By Mr. PELLY:
H.R. 11943. A bill for the relief of Kiichi Tomiyama; to the Committee on the Judiciary.
By Mr. SISK:
H.R. 11944. A bill for the relief of Sixto M. Pagaran; to the Committee on the Judiciary.
By Mr. TEAGUE of California:
H.R. 11945. A bill for the relief of Hyun Ki Hong; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

162. By the SPEAKER: Petition of the Puerto Rico Free Federation of Labor, Santurce, relative to exempting Puerto Rico from the wage-price freeze; to the Committee on Banking and Currency.

163. Also, petition of the Puerto Rico Free Federation of Labor, Santurce, relative to extending the National Labor Standards Act of 1938 to Puerto Rico; to the Committee on Education and Labor.

164. Also, petition of the Puerto Rico Free Federation of Labor, Santurce, relative to ending the war in Vietnam; to the Committee on Foreign Affairs.

165. Also, petition of the City Council, New York, N.Y., relative to the international traffic in illegal narcotics; to the Committee on Foreign Affairs.

166. Also, petition of the Puerto Rico Free Federation of Labor, Santurce, requesting that Puerto Rico be considered on an equal footing with the States with regard to social and economic rehabilitation measures; to the Committee on Interior and Insular Affairs.

167. Also, petition of Louise Steadtler Hoff, South Norwalk, Conn., relative to redress of grievances; to the Committee on the Judiciary.

168. Also, petition of Daniel Leveque, Sheboygan, Wis., relative to redress of grievances; to the Committee on the Judiciary.

169. Also, petition of James T. Moore, Springfield, Mo., relative to renunciation of citizenship; to the Committee on the Judiciary.

SENATE—*Monday, November 29, 1971*

The Senate met at 10 a.m. and was called to order by the President pro tempore (Mr. ELLENDER).

PRAYER

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

Eternal Father, who has watched over us and brought us to this time and place, we thank Thee for hours of memory and thanksgiving, for rest to frayed and fevered spirits, and for renewal of mind and body. We thank Thee for this reverential pause before demanding hours lay their firm grip upon us. Empty us of all ugly prejudices and unworthy motives which would obstruct us from being the healing channel Thou dost desire for our common humanity. Grant us this day light to guide us, courage to support us, and the boundless compassion of love to unite us.

We lift our prayer in the name of the Great Redeemer. Amen.

REPORT OF A COMMITTEE SUBMITTED DURING ADJOURNMENT

Under authority of the order of the Senate of November 24, 1971, Mr. HUGHES, from the Committee on Labor and Public Welfare, reported favorably, with additional amendments, on November 24, 1971, the bill (S. 2097) to establish a Special Action Office for Drug Abuse Prevention to concentrate the resources of the Nation in a crusade against drug abuse, and submitted a report (No. 92–509) thereon, which was printed.

THE JOURNAL

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, November 24, 1971, be dispensed with.

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

WAIVER OF THE CALL OF THE CALENDAR

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the call of the legislative calendar, under rules VII and VIII, be dispensed with.

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

COMMITTEE MEETINGS DURING SENATE SESSION

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

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

PRIVILEGE OF THE FLOOR

Mr. SCOTT. Mr. President, I ask unanimous consent that my staff assistants Hannah McCornack and Ken Davis be granted the privilege of the floor for the remainder of this week.

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

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

ORDER OF BUSINESS

The PRESIDENT pro tempore. Under the previous order, the distinguished Senator from Iowa (Mr. HUGHES) is now recognized for not to exceed 15 minutes.

Mr. BYRD of West Virginia. Mr. President, having received word from the able Senator from Iowa (Mr. HUGHES) that he would like to have the order vacated, I ask unanimous consent that the order be vacated and that I be recognized in his stead.

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

THE U.N. ROLE IN THE MIDDLE EAST

Mr. BYRD of West Virginia. Mr. President, according to recent reports, the situation in the Middle East has come to a point where Egypt and Israel are practically poised for battle. It would appear that the diplomatic efforts of the United States and other interested countries have failed to produce a climate other than distrust and hostility between the rival states. The distinct impression is given that the differences are irreconcilable. If this is, indeed, true, the consequences for the world could be disastrous.

In this connection, it would seem that the United Nations, to which the United States contributes 32.52 percent of the total annual general budget, should be more effective than has been the case during the years of tension. I am fully aware that member nations always put their major national interests ahead of their responsibilities as members of the U.N. and that reality is one which renders agreed solutions to international problems extremely difficult, if not impossible. Nevertheless, it disturbs me that the prestige and efficacy of the world body is so lightly regarded that it has so far been unable to inject its presence to fill the gap between the Egyptian demand for full Israeli withdrawal from territory formerly held by Egypt and the Israeli position of partial cession.

A case in point is the Sinai Peninsula, which, until the 6-day war, had been Egyptian territory since 1906. No general agreement between Israel and Egypt is possible without disposition of the Sinai satisfactory to both sides. Israel has indicated a willingness to surrender the bulk of the Sinai, provided that its forces remain in Sharm el Sheikh to insure free passage of ships bound for Elath and provided these forces are connected to Israel by the coastal road Israel has built. However reasonable this may seem, it has the serious flaw that no Egyptian Government can accept a cession of territory that was Egyptian for more than half a century as a bargaining condition without incurring the fierce enmity of its own people. So we have an impasse, that lacking resolution, makes general agreement between the parties out of the question.

Nevertheless, if the saber rattling being heard on both sides of the Suez is to be stilled, a workable formula has to be found. Unilateral, bilateral, and multilateral diplomacy appears to have made no impression—the antipathies are as strong today as they were 17 years ago. It troubles me that the United Nations seems unable to make any practical contribution other than to have had that admittedly able diplomat, Dr. Gunnar Jarring, as its special representative on the scene for 4 years. I would not advo-

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

cate the United Nations should wield a big stick—even if it had one. I am fully aware of the organization's limitations when it is faced by recalcitrant member nations whose interests are diametrically opposed. But it seems to me, Mr. President, that the vast amounts of money contributed to the U.N. by the American taxpayer over the past quarter century give these taxpayers the right to ask whether they can reasonably expect a return on their investment in terms of an effective peacekeeping instrument.

This statement should not be interpreted as an attack on the United Nations or as a conclusion that it has outlived its usefulness. I am just as convinced as is any Member of this distinguished body that some kind of an international forum is a necessity in this heterogenous world of sharply conflicting interests and ideologies. If, however, Israel and Egypt will not settle the Middle East crisis between themselves and multilateral diplomacy by other nations is ineffective, what else do we have? The claims of Israel and Egypt both have some historical and legal tenability; it seems to me most unfortunate that what we might reasonably expect to be the best diplomatic brains in the world at the United Nations are unable to reconcile these claims and come up with a peaceful solution acceptable to both sides.

It is sad to contemplate, but perhaps we should resign ourselves to the conclusion that a political solution of the problem is unrealistic and fall back on the frequently effective method of deterrence. Though words and actions on both sides have frequently been provocative, the most recent bellicosity came from Egyptian Premier Anwar Sadat when he told the Egyptian forces that a negotiated settlement was now impossible and they would have to fight to restore our land, honor, and dignity."

It is more probable than possible that the Premier's speech was strictly for home consumption, but in case it had some substance, this might be an opportune time to consider sending to Israel the Phantom jets she has long wanted from the United States. Unless emotion and indiscretion totally overcome prudence, it is unlikely that Premier Sadat's bellicosity would be translated into action if Israel's deterrent power were increasingly obvious.

TRANSACTION OF ROUTINE MORNING BUSINESS

The PRESIDENT pro tempore. Under the previous order, a period of 30 minutes has been set aside for the transaction of routine morning business, with statements therein limited to 3 minutes.

Is there morning business?

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

LEAVE OF ABSENCE

Mr. BYRD of West Virginia. Mr. President, pursuant to paragraph 1, rule V of the Standing Rules of the Senate, I ask unanimous consent that the distinguished majority leader (Mr. MANSFIELD) be granted a leave of absence from the Senate today.

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

ORDER FOR PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS TOMORROW

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that following the recognition of the two leaders tomorrow there be a period for the transaction of routine morning business for not to exceed 30 minutes, with statements limited therein to 3 minutes.

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

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. STEVENSON, from the Committee on the District of Columbia, without amendment:

S. 1362. A bill to authorize the Commissioner of the District of Columbia to enter into contracts for the payment of the District's equitable portions of the cost of reservoirs on the Potomac River and its tributaries, and for other purposes (Rept. No. 92–510);

S. 1367. A bill to authorize the Commissioner of the District of Columbia to lease airspace above and below freeway rights-of-way within the District of Columbia, and for other purposes (Rept. No. 92–511);

H.R. 10383. An act to enable professional individuals and firms in the District of Columbia to obtain the benefits of corporate organization, and to make corresponding changes in the District of Columbia Income and Franchise Tax Act (Rept. No. 92–512); and

H.R. 11489. An act to facilitate the amendment of the governing instruments of certain charitable trusts and corporations subject to the jurisdiction of the District of Columbia, in order to conform to the requirements of section 508 and section 664 of the Internal Revenue Code of 1954, as added by the Tax Reform Act of 1969 (Rept. No. 92–513).

By Mr. STEVENSON, from the Committee on the District of Columbia, with amendments:

S. 2204. A bill to provide for improvements in the administration of the government of the District of Columbia, and for other purposes (Rept. No. 92–514).

By Mr. EAGLETON, from the Committee on Labor and Public Welfare, with amendments:

S. 1163. A bill to amend the Older Americans Act of 1965 to provide grants to States for the establishment, maintenance, operation, and expansion of low-cost meal programs, nutrition training and education programs, opportunity for social contacts, and for other purposes (Rept. No. 92–515), together with supplemental views.

By Mr. KENNEDY, from the Committee on Labor and Public Welfare, with an amendment:

S.J. Res. 75. Joint resolution to provide for a study and evaluation of the ethical, social, and legal implications of advances in biomedical research and technology (Rept. No. 92–517).

By Mr. BURDICK, from the Committee on the Judiciary, with an amendment:

S. 1975. A bill to change the minimum age qualification for serving as a juror in Federal courts from 21 years of age to 18 years of age (Rept. No. 92–516).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. SCHWEIKER:

S. 2906. A bill to amend section 401 of title 37, United States Code, to include, under certain circumstances, grandchildren of members of the uniformed services within the definition of the term "dependent" for purposes of travel and quarters allowances of such members. Referred to the Committee on Armed Services.

By Mr. HUMPHREY.

S. 2907. A bill for the relief of Roy D. Martin, major, U.S. Army (Reserve). Referred to the Committee on Armed Services.

By Mr. FONG (for himself and Mr. INOUYE):

S. 2908. A bill to authorize a study of the feasibility and desirability of establishing a unit of the national park system in order to preserve and interpret the site of Honokohau national historical landmark in the State of Hawaii, and for other purposes. Referred to the Committee on Interior and Insular Affairs.

By Mr. HARTKE (for himself and Mr. PERCY):

S. 2909. A bill to establish a Federal program to encourage voluntary donation of pure and safe blood, to require licensing and inspection of all blood banks, and to establish a national registry of blood donors. Referred to the Committee on Labor and Public Welfare.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. HARTKE (for himself and Mr. PERCY):

S. 2909. A bill to establish a Federal program to encourage voluntary donation of pure and safe blood, to require licensing and inspection of all blood banks, and to establish a national registry of blood donors. Referred to the Committee on Labor and Public Welfare.

NATIONAL BLOOD BANK ACT

Mr. HARTKE. Mr. President, there will be more than 2 million blood transfusions performed in the United States this year. One out of every 150 of these will cause a death from serum hepatitis in the over 40 age group. Many more transfusions will cause sickness in younger people.

Hepatitis is a growing menace to our Nation's health. Dr. J. Garrot Allen, of Stanford Medical Center, has estimated that at least 455,000 hospital bed-days are devoted to this disease every year. Effective measures, however, can go far to wiping out this disease. The bill I am introducing today is designed to provide the means necessary to accomplish that goal.

In many communities throughout the Nation, there is a critical shortage of

blood. To meet this need, blood banks have been established. Most of these blood banks are highly reputable and have performed invaluable service to those in need; but there are far too many unscrupulous blood banks which have failed to screen properly those who donate their blood.

Much of the serum hepatitis in this country comes from the paid blood donor. He may be an alcoholic or a drug addict seeking money for his habit, and some commercial blood banks are all too willing to give him the few dollars he seeks without checking into his background.

Profitmaking blood banks have been established because—regrettably—the voluntary donor system has not been able to meet the demand for blood. Hospitals have no choice but to turn to the commercial blood bank for their supply, yet reliable studies have shown that the risk of contracting hepatitis from the blood of paid donors is from 11 to 70 times greater than the risk from voluntarily donated blood.

Today I introduce on behalf of myself and the Senator from Illinois (Mr. PERCY) the National Blood Bank Act. This legislation is identical to a bill recently introduced in the House by Congressman VICTOR VEYSEY of California. In essence, this bill requires all blood banks to live up to reasonable standards.

Although the Federal Government is already involved in the regulation of blood banks, the National Institutes of Health license only 166 of the 7,000 blood banks in this country. They do not license or inspect the companies that import massive quantities of human blood from foreign countries, nor do they require that blood be tested for the presence of hepatitis. Even the practices of those 166 licensed blood banks have been clouded with doubt.

To meet the problems of regulation, my bill would establish a new office in the Department of Health, Education, and Welfare, to license, inspect, and regulate all blood banks in this country. The poor track record of NIH's Division of Biological Standards is proof enough that this responsibility must be placed elsewhere.

Because the lack of voluntary blood is the only justification for using paid donors, my bill provides for a national effort to recruit voluntary donors. It also requires that the source of each pint of blood be clearly stated on its label.

Under my proposal, the Director of the National Blood Bank is to inspect, license, and regulate all blood blanks. It authorizes $9 million for a national program to recruit voluntary donors, include efforts to develop new procedures and techniques to inform the public of the need to donate blood voluntarily.

The Director will be assisted by an advisory council made up of representatives of blood banks, consumers, and the public relations industry. The council will advise in the development of long range policy for the blood bank program and provide expert advice on proposed regulations and voluntary recruitment efforts.

Recognizing that the National Blood Bank Systems of the American Red Cross and the American Association of Blood Banks deserve special attention, the bill authorizes the Director to accept their inspection and accreditation program in lieu of Federal inspections.

Among its other provisions, it would establish two classes of accredited blood banks. Class A blood banks are those having a maximum percentage of voluntary donors. Class B blood banks are all others. The Director is required to update annually the percentage to qualify for Class A status to the highest level consistent with an adequate national blood supply. Federal agencies are prohibited from purchasing blood from other than Class A blood banks.

Mr. President, 17 States have no laws governing blood blanks. Another 21 have laws which prevent patients infected by contaminated blood from collecting monetary damages. It is time that the Federal Government acted to protect the health of the American public.

A serious illness or accident is tragedy enough without the danger of receiving contaminated blood. The quality of blood available to hospitals is nothing short of disgraceful. The legislation I introduce today will make it possible for us to eradicate this disgrace without further delay.

Mr. President, I ask unanimous consent that the text of my bill be printed at this point in the RECORD.

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

S. 2909

A bill to establish a Federal program to encourage voluntary donation of pure and safe blood, to require licensing and inspection of all blood banks, and to establish a national registry of blood donors

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 "National Blood Bank Act of 1972".

FINDINGS

SEC. 2. The Congress finds that human blood is necessary for medical treatment and that an adequate supply of pure and safe blood throughout the United States is essential to the welfare of the Nation. Congress further finds that interstate shipment of pure and safe whole blood and blood components is necessary for the welfare of the United States; that since human blood is a living tissue which cannot be manufactured, an adequate interstate supply of blood depends upon the willingness of individuals to donate their blood; that since the virus hepatitis is transmitted in human blood and is found significantly more often in the blood of persons who donate for monetary compensation than in the blood of voluntary donors, the purity and safety of the national blood supply is seriously threatened by the inadequate level of voluntary donation and by monetary compensation of blood donors. The Congress therefore finds that the welfare of the United States will be promoted by development of a 100 per centum voluntary blood supply as soon as feasible, that voluntary donation should therefore be encouraged and promoted, and that certain procedures and standards should be established with respect to the operation of all blood banks in the United States.

ESTABLISHMENT OF PROGRAM; DIRECTOR

SEC. 3. There is established in the Department of Health, Education, and Welfare a National Blood Bank Program to be under the supervision of a Director appointed by the Secretary of Health, Education, and Welfare. The Director of the National Blood Bank Program (hereinafter in this Act referred to as the "Director") shall be appointed subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and shall be paid in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

FUNCTIONS AND DUTIES OF DIRECTOR

SEC. 4. (a) NATIONAL BLOOD BANK SYSTEMS.—Upon the application of any group or organization of blood banks, the Director shall designate such group or organization as a national blood bank system under this Act if the group or organization—

(1) includes member blood banks in not less than ten States, which member banks have drawn an aggregate of not less than two million units of blood in the year preceding application;

(2) requires by written contract member blood banks, which are not maintained and operated directly by the group or organization, to adhere and be bound by the rules and regulations of the group or organization;

(3) requires all member blood banks to maintain a program for the recruitment of voluntary blood donors;

(4) adopts rules and regulations for the operation of member blood banks which rules and regulations are approved by the Director and certified to be equal to or more stringent than the standards for blood banks and transfusion services of the American Association of Blood Banks and the applicable standards of the American Red Cross;

(5) provides for—

(A) accreditation of member blood banks which operate in conformity with the rules and regulations referred to in paragraph (4);

(B) a program approved by the Director of annual, unannounced inspection of accredited member blood banks to determine adherence to such standards; and

(C) recommend the fining, suspension, or termination of accreditation of member blood banks which fail to adhere to such standards;

(6) requires that accredited member blood banks—

(A) designate named individuals in such accredited member blood banks to have express responsibility for recruitment of voluntary blood donors;

(B) be open for business on days and at hours most convenient for voluntary blood donors;

(C) cooperate with other blood banks in the recruitment of voluntary blood donors and in other functions; and

(D) label clearly each unit of blood collected as "low risk" when it is from a voluntary blood donor or "high risk" when it is from a paid blood donor.

(b) PROMOTION OF VOLUNTARY BLOOD DONATION.—In order to assure an adequate supply of pure and safe blood throughout the Nation, the Director shall—

(1) develop, by grant or contract, new procedures, materials, and techniques to inform the public of the need to voluntarily donate blood;

(2) provide direct assistance to establish an adequate supply of voluntary blood in those parts of the country where it is presently unavailable;

(3) develop a national program to honor and recognize all voluntary donors;

(4) establish yearly goals of voluntary donors for each blood bank;

(5) conduct evaluations of the effectiveness of various recruitment techniques and inform the licensed blood banks of the most effective techniques;

(6) classify blood banks which collect no

more than a specified percentage of their blood from paid donors as "Class A Blood Banks" and classify all other blood banks as "Class B Blood Banks";

(7) annually increase the allowable percentage of paid donors to qualify as a "Class A Blood Bank" to the highest level consistent with an adequate national blood supply.

(c) DONOR REGISTRY.—The Director shall maintain a registry of all persons who give blood after July 1, 1972, to a licensed blood bank and shall identify individuals on such registry who may have been implicated in the transmission of hepatitis or who should otherwise be disqualified as blood donors. The Director shall notify all blood banks of such disqualifying information.

LICENSE TO OPERATE AS A BLOOD BANK

SEC. 5. (a) LICENSE REQUIRED.—No person may operate as a blood bank unless such person is licensed under this section.

(b) REQUIREMENTS OF LICENSE.—Upon application therefor the Director shall issue a license to operate as a blood bank to any person if—

(1) such person agrees to require identification of each blood donor and such other information relating to each blood donor as the Director may prescribe; and

(2) such person agrees to transmit to the Director such information (including information indicating that the donor may be infected with hepatitis) as the Director may require; and

(3) the application therefor contains or is accompanied by such information as the Director finds necessary and the applicant agrees and the Director determines that the blood bank will be operated in accordance with standards the Director issues to carry out the purposes of this Act, including standards for purity, potency, and safety of blood, donor selection, allowable percentage of paid donors, regulations covering the management of blood inventories; and a requirement that all blood be tested by the best practical test for the presence of hepatitis; and

(4) such person agrees to clearly label each unit of blood collected as "low risk" when it is from a voluntary donor and "high risk" when it is from a paid donor.

(c) PERIOD OF VALIDITY.—A license issued under this section shall be valid for a period of three years, or such shorter period as the Director may establish for any blood bank or class or classes thereof.

(d) FEES.—The Director may require payment of fees for the issuance and renewal of licenses, but the amount of any such fee shall not exceed $125 per annum.

(e) The Director or his designee shall conduct an annual inspection of each blood bank licensed under this section to determine compliance with standards issued under this Act. The time of such inspections shall not be announced prior to the inspection.

(f) The Director may designate a national blood bank system as his inspecting agent for purposes of this section. He may accept accreditation by a national blood bank system in lieu of this inspection requirement.

(g) REVOCATION, SUSPENSION, OR LIMITATION; NOTICE AND HEARINGS; GROUNDS.—A blood bank license may be revoked, suspended, or limited if the Director finds, after reasonable notice and opoprtunity for hearing to the licensee blood bank, that such licensee or any employee of the blood bank—

(1) has been guilty of misrepresentation in obtaining the license;

(2) has engaged or attempted to engage or represented himself as entitled to perform any procedure or category of procedures not authorized in the license;

(3) has failed to comply with reasonable requests of the Director for any information or materials or work on materials, he deems necessary to determine the blood bank's continued eligibility for its license hereunder or continued compliance with the Director's standards hereunder;

(4) has refused a request of the Director or any Federal officer or employee duly designated by him for permission to inspect the blood bank and its operations and pertinent records at any reasonable time; or

(5) has violated or aided and abetted in the violation of any provisions of this section or of any rule or regulation promulgated thereunder.

(h) LEGAL PROCEDURE; IMMINENT HAZARD TO PUBLIC HEALTH; JURISDICTION OF DISTRICT COURT; TEMPORARY INJUNCTIONS OR RESTRAINING ORDERS; BOND; FINAL ORDERS.—Whenever the Director has reason to believe that continuation of any activity by a blood bank licensed under this section would constitute an imminent hazard to the public health, he may bring suit in the district court for the district in which such blood bank is situated to enjoin continuation of such activity and, upon proper showing, a temporary injunction or restraining order against continuation of such activity pending issuance of a final order under this section shall be granted without bond by such court.

(i) APPEALS; PETITIONS; RECORD; ADDITIONAL EVIDENCE; MODIFIED OR NEW FINDINGS; JURISDICTION OF COURT OF APPEALS; CONCLUSIVENESS OF FINDINGS; REVIEW BY SUPREME COURT.—

(1) Any party aggrieved by any final action taken under subsection (e) of this section may at any time within sixty days after the date of such action file a petition with the United States court of appeals for the circuit wherein such person resides or has his principal place of business, for judicial review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Director or other officer designated by him for that purpose. The Director thereupon shall file in the court the record on which the action of the Director is based, as provided in section 2112 of title 28.

(2) If the petitioner applies to the court for leave to adduce additional evidence, and shows to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Director, the court may order such additional evidence (and evidence in rebuttal thereof) to be taken before the Director, and to be adduced upon the hearing in such manner and upon such terms and conditions as the court may deem proper. The Director may modify his findings as to the facts, or make new findings, by reason of the additional evidence so taken, and he shall file such modified or new findings, and his recommendations, if any, for the modification or setting aside of his original action, with the return of such additional evidence.

(3) Upon the filing of the petition referred to in paragraph (1) of this subsection, the court shall have jurisdiction to affirm the action, or to set it aside in whole or in part, temporarily or permanently. The findings of the Director as to the facts, if supported by substantial evidence, shall be conclusive.

(4) The judgment of the court affirming or setting aside, in whole or in part, any such action of the Director shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28.

(j) VIOLATIONS AND PENALTIES.—Any person who willfully violates any provision of this section or any rule or regulation promulgated thereunder shall be guilty of a misdemeanor and shall on conviction thereof be subject to imprisonment for not more than one year, or a fine of not more than $1,000, or both such imprisonment and fine.

ADVISORY COUNCIL

SEC. 6. (a) ESTABLISHMENT.—There is established an Advisory Council to be composed of the following nine members appointed by the President:

(1) two representatives from each national blood bank system, one of whom shall be a person with not less than five years' recent experience in blood bank administration;

(2) three representatives of blood consumer groups including:

(A) one hospital administrator,

(B) one representative of organized labor,

(C) one representative of business management; and

(3) two persons experienced in advertising and public relations neither of whom may be employed or retained during their service on the Council by any firm or other organization which is engaged in operating a blood bank.

(b) DUTIES OF COUNCIL.—The Advisory Council shall—

(1) make recommendations to the Director with respect to long-term policy goals for the National Blood Banks Program established under section 3 of this Act;

(2) make recommendations to the Director with respect to the encouragement of blood donation and the motivation, recruitment, and recognition of blood donors; and

(3) make recommendations to the Director relating to reciprocal transactions between national blood bank systems to the extent that no agreement relating to such transaction exists between such systems.

(c) TRAVEL EXPENSES; PER DIEM.—While away from their homes or regular places of business in the performance of services for the Council, members of the Council shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703(b) of title 5 of the United States Code.

ANTITRUST EXEMPTION

SEC. 7. Notwithstanding any antitrust law, as defined in section 2(a) of the Antitrust Civil Process Act (76 Stat. 548; 15 U.S.C. 1311(a)), a national blood bank system may exclude or reject from membership in such system any blood bank which does not qualify for tax-exempt status under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1954.

BLOOD ASSURANCE PROGRAMS

SEC. 8. No person other than a blood bank which is classified as a "Class A Blood Bank" may maintain any program in which individuals deposit blood in advance of their need for blood or pledge to give blood upon request.

ADMINISTRATION OF PROGRAM

SEC. 9. No provision of this Act and no part of any program established under this Act shall be administered by or under the supervision of the National Institutes of Health.

PURCHASE OF BLOOD BY FEDERAL GOVERNMENT

SEC. 10. No agency, department, or other instrumentality of the Government of the United States shall contract for or pay for the provision of blood from any person other than a "Class A Blood Bank" and such agency, department, or other instrumentality shall take such measures as may be necessary to insure that such blood has been tested according to the best available test for hepatitis.

DEFINITIONS

SEC. 11. For the purposes of this Act, the term—

(a) "Blood" means human whole blood, or any component thereof.

(b) "Blood bank" means any person or other entity engaged in the bleeding of individuals and performing two or more of the following functions—

(1) recruitment of blood donors;

(2) processing of blood for transfusions;

(3) storage of blood;

(4) crossmatching of blood;

(5) administration of blood to individuals; or

(6) preparation of blood components for transfusion.

(c) "Blood donor" means a paid blood donor or a voluntary blood donor.

(d) "Paid blood donor" means an individual who receives monetary compensation or an adjustment in his scheduled period of prison confinement for his donation of blood or any component thereof.

(e) "Voluntary blood donor" means any individual donating his blood other than a paid donor.

(f) "Accredited blood bank" means a blood bank accredited by a national blood bank system.

AUTHORIZATION

SEC. 13. There is authorized to be appropriated $10,000,000 for the fiscal year 1973, $10,000,000 for the fiscal year 1974, and $10,000,000 for the fiscal year 1975 to carry out the purposes of this Act.

ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 1975

At the request of Mr. TUNNEY, the Senator from Michigan (Mr. GRIFFIN) was added as a cosponsor of S. 1975, to lower the minimum age for service on Federal juries from 21 to 18 years of age.

S. 2052

At the request of Mr. HARTKE, the Senator from Wyoming (Mr. MCGEE) was added as a cosponsor of S. 2052, a bill to amend title 38 of the United States Code in order to establish a National Cemetery System within the Veterans' Administration, and for other purposes.

S. 2676

At the request of Mr. TUNNEY, the Senator from Maryland (Mr. BEALL), and the Senator from Wisconsin (Mr. NELSON) were added as cosponsors of S. 2676, the National Sickle Cell Anemia Prevention Act.

S. 2870

At the request of Mr. HARTKE, the Senator from Utah (Mr. Moss) was added as a cosponsor of S. 2870, a bill to provide for regulation of franchises.

S. 2898

At the request of Mr. HARTKE, the Senator from West Virginia (Mr. RANDOLPH), the Senator from South Dakota (Mr. MCGOVERN), the Senator from Utah (Mr. Moss), the Senator from Alaska (Mr. STEVENS), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from New Mexico (Mr. MONTOYA) were added as cosponsors of S. 2898, a bill to provide college tutors for the homebound handicapped.

S. 2900

At the request of Mr. PERCY, the Senator from California (Mr. TUNNEY) was added as a cosponsor of S. 2900, to amend the John F. Kennedy Center Act to authorize funds for operation and maintenance of the nonperforming arts function of that center.

ADDITIONAL COSPONSORS OF RESOLUTIONS

SENATE RESOLUTION 203

At the request of Mr. HATFIELD, the Senator from Virginia (Mr. BYRD), the Senator from Mississippi (Mr. EASTLAND), and the Senator from Massachusetts (Mr. BROOKE) were added as cosponsors of Senate Resolution 203, to express the sense of the Senate that United States fishing industry representatives be included in the U.S. delegation to the 1973 United Nations Law of the Sea Conference.

ECONOMIC STABILIZATION ACT AMENDMENTS OF 1971

AMENDMENT NO. 763

(Ordered to be printed and to lie on the table.)

Mr. HARRIS submitted an amendment, intended to be proposed by him, to the bill (S. 2891) to extend and amend the Economic Stabilization Act of 1970.

AMENDMENT NO. 764

(Ordered to be printed and to lie on the table.)

Mr. BENTSEN (for himself, Mr. HUMPHREY and Mr. NELSON) submitted an amendment, intended to be proposed by them, jointly, to Senate bill 2891, supra.

AMENDMENT NO. 765

(Ordered to be printed and to lie on the table.)

Mr. TAFT submitted an amendment, intended to be proposed by him, to Senate bill 2891, supra.

AMENDMENT NO. 766

(Ordered to be printed and to lie on the table.)

Mr. PERCY (for himself, Mr. JAVITS, Mr. RIBICOFF, and Mr. PROXMIRE) submitted an amendment, intended to be proposed by them, jointly, to Senate bill 2891, supra.

AMENDMENT NO. 767

(Ordered to be printed and to lie on the table.)

Mr. CRANSTON (for himself, Mr. DOLE, Mr. ERVIN, Mr. ALLOTT, Mr. COOK, Mr. JORDAN of North Carolina, Mr. GRAVEL, Mr. EAGLETON, Mr. TUNNEY, Mr. MCGEE, Mr. MONDALE, Mr. MCINTYRE, Mr. MCGOVERN, Mr. GOLDWATER, Mr. HUMPHREY, Mr. STEVENS, Mr. HUGHES, Mr. THURMOND, Mr. HARTKE, Mr. INOUYE, and Mr. NELSON) submitted an amendment, intended to be proposed by them, jointly, to Senate bill 2891, supra.

AMENDMENT NO. 768

(Ordered to be printed and to lie on the table.)

Mr. HARTKE submitted an amendment, intended to be proposed by him, to Senate bill 2891, supra.

AMENDMENT NO. 769

(Ordered to be printed and to lie on the table.)

Mr. JAVITS (for himself and Mr. PERCY) submitted an amendment, intended to be proposed by them, jointly, to Senate bill 2891, supra.

AMENDMENTS NOS. 770 THROUGH 772

(Ordered to be printed and to lie on the table.)

Mr. PROXMIRE (for himself and Mr. HARRIS) submitted three amendments, intended to be proposed by them, jointly, to Senate bill 2891, supra.

AMENDMENT NO. 773

(Ordered to be printed and to lie on the table.)

Mr. PROXMIRE (for himself, Mr. HARRIS, and Mr. STEVENSON) submitted an amendment, intended to be proposed by them, jointly to Senate bill 2891, supra.

NOTICE OF HEARINGS ON S. 2362, S. 2841 AND 2842

Mr. MAGNUSON. Mr. President, I announce that the Surface Transportation Subcommittee of the Committee on Commerce will conduct hearings on S. 2362, the Surface Transportation Act of 1971, relevant portions of S. 2841, the Transportation Assistance Act of 1971, and on S. 2842, Transportation Regulatory Modernization Act of 1971, on December 7 and 8, 1971. Hearings will commence at 10 a.m. in room 5110, New Senate Office Building. Any person who wishes to testify should notify the committee staff, 225–9325 or 225–9351.

NOTICE OF CANCELLATION OF HEARING BY THE SUBCOMMITTEE ON HANDICAPPED WORKERS

Mr. BYRD of West Virginia. Mr. President, at the request of my distinguished senior colleague (Mr. RANDOLPH), I ask unanimous consent to have printed in the RECORD a notice of cancellation of a hearing by the Subcommittee on Handicapped Workers.

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

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

STATEMENT BY SENATOR RANDOLPH

Mr. RANDOLPH. Mr. President, on behalf of the Subcommittee on Handicapped Workers, I desire to give notice that the hearing scheduled for Thursday, December 2, 1971, at 10 a.m. in room 4200, New Senate Office Building, has been cancelled. The hearing to receive further testimony on proposed amendments to the Randolph-Sheppard Act has been rescheduled for Thursday, December 9, 1971, at 10 a.m. in room 4200, New Senate Office Building.

ADDITIONAL STATEMENTS

THE MEANING OF THE WHITE HOUSE CONFERENCE ON THE AGING

Mr. PERCY. Mr. President, the long-awaited and widely-heralded White House Conference on the Aging opened yesterday here in Washington. For this conference, over 3,000 experts in the field of the aging have come to the Nation's Capital to discuss the various problems confronting today's 20 million elderly citizens. The delegates will be meeting throughout this week in an effort to determine how best the Government, and citizens in general, can help senior citizens in the areas of health, income maintenance, housing, employment, education, nutrition, transportation, and long-term care.

Perhaps the greatest, and most basic, problem confronting today's senior citizens is their lack of status in our society. In earlier days—and even today in other societies—growing old was accompanied by an increase in prestige, and by growing respect from younger generations. Old people were better cared for, and even

sought after for their wisdom gained from decades of experience with life and contact with several generations.

Today, being old too often means loneliness and great hardship. Just at the time in his life when the older American could benefit most from a higher income, he often suffers a drastic drop in income. Just as he discovers that he is less nimble and therefore less mobile, he sees that transportation costs are rising, while service is deteriorating—if not disappearing altogether. As he begins to find it necessary to buy more medication and visit the doctor more often, he sees hospital and medical costs rapidly increasing beyond his means, suggesting that the cards in the game he must play with life and death are stacked in favor of the latter. And just at the age when—because of his decreased mobility, inadequate income, and declining health—he feels the greatest need to live in comfortable, familiar surroundings close to the people he knows and loves, he frequently is forced to give up his home or move to another environment.

In an article in yesterday's Washington Post, Colman McCarthy eloquently described the plight of today's elderly citizens. So that my colleagues might have the benefit of Mr. McCarthy's perceptive analysis of their situation and the reasons for it, I ask unanimous consent that his article be printed in the RECORD.

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

WHY ARE THE OLD PUT ON SHELVES?

(By Colman McCarthy)

Everyone wants to live a long life, but there is one trouble—you have to grow old to do it. For many of America's 20 million citizens who make it past 65, the trouble is hardly worth it. Unless you are rich or have especially devoted children, chances are that old age may be a time of anguish, loneliness and sadness, worse for some than others. Perhaps the greatest torture of being old is that one must go about it surrounded by products and services that are ever new and ever fresh. Last year's model, last year's fashion, last year's wardrobe—this feverish custom of discarding what in many cases is only slightly old leads naturally to a throwaway mentality. Thus, easily put out of sight and out of mind are last year's people, the old.

The White House Conference on Aging, beginning today and running through the week, will likely have much to say on the cruel ways in which old people are neglected by the government and by institutions. But this running tragedy is not so much a planned horror as it is a reflection of a deep-set attitude. Along with racism and sexism, there is now "oldism," an intolerance of people too slow, too wrinkled and too tired for the American pace. Dr. Robert Butler, a Washington psychiatrist and one of the few in the country who practices "life-cycle therapy," believes a strong feeling exists "of not wanting to have all these ugly old people around."

How has this happened? Since abandoning another human being is not a natural instinct, the reason may be cultural. It is regularly pointed out, to the point of fatigue, that America is obsessed with the young, a fudge of idolatrous concern that thickens with each new fad. But saying the country is over-fascinated with a youth cult is only part of it, and even then it is inaccurate; if we care so much about kids, why must educators constantly beg for money, why are school lunch programs left unfunded, why are stores allowed to sell flammable sleepwear for children? The deeper cultural reality that allows the old to be the nation's resident castoffs is that American values have been largely shaped by both the Calvinist mystique of achievement and the American frontier notion of self-reliant individualism. These two creeds naturally exclude the elderly because old men and old women are seen as no longer achieving and no longer self-reliant. They are non-producers who should be stripped of their "we try harder" buttons; after that, what else can be done but stash them on a shelf? As Dr. Robert Butler has noted, "Our society serves the productive. We view ourselves as an organism that can all too easily dispense with its parts, which are subject to facile replacement. Most of our national policy decisions are economic and technological rather than moral. The Office of Management and Budget decides. There is a Gross National Product, however important, that is closely watched but there is no Human Value Index."

If putting away old people—removing them from budget priorities, from family circles—fits in well with the American way, it is also true that this wasn't always the case or style with all Americans. One can visit ethnic families in the Northeast industrial towns—Italians, Poles, Slovaks, Greeks and others—and inevitably an old person is found to be an honored and wanted member of the family. Unlike others, many ethnics insist on keeping the parents and grandparents in the main path of travel if only because the young know that one day they must go that way, too. If you are kind to your parents, Irish children are told, you will have a long life. But keeping to this tradition of respecting the old is not easy for ethnic Americans. Professor Michael Novak, soon to publish a book on ethnics ("The Rise of the Great Unwasped" from Macmillan), has written: "One of the more poignant prices ethnics had to pay to become Americanized was to learn not to care for one's parents or grandparents, to learn that life belongs most to those between the ages of 15 and 50. In the public schools, the ethnic child was taught to make fun of one's parents and grandparents—their accents, their gestures, their values. 'Old fashioned' became a word used not for the respect due to wisdom but for contempt due to inferiority or being different from Wasp America. It was silly to care for one's aging parents, to put up with their complaints, customs and needs. 'The American way' was to ship off the old folks to some sanitized rest home; but most ethnic people couldn't quite bring themselves to do that. For cattle maybe, but not for one's parents. The solution often was to find some small apartment, a separate room, in which the old folks could live in some compromised way, not quite in the center of the family as *their* parents had been, but assuredly not institutionalized as 'the Americans' were."

A word and concept now in heavy use is "community." Real estate men no longer build developments, they create communities, the young go off to found communes. But this talk of community is strange; how can you have a common unity when no place is given to the elders of the tribe. "Traditionally," Nathan W. Shock, head of NIH's Gerontology Branch, has said, "the older person in the community had a role in that he had lived longer, he therefore had more experience, he was wiser . . . he knew where the tigers were in the jungle."

The sources of this tradition are easily found, even without going to the East where the old have always been revered. In the 6th century Rule of St. Benedict, for example, one of the earliest charters for community living, the fathers and brothers of the monastery are told in chapter 37 that the old are worthy of special treatment. "Although human nature inclines us to show pity and consideration to the old . . . still it is proper that the authority of the Rule should provide for them. Let their weakness be always taken into account, and let the full rigour of the Rule as regards food be in no wise maintained in their regard. There is to be a kind consideration for them, and permission is to be given them to anticipate the regular hours." Even today, in the many European and American Benedictine monasteries and convents, old members of the community are cherished and honored for their wisdom.

These are rare enclaves of charity, however, and the spirit of compassion has not spread. But it persists at least. In the end, the main impact of this week's White House Conference on Aging must be less on American politicians or programs than on American values—the principal source of many of the elderly's sufferings. Some of these are inevitable, the results of sickness or family scattering. But many are not; they are caused by a value system that plays down filial respect while playing up much that is passing and cheap. In a recent book on the elderly, French writer Simone de Beauvoir asked, "What should a society be like that in his old age a man can remain a man?" The answer: "He must always be treated like a man."

This is not an easy goal, neither for wide-open conferences nor for closed-up minds. But if it is true that every country is entitled to a few mistakes, then perhaps we are now coming around to recognizing one. America, compared with other countries, is still young—exactly the time to see that the realities of aging do not become the horrors of aging.

THE TRAGIC CONFLICT BETWEEN INDIA AND PAKISTAN

Mr. ALLEN. Mr. President, the human tragedy that is taking place in Asia, where India and Pakistan have renewed their border fighting and threaten all-out war, must not engulf the United States. This is not the first time that these giant countries have squared off against one another, but unless the leaders of those two countries come to their senses, the skirmishes now taking place may well be the forerunner of a bloodbath egged on by increasing enmities between Communist China and Communist Russia.

Red China is backing Pakistan in this fight, while Russia and India just last April signed a treaty of cooperation.

Americans cannot be accused of being callous to the human suffering that is taking place in this subcontinent occupied by Pakistan and India.

During the past 25 years the United States has given India more than $8 billion in aid, more than any other country in the world has received except for South Korea and South Vietnam where we still have military forces. During this same period, we have provided aid to Pakistan totaling almost $4.5 billion. These figures do not include the $414 million earmarked for India and $220 million for Pakistan under the 1972 foreign economic assistance package which was passed in the Senate last month. Nor do they include the millions of dollars in private donations by Americans for relief in last year's tragic typhoon and to the almost 10 million refugees in India from Pakistan.

Despite these humanitarian efforts by the United States to help the 550 million people of India and 110 million people of Pakistan, we now find that those countries have alined themselves with

Communist Russia and Red China. That is the kind of appreciation we have received from our assistance programs.

The tragic insistence of India and Pakistan to go to war simply adds further proof of the bankruptcy of the United Nations which was supposedly formed to maintain international peace and security. The Security Council has complete authority to use its influence and the power of the United Nations whenever there is a threat to peace.

But the record clearly and unmistakably portrays the failure of the U.N. as a world peacekeeping organization. Since 1947, just 1 year after the U.N. was created, there have been 73 wars or civil conflicts throughout the world. But on only 10 occasions has the Security Council provided peacekeeping forces or observer teams, and the United States provided the bulk of the support in most of those. Even those few actions are marred by failures, such as the abrupt withdrawal of U.N. forces along the Suez Canal in 1967 resulting in the so-called 6-day war between Israel and the Arab States, a war that threatens to resume at any time. And the U.N. now stands on the sidelines watching this new India-Pakistan war.

The United States continues to place unjustified faith in the U.N., but no other country in the world is so willing to settle its international disputes by peaceful means. While millions of their people live constantly on the edge of starvation the Governments of India and Pakistan are more interested in spending money for war than they are in developing their agricultural economies to feed their teeming millions or in helping develop an economy that would provide jobs and a decent living for their people.

We have absolutely nothing to gain and everything to lose if we try once again to intervene and take sides in foreign conflicts. Recently, under pressure from Congress, the President very properly cut off deliveries of military supplies for Pakistan, and I hope that he will exert every other precaution to keep the United States out of this unsolvable mess.

While I am saddened at human suffering wherever it may be, I am unalterably opposed to the United States getting involved in the growing conflict between India and Pakistan.

LAND CLAIMS OF ALASKAN NATIVES

Mr. BUCKLEY. Mr. President, the Senate and House conferees have begun to meet in executive session to resolve the differences between their respective versions of H.R. 10367, to provide for the settlement of certain land claims of Alaskan Natives. I would like to reiterate at this time, my support of the approval to the allocation of lands which was compiled in the bill adopted by the Senate (S. 35).

In assessing the fairness of the Senate formula for the settlement of the Alaskan Natives' claims, it is important to keep in mind some very simple but compelling historical facts. Beneath the complexities and contemporary ramifications of settling these land claims there lies the indisputable reality of Native use and occupation of virtually all of Alaska from time immemorial; literally for thousands of years. In a historical and anthropological sense, there is no question but that until very recently Alaska has been "their" land; and even now relatively little of it has been preempted by newcomers.

It is instructive to recall the situation as it existed in 1867 when the United States purchased sovereignty of the Alaskan Territory from Russia. At that time, with the exception of a few trading posts, there had been virtually no penetration of Russian settlement beyond the southern coastal areas, and it had always been clear to the Russians that the aboriginal inhabitants had exclusive rights to the interior landmass. Indeed, the 1867 Treaty did not purport to extinguish Native title to the Alaskan land, but rather left the matter to be resolved by U.S. law, and in 1864 Congress explicitly protected Native land rights against interference by third parties.

The historical reality of Native dominion over Alaskan land continued unabated, with very few exceptions—chiefly along the southeastern coastal panhandle—well into the 20th century; and until the 1940's, when Alaska's strategic military importance brought a wave of change, the Natives remained a majority of the Alaskan population. Even today, 13 years after statehood and a decade of impressive development, the Native people remain the bulk of the population outside of a few major cities and the southeastern coastal strip.

It is significant, Mr. President, that the Natives of Alaska have never been conquered in war; they have never lost their property rights through treaty or act of Congress; and until now they have never relinquished their claim to most of Alaskan land. Indeed, claims filed with the Department of the Interior assert Native title to roughly 80 percent of contemporary Alaska. It is also very significant, and of particular relevance in reaching a resolution on the bill now before the conferees, that Congress specifically provided in the 1958 Statehood Act that—

> The state and its people do agree and declare that they forever disclaim all right and title . . . to any lands or other property (including fishing rights) the right or title to which may be held by any Indians, Eskimos, or Aleuts.

The courts have reaffirmed the integrity of the Natives' titles. For example, in 1962, the Supreme Court held that the 1958 Statehood Act preserved the status quo with respect to lands claimed under Indian title, Metlakatla against Egan, Kake against Egan; and in 1969, in a decision which the Supreme Court declined to review, the ninth circuit court of appeals refused to hold that lands held under Native title could be selected by the State in fulfillment of the Statehood Act land grants, Alaska against Udall.

These are the legal arguments in support of the Natives' claims, Mr. President. I prefer to rest my position, however, on the very compelling moral rights which, in my judgment, the historical facts support. Whatever legal obligations the United States may have to deal fairly with the Natives of Alaska, it seems to me that any reasonable reading of the historical record indicates a clear moral obligation to strike generous and honorable bargain with the Native people as we extinguish their claims.

The central thrust of the land section of the Senate bill is that the Natives are given the option either to select 40 million acres of traditional village land, or to select half that many acres of village lands plus an additional 10 million acres of commercially valuable land in areas away from the villages. Mr. Donald Wright, president of the Alaska Federation of Natives, has stated that the Native villages will overwhelmingly opt for 40 million acres of their ancestral lands. I regard the retention of the option to choose 40 million acres in fee simple title as essential to the achievement of a just settlement of this long-outstanding dispute.

Mr. President, everything I know about this issue indicates that the allocation of 40 million acres, which will provide the 200 Native villages with a viable land base for their cultures and economies, constitutes—in combination with the monetary compensation which is provided—an eminently fair and honorable basis for settling the Native claims. I very much hope that this provision will be adopted by the conference.

KEYNOTE SPEECH ON BEHALF OF RURAL AMERICA

Mr. HUMPHREY. Mr. President, as chairman of the Senate Subcommittee on Rural Development of the Committee on Agriculture and Forestry, I have heard many eloquent words spoken this year about the problems and promise of the American countryside.

However, there is a new organization in this city, whose leaders seem to have an even better than usual insight into what must be done to promote a reasonable economic and social balance between urban and rural America.

That organization is the Coalition for Rural America, led by former Governors Edward Breathitt of Kentucky and Norbert Tiemann of Nebraska.

On November 4, Governor Breathitt made the keynote address at the annual meeting of the National Association of State Departments of Agriculture. I ask unanimous consent that this speech be printed into the RECORD.

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

GOVERNOR BREATHITT'S KEYNOTE SPEECH

A popular songwriter once asked this Nation facetiously, "How Ya Gonna Keep 'Em Down on the Farm, After They've Seen Paree?"

That was a funny song for the revelers in Broadway speakeasies following World War I. But in a way, the song proved to be prophetic, and we in the new Coalition for Rural America don't think it's funny anymore.

You and I have too quietly witnessed the greatest migration of human beings in the history of mankind. Thirty million Americans have left the countryside in th past thirty years for the major cities. Our farm population has dwindled to the point where 800,000 farms produce 90 percent of all our food and fiber. 95 percent of our

people live on 10 percent of the U.S. land area, and 14 million people have been left behind in rural America—many of them in terrible poverty.

The President's National Advisory Committee on Rural Poverty concluded in 1967:

"Rural poverty is so widespread, and so acute, as to be a national disgrace, and its consequences have swept into our cities violently. The urban riots during 1967 had their roots in considerable part in rural poverty. A high proportion of the people crowded into city slums today came there from rural slums."

No, we of the Coalition for Rural America don't think it's funny any longer, and I suspect that Mayor Lindsay and many others along old Broadway no longer see its humor either.

The Coalition is newly formed and has come into existence to deal with a problem of long standing in our country.

Through a complete lack of any governmental policy we have permitted rural America to deteriorate like a rusting hand plow languishing in a fallen down barn while the social and economic problems once scattered across the thousands of square miles of our great land have become compacted into urban ghettos where they have become both more evident and more volatile.

As former Secretary of Agriculture Freeman says, this process couldn't have occurred in a more insidiously efficient way if we had planned it in our national policy councils.

Governor Tiemann and I have been chosen to lead the Coalition for Rural America. In directing the activities of the Coalition, we will be guided by these principles:

We are strongly in support of a structure of agriculture that includes prosperous family farms and an economically viable marketing and processing system based in rural areas.

In building rural America, our aim is to see that development is consistent with the preservation and enhancement of a quality environment.

We are concerned, not just with the aggregate development of the rural economy, but with eliminating the causes and ameliorating the effects of rural poverty, through such measures as welfare reform and public service employment.

We are committed to the priciple of equal concern for, and equal involvement of, all the people of rural America, without discrimination on any basis.

One thing is certain. The Great American Dream resides uneasily in the suburbs of our great cities, while the news media and the policy makers have all but forgotten the hardworking people in Rural America.

It is not only the rural poor who have been forgotten. Since the Depression we have paid great lip service to the family farm while generally pursuing farm policies designed to promote corporate and conglomerate farming.

The farmer spends over $40 billion a year for goods and services to produce crops and livestock; and another $16 billion to buy the things which city people buy like appliances, clothing, drugs and furniture. Three out of every ten jobs in this country exists because they are related, in some way, to agriculture.

Our food is inexpensive because one hour of farm labor produces nearly seven times as much food and other crops as it did in 1919. Crop production per acre has doubled.

That's the kind of friend we all have in the American farmer. Yet what do we give him in return.

The President doesn't even bother to send a farm message to the Congress. Last year's farm bill was rammed down the throat of Congress with the threat of "either this or nothing". A proposal has been made to abolish the U.S. Department of Agriculture, combining it into an omnibus agency that would clearly favor urban areas.

And what is happening in the countryside? The farmer is getting 17 cents a pound for hogs; 90 cents a bushel for corn; and as little as $1.10 a bushel for wheat. His net profit margin hovers around two or three percent.

Parity is at 68 percent, the lowest level since the Depression.

Something is seriously wrong, and I suggest that it's simply a matter of fact that there aren't enough people in Washington who any longer give a hoot about rural America.

Well I care. And I know that you do too. But we have to get the message to the people who count.

Now let me ask you to do me a favor right here and now. Stand with me here and let's show *our* appreciation to the hardworking men and women who have the courage to stick it out in American agriculture today. Let's stand here and give them an ovation:

Since the depression we have heard talk about rural development, but something seems wrong. Somehow there has been only talk and not much action.

In the past ten years we have heard a lot of talk about balanced national growth—a balance between rural and urban America. Again, we have just heard talk. There are about 200 federal assistance programs designed in whole or in part to help rural America, and somehow they are not having an economic impact that would promote balanced growth.

Balanced growth for the United States is hardly a controversial objective. It is accepted on both sides of the aisle as something that is desirable and which should be encouraged. But what does it really mean and how can it be accomplished? These are questions that have never really been adequately answered, by either government or the private sector, and the search for these answers is one of the principal reasons the Coalition has been formed. Clearly some new approaches are needed.

Some of our rural programs—especially some of the farm programs—are relics of an earlier time when things were different than they are now. These programs were developed without realization of what farm mechanization, three wars and vast urban industrial expansion would do.

As a matter of fact, there is considerable evidence that much of the continuing research and human development efforts of the Federal Government do not promote balanced national growth, but merely speed up the migration process from rural to urban society.

The U.S. Department of Agriculture, for instance, is still sponsoring research into the development of more efficient machinery which will take more and more people off the farm.

It's easy to understand the motivation for these efforts. They are part of a desire to increase production and decrease operating costs. But when is someone going to take cognizance of the social costs of continued migration out?

Take a long look at the age of our farm population. It's old.

Obviously certain factors will take hold to prevent this from happening, but at the present rates of farm family outmigration, in 20 years there will be no one left in America who knows how to operate a farm. Then no amount of fancy new machines will be enough to restore our proud claim as the best fed nation in the world at the lowest cost in terms of take home pay.

This dire prediction is not going to take place. But who are our farmers likely to be if the trend continues? They will be employees of large corporations.

There are some who will give reasons why this will not come to pass, either, but few can contest the fact that a young man today who is not born into the ownership of farm land will find it all but impossible to get a start in agriculture.

These new approaches must also recognize that the solutions to our rural problems must be arrived at in a far different manner than has historically been the case.

Our problems are totally inter-related and equally complex, and they cannot be resolved in isolation. As the President said in his 1970 State of the Union message:

"What rural America needs most is a new kind of assistance. It needs to be dealt with not as a separate nation but as part of an overall growth policy for America."

With this in mind, the Coalition has developed certain legislative objectives described by Governor Tiemann as:

"The direct infusion of dollars into the rural economic system—the investment or job tax credit, non-agricultural credit, and the regional approach toward public works assistance.

"Our reasoning is simple enough. Our organization is composed of former governors. Through sometimes brutal experience, they have learned what works to stimulate economic development."

Both Governor Tiemann and myself testified on behalf of S. 2223. This bill provides for a rural development credit and incentives. Introduced by Senator Hubert H. Humphrey and Senator Herman E. Talmadge to promote rural economic development, this legislation has been cosponsored by fifty members of the U.S. Senate. It is important, because it would reverse a serious trend and begin to infuse new money into the development and growth of Countryside U.S.A.

This is a big and complicated bill. It may not pass without the aggressive support of groups like yours.

Again I say we must stop talking about balanced national growth and begin to do something about it. Take a look at what has been done in the past to stimulate economic development in rural areas, such as waterway development and reclamation projects. They worked. They stimulated development where there was none before. They were among the few Federal actions planned and executed on the basis of a cost-benefit ratio.

The Humphrey-Talmadge rural development credit bill would expand the activities of the Secretary of Agriculture to encompass all Federal rural development projects—a total approach, rather than one based solely on farming.

This is something I believe is sorely needed. We have rural development programs scattered among so many government departments that President Nixon's Task Force on Rural Development couldn't even locate all of them.

The Federal Government is a large employer of hundreds of thousands of people who take home millions and millions of dollars worth of paychecks. But where are the federal facilities located?

Now this is a good example of how they care about balanced growth:

At one time, those federal offices were in the central cities. But now the government doesn't even have the courage to leave the jobs in the central cities. It's moving them out to the suburbs, following the trend of private business.

Where is the Department of Agriculture located? Is it in a rural area? How long has it been since the assistant secretary for rural development has spent a protracted period of time out there with the people whom he presumes to help?

Is the Bureau of Indian Affairs located where the Indians are? Is the small communities section of the Department of Housing and Urban Development located anywhere near a small community that is not directly affected by some metropolis?

Even the regional offices of the departments which are totally concerned with rural development are smack dab in the middle of hundreds of thousands of people who have forgotten the rural people left behind.

Obviously much could be done to stimu-

late economic development in existing rural growth centers if the government would adjust its policy of locating federal facilities so that they are closer to the people they serve. Title IX of last year's farm bill is an excellent beginning in this regard, but it must be implemented.

Each year, the Federal Government spends millions for many kinds of research and development. But where does that money go?

It goes to the Harvards and the M.I.T.'s and the Berkleys. It might be argued that those institutions have the Nobel prize winners. But I ask simply if the Nobel prize winners aren't there because the Federal R&D dollars are there? And I also wonder how many of these men would have become Nobel prize winners without the R&D money.

If we really want balanced national growth, why don't we spend some of these dollars at places like the University of Kentucky or the University of South Dakota? I submit that this is partly because no one has ever questioned the system before.

And what about credit?

There simply isn't enough of it available in rural America to stimulate local growth and a real trend toward balanced development.

Small town banks either don't have the resources to lend great amounts of money for venture and enterprise capital, or they tend to hoard assets. There are small towns in this country where the banks don't even give auto loans.

I believe that the President's call for an investment tax credit will do much to stimulate economic development in rural areas. In fact, the Coalition feels sufficiently strong about the use of tax incentives to spur economic development that we are vigorously supporting an amendment by Senator Pearson of Kansas to provide a differential in favor of enterprises that locate in rural areas.

An investment tax credit of the type proposed by Senator Pearson of Kansas to provide a differential in favor of enterprises that locate in rural areas.

An investment tax credit of the type proposed by Senator Pearson is a powerful economic tool. It can be used quickly and is relatively simple to administer. Since it relies on the initiative to the private sector, it has the potential to be more effective than direct Federal spending. The leverage gained from such an incentive can be tremendous. For example, under Senator Pearson's Amendment, if new rural investment is stimulated and takes advantage of the investment tax credit, every dollar lost to, or in effect spent by, the Federal Treasury will be matched by seven dollars invested by the private sector in rural America. It also has the advantage of encouraging rural industrial development without destroying the tax base of rural communities—when tax incentives are left to the state or local communities alone, those who can least afford the loss of revenues are often those who have to make the biggest concessions to attract industry.

Now I want you to notice something. I began this speech talking about family farmers, and now I am talking about drill press operators.

The reason for this is quite simple. Rural America is no longer made up of predominantly farm population. It is as complex a society as urban America and must be viewed accordingly. The Coalition clearly recognizes the need to tie together these diverse interests in order to mutually reinforce all segments of rural America. Unless this happens the future of Rural America will continue to be marked by continued outmigration and a further loss of our youth to the cities. This need not happen. This will not happen if strong and vigorous leadership is able to define and fight for the real Rural America in all its complexities. This is your challenge.

Your challenge because you have successfully in the past represented that key figure in our population—the farmer. We must now expand our horizons and develop a Rural America that can successfully bring together all of the different economics so that all can together create a strong and dynamic Rural America.

TRAFFIC JAMS

Mr. COOK. Mr. President, a noteworthy article entitled "Traffic Jams: What To Do?" appeared in the Washington Evening Star last evening which I feel all my colleagues should avail themselves to read.

It is a wonder in itself that our dedicated commuter force musters enough courage every morning and evening to face bumper to bumper traffic, screeching tires, tooting horns, and discourteous verbal assaults.

Even with the accomplishment of this truly outstanding task, the victory falls short, even though great skill is involved. Having bested the opponent, the commuter is still faced with the perilous task of outmaneuvering his mortal enemy for a place to park. Even with this done, the financial woe ensues.

Fred Barnes' article is enlightening in that it presents several alternatives to the massive commuter congestion problem. Particularly, he notes that steps are underway that may all but alleviate the problem. The relief that is coming is in the form of a 4-day workweek which transportation officials are considering introducing as a way to ease rush hour traffic snarls.

As you know, Mr. President, I am the author of S. 2463, the 4-day workweek bill. I have contended that the time is right for the country to evolve to such an innovative work schedule, and Mr. Barnes' article certainly sheds some favorable light on its necessity. I ask unanimous consent that the article be printed in the RECORD.

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

FREEWAY ALTERNATES—TRAFFIC JAMS: WHAT TO DO?

(By Fred Barnes)

Transportation officials are considering a series of schemes, including the four-day work week, designed to ease rush-hour traffic snarls in the Washington area without building new freeways.

These plans, known as "non-facility solutions" to the transportation problem were presented today to the Transportation Planning Board of the Metropolitan Washington Council of Governments. The council took them under consideration.

Besides the four-day work week, the proposals call for an increased program of staggered work hours for government and private employes and a plan called "Gleitzeit," which has been used successfully in Germany.

Gleitzeit would allow employes to work an eight-hour period of their choice between 7 a.m. and 7 p.m. For instance, some might choose to work from 7 a.m. until 3 p.m., while others might prefer to work from 11 a.m. until 7 p.m.

"If everyone were happy with the current schedule, there would be no change," said a report from the COG staff. "On the other hand, if people were really bothered by peak hour congestion, there could be major changes in current traffic patterns," it added.

The report said the four-day week has been tried in Los Angeles and a study there concluded that it "could have a major impact on relieving congestion at traffic bottlenecks."

The federal government already staggers the work hours of many of its agencies, but the COG report noted that this practice "is less common for private firms." The report suggested that much more staggering would be helpful in the private sector.

"A change in work schedules could have a major impact on the amount of peak hour traffic which must be accommodated," the report said. Each of the schemes "has the advantage of providing a relatively immediate reduction in peak hour congestion especially in the downtown area," it added.

"Because of the growing social and environmental concerns over building transportation facilities for peak travel demands, it is essential to explore all non-facility alternatives that might reduce such demands," the report said.

"The social and economic benefits of these plans might even outweigh the transportation implications," it said. "Both improved utilization of company equipment as well as more flexible scheduling of individuals' daily activities could result."

But the report said there are possible drawbacks in the schemes, including a possible "reduction in car pooling" that might see more commuters drive their own cars alone.

At today's board meeting, Thomas F. Airis, director of the D.C. Department of Highways and Traffic, said officials found it easy to stagger work arrival times, but encountered problems in getting people to go home over a staggered period.

Airis said most people want to leave around 5 p.m. "We wind up with really heavy congestion on the city streets at that time," he said.

ELGIN BAYLOR

Mr. TUNNEY. Mr. President, this month Elgin Baylor, one of the great legends of basketball, retired from the Los Angeles Lakers basketball team.

Those of you who have been here in Washington and follow sports know of his great playing days here as a prep star. He went on to a remarkable college career and excelled through 13 years with the Lakers.

Earlier this month the Los Angeles Times Staff Writer Mal Florence had this to say about Mr. Baylor:

No man contributed more to the success and popularity of the Lakers since they moved to Los Angeles in 1969 than Baylor.

As an athlete, the graceful 6-foot, 5-inch forward had no peer. He was a man of a thousand offensive moves and his hang-in-the-air acrobatics are part of the legend and lore of pro basketball.

Mr. President, I ask unanimous consent that the article be printed in the RECORD.

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

BAYLOR ENDS FABULOUS CAREER AFTER 13 YEARS—LAKERS' CAPTAIN SAYS HE QUIT IN FAIRNESS TO FANS, TEAM, SELF

(By Mal Florence)

Elgin Baylor, one of the greatest basketball players in the history of the game, has retired.

The famed Laker captain came to this decision Thursday afternoon after a remarkable 13-year career in the NBA.

The 37-year-old Baylor will remain with the Lakers in a public relations and scouting capacity. He also will be a TV analyst on the college basketball game of the week.

No man has contributed more to the success and popularity of the Lakers since they moved to Los Angeles in 1969 than Baylor.

As an athlete, the graceful, 6-5 forward had no peer. He was a man of a thousand offensive moves and his hang-in-the-air acrobatics are part of the legend and lore of pro basketball.

"I hoped to end my career after one last, successful season," said Baylor. "Out of fairness to the fans, to the Lakers and to myself, I've always wanted to perform on the court up to the level and up to the standards I have established throughout my career.

MAINTAIN STANDARDS

"I do not want to prolong my career to the time when I can't maintain those standards."

Baylor has made several comebacks from injuries during his career. But none was more serious than the severed Achilles tendon that enabled him to play in only two games last season.

Yet, when the present season started there was old double-deuce performing at his familiar starting cornerman position. Still, he wasn't at his physical best and this knowledge contributed to his retirement announcement.

JERSEY RETIRED

Baylor, who carried himself with dignity both on and off the court, will never see his No. 22 jersey worn by another Laker.

Laker owner Jack Kent Cooke has seen to that, saying, "that is as it should be."

"One of the privileges I've enjoyed as owner of the Lakers is being associated with the man who deserved the description superstar as much as any athlete who has ever lived," said Cooke.

Sharman, who used to play against Baylor when he was a star Boston Celtic guard, expressed his admiration for the man who is probably the all-time NBA forward.

"I've always admired Elgin Baylor and knew him to be a super star," said Bill. "Now, after coaching and working with him I've also found him to be a super person.

"I felt that Elgin made a tremendous effort considering his many injuries including the serious Achilles tendon injury. His attitude and cooperation never diminished and he always put out with a 100% effort."

Schaus echoed Sharman's sentiments when he said:

". . . This is a sad day for me because of the wonderful 11 seasons we had Angels with the Lakers. But I'm happy and pleased with the realization that Elgin will be an important member of our staff for the next three years. I say without reservation that Elgin Baylor is the greatest cornerman who ever played pro basketball."

NO. 3 SCORER

Baylor retires as the third greatest scorer (23,149 points) in NBA history behind Wilt Chamberlain and Oscar Robertson.

More amazing is the fact he's reached this lifetime total while missing 170 games in 13 seasons.

He was also the greatest rebounder for his size in the league. In a domain that belongs to the giants of the game, Baylor was fifth on the all-time rebounding list (11,463). Elgin earned other statistical credits—second ranked in the NBA in field goals attempted and made and No. 5 in free throws converted.

And, it was almost 11 years ago today that Baylor scored 71 points against the New York Knicks at Madison Square Garden—the highest figure ever recorded by an NBA forward.

Of the 20 all-time high point games in the NBA, 17 belong to Chamberlain and three to Baylor.

Elgin was almost a perennial all-league selection since his rookie season with the Minneapolis Lakers in 1958–59. He was also a member of the NBA All-Star team on 10 occasions.

About the only honor to accrue to Baylor was playing on an NBA championship team. But he and Jerry West fought the good fight, battling the Boston Celtic dynasty in some historic title series—many going to the seventh and deciding game.

Elgin still has the distinction of scoring a record high 61 points in a playoff game against Boston in 1962.

Body control was, perhaps, the key to his offensive proficiency—shots that defied description.

Only two years ago, Knick forward Dave DeBusschere was saying, "I've thought I've seen all of the old man's moves, but he showed me a few tonight I had never seen. He's a marvel of the ages."

SELECT GROUP

Baylor also has long, strong fingers and once he clamped his hands on the ball, it was his.

Baylor leaves the NBA with a lifetime scoring average of 27.5 points and the legacy that he was a member of a select group—the Russells, Wests, Chamberlains, Robertsons, Cuseys—that promoted pro basketball from a barnstorming; second-rate sport to the high level of popularity it now commands.

Elg came to the Lakers as an exciting All-American from the University of Seattle. Bob Short, then the Minneapolis owner, recently reflected on Baylor's worth to the franchise.

"If he had turned me down then, I would have been out of business. The club would have gone bankrupt."

Formal retirement ceremonies are planned by the Lakers in the near future. They'll be honoring a class player and a class person.

THE FRENCH CONNECTION

Mr. HARTKE. Mr. President, on March 2 of this year, I introduced Senate Resolution 64 which called upon the President to take effective diplomatic and economic measures designed to curb the international traffic in heroin. That resolution was based upon the obvious fact that there is a significant international network of heroin traffickers; and, until they are eliminated, we will not be able to eradicate the scourge of heroin addiction in the United States.

A few months ago, the Government of Turkey announced that opium production would be illegal in all of that nation's provinces by next year. This was welcome news, but no source of comfort. First, the 1-year grace period gave Turkish opium producers a chance to stockpile. Second, the Turkish program in and of itself does not guarantee that illegal production will be eliminated. Third, there is an ample source of supply from other nations, particularly those in Southeast Asia. We will be spending $35 million to assist the Turkish Government embark upon its program, but I very much doubt if that effort will make more than a minor dent in the source of the world's supply of heroin.

There is a contemporary motion picture making the rounds these days called The French Connection. It is a dramatized version of a well-planned effort to smuggle heroin from Marseilles, France to New York City. One need not, however, go to his neighborhood movie theater to learn the details of this escapade, for it is being played on the front pages of every newspaper in this country.

Recently, we have learned that there may be truth in the allegation that government officials in France are involved, either directly or indirectly, in the international heroin traffic. I have often wondered why Marseilles could be a major center for refining opium into heroin without risking government crackdown. If the current case ever goes to trial, either in the United States or in France, we may know whether the suspicions of some are based on facts.

In the immediate aftermath of the revelations of this case, it has come to my attention that John Cusack, the representative of the Bureau of Narcotics in Europe, has been transferred to another post. Some weeks ago, I entered into the RECORD two interviews with Mr. Cusack which were printed in French newspapers. I also entered a third article which recounted the official displeasure which Mr. Cusack's remarks evoked. He raised the possibility of involvement on the part of government officials in narcotics, and he pledged a hard fight to stamp out international drug traffickers in Europe. If Mr. Cusack is being punished for taking a hard line on the peddlers in drugs and destruction, this administration has truly reached the height of hypocrisy.

Mr. President, I ask unanimous consent that newspaper and magazine articles related to this subject be printed in the RECORD.

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

HEROIN SMUGGLER'S STORY—PROBING THE ANATOMY OF A "FRENCH CONNECTION"

(By Morton Mintz)

Last Dec. 15, according to the U.S. government, Col. Paul Fournier, a supervisory agent in the French counterpart of the CIA, recruited Roger X. L. DeLouette, 48, who holds the Croix de Guerre for his service in World War II, for an unusual mission: to smuggle heroin into the United States.

DeLouette, who had been dismissed some months earlier by another French government agency believed to be an espionage front, the Bureau for Agricultural Development, and who is the father of four sons and two daughters, agreed.

Here is the sequence of events that followed, according to U.S. government sources and DeLouette:

Fournier, whose agency is known as SDECE (Service de Documentation Exterioure et de Contre-Espionage), and who has an office in Paris in Les Invalides, arranged for DeLouette to meet someone the government calls "John Doe."

Meeting, as instructed, the next day at the Paris Cafe in Paris, DeLouette made an agreement to smuggle 96 pounds of pure heroin, with an estimated "street corner" value of $12 million, into the United States. For his services, "John Doe" told him, he would get $1,200 per kilogram, or $50,000.

At the same meeting, the unidentified man instructed DeLouette to obtain a visa for entry into the United States, to buy a Volkswagen camper, in which the heroin would be hidden, and to arrange for shipping the camper to this country.

A secondary preliminary meeting, also set up by Fournier, was held at the King Cafe in Paris in mid-February. This time, "John Doe" gave DeLouette the equivalent of $5,500 in French currency for the purchase of the VW and other expenses associated with his mission.

DeLouette bought the camper from the Garage Michel-Ange, V.W., in Paris on Feb. 25. To avoid the French sales tax, he paid for it with a check for 14,079 Swiss francs drawn on the Credit Suisse in Geneva, where he has account No. 195-715.

The next day, DeLouette went to Geneva to deposit enough to cover it.

On March 15, Fournier got in touch once more with DeLouette. He told him to drive

the VW to Pontchartrain, about 25 miles from Paris, and there, the next day, meet another unidentified man—"Robert Roe"—who would be driving a green Simca and who would give him the 96 pounds of heroin.

DeLouette did this, and he and "Robert Roe" hid the narcotic in wall panels and under the floorboards of the VW.

The day after, DeLouette drove the VW to LeHavre, where he consigned the camper to Pacific Intermountain Express for shipment to Port Elizabeth, N.J. On March 18, he told Fournier the details of the shipment, including the date of arrival in this country and the name of the hotel in New York City in which he planned to stay, the Park-Sheraton.

On April 3, Fournier told DeLouette to fly to New York. He did so the following day, on TWA Flight 803, and went to the Sheraton.

At Port Elizabeth, meanwhile, a Bureau of Customs inspector, Lynn Pelletier, 21, who had been on the job only a couple of months, was spot-checking imported vehicles. She discovered the heroin in the VW.

When DeLouette went to Port Elizabeth on April 5 to claim the VW, he was arrested.

By then a major investigation was underway—by the Bureau of Narcotics and Dangerous Drugs of the Justice Department, the Bureau of Customs and the U.S. attorney in Newark, Herbert J. Stern.

Almost at once, DeLouette was questioned by American authorities together with a French policeman, Commissaire Daniel Hartwig.

DeLouette's final instruction from Fournier, which was aborted by the arrest, had been to drive the VW to the Park-Sheraton and await an unidentified contact, who would take the heroin and pay him the $50,000 delivery fee.

In Paris on April 6, the day after the arrest, the Central Office for the Suppression of Illicit Drug Trafficking entrusted an official inquiry to Investigating Magistrate Gabriel Roussel.

A week later, in a letter to prosecutor Stern, Roussel said that under French law he could not proceed against Fournier without a statement from DeLouette.

Later, Stern obtained permission from District Judge Lawrence Whipple to appoint an official of the Bureau of Narcotics to ask the questions of DeLouette that Roussel wanted asked—and to ask them in the presence of a French narcotics policeman, Claude Shaminadas, who is assigned to the French consulate in New York.

DeLouette's court-appointed attorney, Donald A. Robinson of Newark, balked. He wanted assurances that DeLouette's answers (and testimony he gave in the meantime to the grand jury) would not be used against him in France.

Without such protection from self-incrimination, which in the United States is guaranteed by the Fifth Amendment to the Constitution, he would not let DeLouette answer Roussel's questions.

To resolve the dilemma, Stern said, Honare Gevaudan, assistant director of the Police Judiciare in Paris, suggested that Stern request Roussel to immunize DeLouette from prosecution in France.

Stern made the request in a letter in which he said that immunizing DeLouette would enable the French "to proceed against the 'high-ups' in a criminal organization which is operating between our two countries."

Roussel has never told Stern whether he will grant immunity. As late as Friday, however, French government spokesmen were insisting that Roussel lacked power to immunize DeLouette. The prosecutor's office disputes this, not only because the idea had a French source, Gevaudan, but also because of special provisions in a French-American agreement on fighting narcotics trafficking.

Another effort to mesh the legal systems of the two countries was made in Washington on Sept. 14, at a meeting attended by Stern and assistant; Donald W. Merkelbach; Bureau of Narcotics officials; Gevaudan and Michel Nocquet, also of the Police Judiciare, and Shaminades, the consulate narcotics policeman.

Recounting the meeting in letters to Roussel and Max Fernet of the French Criminal Police in Paris, Stern said the French participants made it clear they believed DeLouette was lying about Fournier.

Accordingly, Stern said he proposed a lie detector test, with the understanding that if DeLouette should refuse to take it or should fail, he would prosecute him and recommend the maximum sentence for conspiring to import narcotics, 20 years.

On the other hand, Stern said in the letters, the French agreed that if DeLouette took the test and passed, they would "proceed with an appropriate prosecution" of Fournier.

Privately, Shaminadas bet Stern a meal in a French restaurant that DeLourette wouldn't take the test—but he did, on Sept. 21, with the Justice Department administering it. "The results of the test were positive indicating that DeLouette was telling the truth," Stern told Fernet.

One of the questions was, "Did Fournier give you a contact in the French consulate in New York?" DeLouette's answer was yes. The person he named—not Shaminadas—is a middle-level official. Stern has submitted written questions to this official that are supposed to be answered Monday.

(Later, on October 4, DeLouette took a second polygraph test to answer questions submitted by Shaminadas, who was present. The machine indicated that DeLouette was untruthful only when he denied he had told a certain friend of the heroin smuggling.

Nine days later, Stern sent Fernet, the police official in Paris, a copy of the polygraph examination, which, he said, "indicates to me beyond any doubt that Mr. DeLouette is telling the truth concerning the involvement of Col. Fournier." Stern has never had a reply from Fernet.

The same day, although French police had interviewed DeLouette as far back as April 5. Magistrate Roussel wrote Stern to ask for additional information in order to "identify" DeLouette.

Stern, who by then had turned over all of the evidence in his possession to the French, sent along photos and fingerprints.

But, obviously seeing stalling tactics in all of this, the prosecutor told Roussel—in a letter hand-delivered in Paris on Nov. 5—that his "primary emphasis" seems to be on arresting and extraditing and prosecuting Fournier. And, he said, if Roussel did not act, the grand jury would.

Last Monday, the grand jury indicted Fournier and DeLouette. The next morning DeLouette pleaded guilty.

For two hours, Judge Frederick B. Lacey reviewed with DeLouette every detail of the conspiracy charge, as given earlier in this article.

Judge Lacey ended by saying he was satisfied that the guilty plea was factually based, uncoerced and made in awareness that it carried a mandatory sentence of at least five years. DeLouette, unable to put up $500,000 bond, is in custody awaiting sentencing.

In France, official sources issued a series of denunciations of DeLouette and Stern and defenses—echoed by the American embassy—of the vigor with which the two countries fight the narcotics traffic.

There was no sign at all of a possible prosecution of Fournier, who, Stern told police official Max Fernet, had been cleared by a four-day "investigation."

Instead, in a statement authorized by Defense Minister Michel Debre, Fournier challenged Stern to prove him guilty. Stern replied that Fournier, if innocent, should be willing to come here to stand trial.

In the midst of all of this, it became known that the European chief for the Bureau of Narcotics, John Cusack, who had publicly hinted in August that official complicity underlies France's role as the source of the vast majority of heroin reaching the United States, was being transferred to the United States. The bureau said this was a normal rotation.

On Friday, Roger Barberot, head of the Bureau for Agricultural Development, where DeLouette once worked, said in an interview, on Radio Luxemborg in Paris, that agents of Fournier's SDECE had organized illegal traffic in narcotics, currencies and jewels. The true name of Fournier, a former master sergeant in the French Air Force, was Paul Ferrer, he said. Magistrate Roussel ordered the tape of the interview seized.

[From Drugs & Society, November 1971]

FRANCE: BUSINESS AS USUAL

August 26, 1971 . . . Mr. John Cusack of the US Bureau of Narcotics accuses the French authorities of failing to deal with their own drug problem.

August 26, 1971 . . . M. Pompidou writes to all members and prospective members of the EEC calling for a joint initiative against drug trafficking in Europe.

For many years it has been known that unprocessed opium from the Middle East was being manufactured into heroin and shipped to the United States from the Marseilles region of France. Yet nothing effective has ever been done about this problem, largely it would appear because the arrangement suited the French since it kept the drug from circulating in their less profitable market; and the Americans were happy to keep the production of the drug away from their shores. Occasional consignments of opium and heroin were seized, but never of much consequence and none of the illegal heroin laboratories supposed to exist in southern France were ever located. Some change in the situation may be expected following President Nixon's current drive against drugs.

M. Marcellin, the French Minister of the Interior, visited Washington in July 1970, and this resulted in the Franco-American Protocol on Narcotics Control. The protocol agreed to 'the setting up of a close cooperation between the specialised services engaged in the fight against the illicit traffic in narcotics of the two countries.'

It was after this that France began to recognise the extent of its drug problem. In March, *Paris-Jour* headlined a story, 'Un Cri d'Alarme: 37% Des Drogues Est Moins De 21 Ans'; and M. Marcellin himself, in July this year, called for the introduction of the death penalty for those caught trafficking in narcotics. External pressures were also mounting. Two visiting US Congressmen suggested that France was not doing everything in her power to combat the illegal production of heroin on French soil, an allegation that was echoed by John Ingersoll, head of the Federal Bureau of Narcotics.

However, the real bombshell came at the end of August when John Cusack, Director of the Paris-based European division of the Federal Bureau, launched an all-out attack on the failure of the Marseilles police to tackle their illegal manufacturing problems. In an interview with the southern newspaper *Le Méridionale-la* France, he said, "Right now there are in Marseilles three or four big shots of the drug racket who feel secure, fortified with their bank accounts, their connections and the respect that surrounds them." He cited as evidence the fact that in five years not a single illegal heroin laboratory had been located.

French reaction was swift. The following day M. Joseph Comiti, Minister for Youth and Sport, said, "The impotence of the American police should not seek an alibi in accusing the French police." The Marseilles police leapt to their own defence by demand-

ing to know why the finger of guilt was always being pointed at them. "Why no arrests in Lebanon, Turkey or Germany?" they demanded.

But perhaps the most effective countermove of all coincided with the date of the interview's publication. For on the very day that Cusack's accusations were made public, the French President, responding to both internal and external pressure, announced that he was inviting his European partners to join with him in combating the European drug problem. Pompidou's initiative was successful (intentionally or otherwise) in diverting attention away from the American accusations. The Marseilles police at a special conference were able to remind Cusack that it was their problem not his—and after all if they choose not to solve it that is their prerogative.

The Council of Europe, in session at the time, discussed the drugs question and welcomed the President's initiative. They ignored the American accusations and with suitable regard for the urgency of the problem announced that they were to hold an international symposium on drugs in March 1972.

Meanwhile the illegal manufacture of heroin continutes unabated.

IVOR GABOR.

TURKEY: NIXON'S NEW VIETNAM?

President Nixon's escalation of his war on drugs already looks very much like another Vietnam. It may well be as equally interminable and unsuccessful as the Asian enterprise. The name of the game surely is not to combat addiction: that should take care of itself. The real issue is the elimination of those social and economic problems which permit large-scale drug abuse to take root in the first place. But the annual 'financial costs' of the addiction problem—whatever that means—now approaching $2000 million, simply can not be ignored; nor can the 'human costs', rightly reckoned to be far higher. Hence the decision to crack down on this menace in the pre-Election year.

As a result of direct pressure from the American government, the Turks have decided to ban outright the cultivation of opium from mid-1972. 'The United States' drive to police the world is bad enough,' one Turkish official told me, 'but seeking to be its narcotics agent as well is just too much'. Yet the arguments in favour of the action taken do seem to have a certain logic. According to Washington, Turkey is the largest single supplier of opium to the American black market, accounting for between 70 and 80 per cent of total annual consumption. Eliminating this source would certainly be a useful step in the right direction.

Seen from Ankara, cooperation with the US has its manifest benefits. Of the $750 million or so annual investment expenditure required by the Turkish government, about one-third comes in the form of direct and indirect aid or other subsidies granted by the United States.

But the real question is, will it all work? In Turkey, the government's opium control law of 30 June 1971 appears to call into question not only the livelihood of some 70,000 families in central Anatolia, but also to raise the highly-emotive matter of Turkey's national sovereignty. Given the delicateness of Turkey's internal political balance in the first place, the introduction of this issue could be critical.

Even if the political hurdle is overcome, there remains the question of enforcement of the new law. As one Turkish government publication points out, illegal trafficking in opium made 'great progress' in 1970 owing to the operations of an 'internationally organised band of smugglers'. As a result, the official opium crop declined to about half the 1969 harvest—a fact which suggests that some 200 tons of raw opium has already been stockpiled for sale on the black market. A similar disposition of the 1971 harvest would double this stockpile. In terms of the United States market, this means that there would already be available opium sufficient to meet the anticipated demands for heroin for the next six years or so.

And Turkey is, of course, not the only source of opium to the United States, but only the most accessible and competitive in a chain of more than half a dozen supplier-countries stretching eastward to the south-east Asian peninsula. Eliminating Turkey as a source of supply will most likely mean that cultivation of opium will increase somewhere else along the 'opium crescent'.

What would President Nixon do then? The text of a recent message to Congress, with its reference to 'worldwide escalation of existing (anti-narcotics) programmes', provides some clue. If the analogy with Vietnam is accurate, Nixon's war on drugs will soon have to move into another Laos or Cambodia.

WILLIAM DORSEY,
Editor of "Arab Report & Record."

[From the New York Times, Nov. 21, 1971]

FRENCH SECRET SERVICE SCANDAL SPREADS IN WAKE OF DRUG CASE

(By John L. Hess)

PARIS, November 20.—A narcotics case in New Jersey was leading today to a spreading scandal in the French secret service.

Col. Roger Barberot, director of a Government foreign aid agency, declared in radio and newspaper interviews that a former operating chief of the Service de Documentation Extérieure et de Conte-Espionnage has been dismissed last year on suspicion of high treason.

The accused official was Col. René Bertrand, whose cover name is Col. Jean Beaumont. This evening, he announced that he had engaged the country's most prominent trial lawyer, Jean-Louis Tixier-Vignancourt, to sue Colonel Barberot for libel. He said he would ask one million francs ($180,000) in damages.

Colonel Barberot was closeted for an hour and a half today with Gabriel Roussel, the examining magistrate, who is investigating the charges made by Roger Delouette, a former agent indicted in Newark on a charge of conspiracy to smuggle 96 pounds of heroin into the United States.

On emerging, Colonel Barberot said he had shed no new light on smuggling but called for a thorough investigation and housecleaning of the agency. In radio and newspaper interviews, he had expressed the belief that some agents were involved in the drug traffic and that the arrest of Delouette might have been arranged as revenge by other agents.

There was no immediate comment by Col. Paul Fournier, accused by Delouette as having organized the heroin shipment interception at New York and identified by Colonel Barberot as Paul Ferrer. It was reported without confirmation today that Colonel Fournier is the director of research, or operating chief—of all agencies—having succeeded Colonel Bertrand in that post.

At Strasbourg, where the ruling Gaullist party is holding its congress, Defense Minister Michel Debré declared today that the Government had full confidence in the intelligence agency and that its high quality made it inevitable that it be subjected to hostile campaigns.

"A former occasional employe of the service seems to me to have fallen into deplorable operations in recent months," Mr. Debré said. "To lighten the sentence that awaits him, the accused has hurled grave charges. That's in the nature of things, just as it's in the nature of things that imaginations quickly build up fictional serials."

However, the sparks thrown by Delouette's testimony, continued to set off explosions.

It is generally believed that the discord within the agency is at least partly a reflection of the shifts in French foreign policy since the war. Agents who were in the Free French forces, then active in the cold war, in Indochina and in the Algerian repression, were suddenly ordered to reverse themselves and engage in intelligence activity sometimes directed against former allies.

"OLD COMRADES" COMPLAIN

Successive scandals, quickly quenched, and successive purges left bitterness among present and former agents of The Swimming Pool, as the agency's bleak headquarters in eastern Paris is called. Colonel Barberot, who indicated that he was not himself an agent, said a number of his "old comrades" had come to him with complaints about the agency and he had been conducting "a little personal investigation for three days."

Colonel Barberot, 56 years old, was a naval ensign when he deserted the Vichy regime in June, 1940, joined the British Eighth Army in North Africa, then fought in a Marine command under General de Gaulle, ending the war as a decorated captain. He returned to service with a colonel's rank in Algeria in 1956, but resigned two years later to denounce Army abuses, including torture.

After serving as Ambassador to the Central African Republic and to Uruguay, the colonel became director of the bureau for Development of Agricultural Production, a foreign aid agency.

He said he hired Delouette, an experienced farm manager, in 1968 and sent him on a long mission to Cuba, which he handled satisfactorily.

Delouette's next mission was to Sierra Leone, unaccountably, Colonel Barberot said, he disappeared and was finally dismissed. The colonel indicated that it was at about the time that Delouette was recruited by the intelligence agency.

It was widely noted here that Colonel Barberot is a leading figure in that faction of left-wing Gaullists that continues to support the Pompidou Government. Coincidentally, the lawyer who will handle the libel suit against him in behalf of Colonel Beaumont, Mr. Tixier-Vignamcourt, is the leader of the far right that also supports the Government.

As for Colonel Fournier, or Ferrer, newspapers here described him as a man of 52 who had joined General de Gaulle's secret service in 1940.

Colonel Fournier was credited with having bugged Arab embassies in Berne during the Algerian war, and, according to the right-wing newspaper L'Aurore, with thwarting American efforts to spy on the Concorde supersonic airliner.

According to L'Aurore, the colonel "did not hesitate to use information amiably communicated to him by certain services of eastern countries," and, "talked of drug routes, of the collusion of C.I.A. members in these rackets, etc."

Newspaper accounts here said that at least three men arrested on drug charges in recent years had worked for the intelligence agency.

Colonel Barberot said he was convinced that the Delouette affair had been "mounted in Paris," that the heroin smuggling was an amateur job and that the tipoff came from other intelligence agents, possibly American.

[From the New York Times, Nov. 19, 1971]

CONSULAR OFFICIAL QUERIED ON HEROIN SMUGGLING PLOT

(By Ronald Sullivan)

NEWARK.—United States officials delivered a series of questions to an unidentified official in the French Consulate in New York City today, asking him what he knew about an alleged international criminal conspiracy that had smuggled $12-million in heroin into this country.

The questions were posed by Herbert J. Stern, the United States Attorney for New Jersey, who issued demand that the questions be answered within 24 hours. French authori-

ties at the consulate, at 934 Fifth Avenue, informed Mr. Stern that the official's answers would be delivered tomorrow.

The consular official was identified as a "contact" in illegal narcotics smuggling conspiracy allegedly masterminded by Col. Paul Fourier, a high official in the French Service of Exterior Documentation and Counter-espionage.

Colonel Fournier was indicted by a Federal grand jury here Monday. The same indictment also named Roger Delouette, a former counterespionage agent who worked for Colonel Fournier and who testified that the colonel recruited him into the conspiracy last year.

GUILTY PLEA ON TUESDAY

Delouette pleaded guilty here Tuesday after testifying that Colonel Fournier directed him to smuggle 96 pounds of heroin into Port Elizabeth last April concealed in a Volkswagen camper.

In a lie-detector test, Delouette also said that Colonel Fournier had given him the name of a "contact" at the French Consulate in Manhattan. According to authoritative sources, the consular official has refused to appear before the grand jury here, contending he was protected by diplomatic immunity.

However, the official who—French and United States officials refused to identify because he has not been charged officially with any crime—did agree to respond to written questions put to him today by Mr. Stern.

In Paris, meanwhile, Colonel Fournier issued a statement, approved by French authorities, in which he denied any part in the conspiracy. He also issued the following challenge to Mr. Stern.

"If I am guilty, Mr. Stern, prove it and justice will follow its course."

FOURNIER CHALLENGED

In turn, Mr. Stern issued the following bitter response here tonight in what Federal officials described as a highly unusual trans-Atlantic confrontation between an American and French official:

"If you are innocent, Colonel Fournier, come to this country and stand trial. If you are innocent, you have nothing to fear. You are assured of a fair and impartial trial by our system of justice. Don't hide behind an anonymous service and an international order."

Mr. Stern also made public several new letters to French authorities in which he repeated his earlier request for their cooperation in prosecuting Colonel Fournier.

Mr. Stern re-emphasized in the letters an agreement he had reached with the French police that "once Delouette had taken and passed a lie-detector test, the French police would immediately proceed against Colonel Fournier."

In fact, Mr. Stern said, one French policeman, Michel Noquet, had bet him an expensive dinner in a good French restaurant that Delouette would never voluntarily submit to a lie-detector test.

Actually, Delouette volunteered to take two tests—the first administered by French officials, the second at the request of French officials here who posed the questions put to him.

In a letter to Max Fernet of the French criminal police in Paris, dated Oct. 13, Mr. Stern said that Delouette's responses indicated "beyond any doubt" that he was "telling the truth concerning the involvement of Colonel Fournier."

In contrast, the French had steadfastly portrayed Delouette as a liar who was attempting to save himself from a long prison term by implicating Colonel Fournier.

