. Res. 828. Joint resolution to authorize the President to proclaim the last Friday of April of each year as "National Arbor Day"; to the Committee on the Judiciary.

By Mr. HOGAN (for himself, Mr. ADDABBO, Mr. ANDERSON of Illinois, Mr. BRASCO, Mr. BYRNE of Pennsylvania, Mr. CRANE, Mr. DERWINSKI, Mr. DULINSKI, Mr. FORSYTHE, Mr. FUQUA, Mr. HALPERN, Mr. HELSTOSKI,

Mrs. HICKS of Massachusetts, Mr. HORTON, Mr. KEATING, Mr. KEMP, Mr. LANDGREBE, Mr. McKEVITT, Mr. MONAGAN, Mr. PELLY, Mr. PUCINSKI, Mr. ROUSSELOT, Mr. SANDMAN, Mr. SCHERLE, and Mr. WILLIAMS):

H. Con. Res. 385. Concurrent resolution expressing the sense of Congress that the Holy Crown of St. Stephen should remain in the safekeeping of the U.S. Government until Hungary once again functions as a constitutional government established by the Hun-

garian people through free choice; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. CONTE:

H.R. 10279. A bill for the relief of John C. Garand; to the Committee on the Judiciary.

By Mrs. HICKS of Massachusetts:
H.R. 10280. A bill for the relief of Antonio Allocca; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,
117. The SPEAKER presented a petition of Barry Dale Holland, Portsmouth, Va., relative to work rules, which was referred to the Committee on Education and Labor.

EXTENSIONS OF REMARKS

CONGRESS, THE PRESIDENT, AND WAR POLICY

HON. ANCHER NELSEN

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 29, 1971

Mr. NELSEN. Mr. Speaker, I am today cosponsoring legislation which would spell out more precisely conditions under which American Armed Forces could be committed to military action and which would upgrade the role of Congress in deciding questions involving limited or undeclared wars. I regard legislation along this line as proper and necessary if we are to avoid disasters like Vietnam in the future.

Congress, the direct representative of the American people, must be fully informed at the very beginning of any military action and must have a voice in the decisionmaking. At the same time, we must avoid tying the President's hands as Commander in Chief should he need to respond immediately in a crisis situation.

This measure, providing a procedure for the exercise of congressional and executive powers over the use of the U.S. Armed Forces, may help to avoid the pitfalls of another undeclared war in future time and place.

Briefly, the bill would require that any military action taken by the President would have to be approved by Congress within 30 days or U.S. troops would have to be withdrawn. A Joint Committee on National Security would be created in Congress and designated to meet with the President's National Security Council prior to or within 24 hours after the U.S. initiation of any military hostilities.

This 24-member panel would include the Speaker of the House, President pro tempore of the Senate, majority and minority leaders in both bodies, chairmen and ranking minority members of House and Senate committees responsible for military, nuclear, legal, and foreign policies. The panel would also include two Congressmen and two Senators selected at large.

Following consultation with the President and his key advisers, the joint committee would be required to provide a full and complete account of the circumstances involving hostile military action to appropriate congressional committees for immediate review by Congress.

The legislation would also specify, in the absence of a declaration of war by the Congress, conditions under which the President would be authorized to commit

U.S. forces to hostile action. Such action would be permitted only:

To repel any attack against the United States, its territories or possessions;

To repel any attack against U.S. forces on the high seas, in the air, or lawfully stationed on foreign territory;

To protect the lives of U.S. nationals abroad; and

To comply with national treaty commitments or legislative directives.

Mr. Speaker, I urge prompt action on this initiative.

CALVERT CLIFFS CASE

HON. JOHN D. DINGELL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 28, 1971

Mr. DINGELL. Mr. Speaker, on July 23, 1971, the U.S. Court of Appeals for the District of Columbia Circuit handed down a broad and far-reaching decision in the Calvert Cliffs case. Judge Wright, speaking for a unanimous court, held that the National Environmental Policy Act of 1969 must have a significant impact upon agency decisionmaking process regardless of considerations derived from different environmental legislation. This issue was dealt with in some detail in the recent report from the Committee on Merchant Marine and Fisheries following its extensive oversight hearings last December—House Report 92-316. The decision of the court corroborates the position taken in that report.