In his letters, Mr. Stern emphasized that he still had not received any word of whether the French authorities would grant Delouette immunity in France, since he now faces at least five years' imprisonment here on his guilty plea. Mr. Stern said Delouette's testimony was vital "to aid the French authorities in their investigation against the 'higher ups' in this criminal conspiracy."

[From the New York Times, Nov. 19, 1971]

U.S. TRANSFERS AGENT

PARIS, November 18.—John Cusack, the chief American narcotics agent in Europe, who has been embroiled in controversy with his French colleagues, is being transferred to another post at a time when controversy between France and the United States over narcotics trafficking is hotter than ever.

The United States Embassy confirmed the transfer of Mr. Cusack without saying where he was going or why he was being removed. The tough, 48-year-old agent, who has waged a five-year fight in Italy, Turkey and France against the smuggling of narcotics to the United States, was said tonight to be out of Paris and unavailable for comment.

The move was immediately connected by French observers with the case of Col. Paul Fournier, the French counter-espionage agent who is under indictment by a Federal grand jury in New Jersey on narcotics smuggling charges.

French-American cooperation in controlling the flow of narcotics to the United States developed while Mr. Cusack was European director here. It has reached a low point with the Fournier affair.

NO PROSECUTION PLANNED

The secret agent, who is a veteran of the French counterespionage services, has received full backing from his Government, which made it known last night that it would not take action against him on the narcotics charge.

According to the authoritative Le Monde today, Mr. Fournier is 52 years old and has been a secret agent since 1941, when he joined the Free French under Charles de Gaulle. The paper said Fournier was not his real name.

It was widely suggested here that Mr. Cusack was being removed in an effort to improve the climate of cooperation that both governments seek. Although he has maintained good relations with the French police working on narcotics, Mr. Cusack also has on occasion been a thorn in their side.

U.S. INTERNATIONAL ECONOMIC MEASURES

Mr. STEVENSON. Mr. President, President Nixons' announcement on August 15 that a new U.S. posture on international trade was forthcoming touched off a worldwide reaction. To some for whom the U.S. dollar has been the foundation of economic reconstruction and growth since World War II, the announcement signified a renunciation of responsibility with far-reaching political and economic repercussions as the result. Others commended the President for recognizing that the United States no longer could, nor should, bear the burden of maintaining the stability of world markets while our trading partners prosper at our expense.

In an article from World Events published by the Chicago Council on Foreign Relations, Mr. Bruce A. Blomstrom sets forth the political as well as the economic aspects of this controversy by explaining the rationale behind the positions taken by the United States and its principal trading partners. His succinct presentation of the problems facing each of those nations makes this article an important contribution to our knowledge of the current international economic situation.

I ask unanimous consent that the article be printed in the RECORD.

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

U.S. INTERNATIONAL ECONOMIC MEASURES—OVERKILL OR ECONOMIC STATESMANSHIP?

(By Bruce A. Blomstrom)

(EDITOR'S NOTE.—Mr. Blomstrom, a Vice President of the Council, is a graduate of MIT's Alfred P. Sloan School of Management and the Director of International Product Management for the worldwide operations of Libby, McNeill & Libby. Widely experienced in international trade in Canada, Japan, Europe, the Middle East and Africa, he has participated in GATT negotiations involving European and African countries, among others, and has contributed significant articles to Harvard Business Review and the Journal of Marketing. His following article is a penetrating analysis of President Nixon's new international trade policies.)

On August 15, 1971, President Nixon announced to the world that the United States was prepared to take drastic measures to improve its international economic position. On this day, in addition to wage and price controls, he announced:

a 10% surcharge on all imports for 90 days.

suspension of the convertibility of dollars into gold.

a 10% cut in foreign economic aid.

He also requested Congress to enact:

a tax incentive to encourage exports.

a 10% investment tax credit with a "buy American clause" in it to exclude foreign competition.

In explaining these actions to our principal trading partners, Treasury Under-Secretary Charles Walker indicated that nations with major surpluses must:

revalue their currencies vis a vis the dollar (perhaps 10% for Europe and 15% for Japan).

carry a greater share of the free world's defense and foreign aid burden.

To many, this was a welcome program. It served notice to all that we would no longer be pushed around in international matters and that we would now exert the necessary force to correct the wrongs of the past. It has given courage to protectionists that perhaps the liberal trade policy of the past forty years is now dead. It clearly demonstrated that we have a President who is prepared to act at the highest political level on such matters.

Others felt that the U.S. used about as much skill and diplomacy as a bull in a china shop. Did we really need to bludgeon out trading partners with a 10% import surtax when severing the gold backing of the dollar (with some vigorous behind the scenes activity) will have roughly the same effect? Could we not have achieved more lasting solutions through joint international action? Have we really attacked the fundamental reason for our balance of payments deficit?

THE U.S. SITUATION

When considering these problems, it helps to put the U.S. position in international trade and monetary matters in perspective.

The U.S. dollar has become the principal reserve currency of the world. Other countries hold it, alongside gold, as a major part of their international reserves. Many countries define the value of their currency in terms of the dollar rather than gold. The U.S. action suspending dollar convertibility is now causing governments to reevaluate their dollar holdings. In all likelihood, some sort of international mechanism will be devised to replace the dollar as the world's principal reserve currency.

The U.S. accounts for almost one-fifth of all free world exports. These have increased

from $10 billion in 1950 to $42 billion in 1970. While our share of world exports has declined slightly since 1950, from 22% in 1950 to 18% in 1970, we still remain the single largest factor in world trade.

Our foreign trade is not a significant part of our economy. It only accounts for 4% of our gross national product.

In contrast, our major trading partners are more heavily dependent on international trade for their economic well being. In Canada, international trade is five times more important than for the U.S. It accounts for 20% of their GNP. The table below compares the U.S. situation to the principal countries of the world.

Foreign Trade as a Percent of GNP

Canada	20
West Germany	19
Italy	15
United Kingdom	15
France	10
Japan	10
United States	4

In Western Europe and Japan, foreign economic matters are vitally important. They are given vigorous attention by legislators. In the U.S., we are far more concerned about domestic economic policy. International trade and monetary questions have normally taken a back seat. This is why Dr. George Schultz, one of the President's principal economic advisors, could say, only three months prior to the President's August 15 action, that international monetary matters were not "at the top of the (economic) priorities list."

THE U.S. BALANCE OF PAYMENTS

Our balance of payments has been in chronic deficit for the past 20 years. Taking the most recent 10 year period as an example, and making some gross simplifications, the deficit has totaled $16 billion. Table 1 highlights the major elements of our balance of payments (current account and long term capital only). Of concern now is the fact that 1971 is expected to show a larger deficit than in any of the preceding 10 years.

TABLE 1.—U.S. BALANCE OF PAYMENTS

[In billions of dollars]

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Total
U.S. Government expenditures	−5.6	−5.3	−5.4	−5.4	−5.4	−6.3	−7.3	−6.9	−6.8	−7.1	−61.5
Travel and transportation	−1.0	−1.2	−1.3	−1.1	−1.3	−1.4	−1.8	−1.6	−1.8	−2.0	−14.5
Net private investment surplus	1.4	1.5	.7	.4	.7	2.7	3.0	7.4	5.9	4.7	28.4
Trade surplus	5.6	4.6	5.2	6.8	4.9	3.9	3.9	.6	.7	2.1	38.3
Other	−.7	−.6	−.6	−.7	−.7	−.7	−.9	−.9	−.8	−.8	−7.4
Rounding errors correction	.3		.1			.2	−.1	.1	−.1	.1	.6
Balance of payments deficit	0	−1.0	−1.3	0	−1.8	−1.6	−3.2	−1.3	−2.9	−3.0	−16.1

Source: Survey of Current Business, U.S. Department of Commerce, June 1971, p. 30.

The largest drain, some $60 billion over the past 10 years, has been expenditures by the U.S. government for military bases overseas and aid, mainly of a military or security nature, to foreign governments. The President has attacked this problem by asking Western Europe and Japan to bear a greater share of these expenditures. Troop cutbacks in Viet Nam will help alleviate this situation provided that our economic aid does not amount to more than the savings resulting from bringing the troops home. There appears to be a gradual shrinking of our worldwide military network of bases but unless it is augmented by a substantial reduction of our European troop commitments, the balance of payments effect will probably be inconsequential.

The second major use of dollars abroad is for travel and transportation. American travelers have managed to spend $15 billion abroad over the last 10 years. President Johnson toyed with the possibility of an international transportation tax in 1967 but quickly dropped the idea. Traditionally, governments that have a balance of payments problem adopt some form of exchange control. This limits the amount of money that an individual can take abroad. Those who have friends in England may recall that, during their payments crisis, each traveler was allowed to take only a few hundred dollars when he left the country. There do not appear to be any plans by the current administration to adopt such controls.

The funds for financing our international expenditures have come traditionally from the trade surplus. We have always exported more than we have imported. At least that was the situation from 1898 to 1970. We are now faced with a trade deficit in 1971, not because our exports have fallen off, but because imports have soared dramatically. During the ten year period, 1961 to 1970, our trade surplus amounted to $38 billion. Comparing the two most recent 5 year periods, our surplus dropped by 60%. It was $27 billion in 1961–65 and only $11 billion in 1966–70. In the period from 1961 to 1965 it ranged as high as from $5 to $7 billion per year. But those days appear to be receding swiftly into the past. At least they were until Mr. Nixon's dramatic announcement.

COULD RESTORE TRADE SURPLUS

A 10–15% revaluation of Western Europe and Japanese currencies, combined with the 10% import surcharge and government measures to encourage exports, should do much to boost our exports while keeping import growth at a minimum. This could restore our trade surplus to what it was in the early sixties.

In recent years much attention has been given to U.S. private investment abroad. Direct investment expenditures by U.S. companies, using American dollars, have gradually increased from $1.6 billion annually in the early sixties to about $4.4 billion in 1970. At the same time, income from direct U.S. investments abroad has consistently exceeded this outflow. Since 1968, income on our investments abroad has surpassed that from trade. This excess amounted to $25 billion between 1961 and 1970. This suggests that a complete shut-off of investment abroad will eventually eliminate the income that it produces. In an early effort to improve our balance of payments, the U.S. government established the Office of Foreign Direct Investments (OFDI) in the mid-sixties, its purposes was to set limits on the amount of dollars that could be exported for investment purposes and to regulate the flow of dividends, royalties and profits from these investments. Although this has helped increase our net investment income in recent years, there is a danger that it could, over the long term, seriously limit returns from the private sector.

From a balance of payments standpoint, the principal problem areas are Japan, Canada, and Asia/Africa. See Table 2. Our largest deficit was with Canada ($1.7 billion). Japan was next at $1.6 billion. Viet Nam is probably the main cause of the Asia/Africa deficit of $1.5 billion.

TABLE 2.—U.S. BALANCE OF PAYMENTS BY AREA

[In billions of dollars]

	1968	1969	1970
United Kingdom	−0.1	−1.1	0.3
EEC	.9	1.7	.5
Other Western Europe	1.0	.5	.2
Eastern Europe		.1	.1
Australia, New Zealand, South Africa	.7	.8	.8
Latin America	.1	.5	.2
Canada	−.5	−1.4	−1.7
Japan	−1.2	−2.1	−1.6
Other countries of Africa and Asia	−1.7	−1.7	−1.5
International organizations and unallocated	−.7	−.1	−.5
Balance	−1.3	−2.9	−3.0

TRADE IMBALANCES

Except for Canada and Japan, we have trade surpluses with every other area of the world. See Table 3. The largest is with Western Europe and amounted to $3 billion in 1970. While Western Europe is not our major problem now, there are signs of a protectionist attitude and various restrictive measures which could lead to a trade imbalance in the future.

TABLE 3.—U.S. TRADE SURPLUS BY AREA

[In billions of dollars]

	1968	1969	1970
United Kingdom	−0.1	−0.1	0.3
EEC	.2	1.0	1.7
Other Western Europe	.3	.5	.9
Eastern Europe		.1	.1
Australia, New Zealand, South Africa	.5	.3	.5
Latin America	.1	.3	.6
Canada	−.4	−.8	−1.7
Japan	−1.1	−1.4	−1.2
Other countries of Africa and Asia	1.3	.7	.9
International organizations and unallocated	.1		
Balance	.6	.7	2.1

JAPAN

As far as trade and investment are concerned, the worst offender is Japan. It still operates as if it had a severe balance of payments problem. The Japanese have, by and large, kept U.S. investors out. Where we have been allowed in, investment has normally been limited to less than a 50% share.

While Japanese exports have risen sharply, imports have been limited by quotas, licensing fees and other nontariff barriers to trade. The result is that Japan today holds reserves of $11 billion, the third largest in the world.

Japan has been liberalizing over the past few years, but most U.S. businessmen consider it to be an overly cautious, very slow process. The automobile industry is an example. Sales of Japanese cars to the U.S. have multiplied 6–7 times, from 64,000 vehicles in 1966 to 415,000 in 1970, in part due to the fact that the U.S. has only a 3.5% duty and a 5% excise tax (plus sales taxes in some states). The Japanese counter with a 10% tariff, a commodity tax which increases the price 30–40%, and annual road taxes 5 times higher on U.S. autos than for Japanese cars. It was only this year that the Japanese

allowed 3 major U.S. automobile manufacturers to purchase a maximum of 35% of the shares of counterpart Japanese firms. In most other parts of the world, U.S. companies own 100% of their overseas partners.

The problems with Japan that have received the most attention in the U.S. have been their exports of textiles and steel. These have increased so rapidly that U.S. manufacturers have been screaming for help.

As a result of the U.S. action, the Japanese have reluctantly allowed the Yen to float and anticipate an export decline of about $1–2 billion. Coming so soon after the U.S.'s China initiative, and with Prime Minister Sato having tied his administration to U.S. policy, it is reported that these two U.S. moves, both coming as a surprise and with an adverse impact on Japan, could lead to the fall of the Sato government.

CANADA

Canada is our largest single export market. It also accounted for our largest trade deficit ($1.7 billion) in 1970. This is quite a change from the early sixities when we had a small surplus. The main reason is an agreement which encouraged the manufacturing of automobiles for shipment to the U.S. We had a surplus of $700 million with Canada on automobiles alone in 1965. By 1970 this had turned into a deficit of $900 million.

Because 70% of its trade and half of its trade surplus are with the U.S., anything we do is of vital importance to Canada. Canada has estimated that 25% of its trade is in danger as a result of the U.S. import surcharge. Exports to America are so important that Canada is considering setting up a special fund to assist their businessmen in recovering from any damages caused by the surcharge.

Despite increasing signs of nationalism, our businessmen have been able to freely trade and invest in Canada. Our traditionally friendly relations and the lack of border restrictions make it hard for Canada to understand why the 10% surcharge must be applied to it. Except for the size of our trade imbalance, Canada is clearly quite a different situation than either Japan or the EEC. It is one which deserves special attention.

EEC POSITION

The EEC has taken the U.S. measures in stride. Currencies have been allowed to float in all major countries. Overall there is a creep toward the 10% revaluation goal of the U.S. There are some internal disagreements between France and Germany about the common monetary position they should adopt, but these may be more a problem of communications than substance. What seems to worry Europeans most is the possibility that Japan will now direct its competitive energies toward them.

Western Europe is an important trading partner of the U.S. and one with whom we have a sizeable trade surplus. However, developments in agriculture, preferential trading arrangements, and non-tariff barriers suggest that this surplus is in danger of diminishing.

The EEC has by far the highest level of agricultural protection of any major country. Post Kennedy round import protection for agriculture amounted to the following:

Percent ad valorem equivalent

EEC	33
Japan	9
United Kingdom	7
United States	4

On individual items the EEC Common Agricultural Policy (CAP) has resulted in substantial increases in protection:

PERCENT AD VALOREM PROTECTION LEVELS

	Pre-CAP	Post-CAP
Butter	30	35
Meat	19	52
Cereals	14	72
Dairy produce	19	137

In addition, imports subject to the variable levy system, which increases import prices to an agreed-upon protective price level, have declined in value from $642 million in 1966 to $340 million in 1969. Non-tariff barriers like this have caused exporters of American products a great deal of grief. Excessive licensing costs and quotas are examples of other restrictive devices.

The expansion of the Common Market to include most of the countries of Europe and Africa has worried many Americans. It was not hard to accept the inclusion of the 18 African countries who were former colonies of France, Belgium, and Italy. But the list now includes special reciprocal trading relations with Israel, Greece, Turkey, Tunisia, Morocco, Egypt, Libya, Lebanon, Malta, Cyprus, Yugoslavia, Algeria, Austria, Kenya, Uganda, Tanzania, and Spain. About half of these are still in the negotiating stage.

Combine this with the probable entry of the UK into the EEC and the subsequent inclusion of Denmark, Norway, and Ireland, plus special trading deals with members of the British Commonwealth, and you have covered over 250 million people and 40% of the world's trade. While the extent of potential U.S. trade losses has not yet been identified, they could be substantial.

U.S. TRADE RESTRAINTS

Lest one think that the U.S. is a perfect trading partner and the only real free trade nation in the world, we should consider the following:

18% of all imports into the U.S. are covered by quotas or voluntary restraints.

The list of non-tariff barrier complaints against the U.S. is lengthy and compares in magnitude to those we have against our European partners.

Other countries do not consider the U.S. to be an open market on many items.

According to Harold Malmgren, the major erection of non-tariff barriers since the Kennedy Round has taken place in the United States.[1] These include voluntary restraints on:

steel from Japan and the EEC
canned mushrooms from Taiwan
ceramic tiles from Japan

They call for limits by the supplier on the amount exported to the U.S. Furthermore, the U.S. is pressing hard for a textile agreement on products from Japan. Other countries have used similar schemes in recent years, but none have been so broad or had the same impact as the ones enacted by the U.S.

These agreements are outside the framework of the GATT, the international organization created after World War II to solve multilateral trade problems. As such, they encourage other nations to violate GATT principles.

CONCLUSIONS

1. The measures enacted by President Nixon can stem the deterioration in our trade surplus and make our exports more competitive in the short term. This could restore our trade balance to what it was in the sixties. Failure to stem inflation or increase productivity can quickly erase these gains.

2. The timing is ripe to hold an international conference, similar to "Bretton Woods," to create a new international trade, investment and monetary system. The GATT agreement needs to be discarded or brought up to date to cover changed world conditions. At this time, negotiations could be held to eliminate non-tariff barriers and reduce duty levels, but only if the U.S. is willing to reciprocate. It cannot be a one-way street.

3. Our balance of payments will continue to run a deficit unless we are able to stem the flow of government expenditures for military and economic support abroad. Correction can come through increased support by our allies for free world defense and aid burdens now carried by the U.S. Alternatively, cuts in our troop and aid commitments abroad or limits on tourist expenditures are the only major alternatives left to improve our balance of payments. The trade surplus alone will not do it, even after the application of measures to encourage exports and discourage imports.

4. Failure to come to grips with these fundamental economic problems in the near future and provide the leadership necessary to work out international solutions on a fair, equitable, and negotiable basis will tilt the scale toward the possibility of economic warfare. While no early solutions can be expected, the process of solving the major problems we have with other nations of the world should lead to a system with a minimum of artificial restraints which will set the basis for a renewed expansion of international trade.

5. In the process of doing all this the U.S. must solve to the satisfaction of all its major allies the problem of European security. It must deal with Japan's fear that they have been sold out on the China and trade issues and reassure our friends in the Pacific that they are an important and vital ally. Canada must be dealt with in a way which recognizes its special relationship with the U.S., without bringing forth a burst of nationalistic sentiment which could lead to a closing of the border. The developing world must be heard and their problems dealt with fairly. By starting at the highest political level, the President has increased the chances that we can arrive at a mutually satisfactory solution to these problems, provided they are treated as a whole and not on a case by case approach.

6. If the August 15 statement is used to develop solutions on the above lines, the President has begun a course of action that could demonstrate economic statesmanship of the highest order. If the August 15 actions are used only as clubs on our allies, for short term gains in our balance of payments and to rectify imagined wrongs of the past few years, the political losses are likely to far outweigh the economic gains.

[1] *Trade Wars or Trade Negotiations*, Harold B. Malmgren, The Atlantic Council, p. 17. 1970.

THE NIXON ADMINISTRATION AND FREE SPEECH

Mr. HARTKE. Mr. President, few acts by the administration have been more deplorable than its attempts to stifle the first amendment's freedom of the press. The White House, in conjunction with the FBI and the Justice Department, after similar incidents involving New York Times reporter Neil Sheehan, is now attempting to scare CBS news correspondent Daniel Schorr.

After voicing some strong criticsm of Mr. Nixon and his administration, Mr. Schorr was the recipient of a call from the White House expressing the administration's dissatisfaction with his reporting of the news. The next word from the White House was that they were considering Mr. Schorr for an important Government job. Under this flimsy guise, the

FBI is investigating him and questioning his neighbors and colleagues about his personal life and professional qualifications. Whatever may be the result of the controversy involving Mr. Schorr, it is clear that the object of this governmental snooping is not to find any skeletons in his closet, but rather to implant the fear of Government retribution in his mind.

The job of a reporter is to gather and report all the news as he sees it. Naturally, every administration will find reporters favoring its point of view and reporters who oppose it. The President is not the only person or group to experience such treatment. Senators, Representatives, mayors, city councilmen, and hundreds more who are involved in public or political life experience the same thing. All prior adminstrations have coped with the bad reports and reveled in the good. Surely this administration must be extremely paranoid if it feels compelled to harass those reporters who it does not like.

There is little a reporter fears more than a Government spy leaning over his shoulder and digging into his private life. When a reporter fears such a reprisal, the result is poor press coverage. The loser, in the long run, is the American public. Nothing is more important to the functioning of a free and open democracy than a free and open exchange of ideas on all issues of importance to the people of the United States.

The present administration has a poor track record when it comes to the protection of individual rights. No freedom is more important to the existence of the American experiment—none more dear to democracy—than that of freedom of speech and of the press.

We cannot tolerate the existence of a climate of fear in which reporters and others fear to tread upon the toes of bureaucrats and politicians. Today it is Mr. Schorr; tomorrow it could well be any one of us. Truly, this administration suffers from an arrogance of power. The authority it possesses is awesome. It is also a public trust. Should the adminstration continue to misuse that power, it will prove itself to be unworthy of that trust.

ACTION TO PREVENT GENOCIDE

Mr. PROXMIRE. Mr. President, there are two actions which the United States can take to prevent the recurrence of the crime of genocide. First, the Senate can give its consent to the ratification of the International Convention on the Prevention and Punishment of the Crime of Genocide. By this action we will be showing the world our abhorrence of this crime.

Second, the Congress can pass the necessary enabling legislation to put the provisions of the Genocide Convention into effect. This legislation may recognize a concurrent jurisdiction among the Congress and the several States in this area. It will provide for the arrest, trial, and punishment within the United States for Americans accused and convicted of acts of genocide that occurred in the United States. And, of course, the accused will be accorded all the rights and protections of the Constitution.

Just as the United States has many extradition treaties covering such crimes as murder and robbery, so the United States may at some future time enter into treaties that provide for extradition for genocide. Genocide will become one of the many crimes for which the United States will grant extradition. Like all extradition treaties that the United States is a party to, it will provide adequate protection for American citizens.

Mr. President, the first step is the ratification of the Genocide Convention. I call upon the Senate to give its consent to that ratification.

NEW YORK STATE WELFARE

Mr. RIBICOFF. Mr. President, in recent weeks much publicity has been generated about a change in New York State welfare law which requires recipients to come to State employment offices in person to claim their public assistance checks. Under the old system, checks were mailed out.

Early reports, which received nationwide attention, indicated that 20 percent of the checks remained unclaimed, leading many people to believe that this figure indicated an ineligiblity rate of 20 percent.

Unfortunately, the facts of rebuttal never caught up with the original beliefs.

A detailed followup study indicates that 40 percent of those not reporting to claim their checks had valid reasons for not doing so. The majority of the remaining recipients not collecting their checks failed to appear for reasons which regularly occur in the administration of the welfare system and are unrelated to eligibility.

Analysis of this data reveals that less than 4 percent of 30,000 recipients covered by the New York law had their cases closed for failure to qualify for welfare.

Jule Sugarman, human resources administrator for New York City, has provided me with the results of the followup study. I ask unanimous consent that they be printed in the RECORD.

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

HUMAN RESOURCES ADMINISTRATION,
New York, N.Y., October 20, 1971.

HON. ABRAHAM A. RIBICOFF,
U.S. Senate,
Washington, D.C.

DEAR SENATOR RIBICOFF: Several weeks ago the New York State Department of Social Services released a preliminary study to report the activity of local welfare districts in complying with the new state law which requires employable public assistance recipients to pick up their checks at the local office of the New York State Employment Service and to make themselves available for work.

The report, which received widespread national publicity, showed that twenty percent (20%) of the public assistance checks remained unclaimed at New York State Employment offices in New York. The study, and subsequent remarks by State officials, created a widespread public impression that the 20% unclaimed checks indicated 20% ineligibility. Such a conclusion is totally unfounded and does a great disservice to all reasonable attempts at significant welfare reform.

Enclosed is a detailed analysis of the activity in New York City in compliance with the new state law which I am pleased to share with you. This study indicates that more than 40% of those not reporting had valid reasons for not doing so. Of the remainder, the greatest proportion were for reasons which regularly occur in the administration of public welfare. The study also reveals that less than four percent (4%) of the thirty thousand (30,000) public assistance recipients affected by the law failed to comply and thereby had their cases closed.

If I can be of additional help in interpreting the attached information, please let me know.

Sincerely,

JULE SUGARMAN,
Administrator.

ANALYSIS

Less than 4% of the approximately 30,000 New York City welfare clients required to participate in the state's new employment program in August failed to comply with the regulations and had their cases closed, the Department of Social Services reported to the state yesterday.

In announcing the figures today, Human Resources Administrator/Social Services Commissioner Jule M. Sugarman said:

"The combined results of two special studies of clients referred to the New York State Employment Service in August begins to shed the first bit of light on the situation underlying the failure to report or comply at NYSES.

"The most significant conclusion drawn from the study is that less than 4% of the total cases referred to NYSES actually failed to comply with the law and were terminated. The balance of the closings were for reasons unrelated to the work relief program and the recent amendment to the Social Service Law.

"This is a highly important insight because it begins to provide additional perspective on the reaction of the employable unemployed welfare population to the recent amendments.

"Contrary to outside initial reaction based on partial and undifferentiated information—the widely quoted 20% no-show rate—this information suggests that most of the employable welfare population is actually complying with the law."

Commissioner Sugarman's report to the state shows that during the month of August 1,152 welfare clients had their cases closed or were removed from a case budget because they failed to report to NYSES to pick up their welfare check, or failed to comply with a requirement to seek or accept employment.

The 1,152 figure is 3.9% of the 29,389 clients who were required to participate in the program in August. The figure was determined on the basis of a detailed investigation of more than half the 2,483 employable cases closed during the month.

It found that 54% of the cases that were closed were attributable to situations unrelated to compliance with the employment program: death, increased earnings or resources, moved or whereabouts unknown.

"The size of the sample more than justifies extending the percentages to all the closed cases," Mr. Sugarman said.

During August, the report concludes, 5,911 persons failed to report or comply with the program. Of these, 2,402 or 40% had legitimate reasons for not doing so and have either been reclassified as unemployable or subsequently complied with the regulations; 875 have asked for a department review or have such requests pending; 151 are still under investigation; 2,483 or 42% have had their cases closed, more than half of them for reasons unrelated to the employment program.

Commissioner Sugarman's letter and report to the state are attached.

DEPARTMENT OF SOCIAL SERVICES,
HUMAN RESOURCES ADMINISTRATION,
New York, N.Y., October 1, 1971.

HON. BERNARD SHAPIRO,
Commissioner, New York State Department of Social Services, New York, N.Y.

DEAR COMMISSIONER SHAPIRO: I am enclosing the final results on the study, which we agreed to perform, on the individuals who failed to report to or comply at the New York State Employment Service (NYSES) offices during the month of August.

The results of the completed study reflect the correction of some earlier figures, based on a detailed review of the cases previously reported and additional information collected on 1,174 cases not covered by our first report.

As you can see from the statistical summary, the impact of the new procedures and Central Office monitoring is being realized in all centers:

Follow-up on individuals who either failed to report or failed to comply at NYSES is being properly performed in all centers;

2,379 cases were closed and 104 individuals were removed from the case budgets as required by law;

875 are still awaiting decision, largely because of delays mandated by law, and will reach disposition during the next two weeks.

Also included for your information are the results of an analysis of the reason for the closing of 1,366 of the 2,379 cases reported above (see Attachment II of report). The combined results of the two studies, viewed in the perspective of the total numbers of persons referred to NYSES begins to shed the first bit of light on the situation underlying the failure to report or comply at NYSES.

The most significant conclusion drawn from the study is that less than 4% of the total cases referred to NYSES actually failed to comply with the law and were terminated. The balance of the closings were for reasons unrelated to the work relief program and the recent amendment to the Social Service Law.

This is a highly important insight because it begins to provide additional perspective on the reaction of the employable unemployed welfare population to the recent amendments to the Social Service Law.

Contrary to outside initial reaction based on partial and undifferentiated information—the widely quoted 20% no-show rate—this information suggests that most of the employable welfare population is actually complying with the law.

While this information is encouraging, it is not conclusive, and furthermore, in no way lessens the need for the continuation of efforts to tighten up the administration of the program in the fashion evidenced in the first part of this letter. As mentioned in my earlier letter, we will be ready shortly to review with you a detailed work plan that will include a schedule for the systematic review and improvement of all elements of the program. At the same time, work is proceeding on the development of improved reporting forms and information systems, as well as the planned training of new employment specialists by NYSES which is scheduled to begin next Friday.

Sincerely,

JULE SUGARMAN,
Commissioner,
Department of Social Services.

OCTOBER 1, 1971.

To: Jule Sugarman, Commissioner, Department of Social Services.

From: Paul J. Elston, Director, Employment Programs.

Subject: Final report on State request for detailed information on individuals who failed to report or comply at NYSES during August.

I hereby submit the final results of the State-requested study concerning the status and disposition of those persons referred to New York State Employment Service (NYSES) offices in August who either failed to report thereto or comply with the requirements of the recently amended Social Services Law pertaining to employable unemployed individuals receiving public assistance.

SUMMARY AND EXPLANATION OF THE RESULTS

The following is a summary and explanation of the results as presented in the attached chart:

1. The total number of individuals from the 43 centers who failed to report or comply at NYSES during August was *5,911*.

2. We were not able to complete the collection of information on *151* cases and they are not included in the totals.

3. Of the *5,760* FTR's and FTC's, M3C forms (Notices of closing if review is not requested within seven days) were sent to *3,358* individuals to whom M3C's were sent:

A. The cases of *2,379* individuals were closed.

B. *104* individuals were removed from the budgets.

C. *809* cases are awaiting the elapse of the 7-day period allowed to request a review.

D. *66* individuals have requested reviews which have been scheduled, but not yet held.

5. Of the *2,402* individuals to whom M3C's were not sent:

A. *643* were reclassified to another category of assistance.

B. *895* were determined not available for employment and recoded appropriately.

C. *37* are awaiting verification of a medical or other problem which may result in a reclassification or recoding as not available for employment.

D. *564* were determined to have a valid reason for failing to report and were instructed to report to NYSES during the following cycle.

E. *48* individuals were determined to have a valid reason for failing to report, and were subsequently assigned to a Public Works Project (PWP).

F. *215* individuals had actually reported to NYSES during the cycle, but were reported as FTR's because their checks were sent to the wrong NYSES center.

While completing this effort we were in a position to collect firm information on the actual reasons behind the closing of those cases involving persons failing to report to or comply at NYSES offices in August. Our sample of 1,366 of those 2,379 closings reported on (see Attachment II), illustrates that in fact 54% of the eventual closings were not related to the Work Relief Program on the requirements of the recently amended Social Services Law pertaining to the employable unemployed receiving public assistance.

An additional analysis of our data, pertaining to the composition of the population of 29,384 individuals referred to NYSES in August, is also particularly pertinent here. This analysis demonstrates the following:

a. 5,911, or 20%, of the 29,389 individuals referred to NYSES in August failed to report to or comply thereat.

b. 2,402, or 40%, of the 5,911 persons failing to report to or comply at NYSES in August, were determined to have so failed for *legitimate reasons* (see items 3–8 on Attachment I).

c. No conclusion can be drawn at this time on the 912 FTR and FTC cases still involved in the M3C review and verification stages.

d. Public assistance was discontinued for 2,483 of the 29,389 individuals referred to NYSES in August, or 8%.

e. The sample results projected against the total of 2,483 persons removed from public assistance indicate only 1,152 individuals were removed for reasons related to their willingness to work. This population represents less than 4% of the total number of persons referred to NYSES in August.

On the basis of the above analyses, therefore, the data appears to indicate at this time that in fact a minor segment of the NYSES referral population can be categorized as truly delinquent in so far as the requirements of the Work Relief Program are concerned. This initial conclusion is in contrast to the widely held impression that a very substantial portion of the employable HR population is seriously violating the requirements of the Work Relief Program.

PAUL J. ELSTON,
Director,
Employment Programs.

ATTACHMENT I

STATISTICAL SUMMARY—REPORT ON NYSES FTR's AND FTC's

DSS Center 43	Number for August
1. Total number NYSES FTR and FTC	5,760
2. M3C forms sent	3,358
A. Case closings	2,379
(1) Closings in August	1,420
(2) Closings in September	959
B. Budget removals	104
(1) Removals in August	67
(2) Removals in September	37
C. Cases where M3C sent but response period not yet lapsed	809
D. Reviews scheduled but not yet held	66
3. Person reclassified	643
4. Persons recoded	895
5. Medical or other verification pending	37
6. Valid failure to report to NYSES	564
7. Assigned to public works project	48
8. Clerical errors	215
9. Not reported on	[1] 151

[1] Not included in total.

ATTACHMENT II

ANALYSIS OF REASONS FOR CLOSINGS—SAMPLE OF 1,366 CASES

Reported reasons for closing	Number of cases	Percent of total
Reasons related to work relief program:		
Refused to register for or seek employment	229	17
Refused employment at NYSES	139	10
Refused other employment offer	15	1
Refused training or education	5	.5
Refused to comply	240	17
Total	628	45.5
Reason not related to work relief program:		
Death	12	1
Increased earnings	192	14
Obtained employment	31	2.5
Client's request	148	11
Admitted to private or public institution	15	1
Moved, whereabouts unknown	296	22
Miscellaneous	44	3
Total	738	54.5
Total	1,366	100

TAX BENEFITS FOR POLITICAL CONTRIBUTIONS, AND OF THE ELECTIONS REFORM ACT OF 1971

Mr. CANNON. Mr. President, last week the Senate passed the revenue bill of 1971 including provisions for a tax credit or an alternative tax deduction for contributions to candidates for Federal, State, and local elective office in any kind of election, primary, special, or general. Additionally, the Senate approved an amendment to the bill to permit all taxpayers to indicate that $1 of their tax money should be diverted by the Treasury for

support of candidates for the offices of President and Vice President.

This approach to Federal support of candidates and political parties is not new, Mr. President; it has been proposed for many years. In 1961 President John F. Kennedy created a Commission on Campaign Costs to make recommendations with respect to improved ways of financing expenditures required of nominees for the offices of President and Vice President. In April of 1962 the Commission, comprised of members from both major political parties and from various sections of the country, filed its report. Among the several recommendations contained in the report is one endorsing the principle of granting tax incentives for political contributions. The Commission recommended a credit against tax due, not to exceed $10 per individual, or a deduction from taxable income, not to exceed $1,000.

In its report the Commission stated that:

> The bulk of presidential campaign funds available to both parties is now supplied by a relatively small group of contributors giving sums ranging from a few hundred to several thousands of dollars. . . . We hope that this incentive to medium-sized gifts, coupled with the incentive to small gifts, will stimulate the massive giving needed by the parties.

Former Presidents Eisenhower and Truman and former Vice President Nixon endorsed the recommendations of the Commission. Richard M. Nixon, while campaigning for Governor of California in 1962, called the report a significant contribution to the strengthening of our two-party system and commended it to the attention of every citizen.

What was said about the recommendations of the President's Commission in 1962 is of even greater importance and significance today. Costs of campaigning continue to rise during every election year. Candidates and parties are even more heavily obligated to the special interest or pressure groups and rely ever more necessarily upon the wealthy for financial support.

Witnesses appearing before Senate and House Committees, outside groups studying the problem of political financing, newspapermen, and other commentators, and other specialists all agree that something must be done to end the tremendous pressures brought upon candidates and political parties to raise funds for the presentation of issues and programs.

Mr. President, the Senate has provided two major pieces of legislation designed to remedy this situation. On August 5, 1971, S. 382, the Election Reform Act of 1971 was passed in the Senate by a vote of 88 to 2. That bill will require the detailed, frequent public disclosure of campaign contributions and expenditures by every candidate for Federal office and by every political committee which receives or spends $1,000 or more during a calendar year. It will insure that the citizens of the United States will be informed as the source of campaign money and the manner in which it is spent.

The amendments which were passed here in the Senate offering tax credits or tax deductions for political gifts and the $1 checkoff for the benefit of presidential and vice presidential elections should, if approved by the House of Representatives, provide a measure of sanity and control to our runaway campaigns. I urge the House of Representatives to support and approve both the Election Reform Act, S. 382, and the Pastore amendments which were added to the revenue bill.

Mr. President, I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks two articles which appeared in the Washington Post this morning. One is an editorial entitled, "The Campaign Spending Legislation," and the other is a commentary by Rowland Evans and Nobert Novak, entitled, "Matter of Money and Politics."

These articles point out the need for reform and the efforts being considered to nullify reforms.

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

THE CAMPAIGN SPENDING LEGISLATION

It is extremely unfortunate that the issue of campaign spending has suddenly been enveloped in a fog of partisan politics. With that fog hanging over Capitol Hill as Congress attempts to finish up its business this week, the objectives of the campaign legislation which has passed the Senate are likely to be hard to discern. But their importance is not diminished. Both bills—the spending limitations bill which is before the House and the financing bill which is tacked onto the President's tax proposals—are aimed at breaking an unhealthy connection between big money and elective office.

The legislation limiting spending is, perhaps, the more crucial of the two. If the House does what it ought to do—pass the Senate bill and the MacDonald Bill—the first major step toward getting campaign spending under control will have been taken. Indeed, the votes cast in the House this week will provide a record of which members really want to make American politics more democratic and which want to continue a system that requires candidates for many federal offices either to be wealthy or to become obligated to wealthy persons or organizations. Those votes will also provide a record of who does and who does not want the people back home to know where the money for political campaigns comes from. The issues in that bill, concerning both its spending limitations and its disclosure provisions, are just that simple.

The issues involved in the financing provision attached by the Senate to the tax bill are almost, but not quite, as simple. This proposal is a small first, imperfect step toward public financing of campaigns. The first half of it would let individuals deduct on their federal income tax bills small contributions to candidates or parties of their choice. The other half would let each taxpayer earmark $1 of his tax for the presidential candidate of the party of his choice or for a fund from which presidential candidates could draw. The presidential candidate who chooses to finance his campaign this way would be limited to about $20 million in total spending and barred from raising money from private sources. With a presidential election less than a year off, and with the Republicans floating in cash and the Democrats floundering near bankruptcy, the political aspects of this proposal are obvious.

The debate in the Senate over this funding mechanism served only to enmesh the whole campaign spending question further in party line politics. So eager are the Republicans to capitalize on their current financial dominance that many of them spoke as if it were dishonest for a politician not to want to sell out to big contributors. The Democrats, on the other hand, are so eager to find some way out of their financial hole that many of them spoke as if it were dishonest for a politician to accept any contributions. That kind of overstated and occasionally nasty debate did nothing to improve the proposal offered by the Democrats although they did accept an important amendment by Senator Mathias, giving the taxpayer more choice about where his dollar goes.

The financing proposal, too, now faces a test in the House. When it comes to a vote there, members ought to regard it in terms of what it means for the future—not just for what it means for 1972. Undoubtedly, it will help the Democrats in the 1972 presidential campaign. But just as certainly it will be followed in subsequent years, if it works, by an expansion of a public financing system until it includes all federal offices. That, we submit, is a goal to be pursued vigorously. It is the best known way to get rid of the corrupting influence of money in elections.

MATTER OF MONEY AND POLITICS

(By Rowland Evans and Robert Novak)

Shrinking from the horrible consequences of vetoing the Democratic scheme for government financing of presidential campaigns, the White House is now fashioning an ingenious scheme of its own to prevent the bill from affecting the 1972 election.

No final decision has been made, but under serious consideration by President Nixon's inner circle is this counterploy: Sign the tax bill containing the checkoff of tax funds to finance presidential campaigns, then order the Internal Revenue Service (IRS) to completely ignore the checkoff provision on grounds of constitutionality.

That would propel an outraged Democratic National Committee into federal court to force the IRS to distribute the money. With constitutional issues raised, the lawsuit might remain in the courts long enough to prevent the checkoff from being used in the 1972 campaign.

A less audacious scenario, keeping the President above the battle, is also being thought through at the White House. The Republican National Committee, at the President's private urging, would bring a "citizen's suit" against the checkoff. That, too, might prevent the plan's operation for 1972.

Such war-gaming reflects the gravity with which the White House regards the checkoff, which would have each taxpayer choose whether or not the government could use $1 of his tax payment to fund presidential campaigns. That would yield up to $20.4 million each for the Republican and Democratic nominees in 1972.

The political explosiveness of the checkoff is appreciated at the White House. In tandem with a separate reform bill (up in the House this week) limiting campaign contributions and spending for congressional candidates, it revolutionizes financial aspects of American politics. Specifically, Mr. Nixon's huge money advantage for 1972 would be nullified and the cloud of bankruptcy hovering over the Democratic Party since 1968 would evaporate.

Hence, the immediate White House reaction after Senate passage of the checkoff a week ago was to veto the entire tax bill even though it includes the tax cuts Mr. Nixon regards as essential for economic recovery. The tax cuts would then be quickly passed in a new bill before Congress adjourned for 1971.

But this veto sentiment subsided within 48 hours after the Senate vote. High economic officials brought reality home to the White House inner circle. A veto of the tax bill would grievously add to the present economic uncertainty, which even now is depressing the stock market and impeding strong economic recovery. A veto, they warned, would be catastrophic.

What's more, it quickly became clear that the increasingly truculent Democratic leadership on Capitol Hill would not permit a new bill containing the tax cuts to pass without the political checkoff. To Democrats, the checkoff has become a matter of life and death.

Accordingly, by the middle of last week, a new consensus had developed at the White House: if the massive revenue loss of the senate-passed tax bill were reduced in conference, as expected, the bill should not be vetoed merely because of the political checkoff.

That triggered an eleventh-hour White House effort to generate Southern Democratic opposition to the checkoff in the House that would influence the final version drafted in the Senate-House conference. Would not the checkoff push both parties leftward, since neither would depend upon business contributions? Would it not splinter the left wing of the Democratic Party into ideological factions, each wanting to take advantage of the federal bononza by running its own presidential candidate?

Administration officials rejoice that Rep. Joe D. Waggonner, Jr., of Louisiana, an increasingly influential conservative Democrat, actively opposes the checkoff. But the even more influential Rep. Wilbur D. Mills of Arkansas is all for the checkoff. Thus, odds for its final adoption are overwhelming.

That leaves the courts as the last resort for the Republicans, who would challenge the checkoff as a violation of the 14th amendment's equal protection provisions.

The most dramatic route to a court test would be for Mr. Nixon to instruct the IRS not to obey the new law. Even more turbulent relations between the Democratic Congress and Republican President would be exacerbated by such a ploy. But considering the political stakes, Mr. Nixon may well take the risk.

NEW APPROACHES TO FINANCING PUBLIC SCHOOL EDUCATION

Mr. HARTKE. Mr. President, recently a great deal of attention has been focused on the need to find new approaches to finance public school education. Nevertheless, this is not a new problem for millions of propertyowners throughout the Nation. They have known for years that rising real estate taxes were forcing both businesses and private citizens to leave communities in which they had been established for some time. At the same time, the increased local taxes were unable to keep pace with the rising costs of elementary and secondary education.

It has been fashionable for politicians to decry spiraling real property taxes and to call for cuts in spending. This type of political irresponsibility ignores the fact that the citizen must pay at one time or another. For instance, if there is inadequate money to finance a good public school system, the result will be students who are ill equipped to serve as productive and aware members of their community. The dollar cost of this deficiency cannot be measured. It is reflected in decreased human productivity, higher welfare costs, higher crime rates, and the like. Surely, the cost of this frugality is far higher than the cost of a good education.

None of us has the ultimate solution to the financing problem, but there are several good suggestions which must be pursued. Excellent articles on this subject appeared in the November 20, 1971, edition of the Saturday Review. I ask unanimous consent that they be printed in the RECORD.

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

EDUCATION IN AMERICA

PRESSURES FOR CHANGE

In recent months American higher education has been subjected to an avalanche of reports, critiques, analyses, and proposals for change. They range from the reports of the prestigious Carnegie Commission on Higher Education, headed by Clark Kerr, and HEW Secretary Elliott Richardson's influential task force, headed by Frank Newman, to the writings and recommendations of individual scholars and critics. But nearly all, and especially the more eminent critics, call for radical rethinking of the entire higher education enterprise.

One may well wonder why, after a decade or more of unprecedented growth, affluence, and apparent success, our colleges and universities should suddenly be faced by so many demands for fundamental reform. There are, of course, a number of obvious reasons: the upgrading of the high schools during the 1950s and 1960s that made many freshman-year programs obsolete, the earlier maturing of young people and their greater sophistication as a result of exposure to so many sources of knowledge and experience outside the classroom, and the growing insistence on more schooling in preparation for the world of work—not to mention the more overt pressures for change exerted by the civil rights movement, the student rebellion, and, more recently, Women's Lib.

But these factors and forces, relevant as they are, fail to explain the widespread demands for radical change. Rather, it appears that these demands aim much more deeply than mere accommodation to surface, and sometimes transient, pressures—that they challenge the very assumptions on which higher education is founded. Two examples will illustrate the point.

The first concerns the assumptions we have made about who is capable of "college level work." In the past higher education has always been designed primarily to serve an elite—whether social or intellectual. But the pressures of recent years have forced open the door of the Academy to admit a far wider range of individuals than ever before, and the results have been revealing. Many questions remain, but analysis of the experience of many institutions with "high risk" students has called into serious question our assumptions about who is college material, and who is not. Late last month, for instance, Oberlin College reported that entering black students have test scores that average 100 points lower than white students, but that both groups graduate with point averages that are nearly identical.

The second assumption that is being challeged concerns the kinds of studies that should comprise higher education. Our colleges and universities have proved beyond doubt their capacity for developing the kinds of knowledge and skills demanded by a technological society. But, in the process, they have often ignored almost all the rest of the wide spectrum of human talents. We have, for example, been called a nation of visual illiterates—not least because we have rarely placed the same value on the ability to communicate in the visual and performing arts that we have placed on the ability to communicate in the languages of mathematics or physics. The point was well made recently by Dr. John Ziman, professor of physics at the University of Bristol. Writing about the highly trained specialists who dominate so much of our society, he observed: "We must somehow sensitize these earnest, owlish experts early to think of people, of pain, of freedom, and of beauty."

The contemporary critiques of higher education demand not the destruction of our colleges and universities, but a fundamental rethinking of their role in the modern world. Their message is that superficial tinkering and accommodation to transient pressures are not enough.

THE CALIFORNIA DOCTRINE

(By Arthur E. Wise)

On August 30, 1971, the Supreme Court of California announced what may become as historic a decision as *Brown vs. Board of Education*. In *Serrano vs. Priest*, the court tentatively concluded that the state's public school financing system denies children equal protection guaranteed under the Fourteenth Amendment, because it produces substantial disparities among school districts in the amount of revenue available for education. The problem to which the case was addressed can be simply stated by an example. The Baldwin Park school district expended only $577.49 to educate each of its pupils in 1968–69, while the Beverly Hills school district, in the same county, expended $1,231.72 per pupil. The principal source of this inequity was the difference in local assessed property valuation per child: In Baldwin Park the figure was $3,706 per child, while in Beverly Hills it was $50,885—a ratio of 1 to 13. Furthermore, Baldwin Park citizens paid a school tax of $5.48 per $100 of assessed valuation, while Beverly Hills residents paid only $2.38 per $100—a ratio of more than 2 to 1.

The idea that the unequal allocation of educational resources within a state might be unconstitutional was first suggested only during the mid-1960s. It was not that the allocation of educational resources among school districts within a state suddenly became unequal in the mid-1960s, nor were these inequities suddenly discovered. Rather, the inequities in school finance were, for the first time, viewed in the light of the then prevailing egalitarian thrust of the U.S. Supreme Court.

The Court, under Chief Justice Earl Warren, had been embarked on a campaign of guaranteeing fundamental rights to dispossessed minorities and had precipitated broad social change. In 1954, the Supreme Court declared that, at least as far as race is concerned, public education is a right that must be made available equally. Beginning in 1956, the Court began to attack discrimination based on wealth in a series of cases concerned with rights of defendants in criminal cases. In 1962, the Court moved to eliminate geographic discrimination by requiring legislative reapportionment. By 1966, the wealth discrimination argument had been extended to voting rights in a case that eliminated the poll tax.

In the context of this historic trend a Constitutional attack on inequities in educational finance seemed eminently feasible. Many parallels among the rights at stake were possible. More important, perhaps, was the fact that the Warren Court had demonstrated a willingness to guarantee individual rights when legislatures failed to act. State legislatures had been struggling with miserly state school finance equalization formulas for at least as long as they had failed to reapportion themselves.

The California equalization suit was not the first such suit to be prosecuted. Earlier there had been unsuccessful efforts in Illinois and Virginia to challenge the Constitutionality of school finance legislation. The California court took pains to distinguish between the case before it and the earlier ones. The earlier complaints had contended that "only a financing system which apportions public funds according to the educational needs of the students satisfied the Fourteenth Amendment." The lower courts had found the notion of "educational needs" too nebulous a concept with which to deal, and

the U.S. Supreme Court had affirmed their decisions that held that the equal protection clause did not apply to school financing. However, the U.S. Supreme Court was obliged to render a judgment when these cases were appealed to it from the lower courts because of a technicality. According to the California court, the U.S. Supreme Court's affirmance of these decisions was substantially the equivalent of a decision not to become involved in the issue at that time. Furthermore, the California court thought that its case was different in that it involved the simpler principle of discrimination on the basis of wealth. It should be pointed out, however, that the earlier cases had perhaps erred because they contained a remedy in the complaint. The California complaint simply attempted to have the present system of finance declared unconstitutional.

There were three steps in the reasoning of the California court as it reached its decision. First, it noted that "the U.S. Supreme Court has demonstrated a marked antipathy toward legislative classifications which discriminate on the basis of certain 'suspect' personal characteristics. One factor which has repeatedly come under the close scrutiny of the High Court is wealth." The California court reviewed precedents in which the High Court had invalidated wealth classifications that infringed on the rights of defendants in criminal and voting rights cases. It appeared to the court that California's school financing system does discriminate on the basis of the wealth of a district and its residents.

While the court had substantial judicial precedent for finding wealth a suspect classification, it did not have judicial precedent for finding education a "fundamental interest." Such a finding was an important second step for the theory that the court was attempting to develop. The court relied upon a number of decisions that "while not *legally* controlling" are "persuasive in the factual description of the significance of learning." The classic expression of this position came in *Brown vs. Board of Education:*

Today, education is perhaps the most important function of state and local governments. Compulsory school attendance laws and the great expenditures for education both demonstrate our recognition of the importance of education to our democratic society. It is required in the performance of our most basic public responsibilities, even service in the armed forces. It is the very foundation of good citizenship. Today it is a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment. In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms.

These cases, together with the court's own analysis of the importance of education, compelled it to treat education as a "fundamental interest." "Education," the court stated, "is the lifeline of both the individual and society."

The final step was a determination of whether the California school financing scheme, as presently structured, constituted a "compelling state interest." Finding that education is a "fundamental interest" and that the present method of school financing interferes with no "compelling state interest," the court declared:

The California public school financing system, as presented to us by plaintiffs' complaint supplemented by matters judicially noticed, since it deals intimately with education, obviously touches upon a fundamental interest. For the reasons we have explained in detail, this system conditions the full entitlement to such interest on wealth, classifies its recipients on the basis of their collective affluence and makes the quality of a child's education depend upon the resources of his school district and ultimately upon the pocketbook of his parents. We find that such financing system as presently constituted is not necessary to the attainment of any compelling state interest. Since it does not withstand the requisite "strict scrutiny," it denies to the plaintiffs and others similarly situated the equal protection of the laws.

To this point the court was supporting the proposition that the quality of public education may not be a function of wealth other than the wealth of the state as a whole. [See *SR*, April 17, 1971, p. 76.] This proposition would permit educational quality to vary from school district to school district so long as each district had an equal capacity to raise funds for education. Thus, for example, a community that chose to tax itself at the rate of 1 per cent might have available $400 per student, irrespective of the wealth of that community. A community that chose to tax itself at the rate of 2 per cent might have available $800 per student, again irrespective of the wealth of that community. The state in this scheme commits itself to the specified level of expenditure per student regardless of what it raises by the local tax. The state gives aid in exactly the amount that local resources are insufficient to reach the specified expenditure. This scheme, known as "district power equalizing," is apparently, however, inconsistent with the principle of territorial uniformity.

The court took some pains to argue that territorial uniformity in school finance is constitutionally required. "Where fundamental rights or suspect classifications are at stake," said the court, "a state's general freedom to discriminate on a geographical basis will be significantly curtailed by the equal protection clause." In support of this interpretation, the court first relied upon the school closing cases in which the U.S. Supreme Court invalidated efforts to shut schools in one part of a state while schools in other areas continued to operate. Secondly, the court relied upon the reapportionment cases in which the U.S. Supreme Court held that accidents of geography and arbitrary boundary lines of local government can afford no ground for discrimination among a state's citizens. "If a voter's address may not determine the weight to which his ballot is entitled, surely it should not determine the quality of his child's education."

This analysis is consistent with the more egalitarian proposition that the quality of a child's education may not be a function of local wealth or of how highly his neighbors value education. In other words, it would prohibit variations in the number of dollars spent on any child by virtue of his place of residence. It would apparently permit variations based on educationally relevant characteristics of the child. One point that remains unclear in the opinion is whether the equal protection clause applies to children or to school districts. If it is children who are entitled to equal protection, then the quality of a child's education could not be subject to a vote of his neighbors.

It should be clear that the California court simply declared the present system of school finance unconstitutional. It (fortunately) did not prescribe solutions, but apparently left these to be developed by the California legislature. However, because the opinion is somewhat hazy, it is unclear what new plans will be acceptable to the courts. The next steps are in the hands of the defendants and the trial court to which the case was remanded.

(On October 21, the California Supreme Court issued a clarification of its earlier ruling, pointing out that it had not yet actually struck down the school finance system, but had merely ordered the case returned to the trial court. Apparently, however, the trial court, if it determines that the facts are as alleged, must find the system unconstitutional.)

In the weeks since the California equalization decision was announced, perhaps as many as twenty or thirty challenges to school finance legislation have been made throughout the nation. In the first of these to be decided, a federal district court in Minnesota has ruled, on grounds similar to those in the California case, that Minnesota's school financing system is unconstitutional. The court retained jurisdiction of the case but deferred further action until after the current Minnesota legislative session.

One of the most important outcomes of these lawsuits is their effect upon legislative bodies. To be sure, the California and Minnesota decisions explicitly call for responses from the state legislatures. However, the years since the legal theories were developed have seen an unprecedented level of school finance activity on the part of political bodies. While other factors have undoubtedly played a part, the threat of impending lawsuits may have served as an impetus to action in an area that has been characterized by legislative intrasigence.

The concept of "full state funding" has entered the vocabulary of education. President Nixon has appointed a Commission on School Finance and is reported to be "deeply conscious of the inequities and the inadequacies of the property tax as the principal source of support at the local level for the cost of education." The Advisory Commission on Intergovernmental Relations has recommended that the states assume "substantially all" of the responsibility for financing local schools in order to grant property tax relief and ensure equal educational opportunity. Governor William Milliken of Michigan has been endeavoring to achieve broad reform in educational finance in that state for the last two years. Reportedly, the Fleischmann Commission in New York State will recommend, before the end of the year, full state assumption of the costs of education, imposition of a statewide property tax, stabilization of spending in wealthy school districts, and ultimately greater spending in districts with poor, disadvantaged youth.

It is quite conceivable that *Serrano*, or a similar case, will be appealed to the U.S. Supreme Court in the near future. If it should refuse to review the decision, the effect would be to leave the judgment standing in California. The California legislature, under the supervision of the trial court, would have to develop a new school finance system, and the pace of filing suits in other states might be quickened. The California Supreme Court, a prestigious state court, would have established a precedent that, though certainly not binding on other courts, would carry some weight. One would expect decisions on both sides of the question. At that point, the U.S. Supreme Court would probably feel compelled to hear a case in order to establish a single interpretation of the equal protection clause in this area. By that time one or more states would have grappled with the implementation of a *Serrano*-type decision and have demonstrated whether or not school finance systems can be operated along lines consistent with *Serrano*.

On the other hand, it is possible that the U.S. Supreme Court would agree to hear an appeal on a *Serrano*-type decision immediately. The Court may be anxious to dispose of this potentially troublesome affair. Indeed, under certain circumstances, the Supreme Court is obliged to accept an appeal and render a judgment. Under present circumstances most observers would not predict that the decision would be upheld, and a negative judgment would spell the end of judicially induced school finance reform for some time. For this reason many legal experts believe that an appeal to the U.S. Supreme Court should be postponed for as long as possible.

The next months, indeed years, will be a time of substantial confusion in the history

of American public school finance. A principal outcome of *Serrano* will be to free legislatures from the strictures of the past to experiment with new models of school finance. Efforts at reform will be aided by a growing discontent with the local property tax.

In sum, *Serrano*-type lawsuits are designed to attack our school finance systems that effectively deliver more educational resources to children in wealthy communities and less to children in poor communities. The suits have as their objective squaring the reality of school finance schemes with the rhetoric of equality of educational opportunity.

ANATOMY OF A REVOLUTION

(By Harold Howe II)

It is an article of faith in America that every citizen should have an equal chance. We pride ourselves on a system of government and an open society designed to turn this principle into a fact of life. Any informed American knows, however, that all people do not have an equal chance in the United States. Wealth still gives special privilege; race confers abiding handicaps; inappropriate distinctions are made on the basis of sex. Our society is not wide open to people who are different, who speak another language, who are somehow out of the mainstream of the middle-class culture.

And nowhere are our ideals of equality further from reality than in the way we finance our schools. But it is possible that revolutionary change may be just over the horizon. It may be that the early 1970s will turn out to be the time in which these inequalities become a major issue in every legislature in the land. On August 30, 1971, the Supreme Court of the State of California decided by a majority of 6 to 1 that the system of financing schools in California through local property taxes violates the equal protection clause of the Fourteenth Amendment to the U.S. Constitution.

The court declared:

"We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors. Recognizing as we must that the right to an education is a fundamental interest which cannot be conditioned on wealth, we can discern no compelling state purpose necessitating the present method of financing."

As an educator rather than a legal specialist, I read the decision as a powerful argument indeed. It casts a shadow over the legality of the entire system of financing public education and clearly documents the inequalities that characterize present practice. It finds that the efforts of the state at equalization are "inadequate to offset the inequalities inherent in a financing system based on widely varying local tax bases." It sets aside—as unrealistic for poor school districts—the argument that a district that wants to can have good education by taxing itself adequately: " . . . affluent districts can have their cake and eat it too; they can provide a high-quality education for their children while paying lower taxes. Poor districts, by contrast, have no cake at all." It argues that fortuitous location of highly assessed commercial properties in a school district creates imbalances that ought to be irrelevant in planning educational financing.

Up to World War II, we were trying to get every youngster into school. Since then, we have become more concerned with whether the school he enters gives the pupil a fair chance. Numerous studies have documented the failure of the schools to serve poor children adequately, particularly blacks, the Spanish-speaking, and American Indians.

The federal government has financed special add-on programs on behalf of those groups of young people who seem to be especially ill-served by the schools. The landmark Elementary and Secondary Education Act of 1965 recognizes the inequalities in American education and provides special funds to schools where there are concentrations of poor people. The Headstart, Upward Bound, and Follow Through programs have similar objectives. But federally financed programs, which have attracted so much attention in recent years, pay for only a very small part of U.S. education. At present, only about 7 per cent of all school funds come from the federal government. The bulk comes from state authority—about 40 per cent directly, and some 55 per cent from local property taxes levied by localities that are creatures of the state. While there are differences among the states, in general they leave it to local boards to raise through property taxes the money needed to run their schools.

This local system means that a youngster's chance for a quality education depends in a very large measure on the accident of where he lives and attends school. Disparities among states have attracted some notice in recent years as wealthier states have received migrations of poorly educated children from poorer states. (A child who happens to be born in Mississippi receives an elementary school education that costs annually about $521. If he lives in New York State, his citizenship brings him, on the average, the advantages of what $1,370 can buy in the way of good educational service.) Less well known is the equally glaring gap between have and have-not areas within states, even comparatively wealthy states.

A wealthy school district with a high assessed property valuation per child spends more for each child's education than a poor district with a low assessed valuation per child. Within New York State, for example, are school districts with an annual expenditure per child of $2,000 per year, and other districts that spend only $700 per year. Similar disparities can be documented in almost every state in the country. (A notable exception is Hawaii, whose schools are supported 100 per cent by the state.) If the quality of staff, size of class, and provision of special services have any meaning at all, this inequality of expenditure produces an inequality of educational opportunity.

Paradoxically, this system also results in the poor paying more heavily for inadequate education than the rich do for the higher-quality variety. Some states employ "equalization formulas" designed to ensure that money from state tax resources will flow to local school districts in a way that helps to equalize expenditure on education among the districts. But these efforts, compromised by political horse trading in state legislatures and departments of education, rarely come close to equalizing the actual resources devoted to each child's education.

We have become so deeply immersed in the sanctity of local control of the public schools that until recently there was very little criticism of the inequalities it perpetuates. The California decision has exposed these inequities to the full glare of national publicity and, in effect, has redefined the rules of the game in the annual legislative battles over educational appropriations.

But the California decision leaves unanswered the question of how schools are to be financed. It simply says that the present system is not legally acceptable. The California legislature has the job of designing a new system that will give children the equal protection of the laws. There are several ways California (or any other State where it may apply) can respond to this decision.

It might seem that the easiest thing would be to remove the taxing authority of local school districts. Under such a system the state could presumably abandon the property tax and seek other forms of taxation, or devise a system of property evaluation that is comprehensive and fair throughout the state. The state would provide funds to each district on the basis of a statewide formula involving numbers of students at different levels. Such an approach immediately confronts problems. Educational costs vary considerably within a state. The cost of living in upstate New York is about 10 per cent less than in New York City, so that teachers' salaries, a major component of any system's expenses, must be higher in the city in order to be fair. Janitorial services, repair services, construction, and the like vary from place to place. Vocational education, because of the high cost of equipment, and the teaching of handicapped children are exceptionally expensive. Spending exactly the same amount on each child in a state, therefore, does not provide equality of services.

The politics of enacting real equalization programs are bound to be tough.

Realistically it will be difficult to equalize expenditures at today's average level because such an approach would reduce teacher salaries, or educational services, or both, in high-expenditure districts. On the other hand, equalizing expenditures at or near the level in very high-expenditure districts would require substantial additional state revenues. A state might, however, set a basic per pupil expenditure at the level now being spent in, say, the eightieth percentile district—one with high expenditures but not the highest. Districts previously spending more or less than this one could gradually adjust to the new expenditure norm, phasing into different salary and expenditure arrangements over a period of a few years.

Other suggestions have been advanced. One involves defining the educational needs of students in different categories (handicapped, disadvantaged, vocational, etc.) and setting up a level of expenditure for each across the state. A school district would receive funds from the state in accordance with the number of pupils in each category.

Another suggestion, proposed by John Coons, *et al.*, in *Private Wealth and Public Education*, seeks a "power equalizing" relationship among districts. The amount of annual revenue per pupil any district received would be tied to the *rate* at which it chose to tax itself. A rich district would presumably want a high pupil expenditure, so it would tend to vote a high property tax rate. The excess it raised over the amount it was allowed to keep would go to the state for equalizing distribution to poor districts (which would be unable to raise through local property taxes all the schooling money they needed). For example, suppose the legislature provided that all districts might tax real property at rates from 1 to 3 per cent. If a district taxing itself at 2 per cent raised $800 and the level of support per student at that rate were $1,000, it would be subsidized $200. Alternately, if a district were wealthier and raised $1,200 per student at 2 per cent, $200 would be redistributed to poorer districts. The key feature here is not the wealth of the district, but how hard it chose to tax itself.

Income, sales, and other taxes could replace property taxation in part or in full. Thus the California decision opens up for re-examination the whole structure of state taxation and raises the possibility, admittedly remote, that some states may seek a fundamental reform.

A major effect of implementing the California decision should be to provide, finally, sufficient resources for improving schooling among the children of the have-nots of our society. Compared with the present volume of federal funds to assist the disadvantaged, the reallocation of state and local resources—as noted, more than 90 per cent of the funding of schools—would be a vastly more significant influence. In addition, more equal distribution of state and local funds would help the federal programs to accomplish their "compensatory" objectives. The theory of compensatory education is that it should provide school services for children with special needs over and above those normally provided. In fact, these programs are only

able to help the poor catch up a little with the school services that the rich already have. Recently, the federal government has been telling the states that they must make their districts financially comparable before they can receive compensatory funds, but it is doubtful whether political leverage alone can make the states act. If the California doctrine can force districts to be more equally financed, the federal programs can assume their proper compensatory function.

Not only would the poor, the disadvantaged, and the victims of racial discrimination be helped by the doctrine of the California decision, however. Middle America has much to gain also. Many of the school districts in the deepest fiscal difficulties are those of the new middle-income and blue-collar suburbs that must raise almost all their school funds from taxes on housing. These districts often have more children per residence and little or no industrial and commercial tax base. The result is a lower assessed valuation per child than in wealthier suburbs and some urban areas. While incomes are well above the poverty level in blue-collar suburbs, property taxes are high, school costs are mounting, school expenditures are frequently inadequate, and taxpayer revolts against spending more on schools are increasing. Such communities would gain significantly from an effective equalization plan supported by state funds.

But even if means for equalizing expenditures are found, an even more difficult issue remains. Underlying the California Supreme Court decision is the assumption that increasing expenditures in low-cost schools will enhance educational opportunity—an assumption that is not universally held. Those trying to hold down school costs point out that some 75 per cent or more of all money for schools goes into salaries. They argue that if you pay teachers, administrators, and janitors more, you end up with the same people doing the same job at greater expense—"Maybe the teachers will drink Scotch instead of beer, but the schools won't change. Why not find out what's wrong with what the schools are doing and explore different practices?"

This general argument finds some support in *Equality of Educational Opportunity*, the massive study of U.S. education directed by James Coleman and Ernest Campbell in 1965 and 1966. Comparative data from a very large sample of schools and students suggested that the differences among American public schools in class size, buildings, equipment, teacher skills, library services, and other inputs that can be easily changed by spending more or less money seemed to have relatively less effect on success in school than social class, as indicated by family income. The Coleman Report conclusions were disturbing to American educators who had long assumed that the way to get more out of education was to put more into it. (Previous studies of higher education had indicated that high-cost colleges produce no measurable educational improvement over low-cost colleges, but none of these has attracted any serious attention. The Coleman study was large-scale, national in scope, and visible. Commissioned by the Congress in the Civil Rights Act of 1964, it could not be ignored.)

The Coleman conclusions are not universally accepted, however. In particular, the type of averaging of school data in the Coleman analysis is thought by certain scholars to minimize the effect of better school financing on the learning of students. Also a recent study by James Guthrie and his colleagues in Michigan indicates that poor children who received high-quality school services did significantly better on mathematics and reading tests than other poor children who received a lower quality of school services. The state of California also determined in 1969 that, while added funds do make a difference in performance of disadvantaged children, there is a certain "critical mass" of additional services necessary if the difference is to be meaningful. California found that adding about $300 per child per year in compensatory education funding can produce significant results. A Connecticut analysis arrives at about the same conclusion. The differential expenditure between have and have-not school districts in the same state is frequently more than $300 per child per year. In any case, we can expect that the last word on this subject won't be said for a long time.

It seems to me that, without significant changes in educational practice, simply providing modest amounts of additional money has a low payoff. I do believe, however, that the kinds of *gross differences* in funding, on which the California decision is based, do affect children's opportunities. Having worked in the public schools of Newton, Massachusetts, and Scarsdale, New York—both high-expenditure districts—and having worked also in North Carolina in a position that took me into many low-expenditure schools, I would assert that the well-run, high-expenditure district provides its pupils with many opportunities that would benefit the child from the lower-expenditure district.

Even before the California ruling, the system of school financing through local school districts had ceased to make sense in many respects. A common, statewide property tax or some other system for state financing should mean more rational administration and planning in many areas. The sad story of local bond issue defeats across the country, for example, raises questions about the common sense of a system that leaves a child at the mercy of the local voters for adequate school housing. Double sessions and ancient, unsafe buildings on the one hand and ill-conceived monuments to local pride and the local athletic boosters on the other demonstrate the extremes of abuse by local school boards. The simple lack of information, or loyalty to local contractors and architects, frequently prevents school buildings from being as inexpensive or serviceable as they might be. In a state that centralizes these activities, planning for new school buildings and financing their construction should be done more efficiently. Although state education departments have a long way to go in modernizing their building regulations to allow the advanced systems of construction, they are more likely than local boards to promote change.

Local school boards also have something to gain, despite the fact that they can be expected to face the implications of the California decision reluctantly. As an ex-superintendent of schools, I can recall the endless hours spent haggling over fiscal and tax issues by a board genuinely interested in educational values. Imagine a school board that could say to its constituents, "Here are the funds we have from the state to run our schools next year. Let's talk about the most advantageous way to use them for the children." Boards now give so much attention to the *means* of education that they frequently neglect the important subject of the *ends*. Taxpayers' groups, along with the self-appointed saviors who profess to have the interests of children at heart, but somehow always want to cut the budget, could still grind their axes, but they would have to do it at the state capitol. Back in the school district the conversation could turn on education. The problem of slicing the pie would still be there for the local school board, as well it should be, but the size of the pie would be fixed by the state, equitably.

A major question is who will decide on teachers' salaries, the state or the school district. Statewide collective bargaining has an obvious appeal to the organized teaching profession. Teachers' organizations have opposed decentralization of city schools because of the potential loss in leverage in dealing with multiple education authorities over a variety of issues, and they may welcome centralization of fiscal authority at the state level for corresponding reasons. In *The New York Times* of September 12, Albert Shanker, the president of New York City's United Federation of Teachers, supports the California decision, saying, "It opens the way for a new era of school financing—the kind of state and federal support for education that the labor movement and teacher unionists have been advocating for years."

Finally, the California decision, raises questions of diversity and control. It is an axiom of American politics that control and power follow money. As school finance is monopolized by the state, what would states be likely to do that they are not doing now in controlling the education options of school boards? They might move to complete standardization of education, decreeing what is to be studied, for how long, and in what manner, thereby adding to the already extensive requirements for teacher certification and similar matters. While there are abuses in any system, I believe strongly that we need less, rather than more, participation by the state in the day-to-day affairs of the schools.

Without becoming oppressive, however, the state can provide important services to the schools and stimulate them to consider improvements. States might consider two models. One consists of the relations between state universities and colleges and state educational authorities in the U.S. While these differ from state to state, most state authorities trust campus professionals to run their own affairs. State universities, for example, can hire their own teachers without an elaborate licensing or certification system, and they can plan their own curricular offerings and methods of teaching. State approval is required only when a totally new activity or department is involved. On the other hand, the state does the planning to avoid duplication, control costs, and guarantee services. This spirit could apply in a revised state system of schooling with fewer and larger school districts.

The second model is Britain's system of publicly supported schools. Local schools get most of their funds from the central Ministry of Education, yet they are fiercely independent and operate individual programs. The ministry maintains an "Inspectorate," but inspectors typically play a role that belies their title. They are not authority figures whose business is to check on the minutiae of administrative practice. They are stimulators of change and improvement, communication agents who disseminate good practice by persuasion, and experienced educators and teachers—rather than officious bureaucrats.

The question of diversity is, in some ways, a more troublesome one. Some diversity within the system may make for gains in the education of all. If we look at higher education, it is possible to argue that the development of a large number of strong universities in this country has been greatly assisted by the example of "lighthouse" institutions, the major private universities and a few state-supported institutions. Real quality and standards in higher education are to a degree preserved and maintained because there is a hierarchy of excellence. But the picture is less clear in elementary and secondary schools. Will leveling and homogenization of schools and schooling snuff out the lights? Not necessarily, by any means. School districts composed largely of the children of the poor never had the wherewithal to be lighthouses. In rethinking school finance, perhaps ways can be devised to put the lighthouses in Watts and Harlem instead of Beverly Hills and Scarsdale.

American public education has been given a significant chance for progress by the doctrine of the California Supreme Court. Governor William Milliken of Michigan had

worked hard even before the California decision for legislation to move all school costs to the state budget. The governors of Minnesota and Ohio appear to have similar interests, and Governor Ronald Reagan of California has publicly urged statewide property tax reform. Perhaps the call from the California court will delay state legislative action until the U.S. Supreme Court *finally* resolves the Constitutional issues. Even then, there would be a long period of adjustment and difficulty. Seventeen years have passed since the Supreme Court handed down the *Brown* decision, and the schools are still in the process of desegregation.

Educators and laymen concerned about the schools should get to work now to ensure that no such anguished chasm develops between the promise of the California doctrine and its fulfillment.

NEW BRUNSWICK EXPERIENCE

(By Sheila Canning)

In January 1967, the Canadian province of New Brunswick instituted the kind of school financing program that many critics of the American system would like to see implemented here. Under the plan the province assumed the full cost of financing education with the goal of providing a single standard of education to all communities. As part of a total reorganization, it abolished the local county governments and reduced the number of districts from 422 to 33. Each district works out its budgetary details in consultation with the central department of education and regional advisers. The budget requests are then submitted to the treasury and ultimately to the legislature for approval. In addition, local boards may undertake supplementary programs following voter approval.

To finance the equal opportunity program, which more than doubled education costs, New Brunswick restructured its tax system by eliminating property and nuisance-type taxes and enacted a uniform real estate tax of 1.5 per cent of market value as determined by provincial, rather than local, assessors. Sales taxes increased from 6 to 8 per cent, and a 10 per cent surtax on income was levied.

New Brunswick pays it teachers a uniform salary scale for various levels of competence. Nevertheless, within the budget and a suggested teacher-pupil ratio of 1:23, each district is free to hire as many of the best-qualified people as it can attract. To ensure teacher support at the outset, the province wisely agreed to pay the salary schedule of the highest paying district. Today salaries are determined through collective bargaining between the province and the teachers' union.

Reaction to the New Brunswick program is generally favorable. State take-over of school costs has resulted in a more equal provision of services and has fixed political responsibility for school support. Particularly in the French-speaking areas, there has been a noticeable upgrading of the educational program. Critics still point to the high dropout rate and the sense of frustration with the limited degree of autonomy afforded local school boards. Nevertheless, present discussions focus more on refining the program than on abolishing it.

THE PROBLEM OF CHEESE IMPORTS

Mr. HUGHES. Mr. President, nearly 4 months have passed since the U.S. Tariff Commission recommended relief for American cheese producers. In spite of rising domestic production and increased exports, the President has not yet acted.

Since Iowa is the fourth ranking State in cheese production, my constituents have been troubled by these developments. But all American taxpayers are affected because these imports displace domestic dairy products, which then must be purchased under the Federal price support programs.

For nearly two decades there have been quotas on imports of dairy products. Despite several efforts to prevent evasions of these quotas, the amount of imports has increased. In January 1969, several cheeses were put under quotas, but those costing 47 cents or more per pound were exempted. The goal was to permit imports of the specialty cheeses which are not normally produced here.

By last year, however, such cheeses accounted for nearly one-fourth of all dairy imports. At the direction of the President, the Tariff Commission held hearings on this "over 47 cents cheese."

On July 28 the Commission recommended abolition of this price distinction and substitution of increased quotas for the three categories of cheese. During the months of delay, imports have continued to increase. Imports of Swiss-Emmenthaler cheeses are up 13 percent over last year, those of Gruyere process cheeses are up 10 percent, and other cheeses are up 15 percent—as of September 30.

Presidential action is now needed to put these quotas into effect. Otherwise, the squeeze on domestic producers will continue and U.S. taxpayers will have to foot the bill.

DEPARTMENT OF DEFENSE APPROPRIATION—ANNOUNCEMENT OF POSITION ON VOTE

Mr. STEVENSON. Mr. President, I was necessarily absent when the votes on final passage of the Department of Defense Appropriations bill, H.R. 11731, and the ocean dumping bill, H.R. 9727, were conducted. If I had been present and voting, I would have voted "yea" on both bills.

THE GENEVA PROTOCOL—II

Mr. HUMPHREY. Mr. President, on July 23 I introduced Senate Resolution 154 calling for Senate ratification of the Geneva Protocol without reservation or qualification. I urged that our Government reverse its present position in expressing an acceptance of a broad interpretation of the protocol to include not only the prohibition for use in war of biological weapons, but also of all toxic chemical weapons, whether directed against man, animals, or plants. Unlike the administration, I felt that how we ratified the protocol was the crucial question. My position has been that the United States should indeed ratify, but without reservation. The administration's position has been that ratification with the qualification that the protocol does not apply to the use in war of riot gases and herbicides. This position is directly linked to our military practices in Vietnam. For many years we have used far too freely herbicides and riot gases there for strategic purposes. Undoubtedly, it is this fact which has caused our Government to take its present position with respect to these weapons.

In my last statement, I talked about the diminishing use of riot gases (CS1, CS2) in U.S. military operations in Indochina. Today, I want to bring to the attention of my colleagues an article in the New York Times of October 10, which indicates that the United States is phasing out its own use of chemical herbicides. The catch here is that it seems that part of our Vietnamization program involves leaving stocks of white, blue, and orange gases, now in storage in Vietnam, for use by the Army of South Vietnam.

Mr. President, I ask unanimous consent that this article be printed in the RECORD along with a detailed description of the effect of chemical herbicides in Vietnam from a well-documented report by the Center for International Studies, Cornell University on the "Air War in Indochina."

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

[From the New York Times, Oct. 10, 1971]

DEFOLIATION: A DYING LAND—CASUALTY OF WAR

(By Herbert Mitgang)

In the next twelve-months of twilight war in Indochina, the United States will have to make hard decisions about some of the engines of destruction being placed in the hands of South Vietnam's military regime. Each new troop withdrawal will be announced with the usual fanfare, but nothing is likely to be said about the made-in-America equipment that deals out horror to the people and the land.

The unmentioned "land court" in South Vietnam is not as dramatic as the body count that once characterized the military meaning of victory over Communism. But the devastation of crops, foliage and vegetation in a country of agricultural villages also causes casualties: Uprooted trees, uprooted, peasants,herbicide assaults led to possible sterility, bulldozing plants harvests field of hunger.

This kind of warfare is not likely to wind down as the Americans depart; it is being Vietnamized. And in coming weeks, the American scientific community will be studying reports in this whole area by Arthur H. Westing, a botanist from Windham College in Vermont, and E. W. Pfeiffer, a zoologist at the University of Montana, who have just returned from a survey tour of South Vietnam. They are warning fellow members of a private group, the Scientists' Institute for Public Information, that stockpiles of anti-plant chemicals could cause great damage to the land and people of South Vietnam.

The defoliation program, conceived by the Pentagon's Advanced Research Projects Agency, is as old as the American involvement in the war. All these years it has been most difficult distinguishing between friendly and unfriendly crops.

Early this year, an American Association for the Advancement of Science study team headed by Matthew S. Meselson, a Harvard biologist, reported that 15 per cent of South Vietnam had been sprayed to a saturation level; one-fifth to one-half of the mangrove forests had been totally destroyed; perhaps half the trees in the mature hardwood forests north and west of Saigon were dead; the Army's crop destruction program, aimed at denying food to enemy soldiers, had actually destroyed food that would have been consumed by civilian populations.

The Pentagon said it would phase out its herbicide program and did indeed slow it down. But even this spring, rice was the target for destruction in the last official Ameri-

can operation just as it was the "enemy" in the first such known mission 10 years ago. And now the chemical sprays and other anti-land equipment are in the hands of the South Vietnamese, who have evinced no hesitation about using them.

The aim of defoliation has been to expose the hideouts and possible ambush sites of the enemy, to create landing strips for helicopters and open up fields of fire, and to deprive the Vietcong of cultivated areas. These anticrop missions to cut off food supplies to guerrillas are carried out by the South Vietnamese.

The North Vietnamese and Vietcong, while causing ecological damage in conventional ways by artillery and mortar fire, do not have a herbicide capability to carry on chemical warfare. Professors Westing and Pfeiffer, whose reports will appear in Environment magazine this autumn, heard no accusations against the V.C. as rice-burners.

Although the Americans have stopped using chemical agents, the South Vietnamese are using agents "White" (2,4,-D+picloram) and "Blue" (dimethyl arsenic acid), destroying standing crops and rendering land useless until at least the next growth season. But the big unanswered question concerns agent "Orange" (2,4,-D+2,4,5-T) because of conflicting views over the legal jurisdiction of this deadly chemical.

There are 1.5 million gallons of "Orange" in storage in South Vietnam. An official spokesman for the United States Military Assistance Command (MACV) informed Professors Westing and Pfeiffer that the "Orange" was the property of the Vietnamese Government, that it was their country, and that they could use this American material whenever and however they wished.

Agent "Orange" was used in enormous quantities until its suspension last year. It contains a highly toxic and teratogenic (fetus-deforming) impurity known as dioxin. There has been a significant increased incidence of birth defects among Vietnamese infants in the wartime years but a paucity of medical records prevents absolute verification.

The introduction of dioxin into the environment—and thus the food chain—could have grave consequences. That is why Professors Westing and Pfeiffer, and other scientists, want the United States to regain possession of this material so that it can be destroyed or shipped home.

Although direct American participation in the military herbicide program has been concluded, the South Vietnamese landscape is still being subjected to environmental assaults by United States air and ground forces.

One machine of destruction is the Daisy Cutter, a 15,000-pound concussion bomb that is designed to create instant clearings in dense jungle. Also sometimes called the Cheeseburger by the 7th Air Force, which delivers this superbomb by cargo planes, it uproots and blasts away all trees and everything else (including "any luckless humans," says Professor Westing) in its path to create a landing or attack zone the size of a football field. One or two of these are dropped every week.

Another instrument of ecological devastation is the Rome Plow, a Herculean tractor that is systematically bulldozing forests in land-clearing operations designed to deprive the other side of hideouts. These 32-ton armored tractors, run by American engineers, leave a wake of bare and lifeless soil. Dikes, ricefields and houses that might or might not conceal bunkers are leveled. Clearing continues at a rate of more than 1,000 acres a day; and official military sources say that Rome Plowing has flattened out more than 750,000 acres. The ecological and sociological consequences are profound.

Experienced Army engineers are now outfitting and training two South Vietnamese land-clearing companies for Rome Plow operations. But it is difficult to conceive that Daisy Cutters will be turned over to the South Vietnamese. They require too complex an aerial delivery system. Moreover, conceivably they could be employed to destroy not only the jungles and wildlife but—possibly in political desperation—towns and people as well.

CHAPTER VIII: THE ECOLOGICAL IMPACT OF THE AIR WAR

A. SPRAYING: THE DATA, DEFOLIANTS AND HERBICIDES

"Only We Can Prevent Forests"—Motto over the door to headquarters, operation Ranch Hand, Tan Son Nhut Airbase, Saigon.

Use of defoliants in South Vietnam began on an experimental basis in 1961 and became fully operational the following year.[1] This program had two major objectives. The first was *defoliation* (operation Ranch Hand), in which forests, roadsides, base perimeters, etc., were sprayed in order to remove the foliage cover which had afforded concealment to the enemy. At low concentrations these chemicals do indeed act merely as defoliants; at the concentrations used in Vietnam, however, they normally act also as herbicides, killing the plants in addition to defoliating them. The second major objective was the destruction of crops, mostly rice, carried out in the hope of denying food to the enemy.[2] Crop destruction was largely confined to the mountainous areas of northern and western South Vietnam, where the impact was felt most severely by the small population of about one million, mostly Montagnards. Crop destruction may also have had the objective of driving South Vietnamese civilians into the "strategic hamlets" set up for them by the South Vietnamese Government.[3]

Though some spraying in Vietnam has been done with helicopters or ground equipment, the principal means of application has been the twin-engine C–123 cargo plane. In the years 1962 through 1968 these aircraft made more than 19,000 individual spray flights. Each plane is fitted with a 950-gallon tank from which the herbicide is pumped to spray booms under each wing and at the tail. When the herbicide hits the airstream it is dispersed into fine droplets. One aircraft flying at about 150 feet above the tree tops produces a swath of affected vegetation about 300 feet wide and ten miles long.[4] Precautions must be taken that the sprayed chemical does not drift into adjacent, non-target areas. Occasional incidents occur in which an aircraft is forced to dump its herbicide quickly; it can pump out the entire 950 gallons in about 30 seconds.[4]

Three formulations account for almost all the herbicides used in Indochina: agents Orange, White, and Blue. The composition and mode of action of these agents are discussed in greater detail in Appendix 5, which also contains a listing of appropriate references; a summary of the main facts is given below.

Orange: Composition, 2,4–D and 2,4,5–T; an oily liquid insoluble in water. Mainly used against broad-leaved and woody vegetation. One application defoliates hardwoods but does not necessarily kill; two applications produce a heavy kill; the resulting invasion by bamboo and grasses may arrest forest regeneration indefinitely. On mangrove forests and rubber plantations, Orange kills almost all trees in a single application; mangrove area sprayed in 1961 have still shown no significant signs of regeneration. The chemical itself persists for only a few weeks, except in stagnant water or poorly aerated ground, where high concentrations could conceivably accumulate. 2,4,5–T is thought to be a teratogen (causing serious birth deformities, like thalidomide); its use in the U.S. has been restricted since late 1969. Orange accounts for about 60 per cent of the herbicide used in Vietnam; it was being sprayed at least until August 1970.

White: Composition, compounds of 2,4–D and picloram; a solution in water. Used much like Orange, but less volatile and therefore less subject to wind drift; it is preferred near populated areas. Picloram is one of the most potent herbicides known; it is remarkably persistent, like the insecticide DDT; its use on agricultural land in the U.S. is prohibited. Since White is water soluble, it can easily be washed by rainfall into adjacent areas.

Blue: Composition, organic arsenates including cacodylic acid; a solution in water. Its prime use is for crop destruction, especially rice. It is more effective against grasses than Orange or White, and acts more rapidly (within a few days). Refoliation may occur in about a month, but Blue is extremely persistent in the soil.

Herbicides are sprayed at a rate of about three gallons per acre, the stock solution of each agent being formulated to obtain the desired coverage. In the case of Orange, the rate of application is about 26 pounds per acre, almost ten times the rate recommended for use in the U.S.[5] It is estimated that more than 100 million pounds of herbicides have by now been sprayed on Vietnam, covering a total of almost six million acres;[6] details are illustrated in Figures 8–1 (not reproduced). The greatest impact has been on mature tropical hardwood forests. About 35 per cent of South Vietnam's 14 million acres of dense forest have been sprayed one or more times, resulting in the destruction of enough merchantable timber (six billion board feet) to supply the country's domestic needs for about 30 years; this also represents a loss of about $500 million in taxes that would otherwise have accrued to the South Vietnamese Government. Of the three-quarter million acres of mangrove forests, mostly in the Delta area, about one-half have been totally destroyed.

B. BOMBING AND SPRAYING: THE POTENTIAL CONSEQUENCES

Forests are first to go. Then the animals—some, like the elephant, are killed deliberately since they could be used to transport supplies; others just happen to be in the wrong place at the wrong time. Finally, the land itself is destroyed: farms, rice paddies, and village sites are bomb-pocked and barren.

In the brief discussion that follows, only the most obvious environmental effects of the air war will be mentioned, but even such a superficial enumeration conveys an idea of the pervasiveness of the damage. The very fact that data on the present extent of this damage is scant, combined with the virtual impossibility of predicting future consequences, is in itself one of the most ominous signs of danger.[7]

The air war has been a severe shock to all the natural ecosystems of Indochina. Such damage would be of concern wherever it occurred since it affects an intricate web of relationships; but Indochina is especially sensitive because tropical ecosystems are less resilient than those of temperature regions. Tropical systems are characterized by many more species per unit area; each is finely adapted and food webs are complex and intricate. In a northern forest a major calamity has relatively short-term consequences, since most of the species are already adapted to surviving frequent and unpredictable natural disasters such as severe winters, late frosts, and unseasonal floods. The rates of reproduction and recolonization are usually high. In tropical regions, where the climatic conditions are much more predictable and favorable, species tend to be less well adapted to rapid change.

Flora. The direct attack on the flora by

Footnotes at end of article.

defoliation and the use of herbicides has been described above in section VIII.A. In addition to the very extensive damage done by this chemical warfare, fires—many undoubtedly caused by bombing and napalm—have consumed or defoliated large areas of forest, including over 40 per cent of South Vietnam's pine plantations.

The mangrove forests, about half of which have been totally destroyed, play an important part in the natural process of delta formation, stabilizing the coastline and river banks. They also provide essential cover and food during the life cycles of many fish and animals.

Fauna. The weapons of air warfare affect animals directly by killing them, and indirectly by changing the environment, with the result that populations are changed and the diversity of species is reduced. Natural checks and balances to pests and disease vectors may be upset, particularly as predatory fauna are killed. The invasion of destroyed areas by other plant groups may result in larger populations of undesired animals favoring this new habitat—rats, for example, often thrive in bamboo, which is a predominant regrowth species in defoliated forest areas. The population of the tiger has apparently increased as its natural food supply has been augmented by battlefield casualties. Effects of this increase, particularly on the other prey animals of the tiger, are as yet unknown.

There are contradictory claims about the toxicity of herbicides to animals. Though some authorities claim there is little danger, evidence indicates that 2,4–D may be toxic to fish, that plants treated with 2,4–D may accumulate toxic quantities of nitrates (which could affect domestic stock as well as wild fauna), and that dioxin, a contaminant of some 2,4,5–T solutions used, is toxic and concentrates in the food chain since it does not break down with time.

Finally, domestic livestock are affected by herbicides, both directly and indirectly, as they eat plants that have been contaminated.

Agriculture. Indochina is primarily agricultural, and a single crop—rice—predominates. Rice is also the crop most affected by the war: formerly South Vietnam's main export, it is currently being imported in large quantities:

South Vietnam: Rice exports (1,000 metric tons)[8]

1958	112.7
1959	245.7
1960	340.0
1961	154.5
1962	83.9
1963	322.6
1964	48.7
1965	00.0
1966–68	-----

Spraying for crop destruction, and damage from accidental spraying, must certainly be included among the factors responsible for this decline.[9] Other crops, too, including fruits and vegetables, are susceptible to herbicides and have been affected to an unknown extent.

The production of rubber, presently South Vietnam's largest single export, has been particularly hard hit by herbicide use. Trees have been killed and the yield from those that survive has declined. The rubber tree (Hevea brasiliensis) is particularly susceptible to herbicides, especially 2,4,5–T. Defoliation can force suspension of tapping of latex for up to a year, and it may reduce yields by up to 30 per cent. Rubber yields per acre in South Vietnam dropped by about 20 per cent between 1960 and 1967; overall production had dropped by about 56 per cent by 1968. Herbicides have also affected rubber trees in Cambodia, the only other rubber-producing country in Indochina.

Agriculture, and land utilization in general, are affected not only by chemical warfare but also directly by the bombing. About 3,500,000 bomb craters were created in 1967 and 1968 in Vietnam alone, covering a total area of as much as 100,000 acres and excavating up to 2.5 billion cubic yards of soil: some areas of Indochina have been likened to moonscapes. The long-term effects of this cratering are hard to assess, but the fact that craters do not naturally fill in is evidenced by craters from World War II which are still found throughout the jungles of New Guinea. A bomb crater destroys the surface humus layer and throws up deeper, acid soil; it creates severe local relief and erosion in the soil and may disrupt drainage patterns; usually it fills with water and becomes very difficult to drain, making heavily bombed areas virtually unsuitabe for cultivation. The soil mixing due to bombing may also result in laterization, a process which converts certain soil types into a hard, cement-like crust.

Flooding. The control of water flow is a vital problem in many areas of Indochina. Defoliation and laterization lead to more rapid runoff of rain water; the destruction of many man-made control structures compounds the problem. The destructiveness of the floods in central South Vietnam in November 1970 was blamed in part on defoliation and bomb damage. People were driven by the floods out of refugee camps to which they had come, in the first place, because of crop destruction or bombing in their native highlands.

Malnutrition. It is generally recognized that crop destruction has had its chief impact on the civilian population rather than on enemy soldiers, who are in the best position to obtain food in times of scarcity. The Herbicide Assessment Commission [10] has concluded that the food destroyed would have been enough to feed 600,000 persons for a year, and that nearly all of it would have been consumed by civilians. Although the amount destroyed is less than two per cent of the national crop of South Vietnam in any one year, the most extensive crop destruction has been carried out in the central highlands, a food-scarce area with a population of about one million, mainly Montagnards. It is among these people that problems of malnutrition and starvation are most severe.

Birth Abnormalities. According to a report released by the National Institutes of Health in the fall of 1969, 2,4,5-T was shown to produce significant increases in the incidence of fetus malformation in animals as early as 1965. Moreover, the Herbicide Assessment Commission team in Vietnam has found a suggestive correlation between years of peak defoliation in Tay Ninh province and an increase in stillbirths and birth deformities.

Malaria. Of the endemic diseases in Indochina, malaria is probably the most widespread; in the past it has been far more common in the upland regions than in the lowlands. Now, large numbers of bomb craters have filled with water. This stagnant water, present throughout Vietnam and parts of Laos and Cambodia, is an ideal breeding habitat for various species of mosquito, including those which are malaria vectors. Thus it seems likely that the incidence and range of malaria will increase as a result of the air war.

Americans have begun to become aware of the vast complexity of their environment, and of the unpredictable consequences that go with disturbing it. In Indochina, the environment has not merely been disturbed—there has been a deliberate and unprecedented onslaught on it, with chemicals, with explosives, and with fire. The short listing just given, incomplete and inconclusive as it is, by its very open-endedness points up the ominous results which may have been, and which continue to be, provoked in Indochina.

FOOTNOTES

[1] Herbicide Assessment Commission for the American Association for the Advancement of Science, *Background Material Relevant to Presentations at the 1970 Annual Meeting of the AAAS*, Chicago, Ill., December 29, 1970, p. 14.

[2] Stanford Biology Study Group, 1971, "The Destruction of Indochina," *Bulletin of the Atomic Scientists*, 27 (1971), pp. 36–40.

[3] Ngo Vinh Long, "Leaf Abscission?", *Bulletin of Concerned Asian Scholars*, 2 (October, 1969), p. 54.

[4] Orians and Pfeiffer, "Ecological Effects of the War in Vietnam," *Science*, 168 (1970), pp. 544–554.

[5] Statement of A. W. Galston before the Subcommittee on National Security Policy and Scientific Developments, U.S. House of Representatives, December 1969; reprinted in T. Whiteside, *Defoliation* (Ballantine, 1970), p. 107.

[6] "Impact of the Vietnam War," a report prepared for the Committee on Foreign Relations, U.S. Senate, by the Congressional Research Service of the Library of Congress, June 30, 1971 (USGPO, 1971). The figures which follow are abstracted from the excellent summary presented in this report, pp. 10ff.

[7] A more detailed discussion of many of the effects enumerated in this section appears in Appendix 5. Sources are also discussed there.

[8] *Statistical Yearbook for Asia and the Far East*, United Nations Economic Commission for Asia and the Far East, Bangkok, Thailand; 1969 edition, p. 366.

[9] Officially, no herbicides have been used on rice in the delta area, but herbicidal damage is nevertheless extensive there.

[10] See footnote 1, above.

Mr. HUMPHREY. The Environmental Protection Agency says there appears to be a link between the use of orange gas and birth defects and has supported the position of the Army that its use in Vietnam be terminated. In recent studies the Army, as I already noted in my previous remarks on this subject, has determined that the use of riot gases in Vietnam afford little strategic advantage. It is, therefore, my understanding that these programs are being phased out as far as the United States is concerned. Whether the same is true for the Vietnamese Army is another question, one which concerns us all and which underlines the necessity for the United States to reach agreements at the Geneva Conference on Disarmament, as well as to ratify the protocol without exception.

This position has been urged upon the United States by several countries. I find this fact strange and disturbing when in the past it has always been the United States who was in the forefront of arms control. History is filled with ironies and this one is more disturbing than others.

Just 10 days ago, the Canadian Ambassador to the Conference of the Committee on Disarmament at Geneva, Mr. Ignatieff, issued a statement expressing the position of his government with respect to the protocol as it applies to chemical and biological weapons. Until November 15, the Canadian Government had maintained a reservation with regard to tear gas and other riot and crowd control agents in its adherence to the Geneva Protocol. Ambassador Ignatieff has now announced Canada's decision to waive this reservation. Mr. President, I

ask unanimous consent that the text of the Ambassador's remarks on this question be read into the RECORD.

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

In the meantime, negotiations continue on a treaty to ban the development, production and stockpiling of chemical weapons. Article IX of the draft treaty (biological weapons) binds each party "to conduct negotiations in good faith on effective measures for prohibiting the development, production and stockpiling of chemical weapons and for their destruction." Canada takes this commitment very seriously and we propose to co-operate fully with other members of the CCD in attempting to resolve the issues which have delayed completion of such a treaty.

In negotiating the draft treaty before us now, the Canadian delegation provided the CCD on March 24, 1970, with a declaration of Canadian policy and intentions with respect to chemical and biological warfare. This we did in the belief, not that it could in any effective way substitute for a binding international convention, but that it could assist in the development of a consensus upon which further negotiations might be based. In that statement on the Canadian position tear gas and other riot and crowd control agents were excluded from Canada's commitment not to develop, produce, acquire, stockpile or use any chemical weapons in warfare. This matter has in the meantime been given the most careful study by the Canadian authorities, and they have concluded that, as a contribution to further progress towards international agreement on the elimination of chemical warfare, Canada's reservation with regard to the use of these agents in war should be waived. Accordingly, Mr. Chairman, I would like to read the following statement of Canada's position.

"The Government of Canada intends to contribute fully to the efforts of the UN and of the Conference of the Committee on Disarmament to reduce and, if possible, eliminate the possibility of chemical and biological warfare. Canada intends to participate actively in negotiations towards agreements which would supplement and strengthen the Geneva Protocol of 1925 by prohibiting the development, production and stockpiling of chemical and biological weapons. Practical progress need not wait until the conclusion of these negotiations. The Protocol can be strengthened significantly through unilateral declarations of policy and intentions on the issues involved. For this purpose, the Government of Canada wishes to make known its attitude toward chemical and biological warfare.

1. Canada never has had and does not now possess any biological weapons (or toxins) and does not intend to develop, produce, acquire, stockpile or use such weapons at any time in the future.

2. Canada does not possess any chemical weapons other than devices of the type used for crowd and riot control purposes in many countries. Canada does not intend at any time in the future to use chemical weapons in war, or to develop, produce, acquire or stockpile such weapons for use in warfare unless these weapons should be used against the military forces or the civil population of Canada or its allies. The latter condition is in accordance with the reservations Canada entered at the time of our ratification of the Geneva Protocol of 1925. We would consider formally withdrawing our reservations if effective and verifiable agreements to destroy all stockpiles and prevent the development, production and acquisition of chemical weapons can be concluded."

I believe it is quite clear, Mr. Chairman, that this statement applies to all chemical and biological agents whether intended for use against persons, animals, or plants.

Mr. HUMPHREY. I am certain that our own Government has taken note of this important decision, although as yet there has not been to my knowledge an official response. I am not saying, Mr. President, that Canada should dictate American policy.

What I am saying is that there is strong support for the inclusion of riot gases and herbicides in our interpretation of the Geneva Protocol. I am urging that the administration support our ratification of the Geneva Protocol with this understanding.

AMERICAN RAILROADS AND BANKRUPTCY

Mr. TAFT. Mr. President, on November 23 the Reading Co., parent corporation of the Reading Railroad, filed a petition for reorganization in Federal court. This is the fifth major railroad to go into bankruptcy since 1967.

On March 3, I addressed the Senate and suggested that we must begin to deal with the fundamental problems that are crippling the railway industry. I spoke of the need to permit railroads to abandon unproductive branch lines, the need to develop simplified and more rational rate structures, and the need to eliminate unproductive work rules.

Regrettably, Congress has not acted in this area despite the growing public awareness of the need for prompt action.

My question today is, How many more of America's railroads must go into bankruptcy before the Congress will act?

How long must railroads be forced to operate unproductive branch lines that hold forth no possibility of ever generating a profit?

How long must shippers continue to subsidize inefficient work practices?

How long must America's consumers pay an estimated $7 billion in excess rates by virtue of overregulation and archaic rate structure in surface transportation?

The collapse of the Reading, like the collapse of the Central Railroad of New Jersey, the Boston and Maine, the Penn Central, and the Lehigh Valley, is only a prelude to other bankruptcies which are sure to follow if we do not come to grips with these fundamental problems.

Rather than nationalize America's railroads or put them on a permanent Federal subsidy, I believe that we should enact meaningful reforms so that the railway industry can turn itself around and offer better service to the American public.

We all know the names of several other railroads which are approaching bankruptcy, but railroad transportation is vital to American industry. For that reason we cannot permit essential railroad service to end. As a consequence there are only two answers—subsidy or reform. Already hundreds of communities are being hurt through the loss of property taxes by virtue of these bankruptcies. If this economic plight is not to sweep like a prairie fire across America and if the American taxpayer is to be spared from subsidizing the railroads, it is essential that we undertake meaningful reform and do it now.

I ask unanimous consent that an article entitled, "Reading Company Files Bankruptcy Petition" appearing in the New York Times of November 24, 1971, be printed in the RECORD.

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

READING CO. FILES BANKRUPTCY PETITION—RAILROAD, IN REQUEST FOR REORGANIZATION, SAYS IT CAN'T PAY BILLS

(By Alexander R. Hammer)

The Reading Company, corporate parent of the Reading Railroad, yesterday filed a petition for reorganization under Section 77 of the Federal Bankruptcy Act with the United States District Court in Philadelphia.

Section 77 provides for appointment by the court of trustees to operate the railroad while attempts are made to reorganize the company.

Reading said in its petition that the move was caused by its inability to pay debts and taxes of about $11-million coming due soon.

The Reading, a successor to a railroad formed in 1833, operates about 1,200 miles of track in Pennsylvania, New Jersey and Delaware. There was no immediate indication yesterday of what effect the reorganization action might have on freight or passenger service.

The railroad carries about 25,000 passengers a day on eight lines that connect Philadelphia with Lansdale, Doylestown, Bethlehem, Hatboro and Norristown, Pa., and West Trenton, N.J.

The Reading's petition for reorganization is the fifth such move made in the last five years by Eastern railroads. Petitions were filed on March 22, 1967, by the Central Railroad of New Jersey; on March 12, 1970, by the Boston & Maine Railroad; on June 21, 1970, by the Penn Central Transportation Company, the nation's largest carrier, and on July 24, 1970, by the Lehigh Valley Railroad.

Federal Judge John P. Fullam, who has been presiding over the reorganization of the Penn Central, has agreed to handle the reorganization of the Reading Company "for the present."

Judge Fullam has set Dec. 6 as the date for appointing a trustee or trustees for the Reading. He also issued an injunction against anyone enforcing any judgments, liens or suits outstanding that would disturb the Reading's assets.

He ordered the Reading to file a complete list of its assets and liabilities with the court by Jan. 31 and to file similar monthly reports thereafter.

The New York Stock Exchange did not allow any trading in Reading stock yesterday. On Monday, Reading's common shares closed at 5⅜, off ⅛. The high this year was 9⅜, and the low was 5.

Earlier this month, the Reading Company reported that it had a loss of $1.8-million in October from its railroad operations, in contrast to earnings of $100,000 in the year-earlier month. The company blamed the recently ended coal miners' strike and sluggish industrial activity. About 30 per cent of the Reading's revenues are derived from coal traffic. The railroad employs about 6,300 persons.

In 1970 the company had a loss of $12.2-million, including a special charge of $8.3-million from writing off certain rail facilities and other expenses.

OBLIGATIONS CITED

The Reading said yesterday it has these substantial obligations:

Interline freight settlements (due other railroads) between Nov. 20 and Nov. 30 of $5.1-million.

A payroll of $1.68-million due Nov. 24.

State and local taxes of $2.55-million.

Service, material and supply debts of $1.5-million.

New Jersey property taxes of $200,000 due Dec. 1.

The Reading said this total of $11.03-

million of obligations compares with its cash on hand Nov. 19 of about $4-million and its anticipated cash receipts through Nov. 30 of about $5.5-million.

The Chesapeake & Ohio and Baltimore & Ohio railroads control about 45 per cent of the Reading Company's voting stock. The C.&O. and B.&O. trains reach New York over the tracks of the Reading Railroad and of the Jersey Central, which was a Reading affiliate until it filed under the bankruptcy laws.

PENN CENTRAL SUIT

In an unrelated development yesterday, two shareholders of the Penn Central Company, parent of the railroad-operating Penn Central Transportation Company, filed a class action in the Federal District Court in Philadelphia against the Penn Central Company and its directors in an effort to block the company's annual meeting scheduled for next Monday.

The plaintiffs are Richard S. Robinson and his wife, Florence, of Merton, Pa. They stated that they own more than 10,000 shares of the Penn Central Company.

The Robinsons objected, among other things, to a proposal in the company's proxy statement calling for a refinancing plan covering a $51-million Swiss note of a Netherlands West Indies subsidiary, guaranteed by the Penn Central Company.

THE NOMINATION OF DR. EARL BUTZ TO BE SECRETARY OF AGRICULTURE

Mr. HUMPHREY. Mr. President, the Senate Committee on Agriculture and Forestry filed its report concerning the nomination of Dr. Butz as Secretary of Agriculture yesterday with the Senate. That report, Executive Report No. 92–13, was printed and made available today. I urge every Member of the Senate to study its contents very carefully. Although the Committee on Agriculture and Forestry voted 8 to 6 in favor of confirming Dr. Butz' nomination, I voted against his confirmation and will do so again when the matter comes up for a vote on the Senate floor.

In addition to the majority's views in support of confirming Dr. Butz' nomination, the committee report also contains my individual views opposing his nomination.

Mr. President, I ask unanimous consent to have my individual views as contained in that report printed in the RECORD.

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

INDIVIDUAL VIEWS OF SENATOR HUBERT H. HUMPHREY IN OPPOSITION TO THE CONFIRMATION OF DR. EARL L. BUTZ AS SECRETARY OF AGRICULTURE

(As Reported in Senate Executive Report No. 92–13)

I have reviewed Dr. Butz' record of service to agriculture, both during and since the years he served as Assistant Secretary of Agriculture and I oppose his confirmation as Secretary of Agriculture,

Because of his past and recent statements and speeches regarding agricultural policy.

Because of his belief that government should play only a minimum and ineffective role in trying to help farmers to stabilize and strengthen their prices and income;

Because of testimony and statements made during his confirmation hearings regarding what he considered to be an adequate price for feed grains.

Because of his failure to commit himself (or the Administration) to changes in current farm policy needed to immediately strengthen prices for wheat and feed grains and to adjust programs for these commodities in 1972 to insure that production is brought in line with utilization demands;

Because of his life-long orientation and belief that economic efficiency alone should be the sole measurement or yardstick in determining how and by whom agricultural commodities are produced;

Because of his long association with the non-farm, agribusiness elements of American agriculture which more often than not support and promote an increase in the integration of the production, marketing and distribution functions of agricultural commodities. Such integration permits complete control over the product from seed to sale by usually only a very few people; and

Because his entire record shows weaknesses with respect to:

Sustaining adequate levels of farm income;

A lack of concern for the economic survival and viability of family-farm agriculture;

Vigorously combating hunger and malnutrition both in this country and in other parts of the world;

Protection for consumers against food product contamination; and

Revitalization and development of our rural countryside and smaller communities.

Further elaboration of my views concerning my opposition to Dr. Butz's confirmation as Secretary of Agriculture is stated below under four general headings: Farm Policy Views; Rural Development Views; Views on Child Feeding Programs; and Views on Consumer and Environmental Protection.

FARM POLICY VIEWS

The nomination of Dr. Earl Butz as Secretary of Agriculture comes at a time when American agriculture finds itself experiencing falling income and below-cost of production prices for many of our basic food and feed grain commodities. The huge carryovers of wheat and feed grains created this year as a result of favorable growing conditions and the failure of the Administration's set-aside programs demand immediate attention and call for major changes in policy. This year's wheat crop, planted last year with the encouragement of the "set-aside" program provided in the Agricultural Act of 1970, is now estimated to be 1,627,575,000 bushels. This brings total carryover of wheat to almost 1.9 bil. bushels. The U.S. Department of Agriculture, on November 11, 1971, estimated this year's feed grains harvest to be 206 million tons which will result in a total carryover of these grains of 50.6 million tons at the end of the current marketing year. The result is an on-farm price drop for corn in the heart of the producing areas from $1.42 in June of this year to below 90 cents a bushel today—or well below the estimated cost of production. The price of wheat has fallen from an average on-farm price of $1.33 per bushel in the heart of the wheat producing areas in October of 1970 to below $1.20 per bushel in October of 1971.

The surpluses of these basic grains were created as a result of a combination of circumstances; excellent weather conditions; a desire on the part of the Administration to avert a shortage following last year's corn blight; the Administration's request for too small a set-aside acreage; and the looseness of the regulations of the set-aside programs which permitted producers to increase their production of these grains on their non-set-aside acreage. The overproduction of wheat and feed grains which was created by this situation, combined with the Administration's announced intention to continue to rely upon these same set-aside programs in 1972, will surely spell further economic trouble for the farm producers of these commodities unless immediate and major changes in farm policy are forthcoming before Congress adjourns this year.

Throughout the Committee's hearings, Dr. Butz refused to commit either himself or the Administration to any changes in the policies or programs now being pursued by the Department of Agriculture. Although Dr. Butz did admit that corn prices were too low, his response to questioning regarding current prices being paid for corn offers farmers little hope for restoration of corn prices to levels affording them a fair return on their investments and labor.

The following excerpt from the hearing transcript reflects Dr. Butz's position regarding current corn price levels:

"Senator HUMPHREY. What do you consider a fair price for corn in light of the fact that it costs around $1.00 per bushel to produce on the average? let's say.

"Mr. BUTZ. I should think now a fair price—I would like to see another dime on the price of corn—let's put it that way. And that is still not as high as it should be for many farmers, but I would like to see a higher price for corn on the farm some way or other, if it can be done."

Dr. Butz also expressed basic confidence in the 1972 set-aside programs announced for wheat and feed grains. Although he did allow that his current confidence in these programs might be subject to change next year in the event that acreage sign-up should fall below USDA expectations, he failed to show any appreciation for the 55 to 60 million additional acres of cropland available to go into future increased set-aside programs.

When one considers the inherent looseness of the set-aside regulations and the lack of an upper limit on the planting of grains on cropland not set-aside, it is very difficult to share Dr. Butz's (and the Administration's) confidence in the adequacy of the announced 1972 set-aside programs for wheat and feed grains.

Legislation now pending before Congress to establish a national reserve inventory for these commodities and to adjust the 1972 programs to insure that supply will be brought in line with demand next year, is being opposed by the Administration.

I had hoped that Dr. Butz, if confirmed by the Senate as Secretary of Agriculture, would change the Administration position regarding these matters. Unfortunately, however, we were given no encouragement by Dr. Butz in this regard in the course of our hearings on his nomination. Dr. Butz refused to commit himself or the Administration regarding making any changes in current policies or programs.

Given this refusal, and Dr. Butz' traditional opposition to Federal supply-management farm programs, which is well documented in speeches and statements he made both during his tenure as Assistant Secretary of Agriculture under former Secretary Ezra Taft Benson in the 1950's and since that time while serving as the Dean of Continuing Education at Purdue University, I must oppose his nomination as Secretary of Agriculture and will vote against his confirmation.

It also should be noted that Dr. Butz can hardly be considered as a champion of America's small family farmers. Again, based upon his previous speeches, statements, and actions, Dr. Butz is clearly more aligned and sympathetic with the forces within agriculture which are pushing it toward big integrated agribusiness. The trend toward factory farming, and corporate agriculture by non-farm interests already has taken its toll. A prime example is the poultry industry, where poultry and egg production in this country has been transformed from a farmer-owned and operated industry into an industry which is totally dominated today by non-farm corporate interests such as Ralston Purina (of which Dr. Butz was a former Director), Gates Rubber Company and other similar corporate giants. Other agricultural industries such as the swine and cattle industries are now being threatened and endangered by these same trends. If such trends are allowed to continue, family farm agricul-

ture in this country will soon be turned into a system of huge agribusiness corporations with law income wage-earners. Although Dr. Butz, in statements he made both before our Committee and in statements he made prior to that over the years, recognized the existence of the millions of small family farmers in this nation, he seldom, if ever, addressed himself specifically to what should be done to help these families achieve their income goals. His basic philosophy regarding the difficulties these families face in securing a decent income from agriculture is summarized most clearly in speeches and statements he made during the 1950s'. Excerpts taken from these speeches follow:

Speech made before the National Farm and Ranch Congress in Denver, Colorado, March 7, 1955—

"Adapt or die, resist and perish . . . too many people are trying to stay in agriculture that would be better off someplace else.

"It is gratifying that in this setting for potential progress in agriculture, the 83rd Congress gave us a new farm bill (Benson Farm Program) that will point American agriculture toward better balance, greater freedom for individual farmers, and a more stable and prosperous economy.

"The new law establishes the sound economic principle of flexible price supports which will help gear our farm production to the needs of the Nation and will, at the same time, minimize the need for such stringent controls over farm production and marketing as we experience today. The new bill becomes operative with the 1955 crops.

"When many of us were youngsters it was often said, 'if you can't do anything else, you can farm.' Today the situation is reversed. If you can't farm, you'd better do something else. Successful operation of the modern typical family commercial farm calls for a higher level of managerial capacity than does most of the family operated business concerns in your county seat town."

Speech made by Earl Butz before the Annual Meeting of the Texas Agricultural Workers Association—

"But for better or for worse, the trends toward fewer farms, larger farms, more heavily capitalized farms, more urban oriented farm living, more industrialization of rural areas, and a greater intrusion of non-farm residents into farming areas are going to be with us for many years to come."

Newspaper account by Charles Bailey (Minneapolis Sunday Tribune) of a speech made by Dr. Butz to a group in Washington 1958—

"Butz sees the possibility that ownership of some family farms will pass into the form of family shares of ownership, with professional farm-management outfits moving in between the owners and the operator of a farm.

"Commercial farms will come to look more and more like manufacturing establishments, with farm managers giving more attention to assembling custom-built packages of technology in the farming operation, with a bigger share of receipts going back to production costs, gross margins shrinking, and profits depending increasingly on growing sales volumes.

"Farmers," he said, "ultimately will lose their vocational identity as members of the community. At this point farming no longer will be a way of life, but will be a way of making a living, just the same as other business enterprises."

While I do not believe that Dr. Butz adheres to this position with any malice or deliberate disinterest in the problems of small farmers, it does reflect his dedication to the idea or concept that any development which leads to or offers so-called "improved efficiency" in agriculture, must be accommodated no matter what the cost in human adjustment. And I have to fault and oppose him on that basic assumption. American agriculture is twice as productive today as the non-farm sector of our nation's economy. And while this productivity has given this country an age of abundance, the price we have paid for much of that progress has been immense, especially in terms of human adjustment and displacement within American agriculture. Almost 30 million people have left or been forced to leave our nation's farms over the last 30 years alone, largely due to the changes that have taken place within agriculture—changes which mainly have been stimulated by what our economists call "the desired goal for improved efficiency". Of course, what our economists haven't been telling us all these years as we have been creating this "efficient" agriculture, is that the "hidden costs" for this progress has been accumulating for us in our nation's welfare and poverty rolls—both rural and urban; and in the destruction and disruption of the family living patterns for millions of people.

We must not continue to make or repeat these mistakes in the future. We must temper our desires for "economic efficiency" with compassion for human and social values which admittedly may be difficult to calculate on the economists slide-rule or fit into his latest economic model, but nonetheless, are far more important than whether the productivity index has gone up or down a point.

RURAL DEVELOPMENT VIEWS

The Chairman questioned Dr. Butz about rural development. He indicated that he favored rural development. So far; so good. But what concerned me is that Dr. Butz answered the questions about rural development by referring to that part of the Governmental reorganization plan that would dismantle and abolish the Department of Agriculture. We realize that it has been announced that if Dr. Butz becomes Secretary of Agriculture, the reorganization plan will be revised to continue a Department of Agriculture in existence, but on a "skeletonized basis". Dr. Butz agreed that rural development work ought to be unified and placed in a single Department—but which Department? Dr. Butz wants to unify rural development in the proposed new Department of Community Development—not in the Department of Agriculture where it belongs.

VIEWS ON CHILD FEEDING PROGRAMS

In nomination hearings, Dr. Butz indicated that he was supportive of the school lunch, school breakfast and food stamp programs. However, at a farm marketing seminar held April 26, 1971 in Minneapolis, Minnesota, Dr. Butz chided the efforts of Senators McGovern and Kennedy to dramatize hunger in America. He opposed the food stamp program openly. He opposed President Nixon's welfare reform proposal as "Far out".

These statements raise serious doubt as to the policies and programs Dr. Butz will pursue and advocate to eliminate want and hunger in America. We have reason to ask—will a man who only a few short months ago derided what he termed the nation's "hunger and malnutrition binge" pursue vigorously programs to feed the poor.

VIEWS ON CONSUMER AND ENVIRONMENTAL PROTECTION

Much of the work of the Department of Agriculture is involved with protecting consumers. Yet again, in the same speech, Dr. Butz referred to the new efforts on behalf of consumers this way:

"But I'm going to talk about something this morning that I think is a real threat to American agriculture. It involves our future. Something you can help with. And that's the threat that comes from the environmentalists, from the do-gooders or from consumerism, or from whatever you want to call it."

These remarks raise serious questions about the willingness of Dr. Butz to carry out effective consumer protection and environmental programs.

In his testimony before the Committee on Agriculture and Forestry, none of these questions were answered with any specifics.

TRAGEDY IN ULSTER—X—INTERNMENT AND THE OATH

Mr. KENNEDY. Mr. President, one of the arguments the Government of Northern Ireland cites in its attempts to justify the repressive internment policy it initiated last August is the operation of the internment advisory committee to review internment orders. A recent article by Mr. Lewis Chester in the London Sunday Times for November 14, 1971, describes the arbitrary and ineffective procedures of the committee. He also notes the view that internees are boycotting the committee because they feel, it is simply an extension of the interrogation to which they are subjected under the internment policy.

One of the most objectionable aspects of the procedures is the oath that internees who came before the committee are requested to take. Part of the oath requires a pledge not to assist any "illegal organization." Yet, as Mr. Chester points out, in the current Ulster crisis, the Government can ban any organization, however peaceful. As a result, as the article suggests, many innocent internees are refusing to seek the assistance of the committee, because its procedures violate the basic traditions of British justice.

Mr. President, I ask unanimous consent that Mr. Chester's article may be printed in the RECORD.

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

[From the London Sunday Times, Nov. 14, 1971]

OBSTACLE OF THE OATH

The vast majority of 400 people held under the Special Powers Act in Northern Ireland have still not been given any official reason for their detention without trial.

Although the Act provides for a quasi-judicial review of internment orders, it is now clear that this procedure is not judicial in any real sense.

So far less than 10 percent of those interned have voluntarily gone before Internment Advisory Committee, which makes recommendations to Stormont on possible release. There is little sign of this proportion getting any higher.

Mr. Christopher Napier, a Belfast solicitor who represents several internees at the Long Kesh camp, said: "There is now what amounts to a boycott of the Advisory Committee among most internees. They regard it not as a judicial body but as an extension of the interrogation procedure."

The Stormont regime, as part of its justification for internment, has laid great emphasis on the impartiality of this committee. And its personnel is distinguished enough. The chairman judge James Brown, is an experienced County Court judge, and his two assistants Philip Dalton, an English Roman Catholic with a long record of judicial work in the colonies, and R. N. Berkeley, a Belfast businessman, are both men of moderate persuasion.

It is not, however, the men that are complained of so much as the procedure.

1. The committee is not obliged to set out the allegations against the accused or to tell him of the evidence against him. The burden is on the internee not only to establish his innocence but also to imagine what he might be guilty of. According to those who have gone before him, Judge Brown's

conventional opening remark is: "Why do you think you are here?"

2. The hearing is private and the internee is not allowed any legal representation when he meets the committee.

3. The internee is given no clue as to the identity of his accusers though Judge Brown may refer from time to time to security dossiers on his desk.

4. The committee cannot implement release, it can make only recommendations to the Ministry of Home Affairs. It therefore lacks the independence of a judicial tribunal.

Interviews with internees usually last 15 to 30 minutes and the committee is empowered to call witnesses on the official side, though not in the presence of the internee.

There can be no complaint about the committee's willingness to hear cases. Its office is now situated just outside Long Kesh interment camp and specific appeals are heard "within a few days." But because of the paucity of appeals the committee has taken to reviewing cases without being asked. They have actually seen 80 internees who did not ask for an audience.

Quite apart from the process involved there is what many internees consider the insuperable obstacle of the Oath. Taking an Oath is not apparently a condition of release, but all those who come before the committee are asked if they are prepared to make it. The ten internees who have been released all took the Oath which reads:

"I swear by Almighty God that for the remainder of my life I will not join nor assist any illegal organisation nor engage in any violence nor counsel nor encourage others so to do."

The Oath is considerably more onerous than it looks. Under the Special Powers Act there are no less than 15 illegal organisations listed, only one of which, the Ulster Volunteer Force, is Protestant. It includes, for example, the Republican Clubs which have long been regarded as non-violent Catholic pressure groups. Before internment the Clubs published their officers regularly and entered into open and formal negotiations with the public authorities on local issues.

But the real sticking point is the undertaking "for life" not to assist an illegal organisation. The Special Powers Act gives the Minister of Home Affairs power to proscribe any organisation by regulation. In a rapidly polarising situation, politically active Catholics are naturally alarmed by the prospect that any body favouring a United Ireland policy, however non-violent, could be banned.

It is probably, of course, that among the 90 per cent of internees who have not sought the assistance of the Brown Committee that there are those with something to hide. But the evidence is accumulating that there may be many others who refuse its help on other grounds.

Mr. Paschal O'Hare, another Belfast solicitor with internee clients, said yesterday: "To get out of Long Kesh an innocent man has to accept a procedure that runs counter to all the traditions of British justice. Many, to their credit, are just not prepared to do that."

LEWIS CHESTER.

MINNESOTA GOVERNOR OPPOSES CONFIRMATION OF DR. EARL BUTZ AS SECRETARY OF AGRICULTURE

Mr. HUMPHREY. Mr. President, many of us who have been back to our home States over the Thanksgiving holiday have had an opportunity to see firsthand the tremendous opposition that has developed across this country against Dr. Earl Butz being named as Secretary of Agriculture. The mail that we have been receiving on this matter also has been voluminous. More and more organizations, farm and nonfarm alike, have been expressing themselves in opposition to Dr. Butz' confirmation. Republicans and Democrats, farmers and city people, young and old, conservatives and liberals are voicing opposition to this appointment.

In fact, I think the opposition has become so strong that the President would be well advised to withdraw Dr. Butz' name from consideration. Even if there should be enough votes in the Senate to confirm him, there is little likelihood that he will be able to command the confidence and respect that he will need as Secretary to perform the duties that will be required of him. The farmers and other people of rural America need a Secretary of Agriculture who will command the respect and admiration of the people of this country. At this point it cannot be said that Dr. Butz has any real chance for obtaining that regard in view of the many alienating and disparaging remarks he has made over the years about the fate of small farmers, people interested in alleviating hunger, and those who want to protect our natural environment or consumers against contamination of their food.

Mr. President, as I said before, an increasing number of people are speaking out against Dr. Butz' being confirmed Secretary; Governors, farm organizations, religious groups, consumer and environmental groups, and independent businessmen. One of the many communications I have received recently in opposition to Dr. Butz was from my own Governor, the Honorable Wendell R. Anderson of Minnesota.

Mr. President, I ask unanimous consent to have Governor Anderson's telegram to me printed in the RECORD.

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

ST. PAUL, MINN.

Senator HUBERT HUMPHREY,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: As Governor of Minnesota, I commend you for the leadership you have exhibited in the fight against the confirmation of Dr. Earl Butz as Secretary of Agriculture.

With the action of the Senate Agriculture Committee Monday in recommending approval of the nomination, the struggle now shifts to the Senate floor. I am certain I speak for thousands of Minnesotans when I urge you to continue the fight against confirmation with renewed vigor.

The philosophy espoused by Dr. Butz leaves little room for the survival of rural America, as we now know it. He has said the family farmers must "adapt or die." Yet the President has made it perfectly clear his administration would never dream of applying that mechanistic, law-of-the-jungle approach to financially troubled corporate giants such as Lockheed Aircraft.

He has said this Nation will need no more than 1.9 million family farmers by 1980, as compared with 2.9 million today. If such a reduction is applied to Minnesota, this would deplete the number of farm families by more than 40,000—from the present 122,000 to fewer than 80,000. Their departure from the land would spell the end of many small rural communities. He has said $1 is a fair price for a bushel of corn, at a time when the cost of producing that bushel is $1 or more, and when low prices will bring Minnesota farmers approximately $100 million less for their crops than they received last year.

The food stamp program, a program that has benefitted millions of poor Americans and helped ease our commodities surplus problem, is "ridiculous" in Dr. Butz' eyes.

Dr. Butz is a poor choice to succeed Cliff Hardin. He does not and cannot properly represent the farmers of Minnesota. His record under Ezra Taft Benson, his known orientation toward agribusiness, and his declarations before the Senate Agriculture Committee provide adequate proof of that.

WENDELL R. ANDERSON,
Governor, State of Minnesota.

MARINE SANCTUARIES

Mr. NELSON. Mr. President, during the Senate debate Wednesday on H.R. 9727, the Marine Research and Protection Act, I withdrew my amendment for marine sanctuaries and a 2-year prohibition on Federal mineral leasing off the east coast after a colloquy during which there were agreements announced for joint hearings by the Senate Committees on Interior, Commerce, and Public Works on this proposal.

Inasmuch as there will be this further consideration of this measure, I ask unanimous consent that an explanation of the amendment as I submitted it in modified form and my statement on the proposal be printed in the RECORD.

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

MEMO OF EXPLANATION OF MARINE SANCTUARIES AMENDMENT BY SENATOR NELSON AND OTHERS TO MARINE RESEARCH AND PROTECTION ACT

On November 9, Senator Nelson introduced Amendment No. 630, which would add a marine sanctuaries title to the Marine Protection and Research Act, HR 9727. The bill is expected up for Senate Floor action shortly. At that time, Senator Nelson will call up his amendment, with minor modifications.

The amendment would create a program of marine sanctuaries in the ocean waters off our coasts, and would prohibit Federal leases for oil drilling in the Atlantic off the U.S. East Coast for two years until the initial designations of sanctuaries in that area.

The purpose of the sanctuaries would be to protect or restore vital ocean and coastal environment values such as ecology, esthetics, recreation and resources, and to provide special areas for scientific baseline studies.

While the sanctuaries would not necessarily exclude development and commercial activities, to the extent that such steps were permitted in these areas, they would be under tight regulations to assure protection consistent with the sanctuary's particular purposes.

The provision on East Coast oil drilling would assure that environmental values would be fully taken into account, including setting aside sea areas if necessary, before irrevocable steps are taken to exploit the huge oil deposits that are indicated in the Atlantic.

In recent public statements, the Secretary of the Interior has made it clear the Department does not intend to issue any oil leases off the East Coast for at least two years. Thus, the provision of this amendment for the two year prohibition on the East Coast oil leases would not conflict with U.S. energy development plans in any way, but would merely assure that we obtain adequate

knowledge to anticipate and resolve potential conflicts between environmental and energy goals.

Because existing Federal authorities in the marine environment are divided among a number of departments, and are inadequate for comprehensive ocean environment protection even in U.S. waters, and because international matters are involved too, the President would establish the sanctuaries.

In so doing, the President would have public hearings held and assure coordination by obtaining the views of the Secretaries of Commerce, Defense, Interior, State, Transportation and the Administrator of the Environmental Protection Agency.

For any sanctuaries proposed in waters above state-controlled portions of the seabed (within the territorial sea) it would be necessary to have the approval of the Governor of the state involved.

Finally, language in the amendment specifically requires that the sanctuaries be regulated in accordance with the principles of international law, including treaties, conventions, and other agreements to which the United States is signatory.

In view of the fact that the Federal government has already permitted the drilling of more than 6,600 oil wells off our coasts in the Gulf of Mexico and the Pacific, and is considering the Atlantic Ocean leasing now, it would be ludicrous to argue on international or any other grounds that we should not at this time establish sanctuaries in the same areas.

This amendment's bipartisan cosponsorship thus far includes Senators Ribicoff, Case, Mondale, Williams, Brooke, Kennedy, McGovern, Harris, Beall, Tunney, Metcalf, and Hart.

The proposal is also strongly supported by the national environmental organizations including the Sierra Club, Izaak Walton League, Friends of the Earth, Environmental Action, National Wildlife Federation, Wildlife Management Institute and the National Audubon Society.

The House version of the Marine Protection and Research Act included a marine sanctuaries title and was passed by an overwhelming 304 to 3 votes. The title was deleted in Senate committee.

STATEMENT BY SENATOR GAYLORD NELSON ON CALLING UP MARINE SANCTUARIES AMENDMENT TO MARINE PROTECTION AND RESEARCH ACT

Mr. NELSON. Mr. President, I call up my amendment, No. 630, to the Marine Protection and Research Act. And I ask that this amendment be modified in the form that I now send to the desk.

The modified amendment which I propose would add provisions inadvertently omitted on the introduction of the first amendment and would clarify provisions of that first amendment, including responsibility for implementation.

Briefly, this amendment as modified would establish a program for marine sanctuaries in the ocean waters off our coasts.

If we are to avoid making the same mess of the sea as we have of the land, such a program must be instituted immediately, while we still have the opportunity to do so.

Famed underwater explorer and scientist Jacques Cousteau bluntly cites the compelling justification for action: "The sea is threatened. We are facing the destruction of the ocean by pollution and by other causes."

Distinguished marine biologists are already predicting that at the present accelerating damage rate, significant productive life in the sea will be eliminated in 50 years or less.

The purpose of the sanctuaries this amendment proposes would be to protect or restore vital ocean and coastal environment values such as ecology, esthetics, recreation and resources, and to provide special areas for scientific baseline studies.

While the sanctuaries would not necessarily exclude development and commercial activities, to the extent that such steps were permitted in these areas, they would be under tight regulations to assure protection consistent with the sanctuary's particular purposes.

In addition to the sanctuaries portion, this amendment would prohibit Federal leases for oil drilling and other mineral development in the Atlantic of the U.S. East Coast for two years until the initial designations of sanctuaries in that area.

This would assure that environmental values be fully taken into account, including setting aside sea areas if necessary, before irrevocable steps are taken to exploit the huge oil deposits that are indicated in the Atlantic, steps that without proper protection would risk a Santa Barbara-scale disaster on the beaches of our populous East Coast.

In recent public statements, the Secretary of the Interior has made it clear the Department does not intend to issue any oil leases off the East Coast for at least two years. This means my amendment's provision for the two year prohibition on the East Coast oil leases would not conflict with current U.S. energy development plans in any way.

This is not a question of environment versus energy, but merely one of assuring that we obtain the necessary knowledge to anticipate and resolve potential conflicts.

Because existing Federal authorities in the marine environment are divided among a number of departments, and are inadequate for comprehensive ocean environment protection even in U.S. waters, and because international matters are involved too, the President would establish the sanctuaries.

In so doing, the President would have public hearings held and assure coordination by obtaining the views of the Secretaries of Commerce, Defense, Interior, State, Transportation and the Administrator of the Environmental Protection Agency.

For any sanctuaries proposed in waters above state-controlled portions of the seabed (within the territorial sea), it would be necessary to have the approval of the Governor of the state involved.

Finally, language in the amendment specifically requires that the sanctuaries be regulated in accordance with the principles of international law, including treaties, conventions, and other agreements to which the United States is signatory.

In view of the fact that the Federal government has already permitted the drilling of more than 6,600 oil wells off our coasts in the Gulf of Mexico and the Pacific, and is considering the Atlantic Ocean leasing now, it would be ludicrous to argue on international or any other grounds that we should not at this time establish sanctuaries in the same areas.

This amendment bipartisan cosponsorship includes Senators Ribicoff, Case, Mondale, Williams, Brooke, Kennedy, McGovern, Harris, Beall, Tunney, and Metcalf.

The proposal is also strongly supported by the national environmental organizations, including the Sierra Club, Izaak Walton League, Friends of the Earth, Environmental Action, National Wildlife Federation, Wildlife Management Institute and the National Audubon Society. I ask unanimous consent that a letter of support signed by these groups in response to my inquiry be printed in the Congressional Record at the end of these remarks.

And in the House, the marine protection bill now before us, but including a marine sanctuaries title, was passed by an overwhelming 304 to 3 vote after proposals to delete the sanctuaries provision were rejected. The title was deleted in Senate committee.

Some questions have been raised about this amendment's effect on international marine issues. I think because of the complicated situation we have today regarding control of the sea.

I believe these concerns can be laid to rest, and would comment as follows:

One, this proposal does not conflict with international law or attempt in any way to extend this country's oceans authorities beyond present limits. In fact, it contains a specific provision to avoid such a conflict: In Section 301(f), the amendment says any regulations established for the marine sanctuaries "shall be applied in accordance with recognized principles of international law, including treaties, conventions, and other agreements to which the United States is signatory";

Further, in Subsection 301(c), the amendment provides that when any portion of a sanctuary involves ocean waters more than 3 miles from our coast, the Secretary of State must seek international agreements whereby other countries would voluntarily forego activities inconsistent with the purposes of the sanctuary.

Until such agreements were achieved, the only controls exercised in the sanctuary would be those based primarily on existing United States authority to regulate the activities of our own citizens anywhere at sea.

While this would be only partial control, it would be far better than none at all. And in part, it parallels the authority being used in Title I of this bill to control the dumping of wastes at sea transported from ports of the United States.

And as I noted earlier, in view of the fact that we are drilling oil wells all over the U. S. continental shelf in the Gulf of Mexico and the Pacific and considering them for the Atlantic, it would seem difficult to argue against establishing protected areas in these waters as well: In effect, we would be saying that while we can exploit, we cannot protect.

Two, the amendment is not in any way intended to disadvantage this country with regard to the development of its resources.

To the contrary, the leadership we would be showing by establishing sanctuaries within our existing controls would most likely encourage other countries to take similar steps within their jurisdictions and stimulate international agreements for more comprehensive sanctuaries, a conservation benefit for all mankind.

The International Convention on the Continental Shelf recognizes the sovereign right of each country to explore and develop the natural resources on its continental shelf.

As a result, as just one example, the protection established by this convention means that another country could not come in and drill the oil now being considered for leasing off our Atlantic coast, even if we decided not to drill all or part of it.

And Section 301(a) of my proposal limits the sanctuary designations to waters inside the edge of our Continental Shelf as defined in the International Convention on the Continental Shelf.

Furthermore, the sanctuaries would not necessarily ban any given activity. The degree of control exercised over U. S. activities or, if there were international agreements, over citizens of other countries in a particular sanctuary, would depend on the purposes of the sanctuary, on the values it was designed to protect.

As pointed out earlier in this statement, the provisions of my amendment prohibiting leasing for oil beyond the territorial sea off our East Coast for two years would not interfere with current energy development plans in any way.

In recent public statements, the Secretary of the Interior has made it clear the Department does not intend to issue any oil leases off the East Coast during this period.

In a November 4 department news release,

the Secretary was quoted as saying "it is now quite obvious that we could not possibly take any action on exploratory drilling for a couple of years."

Thus, my amendment would merely require that off the East Coast, we would use this two year period to assure that environmental values will be reviewed and protected, including actually setting aside areas where necessary, before they are lost forever in a gigantic oil rush which would not only result in a plethora of platforms around the ocean, but with the development of associated industries inshore, would pose irreversible pressures on other critical shoreline uses.

The stakes are immense. The natural resources of the East Coast provide an outdoors experience ranging from surfing to sports fishing for tens of millions of people a year.

From Florida to Maine 18 national parks, seashore and monuments are actually on or close to the coast.

Among these priceless areas are Everglades National Park in Florida, Cape Lookout and Cape Hatteras National Seashore off North Carolina, Assateague National Seashore off Maryland and Virginia, Fire Island National Seashore in New York, Cape Cod National Seashore off Massachusetts, and Acadia National Park off Maine.

The 14 states of the East Coast harbor more than 63 million people, 31.9 percent of the population of the entire country.

In addition to the recreation values, the East Coast and its offshore waters are a key national resource for fishing and shipping, and the pressures are on from the crowded metropolitan complexes to use these waters for the whole range of urban activities, from nuclear power plants to offshore jetports.

It is dramatically clear that we can no longer take a step in the ocean off the East Coast in any one of these areas without the most careful consideration of the impact on these other values.

And because of potential conflicts in use and the danger of massive environment disasters such as we saw in Santa Barbara, we simply may have to say hands off in some of these areas to this use or that one, or tightly limit some or all uses in special areas—establishing the sanctuaries this amendment proposes.

The pressures to drill and fully exploit the East Coast oil wherever it is found regardless of whatever environmental dangers may be posed will be intense.

Just recently, a Canadian subsidiary of Mobil Oil Corp. announced the flow of oil and natural gas in a well near Sable Island in the Atlantic off Nova Scotia.

The Journal article said: "The announcement had a tremendous impact. For it marked the first time that oil and natural gas have been discovered off the East Coast of North America."

Already, oil companies have gotten licenses on more than 400 million acres off Canada's East Coast.

And earlier this month, news stories widely announced Interior Department consideration of oil drilling in vast areas off the U.S. East Coast.

According to the reports, preliminary oil explorations have indicated a potentially oil rich area off the coast from the southern part of New Jersey down through the Middle Atlantic states and Virginia perhaps as far south as Cape Hatteras, North Carolina.

Previously, the Interior Department confirmed another potentially major oil and natural gas area off New England on the Georges Bank between Cape Cod and Long Island.

Already, 34 wells have been drilled in the Atlantic off Canada as close as 40 miles offshore, and a Humble Oil Company spokesman was quoted in September as saying that "we're sure the deposits off the coast of Canada and those off the coast of the United States are comparable."

And while we have assurances from the Department of the Interior, as I have noted, that they do not expect to issue East Coast oil leases for at least two years, the department is moving at top speed to evaluate the East Coast oil deposits and their implications.

As reported in a recent issue of the Oil Daily, the daily newspaper of the petroleum industry, an Interior Department task force was established November 4 to evaluate the East Coast oil.

According to a Bureau of Land Management memo on the task force job, "Since the environmental, economic and regional conditions in these new areas may be significantly different from those related to oil and gas developments in the Gulf of Mexico, BLM must move aggressively to obtain the information necessary to plan effectively for possible OCS developments in these areas and to evaluate impacts which will result from such developments."

Indicating the high priority of the East Coast oil task force, the memo said the task force members would be expected to work 15 consecutive days in Washington, followed by 2 to 3 weeks in their home offices, with the sequence being repeated through December 31.

Mr. President, I ask unanimous consent that a copy of the memorandum from the Associate Director of Interior's Bureau of Land Management with the task force instructions be printed in the Congressional Record at the end of these remarks.

In the modification of my amendment, the President would establish the sanctuaries because of the numerous and overlapping Federal jurisdictions involved, as well as the international responsibilities.

To meet the key need of coordination in marine affairs, prior to designating the area, the President would have to obtain the views of the Secretaries of Commerce, Defense, Interior, State and Transportation and the Administrator of the Environmental Protection Agency.

Despite the numerous interests involved, no one department's activities are adequate to effectively establish and implement any comprehensive marine protection plan.

The fact is our coastal areas and the sea are faced with the same kind of chaotic development that has already scarred and poluted the face of the land, and we are not in a much better position to control it than we were to protect the forests and soil and waters of this nation in Frontier Days.

In place of the glut of the automobile, we find the giant oil tanker plying the seas, with the constant risk of accidents that could cause another marine ecodisaster; in place of the strip miner, we find the oil operation with the risk of massive spills that could lay siege to whole coastlines with coats of black goo; instead of junk heaps on the land and filth pouring into our air and lakes and rivers, we find sewage and waste chemical dumping grounds offshore already creating dead sea areas; instead of sprawling urbanization, we find poised an industrial seascape of floating airports, nuclear power generating plants, offshore shipping terminals, and possibly even ocean cities; in place of the destruction of our wildlife on land, we see birds of prey being wiped out all over the earth by the DDT that has moved through the food chain even at sea, the whales, one of the most remarkable creatures on earth, being pushed to extinction, once massive fishery stocks being depleted by overuse and pollution.

The conclusion is unavoidable: Without the comprehensive environmental management which this amendment represents as a beginning step, we will ultimately make as much a wreckage of the oceans as we have of the land. There will be constant conflicts between users and more reckless exploitation, and once more, the environment will take second place until it is too late to reverse the tragic devastation.

Existing authorities will not do the job. Each department has a small slice of the pie, and no one agency has the jurisdiction necessary to establish overall policy and coordinate its implementation.

The Department of the Interior has authority to regulate the mineral resources of the seabed and the subsoil on our continental shelf beyond the territorial sea, and as part of this, may withhold areas of the shelf from leasing.

But the future of the marine environment hinges on many other questions than just what happens to these resources. As pointed out, all the activities, from tanker traffic to offshore jetports to fishing, will make their mark.

Furthermore, while the Department has permitted the drilling of more than six thousand six hundred oil wells on the continental shelf portions under its jurisdiction in the Gulf of Mexico and the Pacific, and is considering oil well leasing in the Atlantic, to the best of our knowledge, only two protected areas have been established to date under Interior authority in these same waters.

Thus, the authority the Department of Interior does have has barely been utilized.

And in any case, Interior's authority falls short of that necessary to review the wide range of activities and values involved in the ocean environment and established protected areas—the marine sanctuaries—with comprehensive regulations to reconcile conflicts in use and preserve vital ocean values.

The situation of fragmented jurisdiction and limited authorities is reflected in every other department concerned with marine affairs.

The Department of Defense has authority to set aside areas of the continental shelf for security purposes.

The National Oceanographic and Atmospheric Administration in the Department of Commerce has authority over conservation of the living resources of the sea generally, within the first 12 miles of ocean waters, and the living resources on the continental shelf, and over the activities of U.S. citizens on the high seas.

The Corps of Engineers in the Department of Defense has responsibilities for the protection of navigation offshore similar to those it exercises for inland waters.

Meanwhile, the Department of Transportation and the Coast Guard are concerned with activities involved in establishing sea lanes for ship traffic to our ports.

For construction of an offshore platform—whether for oil drilling or in the future for floating airports, etc.—the Corps would issue permits that it did not interfere with navigation, but the Coast Guard would be involved too, to regulate platform safety.

The Environmental Protection Agency and the states now administer pollution controls within the territorial sea and if this and other pending legislation is passed, EPA's authority will be extended outside the territorial waters based on existing U.S. authorities.

Outside our territorial waters, activities involving foreign relations come within the interests of the Department of State, and the department has been involved in negotiating international agreements on marine matters.

Mr. President, in conclusion, I would just reiterate that we have the opportunity now to take sound steps to protect the marine environment. If we delay further, for instance until after the East Coast oil is drilled and another tragic offshore accident has occurred, the costs to all society will be far greater than preventive steps today.

ADM. EMORY S. LAND

Mr. HANSEN. Mr. President, the United States has lost a distinguished citizen in the death of Adm. Emory S. Land.

The admiral is perhaps best known nationally for his outstandingly competent performance as head of the Maritime Commission during World War II, and was one of the original "can-do" men of that era in that he saw to it that ships were built regardless of obstacles.

Admiral Land, I am proud to note, was a graduate of the University of Wyoming, and in later life endowed a chair at the university. The Admiral Land Award at the University of Wyoming is presented annually at the halftime ceremonies of homecoming to the nonsports figure in the student body who has done most for the athletic program at the university.

Mr. President, the Washington Post, in an obituary Sunday, briefly outlined some of the many accomplishments of this great man.

I ask unanimous consent that it be printed in the RECORD.

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

ADM. E. S. LAND, DIES, HEADED MARITIME UNIT

(By Martin Weil)

Retired Vice Adm. Emory S. (Jerry) Land, 92, an Annapolis football hero in 1900, hard-driving head of the Maritime Commission during World War II, and a peppery and pleasant Washington legend for years, died yesterday.

The admiral died at 11:40 a.m. at Bethesda Naval Hospital, where he had been admitted Tuesday. Only last Sunday, he had been well enough to attend the Redskins game here. The Army-Navy game yesterday was the first he had missed since 1900.

Upon his retirement in 1953 after eight years as head of the Air Transport Association, he joined General Dynamics Corp. as a consultant, a post he held until his death.

Until entering the hospital this week, friends recalled, he walked the four miles from his home at the Sheraton-Park Hotel to his downtown office and back each day, bristling with indignation when offered a ride.

As head of the Maritime Commission during World War II, he directed history's biggest shipbuilding program, which launched 6,000 merchant vessels between 1941 and 1945, President Truman called the accomplishment "colossal."

As a 140-pound Navy halfback in 1900, he snatched up a blocked kick in the closing minutes of that year's Army-Navy game, eluded a raft of tacklers and raced for a touchdown to win the game for Navy, 11–7.

During his subsequent 37 years of Navy service, he became a skilled naval architect, specializing in submarine construction—for which he won the Navy Cross—but still found time to officiate at many top-college football games.

He won a master's degree from the Massachusetts Institute of Technology, earned his pilot's license at the age of 49, and took part in the effort to track down the kidnaper of the son of Charles A. Lindbergh, a cousin by marriage.

The future admiral was born far from the sea, in Canon City, Colo., on Jan. 9, 1879. After working as a cowboy, he graduated at the age of 19 from the University of Wyoming and was appointed to Annapolis, he said years later, "because I had luck."

In addition to starring in football at the Naval Academy, he distinguished himself in baseball, track, crew and swimming, winning the academy's Athletic Sword upon graduation. He also finished sixth in his class academically.

After supervising submarine construction and design work here during the early part of World War I, he held a staff post in the war zone, served briefly with the Naval Armistice Commission and became naval attaché at the U.S. Embassy in London.

In 1926, he became assistant chief of the Navy's Bureau of Aeronautics and in 1932 was named to head its Bureau of Construction and Repair. In March, 1937, he retired as a rear admiral, but within a month was appointed to the newly created Maritime Commission, charged with rehabilitating the nation's rapidly declining merchant fleet.

In 1938, when the commission's first chairman, the late Joseph P. Kennedy, resigned to become Ambassador to Britain, Mr. Kennedy proposed Adm. Land as his successor, and President Roosevelt made the nomination.

As war threatened and the demand for shipping rose, Adm. Land, pugnacious and plain-spoken when necessary on the job, won a reputation for slashing through government red tape.

At one point, he began awarding construction contracts without funds on hand. Once when this practice was questioned, he told his intelocutor with a chuckle: "See you in jail."

Adm. Land did not go to jail, but he did build ships, despite occasional friction with unions and Congress. Over all, he supervised the construction of more than 50 million deadweight tons of shipping.

Occasionally the admiral sought brief diversion. In 1943, he desperately desired to see the Army-Navy game at West Point, despite a Presidential order forbidding servicemen to travel more than 10 miles to attend.

After somehow arranging to get a job assisting the head linesman with his measuring duties on the sidelines, Adm. Land sent the President a written request for permission.

"If he wants to go that bad," Mr. Roosevelt scrawled along the bottom of the request, "let the damn fool go."

In 1946, with achievements behind him that Mr. Roosevelt had called "unbelievable," and that President Truman called "without parallel in maritime history," Adm. Land resigned from the Maritime Commission.

His letter of resignation showed characteristic aversion to the involutions of bureaucratic prose. He gave five reasons for leaving, listing them alphabetically.

They began with "A) I have done my bit," continued with "B) New blood is desirable," and concluded with "E) I am war weary."

Later he explained that he had resigned because, "I couldn't stand to see what I had built up knocked down like building blocks. I got over my destructive impulses when I was a kid."

Admiral Land was named a vice admiral in 1944. In addition to his Maritime Commission post, he also served during the war as administrator of the War Shipping Administration.

He was president from 1940 to 1942 of the Society of Naval Architects and Marine Engineers, and held a variety of decorations, honorary degrees and memberships in professional societies.

His wife, the former Elizabeth C. Stiles, whom he married in 1909, died in 1956.

He is survived by a nephew. Rear Adm. G. C. DeKay, of Washington.

THE NOMINATION OF EARL L. BUTZ TO BE SECRETARY OF AGRICULTURE

Mr. BURDICK. Mr. President, very soon the nomination of Dr. Earl L. Butz to be Secretary of Agriculture will be before the U.S. Senate for confirmation or rejection. I represent a State where agriculture is the single most important income-producing enterprise. In addition, the storage, handling, transportation, processing, and marketing of the products of our farms and ranches is a major source of employment of nonfarm people. North Dakota is about 1,500 miles from Washington, D.C., but no one should make the mistake of thinking that the people are unaware or uncaring about events that occur here.

The nomination of Dr. Butz to the Cabinet post that should represent the voice of farmers in the concerns of government has brought to my desk a flood of telegrams and letters. All of these messages express opposition to the appointment of Dr. Butz, based primarily on his past close association with giant agribusiness corporations. No single person or organization in North Dakota has asked me to support Dr. Butz' appointment. I know of no other recent issue on which my constituents have been so unanimous.

An editorial published recently in the Record Herald of Cando, N. Dak., sums up in a concise manner the reactions that North Dakota farmers and nonfarmers have expressed to me.

I share the opinion that the background and philosophy of Dr. Butz do not qualify him for the post of Secretary of Agriculture. I shall vote against his confirmation.

Mr. President, I ask unanimous consent that the full text of the Record Herald editorial be printed in the CONGRESSIONAL RECORD.

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

FOX IN THE CHICKENHOUSE?

We have just returned from a five-day flying trip to the National Newspaper Association Convention at New Orleans. A vignette of sights and sounds and ideas spin before us and it will take many weeks before they fall into perspective so we can pass them on.

One of the most thrilling was the flight beginning in the Red River Valley through the heart of rural America on a lovely sunshiny day. The checkerboard of millions of acres of Minnesota, Iowa, Kansas, Missouri and Texas, all neatly plotted and dotted with farmyards in every square and towns of various sizes, all serving this great food producing area, was overwhelming. Truly the Food Basket of the world.

Its vastness, breathes power and stability, and anyone who downgrades the importance of Agriculture should be forced to fly this route. Especially would we recommend the trip to any President of the United States, especially Mr. Nixon, who toyed with the idea that he was going to dissolve the cabinet post. His nomination on Friday of Dr. Earl L. Butz, a Purdue University professor, as Secretary of Agriculture does not show understanding of the problem.

Dr. Butz was on the policy making team of the Benson era in the Eisenhower administration which triggered the emptying of the farms and towns. Even worse is his directorship in Ralston Purina, Stokely Food Company and a huge ferlitzer corporation, all of which have everything to gain from cheap farm prices at the wholesale level.

This has all the earmarks of locking the fox in the chickenhouse. He has been fostering the interest of huge corporations in their

fight to control American Agriculture for 20 years and Senator Young has had many a confrontation with him. Along with Senator Young, Senator Burdick and Representatives Andrews and Link are more than a little alarmed.

Even more frightening to us is the fact that a President of this nation would have so little knowledge of the rural problem, which employs three out of every 10 Americans, that he would honestly feel this man's philosophy is the direction he wants to take. That he would want Dr. Butz, unless he has undergone a miraculous conversion to the cause of Agriculture, shows either a lack of knowledge or lack of respect for the industry.

Both Republican and Democratic presidents have studiously avoided consulting farm state congressmen about this post. The dismay may be universal, for on a New Orleans newscast we saw a southern Senator groan at the announcement "Heaven help us—another college professor."

It is getting tiresome for farm groups and farm state Congressman to have to begin again to educate and try and convert Secretaries of Agriculture to the cause of the people they are supposed to represent. Just as things begin to look up a little, like Secretary Hardin's 1972 farm program, some big wholesale Food Corporation lures them with so tempting an offer that the work is all in vain.

Seems odd that this opportunity should come to Secretary Hardin from Ralston Corporation at this time and that his replacement should be a director of the same corporation.

THE NOMINATION OF EARL L. BUTZ TO BE SECRETARY OF AGRICULTURE

Mr. METCALF. Mr. President, last Wednesday I announced my decision to oppose the confirmation of Earl L. Butz as Secretary of Agriculture, and discussed the nominee's record when he was an Assistant Secretary serving Ezra Taft Benson in the Eisenhower administration.

Mr. President, an editorial which appeared on November 26 in the St. Louis Post-Dispatch has come to my attention.

The editorial concludes that there are many questions "to be asked before the Senate acts on Mr. Butz's nomination." Some of the questions were answered in the same edition of the St. Louis Post-Dispatch in a newsstory by Lawrence E. Taylor covering the item I explored last week. I ask unanimous consent that Mr. Taylor's article be printed in the RECORD together with the editorial.

The regulatory responsibilities Mr. Butz would assume as Secretary are considerable. He would have jurisdiction over enforcement of the Packers and Stockyards Act, administration of our national forests, enforcement of meat and poultry inspection, agricultural uses of pesticides, administration of the school lunch program.

Mr. President, Mr. Butz admitted in 1957 that he had made the decision to stifle an investigation of price fixing by Safeway Stores. He said, moreover, that he would do the same thing again. If he is as casual about meat and poultry inspection or pesticides or school lunches as he was about the Packers and Stockyards Act, we know precisely what to expect. I think we can do better.

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

[From the St. Louis Post-Dispatch, Nov. 26, 1971]

A NEED FOR QUESTIONS

The 8-to-6 vote in the Senate Agriculture Committee to approve President Nixon's nomination of Earl L. Butz for Secretary of Agriculture can only be described as the most tepid sort of endorsement, especially since two of the dissenters were farm belt Republicians. Because of his past pronouncements in favor of big farming and of his stockholdings in agricultural corporations, doubts have been raised as to whether Mr. Butz would not function as an advocate or agent of agribusiness. His disparaging remarks about environmentalists have been unsettling, inasmuch as the Department controls the use of agricultural pesticides and administers the National Forests. And his scornful remarks about Mr. Nixon's welfare proposal lead us to wonder how sympathetic Mr. Butz would be to the plight of the rural poor, particularly migrant workers. There are, in short, plenty of questions to be asked before the Senate acts on Mr. Butz's nomination.

[From the St. Louis Post-Dispatch, Nov. 26, 1971]

BUTZ HALTED PRICE STUDY

(By Lawrence E. Taylor)

WASHINGTON, November 26.—Earl L. Butz, nominated as Secretary of Agriculture, squelched an investigation into alleged price-fixing by a major grocery chain in 1956 when he was an assistant Secretary of Agriculture, records showed today.

Butz acknowledged halting an inquiry into Safeway Stores, Inc., in testimony before a Senate subcommittee in 1957. A subordinate testifying before the same subcommittee said that there was evidence of federal law violations by Safeway in its meat-buying operations in California.

Butz, who left the department in 1958 to join the faculty at Purdue University, has been criticized for his close ties to big businesses with agricultural interest.

At the time of his nomination to the top agriculture job by President Richard M. Nixon, Butz was on the boards of several agriculture business firms, including Ralston Purina Co. of St. Louis. He said he had resigned from those positions.

Sources interviewed today recalled the Safeway inquiry and said that Butz stopped the investigation after it had uncovered specific information about methods allegedly used by Safeway to control beef prices.

The sources told the Post-Dispatch evidence indicated that each week Safeway buyers allegedly set a top price that the company would pay for beef.

This price allegedly was passed along to buyers for other California retailers and commercial outlets and allegedly resulted in a ceiling on beef throughout the state, the sources said.

Such tactics would have been in violation of the federal Packers and Stockyards Act of 1921. It requires that meat prices be * * * sources said.

One source, close to the investigation, recalled that the inquiry was begun after California cattlemen and beef producers had complained to the Department of Agriculture.

The source said that the inquiry, conducted by the department's packers and stockyards division, had been under way for two or three months when Butz, in a handwritten directive, ordered it halted.

"The next step, (in the investigation) would have been to question them (Safeway executives) and get documents, and to question some of those alleged to be in the conspiracy," the source said.

The source asked not to be identified but said that he would testify about the matter before a Senate committee if asked. He said that documents locked up in the Department of Agriculture would confirm his contention.

In addition to price-fixing, the investigation had sought to determine whether Safeway's ownership of livestock feed lots had enabled it to unfairly influence meat prices, the source said.

Butz, testifying before the Senate Judiciary subcommittee on antitrust and monopoly in May 1957, discussed only the feedlot aspects of the investigation.

His initial answers to questions by subcommittee members about the Safeway matter were vague. His memory improved, however, when Lee D. Sinclair, director of the section making the investigation, appeared before the subcommittee.

Sinclair testified that at the time Butz halted the inquiry, "we felt . . . there was sufficient evidence to warrant a full-scale investigation; that the facts indicated a violation (of the law)."

Butz had testified earlier that the investigation was stopped "because we had no conclusive evidence, as far as I know, and as of this date we have no conclusive evidence that this practice does in fact depress prices."

He said that the matter was "much broader than Safeway" and dealt with questions of whether retail chains could own feedlots and meat packing plants.

For that reason, the investigation was ended and the matter was turned over to an agricultural economist for study, Butz said.

Sources interviewed today, said, however, that the normal pattern in such cases would have been for the department to order an economic study while the price-fixing inquiry was continued.

If sufficient evidence of any violations had been uncovered, the matter would have been referred to an Agriculture Department hearing examiner, the source said. If the examiner had found Safeway guilty, a cease-and-desist order could have been issued.

Publicity resulting from the hearing would have been embarrassing to the company, which at the time was one of the largest retail grocery chains in California.

Safeway, in a letter filed with the antitrust and monopoly subcommittee in 1957, denied any wrongdoing. The company did not discuss its meat-buying practices, however, and the matter was not raised at the hearing.

The sources said, however, that word of the departmental investigation and the resulting economic study apparently leaked back to Safeway and the alleged price-fixing was stopped.

The investigation was begun and halted when Ezra Taft Benson was Secretary of Agriculture. Sources said that there was no indication that Benson had been involved directly in the decision to terminate the inquiry.

Butz has been challenged because of his close identification to Benson's policies. Opponents of his confirmation to the Agriculture post have said that 38 Senators probably would vote against him when the nomination reached the Senate floor. Butz was approved by the Senate Agriculture Committee, 8 to 6.

SPECIAL CIRCULATION MAGAZINES

Mr. METCALF. Mr. President, recent mail included a letter from the Magazine Publishers Association. Vice President Norman S. Halliday stated the case for magazines of general circulation, which on the one hand have a responsibility to inform the public and on the other are

confronted with a substantial reduction in public subsidy. This comes at a time when rising costs are threatening the existence of magazines, as evidenced by the recently announced demise of Look.

Recent mail also included a variety of what, I would call for want of better words, a special type of magazine, a special interest pleader, a glossy house organ. It is apparent that these magazines are flourishing as those of general interest wither. Some of the best writing, the most striking photography, the most attractive layout, are in these special interest publications, which are doubly subsidized by the taxpayers. They not only go through the mail for less than the cost of handling, but their publication costs are charged to the taxpayer as public relations or public information.

Recent issues of these publications have included excellent articles, beautifully illustrated, on such a variety of subjects as Guatemalan fabrics, the Intracoastal Canal, dog-sled racing, oil and our environment, corporate social responsibility, the special people who serve the public, the jumbo jet, building esthetics, to name a few.

A thread of bias and understandable industry prejudice run through these special circulation magazines, for which the taxpayer is paying.

I hope that, as our public officials scrutinize the partial public subsidy of general magazines, they also take a look at the total public subsidy of special publications. We taxpayers subsidize both. We may be interested in a balance of subsidy and a reappraisal may be justified.

Mr. President, I ask unanimous consent to include in the RECORD the letter from Mr. Halliday and the enclosures.

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

MAGAZINE PUBLISHERS ASSOCIATION, INC.,
New York, N.Y., September 15, 1971.

Hon. LEE METCALF,
U.S. Senate,
Washington, D.C.

DEAR SENATOR METCALF: On August 20, 1971 Life magazine published the enclosed editorial entitled "A Serious Threat to Magazines". Postmaster General Blount replied to that editorial and his letter to the editors appeared in the September 10 issue of Life magazine, along with further comment by the editors. A copy of that material also is enclosed.

In addition, so that you can appreciate that this threat is not merely to Time Inc. but to the entire magazine industry, I have enclosed the summary statement from testimony submited to the Postal Rate Commission by Dr. Edward Shafer of Foster Associates, Inc. on behalf of MPA. It clearly conveys the adverse impact the proposed postal rate increase will have on our industry. A summary of MPA's entire case before the Postal Rate Commission is also included.

We make no apologies for informing the American public and its elected representatives of what we have substantial reason to believe is a very real threat to the magazine press. On the other hand, General Blount's characterization of our responsibility to inform the public as "unfortunate" is indeed unfortunate. The Postmaster General and other officials of the Postal Service have attempted through pronouncements, speeches, memos and press releases to nationally publicize their case in support of their proposed postal rate increases.

If, after reading the attached material, you wish any clarification or additional material, I shall be happy to come to your office at your convenience or supply you with any additional information we have available.

Sincerely yours,

NORMAN S. HALLIDAY.

Enclosures (4).

AUGUST 27, 1971.

Memo to: Chief Executives
MPA Member-Organizations
From: Stephen E. Kelly

Attached is a condensation of the MPA Postal Rate Case testimony which was submitted in unabridged form on August 13th.

The complete MPA testimony consisted of some 360 pages of text and exhibits. Marvin Gropp, MPA's Research Director, has done a fine job in capturing the principal issues of our case in this 10-page condensation.

The Rate Case hearings are continuing as of this date, August 27th, and all testimony by all parties is available to the public. We want you to be familiar with the testimony filed by MPA and feel that this form is most practical and efficient. Extra copies are available to you for your staff, suppliers and any other interested parties.

We are circulating the condensation in the "right places," including plans to distribute it among members of the House and the Senate Postal Committees, upon their return to Washington.

For extra copies, please contact Marvin Gropp's office in New York.

SOCIAL VALUE OF AMERICAN MAGAZINES

DR. THEODORE PETERSON, DEAN OF COLLEGE OF COMMUNICATIONS AT THE UNIVERSITY OF ILLINOIS

Although the various media of communications compete among themselves for the advertiser's dollar and the audience's time and attention, they are complementary in their attempts to meet society's needs. Not only do some media seem to be better than others in carrying out certain functions, but some media seem to be better than others for certain individuals in carrying out even the same function.

The differences between the electronic and print media extend to the composition of their audiences and the ways people use them. Broadcast media can be used with little effort and, unlike print media, they seem to appeal more to the emotions than to the intellect. Television seems to have displaced print as a source of entertainment and escape but not as a source of serious, useful information. TV tends to cater more to the lower income, poorer educated segments of the population whereas study after study links the print media with increased education and income.

Ben Bagdikian, in his study for the Rand Corporation, reports that for every minute spent at information activities, reading is almost double the "efficiency" of the nearest competitor, films, and 3½ times more efficient that its most famous competitor, television. It is also five times as "efficient" as radio, he says, and 7½ times as "efficient" as lecture and discussion.

Setting magazines apart from the other print media are several characteristics that equip them for important tasks in a democratic society. Unlike the typical newspaper, magazines are not restricted to a narrow geographical area. Therefore, they can give highly specialized treatment to highly specialized subjects to a widely scattered audience; or can provide a national perspective to even local issues and concerns. They are put together with less haste and less pressure than the newspaper, and their life span is much longer. Because of reader habits and expectations, and because of their available space, magazines can give carefully researched, thoughtful and extended treatment to the subjects they cover.

Magazines are more timely than books—timely enough to deal with the flow of events. They have a continuity that a book lacks. As a continuing channel they can sustain campaigns over long periods, with feedback from their readers, and work for cumulative effect rather than single impact.

The role of magazines in our society rests squarely on the assumptions that underlie the democratic form of government—faith in the essential rationality and perfectability of man and in his ability to discern truth if afforded an unfettered marketplace of information and ideas.

Magazines have at least six main functions. One is *public enlightenment*—they are inexpensive, pervasive educators that provide man with the information he needs to form his own ideas, that stimulate him with the ideas of others. Since new ideas rarely originate with the majority, print—and especially magazines—seem an ideal vehicle for disseminating the fresh ideas and viewpoints that ward off stagnation in a democratic society. They have been an agency for needed social reform. Over the years, historians have credited them with helping to bring about Congressional investigations, pure food laws, a tariff commission, child labor laws, wage and hour laws, workmen's compensation, old age pensions and social security, women's suffrage and many other reforms.

As public enlighteners, magazines have instructed readers in their cultural heritage. In addition, magazines have been the developers of literary talent.

A second function is *servicing the political system*. Democratic government needs an electorate well-informed about issues, problems and their possible solutions. Magazines help to provide the information and ideas that steer public opinion towards consensus.

A third function is *safeguarding personal liberties*—a watchdog that warns the public when personal liberties are in danger.

A fourth function is to be *profit-making*—to be free of obligations to government and special interests.

Closely allied is a fifth function, *servicing the economic system*—not only the supplying of economic news and views, but the rise of mass production and mass distribution has given increasing importance to informative advertising.

A sixth function is *providing entertainment*. Magazines can inform and educate even while they entertain.

Not the least accomplishment of magazines has been as an inexpensive *instructor in daily living*. They teach their readers how to prepare food nutritiously, inexpensively; how to plan, build, remodel, landscape, furnish and decorate their homes; how to rear their families; how to protect their health, mental and physical; how to plan for and enjoy retirement; and so many other important subjects too extensive to enumerate.

Magazine publishing has remained an open-ended, fluid, high-risk business. It is knowingly estimated that only about one new magazine in 200 or 300 ever achieved financial success. Neither age, advertising leadership nor reader acceptance is necessarily a guarantor of permanent success. Of the top twenty magazines leading in advertising revenues in 1927, half had died twenty years later. And, of the forty magazines with circulations of a million or more just twenty years ago in 1951, exactly one-fourth are dead today.

I fear the proposed postal increases imperil the present and future health of magazines—a medium that has been closely attuned to the needs and care of the American people and that provides the diversity in information and viewpoint they expect and need.

ECONOMIC CRITERIA FOR COSTING AND RATE-MAKING

Dr. Stephen F. Sherwin, Vice President of Foster Associates, Inc., and economist specializing in finance, cost and price analysis, with particular emphasis on methodology of costing and cost allocation in connection with the determination of revenue requirements for rate-making purposes, consultant to both industry and government.

Dr. Sherwin's testimony focuses on and thoroughly explores the following issues of Postal Service costing:

1. The extent to which the Postal Service's costing process reflects the identifiable factors and functions which influence the cost incurrence.

2. The correctness of the classification of costs as "variable" (directly attributable), "specific fixed" (fixed or restricted institutional costs that can be soundly attributed to certain specific classes of mail), and "institutional" (fixed costs not directly attributable to any particular class of mail).

3. The propriety of distributing *all* institutional costs to *all* classes of mail.

4. The reliability of the various costing systems for developing estimates of costs of different classes and subclasses of mail.

Dr. Sherwin states, "No matter how great my disagreement may be with respect to the measurement of cost, the Postal Service's case rests on the proper foundation that a rational rate structure *cannot* be based on a *fully* distributed cost system, and that those elements of cost which are judged to be fixed must be distributed on the basis of economic criteria, including elasticity of demand, value of service, and effect on the users." And he further agreed with the Postal Service's basic costing premise that postal operations are characterized by declining unit costs with increasing scale of operations.

It appears that the in-office random sampling system used by the Postal Service to ascertain attributable costs yields reasonably reliable measures of the variable costs attributable to *major* classes of mail, but wholly unreliable costs by subclasses. To test the accuracy of the observations made under the in-office sampling system, the Department conducted a single audit at the 15 largest post offices in the two-week period November 8–21, 1969. The audit revealed that the observations with respect to the identification of a number of subclasses of mail were inaccurate. The record does not indicate whether the audit confirmed the accuracy of the observations for the major classes of mail.

Among the areas of disagreement, one of the principal criticisms of the Postal Service's measurement of costs leveled by Dr. Sherwin is the failure to isolate and measure the capacity cost element. The Postal Service measures the variability of cost only by reference to a single yardstick—the volume of mail. And it does so over what constitutes essentially a short run. The incremental costing system is thus deficient on two counts insofar as it fails to measure the *capacity* cost element, particularly the impact of peak loads. The existence of peak loads and different load factors for different classes of mail is not denied by the Postal Service. Account must therefore be taken of the degree of coincidence of peak loads for the several classes with the peak for the entire system and the responsibility of those several classes for that peak load.

As a general rule, peak loads are created by those classes of mail which require priority dispatch; those classes which receive deferred service can be used to fill in the valleys. The failure to measure the peak capacity elements of costs thus tends to result in an understatement of the costs of preferential mail and an overstatement of the costs of deferred service mail.

The Report of the Cost System Task Force, dated May 21, 1970, recommended that the effect of peak loads on incremental costs be studied. Yet, to this date, the Postal Service has been unable to supply any data on peak loads of different classes of mail.

"Another area of disagreement with the Postal Service's costing system relates to the classification of some cost components as variable (directly attributable)," states Dr. Sherwin, "principally the costs of delivery carriers after they leave the confines of the Post Office. In my opinion, the carrier costs, apart from the costs incurred within the post office (primarily for casing the mail) should be classified as institutional costs. Some other costs classified as variable should also be reclassified as institutional with respect to stop time of city delivery and heavy duty rural route carriers and the related supervisory costs." Such a reclassification reduces the Postal Service's total Fiscal Year 1972 attributable costs by $141.4 million. The most significant impact of these reclassifications is on the cost of second class mail, for which the Postal Service overstates costs by 16 percent. *Directly attributable costs for second class mail would be thereby reduced by $54.6 million.*

A third area of disagreement relates to the distribution of institutional costs, specifically the failure to distinguish among different types of institutional costs and to recognize that not all institutional costs can be distributed among all classes of mail. Some institutional costs reflect costs incurred for performance of functions which do not benefit all classes of mail. These costs could more properly be called "restricted" institutional costs. To illustrate, second-class and third-class bulk mail is not handled by personnel concerned with window services. These mail classes should therefore not be charged with any part of costs associated with window services. Other "restricted" institutional costs include supervision and technical personnel, city delivery carriers (stopping and street time costs), vehicle service drivers and motor vehicle service, contract stations (miscellaneous operating costs (air taxi and mobile post offices (in transportation costs). Due to lack of adequate data on all these cost segments, it is not possible to quantify the impact of a proper identification of "restricted" institutional costs on a lowering of the costs assignable to second-class. But to spread institutional costs among all classes of mail violates not only the costing principle that costs should be identified with those classes of service that receive the benefit from cost incurrence, but also violates the rate-making principle that no class of users should subsidize another class.

Additional reclassifications of costs from variable to fixed or institutional were found appropriate for supervision of mail processing and local services, clerks in third class post offices and mobile units, in-office costs of city delivery carriers, and star route transportation costs. These, too, cannot be accurately quantified at this time but reclassification could ease the rate burden on some mail classes.

THE IMPACT OF PROPOSED POSTAL RATES ON MAGAZINE PUBLISHERS

Edward Shafer, Vice President of Foster Associates, Inc.; Senior Consultant specializing in market research studies, forecasting demand for services, economic feasibility studies and questions relating to economic impact in the communications industry.

The real-world climate for magazine advertising and for magazine subscriptions is of vital importance to any consideration of the ability of magazine publishers to pass on proposed postal rate increases to the advertiser and to the subscriber.

From 1950 to 1970 total national advertising expenditures increased from approximately $3.3 billion to $11.5 billion annually, an increase of more than 250 percent. However, the various media have not shared equally in the growth. During this period, magazine advertising revenues increased from approximately $500 million to $1.3 billion, an increase of *160 percent*. By contrast, television's national advertising revenues increased from $116 million to almost $3 billion, an increase of *more than 2,400 percent*.

Of the four major media totals—magazines, newspapers, radio and tv—television grew in share from 8 percent in 1950 to 52 percent in 1970; while the magazine share dropped from over 34 percent to about 23 percent.

The intensity of the competition for advertising faced by magazines is also indicated by the decline in the *rate of growth* in advertising revenues. Such revenues increased by approximately *29* percent from 1955 to 1960. During the next five-year period, 1960 to 1965, magazine advertising revenues increased by *27* percent. And, in the most recent five-year period, 1965 to 1970, the industry's revenues increased by only *10 percent*—the lowest *growth rate* among all major media. In contrast, television grew *41* percent during the past five years, radio is up *26* percent, and newspapers are up about *20* percent.

As for the climate for magazine subscriptions, since World War II the percentage of subscription copy sales to total circulation has increased from *52* percent in 1946 to *68* percent in 1960. During the last decade it has varied only slightly within a range of 68–70 percent. In 1970, *68.3* percent of the more than 5.5 billion magazine copies sold were sold through subscriptions.

Price increases can only be applied to new subscriptions, and subscription commitments usually cover a period of at least one year and sometimes extend as long as five years.

On the basis of an examination of several regression equations (statistically evaluates the relationship between the *dependent variable, magazine advertising page sales,* and the independent variables such as price of magazine advertising (C per M), price of television advertising, Gross National Product, and ratio of national advertising expenditures to Gross National Product) the demand for magazine advertising was estimated at −1.0.

The demand for magazine subscriptions was also found to have a co-efficient of elasticity equal to −1.0. At an elasticity of −1.0 a given change in price will produce a corresponding (*but opposite in direction*) change in demand. Under this condition of unit elasticity, higher prices for advertising and subscriptions would initially offset dollar volume losses. Since total revenues at this point would be the same as before the price increases, there would be a net loss of revenue to publishers reflecting the exact amount of the increased postage costs. However, there would also be a corresponding percentage loss in advertising pages and in subscription circulation.

In addition, the resulting loss in subscription circulation would increase the advertising cost per thousand. And, in due course, this increase in C per M would produce losses in both advertising pages *and revenue* which would *not be offset* by the higher advertising prices.

Financial data for a group of 42 magazines, gathered by Ernst & Ernst and furnished to Foster Associates, Inc. in summary form, indicates that the group's operating profit in 1970 was equal to $32 million on total revenues of $1,016 million.

On the basis of unit elasticity (—1.0) and considering only the *first step* postal increase, it is estimated that the operating profit would have been reduced from $32 million to

less than $17 million if the magazines would have attempted to shift the higher costs to advertisers and subscribers. This would have represented a 48% decline in operating profits.

On the basis of the *full* postal increase, attempts to *pass on* the higher cost would have resulted in an *operating loss of more than $7 million.*

The impact would be substantially greater if magazines attempted to *absorb* the higher postal costs. Under this alternative, the *first step* increase would have *reduced operating profits from $32 million to $7.5 million—a 76% drop.*

If magazines would have attempted to *absorb* the *full* postal increase, they would have experienced an *operating loss of more than $59 million.*

TESTIMONY OF STEPHEN E. KELLY

Magazine Publishers Association consists of more than 130 member companies, publishing nearly 400 magazines, which includes almost all of the nation's major consumer publications. The advertising revenues of member publishers annually exceed $1.0 billion. These revenues, in 1970, accounted for approximately 85% of the total reported magazine advertising revenues for that year. Based on an average issue circulation for the second six months of 1970, MPA member magazines account for about 60% of total magazine circulation.

About 112 million adults, or 90% of all men and women 18 years of age and older, are magazine readers. Stated another way, nine out of ten adults read magazines and they each read an average of seven different issues of magazines a month.

Not only do magazines inform and educate the general reading public, but magazines are also used widely in the nation's schools in the formal educational process. A special research study conducted in 1969 for MPA by Scholastic Research Center found teachers use magazines as teaching aids or that about 70% of all secondary school supplements to update textbooks or to enrich the curricula. This compares with the following use of other media by the teachers: supplementary books 67%; record/tapes 57%; newspapers 56%; and about one-third of the teachers use filmstrips, professional graphics and movies. Radio and television are used by about a tenth or less of the teachers.

In April 1969, a study was conducted by Gilbert Youth Research for MPA, among young people 14 through 25 years of age. Emphasizing the different roles that the broadcast and magazine media play in the lives of young people, the survey found that they look to magazines to provide information that contributes to knowledge and self-improvement. Sixty-two percent voluntarily characterized magazines as "informative."

This then is a brief overview of MPA, the magazine publishing industry of which the Association is representative, and the composition of the American magazine reading public.

The readers of magazines have always enjoyed the benefits of preferential rates which have not returned all costs reasonably attributed to the service provided. This preferential consideration of magazine is a means of encouraging and expanding their dissemination, and has been consistent and informed Congressional policy in recognition of the social, cultural and educational value of this unique communications medium since the earliest beginnings of postal service in the United States. Enactment of the Postal Reorganization Act significantly changed the structure of the Post Office Department but it was not intended substantially to destroy the historic postal policy of service to the public which Congress has followed since the Department's inception.

In the light of the increased costs of rendering the postal services, we are willing and—we hope—financially able, as an industry to pay more than we have in the past. Such added burden, however, must be measured by the reasonably expected standards of efficiency in operating the Postal Service and in consonance with the intent of Congress.

Other expert testimony in the record (i.e. Dr. Sherwin) deals in detail with the defects in the Postal Service presentation of the fundamental components of its rates proposal case. But, we have certain concerns that bear mentioning here. We are distubed by the facile dispcsition by the Postal Service witnesses of the "non-cost" factors in their determination of the assignment of "institutional" costs to the different classes of service. The Postal Service makes not even the pretense of guiding its judgement in assigning these costs with any studies or hard information of any kind. And, in accordance with Sec. 3622(b)(6), which requires the Commission to consider "the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs", we believe that the degree of preparation of mail by mailers is an incentive factor which must be given consideration in the exercising of judgement on the portion of *"institutional"* costs that class of mail should bear.

Most significant of the factors to which the Postal Service has given inadequate attention is "the effect of rate increases upon the general public (and) business mail users."

I agree with a conclusion by Mr. Hargrove and Mr. Eden, elsewhere in the testimony, that prospectively second class mail "ranks highest among all major classes" in price sensitivity. At the same time, Mr. Eden, at Tr. 3A/426, acknowledges that the Postal Service cannot make a "precise judgment" of the impact of the proposed rate increases on the magazine publishers because they do not have privileged financial information. Unencumbered by any such knowledge, the witness goes right ahead and informs us that" . . . accommodation by publishers—though difficult—is feasible," and that subscribers and advertisers can share the additional cost equally. Mr. Shafer's testimony, based upon an exhaustive study of the industry effectively destroys this assumption.

Further, Mr. Eden testifies that publishers may be able to absorb the rate increases. However, Mr. Shafer's study of the industry financial picture develops an average operating ratio of only 3.1%. Obviously, the absorption of even 50% of the proposed increase for second class would essentially eliminate all net income on an average industry basis.

The testimony of Mr. Keylor, for Time Inc., dramatically demonstrates the impact of such an increase upon one major magazine publisher furnishing many millions of Americans with a wide spectrum of business, financial, cultural, sports and current events information.

Thus, it must be concluded that elasticity of demand for magazines and for magazine advertising is of such a magnitude that neither advertisers nor subscribers will accommodate the proposed increase and the industry is not financially capable of absorbing it.

The Magazine Publishers Association believes that the question of rate design cannot be decided properly on data now available or within the probable time limits of the current proceeding. Therefore, it urges that the historical second-class rate pattern be retained in any determination of this proceeding. A future rate case, built upon knowledge to be gained and with more time for deliberations will permit a better-informed structuring of rates.

I believe that the industry would be willing to attempt, over a period of five years, to absorb an increase of 10% per year above the rate that existed when subchapter II went into effect. I use the word "attempt" advisedly because, as Mr. Shafer's study shows, the industry's profits could be wiped out and turned into a loss before the rates proposed become fully effective. My hope is that by the time such a crunch occurs, the Postal Service will, as the Postal Reorganization Act contemplates, have increased its productivity and efficiency to the point where it could reduce rates and that we would share in such reductions.

At the end of five years, with the 10% increase per year I described, second-class users would be paying an amount equal to the costs which our experts believe should properly be attributed to second-class mail and would, in addition be making a contribution to institutional costs. In other words, we would be paying our way and the Postal Service, on an incremental basis, would be profiting from the business we give it.

REPORT OF THE U.S. COMMISSION ON CIVIL RIGHTS—"ONE YEAR LATER"

Mr. KENNEDY. Mr. President, a year ago the U.S. Commission on Civil Rights issued a massive study on the "Federal Civil Rights Enforcement Effort." That report detailed inadequacies in civil rights enforcement throughout the Federal bureacracy and concluded, "strong remedial measures are needed if all departments and agencies are to carry out their civil rights responsibilities with maximum effectiveness." This past May, following up its study, the Commission issued an interim report which summed up its finding of some improvement coupled with persisting gross inadequacies in the colorful expression, "The dinosaur has finally opened one eye."

The Commission has just issued "The Federal Civil Rights Enforcement Effort: One Year Later," continuing the work of the previous two studies. The conclusion is familiar and disappointing. "Progress clearly is being made. But judged by the more objective standard of civil rights performance, the Federal Government continues to get low marks."

More striking than the verbal conclusion is a chart of civil rights performance by agency and program. The dismal fact is that of the many agencies and programs rated on a scale of good, adequate, marginal, poor, not one ranked as even adequate. Some time ago, this administration told us, "Don't watch what we say—watch what we do." We have been watching what they have been doing for almost 3 years now, and our impression that they are doing pathetically little has been confirmed three times by thorough looks from the Civil Rights Commission.

Mr. President, I ask unanimous consent that the Commission's eloquent introduction to "One Year Later" and its performance chart be printed in the RECORD; along with an editorial on the report from today's New York Times.