In order for my colleagues to have the opportunity to see and review this important decision, I include its text at this point in the CONGRESSIONAL RECORD:

UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT, No. 24,839 AND No. 24,871] CALVERT CLIFFS' COORDINATING COMMITTEE, INC., ET AL., PETITIONERS V. UNITED STATES ATOMIC ENERGY COMMISSION AND UNITED STATES OF AMERICA, RESPONDENTS, BALTIMORE GAS AND ELECTRIC COMPANY, INTERVENOR: CALVERT CLIFFS' COORDINATING COMMITTEE, INC., ET AL., PETITIONERS V. UNITED STATES ATOMIC ENERGY COMMISSION AND UNITED STATES OF AMERICA, RESPONDENTS

(Petitions for Review of an Order of the Atomic Energy Commission—Decided July 23, 1971)

Mr. Anthony Z. Roisman, with whom Messrs. Myron M. Cherry and Lewis Drain were on the brief, for petitioners.

Mr. Marcus A. Rowden, Solicitor, Atomic Energy Commission, with whom Messrs. Howard K. Shapar, Assistant General Counsel, Licensing and Regulation, Atomic Energy

Commission, and Edmund Clark, Attorney, Department of Justice, were on the brief, for respondents. Mr. William C. Parler, Attorney, Atomic Energy Commission, also entered an appearance for respondent Atomic Energy Commission.

Mr. George F. Trowbridge, with whom Mr. Jay E. Silberg was on the brief, for intervenor in No. 24,839.

Messrs. George D. Gibson and Arnold H. Quint filed a brief on behalf of Duke Power Company et al. as amici curiae in No. 24,871.

Mr. Roy B. Snapp filed a brief on behalf of Arkansas Power and Light Company as amicus curiae in No. 24,871.

Messrs. Arvin E. Upton, Leonard M. Trosten and Henry V. Nickel filed a brief on behalf of Consolidated Edison Company as amicus curiae in No. 24,871.

Mr. Jerome E. Sharfman filed a brief on behalf of Consumers Power Company as amicus curiae in No. 24,871.

Messrs. H. Edward Dunkelberger, Jr., Christopher M. Little and Peter M. Phillipps filed a brief on behalf of Indiana and Michigan Electric Company and Portland General Electric Company as amici curiae in No. 24,871.

Before WRIGHT, TAMM and ROBINSON, Circuit Judges.

WRIGHT, Circuit Judge: These cases are only the beginning of what promises to become a flood of new litigation—litigation seeking judicial assistance in protecting our natural environment. Several recently enacted statutes attest to the commitment of the Government to control, at long last, the destructive engine of material "progress."¹ But it remains to be seen whether the promise of this legislation will become a reality. Therein lies the judicial role. In these cases, we must for the first time interpret the broadest and perhaps most important of the recent statutes: the National Environmental Policy Act of 1969 (NEPA).² We must assess claims that one of the agencies charged with its administration has failed to live up to the congressional mandate. Our duty, in short, is to see that important legislative purposes, heralded in the halls of Congress, are not lost or misdirected in the vast hallways of the federal bureaucracy.

NEPA, like so much other reform legislation of the last 40 years, is cast in terms of a general mandate and broad delegation of authority to new and old administrative agencies. It takes the major step of requiring all federal agencies to consider values of environmental preservation in their spheres of activity, and it prescribes certain procedural measures to ensure that those values are in fact fully respected. Petitioners argue that rules recently adopted by the Atomic Energy Commission to govern consideration of environmental matters fail to satisfy the rigor demanded by NEPA. The Commission, on the other hand, contends that the vagueness of the NEPA mandate and delegation leaves much room for discretion and that the rules challenged by petitioners fall well within the broad scope of the Act.

Footnotes at end of article.