There being no objection, the material

was ordered to be printed in the RECORD, as follows:

STATEMENT OF THE U.S. COMMISSION ON CIVIL RIGHTS ON "THE FEDERAL CIVIL RIGHTS ENFORCEMENT EFFORT—ONE YEAR LATER"

The report the Commission is issuing today is a progress report on the status of civil rights enforcement by the Federal Government.

In October 1970 the Commission published a massive study of "The Federal Civil Rights Enforcement Effort." Based on an evaluation of more than 40 departments and agencies with significant civil rights responsibilities, the Commission found that enforcement was characterized largely by inaction, lack of coordination, and indifference. The deficiencies we found were so extensive as virtually to nullify the impact of the important civil rights laws enacted over the last decade and to make a mockery of the efforts of the many men and women who have fought for equal rights.

Last May, the Commission issued a follow-up report to determine what progress, if any, had been made in the seven months since its October 1970 study. Our basic conclusion was that some advances had been made, in the form of tentative first steps combined with promises to do better in the future. As we put it then: "The dinosaur has finally opened one eye."

More than a year has passed since the Commission first spelled out the numerous inadequacies that pervaded the Federal civil rights enforcement effort. Where do we stand today? There is no simple answer to that question. For one thing, the answer depends on the frame of reference used in evaluating the Federal civil rights effort. Thus, when compared to the situation that existed a year ago, the structure of the Government's effort has been improved in a number of important respects.

For example, the President's Council on Domestic Affairs, the key coordinator of executive policy in the domestic area, has established a Civil Rights Committee to focus specifically on civil rights issues of national importance. The Chairman of this Committee is George Shultz, Director of the Office of Management and Budget. A year ago, the Domestic Council had no plans for including the full spectrum of civil rights within the scope of its responsibility. By the same token, the Office of Management and Budget, which plays a central role in assuring effective implementation of national policy, has made a significant start in incorporating civil rights considerations into its entire operation. It was only a year ago that OMB even officially acknowledged that it had any civil rights function.

Nor is the advance limited only to these two agencies, important as they may be. Other agencies—those with more specific civil rights responsibilities—also have moved ahead. Agencies such as the Department of Housing and Urban Development and several of those which have responsibilities under Title VI of the Civil Rights Act of 1964, have improved their civil rights structure and mechanism substantially. Progress clearly is being made.

But judged by the more objective standard of civil rights performance, the Federal Government continues to get low marks. And in the Commission's view, actual performance in the resolution of problems, not progress in the development of mechanisms alone, is the realistic yardstick by which the Government's civil rights effort should be measured.

It is no consolation to the black farmer who continues to receive assistance from the Extension Service on a racially separate and unequal basis that the Department of Agriculture is making progress. It is no source of satisfaction to the Mexican American or Puerto Rican job seeker turned down by a Government contractor that the OFCC is gradually improving. The rights these people are being denied are rights to which they are entitled *now* and the fact that these denials continue cannot be justified on grounds that the Government is gradually gearing up to eliminate them.

Another reason for the difficulty in assessing the current status of Federal civil rights enforcement is the existence of wide disparities in the performance of the many departments and agencies with civil rights responsibilities. Some are taking actions necessary to perform effectively. Others still barely recognize that they have any responsibility at all. This is true even of agencies with the same civil rights responsibilities.

Thus the Federal Home Loan Bank Board, which regulates savings and loan associations, the Nation's major mortgage lending institutions, recently committed itself to an ambitious, and we believe potentially effective, program to assure against discrimination in mortgage lending, which is prohibited by Title VIII of the Civil Rights Act of 1968. But the Board's sister agencies, which regulate commercial and mutual savings banks, also major mortgage lending institutions, have so far declined to adopt similar measures. The Small Business Administration and the Economic Development Administration have been steadily improving their Title VI operation, but the Department of the Interior and the Law Enforcement Assistance Administration still have barely begun to implement compliance programs.

The bar charts we have prepared indicate the progress over the last six months. They also show the disparities in the level of performance of agencies, particularly those with similar or even identical civil rights responsibilities. Above all, the charts reflect the plain fact that the overall level of performance remains low. As you can see, no agency is performing adequately.

While these charts may be thought to carry the flavor of examination scores divorced from the world of reality, that is not the case. Civil rights law enforcement is not an academic exercise and the charts reflect a very harsh reality. The low grades we have assigned to so many agencies are indicators of lack of effective action on their part in dealing with continuing discrimination in areas where the law clearly prohibits it. And the fact that many agencies still are not organized to carry out the law has increasingly tragic and real implications for the future well-being of this country.

Over the past two years, since the Commission began this extensive study of Federal civil rights enforcement, we have learned a good deal about the impediments that underlie strong civil rights enforcement and about what is necessary to stimulate more vigorous action. Perhaps the principal impediment the Commission has found is inertia on the part of the Federal bureaucracy—in some cases, a blind, unthinking, fidelity to the status quo; in others, a calculated determination to do nothing to advance the cause of civil rights.

For example, last February, the Commission sent out questionnaires to a number of agencies in an effort to find out what changes they had made following the Commission's first report on civil rights enforcement. What we learned was that almost no changes had been made, that agencies, instead of responding affirmatively to the Commission's findings and recommendations, had been sitting tight in an effort to weather the storm. It is unfortunate that only when the Commission decided to announce its findings publicly, a few changes began to be made and a few promises extended. By comparison with the previous period, March was a busy month for civil rights throughout the Federal bureaucracy.

By the same token, when the Commission again questioned agencies in September to find out what additional progress had been made, and particularly, whether those agencies that had made promises were delivering on them, we found that only a handful had done anything of significance during the preceding months. Again, the actions that were taken followed our announcement that we would report publicly to the Nation on the status of their civil rights enforcement programs. In few cases could the actions taken be ascribed to the self-initiation of the agency. For the most part, they appeared to be taken out of a desire to avoid public embarrassment. In other cases, the possibility of public embarrassment has failed to bring about even the slightest change.

We also have learned that appearances can be deceiving—that the mere establishment of a potentially effective civil rights mechanism does not necessarily mean that stringent civil rights enforcement will follow. For example, last June the General Services Administration and the Department of Housing and Urban Development announced a new cooperative agreement to assure availability of housing for lower-income families, open without discrimination, in any community in which a Federal installation was to be located. It took nearly five months before any regulations were issued, and internal operating instructions still have not been developed. Federal installations still are being located on a business-as-usual basis.

This example is not unique. In response to Commission inquiries, agencies are quick to announce structural changes that they plan to make, or that they have just made. But rarely do they report full implementation of these changes, and more rarely still, can they point to measurable improvements in minority living conditions as a result of them.

In short, most agencies seem determined to avoid upsetting the status quo for the sake of assuring equal rights and, if change must be made, they often will be changes in form, but not in substance.

The lessons we have learned, however, have not all been negative. We have learned that difficult as it may be to stimulate needed change, it can be done. Not all agencies are resistant to the idea of strict civil rights enforcement. There are agencies, including some that occupy key positions in the Federal hierarchy, that have responded affirmatively.

We also have learned that the instruments of continual monitoring of Federal civil rights activities and public reporting of their inadequacies, which are the principal weapons at the Commission's command, can achieve significant results. What this experience suggests is that a greatly expanded monitoring effort, involving resources much greater than those available to the Commission alone, must be undertaken—an effort in which the civil rights activities of Federal agencies will be subjected to close and continuing scrutiny, and agency heads held publicly accountable.

Here, recent developments are encouraging. Of special importance is the fact that Congress, itself, through a Civil Rights Oversight Committee of the House of Representatives, is now engaged in a review of civil rights enforcement to determine how agency performance should be improved. Private groups as well are recognizing the fact that the area in which the struggle for equal rights is being fought has changed, from that of legislation to the more difficult one of administrative enforcement.

There are some, embittered by the frustrations of dealing with bureaucracy, who may think the Commission is tilting at windmills, that its effort to move the Federal Government to firm enforcement of civil rights laws is futile. The bureaucracy, they

contend, responds only to the usual pressures from traditional sources. These pressures are exerted by special interest groups that successfully manipulate Federal programs and Federal officials. They also are exerted by long-time chairmen of key congressional committees and subcommittees—almost always selected by seniority from safe districts—whose power often is used to serve narrow interests, rather than the larger public good. Against these pressures, they are convinced that civil rights advocates can do little.

There are others who see the bureaucracy in a more optimistic light, but nonetheless despair of any progress. From their standpoint, it is all the fault of this Administration. The President's civil rights statements and actions, they contend, have demoralized the bureaucracy and rendered it incapable of positive civil rights action.

The Commission takes a different view. First, we reject the notion that inaction by the Federal bureaucracy is inevitable and we find totally unacceptable the explanation that political pressures in favor of the status quo are irresistable. The fact that salutary changes already have occurred demonstrates that efforts to stimulate them are not useless, that counsels of despair are not warranted.

Second, we cannot agree with those who claim that the problem lies solely with this Administration or with the President personally. As we have noted previously, problems of inadequate civil rights enforcement did not originate in this Administration, nor was there any substantial period in the past when civil rights laws were enforced effectively. In fact, measured by the structures and mechanisms that have been developed over recent months, we now are much better equipped for civil rights enforcement than we were in the past.

Further, those who keep pinning the blame entirely on the President tend to forget the wide discretion that Federal officials have in performing their duties. Always to point accusingly at the President permits many of these career and political appointed officials a fales excuse for inaction.

This is not to say that the President has no role to play in civil rights enforcement. He represents the ultimate source of policy direction to which the Federal establishment looks for guidance. An expression of firm and unswerving dedication to civil rights law enforcement on his part can do much to steel the Executive Branch to vigorous action. And he is, in the last analysis, responsible for the success or failure of his Administration's civil rights program. Above all, it is to the President that the Nation looks, not merely for efficient administration of the law, but, more important, for leadership in helping to resolve the difficult problems facing it.

The Administration has addressed itself to a number of important civil rights issues. The Commission has agreed with some of the policies the Administration has announced and disagreed with others. Thus the Commission has fully supported the Administration's call for increased staff for civil rights enforcement and the establishment of numerical goals and timetables to expand minority employment opportunities. But the Commission also has taken strong exception to some Administration policies, particularly those concerning techniques to facilitate school integration. Nor is the Commission entirely satisfied with the policy on open housing.

Many of these issues are complex and controversial, and have been the subject of deep concern to the Nation. The President has spoken out on them and this, we think, is important in itself. The President cannot lead the Nation by remaining silent on the important issues troubling its people. Further, such public expressions on the part of the Nation's leader can have the effect of sparking a public dialogue, which is a necessary element in the proper functioning of a democratic society.

Equally important, however, is that the policies adopted by the Administration be of the kind that will unify the country and serve the cause of equal justice. Thus it is imperative that the President's Statements on such subjects as school integration and open housing represent, not the last word, but only the beginning of a continuing public dialogue which will lead the American people to achieving a society in which all can share in the Nation's abundance. That goal is not yet in sight.

The Commission is aware of the strength of the forces that serve to impede progress in civil rights. We also are aware that the American people have grown somewhat weary, that the national sense of injustice, which was the foundation on which the legislative victories of the 1960's were built, has dimmed. We are convinced, however, that it can be rekindled and that through governmental leadership and vigorous action by public and private groups, the Nation's pledge of equality, reflected so brightly in the legislative enactments of the last decade, can be redeemed.

Let us be clear on the basic issue to which the Commission's reports have been addressed. The issue is simply law enforcement. Let us also be clear on what the Commission is asking government to do. We are asking nothing more than that Federal officials fulfill the obligation which our Constitution has imposed upon them—that of faithfully executing the law. This is the touchstone by which they can and must be held accountable. It is the standard by which the Commission will continue to evaluate the Government's performance.

LOW MARKS ON CIVIL RIGHTS

The United States Commission on Civil Rights has hit on the useful device of rating the performance of a wide variety of Government agencies in the battle against discrimination and social injustice. Unfortunately, the initial report card is far from encouraging. Few of the agencies have risen above a failing mark.

When governmental mechanisms are revised without noticeable improvement in the field, as this report indicates they have been, one must suspect that the organizational reforms are merely a facade to make conditions appear better instead of actually making them so.

The most useful aspect of the report is that it will enable the commission to pinpoint progress, if any, in the future and to hold those agencies accountable which are now on record as having created the enforcement machinery to do the job. It is not easy to be optimistic about the Government's dedication to the civil rights issue so long as such major agencies as the Veterans Administration and the Justice Department's Law Enforcement Assistance Administration continue to receive the dismal rating of "lowest" in progress. It is particularly disheartening that the Internal Revenue Service, in direct violation of the law, was found still to be allowing tax-exempt status to those all-white academies which have been set up in the South to circumvent school desegregation.

The President's most forceful statements on the subject have been not in support of civil rights but in opposition to school busing. There is room for legitimate doubts about busing as a primary desegregation device; but the fact is that Mr. Nixon has, as the commission emphasized, repeatedly put the prestige of his office behind the antibusing movement without suggesting any alternatives or providing persuasive leadership to the cause of integration. So long as the White House remains the symbol of foot-dragging, the governmental machinery will stay in low gear on the difficult road to equal rights.

THE NATIONAL FORESTS ARE IN TROUBLE

Mr. METCALF. Mr. President—

The national forests, the country's biggest single reservoir of material and recreational resources, are in trouble.

Mr. President, this is the lead sentence of an excellent report in the Sunday, November 14, New York Times on the situation facing us on the 187 million acres of national forest lands. Gladwin Hill, the writer, quotes my colleague from Wyoming, Senator MCGEE, to the effect that many of the management policies of the agency responsible for this vast reservoir of forest land are themselves "wreaking havoc with the environment."

My colleague and I would scarcely be in greater agreement. Both of us have been critical of many Forest Service practices, particularly of the Service's adoption of clearcutting as its primary method of harvesting timber from the Nation's forest preserves. This practice of stripping vegetation from tracts of productive harvest land is both unsightly and in many cases ecologically disruptive, as the Times article notes. It amounts to "mining" timber, not managing it as the Bolle Report on the Bitterroot National Forest in my own State concluded.

Mr. President, the conclusion is inescapable that action must be forthcoming to protect the national forests and insure their continued availability to the American people. Senator MCGEE has one bill pending to authorize an interdisciplinary study of clearcutting. I have pending the proposed Forest Lands Restoration and Protection Act, which envisions a rational approach to a long-term national policy aimed at restoring the grandeur of America's forests.

Time is wasting. The forests are indeed in trouble. So that Senators may familiarize themselves with the background of this statement, I ask unanimous consent that the New York Times article headlined "National Forests: Physical Abuse and Policy Conflicts," be printed in the RECORD.

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

NATIONAL FORESTS: PHYSICAL ABUSE AND POLICY CONFLICTS

(By Gladwin Hill)

The national forests, the country's biggest single reservoir of material and recreational resources, are in trouble.

Covering nearly one-tenth of the nation's area and worth untold billions of dollars, these preserves have long been considered limitless. But their integrity is now being threatened by both physical abuse and imponderables of national policy.

With increasingly bitter charges and countercharges being sounded over the management of the national forests, a six-month inquiry into the complexities of the controversy has shown that:

Bulldozers and tractors are boring into some of the nation's last remnants of pristine wilderness.

"Clear-cutting" of timber has left thousands of square miles of bald patches in the forests, some of which may never regrow.

Archaic laws and regulations are allowing choice expanses of the forests to be gouged and scarred by mining operations.

Nearly half the national forests' forage areas have been overgrazed or otherwise rendered substandard.

Preoccupation with the forests' commercial roles has severely retarded their development for public uses.

Pressures for increased timber production have led to extensive violations of the spirit, if not the letter, of laws intended to preserve the forests in perpetuity.

Propelled by the force of the "environmental revolution," the situation appears headed toward early showdowns within the Nixon Administration, in Congress and in litigation reaching all the way up to the Supreme Court.

The outcome as a whole could profoundly affect both the face of the nation and the quality of life of its citizens. At stake are 154 national forests, averaging 2,000 square miles each in area and spanning 40 states from Florida to Alaska.

They cover 187 million acres—nearly an acre for every man, woman and child in the country. The nation spends over $500-million a year to maintain and operate the forests—$1.5-million a day. They yield about $300-million in revenues, mostly from the sale of timber.

The public's recreational use of the national forests is officially reckoned at double the use of the national parks, and is fast approaching the numerical equivalent of every citizen's spending a day in the forests each year.

Unlike the smaller national parks system, which is run by the Department of the Interior, which comprises only 28 million acres and which is dedicated entirely to recreation the national forest system is run by the Department of Agriculture and is dedicated to "multiple use."

The forests by law are supposed to fulfill six functions: recreation, watershed maintenance, wildlife preservation, timber production, grazing and mining.

In one degree or another, the six-month investigation indicates these activities are being impaired or compromised under the national forests' present administration.

"The Forest Service's management policies are wreaking havoc with the environment, Senator Gale McGee, a Wyoming Democrat, said recently. "Soil is eroding, reforestation is neglected if not ignored, streams are silting, and clearcutting remains a basic practice."

MISMANAGEMENT CHARGED

He is in the forefront of a growing body of critics of the national forest administration. Their ranks include members of Congress, conservationists, citizen groups, scientists, economists and even, to an extent, the timber industry.

The gist of their complaints is that the national forests are being mismanaged—that over-emphasis on the forests' commercial functions has led to excessive logging and long-term impairment of their noncommercial functions.

The Forest Service has acknowledged that many of the charges are true in some measure but it contends that such lapses are the exception rather than the rule.

Although generalizations about 154 separate national forests can be tenuous, evidence supporting the critics' principal allegations can be found from coast to coast.

In Montana's Bitterroot National Forest, there are whole mountainsides so skinned of centuries' growth of pondersoa pine and Douglas fir that they look more like man-made pyramids for a weird science-fiction film.

In West Virginia's Monongahela National Forest, clear-cuts up to a mile wide have defaced the landscape, disrupted drainage and routed wild game from ancient haunts.

Wyoming's Bridger National Forest, like many others, is scarred by remains of badly built logging roads.

In the national forests of the Northwest are countless instances of erosion and siltation that even Federal water experts have been moved to deplore publicly.

Federal auditors over the last decade have found repeated instances of maladministration of the forests costing taxpayers millions in cash, recreational opportunities, watershed values and wildlife preservation.

Reconciling the national forests' "multiple uses" has always been inherently a problem. But during a half century of the nation's "economy of abundance" the 66-year-old United States Forest Service managed to juggle its conflicting responsibilities in relative obscurity and serenity.

Now, suddenly, the forests have been caught up in the "environmental crunch"—the post-World War II population explosion, the recreation explosion, soaring demands for all the forests' varied resources, and a sudden ascendance of esthetic values.

These converging currents have precipitated many collisions among the diverse functions of the forest, collisions that have been compounded into an unpublicized but palpable administrative crisis. Its major aspects include:

The Forest Service's traditional autonony has run headon into new laws making all Federal agencies publicly accountable for the environmental impact of everything they do.

Forest Service decisions, rulings and actions are being challenged in courts at all levels throughout the country.

Public criticism has engendered a crossfire of conflicting legislative proposals affecting the forests.

From Congress and other quarters is coming a swelling stream of demands for a large-scale investigation of the whole national forest administration.

The Nixon Administration, in the executive reorganization plan it has placed before Congress, has acknowledged that the management of the national forests is less than optimal and needs revamping.

IMBALANCE AGGRAVATED

A 10-year national forest development program outlined by President Kennedy to Congress in 1961 sought to right an admitted imbalance between commercial and noncommercial functions. Instead the imbalance has been aggravated.

Year after year, commercial functions of the forests have been receiving close to 100 per cent of projected financing, the noncommercial functions closer to 50 per cent or less.

The national forests are presumed to contain about 35 per cent of the nation's "inventory" of standing marketable timber, and have been providing about 18 per cent of the national timber supply.

Nominally, the Forest Service is cutting only 1.1 per cent of its timber annually, well within the rate calculated to maintain the forests indefinitely. But it admittedly achieves this ratio only by balancing excessive cutting in prime timber and prime locations against low levels elsewhere.

Under prolonged pressure to produce more timber, the Forest Service in 1964 adopted clear-cutting—the unsightly and ecologically disruptive practice of completely stripping forest tracts—as its primary "harvest" method in place of selective cutting.

SUBSIDIARY OF INDUSTRY

Sixty per cent of the national forest timber harvest recently has been performed by clear-cutting—more than double the proportion, according to the timber industry, on private and public lands generally.

"The Forest Service," Representative John Dingell, Democrat of Michigan, remarked recently, "is a wholly owned subsidiary of the timber industry."

A panel of specialists from the University of Montana investigated national forest management last year and reached a similar if less blunt conclusion.

"The de facto basis of Forest Service appropriations," the panel reported, "is the dollar income from national forests. . . . The director of the Forest Service thus becomes primarily one of supplying building materials. . . ."

Another witness on the point is Dr. Edward C. Crafts, formerly second in command of the Forest Service.

"The Forest Service," he told a Congressional hearing in 1969, "is close to the brink with respect to timber management. Right now it is cutting about twice as much softwood sawtimber [the principal type of construction lumber] as it is growing. This situation cannot last."

Such criticism circulates also within the Forest Service. In a confidential intraservice memorandum, a high-ranking official of the agency last year lamented: "Our attention has largely been centered on industry problems related to contracts and valuation . . . Our measuring stick for the quality of timber sales is whether or not a forest has met its sell-and-cut goals."

MINING AND GRAZING

Other complaints, of long standing, have concerned mining and grazing.

Under public-land mining laws going back for a century, 140 million of the national forests' 187 million acres are open to anyone who wants to stake out a mining claim for specified minerals. Eventually, by complying with some simple regulations, a claimant can get a permanent title to the land involved.

The Forest Service shares jurisdiction with the Department of the Interior over such operations, and there is a lot of buck-passing. But conservation lawyers have been accusing the Forest Service of not exercising regulatory powers it plainly has.

The Monongahela National Forest is riddled with coal mining operations. A choice expanse of the Challis Nation Forest in Idaho currently is threatened by a molybdenum mining project. A phosphate mining project is threatening a portion of the Los Padres National Forest that is one of the last refuges of the rare California condor. Many other national forests are subject to similar disruptions and actual alienation of their land.

Over half of the 187 million acres of national forest land nominally is open to grazing, but only half of that—50 million acres—is considered suitable for use. Of this, 18 million acres is officially classified as in "poor" condition—the result, experienced Forest Service officials have said, of systematic over-grazing.

Another alleged victim of the Forest Service's solicitude for commercial activities has been the movement to preserve a small portion of the nation's wilderness in its pristine status in pursuance of a law enacted by Congress in 1964.

On many tracts proposed by conservationists for preservation, the Forest Service has moved conversely for the early introduction of logging and road building. The agency's seeming partiality to preserving timber-barren uplands has led to jokes about a policy of "wilderness-on-the-rocks."

COMPLAINTS OF INDUSTRY

Amid all the allegations of excessive logging in the national forests, the timber industry itself—base of the $36-billion-a-year business that provides the nation with most of its wood and paper products—has also been bitterly unhappy.

Dependent in part on the national forests for its raw material, the industry contends the Federal preserves are not producing enough. It blames this on "inefficient" operation and on efforts of "preservationists" to restrict logging.

In 1969 the industry was instrumental in formulating the national timber supply bill. It called for national forest timber revenues, which now go into the United States Treasury, to be systematically plowed back into augmentation of national forest wood production.

A major argument advanced was that without more timber from the national forests, lumber prices would soar and crimp the Administration's housing program. The bill was energetically supported by both the White House and the Forest Service.

Conservationists called the measure a license to "raid" the national forests, and in February, 1970 persuaded the House of Representatives not to consider the bill.

Nevertheless, President Nixon thereupon passed on to the Forest Service a White House task force recommendation that the national forest timber harvest be increased 50 per cent by 1978—primarily to help meet projected needs for housing lumber.

Some experts question these purported needs and the national forest's responsibility for meeting them. In any case, conservationists say, they could largely be met simply by stopping timber exports, which now are running about 5 billion board-feet a year. But stopping the lucrative exports is a move that the timber industry, the White House and the State Department alike oppose.

Conservationists' resentment intensified when the Congressionally appointed Public Land Law Review Commission, after five years' study, recommended last year that up to half of the national forests' timber land be dedicated to the "dominant use" of timber production, with other uses subordinated.

SELF-CRITICISM BY OFFICIALS

For two years the Forest Service has been engaged in an extended exercise in self-reproach.

"Our programs are seriously out of balance," the agency's graying 62-year-old chief, Edward P. Cliff, has acknowledged repeatedly, both in anguished Congressional testimony and in intra service communications exhorting his 20,000 personnel to change the service's direction and emphasis.

The essence of his defense is that the national forests like other governmental and non-governmental entities, were caught short by the recent radical shift of public opinion about environmental values; that defects in the management of the national forests are the exception rather than the rule, and that there is nothing that cannot be rectified eventually either by the stream of administrative orders emanating from Forest Service headquarters in Washington or by bigger and better-balanced Congressional appropriations.

These explanations and reassurances Forest Service critics reject out of hand. They contend the agency's troubles stem from a long-standing bureaucratic detachment from public sentiment that needs to be rectified by law.

Unquestionably, there are recurrent instances of at least a pronounced gap in rapport between the Forest Service and the public.

This spring some irate residents of the Shasta-Trinity National Forest area in California shot a Forest Service ranger who was simply carrying out his duties inspecting a mine.

Residents of Balsam Grove, N.C., were outraged when a ranger, in a land title dispute, bulldozed a large crater and buried a trailer that was a mountaineer's home.

Before the United States Supreme Court is a conservationists' suit to block a projected ski development in the Mineral King Valley in California's Sequoia National Forest.

Among other things, the plaintiffs complained that the project was initiated and inflated from a $3-million plan over an eight-year period without a single public hearing on its acceptability.

The first confrontation on national forest management came this spring at hearings on clear-cutting conducted by the Senate Interior Subcommittee on Public Lands.

Over a period of weeks, more than 100 witnesses from conservation and citizen groups, the Forest Service and the timber industry, along with forestry scientists, debated clear-cutting, without arriving at any consensus on whether it was good or bad.

However, bills were introduced in Congress calling for a moratorium on clear-cutting as well as for other rigorous regulation of both public and private forest lands.

And the indications are that this was only the opening skirmish of a long battle over the national forests.

LEGISLATIVE PROGRAM OF THE PRESIDENT

Mr. SCOTT. Mr. President, from time to time throughout the year the Senate Republican Policy Committee staff has produced a tabulation of what the President has asked Congress to do in the way of legislation—and what Congress actually has done. Such a tabulation entitled "Legislative Program of the President—Part VI" was published November 18.

Because of the widespread interest in this matter of just how much Congress has or has not done that the President requested, I ask unanimous consent that this document be printed in the RECORD.

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

LEGISLATIVE PROGRAM OF THE PRESIDENT
PART VI

NOVEMBER 18, 1971.

"All government,—indeed, every human benefit and enjoyment, every virtue and every prudent act,—is founded on compromise and barter."—EDMUND BURKE.

STATUS OF BILLS TO IMPLEMENT MAJOR LEGISLATIVE MESSAGES OF THE PRESIDENT—92D CONG., 1ST SESS.

Message, title and date; bill No.	Senate		House		Conference report agreed to—		Date approved	Public Law No
	Reported	Passed	Reported	Passed	Senate	House		
State of the Union, Jan. 22, 1971 (Memo No. 71-5):								
Welfare Reform: H.R. 1	Hearings		May 26	June 22				
Cancer Conquest—new agency:								
S. 1828 (as amended)	June 29	July 7	Nov. 10	Nov. 15				
H.R. 8343								
Cancer Conquest—$100,000,000: H.R. 8190 (second supplemental).	May 13	May 19	May 6	May 12	May 24	May 20	May 25	92-18.
Unfinished Business, Jan. 26, 1971 (Memo No. 71-5):								
Small Business amendments:								
S. 544	No hearings							
H.R. 7692			No hearings					
Longshoremen's disability compensation:								
S. 525	No hearings							
H.R. 3505			No hearings					
Alaska Native Claims:								
S. 1571	Hearings							
H.R. 10347 (S. 35) passed in lieu	Sept. 15	Nov. 1	Sept. 28	Oct. 20	Senate asks			
Indian control over certain Federal programs:								
S. 1573	No hearings							
H.R. 2376			No hearings					
Indian amendments:								
S. 2033	No hearings							
H.R. 8064			No hearings					
Assistant Secretary of Interior for Indian and Territorial Affairs:								
S. 291	July 26	August 5						
H.R. 8062			No hearings					
Indian Trust Council Authority:								
S. 2035	Hearings scheduled							
H.R. 2380			No hearings					
Financing Indian Organization Development:								
S. 2036	No hearings							
H.R. 2378			No hearings					
Indian Business Development Act:								
S. 2237	No hearings							
H.R. 8340			No hearings					
Micronesia claims and compensation: H.J. Res. 671	July 10	July 17	June 25	July 9			July 1	92-39.
Wholesome Fish and Fishery Products Act:								
S. 700 (included in S. 2824)	Nov. 8							
H.R. 3666			No hearings					

Message, title and date; bill No.	Senate		House		Conference report agreed to—		Date approved	Public Law No.
	Reported	Passed	Reported	Passed	Senate	House		
Drug Identification Act:								
S. 788	No hearings							
H.R. 3667		No hearings						
Salacious Advertising:								
S. 428	No hearings							
H.R. 2331		No hearings						
Obscene materials to minors:								
S. 429	No hearings							
H.R. 2330		No hearings						
Nontestimonial identification:								
S. 430	No hearings							
H.R. 2329		No hearings						
Wagering Tax:								
S. 431	No hearings							
H.R. 1010		Oct. 12						
Protection of public buildings by GSA:								
S. (not yet introduced)								
H.R. (not yet introduced)								
National Institute of Education: S. 659 (part of H.R. 7248).	Aug. 3	Aug. 6			Nov. 5	House asks		
mergency School Aid Act (Desegregation):								
S. 1557 (clean bill)	Apr. 15	Apr. 26						
H.R. 2266			Oct. 19	Failed to pass Nov. 1.				
H.R. 2266 subsequently added to H.R. 7248 by amendment on Nov. 4. H.R. 7248 passed House on Nov. 5. (Proceedings vacated and S. 659, with language of H.R. 7248, passed in lieu).								
Federal City Bicentennial Corporation:								
S. 715	No hearings							
H.R. (not yet introduced)								
D.C. Capital Program Financing Act:								
S. 1339	No hearings							
H.R. (not yet introduced)								
Ports and Waterways Safety Act:								
S. 698 and H.R. 867	Hearings							
H.R. 8140 (committee bill with administration support passed in lieu)			Oct. 12	Oct. 18				
Vessel-to-vessel radiotelephones: H. Res. 549	Apr. 26	May 4	July 12	July 21			Aug. 4	92-63.
Rural telephone bank:								
S. 70	Feb. 25	Mar. 1						
S. 70 (as amended)			Feb. 22	Mar. 24	Apr. 29	May 4	May 7	92-12.
Authorize Secretary of Agriculture to insure FHA operating loans:								
S. 1806	May 7	May 11						
H.R. 10538		Oct. 1	Sept. 13	Sept. 30			Oct. 5	92-133.
Grant Consolidation:								
S. (not yet introduced)								
H.R. 30			No hearings					
Joint Funding Simplification:								
S. (not yet introduced)								
H.R. 6532			No hearings					
AEC amendments:								
S. 957	Hearings—Joint Committee on Atomic Energy.							
H.R. 5523								
President's authority to designate FPC chairman:								
S. 982	No hearings							
H.R. 6312			No hearings					
Natural Gas Act amendments:								
S. 701	No hearings							
H.R. 3668			No hearings					
Transfer of cost accounting standards board:								
S. 1901	No hearings							
H.R. (not yet introduced)								
Defense Production Act Extension with amendments (act expires June 30, 1972): S. 669								
Stockpile Disposals: S. 751-778	June 17	June 21	July 28				August 11	92-83 through 92-116.
Silver certificates:								
S. 670	February 11	February 18						
H.R. (retains Senate number)								
VA Burial Allowance:								
S. (not yet introduced)								
H.R. 3348			No hearings					
Eliminate TB Disability:								
S. (not yet introduced)								
H.R. 3347			No hearings					
Reimbursement for VA care:								
S. 2807	No hearings							
H.R. 3350			Hearings					
Sale VA Direct Loans: H.R. 3344	July 22	July 23	June 24	July 6			Aug. 5	92-66.
Airline User Tax:								
S. (not yet introduced)								
H.R. (not yet introduced)								
Highway User Tax:								
S. (not yet introduced)								
H.R. (not yet introduced)								
Immigration and Nationality Act amendments of 1971:								
S. 1899	No hearings							
H.R. 2328			Hearings					
Asian Development Bank—$100 million:								
S. 749	Oct. 14	Oct. 20						
H.R. 5013			Hearings					
Inter-American Development—$900,000,000:								
S. 748	Oct. 14	Oct. 19						
H.R. 5014			Hearings					
Draft Reform, Jan. 28, 1971 (memo No. 71-5): Military Selective Service Act:								
S. 427								
H.R. 6531 (clean bill without enlistment bonus)	May 5	June 24	Mar. 25	Apr. 1	Sept. 21	Aug. 4	Sept. 28	92-129.
Federal Executive Service, Feb. 2, 1971 (memo No. 71-5):								
S. 1682	Hearings							
H.R. 3807			No hearings					

STATUS OF BILLS TO IMPLEMENT MAJOR LEGISLATIVE MESSAGES OF THE PRESIDENT—92D CONG., 1ST SESS—Continued

Message, title and date; bill No.	Senate		House		Conference report agreed to—		Date approved	Public Law No.
	Reported	Passed	Reported	Passed	Senate	House		
Transportation Labor Disputes, Feb. 3, 1971 (memo No. 71-5): Emergency Public Interest Protection Act:								
S. 560	Hearings							
H.R. 3596			Hearings					
General Revenue Sharing, Feb. 4, 1971 (Memo No. 71-5):								
S. 680	No hearings							
H.R. 4187			Hearings					
Environment, Feb. 8, 1971 (Memo No. 71-6):								
$6,000,000,000 to build municipal waste treatment facilities:								
S. 1013 and H.R. 5962	Hearings							
S. 2770 passed in lieu of S. 1013, S. 1014, and S. 1012	Oct. 28	Nov. 2	Executive session					
Environmental Financing Authority:								
S. 1015	Nov. 3							
H.R. 5970			Hearings					
Improve, enforce water quality standards:								
S. 1014	Hearings							
H.R. 5966			Hearings					
Increased Federal aid to State water pollution control programs:								
S. 1012	Hearings							
H.R. 5958			Hearings					
2 international conventions on oil spills: Executive G.	Aug. 8	Ratified Sept. 20.						
Federal Environmental Pesticide Control Act:								
S. 745 and H.R. 4512	Hearings		Hearings					
H.R. 10729 passed in lieu with administration support.			Sept. 25	Nov. 9				
Toxic substances:								
S. 1478	Hearings							
H.R. 5276			No hearings					
Regulation of ocean dumping:								
S. 1238 and H.R. 4247	Hearings							
H.R. 9727 passed in lieu	do		July 17	September 9				
Noise Control:								
S. 1016	do							
H.R. 5275			Hearings					
National land use policy:								
S. 992	Hearings							
H.R. 4332			Hearings					
Land and Water Conservation Fund Formula adjustments:								
S. 990	No hearings							
H.R. 4705			No hearings					
Power Plant Siting Act of 1971:								
S. 1684	No hearings							
H.R. 5277			Hearings					
Mined Area Protection Act of 1971:								
S. 993	Hearings							
H.R. 4704			Field inspection					
Tax measures for historic buildings:								
S. (not yet introduced)								
H.R. (not yet introduced)								
Federal Insurance for historic buildings:								
S. (not yet introduced)								
H.R. (not yet introduced)								
Environmental Institute:								
S. (not yet introduced)								
H.R. (not yet introduced)								
National Resource Land Management Act of 1971:								
S. 2401	Hearings							
H.R. 10049			Hearings					
Health, Feb. 18, 1971 (Memo No. 71-6): ,								
Health Maintenance Organizations: ,								
S. 1182	Hearings							
H.R. 5615			No hearings					
Health Manpower:								
S. 1183 and H.R. 5614								
H.R. 8629 and H.R. 8630 passed in lieu with administration support. ,		July 14	June 9	July 1	Oct. 19	Nov. 9		
National Health Insurance Partnership Act of 1971:								
S. 1623	Hearings							
H.R. 7741			Hearings					
Higher Education, Feb. 22, 1971 (Memo No. 71-6):								
National Student Loan Association scholarships:								
(S. 1123) in S. 659	Aug. 3	Aug. 6			Nov. 5	House asks		
H.R. 5191			Hearings					
National Foundation for Higher Education:								
S. 1062—Title III of S. 659	Aug. 3	Aug. 6			Nov. 5	House asks		
H.R. 5192			Hearings					
Consumer Affairs, Feb. 24, 1971 (Memo No. 71-8):								
Drug Identification:								
S. 788	No hearings							
H.R. 3667			No hearings					
Consumer Product Safety Act:								
S. 1797	No hearings							
H.R. 8110			Hearings					
Consumer Fraud Prevention:								
S. 1222	Hearings							
H.R. 6315			No hearings					
Federal Trade Commission Act amendments:								
S. 1219	Hearings							
H.R. 6313			Hearings					
Fair Warranty Disclosure Act of 1971:								
S. 1221	Hearings							
S. 986 passed in lieu	July 16	November 8						
Consumer Products Test Methods Act:								
S. 1692	Hearings							
H.R. 6891			No hearings					
Consumer Protection Act—to create agency in Executive Office of the President: H.R. 10835			September 30	October 14				

Message, title and date; bill No.	Senate		House		Conference report agreed to—		Date approved	Public Law No.
	Reported	Passed	Reported	Passed	Senate	House		
Law Enforcement Revenue Sharing, Mar. 2, 1971 (Memo No. 71-8):								
S. 1087	No hearings							
H.R. 5408			No hearings					
Manpower Revenue Sharing, Mar. 4, 1971 (Memo No. 71-8):								
S. 1243	No hearings							
H.R. 6181			Hearings					
Urban Community Development Revenue Sharing, Mar. 5, 1971 (Memo No. 71-8):								
S. 1618	Hearings							
H.R. 8853			Hearings					
Rural Community Development Revenue Sharing, Mar. 10, 1971 (Memo No. 71-8):								
S. 1612	Hearings							
H.R. 7993			No hearings					
Transportation Revenue Sharing, Mar. 18, 1971 (Memo No. 71-8):								
S. 1344	No hearings							
H.R. (not yet introduced)								
Action, Mar. 24, 1971 (Memo No. 71-12): Reorganization Plan No. 1 (became law after S. Res. 108 (of disapproval) failed to pass Senate on June 3 and H. Res. 411 (of disapproval failed to pass House on May 25).								
Government Reorganization, Mar. 25, 1971 (Memo No. 71-12):								
Department of Community Development:								
S. 1430	Specific hearings							
H. R. 6964			Specific hearings					
Department of Natural Resources:								
S. 1431	Specific hearings							
H.R. 6963			Overview hearings					
Department of Human Resources:								
S. 1432	Overview hearings							
H.R. 6966			Overview hearings					
Department of Economic Affairs:								
S. 1433	Overview hearings							
H.R. 6965			Overview hearings					
Education Revenue Sharing, Apr. 6, 1971 (Memo No. 71-12):								
S. 1669	Hearings							
H.R. 7796			No hearings					
District of Columbia, Apr. 7, 1971 (Memo No. 71-12):								
D.C. Representation: H.J. Res. 46			Hearings					
National Capital Transportation Act:								
S. 2297	No hearings							
H.R. (not yet introduced)								
D.C. Development Bank:								
S. 2196	No hearings							
H.R. 11313			Hearings					
Foreign Assistance Reform, Apr. 21, 1971 (Memo No. 71-12):								
Proposed to separate International Security Assistance Act; and								
S. 1657	Hearings							
S. 2819 passed in lieu	Nov. 8	Nov. 11						
Humanitarian Assistance Act:								
S. 1656	Hearings							
S. 2820 passed in lieu	Nov. 8	Nov. 10						
(H.R. 9910, Foreign Assistance Act amendments combining military and humanitarian aid reported first)	Oct. 21	Failed Oct. 29	July 26	Aug. 3				
Wilderness Preservation, Apr. 28, 1971 (Memo No. 71-23):								
S. 2453	No hearings							
H.R. 10752			Hearings					
Legal Services Corporation, May 5, 1971 (Memo No. 71-23):								
S. 1769 and H.R. 8163			Hearings					
S. 2007 passed in lieu	July 30	Sept. 9			Oct. 1	House asks		
Energy Program, June 4, 1971 (Memo No. 71-23):								
Power Plant Siting Act:								
S. 1684	No hearings							
H.R. 5277			Hearings					
Department of Natural Resources:								
S. 1431	Specific hearings							
H.R. 6963			Overview hearings					
Sulfur oxide emissions charge:								
S. (not yet introduced)								
H.R. (not yet introduced)								
Drug Control, June 17, 1971 (Memo No. 71-23): Special Action Office for Drug Abuse Prevention:								
S. 2097	Nov. 17							
H.R. 9264			Hearings					
New Economic Policy Address (Taxes), Aug. 15, 1971 (Memo No. 71-25): Revenue Act of 1971: H.R. 10947.	Nov. 9		Aug. 29	Oct. 6				
Minority Business Enterprise, Oct. 13, 1971 (Memo No. 71-26):								
Assistant Secretary of Commerce for Minority Enterprise:								
S. (not yet introduced)								
H.R. (not yet introduced)								
Small Business amendments:								
S. 544	No hearings							
H.R. 7692			No hearings					
Indian Business Development Act:								
S. 2237	No hearings							
H.R. 8340			No hearings					
Indian Financing Act:								
S. 2036	No hearings							
H.R. 2378			No hearings					
D.C. Development Bank:								
S. 2196	No hearings							
H.R. 11313			Hearings					

MESSAGE ON MINORITY BUSINESS ENTERPRISE

OCTOBER 13, 1971.

Repeats request for additional $40 million for Office of Minority Business Enterprise.

Would help Minority Enterprise Small Business Investment Companies (MESBICs) by legislation to:

Cut qualifying figure for Federal "three for one" assistance in half;

Allow Small Business Administration (SBA) to purchase preferred stock of MESBICs; and

Lower interest rate on SBA loans to MESBICs. Renews recommendations for:

New Assistant Secretary of Commerce for Minority Enterprise;

Passage of S. 544 and S. 2237 proposed in *Unfinished Business Message* of January 26, 1971 (See *Memo* No. 71–5, pp. 3–4); and

Passage of D.C. Development Bank Act of 1971 (S. 2196) proposed in *District of Columbia Message* of April 7, 1971 (See *Memo* No. 71–12).

TRIBUTE TO THURMAN SENSING

Mr. THURMOND. Mr. President, the recent death of my good friend, Thurman Sensing, marks the end of a career which was dedicated to the education of young people and to the sound principles upon which our country was built.

Mr. Sensing, who lived in Nashville, Tenn., was president of Southern States Industrial Council Educational Foundation. A middle Tennessean by birth, he held degrees from Vanderbilt University and George Peabody College. He served for many years as business manager for George Peabody College and was one of the organizers of the Southern Association of College and University Business Officers. He was a former president of that organization and served for several years as its secretary-treasurer.

Mr. Sensing was noted as a keen analyst of the political and economic scene. He was a stanch advocate of individual freedom and a free competitive economy. His firsthand study of the situation in Great Britain, where he made an intensive 3 months' study in 1949 finding out what happens to a people's freedom and a people's economy under a Socialist government, received wide attention. He was also there in the fall of 1964, observing their general election, when the Socialists were returned to power.

He spent 2 months in Rhodesia, Southwest Africa, South Africa, and Liberia in the fall of 1966, observing the interesting and vital situation in that part of the world. He made a tour of the continent of South America in the winter of 1968, and then in the winter of 1969 toured New Zealand and Australia, thus completing his trips to the Southern Hemisphere.

Mr. Sensing was in great demand as a speaker, and several of his speeches were printed in the magazine, Vital Speeches of the Day.

For 25 years, Mr. Sensing was author of the weekly column, "Sensing the News," which appeared in many newspapers throughout the country, and was widely reprinted in other publications. At one time his column appeared in as many as 150 daily and 600 weekly newspapers in all 50 States of the Union.

During his quarter century with the council, Mr. Sensing made more than 1,000 addresses in most of the States of the Union, in the District of Columbia, Canada, and England. He received five awards from the Freedoms Foundation of Valley Forge for his writings and speeches.

Mr. Sensing's keen insight into what is good for America is reflected in three essays written by him entitled, "The Republic," "What is Free Enterprise?," and "The Beginnings of the American Free Enterprise System." I ask unanimous consent that these essays be printed in the RECORD.

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

THE REPUBLIC

(By Thurman Sensing)

Our Constitutional fathers, familiar with the strength and weakness of both autocracy and democracy, with fixed principles definitely in mind, established a representative republican form of government. They "made a very marked distinction between a republic and a democracy . . . and said repeatedly and emphatically that they had founded a republic." They knew full well the dangers of a democracy, and never intended that we should have a democracy. Our pledge of allegiance refers to the flag "and to the Republic for which it stands."

Professor Alexander Fraser Tytler, writing nearly two centuries ago, about the decline and fall of the Athenian Republic, while our thirteen original states were still colonies of Great Britain, said this:

"A Democracy cannot exist as a permanent form of Government. It can only exist until the voters discover they can vote themselves largess out of the public treasury. From that moment on the majority always votes for the candidate promising the most benefits from the public treasury with the result that Democracy always collapses over a loose fiscal policy, always to be followed by a Dictatorship."

Are we being misled by this age-old fallacy in government, and allowing ourselves to deteriorate into a democracy with the inevitable doom that that form of government envisages? Our record in recent years, and the writing and speaking of many people these days, indicate that we are.

When the New Deal came into power, it withdrew from Army posts and the Government Printing Office a "Citizenship" training manual which had been in use. This manual, which has never been restored, defined clearly and concisely the difference between a democracy and a republic. Here's what it said:

DEMOCRACY

A government of the masses.

Authority derived through mass meeting or any other form of "direct" expression.

Results in mobocracy.

Attitude toward property is communistic—negating property rights.

Attitude toward law is that the will of the majority shall regulate, whether it be based upon deliberation or governed by passion, prejudice, and impulse, without restraint or regard to consequences.

Results in demagogism, license, agitation, discontent, anarchy.

REPUBLIC

Authority is derived through the election by the people of public officials best fitted to represent them.

Attitude toward property is respect for laws and individual rights, and a sensible economic procedure.

Attitude toward law is the administration of justice in accord with fixed principles and established evidence, with a strict regard to consequences.

A great number of citizens and extent of territory may be brought within its compass.

Avoids the dangerous extreme of either tyranny or mobocracy.

Results in statesmanship, liberty, reason, justice, contentment, and progress.

Why was this citizenship training manual withdrawn from use? Why are our present day political leaders so often referring to our government as a democracy? Are they conditioning the minds of the people? Is it because that only under a democracy, and not under a republic, they can gain control of the affairs of the people?

When Benjamin Franklin came out of the Constitutional Convention on September 17, 1787, he was asked, "Well, Mr. Franklin, what have we got? "His answer was, "You have a Republic, if you can keep it." Have we now reached the point where we must make this decision? It would seem that we have.

As citizens of the Republic of the United States of America, we could set ourselves no better task these days than to take a refresher course in the founding of our nation and the establishment of its government.

WHAT IS FREE ENTERPRISE?

(By Thurman Sensing)

It is generally understood by all thoughtful people that it is the free enterprise system here in America that has brought our nation from a few struggling colonies along the Atlantic seaboard to a position of preeminence among the nations of the world in the comparatively short period of one hundred ninety-four years.

The free enterprise system is the secret—if it can be called a secret—of our success. It has produced for the American people the greatest productive capacity and the highest standard of living the world has ever known.

Even so, there is considerable question as to whether the average person knows what the free enterprise system actually is or could clearly define it. We are great salesmen of our material goods, but we have trouble talking intelligently about, much less selling, our greatest product—free enterprise. We must preserve our free enterprise system if we are to remain a great nation—yet how can we preserve it if we do not understand what it is we are trying to preserve?

It would be well, therefore, for every citizen of this country to have a clear understanding of the meaning of free enterprise.

Basically, the free enterprise system means freedom of the individual. Under the free enterprise system, the individual is free to make something of himself if he has the enterprise to do it. Too many people put too much emphasis on "free" and too little emphasis on "enterprise".

There are undoubtedly many false notions concerning free enterprise. The free enterprise system is not manna from Heaven". It doesn't mean that the world owes you a living. It doesn't mean "something for nothing". It doesn't mean acceptance of the "government'll-take-care-of-you" philosophy. It doesn't mean license, either. It doesn't mean that a manufacturer can operate sweatshops or that a merchant can gouge his customers.

The free enterprise system does mean that the individual is responsible for his own welfare and his own salvation, that he has the right to carve out his own destiny and chart his own future. It means that his government guarantees him opportunity—and nothing more. That is the whole philosophy of freedom; that is the concept of liberty under which this nation was founded.

Under the free enterprise system, the individual has the incentive to work and save and invest and profit thereby so long as he harms no one else in the process. His future depends upon his own ambition.

The choice is always before us. It is a choice between free enterprise and state control. It is a choice between a constitutional republican form of government and a totalitarian form of government, whether it be socialism or communism or dictatorship.

The difference between a free nation and a slave nation can be very simply stated. In a free nation, the people accept the responsibility for their own welfare; while in a slave nation that responsibility is turned over to the government. Or, to put it another way, meaning the same thing, in a free nation the state gets its rights from the people; while in a slave nation, the people get their rights, if any, from the state.

As long as people live, there will undoubtedly be those who will shirk from accepting freedom as their own responsibility. They will want their government to provide their security, guarantee them minimum wages, guarantee them full employment, guarantee them good prices for their products, guarantee them good housing, guarantee the solvency of their loans, guarantee them medical care, and many other things.

Such people are thereby choosing slavery rather than freedom. For this is the security of the penitentiary. This is the freedom of totalitarianism. This is the rejection of individual responsibility. So far as the United States of America is concerned, such choice would be a betrayal of our whole heritage and an abandonment of the philosophy under which we have grown and prospered.

THE BEGINNINGS OF THE AMERICAN FREE ENTERPRISE SYSTEM

(By Thurman Sensing)

INTRODUCTION

The following is a reprint of a former pamphlet issued under the title, "A Thanksgiving Story." It could also be called "A Christmas Story," or just "A Plain Common Sense Story." Above and beyond all this, though, it could be called, and is called, "An American Free Enterprise Story." It contains, or at least implies, the two basic elements of free enterprise—incentive, and the profit system.

Socialism did not work in this instance at Plymouth, and it has not worked in the many instances it has been tried since in the United States of America and elsewhere in the world. The reason it has not worked is because socialism violates certain fundamental economic and moral laws that make it impossible to work.

After these glaring failures, one wonders why people continue to apply socialistic principles and to accept socialist forms of government. All of which probably illustrates the truth of Santayana's statement that "Those who refuse to learn from the lessons of history are doomed to repeat its mistakes."

The sad part about those who refuse to learn from the lessons of history is that they are thereby consigned to a life of hardship and deprivation, just as were the Pilgrims at Plymouth during their first three years.

These are facts which the people of this country should learn and heed in the days ahead.

A THANKSGIVING STORY

The coming of the Pilgrims to the New England coast in 1620 forms a glamorous chapter in American history. The fact that is generally ignored, overlooked and unknown about this landing at Massachusetts Bay 350 years ago is that it marked the first Socialist settlement in America. The main lesson about this settlement that is generally ignored, overlooked and unknown is that this experiment in socialism failed within three years' time, and—for their very survival—the Pilgrims had to turn to what we now know as the American free enterprise system.

Through the years, it would have been—and it still would be—a valuable lesson to the pupils in the classrooms studying American history if this lesson in the failure of socialism (the dictionary gives the same definition for communism) were emphasized.

Before landing, the Pilgrims entered into what is known as the Mayflower Compact. Under this Compact, Plymouth was set up as a share-the-wealth community. Nobody owned anything. Whatever was produced belonged to the community as a whole. They called this system "the commone course and condition." They lived under this system from the desperate, disease-ridden first winter of 1620–21 until the hungry spring of 1623. Then they changed to private enterprise. Why? We find the answer in a book written by William Bradford, one of the leading original Pilgrims and second governor of Plymouth Colony, entitled "Of Plimoth Plantation."

The Pilgrims weren't long under this "commone course and condition," writes Bradford, until it "was found to breed much confusion & discontent, & ritard imployment that would have been to their benefite and comforte. For the young men that were most able and fitte for labor and service did repine that they should spend their time & strength to worke for other mens wives and children, without any recompense. The strong . . . had no more in devision of victails & cloaths than he that was weake. . . .

"Upon the poynte all being to have alike, and all to doe alike, they thought themselves in the like condition, and one as good as another. And so, if it did not cut off those relations that God hath set amongst men, yet it did at least much diminish and take of the mutuall respects that should be preserved amongst them."

Instead of a Thanksgiving feast in the fall of 1622, there was literal starvation and hopelessly low morale. "So they began to thinke how they might raise as much corne as they could . . . . that they might not still thus languish in misere. At last, after much debate of things, the governor" (Bradford himself) "gave way that they should set corne every man for his own particular. . . . And so assigned to every family a parcell of land. . . . This had very good success for it made all hands very industrious, so as much more corne was planted than other waise would have bene."

The Pilgrims offered thanks for deliverance from socialism with a great Thanksgiving feast in the fall of 1623.

Then Bradford philosophizes somewhat, "The experience that was had in this commone course and condition, tried sundrie years, and that amongst Godly and sober men, may well evince the Vanitie of that conceite of Plato's and other ancients, applauded by some of later times;—that the taking away of propertie, and bringing in communitie into a commone wealth would make them happy and flourishing; as if they were wiser than God!"

This is the story about the Pilgrims that should be taught in our schools—because "that conceite of Plato's and other ancients" is still "applauded by some of later times." Men still have the idea "that the taking away of propertie, and bringing in communitie into a commone wealth would make them happy and florishing." Socialism had been tried many times before Plymouth Colony; it has been tried many times since. It has always failed. It is always destined to fail, because it violates certain fundamental economic and moral laws that simply will not be violated.

"As if they were wiser than God!"

MRS. NELLIE TAYLOE ROSS

Mr. McGEE. Mr. President, I would like to take this opportunity to pay tribute to a distinguished Wyoming citizen who is celebrating her 95th birthday today. She is Mrs. Nellie Tayloe Ross, the first women ever elected Governor of a State in this Nation. Mrs. Ross achieved that distinction by winning the November 24, 1924, general election.

It is also very fitting that Wyoming—"The Equality State"—can boast of electing the first woman Governor. And Mrs. Ross soon proved to be an outstanding Governor utilizing her intelligence, tact, and graciousness to the maximum degree, enabling her to become a highly competent administrator and effective public speaker.

Although Mrs. Ross, after receiving her party's nomination for another term as Governor, failed to win the 1926 general election, she remained very active in a life of public service. Her service to the Democratic National Committee was extremely notable. And for 20 years, from 1933 until 1953, she served as Director of the U.S. Mint.

Mrs. Ross still resides in Washington, D.C., exhibiting the same vivacity and charm which has always been her trademark. She still exhibits the same high degree of intelligence which enabled her to be a very effective administrator during her years of public service to Wyoming and this Nation.

So, it is with a great degree of respect and admiration that I pay tribute to an outstanding woman and citizen of this great Nation. She has served us with great distinction. I wish Mrs. Nellie Tayloe Ross many happy returns.

PRESENT VETERANS' PENSION PROGRAMS

Mr. THURMOND. Mr. President, S. 2866 and S. 2867, now in the Veterans' Affairs Committee, will be reported to the Senate on or about November 30, 1971.

As of March 16, 1971, social security increases were granted to approximately 60 percent of veterans drawing VA pensions. Thus, S. 2866 was submitted to prevent a loss of payments to these individuals.

S. 2866 will provide an average cost-of-living increase of 6 to 6½ percent in non-service-connected pension rates. This will be payable to 1.6 million widows and veterans, and is necessary to prevent many of them from losing their entire pension.

Mr. President, this insurance against pension loss is only in connection with the increased social security payments received by the veteran or veteran's widow. This bill will increase the maximum annual income limitation for non-service-connected pension programs by $300. It will provide a limitation of $2,600 for a single veteran and $3,800 for pensioners with dependents. A new formula for payments of pensions will be established which will be more responsive to the needs of veterans' widows so long as their income does not exceed maximum limitations.

This bill will preclude the loss of aggregate income in the future whenever a pensioner might receive an increase in income from some other source. S. 2866 also provides a cost-of-living increase from $16 to $17 which will be payable to eligible children receiving death benefits.

If a veteran's dependent is lost during any calendar year by reason of mar-

riage, divorce, or death, S. 2866 will permit the VA to continue paying benefits to the end of the calendar year, as if there had been no such loss. Finally, S. 2866 will increase the annual income limitation for veterans and widows who come under the old pension program prior to July 1, 1960, as well as the Mexican border veteran. This annual income limitation will be increased by $300.

Mr. President, the next bill, S. 2867, has also been introduced to respond to needed changes within the veterans' pension system. S. 2867 pertains to dependency and indemnity compensation. It provides a general cost-of-living increase for payments to survivors of veterans who died as a result of service-incurred disabilities. S. 2867 will amount to about a 10-percent increase in these veterans' monthly payments. Because of this bill 46,000 children will receive a 5-percent increase.

Mr. President, under S. 2867 the annual income limitation for dependent parents will be increased by $300. Such an increase will provide a 6½-percent increase for 68,000 parents. This increase will prevent these parents from incurring a loss of aggregate income because of social security increases. S. 2867 will also allow for the first time aiding dependents in the amount of $55 a month for the dependent parent.

These bills were unanimously passed by the House and provide needed cost-of-living increases for nearly 2 million veterans, widows, and dependent children. A new and more equitable formula must be established in regard to our veterans' pension program.

Mr. President, time is an essential factor and in order to prevent these veterans' widows and dependent children from having their pension payments reduced or entirely cut off as of January 1, 1972, prompt action must be taken by the Senate before adjournment. These needed bills deserve the consideration of Congress and I urge the Senate to act quickly after the Veterans' Affairs Committee has reported these bills.

THE MILLER-COLVIN APPRECIATION NIGHT

Mr. THURMOND. Mr. President, on November 18, the Merchants Association of Holly Hill, S.C., paid tribute to two families whose lifetime contributions have been chiefly responsible for much of the employment in that community. They are the W. J. Colvin, Sr., family, and the L. E. Miller, Sr. family.

The occasion was an appreciation dinner held in the Holly Hill High School gymnasium. I was invited to deliver the address at this dinner, and I looked forward to it with great anticipation since I have long been aware of the outstanding record of these two families.

Due to some important votes which came before the Senate on that date, I found it impossible to attend this dinner and honor my friends. My assistant, Mr. Wayne Robbins, went to the appreciation dinner as my representative and he delivered the address before approximately 500 citizens who came from far and near to show their gratitude for these two families.

While I regret deeply that I was unable to attend, I have been told that the night was a high success and that the Millers and Colvins received their well-deserved tribute for their long and untiring service.

Mr. President, I ask unanimous consent that Mr. Robbins' address be printed in the RECORD.

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

ADDRESS BY WAYNE ROBBINS

Mr. Folk, members of the Miller and Covin families, ladies and gentlemen: The man who wanted so much to be standing here tonight is unable to do so because of some very important votes which are likely to come up this evening in the United States Senate. The highly significant tax bill which affects all of us is before the Senate, and I understand that 79 amendments have been offered. All of these amendments must be acted upon before the vote on the final bill can come up. Any one of them can have a dramatic effect on the final form of the legislation, and Senator Thurmond feels he should be right there to vote on as many of these amendments as possible.

Before I left Washington, Senator Thurmond called me into his office and said, "Wayne, I want you to go down to Holly Hill and help me honor two of the most outstanding families in our whole State of South Carolina." He said, "You don't know the Colvin and Miller families as well as I do, so sit down there and let me tell you some things that you ought to know about them."

Senator Thurmond began to talk, and before he had finished, I realized fully why this occasion is taking place tonight. I also realized that I had missed something by not being more personally acquainted with the Millers and the Colvins. It is no exaggeration or over-dramatization to say that America, the greatest country in the history of the world, was built and sustained by men and families such as these two we honor tonight.

The Senator's latest weekly newsletter which comes out next week deals with a subject that is closely related to what we are doing here tonight. It is so close that I am going to "scoop" him and tell you about parts of it. I hope he won't mind.

The newsletter is entitled, "The System Works." Senator Thurmond calls attention to the fact that we live in an era when the American establishment is undergoing unprecedented challenge from within. He says that it is refreshing to him to note that our system still produces champions and success stories while there are those that would destroy our basic values and traditions. America, despite the revolutionaries, continues to be a country where a man can start modestly and rise to the top of his profession. This is not true in many countries in our world, and those who profess to be political revolutionaries or militant critics ought to bear that in mind when they advocate the overthrow and revision of the American way of life.

Perhaps there is no better example of what makes our country great anywhere than the example we see here in the Miller and the Colvin families. Their roots run deep in this area and they have applied their energies to progress and well-being for their community and their state. Jobs have been created as a result of their enterprise and the quality of life has been raised. They have invested their time, their treasure, and their lives in the society and the system which nurtured them. Both they and their society are better off today because of it.

Two men began this success story back in 1927. That was a good year for success. Some of you may remember that was the year Charles Lindbergh made his famous flight across the Atlantic in "The Spirit of St. Louis," marking man's first non-stop oceanic flight. That was the year Babe Ruth hit sixty home runs for the New York Yankees, setting a record that still stands today. It is true that Roger Maris hit sixty-one homers a decade ago, but he had the benefit of a 162 game schedule and the Babe played when the season was only 154 games long. 1927 was also the year that W. J. Colvin and L. E. Miller bought the old R. L. Moore Lumber Company in Boyer. That was the beginning.

Each man put up ten thousand dollars to buy the company. It became known as the Holly Hill Lumber Company. Tragedy struck in 1935 when the mill burned. The character of Miller and Colvin was shown when the company was not only rebuilt, but almost immediately launched into a period of growth and expansion. In 1936, these two friends bought the Chapman-Storm Lumber Company at Four Holes. They changed the name to Holly Hills Cypress Company, and that name stuck until 1948 when it merged with Holly Hill Lumber Company. They kept growing. They bought mills and timber lands at Denmark, Kingville, Ridgeville, and Black Branch—all operating under the name of Holly Hill Lumber Company.

Today, the Holly Hill Lumber Company has grown to a prominent three-pronged operation. In 1964, the Santee Portland Cement Corporation was chartered, and, shortly afterward, began the production and sale of cement. It appeared logical that duties be divided between the two families, so the Millers operated the cement company and the Colvins directed the lumber company.

Just a few weeks ago, construction began on the third operation of this unusual and outstanding two-family enterprise. This one is the Southern Pine Plywood Plant. Senator Thurmond was pleased and happy to have been able to help get federal assistance for this construction. The Economic Development Administration provided a loan of something like three and a quarter million dollars, and they were happy to do it, because Senator Thurmond told them about the record of these two families and what they meant to this community in terms of employment and economic growth.

The growth of these operations has been steady over the past ten years. Their financial house has been in good order with no judgments or claims against them. Dun and Bradstreet has given them their highest ranking in both financial strength and credit reliability. Their reputation in the business and trade communities for fair dealings and quality products is far above average.

And this all started in that record setting year of 1927, by two men—L. E. Miller, Sr., and Jerome Colvin.

One of these two men cannot be with us tonight—except in spirit. Jerome Colvin passed away in 1965, after nearly eighty years of full and effective life. I think it only fitting on this occasion that we take a brief look at his life.

William Jerome Colvin was born in 1886, in Feasterville, in Fairfield County. He grew up there and entered Erskine College, graduating in 1909. After graduation, he taught mathematics and was principal of the high school in Mullins for two years. While there he met another teacher named Lillian Sipple. He was to know her better in later years. In 1911, Jerome Colvin moved to Badham where he began a long lifetime in the lumber business, working for the Dorchester Lumber Company. Two years later, he married Lillian Sipple, and they became the parents of two sons and two daughters. The daughters

are Mrs. James L. Wells, of Orangeburg; and Mrs. Julius Eldridge of Sumter. We'll tell you about the sons in a moment.

The Colvin family moved to Holly Hill in 1927 when the first lumber company was bought. A few years later they built their beautiful brick, two story home across from the Holly Hill Elementary and High School. Friends still talk about their beautiful yard where rare varieties of camellias were added to the lovely azaleas and evergreens.

Jerome Colvin became the first president of the newly formed Lions Club of Holly Hill. He was a trustee of Holly Hill schools for twenty years, and served as chairman of the board of trustees for many years. He was a director of the First National Bank in Holly Hill and took an active interest in its affairs. When Erskine College created a board of counselors in 1962 composed of outstanding alumni, Jerome Colvin was one of the first men to merit this honor, and he served on this advisory group for the rest of his life.

Lillian Colvin died in 1954; eleven years later, Jerome died. Friends and family will always remember his stately carriage. He walked erect with great dignity and was viewed with affection and respect by all who knew him. He had served as a Colonel on the staff of Governor Strom Thurmond, and that public servant still cherishes the memory. He told me so.

Jerome Colvin's partner in those early years was Lawrence E. Miller, Senior. I feel that I know him well already, because he picked cotton in his early years as I did, and I can tell you that is an experience that breeds kindredship. L. E. Miller grew up in the said hill country of Lexington County, the son of a farmer and timber harvester. They tell me the cotton was sparse in that country, but he picked it anyway. As a young boy, he trapped rabbits to sell at the Farmer's Market on Assembly Street in Columbia. He fished in the creeks for catfish, and, generally, kept himself busy with the necessities of sustaining life in those bare hills.

His schooling in the Lexington County schools was basic, and at an early age he enrolled in Draughans Business School in Columbia. Driving a mule and wagon, he made the trip daily some sixteen miles to school where he completed the two-year curriculum in one year. Upon graduation, the president of the school called him into his office and gave him some advice. He said, "Lawrence, congratulations! Now, I would suggest that you go out and buy yourself some long pants before you look for a job." And that's how L. E. Miller got his first pair of long pants.

From that day to this one, he has devoted his total life to his family, community and business. His devotion and pride of accomplishment is second only to his genuine interest in the well-being of his fellow man. He is not a man who indulges in personal pleasures. His every effort is to make life better for those who follow. I am told that Santee Portland Cement would never have been, except for his dogged determination.

L. E. Miller served at General Pershing's headquarters in France during World War I. He is married to the former Elizabeth Copeland, and they have four children, two sons and two daughters. The daughters are Mrs. R. F. Boyd of Norfolk, Virginia; and Mrs. E. S. Gregg, Jr., of Ridgefield, Connecticut. And they tell me that Mr. and Mrs. Miller are looking forward to their golden wedding anniversary next month.

These two sketches probably give you a good idea why Holly Hill Lumber Company and Santee Portland Cement are such solid enterprises today. They were built by solid men.

But they would not stay solid long if they were not directed under the outstanding leadership of men like the current administrators—and I am talking about the Miller and Colvin sons.

The Vice President for Sales at Santee Portland Cement Company is Larry Miller, Jr. He was born in that magic year of 1927, when the records were set, and when Holly Hill Lumber Company was born. A business administration graduate from Presbyterian College, he spent most of his earlier years in preparation for the leadership he is bringing his company today. Larry Miller is married to the former Anna Breeden of Bennettsville, and they have four sons who, no doubt, will have much to say about what happens to Santee Portland Cement Company in the Twenty-first Century.

Larry served with the U.S. Air Force on Okinawa during the last part of World War II. He is a Mason, an Elk, a Rotarian, a member of VFW, and he was the first president of Porter Military Academy Alumni Association. He has been active as a Cub and Boy Scout Master during the past several years. He is president of the Orangeburg-Wilkerson High School Band Boosters Club. He is area chairman of Ducks Unlimited. I don't know what that is, but I have an idea I'd like him to take me duck hunting.

Larry's brother, Harold, serves Santee Portland as vice president and treasurer. He is a graduate of Presbyterian College and Duke University, holding a graduate degree in forestry. He served for thirteen years as head of the Forestry Department at Holly Hill Lumber Company, holding the position of vice president and secretary.

Harold is married to the former Jo Ann Tucker, and they have two sons and a daughter. He is a past president of the Holly Hill Lions Club. He was a Jaycee and is a Mason and a member of the Orangeburg Elks Club. Like Larry, he has demonstrated a keen interest in the activities of young people, serving in a leadership capacity with the Boy Scouts of America.

The family tradition has continued also in the Holly Hill Lumber Company. W. J. Colvin, Jr., known as Billy, spent most of his younger years participating in and directing the growth of the company his father was to head. He went into the business immediately upon graduation from Wofford College, serving apprenticeships in all office procedures, including payroll, accounting, invoicing, and government reports. He had 37 months of combat in the Pacific during World War II, emerging with the rank of Captain.

After the war he returned to the Holly Hill office as Vice President of Production. In this position he was responsible for the over-all operation of the plant.

Billy has continued the family tradition for service and leadership in civic affairs. He, too, is a past president of the Lions Club. He has been a trustee of the local school board for the past eight years, and is chairman of the board of trustees of Columbia College. He has served four terms on the town council, and six years on the board of directors for the Southern Pine Association. He is married to the former Elise Allen of Allendale, and they have four children.

The president and chief executive officer of Holly Hill Lumber Company is Cal Colvin, also born in that record year, 1927. He graduated with honors from The Citadel as a distinguished military student after having graduated as a first-honor student in high school. He is married to the former Mildred Jones of Thomaston, Georgia, and they, too, have four children.

Except for college and military service, Cal has spent his entire life in the Holly Hill community. Like his father and brother, he has devoted most of his life to the family business.

This young man has not limited himself to South Carolina in contributing to the advancement of his business and in his cooperation with related interests across our nation. He is a member of Lumbermen's Underwriting Alliance Advisory Board, Kansas City, Missouri; Southern Regional Export Expansion Council of Depatment of Commerce, Washington, D.C.; and Forestry Council of the Federal Land Bank, Columbia, South Carolina. He serves on the Orangeburg County Forestry Board of the South Carolina State Commission of Forestry.

His membership on policy-making bodies reads like a "Who's Who In America." It includes: past president and chairman of the board of the Southern Forest Products Association; 1969 chairman of the Economic Council of the Forest Products Industry; a member and past chairman of the Committee of Past Chairmen, Economic Council of the Forest Products Industry; trustee of the American Forest Institute; director and member of the Executive Committee, National Forest Products Association; South Carolina Representative to the Forest Products Political Education Committee; past governor (representing South Carolina) of the Southern Pine Inspection Bureau; a past member of the board of the Southern Cypress Manufacturers Association; a member of the "Wood and Wood Products" Editorial Advisory Board; "Man-of-the-Month" Award (February, 1969) from the "American Building Supplies" magazine; a recipient of the "Wood Salutes" award (March 1968) from the "Wood and Wood Products" magazine; and he appeared in Washington on behalf of the industry at Senate and House hearings during 1968–69 at the "Lumber Crisis" hearings. He was also a member of various Task Forces presenting industry problems to Cabinet Members and the White House.

Those long years of experience are paying off now as he and his brother lead the company today.

These are only a few of the reasons why it is fitting and proper for us to honor these two outstanding families here tonight. If it is true that you get out of life what you put into it, the Colvins and the Millers are rich indeed. No doubt, the richest treasure they have is the high esteem and respect in which they are held by their neighbors.

Now, what are we talking about tonight? We are talking about the American dream. These two families represent the American dream in two of its most dramatic examples. They have known the meaning of hardship, of hard labor and toil; but they possessed a trait that set them apart from lesser men. They had a burning desire to succeed. This intense desire was coupled with a willingness to pay the price, and the price was for them what it has always been for all of us—hard work, self-discipline, and a well-balanced sense of values.

They paid that price, and they stand as living evidence today that the American dream, nurtured in the American system of freedom and individual initiative, can come true for us too. For that we are forever grateful to the Millers and the Colvins.

QUORUM CALL

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

CONCLUSION OF MORNING BUSINESS

The PRESIDENT pro tempore. Is there further morning business? If not, morning business is concluded.

ECONOMIC STABILIZATION ACT OF 1971

The PRESIDENT pro tempore. Pursuant to the previous order, the Chair lays before the Senate the unfinished business, which the clerk will state.

The second assistant legislative clerk read as follows:

S. 2891, to extend and amend the Economic Stabilization Act of 1970.

The Senate resumed the consideration of the bill.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. SPARKMAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. SPARKMAN. Mr. President, I believe the pending business has been laid before the Senate. Is that correct?

The PRESIDENT pro tempore. Yes; it has.

PRIVILEGE OF THE FLOOR

Mr. SPARKMAN. First, Mr. President, I ask unanimous consent that other members of the staff of the Committee on Banking, Housing and Urban Affairs be allowed the privilege of the floor. Our staff director, Dudley O'Neal, is here, and our minority counsel, Mike Burns, is already here. Under the rules, how many in addition would we be entitled to?

Mr. BYRD of West Virginia. Under the rules, there would be four committee staff people, including the two now on the floor. If the Senator wants additional ones, he can ask unanimous consent.

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

Mr. BYRD of West Virginia. I yield.

Mr. TOWER. That is to say, I am entitled to have two, is that correct?

Mr. BYRD of West Virginia. That is correct.

Mr. TOWER. That is, committee staff members?

Mr. BYRD of West Virginia. Yes.

Mr. TOWER. Am I entitled to additional personal staff members?

Mr. BYRD of West Virginia. One, as the manager of the bill on the Republican side.

Mr. TOWER. I thank the Senator.

Mr. SPARKMAN. Mr. President, there are many phases to this rather complex bill, and, as Senator Tower knows, different staff members worked on different parts of it, and I ask unanimous consent that, in addition to the number regularly allowed, we have the privilege of having as many as four additional staff members on both sides.

The PRESIDENT pro tempore. All together?

Mr. SPARKMAN. In addition to those that are automatically allowed.

Mr. BYRD of West Virginia. This would make a total of eight?

Mr. SPARKMAN. Yes.

The PRESIDENT pro tempore. Is there objection? Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, before we commence debate on S. 2891, I should like to take just one second of the Senate's time to compliment the members of the Banking, Housing and Urban Affairs Committee for their long and arduous work and their cooperation which was evident in the development of the legislation that is pending before us.

This has been a most difficult measure, and we were on it quite a long time. I do not know just how many days we did spend on it. We had excellent attendance throughout the whole time. The entire membership worked hard and conscientiously to develop this legislation, and when it finally came out, I believe that most, and I think perhaps all of us, thought that as a whole, it was a good bill.

Of course, there may be things in it that a Member may not agree with it. There are provisions in here that I do not particularly like. But it represents a consensus of the committee, and when the committee reported it out, I believe the vote was 14 to 0. I am not sure—maybe 14 to 1.

Mr. TOWER. I believe it was 14 to 1.

Mr. SPARKMAN. I believe that is correct. But it does represent very much the consensus of the committee.

Mr. President, I also want to commend the staff of the committee for the splendid job they did for us in connection with this legislation. We have had wonderful staff assistance throughout the consideration of this measure by the committee.

S. 2891 is a good bill. Like any piece of legislation that comes before the Senate, there are provisions in it that I may not particularly like, and I am sure that is true of every other committee member. I think that is usual. However, I do believe it is an improvement over some of the proposals which were sent to the committee, and I support the bill.

On the desk of every Senator is a copy of the committee report—Senate Report No. 92–507—which accompanies S. 2891. I believe that every Senator will find this an excellent report and it was one which our staff was required to put together in a minimum of time. They worked hard and did an excellent job, and I compliment them upon it.

Mr. President, on August 15, 1971, the President announced his new economic program. This program provided for a 90-day freeze on all wages, salaries, rents, and prices. The President acted under the authority of the Economic Stabilization Act of 1970, as amended. This act authorizes the President to:

Issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages and salaries.

This 90-day period was called phase I in the President's economic stabilization program.

On October 7, 1971, the President announced his postfreeze economic stabilization program. This phase II program went into effect on November 14, 1971. Phase II entails flexible controls on certain exemptions and authority for adjustments to bring about equity rather than across-the-board freezes on wages, salaries, rents, and prices.

The authority granted to the President under the Economic Stabilization Act of 1970, as amended, expires on April 30, 1972. On October 19, 1971, the President sent to the Congress a message containing a proposed bill to extend and amend the Economic Stabilization Act of 1970. On the same day the senior Senator from Texas (Mr. TOWER) and I introduced S. 2712 in the form requested by the President. The President requested in this legislation a 1-year extension to this authority. In addition, the President requested authority to stabilize interest rates and dividends. He also requested amendments which would strengthen the enforcement of phase II by providing subpena powers, civil penalties, and court authority to order restitution. His request also included special arrangement for administrative and judicial review and provisions relating to personnel and funding.

The Committee on Banking, Housing and Urban Affairs held very thorough hearings on the President's proposals. The committee held a number of executive sessions to consider these matters in detail. As a matter of fact, we held six executive sessions to consider this legislation. We met on November 9, 10, 11, 16, 17 and 18, 1971. We voted to report a clean bill (S. 2891) to the Senate on November 18. I think that we have reported a much better bill to the Senate than the President sent to us.

The bill as reported by the committee contains:

First. Presidential authority to control prices, rents, wages, salaries, dividends and interest,

Second. Standards to be observed in applying controls,

Third. Enforcement procedures and provisions for administrative and judicial review,

Fourth. Necessary administrative authority for the effective operation of the program,

Fifth. Certain limitations on wage, salary and price controls, and

Sixth. An extension of authority to carry on the program for one additional year.

Section 2 of the committee bill—that is S. 2891—amends the Economic Stabilization Act of 1970 in its entirety. The various sections of the act as amended by this bill are as follows:

Section 201 provides that the short title of the act is the Economic Stabilization Act of 1970.

Section 202 states the findings of Congress that a stabilization program is necessary and the President is given the authority to establish and operate such a program.

Section 203 specifies the authority

given to the President to stabilize prices, rents, wages and salaries, interest and dividends. It also prescribes standards to guide the use of this authority. It exempts from the exercise of the authority substandard earnings and other wage increases prescribed by laws such as the Fair Labor Standards Act.

Section 204 permits the delegation by the President of the authority granted to him to agencies of the Government and to other boards and commissions that he may establish for the purpose.

Section 205 preserves the confidentiality of certain business information submitted to Government agencies performing functions under the act.

Section 206 gives a nationwide subpoena power to the agencies exercising authority for any purpose related to the act.

Section 207 specifies certain characteristics of the administrative review procedures to be used by these agencies. It exempts these agencies from the full operation of the Administrative Procedure Act.

Section 208 provides for a $5,000 criminal fine for each violation and a $2,500 penalty for each violation.

Section 209 authorizes the Attorney General to bring injunctive actions. He may also seek a court order for restitution of overcharges.

Section 210 authorizes treble damage suits to be brought by private persons against violators of regulations or orders.

Section 211 specifies the form of judicial review for cases and controversies arising under the act. It also creates a Temporary Emergency Court of Appeals for handling appeals and passing upon constitutional questions.

Section 212 gives authority for hiring and compensating personnel necessary to perform functions authorized by the act.

Section 213 authorizes the hiring of experts and consultants needed for the program.

Section 214 expresses the concern of Congress for the special needs of small business enterprises and directs that, to the extent possible, they be given full and expeditious assistance in their dealings with the agencies operating under the program.

Section 215 authorizes the appropriation of funds necessary to carry out the functions authorized.

Section 216 extends the authority given in the act for 1 year to April 30, 1973.

Section 217 ratifies the actions previously taken under the act with respect to personnel and expenditure of funds.

Section 218 provides that invalidation of one part of the program will not ratify the whole.

Mr. President, this is a section-by-section description, quite briefly, of what the bill seeks to do.

Mr. TOWER. Mr. President, I wish to associate myself with the remarks of the distinguished Senator from Alabama, who has presided so ably and so well over the formulation of a very complex and very important piece of legislation. I think we must consider this bill an extremely important element in the current war against inflation.

We are all aware of the consistent problem that inflation has posed for this country in the 1960's and 1970's, and of the problems it has posed for maintaining a stable price structure, for making informed business and personal decisions, and for the meeting of expenses of persons living on fixed incomes, principally our elderly population. The deleterious effects of inflation on Americans and the American economy are very pervasive and very difficult to measure in quantitative terms, but it is quite evident that we would be substantially economically better off without a high rate of inflation, and that we should take appropriate governmental actions to reduce the level of inflation.

The President's actions on August 15 marked a significant change in policy in this regard; until that time, since the dismantling of the Korean war economic controls, the only policy weapons that were used or thought to be needed were fiscal and monetary actions designed to keep the supply of credit tailored to production-demand conditions and to stimulate economic expansion when unemployment increased, However, inflationary expectations that have been built up over the last decade were not affected by mere financial policies of the Government; witness the increases in such prices as labor costs and interest rates over the 1960's in the face of more than an adequate supply of these respective factors, and in spite of monetary and fiscal policy to the contrary.

Consequently the President determined that wage and price controls had to be invoked temporarily in order to attack the problem of inflationary expectations directly. Although no one is particularly anxious to see this type of economic control imposed, the country has generally accepted the temporary necessity of this action and I believe will continue to support the President in this program to knock out inflationary expectations. Monetary and fiscal policy can again serve to keep inflation under control, when the extraordinary inflationary expectations our economy has experienced in recent years have been flattened out by the present controls program.

In the bill before the Senate, the wage and price control authority granted to the President in the Economic Stabilization Act is extended from its present expiration date of April 30, 1972, to April 30, 1973. This extension is called for now because the country needs to know whether Congress means to stand by this grant of authority over the period of time controls will be needed. Even though some decontrol has already occurred and will continue to occur before April 30, 1972, some controls will almost certainly need to be continued beyond that time.

If business firms and other organizations are to know how to plan and budget for the future, and, to a certain extent, if individuals are to know how to plan and budget their own finances, they need to have some firm idea now of whether controls will continue past April 30, rather than to face extremely uncertain economic ground rules after that date.

It is imperative that Congress give the Nation a firm basis for economic planning now by enacting this bill and putting to rest any doubts about the intent of Congress to see this program through to a successful conclusion.

Mr. President, again let me express my thanks to the distinguished Senator from Alabama, the chairman of the Committee on Banking, Housing and Urban Affairs, for the way in which he handled this measure; for the objective way in which he went about trying to accept and accommodate ideas designed to improve the bill; for his nonpolitical, bipartisan spirit. I think we have come out with a very good bill, one that we can all repair to, one that does not create any kind of partisan advantage or disadvantage for anybody, one that objectively addresses itself to the resolution of the very grave economic ills that confront our country.

I am hopeful that this bill will be enacted without any substantial or significant amendment that will alter the substance of it.

Mr. President, I ask unanimous consent to have printed in the RECORD a statement prepared for delivery by the distinguished Senator from Utah.

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

STATEMENT BY SENATOR BENNETT

Mr. President, I hope that the Senate will approve S. 2891, the Economic Stabilization Act of 1971 as reported by the Committee. The Committee has considered all of the important issues involved in the proposal and has made reasonable decisions. The final bill reported is a good bill. It is unfortunate that it has been found necessary to have governmental controls over wage and price decisions, but the impatience with the results of the classical monetary and fiscal measures which the Administration and the Federal Reserve have used, and the fact that wages and prices seemed to either be unaffected by these measures or reacted insufficiently to these general economic stabilization tools over a period of almost three years was an indication that the inflation psychology which has built up over the latter half of the sixties would not yield to such measures without unacceptable unemployment levels.

Because of its deep conviction that a free economy functions in a far superior manner to one that is controlled by the government, this Administration refrained from using wage and price controls as long as possible but wage and price increases combined with a major deficit in our balance of trade with other nations made drastic action necessary in August of this year.

Now, the primary criticism of the President is that he should have established controls over the economy at an earlier time. While I give my support to the president in this difficult task of slowing inflation, I do not believe that economic controls will serve us well for any extended period of time. It is therefore important that the measures that are taken be effective and that they bring about the desired slow down in wage and price increases quickly so that they can be removed and that the dislocations in economic activity that always occur under any system in which supply and demand are not the prime determinants of price will also soon be removed.

I believe that the President took the only course he could take at this time to make it clear that continual large increases in wages and prices will not be permitted as an accepted fact in our economy. I believe that the system which has been established is a reasonable one in which representatives of the patries at interest and the public will be making the major decisions within the general goal of wage and price stability, established by the President. The Program does not contemplate a massive bureaucracy but instead is heavily dependent on the voluntary compliance of business, labor, and all segments involved. It can be successful and accomplish its ends only if it receives the support of the American people, the business community, and the representatives of organized labor. Public confidence must be maintained that the program is equitable and that all are required to comply with similar requirements.

The bill which our Committee has reported and which is now being considered by the Senate provides authority for the President to continue the program of stabilization that is now in operation. The Committee bill is the result of extensive hearings and full consideration by both the Committee and the Administration of all of the recommendations made in those hearings. I frankly believe that the Committee bill is an improvement over the bill recommended by the Administration. I do not say this to be critical of the Administration, but in some respects, the Administration's proposal was not as explicit as it could have been. This is understandable, of course, when one realizes that the Administration proposal was patterned closely after the language presently contained in the Defense Production Act authorizing the President to impose wage and price controls as he deems appropriate with no specific guidelines other than that the controls be generally equitable and that wages and prices could not be less than those in existence on May 25, 1970. This authority was not requested by the Administration but was enacted by Congress over Administration opposition in 1970. It was extended earlier this year and to expect the Administration to propose major changes in the legislation would have been unreasonable. The changes that were included in the Administration proposal were primarily for the purpose of clarifying the authority and the procedures that would be followed in using that authority.

Beginning with the basic Administration proposal, our Committee worked with the Administration and other parties and expanded certain sections of the bill so that it now contains even more detail with respect to the procedures which will be followed and the rights of individuals under the legislation.

Let me say that there is no difference of opinion between the Committee and the Administration on the major provisions of the Committee bill. There were some differences, but in most cases, these differences were minor or were on provisions which are not of major importance. An example of such a difference is that the Administration bill recommended the exclusion of wage and price control functions from the operation of most of the Administrative Procedure Act. This provision was criticized by several of our witnesses and members of the Committee.

The Committee carefully considered the arguments involved and decided to include certain sections of the Administrative Procedures Act in the bill. Both Assistant Attorney General L. Patrick Gray and the Chairman of the Administrative Conference of the United States, Roger C. Crampton, stated that there would be little if any difference in the operation or administration of the Economic Stabilization Act or the rights of persons affected by the Act whether the Administrative Procedure Act was applicable or not. In other words, a major difference was not involved. I ask unanimous consent that the final paragraph of a letter from Mr. Crampton be included at this point in the record explaining his position on the matter.

Mr. President, I notice that there are many amendments which members of the Senate apparently intend to offer to the Committee bill. We considered similar proposals in the Committee and they were all rejected.

The Committee determined that while there may be sentiment for certain segments of our economy to be exempt from some controls or from the burden of complying with certain reporting or record keeping requirements either on the basis of their size, the number of employees, or the type of activity involved, it was agreed that outright exemptions from the authority contained in the Act could lead to abuses which could not then be controlled without additional Congressional action repealing the exemption. Such exemptions could also make it impossible to meet the criteria of the bill requiring generally comparable sacrifices by all segments of the economy. The Committee bill, on the other hand, grants broad exemptive authority to the President. This authority can be exercised by the Pay Board and the Price Commission consistent with the purposes of the Act. This approach to exemptions leaves sufficient authority to take care of any abuses that may develop as a result of an exemption.

Mr. President, let me conclude by saying that the Committee bill is a reasonable bill. I believe that it retains most of the authority needed by the President to carry out a program which is intended to slow inflation and which has received the support of an overwhelming majority of the people of this nation. The Committee was able to defeat attempts to destroy the authority needed for such a program and has essentially preserved the integrity and the autonomy of the Pay Board and the Price Commission.

Despite my general objection to government authority and control over decisions that can better be made by natural market forces, I realize that there are powerful factions in our economy that have thwarted the normal operation of market forces which would otherwise have resulted in more moderate wage demands and lower prices than we have experienced in the last few years. I support this short run attempt to control inflationary forces and make American goods and services more competitive in the world market with the assurance that it will be retained only so long as it is necessary and only to the extent that it is necessary to temper forces which have not responded in sufficient degree to fiscal and monetary policy efforts to restrain inflationary wages and prices.

I recommend that the Senate approve the Committee Bill without undue delay.

The PRESIDING OFFICER (Mr. BYRD of West Virginia). What is the pleasure of the Senate?

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BENTSEN). Without objection, it is so ordered.

Mr. TOWER. Mr. President, will the Senator from Wisconsin yield for a question?

Mr. PROXMIRE. I yield.

Mr. TOWER. I think it would be helpful if the distinguished Senator from Wisconsin could enlighten the Senate as to his intentions. The Washington Post this morning reports that the Senator intends to filibuster. The Senator assured me that he had no such intention, so that I believe, perhaps, the record should be set straight as to what is in store for us during the day, in terms of time frames, and when we are likely to have votes on amendments.

Mr. PROXMIRE. Mr. President, I thank the Senator from Texas. It is very difficult to define a filibuster. I certainly do not intend to delay the bill. I expect to be voting on the bill within the next few days on final passage—by the middle of the week or so, but I think it would be a real shame if we acted on the bill today.

The bill will have a profound effect on every American because all of us are consumers. It will have an even more significant effect on the 85 percent of our work force covered by the bill. It will also have an immense and complicating influence on literally millions of businessmen—some 10 million firms or individuals—who will have to function under the price controls which are enormously complicated. I think that under these circumstances the Senate certainly should discuss the pending bill at considerable length.

It is my understanding that there is at least a discussion in the House to the effect that this bill, after it passes the Senate, may be kept at the desk without going to committee and be debated under limited time on the floor, for perhaps a day or less than a day, and then passed.

When we have a bill that is this complex and ramified and that gives such a tremendous amount of power to the President of the United States, it seems to me that it should be discussed at great length. By great length I mean that I intend to speak at least 2 or 3 hours on it, and I would hope that other Members of the Senate would question the bill in some detail. I would hope that there would be some substantial amendments offered.

Mr. President, I am compelled to vote against S. 2891. I do so after long, hard deliberation. Senators will forgive me, I trust, for pointing out that I have probably spent more hours analyzing the issue of wage-price regulation than any other Member of this body.

For 5 weeks the Joint Economic Committee, which I have the honor to chair, held extensive hearings on the new economic policies of President Nixon. The committee went into great detail hearing from outstanding economists from various sections of the country, from Government officials, from business and labor leaders, and, above all, from several men who headed previous wartime efforts to control wages and prices.

Even before the President's speech of August 15, the Joint Economic Committee had held extensive hearings on the state of the economy. These ran during

June and July, and covered every major aspect of public economic policymaking. As many of us know, the committee, at the conclusion of those hearings, issued a report setting forth its own views on the wage-price issue, as well as on tax and expenditure policy, and other related questions. That report, ironically, was issued to the press for publication on the morning of August 16, within a very few hours after the President made his speech in which he proposed the freeze and started us on the path we have followed since. There are some members of the press who believe its publication date may have provided a stimulus for the President's pronouncements on Sunday night, August 15. In any case, I think that the Joint Economic Committee can justifiably take great pride in the thoroughness and soundness of its inquiry, and I believe that it provided an invaluable service to the public.

In addition to these Joint Economic Committee hearings, I participated fully in the hearings of the Committee on Banking, Housing, and Urban Affairs on the legislation now before us, and I attended each of the several executive sessions thereafter.

Mr. President, I believe firmly that there is need for a program of wage-price regulation, as I will explain in a few moments, but I am equally convinced that S. 2891 definitely will not do the job. I believe that it fails on several major counts.

It will do far more harm than good. As I have said on this floor previously, the Economic Stabilization Act of 1971 needs a major overhaul before it will serve the public good. In its present form it is unacceptable. I have reluctantly concluded that unless the bill is greatly modified and the phase II program vastly changed, that the damage to the American economy will far outweigh any short-term good that it can bring.

I intend to discuss in some detail the shortcomings of the administration's proposed extension of its unprecedented wage and price control powers. Let me summarize briefly at this point why I think that the program as presently constructed is badly conceived, unworkable in practice, and dangerous to our constitutional form of government.

First. The program endeavors to cover far too much of the economy. The jurisdiction which it has assumed extends from steel mills to babysitters, from automobiles to fountain pens and mom and pop grocery stores. It is not necessary to cover most of the economic activities. I think what is important is to see that we are not in the same kind of situation we were in World War II and Korea, because there are generally no shortages in the economy. Certainly we have an excess of supply. We have 5 million people who want to work. We have 25 percent of our production facilities idle. Under these circumstances, the opinion of the overwhelming number of economists who appeared before the Joint Economic Committee is that it is unnecessary to cover everyone as the regulations would and as the bill would permit. The program should concentrate on those sectors of the economy that are characterized by massive power—the huge corporations and the large unions. These are the pacesetters and by reason of their size, their vast power, and their relatively limited number, they are amenable to public regulation. But the hundreds of thousands, even millions, of individual economic decisions cannot, by their very nature, be subjected to Government regulation, and attempts to control them will prove chaotic. Indeed, this is already occurring.

It is unnecessary. The reason that the small firms are not raising their prices and the reason that they have not done so in the past is that they are competitive. It is properly a competitive environment. If they do not raise their prices, they should not be subject to controls. It seems to me that it would be logical therefore to subject the big firms and the firms in the construction industry to the controls—because they have a peculiar union-management situation—and the health services in which we do have a shortage of resources.

Second. The program as drawn is based on principles that are unworkable. The productivity standard as the President would apply it to prices is unworkable. Two days ago I received a book which was based on very learned and meticulous treatises by some of the top economists in the world on trying to evaluate productivity in the service industries. This is what Mr. Grayson is requiring the service industries to do, to come up with some estimates of our production activity. These economists had great difficulty in defining what productivity is and in having standards that can be applied at this stage of our economic development with respect to the service industries.

Productivity at best is an elusive notion which gives Ph. D. economists great difficulties and confounds them. To inject it into the day-to-day operations of the average business will result in confusion, disillusion, and even probably paralysis. Moreover, as I have said before, the proposal to limit profit margins throughout the whole range of American enterprise will prove unworkable and will have a stifling effect on business initiative. The profit formula gives an incentive to the fat, lazy firm, as I have said before. Cost increases can be passed on, but the efficient, cost conscious, enterprising firm is penalized. It has no profit incentive to be efficient. The formula strikes at the heart of the free enterprise system at a time when we desperately need increased productivity, efficiency, and jobs.

In one of its first decisions on prices, the commission turned down the request of the Bassett Furniture Co., in Virginia for an increase of 1.8 percent in prices. They did so because the Bassett Furniture Co. did not submit any productivity data. Bassett said that there is not any productivity data in their industry.

The commission said, "Go back and try to get it."

Consider the kind of reaction this would have on the minds of the corporate executives. They would say, "All right. We will try. We will estimate our productivity. And we will do our best to see that the estimate comes out all right. We want to maintain higher prices and not have them rolled back." So corporate executives can simply underestimate what their actual productivity will be to any extent necessary to justify the price increases they want. When industry does this, it will enable them to get the price they asked.

One can say, "Yes, but the price commission can then come back next year and say that since they were able to widen their profit margin, they are going to roll their prices back."

Here is why this discipline will not work:

One of the easiest things to do in business management is simply to let productivity deteriorate. It takes tremendous effort, attention, diligence, and ability on the part of a business manager to get increased productivity. It is easy to relax and let productivity go. One way is to hire people whose use is marginal: Another: modify the way the assembly line is operated if it is a manufacturing operation, or the way the sales force is handled—there are any number of ways productivity can be allowed to deteriorate. There would be a tremendous temptation on the part of Bassett or any other corporation to permit this. And this is exactly the wrong kind of incentive but this is what the requirement on the part of the Price Commission will develop and why it is so insidious, unfortunate, and unnecessary.

I can see why we should work hard to restrain the price increases proposed by a corporation which is in a position of monopoly power. To require the vast majority of companies in our country to come in with this kind of a showing, or a concept, which is this hard to determine, is simply asking for a violation.

Third. The program cannot possibly be enforced. It leaves to the Internal Revenue Service, an already overburdened, specialized agency, the massive task of policing a nationwide comprehensive wage and price control program.

This is not the kind of program we had in World War II, where we had a freeze, or during the Korean war. This is a program of variable prices, where one man's wages can be increased 5, 10, 15 percent, and the wages of another man held at zero or cut, with exceptions. I submit that is a complicated guideline to enforce. It is going to be extraordinary difficult to enforce and with the 3,000 Internal Revenue Service agents, when millions of firms are affected, it is ridiculous.

Fourth. The program will lead to widespread inequities. Moreover, its timing is most unfortunate. It comes at a time when inflationary pressures are abating, with plant and equipment operating at a mere three-fourths of capacity, and 5 million people out of work. I believe that the continuation of phase II in its present form will only confound the uncertainties that face American business and inject a paralysis into the economy.

Fifth. An entirely different point, but a point of great relevance in view of what has been happening to our waning legislative powers and the vastly increased power of the Presidency over the last few

years, is that the bill would extend for another 12 months this vast power to the President and it gives unprecedented powers to the President without any effective congressional standards or safeguards. It is true that I proposed some mild, general standards in committee and those standards were accepted by the committee, but those standards are general and a small but slight improvement on the bill that came from the Treasury. In my view, the standards are virtually nonexistent. I believe this kind of legislation provides an easy road to dictatorship. There are already signs of the capriciousness that always characterizes excessive executive power. The two Boards, operating side by side, have adopted completely different modes of operating. Chairman Grayson, of the Price Board has stated publicly that it is he and he alone who will make the decisions.

He will not make all of them, but he will decide whether or not any price decision is important enough to call on other members of the Board. He also indicated to Lee Cohen of the Washington Star which of his Board members he will consult in determining whether or not to proceed with a particular price request. It is also a matter of record, according to the article by Mr. Cohen, that the first decision on American Motors—the first decision which affected one of the big automobile companies—was arrived at by Mr. Grayson with the advice only of one other member, Mr. Lanzilotti. The other five members were not consulted. So Mr. Grayson seems to be running the price operation as a one-man operation. On the other hand, Judge Boldt, Chairman of the Wage Board, declines to vote except in case of a tie. Congress has not even prescribed a pattern for regulating the exercise of the vast powers inherent in these Boards.

None of the Board members who wield this vast power are required to be confirmed. It is true if new members are appointed to the Boards, this legislation would require their being confirmed, but we all expect the Boards to be in existence a short time. We are extending legislation for a year. The administration indicated several times they are hopeful the whole control program can be ended in that period. It is likely the present members—none of whom would be confirmed—are going to be the principal people appointed to the Board. They will exercise the principal power.

Sixth. This bill lends itself to political manipulation. It would serve any President well in an election year. Consider that the bill gives the President the power to vary the elaborate control mechanism at will. He can selectively decontrol the economy with an eye on the 1972 elections. Does any Member of this body honestly think that these possibilities would not incur to any incumbent of the White House? By the same token, there are inevitable temptations to temper the severity of price adjudications to the contributors of large corporate entities. The program is obviously amenable to political manipulation and corruption.

Seventh. In addition to all these vast inherent defects, the program is already being so poorly administered as to become a charade. The Wall Street Journal of November 24 contains a lead article entitled "Phantom Phase II: Number of Exceptions to Wage-Price Guides Spurs Doubts of Plan." Citing the fact that the guideline on wage increases is 5.5 percent, the article cites the 15-percent to 17-percent increase given to coal miners. It cites also the 7-percent increase granted to tin plate products in the face of an alleged 2.5 percent limitation on price increases. Moreover, in speaking of violations, it asks the rhetorical question: "Who's ever going to know?"

I will elaborate on that later.

On Thanksgiving Day, the Washington Post contained a report of a speech by Henry Kaufman, a prominent New York economist who on many occasions in the past has impressed the Joint Economic Committee with his acumen. Mr. Kaufman severely criticized the compromises with inflation that characterize decisions under phase II of President Nixon's new economic policy. And he went on to say that current weakness in the stock market reflects an awareness that the Government is not actually being tough enough on inflation. I would like to elaborate on that later and place that article in the RECORD, but I will do that later on.

WHAT SHOULD WE DO

Mr. President, I believe there is a case for a properly conceived program to restrain wage and price inflation. The problem did not suddenly spring into being to confront the President on August 15th of this year. The Joint Economic Committee has spent many hours over the last 5 years in trying to cope with the issue of inflation. The Joint Economic Committee has repeatedly set forth the outlines of a voluntary, workable program which would be structured to deal with the wage-price problem in a realistic and workable fashion.

For several years the Joint Economic Committee has taken the position that the great bulk of inflationary pressures, particularly that part characterized as cost-push, comes from that sector of the economy dominated by large corporate units and large unions.

Certain industries are characterized by the domination of few units. Automobiles are a case in point. Steel is another. It is widely recognized that these powerful units are not affected by supply and demand and the laws of the marketplace in the same way that small firms are. They can administer their prices.

For many months now, many people, many businessmen, and many economists have been unable to understand how we can have continuing inflation at the current high level of unemployment. Unemployment has been about 6 percent every month for a year, and we still have prices rising. It does not seem possible. It violates all the laws we were told about in economics in college. How can this be? The answer certainly is not because small businessmen who are competing are pushing up prices. The answer is not because businessmen are bidding for a shortage of general labor because there are plenty of people who want to work who cannot find it. The answer is that large unions which have extraordinary power, are determined to have wage increases to permit their members to catch up with losses they think they lost in real income in the 1960's.

That process of big unions negotiating successfully with very large companies for wage increases which are then passed on in cost increases has been the very heart of the inflationary problem for the last year or 18 months. This is what we have to deal with. This is the essence of the problem. And in order to do that, to have a program that would cover literally tens of millions of people and millions and millions of firms is a very grave and serious mistake. It will slow down the economy; it will create inefficiency; it will engender hostility; and it is unnecessary; but the big firms are the ones that can raise their prices.

Time and time again the steel industry has been able to raise its prices in the face of falling demand and declining utilization. One firm will set its price and then, on the basing point system, within a matter of 24 hours, all the other firms will get their prices within a decimal point of the same price.

While a small competitive firm would go broke doing this, large units can exercise substantial control over their prices. There are probably no more than 500 of these major corporations in the country, yet it is they who are substantially accountable for the cost-push inflation that exists. By that I mean they are less amenable to the normal operation of supply and demand which can be affected by broad monetary and fiscal policies. The Joint Economic Committee and, I might add, most competent economists, have made the point time and time again that it is these large units which should be the subject of any wage-price program.

These same observations apply to the large unions. It is they, the very large unions, that dominate wage movements. Smaller unions and the unorganized worker merely follow in the path of the big boys. They are the pace setters. Unless wage-price policy is tailored to concentrate on the increases brought about through the activities of the large union, it cannot do the job.

Mr. President, I intend to discuss these grave weaknesses in more detail, but first, I would like to dispense with an argument that one sometimes hears. It is claimed by some that we are caught up in the administration's program now and have to make the best of it. My answer to that is that we can be forced to endure phase II for a much shorter time and on a far more limited basis than is apparently envisioned in the proposed legislation.

The original grant of power to the President contained an expiration date of April 30, 1972.

Why is not that enough time? It is interesting that yesterday, on "Issues and Answers," the Director of the Office of Management and Budget, Mr. George Shultz, when asked whether we should go to a voluntary program, said, "We can

wait and see." So, Mr. President, I think that is not a bad answer. Maybe we ought to wait and see. Why should the Congress now pass legislation providing for a 1-year extension, when the law does not expire until April 30? Why not in George Schultz' terms wait and see whether or not the kind of limited program which I am suggesting, which zeroes on the problem in the economy—the inflationary problem in the economy—is the kind of thing we need? For that reason, I believe April 30, 1972, still provides the administration adequate time. It provides 5 months during which the administration can learn more of the shortcomings and hazards of phase II, and I hope undertake to phase out a substantial part of it. We will have plenty of time during the winter to reconsider our situation and decide what course to adopt.

The President and the Congress should set May 1, 1972, the date on which the present law expires, as a goal for ending the legally compulsory system of control and moving into a voluntary wage-price guideline system along the lines that the Government had in effect in the early 1960's.

Mr. President, I discussed in the committee an amendment to simply cancel the section of the bill that provides for an extension and to permit the rest of the bill to pass without the extension. I discussed that in committee and I received substantial support, but it was clear I was not in the majority, so I did not offer the amendment in committee.

I have since then discussed this matter with some of the Senate Democratic leaders, and I think I know the disposition of the Republican Senators. Under the circumstances, I think there is very little prospect that deleting the expiration date would get a majority vote in the Senate, so I do not intend to offer that amendment, but I would like to discuss with the Senate now why I think that amendment is significant, why I think that action would be useful, because I think a view of the bill and the unfortunate consequences of extending the law for a year at this time, 5 months in advance of its expiration date, is very important in deciding whether or not to vote to pass the bill.

After all, if the bill does not pass, the President still has all the authority he needs until April 30, 1972. In fact, he has more authority than is provided in the bill we propose. We would limit his authority insignificantly, but we would limit it a little. So one could make a case—and I will try to make the case now—that for this reason there is not much justification for the Congress' acting at this time to pass the bill that is now before us.

In my view, Congress would be making a disastrous and irreversible error if it extends the law for 17 months to April 30, 1973, as the administration is requesting. We would be giving the President a virtual blank check to control the economy with little effective control by the Congress.

I think I can document the fact that it gives the President a blank check authority. The witnesses who appeared before us are very impressive in their credentials and their judgments that this is what we would do, but I will document that a little later.

Those who are concerned about Congress losing its power have an opportunity to demonstrate that concern by voting against the bill in its present form.

There are three principal arguments for keeping the expiration date at April 30, 1972.

First, there are many serious problems with the President's phase II program, and more will undoubtedly arise over the next few months. We simply do not have the experience or knowledge to deal with these problems in an intelligent fashion, and until we do, we should not extend the Stabilization Act by its current expiration date.

Let me call to the Senate's attention just one incident which developed at the end of last week. On Friday, the day after Thanksgiving, when things were rather quiet in the Capitol, Donald Rumsfeld, who is the chief of staff on the Cost of Living Council, called a press conference in which he discussed the price increases which were pending before the Price Commission and the price increases that the commission has granted. He argued that the price increases were not really inflationary. He said the size of the price increases had been exaggerated, and he documented that to some extent. After he had made that statement Price Commission authorities strongly but anonymously controverted Rumsfeld's findings. They argued that his conclusions, which seemed to be based on the assumption that the Price Commission would grant the applied-for price increases, were wrong.

Now, Mr. President, we are acting on this legislation. We are expected to act today or tomorrow or Wednesday. We have two of the top agencies of the Government, the Cost of Living Council and the Price Commission, unable to agree on the impact of their decisions so far on prices, and of course they are just beginning. Would we not be far better off, and would we not be acting with far greater wisdom and understanding, if we waited until somewhat closer to the expiration date, until we have some kind of experience under this law, until we have more than just a few weeks of conflicting decisions, and until some kind of settled pattern emerges?

In fact, I think if Congress waited, we would get better action out of both the Pay Board and the Price Commission. But we would at least be in a far better position to know what we were doing.

The fact is that a basic decision will have to be made about the direction of the phase II program in the next few months. It could evolve into a much tougher phase III program, or the controls could be selectively withdrawn. Congress should participate in the decision to escalate or deescalate. By giving the President a 17-month extension, the decision is left entirely up to him.

In the third place, a 17-month extension will set a bad precedent affecting the ability of Congress to assert its constitutional prerogatives in other areas. Those concerned about the institutional inferiority assumed by Congress in our Federal system should have very serious reservations about voting for this measure.

Let me expand upon these arguments in a little more detail. But before I do, I believe it would be useful to examine the reasons for the unprecedented 17-month extension demanded by the administration. In my opinion, the administration's case for a 17-month extension is totally unconvincing.

About the only respectable argument the administration could muster in favor of an extension to the stabilization act is that it is needed to promote public confidence and reduce uncertainty about the duration of the program. There is no doubt that the public lacks confidence in phase II and is uncertain about the program. But this uncertainty is not over whether the Congress will renew the act next April. The uncertainty is over what the Pay Board and Price Commission will do and whether the program will work. No one doubts that Congress will extend the act next spring if inflation has not been halted. Indeed, it was Congress itself which took the initiative by passing the original Stabilization Act over the vehement objections of the President and his economic advisers. Congress has already demonstrated its readiness to act when necessary to control inflation. It is the administration and not the Congress which has a confidence problem.

There has been no great speculation on the part of the press as to whether Congress would extend the Stabilization Act next April. I have not read any, or heard any. I have yet to see my first column or article stating that maybe Congress will not extend it.

The administration could cite no polls or other studies showing the public was anxious to have the act extended for 17 months. There is not one shred of evidence to show the average businessman or consumer is worried that Congress will not extend the act next year. The uncertainty cited by the administration simply does not exist. It is a figment of someone's overly vivid imagination.

If anything, the public will have more confidence in the phase II program if it knows that Congress plans to play an active part. The public will know it will get a fair hearing in Congress if any inequities develop. Those who are concerned about the fairness or effectiveness of the program will be more concerned if Congress surrenders control to the President for 17 months. We will not enhance the public's confidence by giving the President a blank check. And yet, this is exactly what we will do if we extend the Stabilization Act for another 17 months.

Suppose the Pay Board or the Price Commission are completely ineffective in stopping inflation. Will the President reverse himself once more? Will he admit he made a mistake? Will he take decisive action? Or will he procrastinate and try to make do in an effort to cover up his original error? Congress would suffer none of these restraints if a complete overhaul of the phase II program were

necessary. The business community will have more confidence if it knows the mistakes of the President are subject to correction by the Congress. Businessmen will have more confidence if they know we will be reviewing the program next spring prior to its expiration date. They will have less confidence if we give the President a 17-month blank check to perpetuate the errors of the Pay Board and Price Commission.

Or let us take another example. How much confidence will labor unions have in the program if it is tough on wages and weak on prices? The success of the program depends on voluntary labor cooperation. Labor will have much more confidence if it feels it can come to Congress with its grievances next year and have a fair hearing on those grievances. Labor strongly supports my position that we should not extend this act at this time.

On the other hand, if we give the President complete control for 17 months, labor will be less inclined to cooperate. Rightly or wrongly, many labor leaders feel the phase II program is antiunion and antiworker in its philosophy. The position taken by the Pay Board on retroactive pay gives some credence to this view. Fortunately, the Congress has had an opportunity to correct the Pay Board's decision, but we will not have that opportunity again if we give the President the 17-month extension he is seeking. Knowing that its right of appeal to the Congress has been cut off, labor might stiffen its back and become overly obstructionist. Such a result would be most unfortunate although understandable. However, we can prevent this from happening by providing for an expiration date next spring, when labor would have an opportunity to ask the Congress for a redress of its grievances.

Mr. President, another argument raised by the administration is that Congress really surrenders nothing by extending the Stabilization Act for another 17 months—that we can still maintain control over the program by holding hearings and amending the act if necessary.

That was brought up again and again in our hearings and in our executive sessions. In theory, we can even repeal the act and start all over if we do not like how it is working.

We know this argument does not have the ring of truth, and I suspect it is made with tongue in cheek. Unless we have the pressure of an expiration date, we are most unlikely to act to modify the program. Next year will be an election year, and the Congress will be faced with many pressures. It is doubtful we would take the time to review the phase II program unless required to by an early expiration date. This is why all administrations, Republican and Democratic alike, are always asking for a lengthy extension of their authority. They know that Congress is not likely to take the initiative unless forced to do so by the discipline of having to renew authority delegated to the executive.

As a matter of fact, any review by Congress of the act next year would take considerable initiative on the part of Congress. The bill could be opposed in committee by administration supporters. It could be delayed, perhaps, until it died on the floor. It could be vetoed by the President. Congress just plain must be in control when we extend this bill for 17 months, and of course to do so 5 months in advance of its expiration is really most difficult to understand.

Congress can always hold hearings on the phase II program, and as chairman and vice-chairman of the Joint Economic Committee I would hope to do so. But the Joint Economic Committee has held hearings for 2½ years on the President's disastrous economic game plan. We repeatedly recommended some kind of incomes policy to restrain inflation while administration spokesman steadfastly insisted the old game plan was working. The President did not really change signals until his political advisors pointed out he was slipping in the polls because of the economy. If phase II does not work, can we afford to wait another year or two before the program is changed?

Even if Congress were to try to modify the phase II program next spring, the administration could probably prevent any meaningful change. There are many procedural roadblocks in the legislative process which enable a minority to delay action. Moreover, the President could always veto any legislation which did get through if it were not to his liking. The only meaningful leverage Congress has to exercise control is the expiration date. If we give up this leverage, we are giving the whole ball game to the President.

There is a third argument which has been made in favor of a 17-month extension. This is that it would be politically unwise if Congress were to consider such a controversial subject in an election year.

It is a funny thing. When I talk with many of my colleagues on the Democratic side of the aisle on this, they say, "Well, you are right, Bill. You are right in terms of logic. The trouble with you is that you are reasonable about this in terms of the substance, but politically, you are wrong. The Democratic Congress simply cannot afford not to give the President everything he asks in this connection, give it to him promptly, give it to him at once."

I think my colleagues are unwise politically as well as wrong on the substance.

There are some Republicans who fear the Democrats in Congress would use the early renewal of the program as a pretext for criticizing the administration. Likewise, there are some Democrats in Congress who feel it would be smart politics to give the President everything he wants so that he can be blamed for whatever goes wrong. Clearly, both views cannot be correct. The disagreement over what is smart politics demonstrates once again that it is unwise to approach important questions from a narrow partisan political viewpoint. The American people want results, and they are not about to be fooled by the political maneuvers of either party.

I believe it is bad policy and bad politics for Congress to give the President a 17-month blank check. If the program fails, the wrath of the voters will not be directed at the President alone; it will fall on all incumbents, Republican and Democratic alike. When things go wrong, there is a natural tendency to vote against those in office and bring in new people. Congress cannot insulate itself from its constituents by turning itself into a rubber stamp. Congress has a constitutional responsibility to exercise its legislative power in the public interest. It cannot delegate that power unduly to the executive branch without losing its position in our constitutional system and the respect of the voters.

Mr. President, the Economic Stabilization Act gives the President sweeping control over our free economy. He is given the power to regulate everyone from the giant corporation to the corner drugstore. If a Democratic President had requested those powers, the business and financial community would be marching down Pennsylvania Avenue in protest. It is amazing that so little attention has been focused on the extraordinary grant of power being given the President.

We have no way of knowing whether the phase II program will work. The country is confused about the program. No one can really understand the complicated and confusing guidelines published by the Pay Board and Price Commission. There is widespread uneasiness that the Pay Board and Price Commission will be too lenient. The recent approval of a 16.8 percent increase for coal miners is a case in point. The stock market is jittery. In the face of all these uncertainties, we are being asked to give the President complete authority for 17 months before we really know what we are doing. There is considerable question as to whether we should give the President as much authority as we are giving him if we knew, if we had had substantial experience under the act, if we had some idea where the Price Commission and the Pay Board were going. But when we do not know and we give him that kind of authority, to extend the act 5 months in advance is just irresponsibility. We are being asked to buy a pig in a poke. For an administration addicted to football analogies, we are being asked to send in an untried and inexperienced quarterback against the Baltimore Colts without being able to send in plays from the bench.

What is the great rush for an extension? What is the hurry? Why must the act be extended before we have a chance to see how it operates? Why can we not give the President the additional tools he needs, such as subpena power, civil enforcement remedies, control over dividends and interest, and the like, without extending the legislation beyond next April 30? By that time, we will have a much better idea of how the program is operating. We will be in a much better position to enact appropriate modifications in the program if needed.

We have already received enough advance warnings that the phase II program might have to be substantially changed. Serious problems have already developed. Some of them may be corrected but we have no guarantee—we have no assurance that the program will

right itself. Why not wait and see what develops before we give the President the 12-month extension he is seeking?

I would remind the Senate that one of the ablest Presidential economic advisers, George Shultz—he is also one of the closest to the President—when asked yesterday whether we should go to a voluntary program, said:

"What?" He did not say "No." He did not say it would not work. He did not say that we had to go ahead and extend this program now. He said, "Let's wait and see." That is precisely what I propose that the Senate should do with respect to this legislation.

There will be plenty of time next spring to extend the act after we have had several months of actual operating experience.

One of the problems about the program which troubles me the most is its scope. The price and wage controls cover most of the economy from General Motors to the mom-and-pop grocery store. However, inflation is caused primarily by big companies and big unions. Small companies and small unions do not initiate inflation. They react to the pressures created by the larger firms and unions. Why can we not concentrate on the real source of the inflationary pressure and let the forces of the market control prices and wages for the smaller firms and labor unions? Why must the entire economy be put in an economic straight jacket?

Unfortunately, bureaucratic controls have a life of their own. Once they are established, they are very difficult to remove. Not only is that the experience in this country; it is also the common experience abroad. Controls are being established now not in a wartime situation when there is usually an actual termination when the war is over; they are being established in a period when the war is already wound down and we expect to be out of Vietnam in a few months.

Few argue that the Vietnam war has any really big economic significance at the present time. It is not a factor now. It was a factor—certainly a big factor—in inflation before. It is not now. Under these circumstances, to establish a control system and expect that that system is just going to dry up and disappear is the height of optimism.

Enforcement becomes an end in itself rather than a means to an end. How do we know that the controls on small business will be lifted as soon as possible? The administration has no timetable for withdrawing the controls on the millions of small business enterprises which are subjected to them now. Why should not have Congress make its own judgment on lifting the controls from small business instead of leaving it entirely up to the President?

How do we know the President will not be tempted next year to start decontrolling the economy in a manner best suited to his political advantage? A series of exemptions from price and wage controls could prove highly popular during an election campaign. By giving the President a free hand for 17 months, we would also be giving him the opportunity to insure his own reelection. No President, regardless of party, should be given that kind of power. If there is to be a selective decontrolling of the economy, Congress should set the timetable.

Next spring we will be in a much better position to determine the proper scope of the wage and price control program. We will see how it operates. We will be in a much better position to judge whether or not it is necessary for smaller firms or whether it is necessary for State and local workers. We still have to have control over the salaries of teachers, policemen, and sanitation workers, and others, in the cities.

Another problem with the phase II program is that it appears to be uneven in its application. A much greater burden of price restraint is likely to fall on small business rather than big business. This is because of the complex data needed to justify a price increase. According to the regulations of the Price Commission, a firm must know its costs and its productivity before it can raise its prices. Even for a big firm, that is not easy. I asked Mr. Jackson Grayson, when he appeared before our Joint Economic Committee a few days ago, the extent to which the big firms, that is, those with sales of $100 million a year, knew their productivity and Mr. Grayson's response was that 50 to 75 percent had some knowledge of their productivity, but only some knowledge of it. This meant that 50 to 75 percent of the really gigantic firms in this country have made an effort to judge what their productivity is, but it does not mean that they could comply. They might be able to begin to comply. Now consider the full implications of that statement. It means that 25 to 50 percent of the big firms with all the advantages they have in having economists, statisticians, accountants, and cost accounting systems, and so forth, do not even have a basis for evaluating their productivity.

So what chance would the little operator, the small firm, have to develop its productivity when the big firm with its statisticians, its lawyers, accountants, and so forth cannot do so. A big firm can always hire a battery of accountants, statisticians, lawyers, and lobbyists needed to justify a price increase. But how is the average small businessman going to measure his productivity when Ph. D. economists cannot even agree on what the term means? As a practical matter, most small firms will be scared into freezing their prices, because they do not understand the regulations and do not have the information needed to justify an increase.

Perhaps the Price Commission can correct some of these inequities. But how do we know? If we surrender our prower now, we lose our ability to influence the situation. This is another reason for not extending the act beyond April 30 until we see how the program is working.

I am also concerned about the Price Commission regulations which seem to regulate profit margins. Unless carefully administered, these regulations can simply reward the fat and lazy firms and penalize the efficiently managed firms. It means that if we apply this profit margin, and a firm applies for a price increase, it has to justify that price increase on the basis that its profit margin—its margin for each dollar of sales—will not exceed the average of the best 2 years out of the last 3 years. That means there is a fixed profit margin which cannot be exceeded without the firm's violating the law, once it has made a proposal for a price increase and that increase has been granted.

What does that mean? It means that the firm will do its best to hold down the profit margin to its estimate. And that is easy. The motivation without controls is to increase profit margin. By becoming more efficient, by reducing costs, by finding more effective ways to do the job. This is the genius of the American free enterprise system, the reason why the American system has proved superior to a system that does not have the profit incentive.

Now what does the profit margin restraint do to this motivation? First it provides a penalty for widening the profit margin. You hold down cost, you lose your price increase. This is bound to undermine our business efficiency, our productivity, and that is the essence of getting inflation under control.

So that the requirement that the profit margin cannot be widened by more efficient operation by a firm without a violation of the law and suffering a penalty through the violation is bound to reduce national productivity. It will certainly have an adverse effect on the efficiency of operations of American firms.

A firm should be able to increase its profit margins through increased efficiency as long as it passes on all of the benefits of wage restraints to its customers. Arbitrary ceilings on profits tend to have the same effect of an excess profits tax. A firm in danger of exceeding its ceiling on profit margins can simply raise its costs to bring its profits below the ceiling. The end result is to promote waste, and inefficiency, and higher prices.

Perhaps these cumbersome and heavy-handed controls over profits can be modified by the Price Commission. They should be. They will be protested vigorously. But we have no way of knowing how or when.

Yesterday, the New York Times published an article in which former Secretary of Commerce, John Connor, was interviewed. He is now chairman of the board of Allied Chemical Corp., and he argued very strongly against the profit margin, restraints promulgated by the Price Commission, pointing out the adverse effect this will have on the operations of his corporation. He contended this ruling will slow down Allied Chemical's investment program, the company will be less aggressive in its business operations, and less expansive in providing employment. He gave some examples of how it would result in less employment.

This is something we should take to heart, at a time when the critical question facing the economy is not only that of inflation but also of unemployment. We have had nagging unemployment at a 6-percent rate for more than a year now.

Profit controls strike at the very heart of the free enterprise system and it is

surprising that the financial press has not focused their attention on this little understood aspect of the phase II program. All the more reason to avoid a premature extension of the Stabilization Act. If profit controls do have an adverse affect, we should know about it before we give the President authority to continue their misapplication.

Still another serious problem is the apparent inability of the Pay Board to come to grips with inflation. On the one hand, it has no trouble in denying retroactive pay increases to workers even when the increase was well within the wage guidelines.

How can the public have confidence in the program when it is producing decisions such as these?

When Mr. Boldt appeared before the Joint Economic Committee, he argued, and argued convincingly, that there was no catch-up justification for the 16.8-percent increase the first year. According to Chairman Boldt, the economists analyzed that very carefully and said it could be argued that the coal miners should get more, because they were behind others in similar industries, and Mr. Boldt said that the 16.8 percent was justified on that basis.

We can imagine the attitude of other unions when they see the coal miners able to get a 16.8-percent increase, saying, "What is the matter with us not getting the same? Why should we not get that, too?"

That 16.8-percent increase was the first decision of the Board. That was the patternmaker. That is what is setting the pace. That is the most visible sign, the one that will be the most talked about.

If the Pay Board continues in the same vein, there is no doubt but that the program will have to be thoroughly overhauled. Perhaps a whole new structure is needed. Maybe new people are the answer. Possibly the procedures for coordinating the actions of the Pay Board, the Price Commission and the Cost of Living Council need to be tightened. But whatever, the answer, we should not give the President a 17-month blank check until we are reasonably sure the Pay Board and Price Commission are able to function properly. If a drastic overhaul is needed, Congress is more likely to make it, because it does not have a vested interest in perpetuating the existing structure. It does not have to save face by preserving an unviable system.

Another element of the program which may need to be substantially overhauled is the one dealing with consumer remedies. Since the program is relying on only 3,000 IRS personnel for enforcement, it is obvious that consumers must be given an enforcement role. Otherwise the controls on prices would be a farce.

The head of the Price Commission testified to the fact that they were counting on consumers to be helpful in monitoring and in disciplining the operations of prices and holding them down. It is beyond me how this can operate with the complex justifications made for price increases. A freeze is one thing. That is enforceable, with the help of consumers. but this is something else.

In theory, consumers can bring civil actions against price violators and recover three times the amount of any overcharge. In practice, the consumer remedy provisions are likely to be a cruel joke. In order to determine whether a price exceeds the legal ceiling, it is necessary to have information on a company's costs—try and get it—its productivity, and its profit margins. Even the biggest firms in this country have only a limited knowledge of their productivity and many do not know what their productivity is at all, so how can the consumers find out what the productivity of General Motors, Chrysler, or the mom-and-pop grocery store is? How in the world is the average consumer going to acquire this complex information?

Is the average car buyer going to examine the books of General Motors to see if it is complying with the price guidelines? I wonder how far he would get?

For years the UAW has been trying to find out what the costs of General Motors are. When auto prices were increased 2 years ago we requested the head of the Council of Economic Advisers to secure from General Motors the cost justification for the price increase, and the Council of Economic Advisers said they could not do it, they were not available. Under these circumstances, how is the consumer who is buying a car going to challenge any increase made in prices?

As a matter of fact, the bill, S. 2891, actually forbids the disclosure of price and cost information by the Price Commission or Pay Board if the company considers it to be confidential. My colleague, Senator NELSON, will have an amendment, which I enthusiastically support, to provide for more disclosure. However, under the provisions of the bill, anyone disclosing such information is subject to a criminal penalty. Thus the consumer cannot turn to the Government for assistance and it is unlikely that General Motors will be of much help.

We should not let the President run the phase II program for 17 months until we are sure these consumer remedy provisions are working. If they are not working and if they are not enforceable and are ineffective, they can be strengthened next spring, provided we are not stampeded into giving the President a 17-month trouble-free extension.

Mr. President, thus far, I have talked about the phase II program and some of its problems. I have suggested that phase II may have to be overhauled next spring and that we should provide for this possibility by not extending the stabilization act at this time. But there is another and important reason for withholding our extension of the act. No one knows what phase III will look like once phase II has run its course. If the phase II program does not work, it could be replaced by a much tougher and repressive phase III. If we give the President a 17-month extension, we also give him the authority to make all the decisions about phase III without coming back to Congress.

For example, the President has the legal authority to abolish the Pay Board and Price Commission and use the IRS or even the FBI to police the economy. He could abolish the 5.5-percent pay guidelines and freeze all wages at their present levels. He could require all 10 million firms to obtain advance approval before raising prices and not just the 1,300 firms with sales in excess of $100 million. He could create a new Pay Board with all public members and no labor members. Congress is not simply ratifying the existing phase II program if it extends the Stabilization Act for 17 months. It is giving the President a far broader range of powers to deal with inflation.

As long as we are giving the President such sweeping power to go way beyond phase II, we should maintain our control by providing for an early expiration date. Arthur Burns, the Chairman of the Federal Reserve Board, termed these powers "dictatorial" last spring and urged that they be given only for a short period of time, preferably 2 months, but certainly not longer than 6 months. Now that the President has committed his prestige to a 17-month extension, Chairman Burns has receeded from his early advice. We all know that Mr. Burns is a warm supporter of President Nixon. It seems to me that his earlier testimony last spring still stands as an eloquent warning to the Congress of an unlimited delegation of legislative power to the President.

If the President wants to impose a phase III on the economy, he should come back to Congress for the authority. The only way we can be sure this happens is to exercise close control over the expiration date or drastically rewrite the pending bill to confine its authorities only to the existing phase II program. Since the latter seems impracticable at this time, we would be well advised to adopt the former.

Mr. President, a third reason for going slow in the expiration date is to preserve the role of Congress in our constitutional system. Many of us have complained from time to time about the erosion of our powers. Now is the time to halt this erosion. If we hand everything to the President on a silver platter we will be creating a dangerous precedent. We will make it all the harder to assert our initiative in other areas of domestic and foreign policy.

I can understand how Congress can surrender a great amount of authority to the President with respect to the military and our foreign policy. Some of us have disagreed with this. Most of the Senate obviously disagrees when we have such measures as the Cooper-Church amendment or the Mansfield amendment up for consideration. The argument is always made that the President needs considerable discretion and a free hand with respect to foreign policy because he is the Commander in Chief. With respect to foreign policy, we can make a strong case that the President deserves a considerable amount of discretion. But how can we make that kind of argument with respect to our economic policy? If there was ever a problem concerning which Congress has every reason and obligation

to have authority, it is with respect to price and wage control policy that is so far-reaching throughout our economy.

We are not dealing with a complicated or esoteric subject which only the executive branch can understand. As a matter of fact, Congress has a much better record in the economic policy area than does the executive branch. Time after time, Congress has been proved right and the executive branch wrong. Many people in Congress, from both parties, pointed out the old economic game plan was not working. It was Congress which took the initiative in passing the Economic Stabilization Act in the first place over the vehement objections of the administration. I would much rather trust the judgment of the Congress on the big issues of economic policy. We obviously do not have the capacity for involving ourselves in the detailed administration of economic affairs. But on the larger policy issues, we have a better track record than the executive branch. Why should we surrender our judgment simply because the President asks us to do so?

Mr. President, I have listed the arguments for keeping the expiration date at April 30, 1972. Let me summarize briefly again the reasons why we make a mistake in this bill in providing an extension of the expiration date to August 30, 1973.

First, we do not know enough about phase II and we should maintain the option of making changes next spring if changes are needed;

Second, we are giving the President authority to impose a much tougher phase III on the economy. An early expiration date requires congressional approval of any decision to escalate the controls;

Third, we will create an undesirable precedent which could lead to the erosion of our powers in other areas if we approve the 17-month extension.

Mr. President, I said earlier that the responsible and reasonable thing for Congress to do was to limit this legislation to the monopolistic areas of our economy.

One of the ablest economists that has served our Government is Gardner Ackley. He is a former Chairman of the President's Council of Economic Advisers. He also served as Ambassador to Italy. He is a man who is recognized by economists generally as one of the top economic experts in our country.

This morning I received the latest issue of Dunn's Review. I would like to quote a short statement by Mr. Ackley.

Mr. Ackley says:

Many of the earlier questions about Phase Two have now been answered. But new ones have emerged. One of these is whether and how the Price Commission will be able to deal with the myriad inequities that were the inevitable by-product of the price freeze.

Certainly, Mr. Ackley had a considerable experience during World War II with respect to price controls. So he does not speak as a man who is simply a theorist, but he speaks from the standpoint of actual practice.

He goes on to say:

Both the World War II and Korean war price controls also began with a general freeze. But an immediate effort was made to replace the freeze with hundreds of "tailored regulations," one for each major trade or industry.

Their purposes were both to repair the inequities of the freeze and to make the controls more clear and effective.

The Price Commission apparently plans no tailored regulations. This means, of course, that the price controls for many industries and trades will remain confusing and ineffective. A freeze is particularly inappropriate where sellers deal in a constantly changing assortment of goods or services, and it has essentially no meaning where each sale of product or service is almost unique—as of buildings, TV repairs or doctor's services.

Instead, the Price Commission presumably plans to deal with most inequities by permitting individual adjustments of price ceilings. OPA and OPS regulations contained hundreds of separate provisions under which sellers could seek individual adjustment of ceilings. Under these provisions, tens of thousands of adjustment applications were processed and approved, disapproved or modified. However, had adjustment of inequities not been primarily accomplished through the issuance of tailored regulations, and by the amendment of these regulations to grant industry-wide or regional adjustments, the number and complexity of individual adjustments would have overwhelmed even the substantial staffs of these agencies.

We have been told that this time the great majority of sellers and landlords—by number if not by volume of sales—will not require advance approval before putting individually adjusted ceilings into effect. Most of them will not even need to report their adjustments. OPA and OPS experience supports the conclusion that however carefully drawn are the adjustment standards and provisions, most sellers who do not need advance approval will be able to assemble enough selected data (or make enough mistakes of interpretation or calculation) to justify whatever ceilings they want to set. And because of the unavoidable ambiguities of even the best-drawn adjustment provisions, most of them will not even have to feel guilty about it.

What Gardner Ackley is saying is that under the present regulations it would be possible on the basis of the experience of OPA and OPS, because now regulations are different and they do not have to get advance approval, for most businessmen to set whatever ceilings they wish and because it is so hard to check on these matters, they will be able to get away with it and they will not even feel guilty about it.

Mr. Ackley goes on to say:

But since no one expected the Phase Two controls to be very meaningful for smaller firms or on rents, what is the harm?

The problem is that the minuscule staff of the Price Commission will be quickly overwhelmed by controversy, confusion and the constant amendment of regulations and procedures to deal with problems that no one anticipated or possibly could have. Thousands of sellers who really need adjustment of their ceilings will be unable to figure out what is required; others will refuse to use new ceilings until they (or their lawyers) are certain that they are legally correct; customers, tenants or "professional consumers" will challenge many of the price and rent increases; and a host of sellers will argue—often with justice—that their particular circumstances require a different method or standard of adjustment. The whole stabilization enterprise could become thoroughly discredited—and for no purpose.

Before I get into the statement about "for no purpose" there could be a situation in which the overwhelming majority of business people would be able to raise prices and where those who are doing their conscientious best to abide by the law, what they think to be the law, will be penalized and others will be able to operate outside the law because they will be able to get away with it. He goes on to say:

Sooner or later—and better sooner—I believe that the Price Commission must decontrol all or the vast majority of rents and retail prices, and the prices of a good many of the smaller and less important manufacturing and processing industries, and substitute a voluntary program.

That is right on the button. That is what I think we should do with this bill and not depend on the board. He continues:

Some will fear that this would wreck the entire system. Instead, it would greatly enhance its chances for success.

The mistake is to believe that through the pretense of legal controls we thereby get appreciably lower prices in the retail-service-rent area than we would through a clear and well-publicized voluntary program. Effective price control is possible in these areas, and it was achieved by OPA. But it requires completely different techniques of control, and a vast bureaucracy to design, administer and police the controls.

He does not mention the fact that in our two previous experiences with price control we had the win-the-war psychology; that we wanted to win the war in World War II and in the Korean war and we do not have that now. He continues:

These were vitally necessary in wartime periods of excess demand; but now the source of the inflation is quite different. If the Pay Board can effectively slow down the rate of wage increase for the powerful unions, and the Price Commission can reasonably stabilize the prices of basic products and powerful industries, prices in these consumer sectors will not be an *independent* source of trouble.

To be sure, retail prices of consumer services, food and clothing, along with rents, are likely to account for most of the hoped-for 2% to 3% increase in the entire price level. But this will be true whether or not we pretend to control these prices.

It is difficult to be optimistic about the survival of the Phase Two system. It could bog down in a morass of confusion, or it could break down through the walkout of the labor or the business members of the Pay Board. Yet I am reasonably confident that if the system can somehow hang together for even as long as nine months, it may well succeed in achieving a substantial slowing down in the rate of inflation.

But to do that we should provide an exemption for small business, small unions, the firms and the workers that have not played a part in inflation and we know are not going to.

Mr. President, I ask unanimous consent that I may yield briefly to the Senator from Oklahoma without losing my right to the floor.

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

Mr. HARRIS. Mr. President, I rise to compliment the distinguished Senator from Wisconsin for his valiant, necessary, and highly informed opposition to the bill that is before us and to President Nixon's economic management plan in general.

Mr. President, there are two fundamental flaws in the legislation before us

to extend the provisions of the Economic Stabilization Act.

First, the time of the extension is much too long. At the very most, the act should not be extended past July 1, 1972.

Second, there is no requirement that the President try to make the free enterprise system work through greater competition in American business and industry.

The President wants his power to control wages and prices extended into 1973. Otherwise, it is argued, the whole matter of economic management will get mixed up with the 1972 campaigns. Why should it not? President Nixon has launched us upon a radical change in our economic system. Yet, there is little discussion of the underlying long-range policy questions. Is this the kind of economic management system we want? What are the alternatives? Up to now, there seems to be a general feeling that the President is doing what has to be done, though there is disagreement about details.

I am in fundamental disagreement with the President, as I take it is the Senator from Wisconsin. While the Government must intervene in wage and price and related decisions when the market does not work, I believe we must make the market work better and hold intervention to a minimum.

I do not believe that we should abandon the free enterprise market system. It has not been given a proper trial. I do not want to go back to the free enterprise system; I want to go forward to the free enterprise system. I would like to see it tried. I do not believe that the President's economic management system is going to work to bring down inflation and unemployment low enough and rapidly enough.

The market is a better planning mechanism than what the President has decided to use. Even Communist countries are trying to change their systems to rely more upon the market. Hungary, in particular, a country I visited last spring, has launched upon what is called the new economic mechanism for greater reliance upon the market for what is produced, the prices that are charged, and where men work.

The best minds in Hungary are involved in discussing and deciding how that can be done without intolerable inflation or intolerable unemployment. These discussions are going on despite the restriction of Marxist dogma and Soviet dominance.

We, here in the United States, on the other hand, do not have to invent a market system. We have one. We are not restricted by Marxist dogma or foreign pressures. Yet, we are involving very few people in fundamental discussion about the direction we want to go in economic management in this country.

The President should not have the unprecedented power granted in this act for very long. That is the main reason why this act should be extended only to July 1, 1972.

Another good reason is to make sure that the kind of economic management system we want is a prime issue in the 1972 elections. Only by that method will we insure full discussion and full consideration of the alternatives—and make the best decisions.

The reason why the Nixon economic management program will not work is that it covers too much ground, is too all-inclusive. We ought to have a much neater, simpler mechanism—without all these various and overlapping boards and commissions. It ought primarily to rely upon voluntary guidelines, backed up by appeals to public opinion. It ought to provide for selective freezes for up to 6 months, appealable to the President and Congress, where the market pressures do not work.

Most important, market pressures ought to be made to work better. There are no real efforts to enforce antitrust laws. Mergers continued to go largely unchallenged. The 200 largest corporations now control 60 percent of manufacturing. Thirty-five percent of American industries are dominated by "shared monopolies," four or fewer firms which have 70 percent or more of sales. These industries include automobiles, steel, tires, containers, farm machinery, soup, cereals, and soap.

Prices would come down by more than 20 percent if these shared monopolies were broken up. Unless they are broken up and competition is made to work, there is no way to have permanent price stability and full employment without some system of permanent wage and price controls.

I intend to offer an amendment to this bill which will correct its two fundamental flaws. The amendment will extend the terms of the act only until July 1, 1972, and will require the President to launch antitrust actions against those firms which, because of lack of competition, have contributed significantly to the inflationary cycle.

I believe that this is a preferable approach to the radically different economic management system which President Nixon has begun and which he recommends to us for continuation into the future on what I think is probably an unlimited basis.

Mr. President, I ask unanimous consent that the amendment be printed in the RECORD and that it be printed as a proposed amendment to this bill and lie at the desk.

AMENDMENT NO. 763

The PRESIDING OFFICER. The amendment will be received and printed and will lie at the desk; and, without objection, will be printed in the RECORD, as requested.

The amendment is as follows:

On page 22, line 1, strike all of lines 1 through 7 inclusive and insert in lieu thereof the following:

"216. Expiration and anti-trust actions

"(a) The authority to issue and enforce orders and regulations under this title expires at midnight June 30, 1972, but such expiration shall not affect any action or pending proceeding, civil or criminal, not finally determined on such date, nor any action or proceeding based upon any act committed prior to July 1, 1972.

"(b) The President shall, pursuant to Section 6d of the Federal Trade Commission's Act 15 US Code 46d direct the Commission to undertake immediately for submission to the President and the Congress prior to June 1, 1972, an investigation of oligopoly industries, that is, those manufacturing industries in which the national or regional market share held by the 4 largest firms is 50% or more as determined by the Census Bureau in its study for the Senate Anti-trust Subcommittee; this investigation shall have as its purpose: (1) determining whether those industries are non-competitive in character and have, therefore, contributed significantly to the inflationary spiral since 1966, and (2) recommending specific measures to the Congress and to the President for decentralizing those industries in a manner involving minimum cost for the firms in question and for the nation's economy and leading to the restoration of effective price competition.

"The President, upon submission of the FTC report on oligopolistic industries, shall direct the Federal Trade Commission and the Anti-trust Division of the Justice Department immediately to undertake anti-trust suits against oligopolistic industries which are found to have contributed significantly to the inflationary spiral since 1966 in order to restore effective price competition in these industries.

Mr. HARRIS. Mr. President, I may offer that amendment in its two parts separately rather than as one amendment, depending upon what seems best at the time when the amendment is called up.

I want to say again what a great service I think the distinguished Senator from Wisconsin is performing here by calling these fundamental issues to the attention of the country and the Senate, as he is doing by this extended discussion.

I think there has been a whole generation of people in this country who have been miseducated on economic philosophy and economic management. There are too many people who think bigness is inevitable, too many people who do not think the free enterprise system or the market system can be made to work, and that therefore we are going to have to have more and more government intervention and more and more government control. I think that is wrong, and I think it would be terribly wrong in the Senate to let those issues go undiscussed and let those assumptions go unchallenged, which we will do if we vote for this bill unamended. I do not propose to do that.

The distinguished Senator from Wisconsin, I think, is reeducating the Senate and the public as to the false assumptions which underlie the President's program. I want to commend him again and thank him for yielding to me.

Mr. PROXMIRE. I thank the distinguished Senator from Oklahoma for his remarks, and wish to tell him how impressed I am with the way he has analyzed and grasped this very complicated subject. It is typical of the tremendous drive, intelligence, and concern which the Senator from Oklahoma has exhibited throughout his career in public life, and especially here in the Senate. I am most grateful to him for his remarks.

His amendment sounds very interesting indeed. Would the Senator clarify for the Senator from Wisconsin precisely what his amendment does?

Mr. HARRIS. It is actually in two

parts. I may call it up separately as two amendments, but it does two things. First of all, I think the time of extension of the act as proposed is much too long. I agree with the Senator from Wisconsin that it ought not to be extended beyond its present expiration date, which is April 30, 1972. I take it, from what he has said and from what I have learned generally in the Senate, that there does not seem to be a majority for that view.

I would extend it then only until the end of June 1972 by one part of my amendment. I believe that is long enough. I believe that the Senate ought not to go out of session in this Congress without having reexamined how this whole mess is working. I think it is an awful mess.

People already feel powerless. They know decisions are being made that affect their lives—whether they have jobs, what they are paid, what they have to pay for goods. Already they cannot get in touch with those who make the decisions. Now the President passes those questions on to boards on prices, a pay board, a price commission, a health advisory council, an interest and dividends council, and over all that a cost of living council and the Office of Emergency—whatever it is called—has something to do with it, or has had, and the Office of Management and Budget has something to do with it. By and large, the President has pitched these issues and questions to all those boards and said, "Well, you work them out the best you can."

At the very least, I do not think we ought to go out of this session of the Congress and leave all that power in the hands of the President and all of those semiautonomous boards and commissions. I think we ought to have another look at this question at the end of the fiscal year and decide what to do at that time. That is one part of the amendment.

In the meantime, I want to see us try to make the market system work. We are not doing it. I think most of our inflationary problems arise where there is economic power that is bigger than the market pressures. Steel is a good example. When steel sales went down during the last 2½ or 3 years, Adam Smith would have expected that prices would go down. Not at all. The steel companies were so powerful as to be able to pretty much ignore the market pressures and make up on unit prices what they lost in volume. The steel industry is just one of those industries which has not had to stay modern, which has not had to compete in prices, which has been far too inefficient, and which has spent too much money in operations and luxuries like corporate jets. Therefore, we have seen imports of Italian and Japanese steel, and we have seen Toyotas, Datsuns, and Volkswagens come in and the export of our jobs, and we have seen this resulting overwhelming wave of protectionism.

My amendment would extend these powers for a short period only to give us an opportunity to look at the question again at the end of the fiscal year, and require moves to make the market—rather than broad controls—govern.

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

Mr. HARRIS. I yield.

Mr. PROXMIRE. The law which is on the books will expire, as the Senator knows, on April 30. So we have until the 1st of May—a little over 5 months—before the present law expires. That law gives the President all he needs, and then some. It gives him plenty.

The position that this Senator has taken is that we have not had sufficient experience under phase II. We have had some initial decisions, some of which have been very disturbing. The decisions of the Pay Board with respect to the coal miners, in my view, and the decision of the Price Commission with respect to increasing steel prices by 7 percent, may or may not be justified, and may or may not be the basis of a pattern. We do not know; we are operating completely in the dark. We do not know what is coming in the next few months with respect to decontrol. We may have decontrol in some of the areas the Senator from Oklahoma is calling for. We do not know.

Why act now, until we have a clear picture of what is actually happening? The Senate is so contradictory; we have still not acted on the Foreign Aid authorization, which expired July 1st. We have not acted on the $70 billion Defense appropriation measure. Yet, 5 months in advance of the expiration date, with a program that is brand new, that is unique in our experience, that has never been tried before, we are asked, "Keep your mouth shut and vote to extend it."

This is almost insulting to Members of the Senate. We are supposed to know what kind of policies our Government operates under, and have some effect on those policies. We are not supposed simply to give a blank check to the President, close our eyes, and say, "Do whatever you want to do." I think a very strong case could be made if this were the 25th of April instead of the 30th of November. It could then be said, "You had better get this passed, because it is going to expire in a few days."

But we have 5 months. We certainly ought to wait until after the recess, until January or February, at least, and I think probably a little later than that. Then we would have some idea. Then we would know what the Pay Board is likely to do. Are they going to have more of these 15 percent increases? If so, how many more? Is it going to set a pattern? What is going to happen with respect to prices? Are the 7- and 8-percent price increases in the steel industry going to set a pattern? What is going to be the reaction of small business? What is going to be the reaction of the millions of people whose wages are regulated? Why not wait to see what it is, and then act on a basis of knowledge and not on a basis of ignorance, which is what we would be doing by passing this measure now?

Mr. HARRIS. Mr. President, if the Senator will yield, I could not agree more. I think the best and first thing to do would be to try to stop the extension altogether, if there is any way to do it. I understand that the Senator from Wisconsin opposes extending the act altogether, and so do I. I intend to vote against it, unless we can do something to change it. I think it ought not to be extended past April, but if that cannot be done, I hope we will not extend it past June.

I do think it is important to try to write into this legislation the requirement that the President, the Federal Trade Commission, and the Justice Department try to make the free enterprise system work. The Senator from Wisconsin is exactly the person who ought to be standing here on this floor in opposition to this legislation, as he is, because he has opposed socialism from the right in so many other instances. Socialists today have a hard time trying to determine what is meant by socialism any more, because so many have come not to believe in government ownership of industries. Yet we now seem to be getting a kind of socialism from the right.

Mr. PROXMIRE. The Lockheed bailout, for instance?

Mr. HARRIS. Precisely. And with the Nixon economic policies also, socialism from the right is seen again, from conservatives coming in here and saying, "The Government knows enough and is smart enough that it ought to be able to set prices and wages and all these other things in a kind of across-the-board, permanent way."

I think that is wrong. And I think it was wrong when we would not let free enterprise work in respect to Lockheed. I think it was wrong to have a socialized SST—which fortunately the Senator from Wisconsin mustered enough votes to defeat. We are, indeed, getting in many respects a kind of socialism from the right, and the President's program for economic management is exactly that.

Mr. President, I want to make the free enterprise system work. I think the Senator from Wisconsin is doing exactly what ought to be done when he says, "Stop. Take a look at what is happening here: this is madness."

A lot of the old time Socialists have abandoned this kind of program as unworkable. Many of the Marxists, as I said a while ago, in countries like Hungary, are trying to figure out how to free some of their prices, and what is produced, and where people work, to more market pressures.

We have a market system. We ought to try to make it work.

Mr. PROXMIRE. I think it is very important, however, that our position not be misunderstood. I said at the beginning of my speech what the Senator from Oklahoma has said, but I want to be sure that it will not be misunderstood.

We both recognize that we should have some system or program for stopping inflation, but it ought to be a program that recognizes the economic facts of life, that we do not operate now in the kind of shortage, wartime rationing situation we had during World War II and the Korean war. We do not have that kind of situation now. And now we have a situation resulting from a combination of very large and powerful labor unions and very large and power-

ful corporations, and we should zero in on that situation, and not involve everyone and his brother in a complex maze of controls.

Mr. HARRIS. I certainly agree with that.

Mr. PROXMIRE. We both recognize that we must stop inflation.

Mr. HARRIS. The Government should intervene where the market does not work, but it ought to try to limit the instances where that intervention is necessary, by trying to make the market work wherever we can.

Mr. PROXMIRE. Let me give an example of how ridiculous the situation is becoming with respect to small business. We had Price Commission Chairman Grayson before the Joint Economic Committee, and he argued about how productivity is the key to control of prices. Many economists recognize that we can pay higher wages provided productivity increases. He also recognized that productivity must be the key in determining price levels for large as well as small business. He says it should even apply to babysitters. As a matter of fact, the administration recognizes that. They turned down one Virginia manufacturer the other day because it did not give productivity figures.

Determining productivity is very difficult, but let me point out that the Federal Government has begun to recognize the importance of productivity by creating a Productivity Commission.

I think we can gage the seriousness with which the administration uses productivity as a factor in the field of wage and price determination by reviewing the kind of resources they have given the Productivity Commission. Does the Senator have any idea how large the Productivity Commission is?

Mr. HARRIS. No, I do not.

Mr. PROXMIRE. Exactly two. There is the head of the Commission, and he has a secretary. That is the whole productivity effort by the administration; and with that, they are supposed to establish the ratio of productivity to costs of all of our small businesses, including gasoline stations, and of every manufacturer in the country, and provide evaluation standards. The administration knows it just cannot be done, and they are not even trying to do it.

It is a joke; and that fact is going to become visible to American businessmen and consumers very soon.

The businessman, in establishing his prices, has to consider productivity to determine how much of a price increase he is allowed. In most cases, he will not receive any direct surveillance. As Gardner Ackley pointed out in the article I just read into the RECORD, the expectation is that most businessmen will just do whatever they want to do with respect to productivity. But this is a very evil and unfortunate kind of situation. What the administration is saying is that businessmen may be violating the law, but they are not going to be prosecuted.

The overwhelming majority of our business people are honest and want to abide by the law, but they do not know what it is. There is no question but that this measure will engender tremendous hostility and a feeling on the part of business people that they are guilty when they are doing the best they can.

We have dozens of distinguished economists who cannot tell us about productivity in the service sector. I received 2 days ago a book recently published by, I think, some of the finest economists in the world, commenting upon developing a measurement for productivity in service industries. But they are just developing it. There is a big debate on whether the concept at present can be reduced to accurate measurement in the service industries.

Yet the administration is acting to seek to apply it to every little businessman, every little operator in the country. Of course it is just a fiction. What we have is a phony system that is not going to work, and I think the simplest amount of analysis shows it is a facade. Instead of that, we should proceed to a system of wage and price controls zeroing in in the area where you really have the problem.

I thank the Senator from Oklahoma very much.

Mr. President, one of the matters of the greatest concern in this program is the fact that when decisions are made with respect to pay and prices, the consumers should have an opportunity and the American people should have an opportunity and the businessmen generally should have an opportunity of knowing what is going on. The hearings conducted by the Pay Board, for example, on pay increases should be publicized, should be known. When Judge Boldt appeared before our committee, I asked him whether reporters were admitted to the hearings before the Pay Board. He said, "No."

I said, "Do you have a policy on it?"

He said, "No."

I said, "If a reporter came in, if a television crew came in with a camera, would you permit them in?"

He said, "No, we would not permit a reporter or a television camera."

I said, "Did you take a transcript of the hearing?"

He said, "No."

I said, "Will you do that?"

He said they did not have any intention of doing that.

I said, "Did you take minutes?"

He said they did take them and that they will be made available at our request.

Mr. President, if this program is going to have any chance of success, there certainly ought to be complete and full public knowledge of what is going on. When decisions are made of the kind that was made the other day, providing a 16.8 percent increase in wages for the coal miners—an obvious inflationary decision that may blow up the stabilization program, and certainly endangered it—we would be far better served if there were a public record, if the justification for this increase had been made publicly, preferably before television crews, so that the greatest number of people could see it, and be in on it, and understand it; and we could have some credibility and belief in it. That was not provided.

It would seem to me most important that we provide in this bill—and I intend to offer an amendment if the amendment by my colleague from Wisconsin, Mr. NELSON, is not successful—that we make much of this material available to the public. It would provide that transcripts be kept; that they be made available; that these hearings are public; that, of course, where you have confidential information—and there is confidential information with respect to trade secrets, and so forth—that be safeguarded and received only in executive session. But procedures would be available that would make most of the material open to the public and permit a far greater degree of credibility.

Mr. PERCY. Mr. President, will the Senator yield for a question?

Mr. PROXMIRE. I yield.

Mr. PERCY. I think it would be very helpful to all of us and to the country if we could have a better understanding of what happened with respect to the coal miners' pay increase. I was surprised by the Board's early approval.

The Joint Economic Committee has had the Committee of the Pay Board before it. Unfortunately, I was not able to stay during the entire hearing. But to the best extent that the distinguished Senator from Wisconsin can give an explanation, What explanation did the Chairman of the Pay Board offer? I read the statement that was issued. It seemed to say that because circumstances within the coal industry were somewhat different and because of patterns that had been established, and many other things which were very generalized statements which could have been applied to the steel industry, the automobile industry, the electronics industry, and every other industry I could name—but they seemed to try to make it look as though there was some different reason and different pattern for this particular increase.

Is there any better explanation than has been offered publicly to date that can be given as to why an increase of this size was given as the first major decision of the pay board?

Mr. PROXMIRE. One difficulty is that Judge Boldt was against the pay increase and said he was and said he would have voted against it. He did not vote, because he only votes in the case of a tie.

It is interesting that the public members said that instead of a 15- to 17-percent increase, they wanted a 12.5-percent increase. That, by itself, is pretty shocking. Apparently, the ingredients were a 5.5-percent increase based on the guidelines, then about a 4- or 4.5-percent increase for a pension fund which had been rifled, or at least had been decimated by questionable practices on the part of those in charge of the pension fund. I suppose that is an exceptional circumstance. But it is very questionable as to whether a wage increase of this kind or a cost increase related to wages can be justified to replenish a pilfered pension fund.

Mr. PERCY. Would that open up the situation for industries that do not have pension funds?

Mr. PROXMIRE. Certainly.

Mr. PERCY. Could we then provide for

them an exception if they do not have a pension fund as good as the coal industry? Would they automatically have an exception for anything that needs to be added to make up whatever deficiency there may be in pension funds?

Mr. PROXMIRE. A very strong argument could be made in that regard.

In addition, they said that coal mining is an unattractive, difficult, onerous kind of job—and it is a very unpleasant kind of work—and for that reason they provided an additional percentage. That added up to approximately 12½ percent.

The difference between their position and the position of industry and labor members who went whole hog—the 16.8 percent—was that the industry and labor members felt that there should be a catchup. But according to Judge Boldt, there is no justification for a catchup here. The coal miners were making about $35 a day, which is typical in that industry or that kind of extractive industry.

As a matter of fact, by giving this kind of increase, you can argue on the other side, that when these other industries come in, they will want to catch up with coal.

But it is typical of a procedure in which you do not have a transcript of what went on, in which you do not have reporters allowed to be present, in which what happens is that the witnesses come out and are interviewed. Some are interviewed and some are not, and they give a different view. The Senator knows how he replies to an interview. I know how I do. I have often been a witness before committees. It is very difficult for a reporter to get, under these circumstances, a balanced, fair account of reasons and justifications.

Furthermore, the justification by the Pay Board was never clearly enunciated, that I know of.

I think the Senator from Illinois raises a very helpful point, and I think it could be clarified by permitting the proceedings to be covered publicly.

Mr. PERCY. I am not a disinterested observer in the coal case. Illinois has the third largest coal reserves in the United States, and we have a very fine coal mining industry. I am always happy to see workers in my State benefited, but I also need to know what the price is going to be. I am thinking about the number of coal consumers we have and what the price increase is going to be per ton of coal, and then what that is going to do to the relationship between coal and oil and gas and atomic energy prices. Coal is not an uncompetitive product. As coal prices go up, the incentive to convert to oil or gas is very high; so coal may start pricing itself out of markets, which in the end can cost jobs to the coal industry.

Certainly, if it were to become any sort of a pattern, it was a very unfortunate first case. We have been assured that it was not a precedent to be established for other cases. Donald Rumsfeld has indicated, I believe, that another pattern has been developed. Taking cases that have been handled so far, an overall average price increase, I think, of 3.3 percent has been allowed which is within shooting range of the 2½-percent overall goal that has been established by the President.

Mr. PROXMIRE. There is great confusion about the Rumsfeld statement. For one thing, Rumsfeld's assertions were questioned by the Price Commission itself, and that is a matter of confusion. For another, the Price Commission, by and large, because of the area in which it deals, does not deal with the service industries so much. It will deal with the big industries, where wholesale prices and durables are involved. These are industries in which prices have been more stable. If you are going to get a 2.5 to 3 percent overall national price increase, you will have to do considerably better than that in the Price Commission's decisions.

Furthermore, we do not know as yet—and we will not know for at least a couple of months—what the pattern of price increases is going to be. That is why it is important for us to wait. What is the hurry? Wait before we pass this measure, until we have a record established by the administration of what kind of wage and price control program they have.

Mr. PERCY. When we have time, I will pick up that question.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the distinguished Senator from Wisconsin may be recognized upon the Senate's return to legislative session.

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Berry, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 10947) to provide a job development investment credit, to reduce individual income taxes, to reduce certain excise taxes, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MILLS of Arkansas, Mr. ULLMAN of Massachusetts, Mrs. GRIFFITHS, Mr. BYRNES of Wisconsin, Mr. BETTS, and Mr. SCHNEEBELI were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 11731) making appropriations for the Department of Defense for the fiscal year ending June 30, 1972, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MAHON, Mr. SIKES, Mr. WHITTEN, Mr. ANDREWS of Alabama, Mr. FLOOD, Mr. ADDABBO, Mr. MCFALL, Mr. MINSHALL, Mr. RHODES, Mr. DAVIS of Wisconsin, Mr. WYMAN, and Mr. Bow were appointed managers on the part of the House at the conference.

THE MEXICAN BOUNDARY TREATY

Mr. TOWER. Mr. President, we are considering today a most comprehensive treaty between the United States and Mexico which resolves longstanding border problems that have been a cause for concern between the two nations. I believe, however, that it is to the credit of both nations that most cordial relations have continued to exist between them in spite of the fact of this outstanding dispute. Through this cordiality, both nations have now concluded this treaty that resolves all of the boundary disputes and establishes a mechanism for solving any such disputes in the future, so that, when necessary, adjustments will come in a very short time and will not be for long a cause of concern between the two sister republics.

Mr. President, this treaty is in the tradition of other boundary and friendship treaties that have recently been concluded with the Republic of Mexico. Our good relations with our neighbors to the south have been bolstered, and I believe that they will be even further enhanced by this treaty that we are considering today. My State of Texas, where all the land affected by this treaty lies, shares a long, proud heritage with Mexico. The entire State has been influenced to one degree or another by the ideas, the architecture, and the native language of the Republic to the south. It is certainly my hope that with the overwhelming adoption of this treaty, our relations will be even better and will continue to grow through mutual expressions of good will.

Mr. President, in conclusion, this treaty will be for the long-range benefit of both nations. All parties on both sides of the border will be certain that the title to land that they will have after the effective date of this treaty will be good and that should for any reason the boundary change in the future, that they will be fully and quickly compensated for their loss. Both nations will share equally in the cost of implementing this treaty and another bond of "amistad" will be formed. I urge my colleagues to give United States-Mexican relations an overwhelming vote of confidence.

EXECUTIVE SESSION

The PRESIDING OFFICER. Without objection, the Senate will go into executive session.

TREATY WITH MEXICO RESOLVING BOUNDARY DIFFERENCES

The PRESIDING OFFICER. Pursuant to the order of November 24, 1971, and the hour of 1 o'clock having arrived, the Senate will now proceed in executive session to vote on Executive B (92d Cong., 1st session), the Treaty To Resolve Pending Boundary Differences and Maintain the Rio Grande and Colorado River as the International Boundary Between the United States of America and the United Mexican States, signed at Mexico City on November 23, 1970.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Florida (Mr. CHILES), the Senator from Georgia

(Mr. GAMBRELL), the Senator from Washington (Mr. JACKSON), the Senator from Maine (Mr. MUSKIE), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Mississippi (Mr. EASTLAND), the Senator from Alaska (Mr. GRAVEL), the Senator from Indiana (Mr. HARTKE), and the Senator from Louisiana (Mr. LONG) are necessarily absent.

I further announce that the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MANSFIELD), the Senator from Minnesota (Mr. MONDALE), and the Senator from Utah (Mr. Moss) are absent on official business.

I further announce that, if present and voting, the Senator from Florida (Mr. CHILES), the Senator from Washington (Mr. JACKSON), the Senator from Alaska (Mr. GRAVEL), the Senator from Georgia (Mr. GAMBRELL), and the Senator from West Virginia (Mr. RANDOLPH) would each vote "yea."

Mr. SCOTT. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Utah (Mr. BENNETT), the Senator from New Hampshire (Mr. COTTON), and the Senator from Michigan (Mr. GRIFFIN) are necessarily absent.

The Senator from Florida (Mr. GURNEY) is necessarily absent attending the funeral of a friend.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Ohio (Mr. SAXBE) is absent on official business.

If present and voting, the Senator from Florida (Mr. GURNEY) would vote "yea."

The yeas and nays resulted—yeas 79, nays 0, as follows:

[No. 400 Ex.]

YEAS—79

Aiken	Fong	Pastore
Allen	Fulbright	Pearson
Allott	Goldwater	Pell
Anderson	Hansen	Percy
Beall	Harris	Proxmire
Bellmon	Hart	Ribicoff
Bentsen	Hatfield	Roth
Bible	Hollings	Schweiker
Boggs	Hruska	Scott
Brock	Hughes	Smith
Brooke	Humphrey	Sparkman
Buckley	Inouye	Spong
Burdick	Javits	Stafford
Byrd, Va.	Jordan, N.C.	Stennis
Byrd, W. Va.	Jordan, Idaho	Stevens
Cannon	Kennedy	Stevenson
Case	Magnuson	Symington
Cook	Mathias	Taft
Cooper	McClellan	Talmadge
Cranston	McGee	Thurmond
Curtis	McGovern	Tower
Dole	McIntyre	Tunney
Dominick	Metcalf	Weicker
Eagleton	Miller	Williams
Ellender	Montoya	Young
Ervin	Nelson	
Fannin	Packwood	

NAYS—0

NOT VOTING—21

Baker	Gambrell	Mansfield
Bayh	Gravel	Mondale
Bennett	Griffin	Moss
Chiles	Gurney	Mundt
Church	Hartke	Muskie
Cotton	Jackson	Randolph
Eastland	Long	Saxbe

The PRESIDING OFFICER (Mr. STEVENSON). On this vote, the yeas are 79, the nays are 0. Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to.

TAX CONVENTION WITH JAPAN

The PRESIDING OFFICER (Mr. STEVENSON). Under a further provision of the unanimous-consent agreement, the Senate will now proceed to vote on Executive E (92d Cong., 1st sess.), the Convention between the United States of America and Japan for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed at Tokyo on March 8, 1971. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Florida (Mr. CHILES), the Senator from Mississippi (Mr. EASTLAND), the Senator from Georgia (Mr. GAMBRELL), the Senator from Alaska (Mr. GRAVEL), the Senator from Indiana (Mr. HARTKE), the Senator from Washington (Mr. JACKSON), the Senator from Louisiana (Mr. LONG), the Senator from Maine (Mr. MUSKIE), and the Senator from West Virginia (Mr. RANDOLPH) are necessarily absent.

I further announce that the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MANSFIELD), the Senator from Minnesota (Mr. MONDALE), and the Senator from Utah (Mr. Moss) are absent on official business.

I further announce that, if present and voting, the Senator from Florida (Mr. CHILES), the Senator from Washington (Mr. JACKSON), the Senator from Georgia (Mr. GAMBRELL), and the Senator from West Virginia (Mr. RANDOLPH) would each vote "yea."

Mr. SCOTT. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Utah (Mr. BENNETT), the Senator from New Hampshire (Mr. COTTON), and the Senator from Michigan (Mr. GRIFFIN) are necessarily absent.

The Senator from Florida (Mr. GURNEY) is necessarily absent attending the funeral of a friend.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Ohio (Mr. SAXBE) is absent on official business.

If present and voting, the Senator from Florida (Mr. GURNEY) would vote "yea."

The yeas and nays resulted—yeas 79, nays 0, as follows:

[No. 401 Ex.]

YEAS—79

Aiken	Dole	Kennedy
Allen	Dominick	Magnuson
Allott	Eagleton	Mathias
Anderson	Ellender	McClellan
Beall	Ervin	McGee
Bellmon	Fannin	McGovern
Bentsen	Fong	McIntyre
Bible	Fulbright	Metcalf
Boggs	Goldwater	Miller
Brock	Hansen	Montoya
Brooke	Harris	Nelson
Buckley	Hart	Packwood
Burdick	Hatfield	Pastore
Byrd, Va.	Hollings	Pearson
Byrd, W. Va.	Hruska	Pell
Cannon	Hughes	Percy
Case	Humphrey	Proxmire
Cook	Inouye	Ribicoff
Cooper	Javits	Roth
Cranston	Jordan, N.C.	Schweiker
Curtis	Jordan, Idaho	Scott
Smith	Stevenson	Tunney
Sparkman	Symington	Weicker
Spong	Taft	Williams
Stafford	Talmadge	Young
Stennis	Thurmond	
Stevens	Tower	

NAYS—0

NOT VOTING—21

Baker	Gambrell	Mansfield
Bayh	Gravel	Mondale
Bennett	Griffin	Moss
Chiles	Gurney	Mundt
Church	Hartke	Muskie
Cotton	Jackson	Randolph
Eastland	Long	Saxbe

The PRESIDING OFFICER. On this vote, the yeas are 79, the nays are 0. Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to.

TAX PROTOCOL WITH FRANCE

The PRESIDING OFFICER. Under a further provision of the unanimous-consent agreement, the Senate will now proceed to vote on Executive O (91st Cong., 2d sess.), the protocol, signed at Washington on October 12, 1970, to the convention between the United States of America and the French Republic with respect to taxes on income and property as of July 28, 1967. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Florida (Mr. CHILES), the Senator from Mississippi (Mr. EASTLAND), the Senator from Georgia (Mr. GAMBRELL), the Senator from Alaska (Mr. GRAVEL), the Senator from Indiana (Mr. HARTKE), the Senator from Washington (Mr. JACKSON), the Senator from Louisiana (Mr. LONG), the Senator from Maine (Mr. MUSKIE), and the Senator from West Virginia (Mr. RANDOLPH) are necessarily absent.

I further announce that the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MANSFIELD), the Senator from Minnesota (Mr. MONDALE), and the Senator from Utah (Mr. Moss) are absent on official business.

I further announce that, if present and voting, the Senator from Florida (Mr. CHILES), the Senator from Washington (Mr. JACKSON), the Senator from Georgia (Mr. GAMBRELL), and the Senator from West Virginia (Mr. RANDOLPH) would each vote "yea."

Mr. SCOTT. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Utah (Mr. BENNETT), the Senator from New Hampshire (Mr. COTTON), and the Senator from Michigan (Mr. GRIFFIN) are necessarily absent.

The Senator from Florida (Mr. GURNEY) is necessarily absent attending the funeral of a friend.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Ohio (Mr. SAXBE) is absent on official business.

If present and voting, the Senator from Florida (Mr. GURNEY) would vote "yea."

The yeas and nays resulted—yeas 79, nays 0, as follows:

[No. 402 Ex.]

YEAS—79

Aiken	Fong	Pastore
Allen	Fulbright	Pearson
Allott	Goldwater	Pell
Anderson	Hansen	Percy
Beall	Harris	Proxmire
Bellmon	Hart	Ribicoff
Bentsen	Hatfield	Roth
Bible	Hollings	Schweiker
Boggs	Hruska	Scott
Brock	Hughes	Smith
Brooke	Humphrey	Sparkman
Buckley	Inouye	Spong
Burdick	Javits	Stafford
Byrd, Va.	Jordan, N.C.	Stennis
Byrd, W. Va.	Jordan, Idaho	Stevens
Cannon	Kennedy	Stevenson
Case	Magnuson	Symington
Cook	Mathias	Taft
Cooper	McClellan	Talmadge
Cranston	McGee	Thurmond
Curtis	McGovern	Tower
Dole	McIntyre	Tunney
Dominick	Metcalf	Weicker
Eagleton	Miller	Williams
Ellender	Montoya	Young
Ervin	Nelson	
Fannin	Packwood	

NAYS—0

NOT VOTING—21

Baker	Gambrell	Mansfield
Bayh	Gravel	Mondale
Bennett	Griffin	Moss
Chiles	Gurney	Mundt
Church	Hartke	Muskie
Cotton	Jackson	Randolph
Eastland	Long	Saxbe

The PRESIDING OFFICER. On this vote the yeas are 79, the nays are 0. Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to.

LEGISLATIVE SESSION

The PRESIDING OFFICER (Mr. STEVENSON). Without objection, the Senate will now return to legislative session.

The Senate resumed the consideration of legislative business.

ECONOMIC STABILIZATION ACT OF 1971

The PRESIDING OFFICER. The clerk will state the unfinished business.

The legislative clerk read as follows:

The bill (S. 2891) to extend and amend the Economic Stabilization Act of 1970.

The PRESIDING OFFICER. Under the previous order, the Chair recognizes the Senator from Wisconsin.

Mr. McGEE. Mr. President, will the Senator from Wisconsin yield to me for an amendment?

Mr. PROXMIRE. Mr. President, I yield to the Senator from Wyoming, with the understanding that I do not lose my right to the floor.

Mr. TOWER. Mr. President, reserving the right to object, for what purpose does the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Wyoming for the purpose of his obtaining unanimous consent to be recognized after I speak.

Mr. McGEE. I am seeking permission to offer an amendment to the bill as soon as the Senator from Wisconsin finishes speaking, and I ask unanimous consent for such permission.

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

Mr. PROXMIRE. Mr. President, in the course of my earlier remarks, I discussed the great complexity of this program compared to former price control efforts, the great difficulty in enforcing a program and making it effective, and the obvious fact that it is going to be extraordinarily hard for businessmen to know what they are doing within their enterprises, and for consumers to be able to follow.

I think one of the most dramatic demonstrations of this fact was what happened to processed food prices in New York City. They were under controls. There is no question about that. They were under the freeze. In general, I think the freeze worked well. All indications are that it did. However, there were widespread violations even of the freeze, and they were documented in this case by an interesting article in the New York Times of November 22, and I ask unanimous consent that the article be printed at this point in the RECORD.

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

[From the New York Times, Nov. 22, 1971]

STUDY SHOWS 40 PERCENT OF FOODS HERE INCREASED IN PRICE IN SEPTEMBER DESPITE FREEZE

(By Will Lissner)

Federal Government price reports for the New York area show that 40 per cent of a representative sample of average retail food prices were increased in September, soon after President Nixon instituted the 90-day price freeze.

The average increases were generally less than 1 per cent, but 17 percent of the increases represented rises of from 1 to 4 per cent. All of the rises were for foods for which the prices were theoretically frozen. Analysis by The New York Times of the United States Bureau of Labor Statistics' "Estimated Retail Food Prices by Cities" report for September also indicates that the prices rises were offset by an equal proportion of foods with price declines. Twenty per cent of the foods studied were unchanged in price.

The greatest increase was in the average price for canned ham. It sold for $1.14 a pound through the base period, July 16 through Aug. 14. But in the first two weeks of September, the average price went up to $1.18 a pound an increase of 4 cents.

NEW YORK AREA RETAIL FOOD PRICES IN SEPTEMBER

[Prices in cents per pound except as specified]

	Average base prices	Average price in September	Increase or decrease in cents	Percent increase or decrease
CEREALS AND BAKERY PRODUCTS				
Flour, white, all purpose, 5 lbs	59.3	59.1	59.9	0.6	1.00
Cracker meal, 9½ oz	34.4	34.3	34.5	.1	.29
Corn flakes, 12 oz	34.5	33.4	33.1	−.4	−.12
Rice, long grain, 1 lb	23.9	23.8	23.8	0	0
Bread, white, 1 lb	30.2	30.1	30.4	.2	.66
Bread, whole wheat, 1 lb	42.3	41.6	42.4	0.1	0.24
Cookies, cream filled, 1 lb	55.5	55.6	55.1	−.5	−.89
MEATS, POULTRY, AND FISH					
Beef and veal:					
Steak, round, U.S. Choice, 1 lb	164.5	169.3	165.9	−3.4	−2.00
Steak, sirloin, U.S. Choice, 1 lb	148.5	150.2	149.7	−.5	−.33

SURCHARGE ANTICIPATED

Much of the canned ham sold here is imported from Poland, Denmark, England, Eire and other countries, but the ham being sold in the study period had been imported before Aug. 15 and the 10 per cent import surcharge could not be added to the prices. The retailers involved knew that the prices could go up to pass along the surcharge and apparently they anticipated it, at the expense of the consumer.

The analysis covers 71 items affected by the freeze, ranging from cereals, meat and dairy products, canned goods, sweets and beverages to prepared foods.

It shows that for 12 items the average price increases were from 1 to 4 per cent. On 17, the average increases were fractions of 1 per cent.

On 13 items, the average price declined 1 to 3 percent and on 16, the average prices declined fractionally. On 13 items, the prices were unchanged.

Rib roast went up an average of 2 cents a pound, porterhouse steak 1.3 cents and chuck roast, 1.1 cents. Among pork items, sausage increased an average of 1.5 cents, pork loin roast 1 cent. Liver sausage rose an average of 1.3 cents a pound. Other rises average fractions of a cent.

The Bureau of Labor Statistics does most of its retail food pricing in the first two weeks of the month, according to the agency's regional director, Herbert Bienstock. So, in a few cases, it is possible that for a short period between pricings, higher prices were charged during the base period that did not enter into the base period average.

The data backed findings from analysis of State Department of Agriculture and Markets price reports that some over-ceiling prices had been charged by some retailers. This supports the claim of A.F.L.–C.I.O. officials, challenged by the administration, that with wages frozen, labor's purchasing power had been eroded by price-freeze violations.

The data also supplied New Yorkers with their first look at what happened in the retail food markets during the third, fourth and fifth weeks of the freeze, for the figures come from the only statistically valid sampling available.

New York State government price reports, considered invaluable by consumer groups, are limited by the funds available to leading retailers. And organized labor's price watch, still in its beginnings, has not yet produced statistical data for analysis.

The B.L.S. sampling cannot be used by consumers because the price reports are obtained in confidence. But its sample covers several hundred stores, visited monthly by trained price analysts.

The retail food prices, which include 19 fresh fruits and vegetables exempt from the freeze, are the only prices published as such. Other B.L.S. pricings, for clothing and other goods and services, are reported as indexes, which have limited usefulness as indicators of compliance with price stabilization.

With the Internal Revenue Service refusing to give the public a detailed account of its enforcement operations, the B.L.S. series gives the public the only available check on the effectiveness of the administration's efforts to stabilize the price level.

NEW YORK AREA RETAIL FOOD PRICES IN SEPTEMBER—Continued

[Prices in cents per pound except as specified]

	Average base prices	Average price in September	Increase or decrease in cents	Percent increase or decrease
MEATS, POULTRY, AND FISH—Continued				
Beef and veal—Continued				
Steak, porterhouse, U.S. Choice, 1 lb	173.5	175.6	176.9	1.3	0.74
Rump roast, boneless, U.S. Choice, 1 lb	141.5	150.8	147.7	−3.1	−2.30
Rib roast, U.S. Choice, 1 lb	109.4	111.0	113.0	2.0	1.80
Chuck roast, U.S. Choice, 1 lb	80.0	79.8	81.1	1.1	1.38
Hamburger, ground chuck, 1 lb	92.9	91.6	92.6	−.3	−.32
Beef liver, 1 lb	69.5	69.3	68.6	−.9	−1.29
Veal cutlets, U.S. Choice, 1 lb	291.1	293.5	294.1	.6	.22
Pork:					
Chops, 1 lb	128.3	130.2	128.8	−1.4	−1.07
Loin roast, 1 lb	84.9	86.5	87.5	1.0	1.16
Pork sausage, fresh, bag or roll, 1 lb	88.9	88.8	90.4	1.5	1.67
Ham, whole, smoked, 1 lb	79.9	80.0	80.2	.2	.25
Ham, picnics, smoked, 1 lb	57.4	55.3	57.0	−.4	−.69
Bacon, 1 lb	91.6	92.0	92.5	.5	.54
Other meats:					
Lamb chops, loin, U.S. Choice, 1 lb	195.9	198.9	197.9	−1.0	−.50
Frankfurters, 1 lb	86.2	88.3	88.5	.2	.22
Ham, canned, 1 lb	114.0	114.0	118.3	4.3	3.77
Bologna sausage, 8 oz	58.9	59.6	60.0	.4	.67
Salami sausage, 8 oz	67.1	66.8	67.1	0	0
Liver sausage, 8 oz	96.2	94.9	97.5	1.3	1.35
Poultry:					
Frying chicken, whole or cut up, 1 lb	49.0	46.7	47.6	−1.4	−2.86
Chicken breasts, 1 lb	79.5	82.6	81.7	−.9	−1.08
Turkey, medium size, 1 lb	59.9	60.6	60.8	.2	.33
Fish:					
Shrimp, frozen, breaded, 10 oz	109.2	111.7	109.4	−2.3	−1.96
Ocean perch fillet, frozen, 1 lb	79.0	81.0	80.4	−.6	−.74
Haddock, fillet, frozen, 1 lb	99.8	99.3	99.8	0	0
Tuna fish, 6½ oz. can	46.1	45.7	45.6	−.5	−1.08
Sardines, 4 oz. can	17.5	17.3	17.5	0	0
DAIRY PRODUCTS					
Milk, fresh, vitamin D, grocery, ½ gal	62.0	61.9	61.9	−.1	−.16
Milk, fresh, vitamin D, delivered, ½ gal	73.5	73.5	73.5	0	0
Milk, evaporated, 14½ oz. can	20.6	20.8	20.8	0	0
Ice cream, prepacked, ½ gal	96.7	97.1	96.9	−.2	−.20
Cheese, American, process, 8 oz	51.8	51.8	51.4	−.4	−.77
Butter, 1 lb	89.9	89.9	90.3	.4	.45
PROCESSED FRUITS AND VEGETABLES					
Fruit cocktail, No. 303 can	32.1	31.9	31.9	−0.2	−0.62
Pears, No. 2½ can	52.8	54.2	54.3	.1	.18
Pineapple-grapefruit drink, 46 oz. can	34.2	34.7	34.8	.1	.29
Orange juice concentrate, 6 oz. can	23.7	24.4	24.9	.5	2.05
Lemonade concentrate, 6 oz. can	14.3	14.5	14.8	.3	2.08
Beets, No. 303 can	20.0	20.1	20.1	0	0
Peas, green, No. 303 can	26.5	26.9	26.4	−.5	−1.85
Tomatoes, No. 303 can	24.2	23.8	23.7	−.5	−2.06
Dried beans, 1 lb	22.4	23.1	23.4	.3	1.30
Broccoli, frozen, 10 oz	30.6	30.6	30.6	0	0
OTHER FOODS					
Fats and oils:					
Margarine, 1 lb	37.9	38.3	38.1	−.2	−.52
Salad dressing, Italian, 8 oz	41.3	42.0	41.8	−.2	−.48
Salad or cooking oil, 24 oz	65.8	67.7	67.7	0	0
SUGAR AND SWEETS					
Sugar, white, 5 lbs	68.9	70.1	70.3	.2	.28
Grape jelly, 10 oz	31.0	31.6	31.2	−.3	−.95
Chocolate bar, 1 oz	6.8	6.8	6.8	0	0
NONALCOHOLIC BEVERAGES					
Coffee, 1 lb. can	92.8	92.3	92.4	−.4	−.43
Coffee, instant, 6 oz	109.0	107.0	109.3	.3	.28
Tea bags, 48	63.5	63.1	63.1	−.4	−.63
Cola drink, carton, 72 oz	72.0	72.0	72.0	0	0
Carbonate fruit drink, carton, 72 oz	65.9	66.2	66.3	.1	.15
PREPARED FOODS					
Bean soup, 1½ oz. can	17.5	18.1	17.8	−.3	−1.66
Chicken soup, 10½ oz. can	18.2	18.2	18.4	.2	1.10
Spaghetti, 15¼ oz. can	19.9	20.0	20.2	.2	1.00
Potatoes, instant, mashed, 7 oz	38.9	38.4	38.0	−.9	−2.31
Potatoes, fried, frozen, 9 oz	17.2	17.2	16.7	−.5	−2.92
Baby foods, 4½ oz	11.8	11.8	11.8	0	0
Sweet pickle relish, 12 oz	36.4	36.8	36.6	0	0
Pretzels	45.3	45.1	45.1	−.2	−.44

Source: Compiled and computed from price reports of the U.S. Bureau of Labor Statistics.

Mr. PROXMIRE. This article shows that 40 percent of the food in New York City that was subject to the freeze increased in price during the month of September. During the entire month of September the freeze was in effect as we know. This was in clear, conspicuous violation of the Federal freeze order. The specific foods are listed, and they include increases which, while very small on a monthly rate, on an annual rate the increases in price were as much as 12 percent, and in one case 48 percent.

In spite of this, it is very likely that the freeze in general did work well. But the ability of merchants to increase prices when they were operating on such a clear and simple basis as the freeze makes it obvious that the freedom in phase II to increase prices without permission will certainly confuse the overwhelming majority of retailers. Providing for keeping records and staying within complicated cost and profit guidelines just will not do the job. It will make it unlikely that phase II is going to be able to get along without widespread confusion and without violations that are likely to grow. As I pointed out in quoting from Gardner Ackley, in most cases the merchants are not even going to feel guilty about it, because it is so easy to interpret the regulations of the Price Commission to warrant almost any kind of price increase.

Mr. HARRIS. Mr. President, will the Senator yield for a question?

Mr. PROXMIRE. I yield.

Mr. HARRIS. Is it not true that, basically, what is going to be on the mind of a businessman is what his competitors are going to do? Is he not going to be fearful that, with not anywhere near the number of enforcement personnel there were in other times of price controls, his competitors will not comply, and the tendency may be not to comply himself? How does the number of employees compare with other times when we had controls?

Mr. PROXMIRE. We had testimony from the top people who administered controls in both World War II and the Korean war; and they, without exception, testified that the proposed legislation was absolutely unworkable without far more people enforcing the law than are provided for. Three thousand people cannot come close to enforcing it. In World War II—I am not sure of the numbers—I think there was something like 12,000, perhaps more than that, not including those who were working in rationing. In the Korean war, they had even more people.

I do not have the precise figures. I will be happy to put them in the RECORD. They were far more than we have now, and now we have far more complicated provisions. We do not have the discipline and the motivation we had in the previous war periods. It is predictable that there will be violation of the law under these circumstances. That is why it is important that we follow the advice the Senator from Oklahoma gave us earlier and recognize that the great majority of business people would operate better under a free system and that they are not the inflationary problem. The inflationary problem we should crack down on is where you have big corporations and big unions. Where you do not have that, you do not need this.

I think that many of these merchants will reduce their prices because of the force of competition.

It is interesting that, although during the freeze in New York City you had the violation of the law with 40 percent of the food prices going up, you also had other food prices going down; and the result was that, overall, there was no change in the price of food in New York City.

That was not because of the regulation. That was because of the obvious effect of competition, because the freeze should have prevented prices from going up but it did not.

Mr. HARRIS. What about the need for some industries to pass along the benefits of increased productivity to the consumer in the form of price decreases? We tend to think only in terms of holding increases in prices within some limits. But is it not true that if we had greater competition, we might be able to get some actual price decreases, rather than just worrying about what the increases are going to be, and that that really does not figure in this present system of broad wage and price controls?

Mr. PROXMIRE. The Senator raises

an excellent point that has been badly overlooked by the Price Commission and the Wage Board—the fact that this kind of wage restraint, if it is a forceful restraint, if you are going to hold down wages to a 5.5-percent guideline, many industries have a far greater productivity increase in the course of a year than 5.5 percent. Some have 10 percent, some have 20 percent, in a high technology industry. Under those circumstances, they will be able to ride along with this kind of restraint on wages. If they do not reduce their prices, it means that wage controls will result in windfall profits, and there is nothing in the regulation or the proposed legislation to correct that.

Mr. President, one of the ablest commentators on the economy is Henry Kaufman, who is a partner and economist in one of the outstanding firms in Wall Street, Salomon Bros. He recently delivered a talk before the Municipal Finance Forum in Washington, on November 24, in which he analyzed the program and its effect on the market and on the economy. This was such an extraordinarily able and perceptive speech that I should like to read a small part of it and then place the entire speech in the RECORD. Mr. Kaufman said:

The President's New Economic Program has introduced not only new but also baffling dimensions to our economy and credit markets. Instead of providing a sense of assurance, as it did initially, it is now contributing to uneasiness and uncertainty. Thus, both stocks and bonds rallied immediately following the inception of the N.E.P. but now stock prices are falling and bond prices are rising, albeit irregularly, an unusual event for the start of the second year of an economic expansion. What accounts for this atypical behavior? I feel that the answer lies largely with expectations now emerging concerning end results of the New Economic Program.

Actually, there was only one basic strategy decision which our Government had to make, either implicitly or explicitly, concerning the N.E.P. and on this decision hinged all consequences of the program. The critical decision was whether the N.E.P. was to be temporary or permanent as a policy instrument. Each course required different tactics and was bound to elicit different responses from the marketplace and from the public generally. A strategy designed to be temporary had to stamp out inflation quickly and decisively. It would have required a program that was hard hitting, uncompromising, and unyielding regardless of the claims of the different economic participants. Any rate of inflation would have been unacceptable. No targets of a 2% to 3% inflation goal would have been established. Initiatives would have been undertaken to achieve competitive business and labor markets. Thus, in this way an aura would have been created of a New Economic Program that would be temporary, successful quickly, and would free the economy quickly from governmental intervention.

As a tactical proposition, the chances for a successful withdrawal soon of Governmental economic intervention are far better in the early stages of an economic expansion than following several years of economic advance. By that time, there is usually at best a very sensitive balance between economic forces which requires close monitoring by Government.

I feel that a few weeks ago there was substantial popular support for a hard-hitting uncompromising brief program. To a large measure, this was reflected in the popularity of the wage-price freeze when it was first announced.

We were longing for decisive action in the destructive and impoverishing struggle against inflation. There was a yearning in America for a return to economic discipline. We responded favorably to the initial domestic actions in mid-August not as businessmen, workers, investors or borrowers but as individual citizens who wanted a return to stability soon and not compromises and a long Federal involvement in the private economy.

The expectation that these comprehensive aspirations would be fulfilled were behind the dramatic rally in bonds and stocks immediately following the announcement of the New Economic Program in mid-August. At the first glimpse of Phase II in early September when the President announced the termination of the freeze at the end of ninety days, both markets retreated.

Mr. President, what Mr. Kaufman is saying is very important and I ask unanimous consent that his full statement be printed in the RECORD.

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

THE BOND AND STOCK MARKETS IN PHASE II

(By Henry Kaufman)

Powerful new economic and financial forces have been unleashed in recent months. They are reverberating within our own country and around the world, setting in motion novel political, economic and financial trends with both high risks and opportunities. The old international monetary system has been shattered, and we seem to be at a dangerous impasse in achieving a new arrangement. Now we are also embarked on a new approach to achieving economic stability at home through a series of direct interventions in the economy.

It is a time when we can no longer take refuge in conventional economic wisdoms which, in more normal times, provide us with judgmental comforts and handy crutches for simple decision making. Conventional wisdoms are being uprooted and defoliated at an accelerating pace. How unsettling to the economic theorist to find a persistence of a high rate of inflation with rising unemployment and to see consumers saving more and spending less just when the purchasing power of their savings is being rapidly eroded. How distracting and indeed costly it must have been to many to find that stocks are not really an inflation hedge, that lower bond prices are only rarely accompanied by higher stock prices, and that we can have rising bond prices and declining stock prices at a time of business recovery. Of course, the uprooting of conventional wisdom is not singular to economics and finance. It is occurring everywhere. Children state openly now that father does not always know best. Yesterday's health foods are today's carriers of poisons. Exercise instead of rest is now frequently prescribed for heart patients. Alas, where are the lasting truths? Perhaps only, "I doubt, therefore, I am."

It is time to clearly differentiate in forecasting between what "ought-to-be" and what actually will be. "Ought-to-be" economic forecasting is the mechanical technique of seeing the future by looking back. It leans heavily on cyclical equations and on the assumption that past relationships will be maintained in the future. "Ought-to-be" economic forecasts, therefore, really assume no fundamental structural changes but merely project the past. Think back for a moment and consider what "ought-to-have-been" in recent years as compared with what actually materialized and how many econometric models have been junked by the structural deviations.

It is a time for us to begin to understand the uniqueness of the current economic and financial situation while tradition may lead us to grave mistakes as a nation and as individual decision makers. Thus, in speaking to you today about the bond and stock markets, I unfortunately cannot give you answers in terms of sweeping generalities. The intricacy and complexity of the New Economic forces will not allow it.

THE NEW ECONOMIC PROGRAM

The President's New Economic Program has introduced not only new but also baffling dimensions to our economy and credit markets. Instead of providing a sense of assurance, as it did initially, it is now conrtibuting to uneasiness and uncertainty. Thus, both stocks and bonds rallied immediately following the inception of the N.E.P. but now stock prices are falling and bond prices are rising, albeit irregularly, an unusual event for the start of the second year of an economic expansion. What accounts for this atypical behavior? I feel that the answer lies largely with expectations now emerging concerning end results of the New Economic Program.

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We were longing for decisive action in the destructive and impoverishing struggle against inflation. There was a yearning in America for a return to economic discipline. We responded favorably to the initial domestic actions in mid August not as businessmen, workers, investors or borrowers but as individual citizens who wanted a return to stability soon and not compromises and a long Federal involvement in the private economy.

The expectation that these comprehensive aspirations would be fulfilled were behind the dramatic rally in bonds and stocks immediately following the announcement of the New Economic Program in mid August. At the first glimpse of Phase II in early September when the President announced the termination of the freeze at the end of ninety days, both markets retreated. Bonds retreated until the close of September and improved in price again thereafter, while the selloff in stocks continued unabated.

Both the international and domestic aspects of the N.E.P. contributed to these diver-

gent market movements. For the bond market, the international financial impasse meant the continuation of large purchases of U.S. Governments by foreign official institutions in order to check the appreciation of their currency and the depreciation of the dollar. Thus, during the first four months of the new fiscal year, from July through October, foreign accounts increased their holdings of U.S. Governments by an estimated $11.2 billion, accounting for 98% of the net increases in publicly held Treasury debt during this period. These foreign purchases more than offset for the bond market the unfavorable compromising aspects in the N.E.P. contained in the strategy of Phase II. I feel that both the stock and bond markets have started to sense that these compromising aspects are not really economic stimulants but rather deterrents.

For the stock market itself, Phase II as revealed does not offer the two ingredients essential for a favorable equity environment. These are a quick end to inflation and a quick end to Governmental intervention in the economy. The two are interlocked in their significance for equities and the elimination of one without the other will accomplish little. In contrast, these two aspects differ in their significance for bonds. This is because a long direct involvement by our Government may either slow down the pace of the economic recovery or bring along direct controls over our credit markets, or both, with either development tending to be a depressing influence on interest rates.

In a fundamental sense, the most ominous cloud overhanging the equity market is the continued stalemate in reaching a new international financial arrangement. Some claim that the international financial situation is unimportant to the equity market as long as the domestic economy continues to recover. This conclusion is based largely on the statistics which show that international trade is only about 4% of our gross national product as compared with much higher percentages for the other industrialized nations. Thus, time is supposed to be on our side. This is a look at the world through statistical economics and a failure to recognize other significant interconnections and aspects. For example, since we live in a world today of nearly instant communication, the international financial negotiations and economic prospects abroad receive wide attention and failure to reach an agreement is bound to continue to affect unfavorably investment sentiment here as well as abroad. Moreover, continued stalemate in the monetary negotiations is going to increase the risk of hardening the bargaining positions, retaliation, and economic, social and political shifts abroad which may not be in the best interests of the U.S.

There are also some very direct ties between the stock market here and developments abroad. For example, according to a Business Week survey, in 80 of the 200 largest U.S. corporations foreign operations account for at least 25% of their employees, sales, or profits. A recent report showed that 200 of the 1,000 largest U.S. corporations have more than half their assets outside the U.S. It has also been estimated that American companies directly produced about $160 billion abroad in 1970 in goods and services, which is about four times as large as our exports.

It is difficult to expect a lasting realignment of international currencies soon. If the risks of a European recession are increasing, this is bound to harden the unwillingness of several key European countries to revalue upward substantially. Indeed, a recession may intensify their drive to export at prices that recoup marginal costs or overhead and thereby intensify the international trade confrontation. It should also be recognized that the setting today is far different from that which prevailed immediately after World War II when the Bretton Woods agreement was reached. We played a dominant and powerful role at Bretton Woods because we were economically and financially strong and the rest of the free world was weak. While we are still a great power today, our international financial position has weakened, the role of the British has contracted, and the rest of the industrialized free world has strengthened itself. I am not trying to criticize this development but rather to indicate that these shifts complicate the current bargaining process.

There is also another striking difference between the time of Bretton Woods and now. By the time the Bretton Woods agreement was reached, the international financial turmoil of the 1930's had long passed, and a great war had been fought reuniting the free world in a spirit of fellowship and trust. In contrast, now an international financial agreement—a contract among nations—was broken several times by several powers only a short time ago and there is no rallying cry that is binding us together. A new environment will have to be forged and some time may have to elapse before participants in the international financial community will have sufficient confidence that agreements will be adhered to and that nations will defend their currencies instead of trying to depreciate them.

I should now like to turn to specific prospective developments in the bond and stock markets and relate them where possible to the broader aspects of the various events I have just mentioned.

BONDS

For 1972 we will probably not be able to generalize about the direction of interest rates as we have been able to do thus far in 1971 unless we conclude that the N.E.P. will fail to achieve its objectives and will be terminated. There have been several periods this year in which both short and long-term rates have moved in the same direction, i.e., either up together or down together. For example, between March and mid summer, both short and long-term rates rose and since then have declined.

Now let us look at the interest rate alternatives next year. There are four directional combinations for short and long-term rates. These are: (1) short rates down and long rates down; (2) short rates up and long rates up; (3) short rates down and long rates up; and (4) short rates up and long rates down. What would each of these combinations suggest and signify for next year?

Both short rates down and long rates down next year would mean the failure of the New Economic Program to stimulate the economy. It can only come about through a sharp falloff in credit demands from the private sector which often accompany a recession. This would be bullish for bonds and bearish for stocks.

Both short and long-term rates up next year would suggest renewed inflationary pressures and virile inflationary expectations. It would bring the re-emergence of disintermediation and domestic economic strains. If you conclude that this is the likely direction in interest rates, you also are concluding that the New Economic Program will fail to bring down inflation but that the Government will allow free movements in interest rates, a decision on which I will have more to say later on. In any event, this kind of a financial market would be bearish for both stocks and bonds.

The third alternative, short-term rates down and long rates up, would suggest an unsustainable course. It can come about through two different developments. One is a liquidity preference whereby investors do not want to commit long and borrowers seek to finance mostly long, whereby the preference for liquidity becomes a priority over the financing of business activity, resulting eventually in a slowdown in the economy. The other is a revival of economic activity which is also accompanied by a revival of inflation and attempts by the monetary authorities to hold down interest rates by large injections of new funds into the banking system. It would be somewhat similar to a replay of 1967. Therefore, the combination of short-term rates down and long-term rates up would be bearish for both stocks and bonds.

In the fourth and final combination, short-term rates up and long-term rates down, lies the favorable opportunity for 1972 if the N.E.P. succeeds. This would be a logical development for a non-inflationary second year of an economic expansion. It would be bullish for stocks and bonds. What are the ingredients that suggest such a favorable trend for 1972 is possible and what are the obstacles?

First, in the second year of economic expansion, short-term credit demands tend to accelerate. Business working capital requirements of both a permanent and temporary kind increase. Assuming that 1972 will be a second year of economic recovery, these requirements would be financed partly through enlarged internal cash flow and partly through more short-term borrowings and less bond financing.

Second, the short-term demand for credit will also increase from enlarged demands from consumers to finance installment and other credits.

Third, the emerging U.S. budgetary picture for calendar 1972 suggests that regardless of the size of the deficit, the amount to be financed domestically will be much larger than this year unless the unprecedented large buying of U.S. Government's by foreigners continues for another, which I consider unlikely.

Fourth, the total volume of long-term credit demands would probably fall from the record 1971 volume and short credit financing would increase from the small increases of 1970 and 1971.

Now what are the obstacles to this favorable prospect? The most important obstacle will probably be the uncertainty concerning the effectiveness of the New Economic Program. It may very well pervert the financing patterns next year. Compromises in the fight against inflation may, for example, slow down the economic recovery and therefore moderate credit demands. It may also change the composition of business financing from the typical pattern of more short-term financing and less long-term financing which prevails in the second year of an economic recovery. Increasing fears of a compromise with the fight against inflation will influence business to continue to finance mostly at long term. An inflationary resurgence itself would lead business to conclude that long-term interest rates would be higher later on. In addition, it would arouse expectations that business will not have ready access to long-term funds because our Government, if yields rise, may move to allocate credit in the next stage of the New Economic Program. This is why Phase II must demonstrate quickly its ability to be decisive and hard hitting if these expectations are to be prevented from crystallizing. Unfortunately, this is not coming through in the early rulings and regulations.

Let me illustrate this challenge of achieving stable or declining long-term rates in the second year of an economic expansion with some historical perspective. The only time that long-term rates were stable or lower during longer periods of rising short-term rates was in the period of 1961 to 1964. In all other periods since the early 1950's, cyclical upward movements in short-term rates were accompanied by increases in long-term rates. As shown in Chart 1, this occurred in 1954 to 1957, in 1958 to 1960, and

earlier this year. The unique feature of the 1961–64 period was the absence of inflation.

Even if the New Economic Program is highly successful in bringing down inflation in the early days of Phase II, I feel that we still cannot generalize that all major long-term rates will either remain stable or decline next year. Corporate bonds should benefit most because of the shift in emphasis from long-term to short-term financing by business corporations. In addition, the support for the corporate bond market from institutional investors should continue to be good. Fixed income mutual funds are gaining in popularity. In addition, life insurance companies will most likely have an ample supply of new funds for investment in corporate bonds. This is because of the marked slowdown in the financing of commercial construction, in which the life insurance companies played a very important role, and because of the continued withdrawal by the insurance companies from private home financing. During the first nine months of this year net new investment in mortgages by life insurance companies totalled only $500 million as compared with $2.3 billion in calendar 1970.

In contrast, mortgages, intermediate and long Governments, and municipal bonds may not enjoy the same technical strength as corporate bonds next year. The inflow of savings to mortgage financing institutions will moderate from the record-breaking pace of 1971. With an appreciable pickup in short-term credit demands, the funds available at commercial banks for investment in Governments and tax-exempts will diminish. Furthermore, the volume of long-term financing by municipal borrowers should continue to be sizeable as a substantial volume of short-term municipal debt still has to be funded.

It is this mix of the prospective trend in long-term rates, together with the compromising aspects with inflation of Phase II plans to date, which leads me to conclude that the Federal Reserve or the Commission of Interest and Dividends may intervene and stabilize long-term rates at some time in 1972. Thus bond values will be protected next year either through the effectiveness of the New Economic Program in breaking the back of inflation or through the selective allocation of funds, which is a likely complement to an unsuccessful Phase II.

Stocks

Just as in the case of bonds, the challenges confronting the stock market are multidimensional, encompassing not only the aspects of the N.E.P. that apply directly to stocks but also structural developments within the stock market. These are: (1) what are stocks worth if the New Economic Program is prolonged and becomes increasingly restrictive? (2) what will be the new supply and demand dimensions in the stock market? and (3) how will the strategy dilemma of the institutional portfolio manager of stocks be resolved?

Besides what I have already said about the significance of the New Economic Program for stocks generally, the question of what are stocks worth in a prolonged intervention by Government in the economy is very specific and involves mainly the extent of Governmental control over corporate profits. That corporate profits are the basis underpinnings for stock prices is unquestionable. The evidence supporting this relationship is quite clear. I merely refer you to Table 1 which shows that stock prices have generally improved during periods of rising profits and have declined during periods of falling profits.

Now Phase II of the N.E.P. has ruled that manufacturing corporations may not increase their pre-tax profit margins as a per cent of sales above that established in the base period which is defined as the average of any two of the last three fiscal years ended before August 15, 1971. The Department of Commerce data show that the aggregate profit margins for manufacturing firms were as high as 8% in 1965 and as low as 4.6% in 1970. Taking 1968 and 1969 as a base year, the average profit margin for all corporations was 6.4%. Thus, even with the new ceiling, profit margins have some room to rise, but will have to remain well below their mid-1960's peak for corporations that seek to increase prices.

Concerning the supply and demand dimensions in the stock market, drastic changes have occurred in the last few years and they are of profound importance. As many of you here know, I analyzed them in detail in a presentation several years ago but some additional developments have transpired recently. Therefore, let me summarize for you the salient features of the new supply and demand dimensions of the stock market. These are as follows:

First, the stock market is no longer a scarcity market. The scarcity of new equity offerings was a powerful force propelling equities higher during most of the 1960's when the volume of new share emissions was small and the demand for stocks from institutional investors was accelerating. From 1960 through 1968, a period in which stock prices advanced net 80%, the net volume of new stocks averaged only $1.0 million annually, while net institutional purchases rose from $3.5 billion in 1960 to $12.6 billion in 1968. During this period net new corporate issues accounted on average for a declining per cent of the institutional purchases. As shown in Table 2, this ratio of net new issues to net institutional purchases rose to 33% in 1969, 61% in 1970, and an estimated 75% this year, consisting of net new issues of $11.5 billion and institutional purchases of $15.3 billion. Moreover, there has also been an enlarged volume of new convertible bond offerings which has provided an investment alternative to equity buyers. The combined net new issues of stocks and convertible bonds will total an estimated $14.6 billion this year, as compared with $8.7 billion in 1970, and an annual average of $1.9 billion from 1961 through 1965.

The volume of new equity financing should continue to be large in the year ahead. While in the aggregate corporate liquidity has been improved, only moderate progress has been made in improving the quality of credit. The pressure to improve and maintain credit ratings remains substantial. There are also still a considerable number of borrowers in the banking system who are unable to finance long in the open bond market because of their low quality rating.

Second, while the support of institutional investors for the stock market remains good, there are significant shifts in this sector worth noting. Broadly, the institutional support for the equity market comes from contractual savings-type institutions. Their inflow of funds from year to year does not drastically increase or decrease. In fact, private pension funds, the largest institutional group purchasing equities, are experiencing some topping out in their annual increase in financial assets. This annual total net inflow jumped from $2.3 billion in 1955, to $4 billion in 1960, to $5.6 billion in 1965, to $6.7 billion in 1967, and has remained annually at around $6.5 billion per year since then. Moreover, as you can see from Table 3, the sharp acceleration in stock purchases by pension funds may be over because they have already committed an increasing percentage of their total net annual inflow of funds to equities as the 1960's progressed.

As you can also see from Table 3, the stock purchases of state and local retirement funds have increased from a few hundred million dollars in the early 1960's to an estimated $2.7 billion this year. The public retirement funds' net new stock purchases this year are still only 35% of the net new funds available for investment by these institutions. It seems reasonable to conclude that the stock demands of public retirement funds will continue to increase but not in the galloping fashion which was so evident at the corporate pension funds in the 1960's. The liberalization of the investment policies of the public retirement funds is proceeding at a gradual pace. The actuarial income requirement of these funds is quite high.

A significant increase recently has occurred in the stock purchases by life insurance companies. Their net purchases were $400 million in 1960 and will be an estimated $3.5 billion this year. It should be noted that this pickup probably largely reflects purchases by insured pension plans administered by life companies and not those of the life insurance sector of these companies.

In contrast, in the past few years there has been a marked slowdown in the purchases of common stock by mutual funds. They are experiencing redemptions. Moreover, the new popularity of fixed income mutual funds is attracting new funds and is providing a vehicle for holders of shares in equity funds to switch into the fixed income funds. The problems of mutual fund distribution and performance are also significantly reducing the participation of this industry as an institutional buyer of stocks.

Third, there is also a current phenomenon which is at least temporarily adverse in terms of the supply and demand aspects in the equity market. This is the extraordinarily large volume of equity purchases by institutions during the twelve months ended September 30, 1971 which probably total an estimated $18.5 billion, thereby substantially reducing for the time being the liquidity positions of institutional buyers.

Finally, foreign investors have not been significant buyers of U.S. equities since 1969. It is unlikely that they will return as net buyers until there is good evidence of a reconciliation of the international financial situation.

Perhaps the thorniest aspect in today's stock market is the strategy dilemma of the institutional portfolio manager. Here, too, the problem is multidimensional. There is some evidence that suggests that professional equity portfolio decisions are importantly influenced by the economic and financial trends of the immediate past. For example, the good economic and stock advance in the first half of the 1960's was probably a powerful influence in fueling the stock speculation of 1967 and 1968. Now there is looking back again but on a different sort of scene. This is on the penalizing stock experience of the last few years which by itself is probably having a sobering impact on portfolio strategy.

There is also the fact that the yield on bonds has moved into close alignment with the long-term rate of return on equities. The contrast between the performance of bonds and stocks in the last few years must have been a shattering experience for stock portfolio managers. For example, since the start of 1968 through October 1971, the simple rate of return on newly offered high-grade corporate bonds measured by the annual price change plus interest payments, was 19% as compared with 12% for stocks, measured by the annual price change of the S&P 500 plus the dividend payments. Since the start of 1970 to October 1971, the rate of return on bonds has been 33% versus 9% for stocks.

Another related unfavorable development for the professional portfolio manager has been evidence based on broadly based data suggesting that individual investors may have outperformed institutional investors in stock. An analysis of the flow-of-funds data of the Federal Reserve shows that from 1961 to 1965 individual investors ranked first on average, achieving average annual gains of 12.5%, just slightly ahead of the mutual funds but well ahead of other institutional

groups. From 1966 to 1970, a period including three years in which equity prices fell, individual investors showed annual average price appreciations of 4.4%, which was well ahead of institutional investors.

This kind of a backdrop is bound to have a defensive influence on institutional portfolio managers. The memory of the disastrous performance of the recent past is all too vivid. The warnings from trustees and other superiors of portfolio managers are all too clear in their implications for the job security of the manager. The pressure to include bonds in portfolios is strong, especially in those instances where actuarial requirements are high.

In summary, there is a common thread that links the economy and the credit markets. This common threat is the fact that both are in a period of transition. The economy is trying to break the shackles of inflation and to begin an era of sustainable economic growth. The financial markets are trying to redress the imbalances caused by inflation and the disorderly economic growth of the past. They are bound to be affected by the effectiveness of the policies which have been initiated to achieve this economic transition, either quickly or gradually.

The current transition has been underway for quite awhile, for nearly three years, reflecting the difficulties of our problems in terms of the dimensions of the problems within the economy and the financial markets and the policies which have been initiated to resolve them. Transitions can be speeded up or slowed down by the force and decisiveness of Governmental actions. This is because at the heart of the transitional problem is the need to overcome an important behavioral characteristic of human beings. This is because at the heart of the transitional problem is the need to overcome an important behavioral characteristic of human beings. This is the influence of our immediate past on our current thinking and actions. In a period of transition, this is critical because by definition we are moving from one period to another. This is why tough and uncompromising Governmental policies shorten transitions and compromising policies will prolong them.

Effective Governmental measures are also of prime importance in reducing the time frame for financial transitions as we move from boom to recession to economic recovery. This is because through vigorous stabilization policies the Government is demonstrating that there is no need for large permanent liquidity preferences and thus only current financial imbalances have to be rectified.

Typically, transitions from recession to recovery are periods in which investment opportunities tend to blossom. For the reasons I have already mentioned, I feel the bond market offers reasonably attractive opportunities today. In contrast, however, opportunities in the equity market are hinged very importantly to the strategy of the New Economic program. A strategy designed to achieve a quick transition to a new sustainable setting would suggest that opportunities abound today in the equity market. The equity market, however, is now voicing its suspicion that a prolonged economic intervention may be in the offing, suggesting that there is ample time to commit funds. Only meaningful and hard-hitting actions will quiet these suspicions.

Mr. PROXMIRE. Mr. President, Mr. Kaufman points out that this program should be a temporary program, that there is no justification for a program of comprehensive control over the entire economy when the overwhelming proportion of businesses and workers do not constitute an inflationary factor in the economy, that under circumstances where the controls are likely to be self-perpetuating we should act fast, we should act decisively, and we should end it. That is one reason why I propose a 6-month freeze and certainly one course which would offer more promise for the economy than the course we are proceeding under now, where we have complex and puzzling regulations affecting 85 percent of the economy, and the open-ended situation whereby Congress is extending the law for 17 months until after the election, until the situation develops which Mr. Kaufman points out we may have economic expansion and a far more difficult time getting rid of controls.

The Joint Economic Committee has followed this matter very closely for many years. In a report that was completed and finished and written a couple of weeks before the President made his statement on August 15, we made several observations on the program. The report, incidentally, came out the day after the President made his August 15 statement—that is, on August 16—so it had been written before August 15. Here is what the Joint Economic Committee had to say. I want to read briefly from it, as it indicates some of the weaknesses and disadvantages of the bill before us.

II. AN EFFECTIVE POLICY TO CONTROL INFLATION

PERSISTENT LACK OF PROGRESS AGAINST INFLATION

The inflationary problem that has persisted during the past 3 years has proved much more stubborn than had generally been anticipated. When the present Administration took office the unemployment rate was 3.4 percent, and the inflation rate measured by the GNP deflator was 4.5 percent. At the time it was believed that excess demand could be eliminated and inflation checked without causing unemployment to rise much above 4 percent.

We all tend to forget that this administration took office when we had a much lower rate of inflation and a far lesser rate of unemployment. Unemployment is now at almost 6 percent when then it was only 3.4 percent.

Continuing to read:

Experience has demonstrated that this estimate was far too optimistic. Unemployment has exceeded 4 percent for the past 18 months, and it has averaged about 6 percent for the past 8 months, yet the rate of inflation is not noticeably less today than it was in the first quarter of 1969. After 2½ years of a conscious effort to fight inflation by holding economic activity below the full employment level, the Chairman of the Council of Economic Advisers made the following progress report to this Committee at our midyear hearings:

First, at a minimum the rate of price increase, which had been rising, has stopped rising.

Second, some important measures indicate that there has been a significant decrease in the rate of inflation.

Third, although the evidence is less clear on this, the rate of wage increase has probably also stopped rising.

We agree that during the first half of this year the rate of inflation was somewhat less than the peak rate reached in early 1970. We hope this improvement will continue. Unfortunately, examination of the major price indexes does not offer any evidence of a continued slowing of the rate of inflation. Table 2 shows, for each of the latest 8 months available, the percent increase in three principal price indexes compared to the same month one year earlier. It can be seen that the Consumer Price Index improved through April, but the sharp increases in May and June have reversed this trend: The Wholesale Price Index worsened steadily through June, then improved in July due to a sharp drop in farm prices. The important industrial component of the Wholesale Price Index showed no change in its rate of increase through June but accelerated sharply in July. From February through July wholesale industrial prices showed the sharpest 6-month rise since 1957.

Mr. President, I ask unanimous consent to have printed in the RECORD the table showing the change in prices.

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

TABLE 2.—SELECTED PRICE INDEXES

Percent increase during 12 months ending—	Consumer Price Index	Wholesale price index	Wholesale industrials
December 1970	5.5	2.3	3.6
January 1971	5.2	2.3	3.6
February	4.8	2.8	3.5
March	4.6	2.8	3.6
April	4.3	3.1	3.7
May	4.4	3.4	3.6
June	4.5	3.6	3.7
July	(1)	3.3	4.1

1 Not available.

Mr. PROXMIRE. Mr. President, to continue reading:

It is clear that the Council of Economic Advisers still regards inflation as a serious danger, for the Chairman also stated in his testimony:

The Administration's rejection of a policy of further economic stimulation reflects the belief that we cannot temporize with the inflation problem * * *.

The Chairman of the Federal Reserve Board was even more pessimistic about the price outlook. He summarized the situation this way:

I wish I could report that we are making substantial progress in dampening the inflationary spiral. I cannot do so. Neither the behavior of prices nor the pattern of wage increases as yet provides evidence of any significant moderation in the advance of costs and prices.

Many of the private witnesses who testified at our recent hearings expected that the rate of inflation will still be between 4 and 5 percent in mid-1972. Thus, despite the enormous costs we have paid in terms of output and employment, the rate of inflation is just about where it was 2½ years ago, and only modest improvement, at best, is anticipated during the next year.

This was written before the President made his dramatic speech on August 15.

Continuing reading:

THE NEED FOR A NEW APPROACH

Since a policy of reducing inflation by increasing unemployment has now been attempted for more than 2½ years—at such enormous cost and with such meager results—we are puzzled that the Administration continues to advocate more of the same. The Administration recommends no further action to increase employment because to take such action would, in the Administration's view, interfere with progress against inflation. The Joint Economic Committee emphatically rejects this "do nothing" approach. Other policies to control inflation are available. They should be tried.

So, Mr. President, when the President announced his dramatic turnabout, the change—we certainly applauded the idea behind it and warmly supported the freeze which again as I say there is plenty of room for criticism of the phase II policy.

Then we say this:

The effort of the past 2½ years to control inflation by increasing unemployment has been a failure. Such an approach, by itself, offers no hope of success in a modern economy characterized by large areas of monopoly and imperfect competition. Monetary and fiscal policy should be conducted in a way that quickly restores and then consistently maintains a full employment level of economic activity. Simultaneously, inflationary psychology must be broken and price increases brought under control by the immediate adoption of a vigorous and comprehensive incomes policy.

AN INCOMES POLICY IS ESSENTIAL

The Administration has candidly admitted their concern over the danger of continued inflation. Both official and private witnesses have especially stressed the role of inflationary expectations in driving up interest rates, discouraging business investment, and weakening consumer confidence. Yet the Administration continues adamant in its refusal to adopt the one policy approach which, in our judgment, would dampen inflationary expectations and create an atmosphere in which full employment could be restored without creating new inflationary pressures.

In a modern full employment economy reasonable price stability can be consistently maintained only if the Government assumes responsibility for specifying the rates of price and wage increase that are in the public interest and for insuring that these rates are not exceeded. We do not believe that compliance with such a policy will necessarily require legal compulsion. That is, price controls are necessary. If price and income guideposts are applied fairly and on a comprehensive basis, labor and management will cooperate. An informed public opinion will exert a powerful influence to help achieve compliance. In addition, the Government, through its important role in the economy as a regulator and as a purchaser of goods and services, has a great deal of existing power to encourage compliance.

We do not mean to imply that there will be no difficulties in establishing a comprehensive incomes policy or that results will always be perfect. Of course there will be mistakes and setbacks. It may be many years before we fully succeed in combining price stability and full employment. But the Nation will be much better off with an incomes policy than without one. Such a policy can make an immediate, significant contribution.

My point is that the administration went from a position of opposing anything but monetary and fiscal policy attempts to break inflation by following policies that would increase unemployment and slow down the economy. It went from that to the most drastic and comprehensive kind of compulsory controls of everybody's wages and prices. We submit that there is a middle road, a road that makes sense, an incomes policy road that has been advocated by the overwhelming majority of economists who have appeared before our committee, a road that has been tried with some success and with some failure, but at least we have the benefit of some experience with it in other countries. Instead, the President has selected the most extreme kind of route.

The committee goes on to say:

We are fully aware that one can easily find historical cases where incomes policy has not worked. The historical record in this country and abroad is valuable. We should study it carefully and attempt to learn from past mistakes. We stress that one can find successes as well as failures. Guideposts served this country well in the early 1960's.

From 1962 to 1966 we had the kind of income policy that I am talking about. We had a voluntary wage guideline of 3.2 percent. It succeeded in holding inflation between 1 and 2 percent for that 5-year period. We had, as a matter of fact, stable wage costs for manufacturing. Ours was the only major country in the industrial world that had 5 years of stable wage costs. I think that is a record of real success. It was not a comprehensive, across-the-board wage-and-price control on everything and everybody, but it hit where it was needed and enabled the President to focus his attention on the monopolistic areas of the economy, both with respect to labor and with respect to industry, and to do it in a way which worked, and worked effectively. I continue to read:

They should not have been abandoned in 1967. The country has paid dearly for their abandonment and for the failure of two successive administrations to reinstate them.

In short, we reject the Administration's contention that incomes policies "won't work." It is the policies presently being followed which are a failure. Monetary and fiscal policy, unaided by incomes policy, cannot come to grips with inflation. Effective incomes policies can and must be established. The alternative is to abandon our goal of combining full employment with reasonable price stability. Obviously that alternative is not acceptable.

As we have repeatedly recommended, specific quantitative price and income guideposts should be established, and a board should be created to collect and publicize price and income data and to administer the guideposts. This should be done without further delay.

If, in the President's judgment, a temporary price-wage freeze would facilitate the introduction of a comprehensive guidepost policy, Congress has given the President clear authority to impose such a freeze.

This is what we propose. As I said, this report was written two weeks before the President spoke on August 15. Actually the printing date was August 16. We proposed the freeze that the President adopted. We did not propose, however, the kind of comprehensive phase II which is going to be a source of great unhappiness and difficulty for businessmen and confusion among consumers. My view, it is likely to slow the economy very seriously. The report went on to say:

Much valuable time has already been lost. As the Chairman of the Federal Reserve Board told this Committee:

I think a wage and price review board, had it been instituted a year or two ago, would have been more effective than it is likely to be today * * * but I will still try it. I think the effort is worth making. Then, we know where we stand.

As a result of this delay in establishing an effective incomes policy, an important lesson has been learned. There is now widespread recognition that incomes policy must be a regular part of overall economic policy. Business, labor and the public are ready to support such a policy because they recognize its necessity. There should be no further delay.

As I say, there are defects and shortcomings, undoubtedly, in this kind of incomes policy, and I am not proposing that an entirely voluntary program be put into effect in the economy, but to zero in on those areas of the economy where there is monopoly power, and where we have a record of prices being increased regardless of the competitive or the demand and supply situation. That would apply to both labor and management; it would also apply in the construction industry; it would apply in the health services area; it would apply in other areas where there is a shortage of resources.

The confusion and weaknesses of the present program, I think, were very well demonstrated in an article published late last month in the Wall Street Journal. The article, written by Albert Hunt, said this about phase II:

The Phase II guideline on wage increases is 5.5%, but coal miners have been granted increases of 15%. The Phase 2 guideline on price increases is 2.5%, but two steelmakers yesterday were granted increases of over 7% on tinplate products.

All of which raises a question: Is there a Phase 2?

On paper, there certainly is a governmental effort to control wages and prices. And the men who have been designated to effect these controls insist they will hold down pay and prices. So far, however—and admittedly the evidence is still slim—there has been a conspicuous gap between promise and performance.

The wage and price regulators concede that they have allowed some, and may allow more increases far in excess of the guidelines that President Nixon laid down when the 90-day freeze on pay and prices ended in mid-month. But they insist there are legitimate reasons for granting each of these "exceptions." And they acknowledge that to outsiders it may look as if there is no Phase 2 at the moment. But, they say, wait till next year.

Let me just interrupt the reading of the article to comment that the administrators themselves say, "Wait until next year." That is exactly what I am asking the Senate to do. The present law does not expire until April 30; yet we are being asked to pass the bill in the next couple of days, send it over to the House, where it will sit on the table, be called up without going to committee, and be passed by Congress this week.

I submit that when the regulators themselves say we have not seen anything yet; that we are going to have an entirely different pattern of enforcement; and that when they have not yet revealed what the program is, Congress ought to wait. What is the hurry? The President will have the power in December. He will have it in January, February, March, and April. The time to act upon this proposal is next year, when most of the people who are administering the program itself say we will have a far clearer picture of how it is operating.

I continue to read from Mr. Hunt's article:

The regulators' reasoning: The current big pay increases are being allowed to unions whose wages had been lagging, for one reason or another. The current big price increases are being allowed to corporations that had been hit with big cost increases. These "exceptions" will help get everything back in line. And when everything is in line, then the

government can enforce the wage and price guidelines across the board.

But officials admit there could be problems next year, too. For instance, although the ceiling for new contracts is supposed to be 5.5%, the regulations include what one Pay Board member calls an escape clause. In it, the Pay Board promises to consider "ongoing collective bargaining and pay practices, and the equitable position of the employes involved." Interpretation of this could lead to wrangles far into the future. One insider predicts that many union negotiators will claim a historical relationship to other contracts signed by rival unions before the freeze and thus will continue to seek much more than 5.5% to retain parity.

What's more, the Pay Board has allowed wage increases above 5.5% that were negotiated prior to the freeze but that were scheduled to take effect later. And one member of the Pay Board says he believes most of these so-called deferred raises will continue to be allowed next year, as long as they don't top 8%.

In addition, many merit increases larger than 5.5% apparently will be allowed at firms that have given them in the past.

The Price Commission might prove to be tougher than the Pay Board, insiders say, but so far the price regulators are tougher only in words. Besides allowing the tinplate price increases yesterday, the commission has authorized some rent increases of up to 7.5% and has indirectly condoned some sharp increases in utility rates. In New York, for instance, 1.3 million customers of the Consolidated Edison Co. yesterday were hit with increases of 12% to 12.5% in the price of gas.

So far, in fact, neither the Price Commission nor the Pay Board has turned down or nullified any future increases in wages or prices. Administration officials emphasize, however, that so far they have acted on only a handful of cases, and they insist tougher stances are ahead.

Incidentally, since that was written there was a turndown. The Bassett Co. asked for a 1.8-percent price increase. They did not submit productivity data. They are going to come in with something.

The article goes on, but I wish to say that one of the most disturbing aspects of this operation is the tremendous authority that this bill gives the executive branch. I believe this is something all Senators should be sensitive to and aware of.

We have had a great deal of testimony before the Committee on Banking, Housing and Urban Affairs and the Joint Economic Committee with respect to this great power. One of the unfortunate erosions and shifts of power in our governmental system in the past few years has been to the executive and away from the legislative branch. Certainly, this is understandable when we have a military situation or a foreign policy situation, but where we have the economy as the issue it seems to me the legislative should be particularly careful about giving power to the President, power he does not have to have. One witness said that in this bill we do not just give him the ball game but we give him the whole ball park.

In this case a great deal of power is given to the 22 men on the Pay Board. There has been a great deal of testimony that these are private people. Only the Chairman of each board is a public employee. None of the others are public employees. They only work on a per diem basis. They receive $149 each day they work. However, Mr. Grayson said he expected them to be in session over 1 or 2 days a week. They can go about their business and work when they wish.

George Meany, in my opinion an able and competent man, is the head of the AFL–CIO. He is a private person. He is one of the 15 people with principal power on the Pay Board. This is true of all industry employees. They are full-time executives for some of the biggest corporations in the country. The public members, except for Judge Boldt, are private citizens, yet they are given a tremendous amount of public power.

EXCESSIVE POWER TO THE EXECUTIVE BRANCH

The bill should be modified or scrapped because it gives far too much power for far too long to a group of 22 men who were neither elected to any office or confirmed by the Congress.

I agree entirely with the earlier testimony of Chairman Arthur Burns of the Federal Reserve Board that the powers are "dictatorial" and should be reviewed at short intervals. We should wait to see how the program works before extending it 17 months.

The coverage of the program is excessive. The Government is regulating everything from General Motors to your babysitter. Coverage must be limited either to the big companies and big unions who are able to raise their prices and wages because of their economic power, or a vast army of enforcement officers must be hired. The latter is both impossible and undesirable in peacetime. Instead, we have universal coverage with little enforcement. This is the worst of all worlds.

Under our constitutional system of checks and balances, Congress has a historic responsibility to guard against an unlimited assumption of power by the executive branch. The original economic stabilization legislation submitted by the President demonstrates the ingrained tendency of the executive branch to centralize power unto itself with a minimum of restraints by the Congress or the judiciary. For example, the administration bill enabled the President to issue orders controlling prices and wages "as he deems appropriate" with virtually no statutory definition as to what was "appropriate." An exemption from most of the provisions of the Administrative Procedures Act was requested, and the power of a Federal district court to provide injunctive relief was abridged. Consumers were not given explicit authority to bring civil actions. The President was authorized to abrogate wage contracts. The administration bill was clearly overreaching in its request for unlimited Executive power and the committee quite properly modified those powers so that they are more in accord with our traditional constitutional and legal system.

But the bill still gives the President dictatorial powers to decide whom he will control, how much to control them, and what groups are to be exempt. There are neither standards nor constraints in the legislation.

Neither the executive branch nor the Congress are immune to error. However, under our system of checks and balances, the errors of one branch can be corrected by the other. During recent years, Congress has shown a better track record on economic policy compared to the executive branch. For example:

For nearly 2½ years, the administration clung to its increasingly unviable economic game plan despite repeated criticism in the Congress from both parties that some kind of incomes policy was needed. Congress was right.

The administration insisted that the price and wage control authority enacted last year at the initiative of the Congress would never be used despite congressional arguments that a temporary freeze might be necessary. Congress was right.

Once the administration reversed its position on a wage-price freeze, it submitted a revised Economic Stabilization Act which contained virtually no standards or meaningful safeguards despite congressional criticism that a more carefully drawn statute was needed. Congress was right.

If the executive branch has been so wrong before on economic matters, is there any reason to assume it will suddenly change and operate the phase II program without any mistakes which will need correction by the Congress? On the basis of the past record, it is highly unlikely that phase II will operate trouble free. It is, therefore, most unfortunate that the committee chose to extend the Economic Stabilization Act for an additional 12 months beyond the current expiration date of April 30, 1972. In so doing, the committee in effect, gave up the possibility of reviewing the program next spring at a time when congressional participation is likely to be an urgent necessity.

The phase II economic program is a profound departure from our free enterprise system. For the first time in our history we have authorized price and wage controls in peacetime. We have given sweeping powers to the President to control all segments of economy—from General Motors to babysitters. He has chosen to delegate much of those powers to men who have not even been confirmed by the Senate and many of whom represent private rather than public interests. The country is confused and uncertain about the phase II program. No one fully understands the initial guidelines published by the Pay Board and Price Commission. The financial community is skeptical about the program as evidenced by the drop in the stock market. In the face of all these uncertainties, it is wrong to give the President such broad powers for 17 months without the need for an earlier congressional renewal.

Last spring, when Congress was considering an extension of the Economic Stabilization Act, Arthur Burns, Chairman of the Federal Reserve Board, termed the wage and price control powers as "dictatorial." He recommended the act be renewed for only very short periods of time—preferably for 2 months, but certainly not longer than 6 months. Chairman Burns was right then and his advice of last spring is even more right today. It is unfortunate, but perhaps understandable, that Chairman Burns has backed away from his earlier position

now that the President has committed his prestige to a 12-month extension of the Stabilization Act. But whatever his reasons today, Chairman Burns' testimony of last spring stands as an eloquent warning of the dangers involved in an unlimited delegation of power to the President.

In supporting a 12-month extension, administration spokesmen have argued that Congress can always conduct hearings and receive reports on the program and amend the act if necessary and thereby discharge its oversight responsibilities. Such an argument must surely have been made with tongue in cheek. It demonstrates the patronizing and somewhat arrogant attitude which administration officials seem to have with respect to Congress. The only meaningful power Congress has is its power to renew the Stabilization Act. Once we surrender this power, we have very little control left.

Repeated congressional hearings did not change the administration's disastrous economic game plan—the President appears to have reversed himself only when his political advisers discovered he was slipping in the polls. Congress could always amend the Stabilization Act but this is unlikely for a number of reasons—the press of other business including the pressures of an election year are likely to divert attention; any modifications strongly opposed by the administration can be delayed by a willful minority; any legislation which does survive can be vetoed by the President. Congress will retain the leverage to effect meaningful changes in the phase II program only if it is faced with the necessity for renewing the Stabilization Act next spring.

There are some who feel that Congress should give the President everything he wants so he can be saddled with the entire blame if the phase II program does not work. Rubberstamping the President's program is poor policy and bad politics. The Congress should not abdicate its constitutional responsibility on the most important piece of economic legislation in the last 10 years. Moreover, if the program fails, the public's wrath is likely to be directed not just against the President but against all incumbents and especially those who uncritically accepted the President's phase II program.

About the only argument which the administration could muster in favor of a 12-month extension is that it is needed to prevent public uncertainty about the duration of the program. The public is, indeed, uncertain. But the uncertainty is not about the expiration date but about what the Pay Board and Price Commission will do. The public knows the Congress will extend the Stabilization Act next April if inflation has not been checked. Congress itself took the initiative by passing the original Stabilization Act over the President's objections and it is inconceivable that Congress would refuse to extend the act if it were needed to fight inflation.

The real reason for requesting an extension of the Stabilization Act 6 months ahead of schedule is apparently to avoid criticism of the President's program during an election year. While one can sympathize with this desire, it hardly qualifies as a legitimate reason for excluding congressional participation on a subject as important as the phase II economic program.

The phase II economic program extends sweeping and unprecedented controls over a free economy without the pressures of a large-scale war. No one knows if the program will work. If it fails to stop inflation, it is entirely possible that far more repressive controls will be imposed by Presidential edict—a phase III much tougher than phase II. Given a 12-month extension, any decision about phase III is left entirely up to the President. He does not have to come back to the Congress if he decides more drastic measures are warranted.

There are a number of serious questions about the fairness and workability of the phase II program. It is too early to obtain definitive answers to them. However, by next spring we should have enough information to decide whether modifications to the program are needed. We should not give the President a blank check for 12 more months beyond the April 30, 1972, expiration date until we know what we are doing.

One of the major controversies is over the scope of the phase II program. There seems to be an imbalance between the numbers of enforcement personnel and the territory covered by the program. The phase II controls extend to over 10 million business firms from the giant corporation to the corner grocery store. How can 3,000 agents from the Internal Revenue Service police 10 million business firms? Either a much bigger bureaucracy will be required or vast sectors of the economy will have to be decontrolled. Whichever direction the program takes has important consequences for the economy and Congress should certainly participate in making the decision. However, by extending the Stabilization Act for another year, the power to decide is given to the President.

Mr. President, I wish to spend a minute or two on the testimony of Dr. Arthur Burns, because he is very highly respected by all Members of the Senate and throughout the country as an extraordinarily able economist and a very wise public servant. He testified both ways on this matter. He testified first that we should not extend legislation of this kind and later he testified that we should. I submit that when he testified the first time, the President's position was not known, and it was not known if the President would favor extension of this type power or not. The second time he testified the President's position was known. Dr. Burns at that time complied with what the President requested.

In testimony before the Joint Economic Committee in January of this year, Dr. Arthur Burns, Chairman of the Board of Governors of the Federal Reserve, told the Congress that it was granting the President dictatorial powers in the Economic Stabilization Act. He cautioned the Congress against extending this authority for a long period of time:

> Let's put it a little differently: You are giving too much power to the President under this legislation. You are giving the President virtually dictatorial power. Do you really want to give any man that much power? That worries me. I can see some advantages, and you have pointed them out. I have considered them, and I do not dismiss them lightly.
>
> But let me say this: If you do give this power to the President, if you do extend this authority beyond March 31, I hope you will do so only for a very brief period, because you will be giving dictatorial powers to the President, and you ought to do that with the greatest of caution.

As I say, it is hard to imagine powers with respect to our domestic economy that would be greater than the powers we are giving the President. It cannot be argued he needs them to combat a foreign foe or in connection with delicate international relations or diplomacy. This is an area where Congress should insist on granting power very carefully and the distinguished Chairman of the Federal Reserve Board testified it is best we give that power for a short period of time, certainly not for the 17 months we would provide here.

One of the most fascinating and controversial figures on the public scene today is the head of the AFL–CIO, George Meany. He testified before the Committee on Banking, Housing and Urban Affairs.

I should say his testimony which was read to the Committee on Banking, Housing, and Urban Affairs. The testimony was delivered by Mr. Andrew Biemiller, legislative representative of the AFL–CIO. I should like to read briefly from that testimony because it pertains to the very point I am making. Mr. Meany said:

> We do not agree with the Administration or some editorialists who contend Congress should "rubber stamp" this legislation. . . .
>
> Congress would abdicate its role if it agreed to Section 12 of the Administration's proposal which would amend the present law to provide that the Act shall expire on April 30, 1973, rather than May 1, 1972.
>
> This so-called "Phase II" should be tested by actual operation. Until that test, it would be a serious mistake for the Congress to extend the President's authority for one day much less one year.

This is exactly what I have been pleading for ever since I started speaking today—that we should find out how it is going to operate. There is no hurry for renewal of the act. The act does not expire until April 30, and we have no idea how the policies of the Pay Board or of the Price Commission are going to operate. To date they seem soft. They may be entirely different next year. If they proceed along the present lines, perhaps we should change the makeup of the two boards. If they become tougher, it may be that the Congress should take other considerations. At any rate, for us to abdicate our authority and walk out on it makes no sense.

Mr. Meany goes on to say:

> Congress must preserve the requirement that the Administration return to the Congress for further authority after the new program has been in effect for a reasonable length of time. This would emphasize Congress' determination to provide continuing legislative oversight.

He goes on to say:

> But in one fell swoop, Congress is asked to approve, ratify, and confirm these decisions as they relate to teachers, as well as the hundreds of other decisions the Cost of

Living Council has made. To do this without studying and approving or rejecting each one individually would be improper.

This is another example of the unfortunate elements of the legislation. As it came from the Treasury, it provided that we would ratify, by passing this legislation, all of the acts of the administration during the freeze; that we would find them lawful and proper. Fortunately, the committee deleted that provision. Certainly it was wise in doing that. This is another reason why the proposals of the administration should be subject to careful scrutiny, and it takes time to provide that kind of scrutiny.

The chairman of the AFL–CIO proposed:

1. The Congress should establish the procedural framework for a program of price control.

If there is to be a price control program, then Congress must provide an effective system for setting price standards, detecting price changes and for apprehending and punishing those who violate the law.

I say, if anything is obvious, it is the fact that the present policies being set by the Price Commission are absolutely unenforceable. Gardner Ackley's observations on this makes a great deal of sense.

Mr. Meany says further:

Section 3 of the Administration's proposal provides that all members of the Pay Board and Price Commission shall be designated by the President acting alone. We feel this is unwise and potentially dangerous.

In 1952, when Congress amended the Defense Production Act of 1950, it provided that all members of the tripartite Wage Stabilization Board be appointed by the President by and with the advice and consent of the Senate.

It is commonly recognized now, as it was in 1952, that the provisions in the U.S. Code designed to protect against conflicts of interest are not, and could not apply to the non-full-time members of the Pay Board and Price Commission.

Moreover, it should be pointed out, that there is a potential for Presidential action to stack these agencies against particular groups. It is manifest, therefore, that at least the public members be subject to the Senate's approval. Senate confirmation would permit disqualification of a nominee encumbered with potential conflicts and assure that these agencies are staffed by a representative cross-section of informed and truly neutral public servants.

The legislation that is now before the Senate does not provide for confirmation of the members now on the board. It provides for confirmation of new members, but, as I pointed out, it is hoped that there would not be such a long period in the life of the board that we would have to have many new members. Those on it at the present time should be the ones we are concerned with. They have not been subject to public debate and consideration, and they probably have greater power than Cabinet officers, far more than that of second lieutenants, for whom Senate confirmation is required.

Mr. Meany concludes:

We do not believe the Congress should be stampeded into hurried, ill-considered action. The Pay Board and Price Commission have already begun their preliminary work and would not be delayed by careful congressional consideration of the many pitfalls and failings of this legislation.

We do not believe the Act should be extended until the stabilization program has proven it is working.

Mr. President, one of the most impressive witnesses which the committee heard was former counsel for OPA, an extraordinarily able man, Mr. David Ginsburg, who is an attorney here in Washington. As I have said, he has had great experience in economic stabilization and is a very able lawyer. I think all of the committee members who were present when he testified both before the Joint Economic Committee and the Banking, Housing and Urban Affairs Committee, felt he was one of the most valuable and useful witnesses we had. Here is what he had to say about the bill:

The Economic Stabilization Act of 1970 and the proposed amendments in S. 2712 call for more comprehensive restraints and offer fewer safeguards than any comparable legislation that I have seen come before the Congress.

The CHAIRMAN. Without objection the opinion will be printed in the record (see p. 132).

Mr. GINSBURG. The court concluded, and I am quoting, "that the rule of law has been beleaguered, but not breached."

My point, and I hope this committee will agree, is that the rule of law should be observed and safeguarded.

I have certain specific suggestions to make.

The uncertainty that oppresses the country today is uncertainty as to what the Pay Board and what the Price Commission will do. This is central; this is critical—not the provisions of this legislation, or whether the act will be extended.

In these circumstances, I should have thought that the wiser course for this committee would be to defer consideration of the bill until such time as the Price Commission and the Pay Board have acted. At that time you would have before you a concrete set of actions and standards which the committee and the Congress could consider, and determine then whether they should be incorporated into the law.

Does not that make sense? What is wrong with knowing what these agencies are going to do? The only reason I can imagine for passing this bill now is that we want to get out of here and next year we do not want to be bothered with it. We do not want to have to work on it in January, February, March, and April. I have not heard a single argument with respect to the public interest except the contention that it would cause uncertainty if we acted on it next year. It is perfectly apparent the uncertainty we are faced with is the uncertainty as to what the pay board is going to do and what the Price Commission is going to do. I have not obtained a single letter or received a single telephone call from a businessman or consumer arguing that we have to have the law now. The uncertainty arises from what is going to happen with respect to wages and prices. Mr. Ginsburg makes all the sense in the world when he says:

I should have thought that the wiser course for this committee would be to defer consideration of the bill until such time as the Price Commission and the Pay Board have acted. At that time you would have before you a concrete set of actions and standards which the committee and the Congress could consider, and determine then whether they should be incorporated into the law.

Obviously, their actions, as they themselves said—and it was said over and again—should not be judged on what they did with respect to the coal wages. That was an exception, they said. They were going to adopt an entirely different policy for the future. Why not wait until next year to see what they do. As Mr. Ginsburg says:

The question I'm raising is whether, 6 months before the law expires, and before this committee knows what standards and regulations these various boards and commissions will adopt—whether at this stage the committee should act.

The Senator from California (Mr. CRANSTON) asked Mr. Ginsburg this question:

Is it your feeling that the President has all of the authority he needs to do what he desires to do now without any action by the Congress?

Mr. Ginsburg said:

The operative word, Senator, in your question is "now", and the answer, unquestionably, is yes. He has full authority to proceed at the present time under existing law.

This is not just the opinion of the Senator from Wisconsin or the Senator from California; it is the opinion of the man who served as counsel for the OPA. I think he has the respect and the admiration of many Members of Congress, and many others. He is a real expert in this very difficult area.

Then he goes on to say:

Legal authority is vested in one man, the board chairman.

This is the point that I have tried to make before the Senate. It is vested in Mr. Jackson Grayson in this case.

Mr. Ginsburg says:

Yet prices, for example, are set by seven men. Do the other six not exercise legal power? Aren't their votes required to fix prices and price policies? On the Pay Board the Chairman is one member out of 15.

The question I am raising is fundamental. You spoke, Senator Sparkman, a moment ago, of possible questions of legality. I see a major question of legality here, where legislative power is proposed to be delegated to a private group. This brings to mind visions of corporate statism and a syndicalist philosophy.

Mr. President, one of the arguments that have been made here is that we have to extend this legislation beyond April 30, or there will be great uncertainty as to whether we are going to have controls past that time, and it will be hard for businessmen, consumers, and others to make plans. The distinguished senior Senator from Texas, the ranking minority member of our committee (Mr. TOWER), made a statement to that effect earlier in the day, in speaking in behalf of the legislation.

Mr. President, it appears that the administration feels differently about this. Apparently they feel that they may well begin to phase out a part of the program.

It seems to me that such uncertainty could lead to considerable confusion. For example, the Wall Street Journal reports, in an editorial within the last couple of days:

It is comforting to know that administration officials are at least beginning to think of phasing out Phase 2. According to Treasury Secretary John Connally, "we should be able within a year to cast off many, if not all, the stabilization controls."

That means less than a year, and it is proposed that we extend this program for 17 months.

The editorial continues:

Controls at the most produce only a superficial sort of stability. Underneath the disruptive forces persist, and curbing them will require something other than governmental economic restrictions.

So it is clear that the administration at least feels that it will phase out these controls, as indeed I think it should. But if it is a matter of uncertainty, why are not the consumer and the businessman in exactly the same situation whether Congress acts this year or not, especially when the administration itself says it expects during the course of the year to schedule phase outs?

I can imagine in February the President will perhaps phase out the State and local workers, and all the teachers in the country will come out from under the control system. About May or June, maybe earlier, the administration will phase out small businessmen. In September or October, a few weeks before the election, practically all workers and maybe 90 percent of the economy will be out from under controls.

I think that may be a wise course of action. What I am saying is that under these circumstances, it seems to me Congress ought to seriously consider whether it is wise or necessary for us to include many of these groups in this program, when there has been no case at all made that they contribute to inflation, and when the case has been overwhelmingly documented that we can pinpoint the sources of inflation to the big unions, the big companies, a few areas of limited resources such as the health area, and, in the area of construction particularly, where we have such an imbalance between union power and management power.

Mr. President, the Wall Street Journal also reported on decisions that have recently been made by the Price Commission that seemed to be away out of keeping with any kind of effective stabilization program.

For instance, on November 26, it reported as follows:

. . . . top executives of U.S. Steel will meet separately with one of the commissioners, presumably to discuss prospective price boosts for the industry's key sheet products.

These sessions, insiders concede, are the most important in the commission's short life. "We're dealing with the price leaders and that's where we'll have to be tough," says one commission official.

The commission on Wednesday approved a 4.5% increase for Chrysler Corp., which the company later trimmed to about 3% for "competitive" reasons.

Indicating that the regulation, of course, was either too high or that it was unnecessary because in that case the competitive forces were what was by far more effective.

Mr. President, one of the most competent economists in this area is George Perry, of Brookings Institution. He recently wrote a very interesting monograph entitled "After the Freeze." It is one of the Brookings Papers on Economic Activity.

This is a very brief article by Mr. Perry, and I should like to read from it because it indicates some of the very great difficulties that are involved in the present course. Perry says:

I don't think anyone in the administration is contemplating a permanent, comprehensive set of controls. And it is certainly not the program that I am prepared to defend or that most economists who favor an incomes policy of some sort have in mind. What is relevant is a middle-of-the-road program that can be adopted after the ninety-day freeze. Whether the middle road on incomes policy can work depends on the environment it has to work in. My view of the environment is different from Poole's. In the sand, the egg stands on its head very easily.

Recently I wrote about structural changes that have led to a deterioration of the trade-off between inflation and unemployment.[1] There I developed measures of labor market tightness that took account of these changes and showed that labor markets had been extremely tight during the 1966–69 period. An inflation model based on these measures explained the rapid increase of wages and prices over this interval and through the first half of 1970. But even the structural changes identified there do not account for the rate of inflation the United States has been suffering recently. Labor markets are not tighter now than they were in 1965, even by my measures. Operating rates are not higher now than in the early 1960s. There is no way today's inflation can be seen as a result of tight labor markets or excess demand in product markets; these conditions exist in only a few isolated sectors of the economy. Nor can today's inflation be explained by the weight in the wage index of long-term wage settlements that are still catching up for past inflation, although these headline makers may have important indirect, demonstration effects.

Although the concept lacks theoretical elegance, I am persuaded that inflation is now perpetuated to an important degree because of high "habitual" rates of wage and price increase. Although we conceal a lot of our ignorance about the inflation process when we employ past changes in wages or prices to help explain the present, we have to attribute a large impact to recent experience in order to explain today's situation. But the present rapid wage increases need not imply that shifts have occurred in some well-defined labor supply curve that would lead to a model of accelerating inflation. I see no evidence for this interpretation and choose the description "habitual" to emphasize this. If this habitual situation in wages setting is interrupted, there need be no consequences for real output and employment. I am offering a treadmill explanation of the present situation. A middle-road incomes policy is designed to get us off the treadmill, down to a lower habitual average rate of wage and price increase.

If the nation can emerge from the ninety-day freeze with a deescalation policy aimed at wages and prices broadly but, in practice, enforceable only in labor and product markets where market power is considerable, I would expect favorable results and only small costs.

This is precisely what I have been arguing. We ought to recognize where the inflation problem is and zero in on it.

To opt for this kind of program is not to imply that oligopolistic industries and powerful unions are the main cause of the inflation. But they are a good place to concentrate an incomes policy for several reasons.

If we are to slow down the treadmill, highly visible price and wage situations are the one place in which the government can call attention to the new rules and show it means business. This kind of demonstration should help reduce the present "habitual" rate of price and wage increases in other sectors as well. I would expect weak markets over a long enough period to do it too. But that seems to be a long and costly process.

Furthermore, while these concentrated sectors did not give birth to the inflation, they have been an important factor in keeping it so healthy. Having been late to get started and having finally caught up, they are unlikely, of their own accord, to lead the way down toward price stability. That is not what union members pay their dues for. I find it somewhat contradictory that the same observers who doubt that such a limited incomes policy could work frequently stress structural changes to diminish market power among concentrated industries and unions as a longer-run inflation cure.

Finally, I want limited and flexible controls because I do not want more. A price-wage board can hope to exercise control in these visible sectors and do so in a fairly flexible way. They can consider ten appeals a month with some care. They cannot sensibly monitor prices and wages everywhere. I am against comprehensive controls just as Poole is and for the same reasons. The initial ninety-day freeze is short enough—and voluntary enough—to pose no serious problems of efficiency. It may have been the best way to start off. But I want to emerge from it with a limited and flexible system.

Mr. President, I ask unanimous consent to have the article printed at this point in the RECORD.

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

[Brookings Papers on Economic Activity, 2: 1971]

AFTER THE FREEZE

(By George L. Perry)

William Poole has offered a model of incomes policy that is like balancing an egg. The policy can be far too oppressive—the egg falls left; or it can be totally ineffectual—the egg falls right. Finding a middle approach for policy that works is like trying to stand the egg on its head: It's clearly unstable and can't be done.

I don't think anyone in the administration is contemplating a permanent, comprehensive set of controls. And it is certainly not the program that I am prepared to defend or that most economists who favor an incomes policy of some sort have in mind. What is relevant is a middle-of-the-road program that can be adopted after the ninety-day freeze. Whether the middle road on incomes policy can work depends on the environment it has to work in. My view of the environment is different from Poole's. In the sand, the egg stands on its head very easily.

Recently I wrote about structural changes that have led to a deterioration of the trade-off between inflation and unemployment. There I developed measures of labor market tightness that took account of these changes and showed that labor markets had been extremely tight during the 1966–69 period. An inflation model based on these measures explained the rapid increase of wages and prices over this interval and through the first half of 1970. But even the structural changes identified there do not account for the rate

[1] George L. Perry, "Changing Labor Markets and inflation," *Brookings Paper on Economic Activity* (3:1970), pp. 411–41.

of inflation the United States has been suffering recently. Labor markets are not tighter now than they were in 1965, even by my measures. Operating rates are not higher now than in the early 1960s. There is no way today's inflation can be seen as a result of tight labor markets or excess demand in product markets; those conditions exist in only a few isolated sectors of the economy. Nor can today's inflation be explained by the weight in the wage index of long-term wage settlements that are still catching up for past inflation, although these headline makers may have important indirect, demonstration effects.

Although the concept lacks theoretical elegance, I am persuaded that inflation is now perpetuated to an important degree because of high "habitual" rates of wage and price increase. Although we conceal a lot of our ignorance about the inflation process when we employ past changes in wages or prices to help explain the present, we have to attribute a large impact to recent experience in order to explain today's situation. But the present rapid wage increases need not imply that shifts have occurred in some well-defined labor supply curve that would lead to a model of accelerating inflation. I see no evidence for this interpretation and choose the description "habitual" to emphasize this. If this habitual situation in wage setting is interrupted, there need be no consequences for real output and employment. I am offering a treadmill explanation of the present situation. A middle-road incomes policy is designed to get us off the treadmill, down to a lower habitual average rate of wage and price increase.

In this environment, I cannot share Poole's misgiving about a middle-road incomes policy. He fears that a policy is enforceable only against large firms and unions would find controlled firms unable to meet the demand for some of its products. In this situation, he sees customers forced to switch their purchases to uncontrolled firms, and this development leading either to broader controls or their complete abandonment. In today's economy, would this really be a problem? Not only are markets not tight enough, but controls need not be so rigid.

I am not dissuaded by Poole's finding that, for nineteen out of ninety-eight product categories, wholesale prices rose more than 7 percent during the past year while average wholesale prices rose only 3.6 percent. Some of the nineteen were agriculture products, raw materials whose prices are set in world markets, or products fabricated from them. Some may have been industrial products whose price increases resulted from increased labor costs. We do know that the first-year cost of many wage increases was more than 3.4 percent above the average rate of wage increase. And we know that long-run productivity experience varies substantially among individual industries, so that any given change in hourly wage costs is translated into widely differing changes in standard unit labor costs. Thus Poole's reported dispersion in price behavior makes a good case for flexible controls and intelligent price guidelines. But it does not persuade me that suppressed excess demand would be a problem. We could, of course, create that problem for ourselves—say, by trying to hold the price of lumber in the midst of the current housing boom. But that straw man should not be the subject of discussion.

If the nation can emerge from the ninety-day freeze with a deescalation policy aimed at wages and prices broadly but, in practice, enforceable only in labor and product markets where market power is considerable, I would expect favorable results and only small costs. To opt for this kind of program is not to imply that oligopolistic industries and powerful unions are the main cause of the inflation. But they are a good place to concentrate an incomes policy for several reasons.

If we are to slow down the treadmill, highly visible price and wage situations are the one place in which the government can call attention to the new rules and show it means business. This kind of demonstration should help reduce the present "habitual" rate of price and wage increases in other sectors as well. I would expect weak markets over a long enough period to do it too. But that seems to be a long and costly process.

Furthermore, while these concentrated sectors did not give birth to the inflation, they have been an important factor in keeping it so healthy. Having been late to get started and having finally caught up, they are unlikely, of their own accord, to lead the way down toward price stability. That is not what union members pay their dues for. I find it somewhat contradictory that the same observers who doubt that such a limited incomes policy could work frequently stress structural changes to diminish market power among concentrated industries and unions as a longer-run inflation cure.

Finally, I want limited and flexible controls because I do not want more. A price-wage board can hope to exercise control in these visible sectors and do so in a fairly flexible way. They can consider ten appeals a month with some care. They cannot sensibly monitor prices and wages everywhere. I am against comprehensive controls just as Poole is and for the same reasons. The initial ninety-day freeze is short enough—and voluntary enough—to pose no serious problems of efficiency. It may have been the best way to start off. But I want to emerge from it with a limited and flexible system.

The circumstances behind the present inflation makes this a particularly favorable time for such a limited program. With excess demands virtually absent, it is hard to visualize significant misallocations arising from a wage standard that deescalated average wage increases to, say, a 5 percent annual rate. Why should we expect to see the steel companies, who are under scrutiny, lose workers to small, competitive firms who are not? Firms have been granting large wage increases because they have become the general pattern. If the treadmill slows, so does the wage increase that an individual firm must grant to meet its labor requirements. To raise wages faster than this, firms would have to behave irrationally just because they are not under the scrutiny of controls.

Of course, there will be some reallocations through changing relative wages, but they do not require today's average inflation rate. Resources were reallocated in the early 1960s with no loss of efficiency and with a stable price level. Nor need the resource transfer be a flow governed by wage movements in the uncontrolled sector alone. A flexible control system would permit promotions, competition for particular skills in short supply, and similar departures from any general rule.

Under a new incomes policy, I expect prices generally to be governed by costs and so to present no special problem. For the areas where market power is great, a price-wage board would monitor price movements. While excessive price increases in oligopolistic sectors are not the main cause of the recent inflation, there are reasons to guard against them: First, it is important to demonstrate an evenhanded treatment of wages and prices under the incomes policy; second, we want to ensure a prompt pass-through of cost moderation into prices; third, we want to avoid the occasional instance in which administered pricing might contribute independently to inflation. The biggest problems would come from a few sectors in which classical market power is not the issue but in which prices have been rising inordinately for special reasons. If allowed to continue, these increases would make cooperation under the incomes policy in other sectors more difficult. For example, medical costs have been rising rapidly. Here the government could slow price increases by using its control over the medicare and medicaid programs.

A more difficult problem for incomes policies arises when the economy expands more and markets begin to tighten. Even here, an incomes policy should be helpful, just as I believe the guideposts were helpful in their day despite their almost totally voluntary nature. What we see as a fairly gradual trade-off curve between inflation and aggregate market tightness arises, I believe, as an increasing fraction of only loosely connected individual markets grows tighter. Adjustments among the markets takes place continuously through changing relative wages and prices. As the fraction of tight markets grows, the price changes average out to be more inflationary. On this highly simplified view, an incomes policy that modified the absolute price increases in the tighter sectors could still permit the needed adjustments, but with less net price increase than now occurs. An incomes policy need not break down until a substantial part of the economy experienced excess demand and certainly not before markets grew much tighter than they are today.

If over the next year the price deflator for the private sector could be slowed to a 2½ percent rate of increase while real output grew at a rate that noticeably reduced unemployment, the policy would have been a clear success. Before the new initiatives, there was virtually no sign of slowdown in the inflation rate, and policy makers seemed inhibited from stimulating the economy to speed up real growth by the fear of worsening the inflation. Over the last four quarters, real gross national product grew only 2.2 percent. Even a doubling of that rate of expansion would merely have held unemployment rates near recent levels, and there was little sign that the expansion would be faster than that.

Since there are other papers in this volume dealing with whether a continued high rate of inflation is tolerable, I will not address the question of living with what we have versus trying to correct it. An incomes policy imposes some costs, so if inflation is really costless, we should not have one. But I take it for granted that policy will fight against a rate of inflation like the current one. This means the choice we face is between an incomes policy and letting our concern over inflation take the unemployment rate where it will. Poole's optimism that a "do nothing" policy will achieve a good result is hard to accept, not only because the result is not assured, but because the price of waiting for something good to happen is so high. I am not a sailor, and Poole is an expert, so it might be wiser to forgo his sailing analogy. Nevertheless, I always thought that on a serious voyage, sailors carried a small motor on board precisely so that they would not be at the mercy of the winds. The economic winds have not been blowing favorably, and a firm incomes policy seems a good way to stop our drifting for now.

Mr. PROXMIRE. Mr. President, one of the ablest economists, a man who testified before the Banking Committee on this matter, is Mr. James Duesenberry, who is a professor at Princeton University and a former member of the Council of Economic Advisers. Mr. Duesenberry noted that the rise in nonunion wages did not reflect labor shortages. It occurs because, with prices rising rapidly and big increases in the visible settlements, employers believe that the wages they pay must keep pace if they are to maintain their positions as good employers. He called attention to the

system of wage surveys used to establish nonunion wages. Banks, insurance companies, department stores, and even the Federal Government are granting wage increases on the basis of comparability, as determined by wage surveys. These wage increases would not have accelerated without tight labor markets. But after the market pressure evaporated, there was nothing to stop the process from continuing. In this situation, a standard for the visible, well-organized sector would result in a wage slowdown elsewhere in the economy as well.

That is another reason for holding down the program to those sectors where it is needed and where it can be effective.

Mr. President, I have not finished my remarks. I do have some additional remarks, but I will make them at a later time.

I understand that the Senator from Wyoming would like to call up an amendment and that he has unanimous consent to be recognized when I am through. With that in mind, I will yield the floor.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 9727) to regulate the dumping of material in the oceans, coastal, and other waters, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. GARMATZ, Mr. DINGELL, Mr. LENNON, Mr. PELLY, and Mr. MOSHER were appointed managers on the part of the House at the conference.

ECONOMIC STABILIZATION ACT OF 1971

The Senate continued with the consideration of the bill (S. 2891) to extend and amend the Economic Stabilization Act of 1970

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

Mr. TOWER. Mr. President, will the Senator yield for the purpose of a quorum call?

Mr. McGEE. I yield, with the understanding that I do not lose my right to the floor.

Mr. TOWER. Yes.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BUCKLEY). Without objection, it is so ordered.

AMENDMENT NO. 757

Mr. McGEE. Mr. President, I call up my amendment No. 757.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. McGEE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The text of the amendment is as follows:

At the end of the bill, add the following new section:

FEDERAL EMPLOYEE COMPENSATION

SEC. 3. Notwithstanding any provision of section 3(c) of the Federal Pay Comparability Act of 1970 (Public Law 91-656), or of section 5305 of title 5, United States Code, as added by section 3(a) of Public Law 91-656, and the provisions of the alternative plan submitted by the President to the Congress pursuant thereto on August 31, 1971, such comparability adjustments in the rates of pay of each Federal statutory pay system as may be required under such sections 5305 and 3(c), based on the 1971 Bureau of Labor Statistics survey—

(1) shall not be greater than the guidelines established for the wage and salary adjustments for the private sector that may be authorized under authority of any statute of the United States, including the Economic Stabilization Act of 1970 (Public Law 91-379; 84 Stat. 799), as amended, and as may be in effect on December 31, 1971; and

(2) shall be placed into effect on the first day of the first pay period that begins on or after January 1, 1972.

Nothing in this section shall be construed to provide any adjustments in rates of pay of any Federal statutory pay system which are greater than the adjustments based on the 1971 Bureau of Labor Statistics survey.

Mr. BYRD of West Virginia. Mr. President, would the Senator from Wyoming like to ask for the yeas and nays on his amendment?

Mr. McGEE. Yes. I thank the Senator.

Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

UNANIMOUS-CONSENT AGREEMENTS

Mr. BYRD of West Virginia. Mr. President, will the Senator from Wyoming yield to me temporarily, without losing his right to the floor?

Mr. McGEE. I yield.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that time on the pending amendment No. 757 by the Senator from Wyoming (Mr. McGEE) be limited to 1 hour, to be equally divided between the able mover of the amendment and the distinguished Senator from Texas (Mr. TOWER); that time on any amendment to the amendment, motion, or appeal, or point of order, with the exception of nondebatable motions, be limited to 30 minutes, to be equally divided between the mover of such and the manager of the bill, the Senator from Alabama (Mr. SPARKMAN).

The PRESIDING OFFICER (Mr. BUCKLEY). Is there objection to the request of the Senator from West Virginia? The Chair hears none, and it is so ordered.

Mr. BYRD of West Virginia. Mr. President, will the Senator from Wyoming again yield to me, with the same understanding?

Mr. McGEE. I yield.

Mr. BYRD of West Virginia. Mr. President, I have discussed the following various requests with the authors of the amendments involved, the distinguished manager of the bill, and the distinguished ranking Republican member of the Committee, the Senator from Texas (Mr. TOWER), and I therefore ask unanimous consent that at the close of business today, an amendment by the Senator from Oklahoma (Mr. HARRIS), No. 763, be laid before the Senate and made the pending business, without time running thereon today; that at the close of morning business tomorrow, the Senate proceed to consider amendment No. 763, with a time limitation thereon of 2 hours, to be equally divided between the able mover of the amendment (Mr. HARRIS) and the distinguished manager of the bill (Mr. SPARKMAN); that when that amendment is disposed of, the distinguished Senator from Montana (Mr. METCALF) be recognized to call up four amendments in succession, Nos. 752, 753, 754, and 755—I would presume he would first call amendment No. 752, but that will be left to him to determine, with the understanding that on the first amendment called up by him there be a time limitation of 1 hour, to be equally divided between the able mover of the amendment (Mr. METCALF) and the distinguished manager of the bill (Mr. SPARKMAN); that on each of the three succeeding amendments, there be a time limitation of 20 minutes on each amendment, to be equally divided between the able mover of the amendment (Mr. METCALF) and the distinguished manager of the bill (Mr. SPARKMAN); that upon disposition of the amendments by Mr. METCALF, the distinguished Senator from Wisconsin (Mr. NELSON) then be recognized to call up his amendment No. 758, with time thereon to be limited to 2 hours, to be equally divided between the able mover of the amendment (Mr. NELSON) and the distinguished manager of the bill (Mr. SPARKMAN); that upon disposition of that amendment, the distinguished Senator from Wisconsin (Mr. PROXMIRE) be recognized to call up his amendment No. 764 with a time limitation thereon of 1 hour, to be equally divided between the able mover of the amendment (Mr. PROXMIRE) and the distinguished manager of the bill (Mr. SPARKMAN).

Mr. PROXMIRE. Mr. President, will the Senator from West Virginia yield at that point?

Mr. BYRD of West Virginia. I yield.

Mr. PROXMIRE. I understood that the amendment I intend to call up has not yet been printed. I have it ready to offer.

Mr. BYRD of West Virginia. The Senator is correct. I beg his pardon. His amendment has to do with reporting to committees of the House and Senate. I further ask unanimous consent that upon disposition of that amendment, Mr. President, by Mr. PROXMIRE, the distinguished Senator from Texas (Mr. BENTSEN) be recognized, with 1 hour on his amendment, No. 764, to be equally divided between the able mover of the amendment (Mr. BENTSEN) and the distinguished manager of the bill (Mr. SPARKMAN); that time on any amendment in the second degree, motion, or appeal, or point of order to any of the foregoing amendments, with the exception of nondebatable motions, be limited to 20 min-

utes, to be equally divided between the mover of such and the distinguished manager of the bill (Mr. SPARKMAN).

The PRESIDING OFFICER (Mr. BUCKLEY). Is there objection to the further request of the Senator from West Virginia? The Chair hears none, and it is so ordered.

Mr. BYRD of West Virginia. I thank the distinguished Senator from Wyoming for his indulgence and his usual courtesy.

Mr. McGEE. Mr. President, I want to address myself for just a few moments to the pending amendment (No. 757) as it relates to the phase II legislation. This particular amendment would require, on January 1, 1972, that the President of the United States place into effect salary adjustments for classified Federal employees equal to the wage guideposts established by the Pay Council for the private sector of the economy.

The background here is short but to the point. Under the provisions of the Federal Employees Salary Comparability Act of 1971, enacted last January, the President is directed to make annual adjustments in all classified salary systems of the Federal Government equal to the comparability surveys conducted by the Bureau of Labor Statistics. Also under that act, the President is permitted, in cases of national emergency, to make an alternate proposal which, if not specifically disapproved by either House, it becomes effective.

The alternate proposal was advanced by President Nixon last August 31. That proposal was that Federal employees would get nothing at all next January. Neither House of Congress voted to override the Presidential proposal and, thus, the administration's plan, which would deny any pay adjustments for Federal employees until fiscal year 1973 went into effect. It is the opinion of members of the Senate Post Office and Civil Service Committee that action is required.

In light of events which have transpired these past few weeks, I might recount of my own views on the President's efforts to come to grips with the economic situation.

Beginning August 15, I strongly supported the President in his efforts to put clamps on inflation in this country.

I said then and I repeat now that my hope was that the President would freeze all wages, all profits, and all prices, and be tough with the American people in the difficult times that lie ahead. I specified at that time that there could not, in equity, be a special exception made for any group. That question is now moot.

At the insistence of the administration, we advanced increases for the military, with all that that connoted, even though many of us raised questions as to why that was not inflationary, since the President said that to increase civilian salaries would be inflationary.

Where we find ourselves here this afternoon is that the military have now been granted substantial pay increases in very large proportions in terms of the total cost, as it would have an impact on the Nation's economic levels. The President's Pay Board—the group assigned the responsibility for reviewing the situation and making recommendations — has ruled that the emergency in the land would still permit roughly a 5.5-percent pay increase for employees in the private sector.

So here is what we have at this moment as far as the Federal employees are concerned. On one side are the several millions of military personnel being granted very substantial pay increases, even in the emergency. And on the other side the private sector is being granted pay increases that follow a 5.5-percent guideline with exceptions up to 15 percent. And yet, the President's decree that Federal civilian employees will be denied comparability adjustment until fiscal year 1973 remains effective.

In the light of this fact, it seems to me equitable now for the Senate of the United States to say to the President and to the Pay Board that it is only fair that we level off the whole pay increase formula to include the Federal civilian employees. That is precisely what amendment 757 seeks to do. It will insure the same increase for Federal employees that the Wage Board has laid out as a guideline for the private areas.

The language of this amendment is essentially the language of a separate piece of legislation that the Senate Committee on Post Office and Civil Service reported to the Senate a few weeks ago. That is S. 2722, sponsored by Senator FONG. It was the Senator from Hawaii, the ranking Republican member of the Senate Post Office and Civil Service Committee, who initiated that piece of legislation.

The purpose of S. 2722 was to restore equity to the Federal employees. That measure was reported unanimously, and it was placed on the calendar. However, for reasons that remain unclear, it was not released from the Consent Calendar by the minority leadership of the Senate. Therefore, we have only one recourse left, and that is to proceed through this amending procedure to do right for the only substantial group in this country left unattended; in fact, deliberately excluded from equity by the President last August.

Mr. President, in the light of this, we urge the Members of the Senate to favorably respond to this amendment. Naturally, the 1.5 million classified employees and the several hundred thousand blue-collar employees whose wages have been involved follow with keen interest what this amendment proposes and what the President said when he froze their pay last August 31, and what the Wage Board laid out as its guidelines for the private sector. These same Federal employees are willing to bear their fair share of the burden of fighting inflation, of stabilizing the Nation's economy. However, they ask us again and again, "Why except us from all other groups? Why are we singled out to be discriminated against?"

I would like to think they say to each of us in turn, "We would like to be first-class citizens, along with the military and with the employees in the private sector."

So in behalf of those Federal employees, we have called up this amendment that was reported out of the Senate committee and sponsored jointly by the ranking minority member of that committee, the Senator from Hawaii (Mr. FONG) and by the chairman of the committee.

In the light of these elementary, substantive attributes of the legislation, Mr. President, I urge the Senate to agree to the amendment.

Mr. FONG. Mr. President, will the Senator yield to me?

Mr. McGEE. Mr. President, I yield to the Senator from Hawaii, the ranking minority member.

The PRESIDING OFFICER. The Senator from Hawaii is recognized.

Mr. FONG. Mr. President, as a cosponsor of the amendment, I rise to support it. Amendment 757 is S. 2722 in amendment form. S. 2722 was introduced by me on October 19, 1971, to give to Federal employees salary increases equal to those given non-Federal employees during phase II of the Economic Stabilization Act. S. 2722 was reported out of the Senate Post Office and Civil Service Committee unanimously on November 8 and is awaiting Senate floor action.

However, because of the pressure of time and the urgency of obtaining enactment of the provisions of S. 2722, the distinguished chairman of the Post Office and Civil Service Committee, the Senator from Wyoming (Mr. McGEE), and I, as ranking minority member of that committee, have decided to move to incorporate the provisions of S. 2722 by this amendment to S. 2891.

A similar amendment was adopted on October 6, 1971, as an amendment to S. 8687, the military procurement authorization bill. I strongly supported that amendment and was a cosponsor of it. The Senate adopted that amendment by a vote of 60 to 27. However, it was stricken from the military procurement authorization bill in the House-Senate conference.

Amendment 757 would make it mandatory that Federal civilian employees, whose January 1, 1972, pay increases have been deferred by Presidential order to July 1, 1972, be given pay increases not exceeding the guidelines set by the President's Pay Board for non-Federal employees effective January 1, 1972.

Under Public Law 91–565, Federal pay increases were scheduled for January 1, 1971, January 1, 1972, October 1, 1972, and every October 1 following 1972. These increases were to be based on Bureau of Labor Statistics Surveys on the comparability of Federal to non-Federal pay throughout the country. A Federal pay increase of 6 percent was effected on January 1, 1971.

In that same law Public Law 91–565, the President was given authority to submit an alternative pay plan to the Congress, if in his judgment economic conditions affecting the general welfare required it. The Congress did uphold the President's alternative plan. I fought hard on the floor of the Senate to uphold the President's action.

By the alternative plan, President Nixon deferred the scheduled January 1, 1972, increase to July 1, 1972.

The Senate will recall that the deferral was done at the same time that President

Nixon established his general wage-price freeze.

The President's Federal pay delay order was in line with phase I freeze on non-Federal pay increases. At that time when the President deferred the January 1, 1972 pay increase to July 1, 1972, he had not yet decided as to how phase II would be implemented.

Now that phase II has been implemented providing non-Federal employees general pay increases of 5.5 percent, this amendment is needed to put Federal employees on the same basis as non-Federal employees. The President's Pay Board has not taken jurisdiction over Federal employees salary increases and the President has no authority under the law to rescind his Federal pay delay order.

Enactment of this amendment would mean that Federal employees would receive the pay increases justified by the Bureau of Labor Statistics survey figures but no higher than 5.5 percent effective January 1, 1972.

The amendment is justified on the basis of equity—treating Federal and non-Federal employees alike under phase II—and on the basis of comparability since the Bureau of Labor Statistics survey shows that there is a definite lag of Federal pay of at least 5.5 percent behind non-Federal pay.

The total national work force is approximately 88 million. The Federal employment rolls number approximately 1.3 million civilians and 2.7 million military personnel. It is highly unfair to grant approximately 85 million people in the non-Federal sector of our economy pay increases while denying the approximately 4 million Federal employees pay increases to which they are entitled under law.

It is essential that the Congress approve this amendment and it become law this year. To wait until next year would be imposing a grossly unfair and inequitable delay in Federal pay increases on all Federal employees and their families.

Under the comparability statute we enacted in 1962 we set forth the principle that all Federal employees would receive comparable salaries to employees in the private sector. We have been very, very derelict in not passing legislation reducing the lag time between the salaries paid to non-Federal employees and that paid to Federal employees.

The statistics on which we are basing this 5.5-percent increase were gathered in February 1970, so we are more than a year and a half behind in granting Federal employees comparable increases. This amendment will at least bring the Federal employees up to a comparability status so that they will not suffer as much, although they are still lagging behind their counterparts in private industry.

I urge the Senate to approve this amendment, as it is fair and equitable.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. TOWER. Mr. President, I yield to my distinguished colleague, the Senator from Alabama (Mr. SPARKMAN), in order that he may ask a question.

The PRESIDING OFFICER. The Senator from Alabama is recognized.

Mr. McGEE. Mr. President, will the Senator yield to me to ask how much time we have consumed on this matter?

Mr. SPARKMAN. Mr. President, how much time does each side have remaining?

The PRESIDING OFFICER. The Senator from Wyoming has 10 minutes remaining and the Senator from Texas has 15 minutes remaining.

Mr. SPARKMAN. Mr. President, the Senator from Texas yielded to me. I am not speaking on the time of the Senator from Wyoming. I simply wish to ask a couple of questions.

As a matter of fact, does not the language of our bill do the same thing? Perhaps it is not in the best form since the Senator's is done by the legislative committee and I am sure it complies with all the technicalities, but we were trying to do that. Does not the Senator feel we did accomplish that?

Mr. McGEE. We explored that very carefully and we would have preferred to conclude on our part that that, indeed, had been the case; but we reached the conclusion that because of the action of the President last August under Public Law 91–656, it may not be covered in the language of the distinguished chairman's pending bill. For that reason we felt the circumstances required this specified legislative effort from the committee. We feel that this amendment is called for to leave no ambiguous area where there might be an escape.

Mr. SPARKMAN. I assure the Senator it was our intention to be covered and it was brought out in our explanation in the report. I am not saying that in opposition to the amendment. I think the committee has done a very fine job in getting up language that the Senate feels will be airtight on this matter. I wish to ask the Senator this question. This does not have any effect on any of the future so-called automatic rises.

Mr. McGEE. No.

Mr. SPARKMAN. Each one of them came up by reason of the expiration of the law already in effect.

Mr. McGEE. Then the law on the books would operate automatically in the future, unless the President declared an emergency again.

Mr. SPARKMAN. As I understand the law, if the trigger works then the President can provide against it and then it is up to Congress whether or not it will support——

Mr. McGEE. That is right. The President can submit an alternative.

Mr. SPARKMAN. Yes. But Congress has the power to make the determination.

Mr. McGEE. The ultimate determination.

Mr. SPARKMAN. And this language does not affect that in the least.

Mr. McGEE. Not in the least.

Mr. SPARKMAN. Would the Senator tell us now what happens to the so-called blue-collar workers under the amendment proposed here?

Mr. McGEE. What happens to the blue-collar workers is essentially that which is proclaimed in the 1971 law that we passed; namely, that once this action is taken in regard to the Federal employees, it automatically goes into effect with respect to the blue-collar workers. However, they operate under a different wage system, as the Senator knows, in contrast to classified Federal employees. They have local calculations which are arrived at through a different formula.

Mr. TOWER. So they would not be covered by the amendment?

Mr. McGEE. I do not mean that. They are covered because the language of the President's order freezing their wage surveys was tied to the white-collar freeze. They are covered. If this amendment is adopted by the Congress, it would assume the good faith of the President in following through. It is the intent of the committee that he would follow through.

Mr. SPARKMAN. But it is not an automatic operation; it would depend upon the President's taking further action. Is that correct?

Mr. McGEE. Yes. The blue-collars' pay was frozen when the President froze the white-collars' pay on August 15, 1971.

Mr. SPARKMAN. That is what I understood.

Mr. McGEE. Therefore, once we restore the white collar to schedule in January, it is our interpretation, based on advice from the Civil Service Commission, that the blue collar automatically follows, because it follows along with the same sequence when the President imposed a freeze in August. When the freeze thaws for white collar and military, it thaws for blue collar.

Mr. SPARKMAN. We come back to my first question regarding the blue-collar worker. It is not automatically automatic. He had those wages, in effect, frozen at the same time. If he released one, it would carry the other with it.

Mr. McGEE. Yes; that is the judgment of the committee. We think it does, too. The intent of the committee is that it follows automatically.

Mr. TOWER. I think it is important, as long as we get the intention down and make legislative history, to make sure we have the intent of the committee.

Mr. McGEE. That is the committee's intent.

Mr. SPARKMAN. And that was the intent of the committee when it reported the bill. We made it clear that what we had as an amendment was the same as a bill reported out of that committee and which is on the calendar at the present time.

Mr. McGEE. Yes. It is on the calendar.

Mr. SPARKMAN. And that intent was the intent not only of the Senator from Wyoming; it was the intent of the entire committee. I understand the bill was reported unanimously.

Mr. McGEE. Yes, and I will ask to have that fact confirmed by the Senator from Hawaii (Mr. FONG).

Mr. FONG. Mr. President, it was reported unanimously.

Mr. SPARKMAN. And the intent was that the blue-collar workers as well as other Federal workers are taken care of under this proposal.

Mr. TOWER. This applies only to one pay increment. Is that correct?

Mr. McGEE. That is correct.

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

Mr. McGEE. I shall be pleased to yield the floor. We are running a little short on time.

Mr. TOWER. I yield 3 minutes to the Senator from Maryland from my time.

Mr. MATHIAS. First of all, I should like to express my appreciation to the Senator from Wyoming and the Senator from Hawaii for the interest they are showing in this problem. As both the Senator from Wyoming and the Senator from Hawaii know, this has been a subject of great concern not only to me but to my colleague from Maryland (Mr. BEALL) and many others of us who have sought to bring the Federal employees in under the same rules that apply to every other American.

We do not believe, in a time of economic danger—and certainly we have been passing through such a time—that any one group in our society or economy should be privileged or advantaged over other people, but at the same time we do not feel anyone should be prejudiced or should suffer a particular disadvantage in his economic position.

I believe the Senator from Wyoming is really trying to correct an imbalance which would exist as to Federal employees as a group or as a class, if they were denied any flexibility at all in rates of compensation until the 1st of July next, which would be some 8 months after employees in the private sector were allowed some adjustment or flexibility in their rates of pay.

My colleague, Mr. BEALL, and I have submitted an amendment which would also accomplish this purpose.

I should like to ask the Senator from Wyoming whether he believes there is a substantial difference in the approaches we have used. Our amendment contemplated that the increase would not be automatic, but would be subject to the action of the Review Board, which has already set national guidelines at 5.5 percent.

Mr. McGEE. Yes, I would say the Senator has put his finger on the basic difference between the amendment I understand he is contemplating, and the amendment that the legislative committee has already reported and placed on the calendar, and that is the role of the Pay Board. Its decision was not to include Federal employees, presumably because of the President's Executive action last August, it abandoned the problem as not being in its jurisdiction. Therefore, it seemed to the committee that it was important that, legislatively, we restore that omission, that is, put it back on the books as a way of balancing the equity that we think belongs to them. That is for the difference.

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

Mr. TOWER. I yield 3 minutes to the Senator from Maryland.

Mr. MATHIAS. Is it not true, conceding what the Senator has said, that the Pay Board has acted without reference to the Federal employees, that by directing it to act in behalf of Federal employees and then giving it discretion as to the area or percentage of increase or flexibility, we then bring them more truly in the same category as those in private employment or in the private sector?

Mr. BEALL. Mr. President, will the Senator from Wyoming yield?

Mr. McGEE. I yield.

Mr. BEALL. If we could call the Senator's attention specifically to page 2 of the amendment submitted by my colleague and myself, we say that it shall be subject to review by the Pay Board. Does not this, in effect, go a step further than the Senator's proposal and say that "you, the Pay Board, shall take authority over this particular situation and treat these people just the same as any other group of employees operating in America today"?

Mr. McGEE. The thought of the committee is there is a chance to ignore the responsibility if we proceed in that manner and give them the path they can take under the Executive order. There is nothing in any order this body may lay down that would guarantee the Pay Board to review it in the way we want to prevent such a slip-up. We believe we have specified a direct route, which is an order of the Congress of the United States to institute pay adjustments beginning January 1, and in the context already laid down.

Mr. BEALL. I do not want to be argumentative with the distinguished Senator from Wyoming, because we are both trying to accomplish the same purpose; but I might point out that the Pay Board as it now exists never took action on the question of pay for Federal employees, because the Pay Board was not in existence at the time the President made his decision. It was the old Cost of Living Council that made the decision to which the Senator alludes.

I am suggesting, though, that in the language of the amendment of the senior Senator from Maryland and myself, we are anxious that the Federal employees do get the advantage of being treated the same as any other group that works today in our society, and I am suggesting that it might be made more clearly definitive.

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

Mr. TOWER. I yield 3 additional minutes.

Mr. McGEE. Mr. President, I shall be glad to respond to the Senator's point.

I think the thing that called it into question in terms of measuring it as against this alternative of going directly to the root of the problem is that the adjustment for Federal employees has been established by law as under the particular responsibility of Congress. That is the Comparability Act of 1971, which is the law of the land.

I would rather put the Federal civilian employees in the same category that we found the military employees during the early part of the emergency, and that was that this Congress decreed a military adjustment with the approval of the administration. We are simply saying that, by action of Congress, the adjustment shall be made.

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

Mr. McGEE. I yield.

Mr. FONG. Is it true that the——

Mr. TOWER. Mr. President, will the Senator yield on his own time?

Mr. MATHIAS. We would like to reserve the remainder of the time on this side.

Mr. McGEE. I yield to the Senator from Hawaii on my time.

Mr. FONG. Is it not true that the President deferred the increases from January to July under the Federal Salary Act of 1970, and not under the wage stabilization freeze?

Mr. McGEE. Yes; under the Salary Act of January 1971.

Mr. FONG. So, therefore, the pay freeze order had nothing to do with it.

Mr. McGEE. That is true. So therefore this amendment addresses itself to that action under the Salary Act.

Mr. FONG. Therefore, from our standpoint, our amendment attacks it very directly, without referring it back to the Pay Board?

Mr. McGEE. The Senator is absolutely correct.

Mr. SPARKMAN. Mr. President, will the Senator yield very briefly?

Mr. McGEE. I am glad to yield to the Senator from Alabama.

Mr. SPARKMAN. I want to say that I have read both amendments quite carefully, and I see no material difference so far as the effect it will have on these employees is concerned. The amendment proposed by the Senator from Wyoming does not require a review by the Board, but it puts them within the guidelines that have already been laid down.

Mr. McGEE. That is right.

Mr. SPARKMAN. With reference to other employees, as does the amendment of the two Senators from Maryland; but they require that it be reviewed by the new Board. Is that not the only practical difference between the two?

Mr. McGEE. Well, except that the Senator is referring it back to a board that did not consider the matter, and we have addressed it to the place that led to this trouble in the first place.

Mr. SPARKMAN. Yes. You do not have the Review Board, and that is the only big difference.

Mr. McGEE. Yes. This is correct.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER (Mr. BUCKLEY). The Senator has 9 minutes remaining.

Mr. McGEE. I reserve the remainder of my time, unless Senators have some more questions.

Mr. MATHIAS. Mr. President, I would like to pursue the colloquy that the Senator from Wyoming has just concluded with the Senator from Alabama.

It seems to me that it is not fair to say that the procedure we have proposed in our amendment is merely going back through the same procedure that got us into this problem in the first place. What we are suggesting is more or less in the nature of an order from an appellate court, which sends a case back to the lower court with instructions as to how to handle it and instructions to make certain findings.

What we are saying to them is: "Your instructions are to treat Federal employees just the same way you are going to treat everybody else in our economy, and you should make the same judgments with reference to them that you are making as to other people in the economy. We want to see Federal employees treated fairly, neither more advantageously nor less advantageously."

If we bring in the Pay Board apparatus as a reviewing system, I think then we insure that that is exactly what will happen. I do not think there is any question that there will be any lack of faith on their part; they will act in good faith if Congress tells them they are to include Federal employees.

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

Mr. McGEE. I am glad to yield the Senator 2 minutes on my time.

Mr. MATHIAS. I appreciate that. I think the colloquy is useful, because we are moving in exactly the same direction. We want to get to the same goal. It is just a discussion as to the means of getting there.

Of course, the pay bill is really in default of Congress. We passed exactly what we are talking about here several months ago, and the Senate passed it handsomely, in principle: the concept that Federal employee should get the same treatment as private sector employees.

That was at a time before the Pay Board had acted. Had we been able to prevail in conference, and had the provision which the Senate had approved by an overwhelming vote become law, the Pay Board would have had clear instructions.

As it is, they acted in default of congressional instructions. They acted only on a very broad brush outline painted in the executive branch, and they really had no option but to do what they did.

If we turn it around, and give them the option, I think it would have some desirable features.

Mr. McGEE. I say that the Senator from Maryland took advantage of the pending amendment, so that it has evolved in the context of comparability legislation that goes back nearly 10 years in this body. The action of the President in deferring it was under the legislation——

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. McGEE. I yield 2 minutes—comparability legislation. That is how the President froze Federal salaries and deferred them until next July. We believe that in that legislative context, it is important that we now reestablish the balance this way.

We held off on that in the committee, because of the economic crisis and out of respect for the President's judgment. But after he froze Federal salaries until next July, the military got a very substantial adjustment at some levels; and in the light of that and the decree for the private sector by the Board, we believe we must carry out the history of legislative comparability and, therefore, it carries a little sharper specification than that which the Senators from Maryland are recommending, plus one other advantage: It removes uncertainty about whether the Federal employees are going to get it.

This specifies it, gives the date and levels, with no other options, and is still within the context of the legislation on the books.

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

The PRESIDING OFFICER. Who yields time?

Mr. TOWER. I yield 1 minute to the Senator from Maryland.

Mr. BEALL. Mr. President, I say to the Senator from Wyoming it seems to me that if we really are anxious to be comparable, then the language suggested by the senior Senator from Maryland and myself in our amendment is more in line with comparability than the amendment under consideration now, because we are really, by agreeing that it be subject to review by the Pay Board and, if approved by the Pay Board, be placed in effect on the 1st day of January, saying that Federal employees shall in fact be comparable with all other employees in our economy today.

I think that is what we are striving to get to. As my senior colleague said, this is more or less in the nature of a court of appeals action, because we have had word from the President and word from Congress that conflict, and here is what I consider to be, in effect, a compromise.

Mr. MATHIAS. Mr. President, let me say a final word, if there is still any of that 1 minute remaining: I salute the Senator from Wyoming for his championship of the principle of comparability. That is a fight in which, over the whole of the last 10 years, I have been working with him, because I think comparability is one of the key features if we are to keep an efficient and effective Federal employment system. This is really the heart of a professional and an efficient Government service. So I am in no doubt as to my support of this principle of comparability in this context.

I am prepared, if that is the result of our discussion, to support the Senator's amendment, because I think, as I said earlier, it gets us to the place where we all want to be. The question of which road we travel is of less importance than that we arrive at a point where there is real economic justice for all Americans. That is what we are working for, and I am glad to work with the Senator toward that goal.

Mr. McGEE. I yield myself 2 minutes.

I want to say to both Senators from Maryland that they long have been stalwarts in seeking fair adjustments for all Federal employees. Their initiatives have been very helpful in this matter.

But I point out the difference in the language in the two amendments to suggest this one area of uncertainty I think should concern us, and that is what really happens if we go the route of the amendment of Senators McGEE and FONG or the the route of the amendment of Senators MATHIAS and BEALL.

On page 2 of the amendment of the Senators from Maryland, they describe two steps—first, that it shall be the subject of review by the Pay Board and shall not be greater than the general guidelines, and so forth; second, that it shall, if approved by the Pay Board, "be placed into effect on the first day of the first pay period that begins on or after January 1, 1972." However, the amendment now pending does not leave that open to the uncertainty of "if approved by the Pay Board." For that reason, I would hope that the Senators from Maryland would take the direct route to this fixed date and this fixed percentage within the lines that have been laid out.

The PRESIDING OFFICER. The time of the Senator has expired.

Who yields time?

Mr. MATHIAS. I should like to respond briefly.

Mr. TOWER. I yield 2 minutes to the Senator from Maryland.

Mr. MATHIAS. I think the Senator has pointed out a difference, perhaps, without too great a distinction. We do call for review by the Pay Board. I think this would be desirable in putting the same kind of umbrella over the whole of the American economy.

There is not much doubt about what is going to happen. There is no uncertainty. If I thought there were, I would not be talking now. The Pay Board has already approved for private sector employees increases of 5.5 percent. If we sent them a legislative mandate that they were to consider Federal employees in the same category, I think that is where it would come out, which is, interestingly enough, just half a point off the comparability that Congress itself determined a long time ago—and with great credit to the Senator from Wyoming.

So even while I say that I think we are discussing a situation in which there is a difference without a distinction, again I say that I am happy to join the Senator in walking toward the high ground of justice for all our people in the area of their return for their labor.

Mr. McGEE. Mr. President, I am ready to yield back the remainder of my time.

Mr. TOWER. I yield myself 1 minute.

Mr. President, now that the legislative intent has been clarified and legislative history has been made here, and my question has been answered, I will not oppose the amendment of the Senator from Wyoming. Indeed, I will support it.

Mr. SPARKMAN. Mr. President, the same applies to me. As I brought out earlier, we were trying to do that thing in the bill and thought we had done it. But I am glad that the legislative committee having jurisdiction over it has taken action. Not only do I not oppose the amendment, but also, I am willing to accept it, and I hope it will be adopted.

Mr. KENNEDY. Mr. President, I am pleased to support the pending amendment to give fair treatment to Federal employees under phase II of the President's economic program. Last month, the Senate overwhelmingly approved a similar amendment as a rider to the military procurement bill. That amendment was dropped in conference, in large part because a more appropriate vehicle—the phase II legislation—was already on the

horizon. I hope, therefore, that the present amendment will be approved by the wide margin it deserves, and that it will be enacted into law as part of the phase II legislation.

One of the most distressing aspects of the President's economic program is the unconscionable demand that Federal employees were to be singled out to bear a heavier burden than other American workers in the fight against inflation. The President's policy, announced last August, is an arbitrary and unfair attempt to freeze the pay of Federal employees until July 1972, whereas all other workers in the Nation already are eligible for pay increases, as determined by the Pay Board and the procedures now being developed under phase II. By its action, the administration is attempting to relegate Federal employees to the status of second-class citizens, and it is up to Congress to remedy the gross inequity that is about to be perpetrated against millions of dedicated public servants.

The present amendment seeks no special advantage for Federal employees, no special treatment, no special favors, no special dispensation. All that it does is to provide that Federal employees shall be treated on an equal basis with all other employees under phase II.

The terms of the amendment are clear. The comparability pay raise for Federal employees originally scheduled to go into effect in January 1972, will take effect on January 1, 1972, precisely as scheduled, subject only to the clear condition that the increase may not exceed the general pay guidelines established by the Board for employees in the private sector.

In this way, Federal employees will have their day in the sun under phase II, like all other employees in the American economy, and a grave injustice will be averted. The freeze is over, and there is no valid reason why Federal employees should not now share in the thaw.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. McGEE. I yield back the remainder of my time.

Mr. TOWER. I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back. The question is on agreeing to the amendment of the Senator from Wyoming. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Florida (Mr. CHILES), the Senator from Mississippi (Mr. EASTLAND), the Senator from Georgia (Mr. GAMBRELL), the Senator from Washington (Mr. JACKSON), the Senator from Maine (Mr. MUSKIE), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Alaska (Mr. GRAVEL), the Senator from New Hampshire (Mr. MCINTYRE), and the Senator from Rhode Island (Mr. PELL) are necessarily absent.

I further announce that the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MANSFIELD), the Senator from Minnesota (Mr. MONDALE), and the Senator from Utah (Mr. Moss) are absent on official business.

I further announce that, if present and voting, the Senator from West Virginia (Mr. RANDOLPH), the Senator from Washington (Mr. JACKSON), and the Senator from New Hampshire (Mr. MCINTYRE) would each vote "yea."

Mr. COTTON. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Utah (Mr. BENNETT), and the Senator from Michigan (Mr. GRIFFIN) are necessarily absent.

The Senator from Florida (Mr. GURNEY) is necessarily absent attending the funeral of a friend.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Ohio (Mr. SAXBE) is absent on official business.

The Senator from Arizona (Mr. GOLDWATER) and the Senator from Pennsylvania (Mr. SCOTT) are detained on official business.

If present and voting, the Senator from Pennsylvania (Mr. SCOTT) would vote "yea."

The result was announced—yeas 75, nays 3, as follows:

[No. 403 Leg.]

YEAS—75

Aiken	Fannin	Montoya
Allen	Fong	Nelson
Allott	Fulbright	Packwood
Anderson	Hansen	Pastore
Beall	Harris	Pearson
Bellmon	Hart	Percy
Bentsen	Hartke	Proxmire
Bible	Hatfield	Ribicoff
Boggs	Hollings	Roth
Brock	Hruska	Schweiker
Brooke	Hughes	Smith
Buckley	Humphrey	Sparkman
Burdick	Inouye	Spong
Byrd, Va.	Javits	Stafford
Byrd, W. Va.	Jordan, N.C.	Stevens
Cannon	Jordan, Idaho	Stevenson
Case	Kennedy	Symington
Cook	Long	Taft
Cotton	Magnuson	Talmadge
Cranston	Mathias	Thurmond
Curtis	McClellan	Tower
Dole	McGee	Tunney
Dominick	McGovern	Weicker
Eagleton	Metcalf	Williams
Ervin	Miller	Young

NAYS—3

Cooper	Ellender	Stennis

NOT VOTING—22

Baker	Gravel	Mundt
Bayh	Griffin	Muskie
Bennett	Gurney	Pell
Chiles	Jackson	Randolph
Church	Mansfield	Saxbe
Eastland	McIntyre	Scott
Gambrell	Mondale	
Goldwater	Moss	

So Mr. McGEE's amendment (No. 757) was agreed to.

Mr. FONG. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. McGEE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. COOPER. Mr. President, I say for the RECORD that I regret that I had to vote against the amendment which would have provided an increase in salary to our Federal employees.

I cast my vote because I believe all workers in the country should be treated the same way. That means that within the law and the guidelines established, increases by the Pay Board to industry employees, and increases regarding our Federal employees, should be such that all employees in the United States are treated in the same way.

Mr. COOPER subsequently said: Mr. President, as I said after the vote on the amendment offered by Senators McGEE and FONG. I regret, for the reasons that I shall outline, that I felt compelled to vote against the amendment.

The Congress has by law relinquished its long-time practice of establishing Federal pay raises. By law enacted by the Congress, last year, it was provided that from time to time an independent authority should establish salaries upon a basis, among others, of comparability with nongovernmental employees.

It was also provided that the President, if he thought proper, could recommend to the Congress, for its rejection or acceptance, alternatives to the decisions of the independent authority.

A raise of 5 to 6 percent was established to take effect on January 1, 1972. The President, following the authority given him by law, by the Congress a year ago, recommended to the Congress that the pay raise of January 1, 1972, be postponed until July 1, 1972. Both Houses of Congress approved the President's recommendation just a short time ago.

Now, the Senate is reversing that decision, and at a critical time.

The Pay Board is engaged in serious decisions concerning the wages and salaries of nongovernmental employees in an effort to curb inflation and to achieve a secure and stable prosperity for everyone. I do not think it best to single out one group of employees for special treatment.

I have voted many times to support our able and valued Federal employees. I have no doubt that raises will be accorded them. But, as I have said, I believe it fair to treat all employees, governmental and nongovernmental, equally at this critical time.

Mr. SCOTT subsequently said: Mr. President, on the last vote I was not 20 feet away from the Senate floor. I was in the President's Room. I was not notified by anyone that a vote was in progress. Something seems to have gone wrong with the service around here. If it happens again, I am going to ask that those who are responsible be called to account. I regret very much having missed this vote. I was never at any point more than 20 feet away from the Chamber. Not having been notified, and that room not having any bell or signal system, I missed the vote. I should like to make it very clear that if that happens again, there will be a further inquiry into this matter.

Mr. ROTH. Mr. President, the bill we are considering today empowers the President to continue his economic stabilization program for another 17 months. I think this is a wise and equitable time period for two principal reasons.

First, our business leaders have indicated that many important investment decisions have been postponed during phase I due to the uncertain impacts of actions during phase II. Confirming Presidential authority for a workable

time period will undoubtedly help resolve many of business' unanswered questions.

Second, if this important control is extended only through April 1972, we in Congress will certainly be faced with the problem of further modifications, extensions, or cancellations in the middle of a national election year. The Nation's economic well being should, I believe, take precedence over any partisan political issues.

Yet I think it safe to say that none of us here wants to see this program of wage and price controls continue 1 day longer than is absolutely necessary. America was built on the principle of freely competitive enterprise, and stringent controls should last only as long as the emergency for which they were created. I would hope conditions would permit the termination of controls long before April 1973.

If this country is going to regain a strong and healthy economy—we in Congress must emphasize with passage of this bill the need for voluntary cooperation among all Americans. The Banking Committee has attempted to win this voluntary support by stressing that:

> The control of inflation must be handled in a balanced and equitable manner. Any automatic granting of all these deferred (or retroactive) wage increases could not be undertaken without a severe strain being placed upon the price side of the program.

I must say I find it hard to understand some recent decisions by the Pay Board, particularly in light of the 5.5 percent guidelines established under phase II. Our committee, in permitting certain deferred pay increases be honored, has reported a bill which "establishes a test for pay increases consistent with the Board's standards." It was my understanding that a small variance would not ordinarily be "unreasonably inconsistent" but that a 15-percent increase would be, unless highly unusual circumstances prevailed. I believe it to be equitable that those portions of employment contracts which conform to the administration's guidelines should be honored, regardless of the date on which the new contract was destined to take effect.

Yet we in Congress must recognize that the millions of American workers not covered by employment contracts do not have recourse to this protection. This sacrifice makes it all the more imperative for us to lead in the vigorous effort to make the President's program work. The harness of economic controls will remain with us until wage earners and price setters develop the confidence that each others actions are not based on an acceptance of de facto inflation.

Our prompt passage of this bill, in its existing form, will help demonstrate our faith in Americans' willingness to accept a sometimes bitter pill as the only medicine which will revive our ailing economy.

PROGRAM

Mr. BYRD of West Virginia. Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. There will be order in the Senate. The Senator from West Virginia is recognized.

Mr. BYRD of West Virginia. Mr. President, I take this time to inquire whether any Senator has an amendment which he would be willing to call up now or later this afternoon.

I see no indication of such. Therefore, I announce that there will be no more rollcall votes today. The Senate will come in at 9 o'clock in the morning. The first amendment to be called up on tomorrow will be the Harris amendment on which there will be a time limitation of 2 hours. Therefore, Senators can expect the first vote by 11 or 11:30 tomorrow morning.

Agreements have already been reached with respect to time limitations on several amendments. So, there will be several rollcall votes tomorrow.

Mr. TOWER. Mr. President, would the Senator from West Virginia be good enough to inquire whether other Senators have amendments other than those that have been assigned time?

Mr. BYRD of West Virginia. Very well. I think that is a good suggestion. I ask whether or not there are Senators who have amendments other than the following: The Senator from Oklahoma (Mr. HARRIS), the Senator from Montana (Mr. METCALF), the Senator from Wisconsin (Mr. NELSON), the Senator from Wisconsin (Mr. PROXMIRE), the Senator from Texas (Mr. BENTSEN), the Senator from Ohio (Mr. TAFT), the Senator from California (Mr. CRANSTON), and the Senator from New York (Mr. JAVITS).

Mr. SPARKMAN. Mr. President, would the Senator yield briefly for a question?

Mr. BYRD of West Virginia. I yield.

Mr. SPARKMAN. Is the Senator willing to state that he hopes we finish the bill on tomorrow?

Mr. BYRD of West Virginia. Mr. President, I would not want to assure the Senator of that. I am not sure that we even have a 50–50 chance.

May I now state for the benefit of the Senate the amendments already scheduled for action tomorrow?

Mr. SPARKMAN. Before doing that, may I ask if the Senator would be willing for the Senate to run into the night if there is a chance that we might finish the bill tomorrow?

Mr. BYRD of West Virginia. Mr. President, I think there is a very good prospect that the Senate will run into the night tomorrow in an effort to finish. In any event, there will be an ample number of amendments scheduled for action on tomorrow which will take us into the evening.

There is first the Harris amendment, with a 2-hour time limitation, the time to be equally divided.

There are four amendments by the Senator from Montana (Mr. METCALF), on the first of which is a 1-hour time limitation, the time to be equally divided, and on each of the remaining three, there is 20 minutes, the time to be equally divided.

These four amendments will be followed by an amendment offered by the Senator from Wisconsin (Mr. NELSON), on which there is a 2-hour limitation, the time to be equally divided.

Following the Nelson amendment, there is a Proxmire amendment on which there is a 1-hour limitation, the time to be equally divided.

There will next be a Bentsen amendment on which there is a 1-hour limitation, the time to be equally divided.

We hope then to get an agreement on a Taft amendment for a limitation of 2 hours.

After that, we will try to get a time limitation on a Cranston amendment of 1½ hours, the time to be equally divided.

That would take us well into the evening tomorrow, with at least one amendment to be offered by the Senator from New York (Mr. JAVITS).

Mr. PROXMIRE. Mr. President, I have three or four other amendments which I think will probably take us until Wednesday.

Mr. BYRD of West Virginia. Mr. President, I think the Senator has the answer to his question. There will be a number of rollcall votes tomorrow. There will be no more rollcall votes today.

There is every indication the Senate will complete its action on the pending bill on Wednesday.

ECONOMIC STABILIZATION ACT OF 1971

The Senate continued with the consideration of the bill (S. 2891) to extend and amend the Economic Stabilization Act of 1970.

Mr. TAFT. Mr. President, the United States has suffered a number of nationwide strikes recently with crippling economic consequences, thus presenting an overall national crisis that we are attempting to face in part of this legislation. Recently these strikes have affected the railway industry, the Nation's docks, and the coal industry.

Mr. BYRD of West Virginia. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. TAFT. Mr. President, because of their nationwide impact, they have particularly critical consequences for the American economy in these difficult times. Such strikes result not merely in economic pressure against the employer, but also lead to drastic economic consequences in other sections as well.

In particular, I invite attention to the situation on our Nation's docks. The 80-day injunction under the National Labor Relations Act dealing with the west coast strike will expire on Christmas Day. For all we can see at present, it seems extremely likely that the workers again will go off the docks on the west coast and the problems there will be aggravated. I, for one, do not look forward to coming back to a specially called session of the Congress to take on this problem. Additionally, negotiations have broken down on the Eastern and gulf coast ports and back-to-work orders varying from 10 to 80 days have been issued. Prospects for an early settlement also seems very unlikely.

Such strikes as these can no longer be considered entirely within the context of economic leverage between employers and the unions. On the contrary these strikes necessarily involve questions of the national interest which we in the Congress are obligated to consider, which affect the public very adversely.

In response to this situation a number

of bills have been introduced in the Senate this year and in preceding years.

This year, bills have been introduced by the Senator from Michigan (Mr. GRIFFIN), S. 560; the Senator from New York (Mr. JAVITS), S. 594; the Senator from New Jersey (Mr. WILLIAMS), S. 832; the Senator from Tennessee (Mr. BROCK), S. 1934; the Senator from Colorado (Mr. DOMINICK), S. 2060; and others, including one introduced by me. Earlier in the year I introduced a bill, S. 1093, which dealt with the problem of the railroad industry, principally in the area of work rules.

It is interesting to note that although extensive hearings have been held in the committee dealing with this subject, it seems very unlikely that there will be forthcoming a measure from that committee to deal with this very important problem.

It is for that reason, when I introduced my bill a few weeks ago, that I gave notice that when appropriate legislation came before the Senate to which an amendment of the type I propose to offer today relating to national emergency strikes would be germane, that I would offer the amendment.

The bills to which I have referred differ widely as to their coverage, as to their procedures, and as to their remedies. I have given considerable attention to the various alternatives which have been proposed, and today I intend to offer an amendment which is frankly an amalgamation of what I considered the best provisions in these measures.

The amendment I submit today adopts the approach of the Senator from New York (Mr. JAVITS), in that it covers all industries affecting interstate commerce. After giving this matter additional study, I concluded that my earlier approach in limiting the legislation to railroads would be in error.

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

Mr. TAFT. I yield.

Mr. JAVITS. Mr. President, I am very flattered and very pleased that the Senator has done what he has done.

I shall look forward to studying his amendment with the greatest attention, whether or not it goes on this bill—and certainly, in my judgment, there are, very properly, compelling reasons for attaching it to this bill, as it has a very great impact upon price stabilization. The ultimate resort which enables the people to operate as a government is critical as an underlying basis for stabilization.

I might tell the Senator I thought of bringing it up myself, but I felt the subject was so great and that the interests in it were so divergent that perhaps there would be the objection that many people would desire to be heard, study the proposal, look into it, et cetera; but as to its pertinence or germaneness, I have not the remotest doubt that whatever may happen, I will tell the Senator that he is rendering a signal service to the country and to us all by raising this highly critical issue which is almost the embodiment of whether a democratic society can operate in the face of probably the gravest emergency which can affect it in peacetime.

I thank the Senator from Ohio.

Mr. TAFT. I thank the Senator from New York for his very fine remarks. I commend him for the tremendous leadership that he has shown as the ranking member of the Committee on Labor and Public Welfare in bringing this matter up for committee hearings, and the leadership that he has shown through the years in trying to bring about improvements in the way of handling national emergency strike situations.

There can be no doubt, I think, that the very strict requirements in the present law and the very narrow approach which the President and the Attorney General must follow under the present law need to be changed. They need to be broadened. We need to be far more realistic in looking at the situation. All too frequently we are dealing in an international competitive area where we are dealing with economists, whether they be democratic or totalitarian. We are dealing with an economy in which there is the integration of the action of government, of business, and of labor, all working together. Unless we are able to solve our national emergency strike situation in the international field, a field in which the Senator from New York is tremendously interested, we are going to remain at a tremendous disadvantage.

Mr. JAVITS. I thank the Senator from Ohio.

Mr. TAFT. Mr. President, the amendment which I have offered today, as I said, adopts the approach of the Senator from New York (Mr. JAVITS), in that it covers all of the industries affecting interstate commerce.

After giving the matter additional study, I concluded that railroads alone should not be covered by this proposal, but that railroads ought to be included in the overall legislation. I see no reason why emergency strike legislation should not be applicable to industries covered by the National Labor Relations Act, as well as to industries covered by the Railway Labor Act. In the context of national strikes, I see no valid reason for retaining this delineation in approach that we have had in the law in the past.

The Labor Management Relations Act is also amended by this proposed amendment to expand coverage to those situations where a labor dispute perils the health or safety of a substantial part of the Nation's territory or population. I believe this approach is crucial, as currently no mechanism is available for regional emergencies, and can frequently be just as damaging in its overall impact to our national economy as a national emergency situation.

Farmers expecting to export their farm commodities can certainly attest to the fact that they faced a regional emergency long before the Nation's dock strike caused a "national emergency." Further, the recent coal strike was considered a matter of "national" concern by high Labor Department officials, but did not adversely affect enough of the Nation to become a "national" emergency in the opinion of the administration and of the Attorney General. It certainly makes no sense to the farmers who cannot export their crops, or to the hospitals and schools in certain regions of the country that have no coal for heat, that no remedy is available because their situations do not constitute a national emergency in the sense of affecting the entire Nation directly as a result of the labor dispute.

With respect to the settlement of these strikes, the amendment which I propose to offer adopts the three alternative procedures contained in S. 560, introduced by the Senator from Michigan (Mr. GRIFFIN): First, a 30-day injunction; second, partial operation of the industry in question; and third, a final offer selection by a panel of independent arbitrators who would choose between the last offers made by the parties. To these I have added a fourth alternative, namely, an 80-day injunction provision similar to the current provision of Taft-Hartley.

In addition, I have included in this amendment what I consider to be a vitally important provision drawn from S. 1093, which I have introduced earlier. This provision relates to the question of unproductive work rules.

It may seem interesting to observe why we should submit an amendment relating to work rules at the same time we are talking about national emergency strikes. The fact is that the great preponderance of national emergency strikes have been related far more to work rules disputes than they have been related to economic disputes.

If we examine the recent national strikes to which our attention has been directed, we will discover that it was the question of work rules which was at the base of the railway strike. It was the question of work rules which also has been paramount in the crippling dock strike. In my opinion, we simply cannot expect to deal meaningfully with such national strikes unless we have some mechanism for coming to grips with the question of unproductive work rules.

American industry must be able to eliminate unproductive work rules, unless those work rules are solely related to the health and safety of employees. This is important because we must undertake a great national effort to increase the productivity of American industry. American workers are fighting for their jobs in competition with workers in Germany, Japan, and other nations. Just as American industry requires modern machinery and tools of production, American industry must also be able to free itself of unproductive work rules which put a damper on productivity and thereby threaten both profits and jobs.

At the same time American labor has a vital interest in the way in which these work rules are changed. American working men and women should not have to suffer uncertainty as to whether or not they will be replaced by a machine. When a man has worked in a job for a number of years he has a legitimate interest in retaining his employment and not being told at the age of 55 that he must suddenly go out and sweep streets for a living.

When American industry is modernized and made more efficient, America's working men and women should have a share in the increased productivity of our Nation's industries.

For that reason I believe it is impera-

tive that we incorporate language into our emergency strike legislation using the approach that work rules remain primarily a matter for collective bargaining. However, if an employer does not wish to utilize collective bargaining to eliminate an unproductive work rule that is not directly related to the health or safety of employees, he could eliminate it from bargaining on the following conditions:

First, the employer could eliminate jobs only by attrition. This provision means that no employees could lose jobs as a result of the new work rules.

Second, this amendment provides that the nonsupervisory and nonprofessional employees would have their pay increased by an amount equal to 50 percent of the productivity gains attributable to the elimination of the work rule. This amendment also provides a mechanism for having a disinterested third party determine the cost savings through such elimination of work rules.

I believe that we are only kidding ourselves if we think that we can deal with these national strikes without coming to grips with the question of unproductive work rules. Let me emphasize that labor has as much of a stake in this as does management. Unproductive work rules require that work be spread out more widely and that the buying power generated from that work must be paid into more pockets. If a given quantum of work must support eight workers instead of six, those eight workers will not have as high a standard of living as the six otherwise would have enjoyed.

Labor does have a proper interest in seeing that employees are not eliminated and that the buying power of the remaining employees is increased. This measure would protect that interest.

Sooner or later American business and labor must recognize that they can no longer look upon each other as opponents, but that they are both sharing the fruits of our national productivity. In short, they are both drinking out of the same wellspring. This legislation attempts to establish a legal framework within which they may both fairly share the increased benefits of American productivity.

I believe that it is most pertinent that this amendment be considered as a part of the economic stabilization legislation. Section 202 of the Economic Stabilization Act relates to America's competitive position in world trade. In my judgment nothing is more important to the protection of our competitive position and the productivity of our industry than the resolution of major labor disputes. This is particularly true in light of the provisions of this amendment to curb unproductive work rules.

If we are to protect American jobs and enable American industry to recapture foreign and domestic markets we must not only revalue the dollar and curb inflation, it is equally important that we modernize our factories through the investment tax credit and modernize our work practices by striking down work rules which preclude more productive work practices. The efficiencies to be derived from more modern machinery will be lost if we tolerate unproductive work rules. Similarly, wage and price stabilization will not spur the export of American products if our avenues of commerce are choked off through crippling labor disputes.

We cannot treat our Nation's economic problems piecemeal. If we are to protect American jobs and increase the buying power of America's working men and women we must recognize that there is an interrelationship between the value of the dollar, prices, wages, and the productivity of our great industries. For that reason I believe that this amendment should be adopted and made a part of S. 2891.

Mr. President, I send this amendment to the desk, and I ask unanimous consent that it be printed in the RECORD.

AMENDMENT NO. 765

The PRESIDING OFFICER. The amendment will be received and printed and will lie on the desk; and, without objection, will be printed in the RECORD, as requested.

The amendment is as follows:

AMENDMENT No. 765

At the beginning of the bill, insert a new title as follows:

TITLE I—ECONOMIC STABILIZATION

On page 22, add immediately after line 19, the following new title:

TITLE II—EMERGENCY LABOR DISPUTES

SEC. 201. That this title may be cited as the "Emergency Labor Disputes Act of 1971".

SEC. 202. (a) Congress hereby finds—

(1) that the present procedures established by sections 206–10 of the Labor-Management Relations Act, 1947, and section 10 of the Railway Labor Act for dealing with labor disputes which threaten the health and safety of the American people or tend to deprive any section of the country of essential transportation services need to be amended to provide greater flexibility in preventing national or regional emergencies created by labor disputes;

(2) present procedures for resolving such labor disputes need to be amended to prevent serious disruptions in operations and services essential to the health and safety of the Nation or a substantial part of its population or territory; and

(3) additional procedures need to be made available to permit prompt action to deal with national or regional emergencies created by labor disputes is necessary to prevent imperiling the health and safety of the Nation or a substantial part of its population or territory by such disputes and to encourage and maintain free collective bargaining.

(b) It is the purpose of this Act to make available a range of flexible procedures to be utilized in taking emergency action, to prevent the interruption of operations or services essential to the health and safety of the Nation or a substantial part of its population or territory because of actual or threatened strikes or lockouts.

SEC. 203. Sections 206–209 of the Labor-Management Relations Act, 1947, are amended to read as follows:

"SEC. 206. (a) Whenever in the opinion of the President of the United States a threatened or actual strike or lockout or other labor dispute in an industry affecting commerce may, if permitted to occur or to continue, imperil the health or safety of the Nation or a substantial part of its population or territory, he may appoint a board of inquiry to inquire into the issues involved in the dispute and to make a written report to him within such time as he shall prescribe. Such report shall include a statement of the facts with respect to the dispute, including each party's statement of its own position, and, if the President so directs at any time, there shall be included in such report or in a supplemental report the recommendations of the board of inquiry for the settlement of some or all of the issues in dispute. The President shall file a copy of such report with the Secretary of Labor and shall make its contents available to the public.

"(b) Upon receiving a report or a supplemental report from a board of inquiry, the Secretary may initiate one or more of the following actions:

(1) He may direct for a specified period not to exceed 30 days that work shall resume or continue, but otherwise no change in the conditions out of which the dispute arose shall be made except by agreement. During such period the parties to the dispute shall be under a duty to bargain collectively, but neither party shall be under a duty to accept in whole or in part any recommendations of the board of inquiry.

"(2) (A) He may issue an order for partial operation specifying the extent and condition of partial operation that must be maintained: *Provided*, That in no event, shall his order place a greater economic burden on any party than that which a total cessation of operations would impose.

"(B) The parties shall not interfere by resort to strike or lockout with the partial operation ordered by the Secretary. The Secretary's order shall be effective for a period determined by the Secretary, but not to exceed one hundred and eighty days.

"(C) The Secretary's order or any modification thereof shall be conclusive unless found arbitrary or capricious by the district court which granted the injunction pursuant to section 208 of this Act.

"(D) (i) The Secretary shall issue his order no later than thirty days from the receipt of the report from the President, unless the parties, including the Government, agree to an extension of time but such extension shall reduce pro tanto the maximum effective period of the board's order.

"(ii) On notice to the parties, the Secretary may at any time during the period of partial operation modify its order as it deems necessary to effectuate the purposes of this section.

"(E) Until the Secretary makes his determination and during any period of partial operation order by the Secretary, no change, except by agreement, shall be made in the terms and conditions of employment. If the Secretary determines that the implementation of any particular term of the existing terms and conditions of employment is inconsistent with the conditions of partial operation, he may order the suspension or modification of that term but only to the extent necessary to make it consistent with the conditions of partial operation.

"(3) (A) He may direct each party to submit to him a final offer within three days. Each party may at the same time submit one alternative final offer. The Secretary shall transmit the offers to the other parties simultaneously.

"(B) Any offer submitted by a party pursuant to this section must constitute a complete collective-bargaining agreement and resolve all the issues involved in the dispute. If a party or parties refuse to submit a final offer, the last complete contract proposal made by such party or parties shall be deemed that party's or parties' final offer.

"(C) The parties shall continue to bargain collectively for a period of five days after they receive the other parties' offers. The Secretary may act as mediator during the period of the final offer selection proceedings.

"(D) If no settlement has been reached before the end of the period prescribed in subparagraph (C) of this paragraph, the parties may within two days select a three-member panel to act as the final offer selector. If the parties are unable to agree on the composi-

tion of the panel, the President shall appoint the panel.

"(E) No person who has a pecuniary or other interest in any organization of employees or employers or employers' organizations which are involved in the dispute shall be appointed to such panel.

"(F) The provisions of sections 207(b) and 207(c) of this Act shall apply to the panel.

"(G) The panel shall conduct an informal hearing in accordance wtih section 207(c) of this Act insofar as practicable, except that—

"(i) the Government shall have no right to participate; and

"(ii) the thirty-day period in which the panel shall complete its hearings and reach its determination shall run from the time that the Secretary directed the parties to submit final offers.

"(H) The panel shall at no time engage in an effort to mediate or otherwise settle the dispute in any manner other than that prescribed by this section.

"(I) From the time of selection of the panel until such time as the panel makes its selection, there shall be no communication by the members of the panel with third parties concerning recommendations for settlement of the dispute.

"(J) Beginning with the direction of the Secretary to submit final offers and until the panel makes its selection, there shall be no change, except by agreement of the parties, in the terms and conditions of employment. In no instance shall such period exceed thirty days.

"(K) The panel shall not compromise or alter the final offer that it selects. Selection of a final offer shall be based on the content of the final offer and no consideration shall be given to, nor shall any evidence be received concerning, the collective bargaining in this dispute including offers of settlement not contained in the final offers.

"(L) The panel shall select the most reasonable, in its judgment, of the final offers submitted by the parties. The panel may take into account the public interest, and any other factors normally considered in the determination of wages, hours, and conditions of employment.

"(M) The final offer selected by the panel shall be deemed to represent the contract between the parties.

"(N) The determination of the panel shall be conclusive unless found arbitrary and capricious by a United States district court.

"(4) (A) He may direct the Attorney General to petition any district court of the United States having jurisdiction of the parties to enjoin such strike or lockout or the continuing thereof, for a period not to exceed 80 days, and if the court finds that such threatened or actual strike or lockout—

"(i) affects an entire industry or a substantial part thereof engaged in trade, commerce, transportation, transmission, or communication among the several States or with foreign nations, or engaged in the production of good for commerce; and

"(ii) if permitted to occur or to continue, will imperil the national health or safety, it shall have jurisdiction to enjoin any such strike or lockout, or the continuing thereof, and to make such other orders as may be appropriate.

"(B) In any case, the provisions of the Act of March 23, 1932, entitled 'An Act to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes', shall not be applicable.

"(C) The order or orders of the court shall be subject to review by the appropriate circuit court of appeals and by the Supreme Court upon writ of certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U.S.C., title 28, sec. 1254).

"Sec. 207. (a) The board of inquiry shall be composed of a chairman and such other members as the President shall determine, and shall have power to sit and act in any place within the United States and to conduct such hearings either in public or in private, as it may deem necessary or proper, to ascertain the facts with respect to the causes and circumstances of the dispute.

"(b) Members of the board of inquiry or panel appointed under section 206(b)(3) shall receive compensation, at the daily rate prescribed for GS–18 under section 5332 of title 5, United States Code, for each working day on the board or panel, together with necessary travel and subsistence expenses.

"(c) For the purpose of any hearing or inquiry conducted by any board or panel appointed under this title, the provisions of sections 9 and 10 (relating to the attendance of witnesses and the production of books, papers, and documents) of the Federal Trade Commission Act of September 16, 1914, as amended (U.S.C. 19, title 15, sections 49 and 50, as amended), are hereby made applicable to the powers and duties of the board and panel.

"(d) Any board or panel established under this Act shall act by majority vote.

"(e) A vacancy on any such board or panel shall not impair the right of the remaining members to exercise all of the powers of such board or panel. Such vacancy shall be filled by the same procedure as provided for initial appointment outlined in this Act.

"Sec. 208. (a) The provisions of this title and orders or determinations issued thereunder shall be enforceable upon suit by the Attorney General, through such orders as may be appropriate by any court having jurisdiction of any of the parties.

"(b) Any action brought under this section shall be heard and determined by a three-judge district court in accordance with section 2284 of title 28, United States Code. The order or orders of the court shall be subject to review by the Supreme Court in accordance with section 1253 of title 28, U.S.C.

"Sec. 209. (a) Notwithstanding any other provisions of this Act, whenever any employer proposes a change in work rules affecting employees as contained in any labor agreement, unless such work rules relate principally to the health or safety of employees, the employer may make such change effective as proposed, if (1) any cost savings realized as a result of such change affecting rules will be shared 50 per centum each by the employer implementing such a change and the nonprofessional and nonsupervisoral employees, as defined in title I of the Labor Management Relations Act of 1947, and (2) any reduction in the number of operating employees of such employer contemplated by the proposed change affecting rules will be accomplished by attrition.

"(b) Nothing in this subsection shall be construed to prevent carriers and representatives of the employees from entering into an agreement affecting work rules.

"(c) For the purposes of clause (1) of subsection (a) of this section, payments to employees shall be on a per capita basis and shall be made not later than four months following the end of each fiscal year. In the event that any employee was not employed by an employer for the entire fiscal year preceding the payment date, the payment to such employee hereunder shall be prorated to cover the period of employment.

"(d) In the even that any representative of affected employees contests the amount of cost savings as determined by the employer under clause (1), subsection (a) of this section, said representative and the employer shall mutually designate and compensate a certified public accountant, whether an individual, partnership, or corporation, which accountant shall make a determination of the cost savings, which determination shall thereupon be final and binding."

Sec. 204. Section 210 of the Labor-Management Relations Act, 1947, is repealed.

Sec. 205. Section 212 of the Labor-Management Relations Act, 1947, is amended to read as follows:

"REPEAL OF SECTION 10 OF THE RAILWAY LABOR ACT

"Sec. 212. Section 10 of the Railway Labor Act is hereby repealed: *Provided*, That such section shall continue in effect with respect to any emergency board in existence on the effective date of this Act. Disputes heretofore subject to section 10 of the Railway Labor Act shall be subject to provisions of this title."

Sec. 206. Title II of the Labor-Management Relations Act, 1947, is amended by adding at the end thereof the following new section:

"RIGHTS OF EMPLOYEES

"Sec. 213. Nothing in this title shall be construed to limit the right of any employee to resign from his position of employment."

Sec. 207. Inapplicability of the Norris-La Guardia Act.—The provisions of the Act of March 23, 1932, entitled "An Act to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes, shall not be applicable to any judicial proceeding brought under or to enforce the provisions of this Act.

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

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. PROXMIRE. Mr. President, I have a few more remarks to make this evening, but I do think the Senate would be well served if it considered the experience that other countries have had. This kind of program is new for us, but not new for other countries, particularly in incomes policies which do not require mandatory legal restraints of prices and wages, but do provide guidelines for wages and prices. A great deal of excellent work has been done by experts in this area. I think it has been badly neglected in the press. As we are going to consider an incomes program, I think we certainly should have in the record the experience other countries have had.

Earlier this year Lloyd Ulman and Robert J. Flanagan published a study financed by the Council of Economic Advisers under Mr. McCracken on incomes policies in Western Europe. The single over-riding conclusion that emerges from this study is that incomes policies have been of limited effectiveness and require a great deal of constructive evolution if they are to function smoothly.

At the introduction of their concluding chapter, the authors of this study state:

> Incomes policy, to generalize from the experience of the countries studied in this account, has not been very successful. The gravity of the problem to which incomes policy is addressed and the lack of satisfactory alternative solutions have combined to give the policy a good run for its money—and may well ensure return engagements. Yet the accumulation of experience in the countries studied in this account suggest that in none of the variations so far turned up has incomes policy succeeded in its fundamental objective, as stated, of making full employment consistent with a reasonable degree of price stability.

I think the lesson we can learn from the conclusion of Ulman and Flanagan is that once started, once these programs have begun, it is very, very tempting to continue them. There are some benefits from such a program. It is hard to stop it. It is hard to get off controls.

That is another reason why we would

consider limiting this program as much as possible, and not having an open-ended 17-month extension, which is provided for in the bill.

In contrast to the Ulman-Flanagan study, the OECD studies on income policies provide some very, very interesting material, and I ask unanimous consent that, at the conclusion of these remarks, the study be printed in the RECORD.

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

(See exhibit I.)

Mr. PROXMIRE. Mr. President, I would like to call attention to some of the conclusions, for example, with respect to Austria, and I call attention to it because I think some of the programs have been remarkably successful in combating inflation or in reducing unemployment, rarely in both. In at least one case I am going to point out there was a very, very high price to pay although both virtually full employment and price stability were achieved.

Now with respect to Austria:

In the autumn of 1951, the Federal Chamber of Trade and Industry and the Federation of Austrian Industry appealed to entrepreneurs not only to desist from price increase but, where possible, to reduce prices. At the same time, the Trades Union Federation declared itself ready to postpone wage demands for a period. The result was striking. Even without severely restrictive fiscal and monetary measures, many important prices were reduced by some 5 per cent, and there was a wage pause until the end of 1953.

* * * * *

For the last decade or so, during which time incomes policy has been operating in something close to its present form, the annual rate of real GNP growth per head in Austria has been roughly the same as in Germany; i.e. about 4 per cent. This has been achieved, moreover, in conditions of full employment and relative price stability.

Incidentally, that is a considerably better record of economic growth than we have had in this country in the last few years.

As far as cyclical fluctuations are concerned, it is clear that, on various occasions, decisions of the Parity Commission have produced a significant smoothing of cyclical fluctuations.

With respect to Finland:

Prices are frozen at the levels existing on some particular date, as are profit margins and retailers' margins. Any customer can complain to the price inspectorate that prices have been improperly increased.

There is little doubt that Finland has been successful in restraining the increase in money wages in the last two years. The policy was introduced in a period of economic emergency that was recognized as such by the general public. This meant that there was a tremendous fund of goodwill towards the policies and a great willingness to co-operate and exercise restraint. The economy is now booming and there have been considerable improvements in real income, some 5–6 per cent per annum in 1969 and 1970 and it cannot be excluded that the fund of goodwill may now be diminishing.

Norway has also had a very interesting experience.

The merits of the Norwegian incomes policy, besides being an instrument in income distribution, lies in the fact that it has enabled the Government to keep the use of productive resources on a very high level throughout postwar years. While the average increase in prices and production costs does not differ much from developments in most other countries, unemployment has been lower than the European average, and economic growth has been rapid and steady. With persistently strong pressures on resources, uncoordinated wage and incomes policies could easily have led to larger wage and price increases.

I believe the Australian experience is one of the most interesting of all of these to which I shall refer.

For many years, the Australians managed an extraordinarily successful incomes policy—maintaining virtually full employment while enjoying one of the lowest rates of inflation in the world. The cost in this case—here is what I think the Senate should pay particular attention to—appears to have been a low rate of economic growth, low rates of increase in worker productivity, a lack of flexibility within the economy, and high costs imposed explicitly or implicitly on some sectors within the economy.

In other words, Australia has succeeded in solving what to us are the two big problems of inflation and unemployment, but in doing that, they are stagnating their economy. There has not been the kind of growth and there has not been the kind of worker productivity increase which is essential if you are to have an improvement in the standard of living.

I think this has been a most useful example, and I ask unanimous consent that the article entitled "The Australian Economy Today," written by W. A. Eltis, be printed in the RECORD.

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

THE AUSTRALIAN ECONOMY TODAY

(By W. A. Eltis)

(NOTE.—The author is a Fellow of Exeter College, Oxford. Mr. Eltis has just completed a sabbatical year in the University of Western Australia. He is grateful to Professor I. Bowen, Dr. W. M. Corden, Dr. R. Johnston and Dr. A. Kerr for very helpful comments on an earlier draft of this article.)

There is at present great interest in the Australian economy. In spite of this, Australia is rarely included in the economic "league tables" which abound, so that few in Britain know even the basic facts about recent developments in that country. For instance, it is not widely known that Australia's rate of growth of productivity has been among the world's slowest. The full implications of the current scale of foreign investment in Australia have received little attention. More surprisingly, in view of the current interest in incomes policies, few are aware that Australia has achieved lower unemployment and less price inflation than Britain (and most other countries) with the help of something very like an effective incomes policy.

Most Australians take this latter achievement so much for granted that they are unaware of its uniqueness, but they have evolved a combination of policies—not falling neatly into the categories of "left" and "right"—which has produced one of the world's slowest rates of inflation and full employment over a vast geographical area, in the face of declining markets for a number of basic products. These policies will form the starting point of this article. They may appear to be irrelevant to what must be foremost in most people's minds, namely, the prospects for Australian industrial expansion and for the balance of payments, and the part that minerals will play in these. It will turn out that the peculiarly Australian policies to control inflation and employment have a pervasive influence; they are bound to affect the rate of growth, and Australia's trading position in the world. And there is a further point. An account of incomes policies that work must obviously be of immediate interest elsewhere.

CONTROL OF INFLATION

The full extent of Australia's achievement is illustrated in the table overleaf.

UNEMPLOYMENT AND INFLATION, 1969-70

[In percent]

	Annual rise in consumer prices		Average rate of unemployment 1960–69
	1960–69	1969–70	
Australia	2.3	3.3	1.5
United States	2.4	6.0	4.8
West Germany	2.4	3.9	1.0
Canada	2.7	3.6	5.1
France	3.4	5.6	1.5
United Kingdom	3.7	5.9	2.0
Italy	3.7	4.8	3.0
Sweden	3.8	8.9	1.3
Japan	5.5	8.1	1.1

Source: ILO Year Book, National Institute Economic Review and the Commonwealth of Australia's annual Labour Report

Australia heads the table so far as controlling inflation is concerned, and its unemployment is only a little higher than that in West Germany, Sweden and Japan, which have far less difficult regional problems to deal with. The countries with comparable regional problems to Australia's, the USA and Canada, have each averaged about 5 per cent unemployment, with social consequences that are only too well known.

A number of institutions have evolved over the past sixty years to control Australian incomes. The most important of these is the Commonwealth Conciliation and Arbitration Commission, which has a judge as chairman and further judges and lay members who have, up to now, included only one part-time economist. There are similarly-constituted State Arbitration Commissions and a number of wage boards and tribunals which are responsible for setting wages in particular industries and occupations. About 45 per cent of the Australian labour force is covered by legally-binding Commonwealth awards and a further 45 per cent is covered by State awards, so only about 10 per cent of the labour force is independent of the system of State and Commonwealth arbitration.

The key award is the "national wage" award which the Commonwealth Arbitration Commission makes each year, and this is an automatic wage increase that goes to all workers who are directly subject to the commission's jurisdiction. The State arbitration commissions tend to follow the Commonwealth's awards. The Arbitration Commission also sets standard hours of work and it makes a minimum wage award each year.

This system of wage fixing is now more than sixty years old (though the proportion of the labour force that is covered by it has certainly grown in that period) and a number of examples can be given to illustrate its power to control incomes.

Perhaps the strongest is the award of 1931 when, at a time of industrial anarchy in the rest of the world, the *Commonwealth Arbitration Court* (a predecessor of the Commission) *reduced* the basic wage by 10 per cent on the grounds that Australian industry did not have the capacity to pay the old and higher wage. The States followed, and a wide range of Australian money incomes was reduced by 10 per cent, thus achieving approximately the effects of a 10 per cent devaluation.

More recently, after 1953, award wages were

increased at the following percentage rates in successive years: 3.1, 2.2, 3.8, 4.9, 2.1, 2.0, 5.6, 3.6, 2.9 and 0.6, averaging only 3.1 per cent per annum from 1953 to 1963. The significance of 1953 as a starting point for this series is that until then the "basic wage" automatically rose with the cost of living index, with the result that it rose 60 percent in five years from 1948–53. Inflation was brought under control in 1953 when this link was broken.

One surely does not need to look further than this to discover why Australian prices since 1953 have increased so little compared with prices in other countries. Actual earnings have certainly increased faster than award wage rates, for there has been "wage drift" in Australia as in other countries as a result of over-award payments by particular employers, overtime and so on but, when this is allowed for, it still appears that actual earnings have increased at 4.5 to 5 percent per annum until the present world-wide acceleration of inflation. The 1970 award of 6 per cent has seemed surprisingly high to many Australians, but it is still very low in relation to what is happening in the rest of the world.

The question that this raises is why Australian workers apparently accept a system which gives them much smaller increases in money earnings than those that are received by workers in other countries. This is a large question, and there are a number of factors in the answer.

Strikes

In the first place, Australian workers do not entirely acquiesce in these small increases. Days lost per worker per year through strikes in mining, manufacturing, construction and transport in Australia, the UK and the USA have been as follows:

TIME LOST THROUGH STRIKES

[Days lost per worker per year]

	1930–39	1946–54	1955–60	1961–69
Australia	0.62	1.03	0.47	0.41
United Kingdom	.33	.15	.33	.27
United States	.94	1.38	1.32	1.00

Source: A table published by D. W. Oxnam, and the Employment and Productivity Gazette.

This suggests that time lost through strikes has been rather greater in Australia than in the United Kingdom (at least until 1969—it will be rather surprising if the United Kingdom did not overtake Australia in 1970), but not nearly as great as in the USA. Moreover, it turns out that over two-thirds of Australian strikes are settled by the workers returning to work at the former wage. In other words, where strikes are about wages, workers generally come out for a few days to express their general discontent and return to work after a token stoppage. Thus, it appears that they may demonstrate that they find awards inadequate, but they do not push their protests to the point where the economy is critically disrupted. By limiting such action, Australian trade unions (whose principal function appears to be the statement of their members' cases before the relevant arbitration commission or board) effectively acquiesce in the system of compulsory arbitration. That they should do so must be puzzling to people elsewhere, for it is not difficult to imagine what the reactions to an award of 0.6 per cent (let alone *minus* 10 per cent) would be in some countries.

MINIMUM WAGE

There are several explanations for this acquiescence of the workers. In the first place, they are perhaps as much concerned with relative wages between different groups as with the absolute level of wages as a whole. With a system of nationwide arbitration, relativities are automatically taken into account in every award to every group of workers. Inequality always has to be justified. There may be no justifiable inequality at all if one argues at a high philosophical level but, at a mundane level, less inequality can be justified to lawyers than the price mechanism will produce if it is left to itself. This has meant that Australia has achieved a more egalitarian distribution of *earned* incomes than many other countries.

The minimum wage (formerly the "basic wage") is supposed to provide for "the normal needs of an average employee regarded as a human being living in a civilized community", and this automatically eliminates the low wages for "sweated labour" in certain occupations that exist in other countries. The minimum wage provides a basic standard of living for those capable of working, but *The Institute of Applied Economic and Social Research* at Melbourne has recently estimated that about 7 per cent of "income units" in Melbourne might nevertheless live in poverty, principally because of the inadequacy of pensions and of state help for the sick and widows with families to support. The Institute estimated that over 30 per cent of fatherless families lived in poverty. However, those at work are all at or above the Commonwealth's minimum, and the arbitration system makes it harder than in other countries to obtain earned incomes which are much above the average. There is, naturally, no control over the incomes of managers, consultants, entertainers and so on; and there is no control over income from property (where there is no capital gains taxation, and a maximum marginal rate of income tax of 68.4 per cent). Nevertheless, the degree of control over incomes is still very great in comparison with other countries and this (together with the steep progression of the income tax schedule until the maximum rate is reached) has produced rather smaller income differences within the labour force than are generally to be found. Australians claim to be egalitarian, and their arbitration system is one means by which a more equal distribution of earned incomes is achieved.

A further explanation of the acquiescence of the workers in the arbitration system is that its success in moderating cost inflation has enabled the government to maintain a rather higher level of demand in relation to productive capacity than is possible, for example, in the United Kingdom. A consequence of this is that workers can work very long hours if they wish to. Individual incomes are thus much more within a worker's direct control. The majority work little more than the standard forty-hour week, but about 145,000 workers "moonlight" by taking a second job, and there are others who work sixty to seventy hours a week in a single job to obtain the income that they wish for. This is a safety valve, and it means that a frustrated desire for more consumer durables than a worker can afford on the income from an ordinary working week is more likely to result in individuals working a seventy-hour week than in militant union action. Obviously, if markets were as tight in Australia as they have been in Britain in recent years, these conditions would not prevail, for workers could not get second jobs, overtime would be rationed if it could be obtained at all, and a worker's principal method of obtaining more money would be through militant union action, as in Britain.

These are some of the reasons for the surprisingly quiet reactions of Australian workers to money wage awards which are so small by overseas standards. The workers' general acceptance of the system means that Australia has, what amounts to, an effective incomes policy. It is not an incomes policy as this is normally understood, for the government plays no part in it except for the appointment of suitable commissioners. The trade unions and the employers do not sit together to negotiate nation-wide increases, as in Sweden. Instead, movements in the general level of money wages are placed under the control of legally-trained commissioners who hear evidence and make recommendations without the direct employment of economists.

The failure to employ economists has naturally aroused controversy, but the head of the economics department at Adelaide, Professor E A Russell, has suggested one reason why this may be wise. A number of economists in Australia, as elsewhere, have pointed out that money wages *should* increase at the same rate as productivity. Professor E. A. Russell argued that this is appropriate only in an economy which has no trading relationships with the rest of the world, and if the Commission were unwise enough to act on the advice that wages should increase at the same rate as productivity ". . . the cumulative consequences for income distribution would become intolerable, and the effect on the balance of payments inappropriate."[1] Professor Russell suggests that the lawyer-dominated Commission's performance in the post-war period has been "quite impressive."

If the exclusion of professional economists from the Arbitration Commission is arguably right, the exclusion of the government from any control over the rate of increase of money wages (and its similar exclusion from the bodies which determine relative wages) looks extremely odd in the general political climate of the second half of the twentieth century but, here again, it may be that Australia has got this right. In a sense, Australia has implemented Ricardo's proposals of 1824 to control the value of the currency. Ricardo argued that the note issue should on no account be left in the hands of governments, who would inevitably be tempted to inflate under financial and political pressures, or in the hands of bank directors, who would inflate out of self-interest. Indeed, it should be placed in the hands of independent commissioners appointed for fixed terms, who alone could be relied upon to maintain the value of the currency. If Sir John Hicks's view that we have moved over to a "wages standard" is accepted, and it generally is, then Australia's *Commonwealth Conciliation and Arbitration Commission* is the precise equivalent of Ricardo's commissioners who are guardians of the value of the currency. They fix the wage, which is what determines prices in the twentieth century, and they are appointed in exactly the way that Ricardo contemplated. He, at any rate, would not be surprised that Australia's rate of inflation is one of the world's slowest.

PRICES AND MARKETING BOARDS

But Australia has not merely achieved one of the world's slowest rates of inflation. It has also maintained near to full employment in the face of fluctuating world prices for its basic export products and a degree of regional disparity which makes it unlikely that the whole Australian economy can be prosperous at the same time.

About 70 per cent of Australia's exports still consist of primary products, and something like one-half of primary production is exported, so rural producers face particular problems. When primary product prices fall on world markets, domestic producers can be expected to experience economic distress, as they will be squeezed between falling prices and rising domestic costs of labour, farm machinery, raw materials and so on. Conversely, primary producers will be exceptionally prosperous where world prices rise relatively to domestic prices.

This means that part of the Australian community will enjoy alternating periods of bonanza and distress if the incomes of primary producers are allowed to bear the full pressures of the price mechanism. This would

[1] "Wages Policy in Australia", *Australian Economic Papers*, June–December 1965.

run against any attempt to influence the distribution of incomes, and it would make it very difficult to maintain general full employment. High priority is attached to the maintenance of full employment, and Australia apparently considers it intolerable that market vicissitudes should create distressed areas of the kind that are to be found in certain parts of the USA, and now in Britain as a result of the decline of the coal industry. Hence, policies have had to be devised which will keep the adverse internal effects of world market forces within bounds.

The universal use of marketing boards is the principal device to reduce the degree of fluctuation of primary producer incomes. Farmers are obliged to sell most products through Commonwealth or State statutory marketing boards, and these sell the bulk of Australia's primary production. They aim to exploit such international market power as Australia has through the size of its output, and they sell at home at prices which are more stable than export prices. Hence, the incomes of primary producers fluctuate less than they would if overseas prices were allowed to dictate home prices. Naturally, considerable fluctuation is still inevitable, in spite of the marketing boards, for it is difficult to control price and quantity at the same time. From 1959 to 1969, farm incomes increased 27 per cent (or 2.4 per cent per annum), but the year to year fluctuations (plus or minus) averaged 21 per cent.

It should not be assumed that the marketing boards always sell at higher prices in the protected home market. From 1948 to 1953, when world prices were high, Australians bought wheat at less than the world price, though they have paid more than the world price since 1954, and the position with dairy products (where New Zealand produce is excluded from the Australian market) is similar. The various marketing boards are expected to break even over a period of years, or to limit their losses to specific sums, but the adverse terms of trade for primary producers in the past fifteen years have made this difficult. With persistently unsatisfactory export prices which show no signs of improving, the alternatives have been lower prices to producers, higher domestic prices of food, or increasing support for farming from the Australian taxpayer in the form of Commonwealth subsidies to the marketing boards. The cost of support has been divided between the taxpayer and the consumer. Direct Commonwealth support has now risen to an estimated $A290 millions in 1970–71, or about 1 per cent of the gross national product. The cost to the community is, however, much more than this, for Australian food prices are higher than world prices, so consumers pay what is, in effect, a further tax that is then passed on to primary producers. There is an additional cost to the consumer, because compulsory marketing through boards must obviously reduce the freshness and quality of certain foodstuffs by the time they reach the shops.

The price support policy will also have obvious adverse effects on the allocation of productive resources where it leads to domestic prices which average more than the world price over a period of years. Producers will then have incentives to supply food which costs more to grow than the world price at which it will be sold, which must lead to an over-supply of primary produce. The latter can be corrected only by quota and licensing systems for producers, and these proliferate but this may be a small price to pay for the simultaneous achievement of full employment and one of the world's slowest rates of inflation.

TARIFF LEVELS

The policy of protecting employment and stabilizing incomes is by no means confined to agriculture. Australian goldminers receive $A8 an ounce more than the world price from their government, and a further manifestation of the policy of *producer* protection is the extraordinary level of Australian tariffs. The *Commonwealth Tariff Board* has estimated that the average level of *effective* protection to Australian secondary industry is 46 per cent. Motor vehicles and parts are protected at 68 per cent, clothing at an average rate of 74 per cent, metal manufacturers at an average rate of 80 per cent, furniture at 55 per cent and machinery at 50 per cent.[2] The Tariff Board estimated that effective protection may amount to $A2 700 millions per annum, so it dwarfs the cost of support for primary industry. The board itself (which is, in certain respects, critical of the approach to tariff policy of the Ministry of Trade and Industry) has expressed its disquiet at the very high level of Australian tariffs in its report of 1969–70. For instance:

"Some of the duties imposed between 1929 and 1932 have been reduced. But sectors of the tariff have not been reviewed, and the industries concerned still have today essentially the same tariffs as those imposed for emergency reasons in the early 1930s. (para. 39.)

"When it is administered against a background of protective duties which are out of date, either in terms of tariff policy or because of developments in the complexity and international competitiveness of Australian industry, there are serious off-sets to the advantages which the system provides. (para. 61.)"

There are, of course, two lines of defence for the current level of Australian tariffs. First, they specifically protect the employment of workers in manufacturing industry, and this appears to have been why they were increased to present levels in the 1930s. Second, they have the function of protecting small-scale industry in a world where Australia's industrial competitors include Japan. If Australia is to remain an industrial producer as well as a supplier of food and raw materials to the world (with all the risks that this entails from fluctuating world prices), industry clearly needs heavy tariff protection, for the Australian labour force of about 4 millions is scarcely sufficient for the exploitation of much in the way of economies of large-scale production. Critics of the present tariff structure maintain that over-all industrial efficiency is reduced by the *indiscriminate* protection of secondary industry. If protection could be withdrawn from relatively inefficient industries, extra resources would become available to the efficient, which would allow Australia's scale handicap to be partially overcome, for it could have a few firms of international size by concentrating on a limited range of industrial products. The Tariff Board could decide which industries were relatively efficient. This line of policy would obviously produce unemployment and bankruptcies in any transitional period, and this means that the Ministry of Trade and Industry is likely to continue to resist it. Australia has fairly consistently adopted policies which give priority to the protection of employment over the achievement of increased efficiency.

OUTPUT AND PRODUCTIVITY

It will be clear that Australia's simultaneous achievement of low unemployment and inflation by international standards is no accident. However, as the various policies have been adopted to achieve these ends are, in narrow technological ways, inefficient, it should come as no surprise that Australia's rate of growth of labour productivity is one of the world's slowest. This is illustrated in the following table.

[2] *Effective* protection is the rate of protection on the "value added" by an industry, which will come out higher than the rate on its gross sales revenue.

RATES OF GROWTH, 1953–68

[In percent]

	Output	Average per year employment	Productivity
Japan	10.6	1.8	8.6
Italy	5.6	−.2	5.8
West Germany	5.7	.9	4.8
France	5.2	1.2	4.0
United States	3.8	1.4	2.4
United Kingdom	2.7	.4	2.3
Canada	4.6	2.6	2.0
Australia	4.5	2.5	2.0
New Zealand	3.9	2.0	1.9

Source: U.N. Monthly Bulletin of Statistics for growth in output, and ILO Year Book for growth in employment.

It is surely significant that Australia ranks with the countries where productivity advances comparatively slowly, in spite of the very great advantages that it enjoys. None of the customary arguments that are put forward to explain Britain's comparatively slow rate of growth apply to Australia. It is often said that Britain's share of investment is too low. Australia's share of gross investment in the gross national product is 27 per cent. It is often said that Britain's slow rate of growth is partly due to periodic balance-of-payments difficulties which oblige British governments to pursue a stop-go policy, thus depriving industry of the opportunity to plan ahead. The Australian government has been able to maintain a high level of demand in relation to capacity, apart from 1960–62. It has been argued that Britain's comparatively slow rate of growth of productivity is due to the slow rate of growth of the labour force available to manufacturing industry. The Australian labour force has increased at 2.5 per cent per annum, and employment in manufacturing has increased almost as quickly as this. There must, therefore, be other explanations, and the earlier argument of this article suggests several.

Australia has suffered from severe shortages of several kinds of skilled labour, and this is what is to be expected from the method of wage fixing that has been described. It will be a coincidence if the "just" differentials for skill that are fixed by the Industrial Commission equal those that equate supply and demand. The general scarcity of skilled labour suggests that the commission may have fairly persistently set differentials for skill which are lower than the differentials the market would produce, with the result that skilled labour is scarce and misallocated. This must obviously have adverse effects on over-all efficiency.[3] Again, the protection of employment in regions where productivity advances comparatively slowly must reduce Australia's average rate of growth of productivity. This will also be reduced where inefficient rural producers receive quotas which allow them to sell at high prices, while efficient producers cannot expand because they cannot get larger quotas. Productivity will suffer similarly from high tariff protection which relieves manufacturing industry of the need to be efficient.

[3] The general shortage of those with skills may also be partly due to Australia's low rate of public expenditure on education: 3.9 per cent of GNP in 1968–9, against Britain's 5.9 per cent. A rather higher proportion of the Australian population is under 22 (41 per cent against Britain's 33 per cent) so the 3.9 per cent of GNP must educate a higher proportion of the population than Britain's 5.9 per cent. As a result of this, Australians start school later than in Britain, and staff-student ratios are less favourable throughout the educational system.

Australia has chosen security of employment, and the reverse side of that coin says "the inefficient shall not make losses".

There is, of course, much more to it than that. The Vernon committee [4] took the view that the high rate of immigration might be unfavourable to productivity because this means that a high proportion of capital investment is needed to provide housing and capital equipment for immigrants. The immense geographical size of Australia means that the cost of an adequate transport system and of other overheads (such as the cost of seven governments with seven separate bureaucracies) is a great burden for an economy with only four million workers. When this is taken into account, the 27 per cent share of gross investment in the gross national product may be less than is needed. Finally, Australia may still be in a period of transition from a basically agricultural to a basically industrial economy. Once this transition is completed, industry may be able to survive with much less protection, and then the inefficient firms will go. This is certainly a possibility. It must also be remembered that growth is an index of the rate of improvement. As the Vernon committee has pointed out, to give prizes to those with the fastest rates of growth is like giving school prizes to the children who are improving fastest, instead of to those at the top of the class. The USA, Canada and Australia do not take low places in the international league table which shows income per head.

THE MINERAL DISCOVERIES

What has emerged so far is an account of an economy with substantial achievements in the control of employment and inflation, and a rather mediocre growth performance, and everything that has been said would apply equally if there were no minerals in Australia. The immense mineral discoveries of the past three years will obviously produce results that have no parallel in the past. Their scale is not generally appreciated. In all likelihood, only a small fraction of the mineral wealth of the continent has been found—a geographer, M. J. Webb, has remarked that the mineral map of Australia looks like the road map of Australia. At first sight, it would appear that these discoveries must produce immense wealth which will gradually allow Australia to move into a position where minerals pay for a high proportion of imports. The *Australian Economic Review* lists the export contracts for Australian minerals as these are announced, quarter by quarter, and from 1 January 1969 to 30 June 1970 they totalled about $A14 000 millions, and this took no account of Poseidon, or the new prospects for uranium. Contracted delivery dates stretch forward to 1997, while options and extensions entitle customers to further purchases up to 2041. Minerals paid for 22 percent of Australia's imports in 1968–69 and they are expected to pay for 36 per cent in 1970–71. This may be only the beginning. As mineral exports rise further, the Australian dollar may well become a very strong currency, with the result that Australians will be able to buy cheaply from the rest of the world, provided that tariffs are reduced, provided, that is, that Australia is prepared to *gain* from trade. This prospect for the Australian dollar is reinforced by the success of policies to limit domestic inflation. If these are as successful in the future as they have been in the past, Australian prices can be expected to fall relatively to those of other countries, with favourable foreign trade effects.

CAPITAL INFLOW

It would be good if things were as simple as this, but they are not. The table opposite shows the effect of the vast capital inflows into Australia. These are partly associated with the mineral discoveries, but they have a much longer history than that.

It is evident that overseas investment in Australia is now taking place on a massive scale. The total net capital inflow shown for the five years 1965–1970 is $A4 664 millions, the annual rate averaging something like 4 percent of Australia's gross national product. This foreign-owned capital earns a return for those who own it, shown in the third row of the table. The cost to Australia of meeting the interest, dividends, undistributed profits, etc., that are earned by foreign-owned capital rose from $A432 millions in 1965 to $A861 millions in 1970, and this is to be expected. If an extra $A4 000 millions is invested in Australia by foreign-owned firms and others, and this then earns 8 per cent, net of Australian taxes, investors will receive a further $A320 millions a year, approximately the amount by which the cost of servicing foreign capital has risen when the effect of inflation is also allowed for. If foreign investment in Australia continues at a rate of about $A900 millions a year, the cost to the current account of servicing this investment (with 3 per cent inflation) is likely to rise by something like $A100 millions each year.

OVERSEAS INVESTMENT IN AUSTRALIA

[In millions of Australian dollars]

	1965–66	1966–67	1967–68	1968–69	1969–70
Net apparent capital inflow	941	527	1. 202	1. 154	840
Undistributed profits of foreign-owned companies in Australia	125	115	227	284	370
Net property income paid by Australia to owners of foreign capital	432	465	601	713	861
Current account of balance of payments	−884	−651	−1. 123	−1. 006	−803

Source: "Balance of Payments," Commonwealth Bureau of Census and Statistics, Canberra.

Australia's current balance-of-payments account was in substantial deficit in 1965–70, largely as a result of the interest and dividends that have had to be paid on earlier foreign investment. These deficits have not reduced Australia's reserves because they have been financed by further borrowing. It is as if foreign firms agreed to pay the interest and dividends on Australia's existing foreign-owned capital by buying a further $A900 millions of Australia each year. As this continues, the cost of interest and dividends on foreign-owned capital will inevitably continue to rise, with the result that the amount which will need to be borrowed to avoid immediate balance-of-payments difficulties will continually grow. The Vernon committee was fully aware of the problem in 1965:

"We can think of no better way of describing this situation than to say that, once an economy has a substantial body of overseas investment, it is in a sense 'on the tiger's back' unless the trade balance is improving sufficiently to meet the additional income payable overseas. The continuation of capital inflow becomes seemingly more and more desirable as a means of offsetting the increasing payments on the latter account. As the annual amounts become larger, the immediate consequences for the economy of an interruption of the capital inflow, either contrived, or occurring by reason of external circumstances, become more and more serious. (Vol. 1, pp. 283–4.)"

[4] *Report of the Committee of Economic Enquiry* (Vernon Report) May 1965.

The Vernon committee estimated that about $A300 millions a year (in 1959–60 prices) over and above the reinvestment of undistributed profits by foreign-owned companies was about the maximum sustainable rate of capital inflow *in the absence of net favourable effects on exports*. The rate of capital inflow in 1967–9 much exceeded this, but the rate in 1969–70 is quite close to the Vernon committee's upper limit and, indeed, the situation will in any case be viable if the extra exports that result from this investment prove to be sufficient. The exports of minerals that will follow from this investment are likely to be vast. It is very likely that all will be well, but it is very much to be hoped that the Australian authorities have undertaken a thorough study of the situation, to ensure that the capital inflow that they are encouraging will produce sufficient extra exports to service it.

And there is a further problem. The Vernon committee estimated that if the net rate of capital inflow was $A300 millions per annum in excess of undistributed profits, overseas ownership of Australian companies would reach nearly one-half by 1975. As the net rate of capital inflow has exceeded $A300 millions, it is to be expected that foreign ownership of Australian companies will go beyond this level. Clearly, even if this large capital inflow increases exports sufficiently to finance the growing interest and dividend streams paid overseas, Australians face the further problem of who will own their country in 1997, let alone 2041.

Many Australians do not see the problem in these narrow terms. They see a continent with immense potential for development, and they are aware that 13 million people cannot exploit this on their own.

Mr. PROXMIRE. I think also the Canadian experience is of considerable interest and relevance. The fact is that Canada is probably more similiar to the United States than any of these other economies. It is different in many respects; it is a far smaller country in population and industry, and in production. But of course it is a neighboring country, which has many of the same wage and price problems that we have, and it is a sister country; and I think we can learn something from its incomes policy.

In Canada, some of the basic conditions are fairly similar to those in the United States—a large country with great regional diversities, governmental power divided between national and more local authority, and a decentralized labor market. With respect to the question of incomes policy, Canada is also akin to the United States in that it has had to struggle with the same paradox: inflation combined with recession—both at times more intensive than in the United States—and strong union pressure for substantial wage increases in the face of a relatively high rate of unemployment. A difference lies in the fact that Canada hesitated to try an incomes policy until

this paradoxical situation had fully developed, whereas the United States first tried its policy at a time—1962—when there was little unemployment and the pressure for higher wages was nevertheless milder.

I ask unanimous consent to have printed in the RECORD a monograph written by Eric Schiff for the American Enterprises Institute entitled "Incomes Policies Abroad."

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

INCOMES POLICIES ABROAD

(By Eric Schiff)

INTRODUCTION

In the last few decades, many Western countries have attempted to affect the development of near-term money incomes or prices through *guidelines* designed to influence the behavior of those making the decisions on wages, non-wage incomes, or prices. Normally, these guidelines (or guideposts) are intended to be weapons in the fight against inflationary pressures. By announcing the guidelines, the government—or some government-appointed body of experts—tells the decision makers what, in its view, are the maximum rates of increase in money incomes or prices consistent with a noninflationary development of the economy.

This approach, commonly known as "incomes policy" in Europe, has given rise to lively controversies here and abroad, and these controversies are by no means settled. In fact, in the United States, "incomes policy" may well remain a live issue for quite some time. Since this is a field where one country can learn from the experience of others, it seems useful to report on how foreign countries have fared with this type of policy.

Four foreign countries have been selected for a brief review here: the United Kingdom, the Netherlands, Sweden, and Canada. Needless to say, there is one big fact that sets the United States off from all four and limits the comparability of their economies with that of the U.S.: none of the four is in the fifth year of a war that, at its peak, devoured $30 billion (3.5 percent of gross national product) per year. Even so, there is enough in the recent economic history of these countries, and specifically in their experiences with incomes policy, that is relevant to the search of the United States for means of combating inflation.

The history of incomes policy in the United Kingdom and in the Netherlands goes back to the years immediately after World War II. In the British case, the story is very largely one of ever-recurrent, and sometimes rather suddenly recurrent, balance-of-payments difficulties. Herein lies a certain similarity with this country. While the United States' balance-of-payments problem is not, of course, a life-and-death matter to the same degree as is the British, the two problems have one important thing in common: both the United States and Great Britain are administering key currencies.

In the case of the Netherlands, the story is strongly colored by the high esteem that long-term economic planning has enjoyed there since 1945. Of all the free economies in the West, the Dutch economy has probably been the object of more intensive and more comprehensive long-term "planning ahead" than any of the others. For the rest, the Netherlands is a small country with a fairly centralized government, a population more homogeneous than the population of North America and a labor market more centralized than North America's.

Sweden stands apart from the three others—and, in a sense, it may be asked whether it has a rightful place in this survey. Sweden has an incomes policy of sorts but, to include it here, one must stretch the meaning of the concept a little beyond what is usually meant. While for a brief time there have been some governmental guidelines in Sweden, the job of conducting wage negotiations in the spirit usually aimed at by a governmental incomes policy has been entrusted, as it were, to the negotiating parties themselves. The system is under mounting strain at present, but so far it has not been formally abandoned. The fact that it could be tried at all, is connected with the socio-psychological conditions in which the Swedish economy is operating: a population even more homogeneous and a labor market even more centralized than is the case in the Netherlands. So the Swedish experiment with incomes policy has an interest of its own.

In Canada, some of the basic conditions are fairly similar to those in the United States—a large country with great regional diversities, governmental power divided between national and more local authority, and a decentralized labor market. With respect to the question of incomes policy, Canada is also akin to the United States in that it has had to struggle with the same paradox: inflation combined with recession (both at times more intensive than in the United States), and strong union pressure for substantial wage increases in the face of a relatively high rate of unemployment. A difference lies in the fact that Canada hesitated to try an incomes policy until this paradoxical situation had fully developed, whereas the United States first tried its policy at a time (1962) when there was little unemployment and the pressure for higher wages was nevertheless milder.

No attempt at any penetrating analytical research has been made in this report. The presentation is, by and large, purely factual and descriptive. Essentially, it proceeds along historical and chronological lines, with a few generalizations and some figures rounding out the discussion.

UNITED KINGDOM

I

Attempts by British governments to influence the development of incomes and prices by "incomes policy" of some type or other started shortly after the Labor government took power in 1945. In various forms, and with minor interruptions, the attempts have continued until today. During all this time, the aim was to check the rise in the general price level. However, and in this respect the British story differs from that of some other countries that have tried incomes policy, the primary motive was not concern about the distortions, inequities, and wastes that inflation produces in the domestic economy. Rather, it was concern about Britain's international economic position—the balance-of-payments difficulties that for a long time were recurring at short intervals.[1] Nearly every time the government decided to try some new approach in its incomes policy, the decision was prompted by some new threat to the balance of payments.

Up to 1964, British incomes policy tried to curb price inflation predominantly by braking the rise in wages. This approach rested on the assumption that the inflationary tendencies that had plagued the British economy since World War II were caused, at least in part, by an upward pressure on wages not fully explained by the demand-supply situation. If a rise in prices (and wages) is entirely "demand-pull," incomes policy cannot help to stop it or to slow it down. The question of how to interpret the persistent inflationary trend was long debated in Britain, and it took some time before the conviction that a "cost-push" factor was involved became definitely accepted.

For quite some time, the British government was reluctant to announce its opinions and recommendations regarding permissible wage increases in the form of percentage figures. When (in 1962) it decided to take this step, it was necessary to decide also what magnitude was suitable as a criterion. Productivity of labor in the economy as a whole suggested itself as the basic yardstick—in accordance with the fundamental thesis that wage increases that were in step with the rise in labor productivity would not, or at least need not, be passed on in higher prices, whereas wage increases that outran productivity would be bound to have an inflationary effect. Directly or implicitly, this insight lies at the bottom of incomes policy wherever such a policy has been tried. As a matter of principle, it has been acknowledged repeatedly by leading spokesmen of the labor movement.[2] But everywhere, and in Britain perhaps more than elsewhere, it was found difficult to carry an incomes policy based on this insight to practical success.

In a mixed economy, cooperation of both employers and employees with the government's incomes policy is the prime prerequisite if this policy is to have *some* measure of success. With respect to wage guidelines, which usually set maxima or "maximum averages" for wage increases, it is naturally more difficult to obtain cooperation from the trade unions than from the employer associations. The willingess of unions to keep governmental guidelines in mind when bargaining about wage contracts appears to depend in some measure on the political complexion of the government in power. Nowhere has this been more evident than in the United Kingdom. For all the middle-class support the Labor party was able to gain in the course of the decades, the intimate connection of its early growth with the trade union movement is still having its effects. In fact, in matters of incomes policy, the difference in the attitude of union leadership under the two postwar Labor governments (1945–51 and 1964–70), as compared with its attitude when the Conservatives were in power (1951–64), is quite striking.

At the same time, the British story shows with particular clarity that even when the union leadership is willing to cooperate, much depends on whether the rank and file is willing, or can be induced, to go along. Here the organizational structure of a nation's trade union movement is a factor. In Britain, as in the United States, unionism is far less centralized than it is, say, in the Netherlands or in Sweden. The authority of the Trades Union Congress (TUC) over its affiliated unions rests on "moral suasion" rather than on any constitutional rule. This has repeatedly been an obstacle to the implementation of incomes policy.

In the opinion of some observers, certain special features of the British institutional setup tend to make it an even less suitable framework for national incomes policy than the American setup. Wage negotiations are usually conducted for branches of industry. But only on the employer side are the negotiating associations organized along branch-of-industry lines. On the employee side the organization is along occupation lines, with the result that in the conclusion of a wage contract that is to cover all employees in a given branch, several unions must usually participate. This often makes it more difficult to reach a settlement.[3]

II

Soon after the Labor government came into power in 1945, it declared that government interference in the traditional process of determining wage incomes by free negotiation was undesirable as a matter of principle. But the desire to do something about steadily rising prices prompted the government, in 1948, to issue a policy statement that contained some guidelines—in general, nonquantitative terms—as to the conditions un-

Footnotes at end of article.

der which, and the extent to which, wage increases would be in the national interest. The Trades Union Congress was basically in agreement with these principles, and for two years they were observed "with a remarkable fidelity." [4] The result was a voluntary wage freeze for two years—which was actually what the government had been attempting to bring about. The employer organizations cooperated by agreeing to freeze dividend disbursements temporarily at existing levels. In 1950, with living costs steadily rising, discontent began to build up among the rank and file union membership. Wage restraint broke down at various local levels and, under the impact of mounting pressure from below, in September 1950 the TUC formally decided not to support it any longer. So the first British experiment with guidelines was not without initial success, but the success was short-lived.

What happened in the first few years after the Conservatives returned to office in 1951 could almost be called a retreat from the whole idea of incomes policy. A Council on Prices, Productivity and Incomes was set up in 1957,[5] but its assigned task was confined to reviewing economic developments of the recent past (including changes in productivity, wages, salaries, profits, and prices) and to reporting its findings from time to time. The inflation theory of the council, as expressed in its first three reports, gave it little incentive to set any clear and fixed targets for prospective wage or price changes. These reports showed that the council was holding inflation to be essentially a demand-pull phenomenon. Only in its final report (1961) did the council emphasize that some "cost push" was also operating and that some positive incomes policy was therefore advisable.

The reports of the Council on Prices, Productivity and Incomes had very little effect on wage negotiations going on at the time. In part, this may have been caused by the fact that neither of the two sides of the labor market had any representative on the council. The government organized the council as a three-man body of impartial experts. Moreover, the trade unions bitterly resented a remark in the council's first report (1958) to the effect that "in our opinion it is impossible that a free and flexible economic system can work efficiently without a perceptible (though emphatically not catastrophic) margin of unemployment." [6]

Under the pressure of a new balance-of-payments crisis in 1961, efforts to achieve restraint in income increases were resumed. The government first tried an unusual experiment in moral suasion. It ordered a complete "pay pause" (no raise in wages or salaries) in the civil service for several months. The measure did not have the desired effect. It irritated employees in the public sector without producing the hoped-for morale impact on the private sector. The Trades Union Congress rejected the government's appeal to follow its example in restraining pay raises, but it cooperated in the establishment of a National Economic Development Council (NEDC). This council, which was to prepare the ground for some long-term planning and forecasting, included representatives from trade unions as well as employer organizations. The door seemed to be open for tripartite discussions and (possibly) agreements on policy decisions on the basis of the council's findings. This encouraged the government to make a new start in incomes policy.

III

In Britain, as in the United States, the year 1962 was a milestone in the government's efforts to influence the growth of money incomes. In Britain, it marked the beginning of an incomes policy with long-term aims—to be enunciated periodically in a statement setting a numerical ceiling for the desirable average growth rate of wage and salary incomes in the near future, and specifying the criteria that wage settlements exceeding the ceiling would have to meet to be acceptable. In a White Paper, "Incomes Policy: The Next Step" (1962), the government proposed a target of 2 to 2½ percent for annual increases in wages and salaries. This target was based on the long-term trend in labor productivity. Bigger increases were to be regarded as justifiable only in two cases: (1) when the employee agreed to make a special contribution to productivity by accepting more exacting work or more onerous conditions, or by renouncing restrictive practices, and (2) when it was "plainly necessary" to build up manpower in one industry relative to others.[7]

It is interesting that increases in the cost of living were explicitly rejected as justifications for pay raises above the 2½ percent ceiling. The exclusion was obviously designed to prevent the onset of an upward price-wage spiral. But in a country as dependent on imports as Britain, where many living costs often may rise independently of the internal wage level, strict rejection of cost-of-living increases as justification for pay rises exceeding the low long-term norm presupposed a good deal of willingness on the part of consumers to accept "austerity." Also rejected were arguments for special wage increases based on profit increases in a particular industry, or on shortages of labor (except for the above-mentioned case of "plainly necessary" shifts of manpower from one industry to another). The rejection of "labor shortages" as an argument for pay raises above a norm based on long-term productivity is interesting, too. It implied that the government felt strong enough to defy the verdict of the market even under extreme conditions. The history of British incomes policy during the mid-1960s, and even more of Dutch incomes policy, shows that in really extreme situations the forces of the market are stronger than government efforts to control them.

A special body, the five-man National Incomes Commission, was set up to watch over the observance of the guidelines proposed by the government. However, as in the case of the former Council on Prices, Productivity and Incomes, the commission included no representatives of either employers or employees, and its terms of reference were narrow. It was designed to analyze past experience and to publish reports, but had no right to invalidate past agreements or to enforce observance of the government's norms in concluding new contracts. Because of these facts, its influence on actual developments was no greater than that of the former council which it had replaced. The Trades Union Congress repudiated the commission's authority to pass judgment on wage contracts, and even refused to appear before it.

It soon turned out that the government's 2½ percent guideline ceiling was academic. In part, this reflected a special feature of British economic development since World War II, namely, the coexistence of a low degree and slow increase of labor productivity [8] and a relatively high rate of employment.[9] In combination, these two factors have made it particularly difficult in Britain to keep wage increases within a norm based on the (slow) long-term growth of productivity.[10] In fact in 1962 the average hourly wage rate rose by about 4½ percent—way above the ceiling set by the government.[11]

The next year (1963) the NEDC proposed a medium-term 4 percent target for the annual growth of the British economy. In a report published with the approval of all council members, including the trade union representatives—a first hopeful sign that a tripartite "dialogue" on these questions might be feasible—the necessity was recognized to adopt "policies to ensure that money incomes . . . as a whole rise less rapidly than in the past." [12] This recommendation was in line with the government's incomes policy. At the same time, the government now shifted its position slightly by assuming that it was safe to base the general guideline for income rises on *prospective* (long-range) productivity trends rather than on those observed in the past. So the rate of wage and salary increase believed to be consistent with the projected growth of the economy was set at 3 to 3½ percent annually.

IV

The rise in the official ceiling from 2½ to 3½ percent did not do much to bring wage and salary increases into line with the incomes policy of the government. From 1963 to 1964, average hourly earnings rose by 8.2 tained.[26] However, for quite some time, in fact the fact that the government had so far been unable to convince the leading employer and employee organizations, especially the Trades Union Congress, of the need for an incomes policy based on long-term considerations. In this respect the return of a Labor government to power in October 1964 seemed to pave the way for a new start.

In fact, the new government succeeded in a relatively short time in bringing about an agreement on incomes policy signed by representatives of the government, the Trades Union Congress, and several employer organizations. In a Joint Statement of Intent,[14] employer and employee representatives formally accepted the government's basic principle that the rise in money incomes should keep in line with that of productivity.[15] Moreover, they pledged themselves to cooperate with the government in setting up effective machinery to keep the movement of incomes and prices under review,[16] the aim being to make sure that income and price movements were in the national interest as defined by the government *"after consultation with management and unions."* (Emphasis added.) The national interest, to be defined by continuous "tripartite" consultations, was thus recognized by the representatives of sectoral interests as the supreme guide. For the moment, this looked like a hopeful sign.

As for the new machinery, the National Income Commission was replaced by a National Board for Prices and Incomes (PIB). Unlike the NIC, the new board had representatives from both management and labor on its staff. Moreover, it was equipped with a research team, and its task, when a case was referred to it, was not merely to review and to pass judgment but to enter into discussions with the parties involved and to try to pass judgment but to enter into discussions with the parties involved and to try to influence them in the direction of the established guidelines. As far as wage and salary increases were concerned, these guidelines were the same as before (general ceiling of 3½ percent annually), except that the two special criteria for higher pay raises (productivity agreements and the need to transfer manpower from one industry to the other) were augmented by two "social" criteria (existing wage levels either too low to maintain a "reasonable" standard of living or seriously out of line with remuneration for similar work elsewhere). It was emphasized, however, that deviations from the general guideline ceiling should be kept at a minimum.[17]

As for price guidelines (the new feature), enterprises were expected to raise prices only if this were the only means to make possible those wage and salary increases consistent with guideline norms; or if there were unavoidable increases in non-labor costs (current or capital) that could not be offset in any other way; or if it proved impossible,

Footnotes at end of article.

despite all efforts to reduce costs, to secure the capital required to meet home or overseas demands.[18] At the same time, enterprises were expected to reduce prices if labor productivity had grown faster than had been assumed in the general ceiling for wage and salary increases and if there were no unavoidable offsetting increases in non-labor costs; or if current non-labor costs (materials, services, et cetera) had decreased without any offsetting and unavoidable increase in labor or capital costs; or if capital costs had declined without any offsetting and unavoidable increase in labor and (current) non-labor cost; or if existing prices were the result of excessive market power.

To give the National Board for Prices and Incomes Times and opportunity to perform its reviewing and advisory functions, an *advance warning system* for wage and price increases was introduced. The system authorized the government to require advance notice of 30 days before a wage settlement or a price change became effective. If within this period the government decided to refer the proposed settlement or change to the PIB for review, it could do so; and, in this event, the effective date of the settlement or change had to be further delayed until the board had reported. This might take two or three months. Observance of all procedures connected with this "early warning system" was compulsory. On the other hand, there was no obligation to follow the board's recommendations, once they were reported. Thus, for final decision making, the principle of voluntary compliance with the government's incomes policy was upheld. The arrangements provided, however, that in outright emergencies the government could order a temporary standstill on wages and prices.

The community of purpose expressed in the 1964 Joint Statement of Intent, and the much broadened public discussion that the new system envisaged, seemed to justify the hope that the government's incomes policy would henceforth be more successful than before in curbing excessive claims for income rises.[19] However, wages continued to rise substantially above the 3½ percent per annum ceiling. This cannot be explained by an increased number of those special productivity arrangements that would have justified higher pay increases. Very few such productivity arrangements came about. It has been estimated that in the first eight months under the Labor government, wages rose by about 8 percent, although productivity was virtually stagnant. The increase in hourly earnings from the Statement of Intent (December 1964) until the autumn of 1966 was estimated to have hit a record annual rate of nearly 10 percent.[20]

Let us document the disappointment about the results of the "new era" of British incomes policy with a statement from the London *Economist:*

"In the first five months of this year (1966), more people in Britain pushed up their earnings more steeply for less work than at any time since 1960. . . . This is what has happened to the incomes policy. . . . The plain fact is that since Labour took office in October 1964, hourly earnings have risen 2¼ times faster than that of output per man-hour." [21]

Why the cooperative system of incomes policy introduced in 1964 did so little to reduce the gap between actual income increases and those the government thought defensible is a question that can be answered only by more intensive research than is possible within the scope of this study. At any rate, the continuing gaps show that the willingness of employer and employee *leadership* to cooperate in implementing an incomes policy is a necessary but not a sufficient condition for securing the successful implementation of such a policy.

Footnotes at end of article.

V

The necessity of invoking emergency powers came earlier than had been expected. In the face of another serious national crisis (in these decades, "national crisis" in Britain was almost synonymous with "balance-of-payments crisis"), the government soon found that the deflationary measures it had taken were not enough. And since recent experience had shown that long-range and more-or-less voluntary incomes policy could not accomplish much, there was for the moment only one alternative: either replace this type of incomes policy temporarily with a far sterner and more compulsory one, or embark upon a monetary and fiscal policy so rigorously restrictive that a sharp rise in unemployment was bound to result.

The government chose the first course. Toward the end of July 1966, it ordered six months of complete standstill in wages, salaries, dividends, and prices, to be followed by six more months of severe restraint (during which the norm of the general income rise would be zero, but some increase would be allowed under very stringent conditions). After July 1967, the former type of incomes policy, based on long-range projections of output and productivity gains, was to be reintroduced. Actually, it was later found advisable to extend the "zero increase" norm, with gradually increased relaxations and exceptions, until July 1968. In view of the seriousness of the crisis that was threatening the country in mid-1966, the Trades Union Congress and the Federation of British Industry approved the freeze as a temporary emergency measure, which in fact it was intended to be.

During the absolute incomes freeze decreed for the first six months after July 1966, the government achieved its short-run objective to the extent that the index of hourly earnings remained virtually stable at 169.8 (January 1956=100). But in the following six months of "severe restraint," the pent-up pressure could no longer be fully restrained. The index of hourly earnings rose to 173.1 in May, for an increase of about 1.9 percent.[22]

As mentioned above, the government extended the "zero guideline" for income increases from July 1967—where, according to the original plan, it should have ended—to July 1968. During the extension, the conditions for increases above the zero norm were somewhat wider than in the period originally contemplated for this norm. But the trade unions were opposed to prolonging the zero guidelines. Perhaps in part as a result of their unwillingness to cooperate, it took only three months before the index of hourly earnings had recorded another sharp rise. Over the full year ending April 1968, according to the Annual Report of the National Board for Prices and Incomes,[23] hourly earnings had risen over 8 percent—hardly what had been expected after a year during which the general official ceiling rate for wage increases was zero.

One main hope in introducing the 1966–67 freeze and the subsequent "severe restraint" might have been that these measures, in combination with moderately restrictive monetary and financial policies, would make it possible to maintain the exchange rate of the currency. This hope was not fulfilled. Despite all efforts, the pound sterling had to be devalued.

VI

After the experience with the freeze and the prolonged period of "severe restraint," there must have been some skepticism as to whether Britain should commit herself once more to an incomes policy based on long-range projections of output and productivity growth. The eventual decision was to try again. A White Paper on "Productivity, Prices, and Incomes for 1968 and 1969," prepared by the National Board for Prices and Incomes and submitted in April 1968, stated: "The economy can not yet afford any automatic increase in personal incomes." [24]

The program outlined for 1968 and 1969 in this paper was, in essentials, a return to the pre-1966 rules. The general ceiling for annual increases in wages, salaries, and dividends was again set at 3½ percent, with the same special criteria for acceptable pay increases beyond the norm. It is noteworthy that, even this time, increases in living costs were not officially recognized as such a criterion. As for prices, the criteria for both justified increases and expected decreases were the same as before the emergency. Again, "profit squeeze" was not in and of itself recognized as justifying price increases.[25]

The system of "advance warning," which gave the government power to delay the implementation of wage agreements and to refer them for review to the National Board for prices and Incomes, was likewise maintained.[26] However, for quite some time, in fact even for some time before the demise of the Labor government in June 1970, not much use was made of this power. Many wage agreements went into effect that involved wage increases substantially above the general guideline ceiling (although the latter was raised from 3½ percent per annum to 4½ percent per annum late in 1969). Starting from the third quarter of 1968, when the country resumed its long-view incomes policy based on a non-zero guideline ceiling, and using the average hourly wage rate as the measure, the annual percentage increases, as well as the excess of each increase over the guideline ceiling show a steady tendency to grow right up to the present. And there is no indication of an impending change in this trend:

From—	To—	Annual increase in hourly wage rate (percent)
3d quarter 1968	3d quarter 1969	5.4
4th quarter 1968	4th quarter 1969	5.5
1st quarter 1969	1st quarter 1970	7.3
2d quarter 1969	2d quarter 1970	9.3
3d quarter 1969	3d quarter 1970	10.7
4th quarter 1969	4th quarter 1970	[1] 15.0

[1] Estimated.

Source: OECD, Economic Survey: United Kingdom, 1970 (Paris: 1970), table 4, p. 43, where hourly wage rates are given in index form (January 1956=100) for quarters. The OECD figures are not seasonally adjusted. To eliminate seasonal influences, we have computed the annual percent changes between identical quarters of succeeding years. For the 4th quarter 1970, the index figure showing the hourly wage rate is not yet available; the 15-percent increase over the 4th quarter of 1969 is a preliminary estimate of the U.S. Department of Commerce.

One gets the impression that British incomes policy began to lose steam not very long after it was reinstated in 1968. The new Conservative government that took power in June 1970 has merely acknowledged the downdrift more explicitly. Statutory powers to interfere (temporarily) with wage contracts are still in effect, but the government has announced its intention to let them lapse. Since June 1970, not a single wage agreement has been referred to the National Board for Prices and Incomes.

The future is uncertain, however. If the uptrend in annual rates of wage increases shown in the above table continues, it may be that any British government, Tory or Labor, will feel compelled to look for methods—perhaps new and untried methods—to check the trend. It has been announced that the National Board for Prices and Incomes will be wound up soon, probably some time this coming spring. But plans for setting up new agencies to replace the board in some of its functions are under discussion. Judging from these discussions, the task of these agencies would be to review wage and price developments in certain key sectors of the economy, and to make recommendations.

However, as yet, the plans have not taken definite shape.

VII

To be able to judge how much or how little British incomes policy has achieved, we must first ask what criteria should be applied. On this question, only a few observations can be presented in this preliminary survey. They are presented here as concluding observations on Britain, but they apply to all of the countries to be reviewed, and it will not be necessary to repeat them later on.

The fact that British incomes policy—and, for that matter, the incomes policy of any country that has tried one—has been unable to stabilize prices is not a sufficient criterion for judging the effectiveness of such a policy. While the majority of economists now assume that "wage push" by powerful labor organizations has often been a factor in post-World War II inflations, the majority is equally agreed that it has been only one of many factors. To gauge the success or failure of an incomes policy in curbing price inflation, first one would have to try to calculate how much of the inflation is due to wage push and how much to other factors—probably a most unrewarding task in most cases. It might be more promising to try to measure the impact of the incomes policy on the magnitude on which it is supposed to act directly—that is, on wages themselves. The British story, which often tells of wide gaps between guideline ceilings and actual wage increases, seems to indicate that in Britain the impact of incomes policy on wage movements was, on the whole, insignificant. However, examination of such gaps still does not furnish an adequate criterion. For a final judgment as to whether the guidelines were effective, one would have to know how wages would have behaved in the absence of the guidelines.[27]

A number of attempts to answer that question and thus to isolate the impact of the incomes policy have, in fact, been made. With respect to Britain, Geoffrey Bell has reviewed seven such studies [28] and states that all of them conclude that British incomes policy has not, except for very short periods, reduced British money incomes by appreciably more than 1 percent per year from what they otherwise would have been. It is not possible here to discuss these studies critically (Bell merely lists the names of the authors without giving any details). But so close an agreement in the results of seven econometric studies is rare and establishes some presumption in favor of the common finding. Now a differential of 1 percent per annum sounds small enough, but its final significance depends on the period through which it is being sustained.

On the basis of comparisons of the growth rate of British money incomes with the corresponding growth rates in a number of competing countries, the National Board of Prices and Income stated that "a reduction of 1% in the rate of growth in money incomes,[29] translated into a reduction of 1% in the rate of growth of labour costs per unit of output and sustained over 10 to 15 years, would have rendered devaluation unnecessary." [30] Of course, 10 to 15 years is a very long time for any such incomes policy to be effective.

It has been argued that even if an incomes policy does not yield impressive quantitative results, it could have the beneficial effect of giving rise to more frequent and more intensive discussions and consultations about income and price developments. In this way, such a policy could help to arouse public opinion, to clarify the thinking of the interested parties, and to make them more inclined to consider the national interest even when it is (or seems to be) opposed to sectional interests. As far as Britain is concerned, about all one can say in this respect is that the degree to which such effects occurred has varied greatly. There have been short periods (1948–49, 1964–65) when the leading employer and employee associations seemed quite willing to give national interests precedence by keeping growth rates of money incomes within the limits the government thought to be acceptable from the general viewpoint. But it would seem that in the last few years these associations—or at any rate the Trades Union Congress—have drifted farther and farther away from this position. From the content of the TUC Report for 1968, the year in which the Labor government redefined a long-view incomes policy on the statutory basis of the Prices and Incomes Act, it is apparent that a sizable majority of TUC delegates had already rejected this policy.[31] At about the same time, other voices could be heard from these quarters which sharply stressed that the sectoral interests of the labor movement are, after all, its main concern: "All directors seek maximum profits for their shareholders, all manufacturers seek maximum prices for their goods. So long as this continues, all trade unionists are compelled to seek maximum wage increases for the members they represent." [32]

Without further study, it is difficult to say whether the strictly sectional viewpoint has predominated in British trade unionism during the last few years. If it has, one would have to say that in Britain, for the moment at least, the beneficial psychological side effects of incomes policy have largely evaporated.

FOOTNOTES

[1] Cf. E. H. Phelps Brown, "Guidelines for Growth and for Incomes in the United Kingdom: Some Possible Lessons for the United States," in G. P. Schultz and R. Z. Aliber, eds., *Guidelines, Informal Controls, and the Market Place* (Chicago: University of Chicago Press, 1966), p. 147.

[2] For Britain, cf. Trades Union Congress, *Trade Unionism* (London, 1966), p. 78: "Real income cannot for more than a short time rise faster than overall productivity."

[3] The view that this divergence in organizational arrangement on the two sides of the labor market contributes to the difficulties of British incomes policy has been expressed by the German *Sachverstaendigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung* (Council of Economic Advisers) in its *Jahresgutachten* (Annual Survey), 1967/1968, p. 185.

[4] Phelps Brown, *op. cit.*, p. 154.

[5] The chairman of the council was Lord Cohen; Sir Dennis Robertson and Sir Harold Howitt were the other members.

[6] Council on Prices, Productivity and Incomes, *First Report* (London: H. M. Stationery Office, 1958), p. 41.

[7] Phelps Brown, *op. cit.*, p. 156.

[8] Except for the rapid and spectacular productivity increases of 1968–69, the explanation for which is still a matter of debate but which are prevailingly assumed to have been a "once and for all" phenomenon. See Organization for Economic Cooperation and Development (OECD), *Economic Survey: United Kingdom, 1969* (Paris 1969), pp. 12–13.

[9] During 1959–65, the annual rate of unemployment, adjusted to United States definitions, was substantially lower in Britain than in the United States and Canada, although somewhat higher than in Sweden, Germany, and—with a few exceptions—in France. David Smith, *Incomes Policies: Some Foreign Experiences and Their Relevance for Canada* (Ottawa: Queen's Printer for the Economic Council of Canada, 1966), Tables 2–4, p. 18.

[10] The contribution of the high degree of employment was visible on several occasions. Although the British labor market never exhibited the degree of acute labor shortage the Netherlands experienced between 1963 and 1965, the phenomenon of employers taking the initiative in raising wages was occasionally manifested in Britain, too. Cf. Phelps Brown, *op. cit.*, p. 149.

[11] Smith, *op. cit.*, p. 111.

[12] National Economic Development Council (NEDC), *Conditions Favorable for Faster Growth* (1963), quoted in OECD, *Economic Survey: United Kingdom, 1964* (Paris 1964), p. 23.

[13] Smith, *op. cit.*, Table 5–5, p. 123.

[14] Joint Statement of Intent on Productivity, Prices, and Incomes, December 1964.

[15] Phelps Brown, *op. cit.*, p. 157.

[16] For the first time, the government had introduced price movements directly in its guideline policy, alongside the movements of wages, salaries, and dividends. This may have helped to secure the cooperation of union leadership.

[17] Again, increased costs of living were not mentioned among the special criteria that would justify pay raises in excess of the general guideline ceiling. This exclusion would be perfectly logical if rises in living costs were caused *exclusively* by previous wage inflation. Then the trade unions would have only themselves to blame for the higher cost of living. However, as already mentioned, in a country where prices and living costs are affected by so many influences "from outside" (for instance, devaluations of the Pound, or revaluations of the Deutschmark and the Guilder), it proved virtually impossible to insist that in wage negotiations the level of the cost of living should simply be ignored.

On the whole, British developments during the period under review confirmed once more W. H. Beveridge's dictum of a quarter of a century ago that "there is no inherent mechanism in our present system which can with certainty prevent competitive sectoral bargaining for wages from setting up a vicious spiral of rising prices under full employment." See *Full Employment in a Free Society* (New York: W. W. Norton and Company, 1945), p. 199.

[18] Note that "profit squeeze" was not recognized *per se* as an argument justifying price increases. The circumstances that caused the profit squeeze had to meet at least one of the specific criteria listed above.

[19] After the government had announced its plan for a compulsory advance warning system, the Trades Union Congress of 1965 adopted a proposal under which it would operate its own early warning system with respect to wage agreements to be concluded by its affiliated unions, and would keep the government posted on all developments occurring under this arrangement. The passing of this motion represents perhaps the biggest step British union leadership ever took in the direction of cooperation with an official incomes policy. Later on, even while the Labor party was still in power, Trades Union Congresses became more and more lukewarm toward this policy.

[20] *The Economist*, November 6, 1965, p. 580, and November 5, 1966, p. 545.

[21] *The Economist*, July 2, 1966, p. 15.

[22] *The Economist*, "Incomes Now," July 1, 1967, p. 7.

[23] *The Economist*, July 27, 1968, p. 42.

[24] National Board for Prices and Incomes, *Productivity, Prices and Incomes for 1968 and 1969* (London: H. M. Stationery Office), p. 3.

[25] The main provisions for price and incomes policy as reintroduced in July 1968 can be found in OECD, *Economic Survey: United Kingdom, 1968* (Paris, 1968), pp. 39–41.

[26] The Prices and Incomes Act as passed in July 1968 set the total maximum period during which the effective date of a wage agreement could be deferred by government and PIB action at 12 months. Earlier it had been seven months.

[27] On this point, cf., e.g., Arthur F. Burns and Paul A. Samuelson, *Full Employment, Guideposts and Economic Stability* (Washington, American Enterprise Institute, 1967), pp. 57–58; R. M. Solow, "The Case Against the Case Against Guideposts" in G. P. Schultz and R. Z. Aliber, eds., *Guidelines,*

Informal Controls, and the Market Place (Chicago: University of Chicago Press, 1966), p. 46.

[28] Geoffrey Bell, *Incomes Policy: The British Experience*, an address to the Annual Convention of the National Association of Business Economists (Boston, Massachusetts, September 15, 1970), p. 12 (mimeographed).

[29] If the finding of the studies mentioned by Bell are accepted, a 1 percent per annum reduction in the growth that actually took place despite the incomes policy would mean a 2 percent reduction in the growth that would have taken place in the absence of the incomes policy.

[30] National Board for Prices and Incomes, *Fourth General Report, July 1968 to July 1969* (Cmnd 4130, July 1969), p. 3. The reference is to the devaluation of the pound in November 1967.

[31] TUC *1968 Report*, pp. 571–72.

[32] The view of one prominent union spokesman, as recorded in TUC *Economic Review 1968*, p. 117.

THE NETHERLANDS

I

The history of Dutch incomes policy begins with the end of the Second World War. In the years since then, a particularly rich variety of wage and price guidelines has been used, ranging from compulsory freezing of wage agreements or price levels to exhortations to keep increases within certain boundaries. The general historical trend has been from strict controls to more liberalized systems, but the trend has been interrupted several times by the reintroduction of sterner measures.

For a long time, the main emphasis in Dutch incomes policy was on guidelines for wage increases. With respect to prices, policy reflected the fact that in a small country heavily dependent on international transactions and therefore on international price levels, incomes policy, even under the most favorable conditions, can only achieve the limited objective of relative price stability.[1] But in terms of this limited objective, confidence in the effectiveness of governmental wage guideposts probably was stronger and lasted longer in the Netherlands than in any other Western country. Repeatedly, after disappointments with such guideposts, the hope that they could be made more effective by reforms (such as setting up new criteria, or trying different institutional arrangements) prevailed over the idea that they had better be dropped altogether. In addition, since 1966, several attempts have been made to supplement wage guidelines with direct price controls.

In part, this confidence was the outgrowth of an unusually widespread belief in economic forecasting and planning. During most of the time since 1945, Dutch economic policymakers have been applying, in the words of one observer, "more sophisticated methods of short-term forecasting and more refined ways of planning policy measures than the methods used in other Western countries." [2] For some time at least, the government's persistence in using incomes policy was supported by the fact that faith in the official forecasts on which the guideposts were based was widely held, even within trade unions. In the last few years, however, some of this faith has waned in these quarters as a result of too pessimistic official forecasts.

It is worth mentioning here that both sides of the labor market in the Netherlands are organized along religious lines. On the labor side, there are three central associations, the Protestant Federation of Labor (CNV), the Catholic Workers' Union (NKV), and the religiously neutral, moderately socialist-oriented Netherlands Federation of Labor (NVV). On the employer side, the division is similar, though less clear-cut. Despite this organizational structure, religious differences have not, in general, impaired the willingness of the associations on either side to cooperate with each other, or to compromise in negotiations between employers and employees, or to cooperate with the government in some years.

II

The Netherlands emerged from the years of war and German occupation with an economy crippled by far-reaching devastation and dislocation. The need to reconstruct the foundations of economic life overshadowed all other considerations and created, during the first postwar years, a feeling of community of purpose among the various economic groups. It was largely because of this feeling that most of the population, including the trade union memberships, backed the system of comprehensive controls and showed a willingness to keep within the limits prescribed by the official guidelines.

In the field of incomes policy, the controls were exercised, at first rather strictly, by the Board of Government Mediators. This board was instituted and endowed with vast powers by a decree of 1945. It had authority to fix general wage levels, to validate collective agreements, to declare them binding, and to define their scope.[3] However, in all matters of general wage policy, the board was required to consult with the Foundation of Labor, a tripartite organization in which representatives of labor, representatives of employers, and independent experts were exchanging their views. The Foundation of Labor, formally a private organization, became very important in implementing the government's wage policy, while the Social and Economic Council, which was added somewhat later, played only a secondary role in this area.

The general tendency in wage fixing during the first years of arduous reconstruction was to keep wages at the "socially tolerable minimum," with some allowance for regional differences in costs of living and for levels of skill (semi-skilled worker receiving 110 percent, and skilled workers 120 percent, of the wage fixed for unskilled workers at the assumed socially necessary minimum). Later, from 1948 to 1950, wages were linked more closely to changes in the cost of living. In 1951, however, a serious balance-of-payments situation led to a rare occurrence. The trade union leadership, which by then had certainly grown accustomed to thinking in terms of real rather than money wages, was prepared to accept what was expected to be a 5 percent cut in real wages for all workers (a 5 percent rise in money wages, in the face of an expected 10 percent rise in prices).[4]

The restoration of full employment in the late 1950s, which ushered in an acute labor shortage in the early 1960s, put an increasing strain on the system of guidelines for wage increases. The strain may have been reinforced by the creation of the European Economic Community (EEC), which facilitated migration of Dutch workers to other EEC countries where the wage levels were higher.[5] However, all during the full employment period of the 1950s, the unions were still sufficiently cooperative to enable the government to avoid an outright wage explosion or the onset of an unmanageable wage-price spiral. In fact, as late as 1957, the willingness of union leaders to cooperate went to the length of repeating the unusual performance of 1951. Motivated by another serious balance-of-payments situation, they acquiesced, consciously and as a matter of agreed policy, in a temporary cut in real wages.[6]

III

Up to 1959, the guidelines for allowable wage increases were based, by and large, on considerations and forecasts relating to the Dutch economy as a whole. Sometimes, limitations were added about how much of a wage increase could be passed on in prices. (General price control had been abolished in 1948.)

In 1959, the whole system was changed by introducing a new guideline criterion. Wage increases allowable in particular industries or branches of industry were made dependent on the rates of productivity increase in these individual industries or branches.[7] The idea of linking wage increases to productivity increases, *sector-wise*, had been discussed in the theoretical literature before and had been rejected. Dutch incomes policy between 1959 and 1963 seems to represent the only systematic attempt ever made to put this idea to a practical test. The Dutch experience with the attempt is therefore of considerable general interest and deserves close examination. In this preliminary survey, however, a few brief remarks must suffice.

The Dutch experience with linking wage increases to sectoral productivity increases confirmed most of the objections that had been raised on theoretical economic grounds. It turned out that physical productivity, by sector, is not a suitable indicator of the economic desirability of attracting new labor by higher wages. Industries having rapid productivity increases are not necessarily those with the highest potential for economically desirable expansion.[8] Besides, the problem of measuring productivity changes at the branch or enterprise level and, in particular, the job of checking the reliability of reported productivity changes at these levels proved to be far more intractable than seems to have been anticipated. There were endless discussions and disputes in this area; productivity estimates were manipulated; selected productivity data were cited by interested parties to justify wage changes that had been agreed upon on other grounds.[9] The task of settling all these questions and disputes placed a heavy additional workload on the Board of Mediators and other government agencies. While it had been hoped that a guideline system based on an "objective" criterion, such as productivity, would liberalize wage control (at least in the sense of making it work more automatically and with less frequent necessity for direct intervention by some government agency), the actual effect was exactly the opposite.

IV

In 1963, the system just described was scrapped and replaced by one that in some respects amounted to a return to the earlier system of predetermined guidelines for changes in the general wage level. Possibilities for overall wage increases were to be examined by the Central Planning Bureau and the Social and Economic Council, which were to prepare intensive analyses of the state, the problems, and the prospects of the Dutch economy. With respect to concluding and approving wage agreements reached by collective bargaining, the central employer and employee organizations were given somewhat more freedom than they had had in the initial phase. But the government retained the power to disallow particular agreements, to declare a short-term wage freeze, and, if necessary, to issue directives about permissible wage increases through the Board of Government Mediators.

The approved wage maxima were binding and violators were liable to prosecution. Normally these maxima were arrived at via a complex route of analyses, reports down the line, negotiations, consultations, reports up the line, and supervisions, the latter involving several government agencies. It is not necessary here to describe this elaborate setup in greater detail.[10] All in all, the system of 1963 amounted to only a moderate liberalization compared with that of the first few postwar years.

When the new system of incomes policy was introduced in 1963, there was every indication that it, too, would soon run into

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Footnotes at end of article.

great difficulties. The growing tightness of the labor market had already led to wage drifts and "black wages." In fact, by 1963 the labor shortage had reached the point—strikingly reflected in a ratio of about four job vacancies to one unemployed person—where "black wages" were estimated to be 6 or 7 percent of the total wage bill.[11] The psychological foundations on which the government's incomes policy depended began to sag on both sides of the labor market. Union leaders grew more restive and militant—partly out of a fear that they could no longer convince the rank and file of the need to comply with the government's wage maxima and, therefore, were in danger of losing their grip on the membership.

There was a change of attitude on the employer side, too. Under approximately normal labor market conditions, governmental guidelines for wage increases, which usually establish upper limits for such increases, are naturally much less distasteful to employers than to employees. However, this changes in a situation where the employers have to look desparately for ways to keep their work force and to attract new workers. "When the labor market gets very tight," said Samuelson, "the interest of the employer coincides with that of the worker and the union." [12] The Dutch experience of 1963 and the next few years bears this out, at least to the extent that in such a situation employers and workers are about equally annoyed by government-prescribed wage guidelines and about equally inclined to violate them.[13]

Open "wage explosion" was not slow in coming. In the autumn of 1963 the government set a guideline of 6 percent for the average wage increase in the following year. But a number of employers, in open defiance of the guideline, offered higher wages. Attempts by the Board of Government Mediators to use its legal power to intervene were of no avail. The final overall result of the protracted wage bargaining of 1964 was an average wage increase of about 15 percent—an enormous difference from the guideline target of 6 percent. The fact that the general performance of the Dutch economy in 1964 turned out to be much better than the government had forecast provided some *ex post* justification for the higher wage increases. But, at the same time, it did much to make union members suspect that the government had a tendency to be unduly pessimistic in its forecasts and, therefore, unduly conservative in its wage targets.[14]

This suspicion was reinforced by a similar experience in the following year. In mid-1965, it became apparent that, in the words of one observer, "the Planning Board's restrained forecasts had once again fallen considerably short of actual economic performance." [15] Gradual erosion of the earlier faith in the art of economic forecasting may well have been a factor in making the unions less willing than before to cooperate with the government's incomes policy. For the year 1965, the government wished that the wage increase should not exceed 7 percent on the average. The trade union members refused to cooperate in holding wage agreements within this target and, once again, the Board of Government Mediators was unable to stop the upward pressure on wages. So the actual wage increase turned out to be about 11 percent. The overall wage increase during the three years, 1963–65, has been estimated at about 38 percent, which is more than twice the permissible maximum set by the government.[16] Eventually, the government acquiesced to the higher rates of wage increases.

In these years, an incomes policy operating with guideline ceilings based on labor productivity was doomed to failure from the outset, because even the basic labor market situation in which such a policy might *conceivably* succeed was not present in the Netherlands at that time. To recall briefly the situation under which there is a slight chance for success: Labor supply is adequate to satisfy the demand for labor at existing wage levels—and, in fact, slightly more than adequate which means that there is some unemployment. In such a situation, no incomes policy should be necessary to prevent excessive wage demands.

Recent experience has shown, however, that trade unions, notwithstanding an existing (moderate) rate of unemployment, often do press for higher wages because they are confident that a government pledged to full employment (or at least to preventing any deterioration of an existing employment situation) will, by a sufficiently expansionist monetary policy, enable employers to maintain the volume and profitability of their business despite increased unit labor costs.

Hence, unions expect that success in their wage push will not raise unemployment above the existing level. Employers, who share the unions' expectation with respect to the government's policy in case of increased unit labor costs, do not resist wage demands as strongly as they presumably would if a different policy were expected. In such a situation, there is at least a *chance* for the government to restrain the wage push by convincing the union leadership that wage increases in excess of gains in labor productivity are bound to have inflationary effects that will largely or wholly nullify the income gains of the workers in real terms.

But this was not the situation in the Netherlands, 1963–65. There the upward pressure on the wage level was fully accounted for by the unique tightness of the labor market. When employers are "pulling" as vigorously as the Dutch employers did then, employees do not have to do much "pushing" to make the percentage increases in wages exceed—temporarily but also irresistibly—rates that are sustainable in the long run. In such a situation, an incomes policy designed to keep short-run wage increases within the boundaries suggested by long-run productivity considerations can have no chance of success.

V

For 1966, the government urged that wage increases provided for in contract renewals should not exceed 7 percent per annum on the average. Several contracts kept approximately within this limit and were approved. But a number of others provided for increases averaging about 10½ percent. This the government considered unacceptable.[17] However, the experience of the two preceding years was repeated. The offers of some employers considerably exceeded the levels negotiated between the central organizations and the government; the rank and file in the trade unions could not understand why these generous offers should not be accepted; and the union leaders, seeing their position vis-a-vis their members weakening, refused to cooperate in fixing wage increases at guideline levels.

This time, however, the government reacted by sharpening the weapons of its incomes policy. A wage freeze of several months' duration was decreed and, for subsequent wage negotiations, an increase of 7 percent was set as a maximum. Moreover, from May 1966 to the end of the year, wage control was strengthened by introducing price control. Under the new program, all price increases had to be reported to the Ministry of Economic Affairs. Wage increases could not be passed on in higher prices; increases in "external costs" (material, freight, repairs, publicity cost, taxes and duties) could be passed on in prices, with the proviso that declines in such costs must likewise be passed on; and price rises were subject to the further constraint that traders should not increase their money profit margins.

In 1967, the correlation between actual wage and price changes and those outlined by the government was closer than the three preceding years. On the wages side, where the stricter controls introduced in 1966 were continued, the government's guidelines were generally observed, despite the fact that they had called for more restraint than those of the previous years. The maximum permissible increase had been fixed at 4 percent as of January 1, 1967, with an additional rise of 1.5 percent as of July 1.

On the prices side, where compulsory controls had expired at the end of 1966, the leading employer organizations promised the government they would observe, throughout 1967, the fairly tight restraints that the control decree of May 1966 had imposed. This rather unusual degree of voluntary compliance reflects an ease in the market forces that had been pressing wages and prices upward. And it suggests that on the side of wages, too, the relatively close correlation between governmental guidelines and actual developments was due to an easier market situation rather than to tighter controls.

VI

In the last three years, the Netherlands has moved some distance, though by no means all the way, from controlled to free wage determination. The first and basic step was an agreement, concluded in December 1967, between the government and the two sides of industry. Provisional though the agreement was, it dominated the Dutch scene for more than two years. To give the new wage policy a legal basis, the government introduced a wage bill into Parliament in September 1968, but it was not until February 1970 that the bill, amended in several important respects, was passed.

Starting January 1, 1968, collective agreements were negotiated outside predetermined guidelines. The Board of Government Mediators and the Foundation of Labour were stripped of their control functions, and were relegated to the role of advisory bodies. The government reserved, however, the right to invalidate collective agreements that threatened to endanger the equilibrium of the economy. The Central Planning Board continued to work out projections about economic development, and these projections yielded assumptions as to what changes in wage levels would be compatible with economic equilibrium. The assumptions, or wage increase targets, were no longer regarded as binding guidelines. Nevertheless, there were times when wage developments seemed to deviate substantially from the assumed targets and when the existence of the targets brought the government to the edge of intervention.

Thus, in 1968, it took strong parliamentary opposition to make the government withdraw an announced plan for a six months' freeze on all wage contracts coming up for renewal in 1969.[18] A few months later, the introduction of a tax on value added, effective January 1, 1969, caused a sharp upturn in wholesale and consumer prices. From then on, all through 1969 and 1970, the government found it increasingly difficult to stave off a wage-price spiral without using its veto powers in wage matters. Contract negotiations in the heavy metal industry beginning early in 1969 provided for wage increases that were definitely out of line with what the government considered to be advisable.[19] While strongly opposing the agreement, the government refrained from intervening, partly because the parliamentary debate on the wage bill was in a delicate phase at that time. Subsequently, in view of the danger that another wage-price spiral would result from the impending wage negotiations for 1970, the Social and Economic Council—which had only advisory powers—recommended that wage increases should be limited to 5 percent in

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1970. In combination with the "target" assumed for price increases, this was designed to secure for the workers a 2.5 percent gain in real wages. Since employer organizations, trade unions, and the public were represented on the council, it is noteworthy that the recommendation was unanimous. But if this raised some hope for renewed all-around willingness to cooperate in the task of combating inflation, the hopes were dashed soon after the long-debated Wage Act was finally passed early in 1970.

While the new Wage Act upheld the principle that all wage contracts should first be freely negotiated between employers and employees, it authorized the government to intervene in contracts it considered contrary to the national interest. As mentioned before, this standby authority had existed by agreement since 1968, but now it had become law—over heavy union opposition.[20] The minister of social affairs gave assurances that he would use his right of intervention only in exceptional cases. Yet, the statutory confirmation of the government's veto power antagonized labor to such an extent that, ever since the passage of the act, two of the three union federations have been boycotting wage talks at the national level with both employers' associations and with the government.

In the field of price policy, at first the government continued its efforts to prevent "unjustified" price rises. As already mentioned, the original guideline, proclaimed in 1966 and accepted by business for voluntary observance in 1967, stipulated that wage increases (or, at any rate, wage increases within guideline limits) would not be passed on in the form of higher prices, and that only increases in "external costs" might be passed on. After the relaxation of wage controls in 1968, there were price increases which the government considered partly unjustified (because they exceeded the rise in taxes and other "external costs"). Attempts made early in 1969 to bring prices into line with the "external cost" criterion failed to prevent a sharp rise in prices and living costs.

Thereupon, in April 1969, the government decreed a general price freeze. All prices were to be fixed at the levels of March 14th. Prices remained fairly stable in the ensuing months. In September 1969, the government replaced the rigid price freeze with the rule that such increases in external costs as had occurred after the freeze date (March 14th) could be passed on in higher prices—and, conversely, decreases in such costs were likewise to be passed on. This relaxation amounted to a return to the principles of 1966–67. Enterprises must give the government a 30-day advance notice of planned price increases.

VII

The initial postwar willingness of unions to keep wage demands within noninflationary limits—and, accordingly, the initial success of the government's incomes policy—lasted a few years longer in the Netherlands than in Britain. But, following this initial period, there was hardly any time (with the possible exception of the one year, 1967) when the rates of actual annual increases in wages and salaries were held even to the upper limits the government had set as necessary to achieve (relative) price stability.

This is true both of the time when the boundaries were predetermined and legally binding guidelines, and of the time (1968–70) when wage bargaining was free not only in actual practice but legally as well. Developments in the calendar year 1970 show strikingly that the country is no closer to solving the problem of wage-push inflation now than it was under the earlier system. Last October, it was estimated that the total wage cost increase in 1970 would be about 10 percent.[21] Whenever the final figure, there is no doubt that it will be considerably above the 5 percent ceiling the Social and Economic Council had unanimously recommended.

On September 16, 1970, the government announced plans for several anti-inflationary measures. Among other things, it sought authority to decree a temporary wage freeze contingent upon approval by the Social and Economic Council. In principle, the government's deflationary program found support in Parliament. But it is not certain that the Social and Economic Council will give its consent to a measure so far-reaching as a wage freeze. The withdrawal of two of the three great union associations from all wage talks in the council and in the Foundation of Labour has obviously worsened the psychological conditions for a successful incomes policy.

Based on the forecasts of the Central Planning Board, the official "target" for wage developments up to 1973 is an annual increase of 7.5 to 8 percent. Unlike the British government, which has only a delaying veto power over wage contracts, the Dutch government can veto wage agreements absolutely if it considers them contrary to the national interest. But the history of Dutch incomes policy shows how difficult it is to make use of such statutory authority if certain economic, political, and psychological prerequisites are lacking.

FOOTNOTES

[1] Heavy dependence on international trade has a dual effect on the kind of inflation problem that arises in a country. From the cost side, it helps to dampen the tendency toward wage-push inflation, for it strengthens the consciousness, even in labor quarters, of the necessity of keeping the domestic economy internationally competitive. From the demand side, the effect depends on the trend of prices in the rest of the world. If this trend is markedly upward, then no national incomes policy in a country having a widely "open" economy can prevent the importation of some inflation. Cf. Gottfried Haberler, *Inflation, Its Causes and Cures*, revised edition (Washington, D.C.: American Enterprise Institute, 1966), p. 22.

[2] Erik Lundberg, *Instability and Economic Growth* (New Haven, Conn.: Yale University Press, 1968), p. 264.

[3] B. C. Roberts, *National Wage Policy in War and Peace* (London: Allen & Unwin, 1958), quoted in Smith, *op. cit.*, p. 137.

[4] The expected 10 percent rise in prices did not materialize. This may be due, at least partly, to the wage restraint accepted by labor at that time.

[5] It has been argued, however [OECD, *Economic Survey, Netherlands, July 1966* (Paris, 1966), pp. 8–9] that in the case of the Netherlands, not much use was made of these increased emigration possibilities.

[6] On the benefits which the Dutch economy probably reaped from the cooperative trade union policies of 1951 and 1957, see William Fellner, *et al., The Problem of Rising Prices* (Washington: Organization for European Economic Co-operation, 1961), p. 384.

[7] A formula agreed upon in 1961 between the government and the Foundation of Labor attempted to take account of both sector productivity and overall productivity, but the former was given three times the weight of the latter. The margin available for wage increases (and some other improvements in working conditions) was defined as $(3a+b)/4$, where "a" represents the long-term (annual) productivity increase in the branch in question, and "b" is the anticipated productivity increase for the economy as a whole in the next year. [OECD, *Economic Survey: Netherlands, 1962* (Paris, 1962), p. 12.]

[8] Smith, *op. cit.*, p. 140.

[9] See the *Jahresbericht* (Annual Report) 1967/1968 of the German *Sachverstaéndigenrat zur Begutachtung der gesamwirtschaftlichen Entwicklung* (Council of Economic Advisers), p. 187; also Smith, *op. cit.*, p. 139.

[10] Cf. Smith, *op. cit.*, pp. 134–35.

[11] OECD, *Economic Survey: Netherlands, 1966* (Paris, 1966), pp. 6, 16.

[12] Burns and Samuelson, *op. cit.*, pp. 129–30.

[13] Cf. Oettinger, "Incomes Policy in the Netherlands after 1945," in *Industrial Relations Research Association Papers and Proceedings, 1966*, p. 154.

[14] The view that the Central Planning Board had "a systematic tendency towards underestimation" has also been expressed by Lundberg, *op. cit.*, p. 299.

[15] John P. Windmuller, *Labor Relations in the Netherlands* (Ithaca, N.Y.: Cornell University Press, 1969), p. 375.

[16] Smith, *op. cit.*, pp. 141–42. Cf. Economic Commission for Europe, *Economic Survey of Europe in 1965*, Part I, Chapter 2.

[17] OECD, *Economic Survey: Netherlands, 1967* (Paris, 1967), p. 39.

[18] OECD, *Economic Survey: Netherlands, 1969* (Paris, 1969), p. 37.

[19] The pace-setting contract as finally written in January 1970 included for the first time, semi-annual upward revisions of wages, should price increases exceed expected rates.

[20] The original bill proposed by the government had gone considerably farther. Under it, the government would have had the right to declare a general wage freeze, and—as a last resort—to reintroduce for a maximum period of one year the old system of prior government approval of wage agreements.

[21] U.S. Department of Commerce, *Foreign Economic Trends. The Netherlands*, October 1, 1970, p. 5. By and large, the information given in this survey on the Netherlands for 1968–70 is based on the Department of Commerce's last four semi-annual "Foreign Economic Trends," and on the OECD's *Economic Surveys* (Paris, 1969 and 1970).

SWEDEN

I

In modern industrialized countries with mixed economies, most wage and salary determinations are arrived at through negotiations between well-organized and powerful associations on either side of the labor market. This arrangement has complicated the problem of achieving, at any given time, the triple goals of (a) full employment, (b) free collective bargaining, and (c) relative price stability.[1] Again and again it has been found that, although it is not too difficult to realize any two of these objectives, it is immensely difficult to realize all three of them at once.

For a number of years, Sweden has been trying to solve the problem of this elusive triangle by what may be called a *private yet nationally oriented incomes policy*. The task of setting guidelines for wage and salary negotiations with a view to preventing inflationary increases in money incomes has been delegated, as it were, to the negotiating employer and employee associations, with the government watching and observing, but keeping on the sidelines. It was hoped that, because of certain special features of Swedish tradition and community life, such a system would be more likely to achieve (relative) price stability under full employment than would an official incomes policy.

II

It took the Swedish system some time to develop. In the first few years after the end of World War II, the government made a few attempts to influence wage and price developments by exhortations and even by more or less direct controls. In 1948 the government called for wage restraint but without much success. Earnings rose by about 8 percent during that year. Thereupon, the unions, at the request of the government, agreed to extend existing wage contracts through 1949 and 1950. Although this wage freeze could not be enforced completely, it produced a good deal of resentment among the union rank and file. It ended in 1951 with a wage explosion that sent earnings up at an annual rate of about 20 percent. While the

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Korean war may have contributed to this development, the experience is another indication that incomes policy often merely delays wage increases until a later time, when they occur with a vengeance. As we have seen, the Netherlands had a similar experience. And wage explosions disrupt the process of gradual growth.

In Sweden, dissatisfaction with the results of government incomes policy as it had been practiced in the postwar years did much to change the general approach to wage and price policy. It helped to spread the feeling that it might be advisable to leave the responsibility for exercising the necessary restraint in wage agreements to those who negotiated and concluded them.

III

Success of the experiment with voluntarism would largely depend on whether the Swedish labor movement possessed, or could be expected to develop, a sufficient feeling of responsibility toward the nation as a whole to avoid the militant demands that could result in inflationary wage increases. Certain general historical and sociological conditions seemed favorable for the existence, or the gradual development, of such a spirit. Here was a country that had not been at war since 1815. It had a racially, ethnically, and religiously homogeneous population that was small in size and spread over vast spaces. Moreover, there was an absence of mass poverty. Thanks in part to these general social conditions, Sweden had experienced less bitterness in labor-management relations—and more willingness on the labor side of the bargaining table to weigh national against sectional interests—than had some other industrialized countries.

A few publications from labor quarters, which in the postwar era tried to define (and, if somewhat cautiously, to redefine) the role trade unionism should play in the further development of the Swedish economy, helped to create an intellectual climate conducive to the success of the nongovernmental incomes policy Sweden was about to try. In a book published in 1951 by the Swedish Institute of Economic Research, Rudolf Meidner, long the chief economist of LO (Landsorganisation i Sverige, the leading organization of Swedish trade unions), discussed the topic on a broad front.[2] In the same year, LO itself presented to its annual congress a report which, among other things, outlined the theoretical foundation of the wage policy that Swedish trade unionism was purportedly intending to follow from then on.[3] It is pertinent here to present a few highlights from this report.

The report emphasized the need for a *nationally coordinated wage policy* in which both the government and the LO would be constantly aware that each of them had a part to play in the effort to make full employment compatible with the attainable degree of price stability. It recognized that in the absence of a sufficiently cautious fiscal and monetary policy on the part of the government, there would be inflation, no matter how much restraint trade unions might display in their wage demands. On the other hand, even the most circumspect fiscal and monetary policy was seen as unable to secure price stability under full employment if labor failed to pursue a sound wages policy. As to the ingredients of a sound wages policy, the report insisted that certain distinctions be made. It emphasized that in times of acute labor shortage and keen competition among employers for manpower, it would be senseless and futile for union representatives to come to the bargaining table with a preset philosophy of unconditional wage restraint. But the report also recognized, although not in overly explicit terms, that even when the supply of labor was sufficient (or maybe a little more than sufficient) to satisfy the existing demand for manpower at the current wage levels, there often would be a temptation for powerful unions to press hard for wage increases in excess of productivity gains; that, if the pressure were successful, the resulting rates of increase in money wages would lead to price rises in excess of what might be inevitable for other reasons; and finally, that an enlightened union leadership should avoid driving things that far. The report emphasized explicitly that in extreme, inflation-threatening situations, it might be wise for unions to go so far as to accept a complete wage freeze as a temporary emergency measure.

In a report submitted to the annual LO congress ten years later as "A Trade Union Manifesto," four objectives of Swedish union wage policy were listed, two of them classed as "primary" and two as "secondary":[4]

The primary objectives . . . can briefly be said to be the following:

(a) the creation of a "rational" wage structure, i.e. a structure in which the wage differentials between different groups and individuals are determined by the nature of the input of effort, and

(b) ensuring a reasonable share of the national product to wage earners as a whole. .

Two additional but secondary objectives can also be distinguished:

(c) trade union policy ought to be conducted in such a way that it does not prejudice economic equilibrium;

(d) moreover, at least it ought not to obstruct the structural shifts in the economy which are the prerequisites of expansion.

Only the objective listed under (c) comes within the purview of this survey. It is explicitly called a secondary objective, and its formulation is somewhat vague and noncommittal. Yet it may be interpreted as an acknowledgment of the necessity to exercise restraint in wage demands.[5]

Somewhat more straightforward was a statement in another LO publication in 1961, where it was said that the union movement, while it certainly should not be forced to remedy all imbalances in the economy by tempering its wage policy, "cannot avoid taking upon itself part of the responsibility for a policy aiming at maintaining a stable development of prices." [6]

IV

Given these psychological preconditions, the existing institutional framework for representing employer and employee interests could also contribute to the success of a system of "private yet nationally oriented incomes policy." The two central organizations representing those interests are the Swedish Confederation of Employers (SAF, Svenska Arbetgivarefoereningen), and the Swedish Trade Union Association (LO, Landsorganisationen i Sverige). The latter covers about 90 percent of all blue-collar workers. White-collar workers are represented by the Central Organization of Salaried Employees (TCO, Tjenstemaennens Central Organisation), and professional employees (mostly college graduates in the civil service) by the Central Organization of Swedish Professional Workers (SACO, Sveriges Akademikers Central Organisation). Of the three employee associations, LO is the biggest and by far the most powerful.

Ever since 1956, the two principal associations representing the two sides of the labor market, SAF and LO, have periodically conducted negotiations leading to *frame agreements* which outline norms and rules for wage policy (and policy with respect to other labor conditions) to be followed in the immediate future. The frame agreements were first concluded annually. Later the term was extended to two years and, in the agreement of 1966, a three-year term was set. The 1969 agreement, however, could only be worked out for two years, and the one of 1971, for which negotiations have been under way for some time, will probably likewise be for two years.

Of particular importance in the content of the SAF-LO frame agreements are the guidelines for the wage increases to be negotiated during the term of the frame agreement. The actual wage bargaining is the responsibility of the affiliated trade unions, employer suborganizations, and enterprises. The norms or guidelines set in the frame agreements are not binding in this bargaining, but it is expected that the affiliates of the two central associations will conduct the wage negotiations in the spirit and within the boundaries outlined by the frame agreements.

This seems to have been the case for a number of years, thanks to the prestige and the power (de facto, not statutory) that the central federations were able to exercise vis-à-vis their subordinate organizations. LO, in particular, has long been wielding great authority over its affiliated unions. Moreover, to a certain extent, the SAF–LO frame agreements have become pace-setting even for the salary agreements concluded by the two other central employee organizations. In fact, not only have the frame agreement guidelines been more or less incorporated into the collective wage contracts concluded by blue-collar unions affiliated with LO, thus establishing a uniform pattern of wage increases throughout the country, but also these guidelines have tended to set the pattern for the white-collar agreements concluded by the TCO and SACO affiliates. Thus LO has held a key position with respect to annual increases in wages as well as salaries all over the country.[7] Since Sweden is one of the most highly unionized industrial countries of the world,[8] this key position has meant a huge amount of power in the hands of a nationwide trade union leadership. In Sweden, for the socio-psychological reasons indicated, this centralization of union authority has facilitated rather than hampered the development of a pragmatic and responsible labor movement approach to questions of wage policy.

For a number of years after the system of frame agreements had become definitely established, the government confined its role to supplying (1) forecasts on the prospective development of the Swedish economy as a whole, and (2) views on the appropriate development of wages and price in the near future. These forecasts and views, which are not guidelines in any technical sense, seem to have only little influence on the course of wage negotiations.[9]

V

For quite some time the Swedish system, with its absence of government interference in wage negotiations, attracted attention from both inside and outside of Sweden. Within the country, the conviction seems to have been fairly general that no system of governmental guidelines for wage increases would yield better results. As late as 1965, a government spokesman was quite explicit about this:

"The Swedish government has little confidence in the usefulness of a direct incomes policy as an instrument of price stabilization, irrespective of whether this policy be executed by exhortation or by a special machinery set up for the purpose." [10]

In the next year, 1966, the British Trades Union Congress recommended adoption of the Swedish system in the United Kingdom.[11]

Looking backward, however, the Swedish system cannot be called an unqualified success. To fulfill the hopes that had been set for it, two prerequisites had to be met. First, there had to be sufficient restraint in the wage and salary increases negotiated in the frame agreements and, following these agreements, at the collective-bargaining tables, and second, it had to be possible to satisfy the demand for manpower at these

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negotiated, moderately increased, wage and salary rates. The first prerequisite was met, at least during the years when the Swedish system was fully developed and was more or less unchallenged—which means roughly from 1956 to 1967. But the second prerequisite could not be met. The surprisingly high wage drift that occurred during all this period was a clear indication that the contractual wage and salary rates left ample room for substantial upward pull from the demand side. This demand pull seems to have largely spoiled the beneficial effects of whatever restraint the negotiating unions had been displaying at the frame-agreement or collective-bargaining levels. This is illustrated in Table I.

TABLE I.—FREQUENCY DISTRIBUTIONS OF ANNUAL PERCENTAGE INCREASES IN (a) CONTRACTUAL WAGE RATES AND (b) TOTAL ACTUAL EARNINGS IN SWEDEN, FOR MINING AND MANUFACTURING (1956–67) AND CONSTRUCTION (1957–67)

	Number of years in which increase occurred—			
	Mining and manufacturing		Construction	
Percent increase over previous year	Contractual wage rates	Earnings (contractual rates+wage drift)	Contractual wage rates	Earnings (contractual rates+wage drift)
0.1 to 1			1	
1.1 to 2			3	
2.1 to 3	4		5	
3.1 to 4	3		2	
4.1 to 5	5	2		1
5.1 to 6		1		2
6.1 to 7				2
7.1 to 8		6		4
8.1 to 9		2		2
9.1 to 10		1		
Total	12	12	11	11

[1] In the case of construction, the year 1956 had to be disregarded because the source used does not give any figure for the increase in wage drift or in total earnings for that year. Source: Calculated from data presented by Sten Borg, "Is There a Critical Level of Unemployment?—A Case Study of Sweden" in On Income Policy, Papers and Proceedings of a Conference in Honor of Erik Lundberg (Stockholm: The Industrial Council for Social and Economic Studies, 1969), p. 271.

It was of course to be expected that the frequency distributions in columns 1 and 3 would differ from those in columns 2 and 4. But the width of the differences tells an interesting story. So far as contractual wage rates are concerned, the annual percentage increases over the previous year range from 2.4 percent to 4.5 percent in the case of mining and manufacturing, and from 0.6 percent to 3.5 percent in the case of construction [12]—with the tabulated frequency distributions within these ranges. Now it is true that negotiated wage rates are only part of negotiated total labor compensation—which also includes fringe benefits, pension rights, et cetera. Yet, we can say that the ranges mentioned and the frequency distribution shown convey a definite impression of willingness to exercise restraint in negotiating pay increases.[13] To this extent, the Swedish system seems to have worked. There appears to have been no excessive wage push during the 12 years covered in the figures. However, the annual percentage increases in actual earnings (sums of contractual wage rates and wage drift) range between 4.5 percent and 9.9 percent in mining and manufacturing and between 4.8 percent and 8.9 percent in construction—with the frequency distributions between these ranges shown in columns 2 and 4. The demand pressure on the labor market, reflected in a persistent very high wage drift, was so strong that wage negotiators' willingness to practice incomes policy could not bear its full fruit.[14]

Table II provides a further illustration of the relative importance of wage drift as a disturbing factor in the Swedish experiment. In it, we have computed, for each of the years in the 1956–67 period, the contribution made by increases in contractual wage rates and in wage drift to the increase in total earnings.

TABLE II.—IMPACT OF INCREASE IN CONTRACTUAL EARNINGS AND IN WAGE DRIFT ON TOTAL EARNINGS IN SWEDEN, 1956–67

	Mining and manufacturing		Construction	
	Percent of annual increase in hourly earnings due to—		Percent of annual increase in hourly earnings due to—	
Year	Contractual increases	Wage drift	Contractual increases	Wage drift
1956	53.8	46.2		
1957	44.6	55.4	30.0	70.0
1958	57.8	42.2	57.7	42.3
1959	49.0	51.0	18.8	81.2
1960	48.8	51.2	37.1	62.9
1961	47.4	52.6	43.8	56.2
1962	53.7	46.3	20.3	79.7
1963	43.1	56.9	18.5	81.5
1964	33.8	66.2	7.9	92.1
1965	42.4	57.6	38.2	61.8
1966	51.1	49.9	58.3	41.7
1967	51.9	48.1	49.1	51.9

Source: Borg, op. cit. (See table I above).

In the last three years the Swedish system has been under mounting strain. The steady rise in prices led the government to announce a general price freeze in October 1970. As for incomes, the government has so far refrained from interfering with the negotiations for pay increases to be effected in 1971. These negotiations, which began in November, are reported to be even more arduous than were the difficult talks that led up to the frame agreement of 1969. The degree to which the upward pressure on labor costs has been aggravated since late in 1968 is reflected in Table III.

TABLE III.—ANNUAL PERCENTAGE INCREASES IN THE AVAILABLE QUARTERLY INDICES OF DIRECT WAGES AND TOTAL LABOR COSTS

		Percent increase	
From—	To—	In index of direct wages	In index of total labor costs
February 1967	February 1968	6.3	NA
May 1967	May 1968	5.8	NA
August 1967	August 1968	6.5	NA
November 1967	November 1968	6.7	NA
February 1968	February 1969	6.3	7.6
May 1968	May 1969	6.9	8.4
August 1968	August 1969	6.8	8.0
November 1968	November 1969	11.2	12.2
February 1969	February 1970	13.5	14.6
May 1969	May 1970	16.4	17.3
August 1969	August 1970	13.9	NA

Note: The index numbers underlying the increases shown can be found in the monthly issues of Allmaen Manadsstatistik (Monthly Digest of Swedish Statistics, edited by the Central Bureau of Swedish Statistics). The indices of direct wages are based on February 1947=100, those for total labor costs, on 1967=100. The index of total labor costs includes direct wages, remuneration for time not worked (e.g., public holiday pay, vacation pay), employer contributions fixed by law, and certain other collective fees. It excludes the tax on the labor force.

In the source publication, the index numbers are given for each February, May, August, and November. They are not seasonally adjusted and, as tabulated, they show a clear seasonal rhythm. To eliminate it, we have, as in an analogous case for the United Kingdom, computed annual percent changes between identical months of succeeding years.

Rivalries among the different labor organizations appear to be more in the foreground today than they used to be. According to available reports, TCO and SACO, the two federations representing salaried employees, have recently shown an increased tendency to assert the special interests of their constituents and less willingness to accept the patterns set by LO for collective bargaining and for the distribution of demanded or obtained pay increases among sectors. The question of the most equitable distribution of pay increases among blue-collar workers, white-collar workers, and professional employees seems to be more of an issue now than it was in the early 1960s. Recent attempts to challenge the setup under which LO's leadership extended considerably beyond blue-collar workers are said to be weakening the "integrated" structure of Swedish wage determination.[15] Two sub-associations representing salaried personnel have, in obvious defiance of LO, concluded unprecedented five-year agreements providing for increases of 7 percent per year (less wage drift).[16] In November, Sweden's Economic Research Institute predicted that the actual rise of wages in 1971 would be about 10 percent. According to some reports, employers as well as the minister of finance would regard 10 percent as the tolerable maximum.

So the outlook for the rest of 1971 is clouded. Sweden's minister of finance, while rejecting a wage freeze as unrealistic, has issued strong warnings against inflationary wage settlements. There is even some talk that if, in 1971, management and labor should settle for pay increases which would definitely contribute to accelerated inflation, the government might siphon off by taxation the excess gains it considered intolerable. Such a step would represent a serious dent in the Swedish system of nongovernmental or voluntary incomes policy.[17]

FOOTNOTES

[1] That is, the absence of price rises that are caused by money wage and salary increases in excess of increases in labor productivity. "Reasonable price stability" is another phrase often used to characterize this objective. Here we will avoid the term "reasonable" (that top weasel word of the English language) and speak instead of "relative" or "attainable" price stability.

[2] R. Meidner, *Svensk arbetsmarknad vid full sysselsatettning* (*The Swedish Labor Market at Full Employment*) (Stockholm: The Swedish Institute of Economic Research, 1951.)

[3] Available in English under the title, *Trade Unions and Full Employment* (Stockholm, 1951); see particularly the section on wage policy, pp. 73–102.

[4] "A Trade Union Manifesto" in T. L. Johnston, ed. and trans., *Economic Expansion and Structural Change* (London; Humanities, 1963), p. 150.

[5] The objective listed under (a), while outside our main topic, deserves a word of comment here. It spells out the idea of "wage solidarity," which has long been a speciality of Swedish trade union thinking. In the existing wage structure there are often substantial wage differentials (caused by difference in efficiency and profitability of individual firms) for the same kind and amount of work. Such wage differentials will gradually attract workers away from the low-paying into the better-paying enterprises, and the former will either have to improve their efficiency (and thus their ability to pay wages), or, if this proves impossible, to go out of business. The proponents of "wage solidarity" want to produce the same ultimate effect in a quicker way, viz., by stipulating "equal pay for equal work" regardless of a firm's *current* "ability to pay." The questions raised by this idea are beyond the scope of this survey.

[6] R. Meidner, "A Coordinated Wage Policy," in *Trade Unions in Sweden* (Stockholm, 1961), p. 14.

[7] Since 1969, according to available reports, this hegemony of LO has been increasingly challenged, and this, in combination with other developments has set some question marks on the future of the system (see below).

[8] It has been estimated that in the mid-1960s about 71 percent of all non-agricultural wage earners and salaried employees belonged to unions. Cf. Smith, *op. cit.* p. 154.

[9] In Sweden, there have long been close ties between the trade unions and the Social Democratic party which, either alone or as partner in a coalition, has been in the government ever since 1932. But all during the era of the frame agreements, the dislike of government interference in wage negotiations seems to have been stronger, even on the employee side, than those ties. The government did, however, provide machinery for mediation and arbitration for use in cases where wage negotiations would come to an impasse.

[10] Swedish Ministry of Finance, Secretariat of Economic Planning, *Inflation and Economic Development* (mimeographed), July 1965, p. 6. (Quoted from Smith, *op. cit.*, p. 151.)

[11] The fact that in Sweden the number of man-hours lost through work stoppages in the 1960s was exceedingly small by comparison with other industrialized countries has been mentioned as indicating that the Swedish system was successful. Now, such a fact certainly indicates success in the effort to preserve labor peace. Whether it indicates success with respect to a rational development of wages and prices is not equally certain. It *may* reflect a tendency to reach agreement "at all costs," that is, even when the agreed wage or salary increases are inflationary. But in Sweden the conviction seems to have been widespread that the paucity of strikes and lockouts need not be so interpreted.

In the light of some recent events, it seems uncertain whether Sweden's record with respect to labor peace will remain quite as good as it was in the 1960s. While the frame agreement of 1969 forfeited the right to strike, there were some wildcat strikes in the winter 1969–70, and the more recent strikes of salaried employees have added another element of uncertainty about the future of Swedish labor relations.

[12] The maximum and minimum values, like the frequency distributions between them, have been taken from the same source indicated in Table I, p. 30.

[13] If we wish to rely on the above table and the source from which it has been adapted, it is noteworthy that the contractual pay raises for construction workers seem to reflect even more restraint than those for workers in mining and manufacturing.

[14] In discussing the developments in the Netherlands 1963–65, we likewise encountered a labor market situation that made all incomes policy illusory in the short run. One difference between Sweden 1956–67 and the Netherlands 1963–65 is that, in the latter, the unions did not even attempt to keep their wage demands within limits consistent with a long-range incomes policy—despite the fact that, in contradistinction to Sweden, the Dutch limits were stated in official and even mandatory guidelines.

[15] All the more so, since LO's own affiliated unions are reported to be no longer unanimous in supporting the system of central pace-setting frame negotiations between SAF and LO.

[16] In the year ending July 1970, hourly earnings of blue-collar workers in mining and manufacturing rose 15.3 percent, of which about 9.5 percent (more than three-fifths) comprised wage drift.

[17] Most of the material presented in this section is based on a 12-page report, dated November 13, 1970, and received by the U.S. Department of Commerce from the U.S. Embassy in Stockholm.

CANADA

I

The history of incomes policy in Canada is relatively short. It was not until 1965 that the government seriously considered the idea of supplementing monetary and fiscal policy by directly influencing decisions about wage and price increases. In that year the Economic Council of Canada, at the request of the federal government, commissioned a study on foreign experience with incomes policies. The study was prepared by Professor David C. Smith of Queen's University and was published in October 1966.[1] It formed the background for the position taken by the Economic Council in its annual review published in the same year.[2]

Smith's survey reached the conclusion that Canada did not have a promising environment for experiments with incomes policy.[3] Compliance by management and labor with governmental guidelines seemed to the author to be too much to expect, given Canada's decentralized system of labor market institutions. Moreover, Smith argued that the division of political power between the federal and provincial governments would constitute an even more serious obstacle to a national incomes policy than does the division between federal and state governments in the United States. Besides, it seemed to him that the "openness" of the Canadian economy toward the economy of her southern neighbor—as reflected, for instance, in the high mobility of labor across the long border and in the strong influence of the United States on Canadian wages and prices—would severely limit the scope for an independent Canadian incomes policy.

The Economic Council of Canada at that time agreed with Smith's evaluation of the chances for an incomes policy in Canada. In its 1966 annual review mentioned above, the council presented an extensive survey of the lessons to be drawn from the foreign experiences covered by Smith's study. In summarizing these lessons, the council concluded that the social and political conditions under which the Canadian economy was operating made success of a Canadian incomes policy too unlikely to justify an attempt in this direction.

II

Under the pressure of worsening economic conditions during the three-year period from mid-1966 to mid-1969, reluctance to try some form of incomes policy gradually weakened. For some time, opponents of incomes policy had been able to point to a rapid growth of the Canadian economy and a low rate of unemployment as indications that inflation had its brighter side. But from 1967 to 1969, economic growth slowed down, unemployment rose steadily while the rise in prices continued unabated and at an accelerating pace. In fact, from 1965 to 1967, inflation was more of a problem in Canada than in the United States, and the same is true of unemployment from 1967 to 1969. Table IV illustrates this point with a few figures.

TABLE IV.—CONSUMER PRICES AND UNEMPLOYMENT RATES IN CANADA AND THE UNITED STATES, 1965–69

	Consumer price index (1963=100)					
	Canada		United States			
Year	Index	Increase over previous year (per cent)	Index	Increase over previous year (per cent)	Unemployment as percent of civilian labor force: Canada	United States
1965	104.3	-------	103.0	-------	3.9	4.5
1966	108.2	+3.73	106.0	+2.91	3.6	3.8
1967	112.0	+3.51	109.0	+2.83	4.1	3.8
1968	116.6	+4.11	113.6	+4.22	4.8	3.6
1969	121.8	+4.46	119.7	+5.37	4.7	3.5

Source: United Nations, Monthly Bulletin of Statistics, February 1971, pp. 17, 20. The CPI index numbers and the unemployment percentages represent annual averages.

Footnotes at end of article.

A White Paper issued by the federal government in December 1968 reflected a definite shift in the official attitude with respect to incomes policy. The decisive step was taken in June 1969, when a four-man Prices and Incomes Commission was established. Its terms of reference were officially stated to be "to inquire into and report upon the causes, processes, and consequences of inflation and to inform those making price and income decisions, the general public and the government on how price stability may best be attained." In other words, it had powers of review and surveillance but not of enforcement.

From June 1969 on, the history of incomes policy in Canada is, by and large, the history of the efforts, successes, and failures of the Prices and Incomes Commission (PIC) in helping to keep the rise of Canadian money incomes and prices within noninflationary limits.[4]

After the commission was set up, the first question it faced was what type of incomes policy it should try. Some advocated the type of policy used on and off in the United States since 1962; publishing guidelines that had been adopted without much prior consultation with interested groups; and subjecting violators to governmental pressure, or exposing them to public criticism by intervening publicly in particular cases and by strongly denouncing behavior the commission disliked. However, in the commission's view, guidelines that were simply announced by an appointed commission in Ottawa would have little chance of being widely accepted in Canada. A better approach would be to conduct exploratory negotiations and consultations with the aim of securing the consensus of all groups about the criteria on which the guidelines should be based.

On August 6, 1969, the PIC announced its plan to enter into negotiations with all groups—business, labor, the professions—relevant to a program of incomes policy in order to seek their voluntary cooperation in attacking the inflation problem the "direct" way. The objective was "to negotiate an across-the-board set of commitments with representatives of all segments of the community."[5] The all-round agreement should define the criteria and limits each group would be prepared to accept in a common effort to scale down income and price increases. It would also set forth the procedures it would be prepared to apply in dealing with violators. From August to October 1969, the commission held almost 100 meetings to explore the possibilities for such an across-the-board agreement.

The first responses from some quarters were not unpromising, but Canadian labor soon raised grave objections to the commission's approach. Some labor leaders said the commission was overstepping its terms of reference, which permitted it to study causes and consequences of inflation but not to propose programs of restraint—even voluntary restraint—or to suggest wage guidelines. In the autumn of 1969 both of the leading labor organizations, the Canadian Labour Congress and the Confederation of National Trade Unions, rejected the idea of a commitment to specified income restraints. Voluntary income guidelines were said to be impracticable. The chairman of the Prices and Incomes Commission declared his willingness to seek other forms, but stressed the commission's conviction that restraint in the rise of money incomes was essential if the rise in prices was to be scaled down in sufficient degree.

On October 17, 1969, this first approach in Canada's incomes policy came to an end when the leaders of the labor organizations formally declared that they would not participate in the PIC's attempts to seek an across-the-board agreement on income and price restraints.[6]

III

The PIC then switched to what it called a more "piecemeal" approach. For a while, it concentrated on the price front, negotiating with representatives of business and the professions in order to enlist their cooperation in a program of price restraint, not necessarily in the form of quantified guidelines.[7] In mid-January 1970, the commission decided that the responses obtained in these new exploratory talks were sufficiently positive to justify calling a National Conference on Price Stability. The conference convened early in February 1970 and was attended by representatives of numerous business and professional groups. In a closing statement dated February 10, 1970, it was said that the attending groups were "prepared to take an initiative as a contribution to a broad program of restraint." The statement then went on to say:

"More specifically, where higher prices are needed to cover higher costs, and market conditions made them feasible, business firms, generally, if called upon to do so, would ensure that price increases were *clearly less* than the amount needed to cover the increase in costs at a normal volume of output and sales." (Emphasis added.)

This amounted to a declaration that the business groups represented at the conference were prepared to forego part of the net profit margins that could otherwise be obtained during 1970. The program was endorsed a few days later at a meeting of federal and provincial government officials. The governments promised to use whatever constitutional means were at their disposal to help PIC implement the program. The commission gradually gathered a staff of experts so that, by the end of 1970, it had several divisions. All during 1970, it conducted periodic studies on price and income developments in particular areas, published reports on these developments and, in the field of pricing, used "moral suasion" whenever it felt that the "clearly less" promise had not been fully kept.

The voluntary adoption of a guideline for price increases by practically all Canadian business could justly be regarded as a promising initial success for this second phase in the commission's efforts.[8] However, the commission was convinced that despite willingness on the part of business to accept profit squeezes (a willingness that had its inevitable limits anyhow), the Canadian price level would continue to rise so long as collective agreements provided (as they did) for pay increases of 8-10 percent per year in the face of an annual rise in labor productivity of only about 2-2½ percent.[9] So the commission continued its efforts to obtain the collaboration of organized labor for the restraint program.

In several addresses delivered at meetings of labor organizations, PIC Chairman Young was outspoken about the dangers threatening if labor continued to stay outside the program. He warned of the habit-forming character of annual pay raises of 8 percent or more. Thus, in February 1970, he said bluntly that "if wage and salary earners continued to regard pay increases of 7 or 8 percent or even higher as a reasonable average increase for everybody," there was no hope of reducing the rate of increase in the price level much below the rate of 4½ percent a year.[10]

The question was, he said, how difficult conditions would have to become in the labor market—and for how long—in order to reconcile wage and salary earners to accepting the substantially smaller pay increases that would be consistent with reasonable price stability. But on March 23, 1970, the two central labor organizations again rejected the principle of guideline-oriented restraint in wage and salary negotiations. And this position was restated forcefully in May at the Conference of the Canadian Labor Congress. In the following weeks and months, pay raises provided by newly-concluded contracts continued to be well above what the Prices and Incomes Commission believed to be consistent with "reasonable" price stability.

If the PIC chairman had hoped that the declared willingness of business to cooperate in a national restrain program would make labor more willing to join—and it seems that for a while he had such hopes—he met disappointment. In an early May address, Mr. Young recognized that many people in the country thought there were only two possibilities left, either compulsory controls or abandonment of all efforts to curb inflation. But he expressed his hope that enough good sense and cooperative spirit could be mobilized "in the minds of ordinary people" to find a third way.[11]

However, in July, he had to summarize the results so far obtained by saying that "the impact of official policy measures and the Commission's restraint program has been entirely on areas such as prices, profits, professional fees, and borrowing costs, and not at all on labor costs." [12] Late in 1970, this failure seemed to him to be all the more disturbing because persistent high unemployment was about to induce the government to switch to a more expansive monetary and fiscal policy. Inherent in such a policy was the danger of adding to inflationary pressures—which, in the recent few months, had shown some signs of abating.

IV

Perhaps the most remarkable feature about wage and salary negotiations in Canada in the second half of 1970 is the fact that they took place under the shadow of, and yet apparently quite uninfluenced by, a guidline announced by the Prices and Incomes Commission on June 9. At that time, the commission obviously decided that something had to be done about excessive pay increases. While it probably still believed that only "agreed" guidelines had any chance of influencing actual wage and salary increases, it seems to have decided that given the impossibility of reaching agreement, a guideline publicly proposed by a body of some authority might be better than nothing. At the least, such a guideline would tell the broad public in a concrete form what the PIC considered to be the maximum acceptable rate of increase. So the commission announced that, in general, it considered an annual rate of increase of 6 percent to be the maximum justifiable for wages and salaries under the existing circumstances.

The guideline was not binding—for the commission had neither an absolute nor a delaying veto over wage or salary contracts. The figure of 6 percent was derived by simply adding two components, 2½ percent for the current annual increase in labor productivity and 3½ percent for the current rate of annual increase in the Consumer Price Index.[13] Pay increases exceeding 6 percent per annum were considered justified in certain special situations (unusually low current earnings in individual cases, the need to attract manpower rapidly into some particular industry, special contributions to productivity by removing from collective agreements specific restrictions on work practices).

As in the case of the guideline for price increases accepted by business, the Prices and Incomes Commission sought to enlist federal and provincial government support for this 6 percent guideline for wage and salary increases. In this case, however, it had only partial success. The federal government welcomed the 6 percent proposal and encouraged efforts to get it accepted. Indeed, it used the figure as a guideline in its own negotiations with the postal workers. But the provincial governments were generally too wary of labor opposition to give the guideline any official endorsement. Labor had, in fact, attacked the guideline almost immediately after its announcement. Actual increases in basic rates of pay at that time were between 8 and 9 percent per year.

December 31, 1970, marked the end of all income and price restraints, insofar as they had been spelled out in guidelines. The Prices and Incomes Commission dropped the 6 percent guideline for wage and salary increases, obviously out of the conviction that the figure was bound to remain academic. Faced with labor's persistent unwillingness to participate in a national restraint program, business, too, decided to discontinue its participation in 1971. The Prices and Incomes Commission will continue to report publicly on the inflationary impact of specific wage and price rises but will not measure them against specific criteria set forth in guidelines, as it did in 1970. The commission will also continue its research into the causes, processes, and consequences of inflation. All this was announced in a year-end review, issued as a press release on January 15, 1971.

V

The fact that incomes policy in Canada was abandoned after a year and a half does not prejudge the question of how much or how little it achieved while in effect. It is important here to distinguish the short-run from the long-run view. Taking the short-run view, it must be said that the events of 1970 have not quite borne out the repeated statements of the Prices and Incomes Commission that, without labor's participation in a national restraint program, it would be impossible to achieve any substantial scale-down in the rate of price increases. As a matter of fact, Canada's price performance in 1970 was much better than it had been in 1969, and it was also better than the 1970 price performance of the United States and most other industrialized Western countries. The Canadian Consumer Price Index rose 4.6 percent during 1969, but only 1.5 percent during 1970. The U.S. Consumer Price Index rose 6.1 percent in 1969, and 5.5 percent in 1970. (The figures represent increases of the December index of the year indicated over the December index of the previous year.)

It is difficult to tell how much of Canada's improved price performance in 1970 was due to changed market conditions making it impossible to raise prices so as to cover the full increase of costs, and how much was due to the restraint program under which business had undertaken not to pass on in higher prices the full increase in costs even when the market would permit it to do so. The PIC chairman has expressed the belief that the program just referred to had some effect. On July 2 he reported that:

". . . in several instances price increases have been rolled back, and in many others firms have decided not to proceed with price increases which they had been considering. We have also had an encouraging degree of cooperation from a number of major professional associations in postponing or limiting increases in their fee schedules." [15]

In its statement of December 1, 1970, the PIC reported that "many firms with opportunities open to them to raise prices during 1970 have deferred, limited, or reduced the size of these increases in order to conform with the price restraint criteria." [15] In its year-end review, published January 15, 1971, the commission reported that during 1970 some 100 firms postponed or modified price increases because of the restraint program.

There was, however, a special factor which must have contributed to making Canadian imports cheaper (especially Canadian imports from the United States), and thus to easing the upward pressure on the Canadian price level. This factor was the appreciation of the Canadian dollar in the months following May 1970. The rate of Canadian dollar per

Footnotes at end of article.

United States dollar developed as follows during the year 1970: [16]

January	1.0725
February	1.0725
March	1.0728
April	1.0728
May	1.0741
June	1.0341
July	1.0259
August	1.0188
September	1.0191
October	1.0206
November	1.0188
December	[1] 1.0174

[1] Preliminary

This amounts to an appreciation of 5.6 percent from May to December.

At any rate, not too much should be read into Canada's improved price performance for 1970. It may turn out to have been only a short-run achievement. The question remains whether, in the longer run, the failure to enlist the cooperation of labor in any restraint program will not aggravate the Canadian inflation problem once more.

FOOTNOTES

[1] Smith, *op. cit.* The study covers developments up to and including 1965.

[2] *Prices, Productivity and Employment,* Third Annual Review of the Economic Council of Canada, November 1966.

[3] Smith, *op. cit.,* pp. 199–207.

[4] From the establishment of the PIC all through 1969 and 1970, Dr. John H. Young, the chairman of the commission, has delivered numerous addresses to business associations, labor organizations, social clubs, and other groups, in an attempt to keep the Canadian public posted on the recent and current activities of the commission, on the problems the commission was facing at the given time, and on the events and circumstances that several times caused it to change its approach to incomes policy. These addresses, which are available in mimeographed form, are the main source of the material presented in the following pages.

[5] This is how Chairman Young characterized the first approach of the commission in an address delivered somewhat later, when the approach had already been abandoned. (Address to the Labor Relations and Workshop Conference, February 25, 1970, p. 5.)

[6] In several other countries where the government had embarked upon incomes policy, there were episodes, although mostly short ones, when labor cooperated in this policy. In Canada there has been no such episode so far.

[7] In reporting on these talks, and on several later occasions, Chairman Young emphasized that one of the benefits to be expected from a successful incomes policy would be that "fiscal and monetary restraint could be made correspondingly less severe and protracted." The observation that restrictive monetary and fiscal policies, because of their effect on business activity and employment, are socially costly ways of combating inflation, and that under an effective incomes policy these traditional weapons against inflation could be applied with less severity, or perhaps could even be replaced by cautiously expansionary measures, has been stressed by Canadian proponents of incomes policy with particular emphasis.

[8] In a retrospective "Concluding Statement" dated December 1, 1970, the commission, obviously referring to the outcome of the National Conference on Price Stability stated that "this was perhaps the first time that business firms representing practically every sector of the Canadian economy had been called upon and agreed to cooperate in a national program of this scope."

[9] That "wage push" was a factor in the Canadian inflation in 1969 was implicity admitted in the 6th Annual Review of the Economic Council of Canada, which had long been against income policy in that country: "It is difficult to maintain that the current inflation is a reflection of excessive demand pressure, for the Canadian economy has been operating with at least a moderate overall margin of slack since 1967." *Sixth Annual Review of the Economic Council of Canada,* 1969, p. 1963.

[10] Address delivered to the Labor Relations and Workshop Conference, *op. cit.*

[11] Address delivered to the Ontario Federation of Printing Trade Unions, May 2, 1970.

[12] Address delivered to the Macdonald Club of Prince George, July 2, 1970, p. 6.

[13] Some interesting theoretical questions attaching to this additive derivation can only be touched upon here. The second additive component should allow, as was explicitly stated, for "something like the *current* rate of increase in consumer prices." (Emphasis added.) Now if that current rate of price increase is assumed to be itself partly the result of excessive past increases in money pay (though only partly; it may also reflect influences over which Canada had no control), does not a future pay increase that fully allows for this price increase involve an element of circularity? Does it not build an upward wage-price spiral directly into the system? But in the case of Canada it may not be worthwhile to ponder much over such questions, for the 6 percent guideline did not survive 1970 anyway.

[14] Address delivered to the Macdonald Club of Prince George, *op. cit.,* p. 5.

[15] "Concluding Statement" of the Prices and Incomes Commission, *op. cit.,* p. 2.

[16] The data are from various issues of the United Nations' *Monthly Bulletin of Statistics* from August 1970 to February 1971. The December estimate was provided by the Canadian Embassy.

Mr. PROXMIRE. Mr. President, I should like, very briefly, to discuss the amendments which I intend to offer tomorrow.

My first amendment relates to requiring reports on this operation. I hope that the chairman can accept it. I would expect that he could.

The fact is that we are kept in the dark on much of the stabilization program. The country knows far less about it than it should know. It is a program in which we are delegating an enormous amount of authority and power to the President of the United States, although it is in the domestic area, where Congress should retain its authority.

As distinguished and conservative an economist as Arthur Burns has argued, at least in his initial testimony, that we should keep the President on a short leash, and not extend this authority for more than a few months.

Under these circumstances, I believe the least we should do is require reports, and that is what this amendment provides.

The amendment is brief. It reads as follows:

In transmitting the Economic Report required under Section 3(a) of the Employment Act of 1946 (15 U.S.C. 1022), the President shall include a section describing the actions taken under this title during the preceeding year and giving his assessment of the progress attained in achieving the purposes of this title. The President shall also transmit quarterly reports to the Congress not later than 30 days after the close of each calandar quarter describing the actions taken under this title during the preceeding quarter and giving his assessment of the progress attained in achieving the purposes of this title.

This is, of course, far too little. It is my view that we should not extend this act at all now, because no justification has been given for extending the act before it expires, and long before it expires. But if we are not going to do that, we should certainly require reports from the President at regular intervals, so we can follow the program and see how it is operated.

One of the most disturbing aspects of the hearings before the Joint Economic Committee and the Banking Committee was the fact that proceedings before these boards are conducted privately. The public is shut out.

The public has a great stake in these programs. No matters of national security are involved. There is concern, certainly, that we should not disclose trade secrets, and I think all of us agree they ought to be protected. But aside from that, there is every reason to encourage coverage of these hearings, to help assure vital public acceptance and credibility. For that reason, I am offering the following amendment:

Any hearing or other proceeding conducted by the President or his delegate for the purpose of hearing arguments or acquiring information bearing on a change or a proposed change in wages, salaries, prices, rents, interest rates, or corporate dividends or similar transfers shall be open to the public except that a private hearing or other proceeding may be conducted to receive information considered confidential under Section 205 of this title.

As I say, the Chairman of the Pay Board testified that reporters were not permitted, the hearing was closed, and no transcript was kept. At our request, they agreed to provide the Joint Economic Committee with minutes of their meetings, but the minutes are likely to be very limited, and obviously censored by the Chairman to disclose whatever information he chooses to disclose. That is no way to conduct this kind of operation.

My third amendment is a very substantial amendment, which I am sure will engender a great deal of controversy, but it is based on what I have been hammering away at over and over again.

It is a fact of life that the vast majority of firms in this country, and I think virtually all firms that are not in tier 1 or tier 2, have no business being under the manadtory restrictions provided in this act. So this amendment would take them out, by saying:

The authority conferred on the President by this section shall not be exercised after June 30, 1972.

That would give another 8 months on covering those firms—

To limit (i) the amount of any increase in prices charge by or wages or salaries paid by a firm with annual sales or revenues of less than $50 million during its most recent preceeding fiscal year; and (ii) the amount of any pay adjustment which applies to or affects less than 1,000 employees, unless the President determines, after notice and opportunity for hearing, that the amount of any such increase or adjustment is grossly disproportionate with the standards published under subesction (b) and would have

a significantly adverse affect upon the general cost of living.

"(2) The President may request the Congress to reauthorize, by joint resolution, the authorities to be terminated or terminated by this subsection, and the provisions of sections 910–913 of title 5, United States Code, shall be applicable with respect to the procedure to be followed in the Senate and House of Representatives in considering such resolution and references in such provisions to a "resolution with respect to a reorganization plan" shall be deemed for the purpose of this subsection to refer to the resolution provided for under this subsection."

The purpose, as I say, is to exempt small businesses, the small ones in this country which should be under it.

Let me explain the last paragraph, which is somewhat complicated the way I read it.

The reason the last paragraph is in it is to prevent a filibuster on the part of some Members of the Senate which could be used to make this provision ineffective.

The last amendment I have, which I will offer tonight, goes to the ridiculous situation that we find ourselves in, providing for two boards which have the greatest economic power of any economic agency we have—greater in many respects than Cabinet officials. Yet, we do not require confirmation of any of the members of this board. We have a price czar now. We have a fine man, a very able and affable man, Mr. Grayson, but a man who has indicated he is going to make many of these decisions by himself and other decisions in consultation with members of the Price Commission, with whom he wants to consult; and he is not confirmed by this body. He does not have to come in and testify before a committee which will consider his qualifications and his philosophy and his attitude and be subject to debate in the Senate.

We are going to have a considerable debate over Mr. Butz within a few days, presumably right after we finish this bill. Then we are going to go on with the nominations of two Supreme Court Justices. How shocking it would be if the Senate did not confirm these men. And yet we will not confirm Mr. Grayson unless my amendment is adopted and his power in a very important sense may be even greater than that of the men whose confirmation will be debated so vigorously within a few days.

I submit that it is ridiculous for us not to insist that at least the Chairman be subject to Senate confirmation.

This amendment provides the following:

Members of such boards, commissions, and similar entities shall be appointed by the President by and with the advice and consent of the Senate; except that—

So that we can have a continuity of operation:

(1) the foregoing requirement with respect to Senate confirmation does not apply to any member of any such board, commission, or similar entity (other than the Chairman of the Pay Board, established by section 7 of Executive Order Numbered 11627 of October 15, 1971, and the Chairman of the Price Commission, established by section 8 of such Executive order) who is serving, pursuant to appointment by the President, on such board, commission, or similar entity on the date of enactment of the Economic Stabilization Act Amendments of 1971, and who continues to serve, pursuant to such appointment, on such board, commission, or similar entity after such date; and

(2) any person serving as Chairman of such Pay Board, and any person serving as Chairman of such Price Commission, on the date of enactment of the Economic Stabilization Act Amendments of 1971, may continue to serve in such capacity on an interim basis without regard to the foregoing requirement with respect to Senate confirmation until the expiration of 60 days after the date of enactment of the Economic Stabilization Act Amendments of 1971, and the provisions of sections 910–913 of title 5, United States Code, shall be applicable with respect to the procedure to be followed in the Senate in considering the nomination of such persons for such offices and references in such provisions to a "resolution with respect to a reorganization plan" shall be deemed for the purpose of this section to refer to such nominations.

The last part provides the antifilibuster language which will make it impossible for confirmation to be delayed and for the Chairman to be killed on that basis.

Frankly, Mr. President, I think this is a very limited and very modest amendment. Many Senators have said "Why not confirm all members?" I think a strong case could be made for that, and I would be inclined to offer such an amendment. In view of our lack of success in the committee, however, I think it is unrealistic to press that amendment on the floor. I think the case is overwhelming for at least confirming the members paid by the Government, full-time members, who can, as Mr. Grayson has shown, become virtual czars. I will be interested to see how the Senate votes in this respect, because it seems to me that if the Senate votes not to confirm a chairman with this great power, it is indicating its real lack of interest in maintaining some kind of congressional control and discipline over people who have been given this immense power.

EXHIBIT 1

INFLATION—THE PRESENT PROBLEM: OECD—EXCERPTS

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83. Establishment of realistic non-inflationary price objectives will not, of course, be enough in itself. More important will be to convince public opinion that these objectives are going to be taken seriously. To this end, governments will have to make it clear that they are prepared to pursue restrictive demand management policies until there are signs that better price stability is being restored. A permanent and significant rise in unemployment would not be acceptable; nor would it necessarily be an effective barrier against inflation over the longer run. What is needed, however, is that all segments of the public—and especially employers and trade unions—should be more conscious of the inevitable link between the moderation they exercise in price and wage decisions and the demand management policies followed by the authorities. In the present conjuncture, a major reduction of inflationary expectations during the current cooling-off period is a pre-requisite for the resumption of normal growth rates and the return to higher levels of employment.

84. With regard to the technical aspects of demand management policies,[1] there has, in recent years, been considerable controversy about the relative efficacy of fiscal and monetary policies. The main lesson which seems to emerge from the OECD's own practical experience with stabilization problems is that *both* fiscal and monetary policy have an important role to play; that they need to be closely coordinated; and that excessive reliance on either weapon produces unsatisfactory results.

85. Some other lessons that can be drawn from experience in OECD countries can be summarized briefly. First, there is the need to act promptly when evidence points to a danger of excess demand. Second, more suitable administrative and institutional fiscal policy arrangements and a larger armoury of policy weapons could contribute to a better use of fiscal policy. In particular, there is a general need for better co-operation between central and local authorities in the implementation of fiscal policy. Experience has shown the value of incorporating a margin of flexibility in annual public expenditure programmes, and of having some discretionary power to vary tax rates and social security contributions according to conjunctural circumstances. In some countries tax collection procedures could be improved to increase the automatic forces for stabilization generated by the fiscal system. On the monetary side, there is the question of whether recent experience indicates the need to make use of new policy instruments, particularly with reference to the increasing impact of international capital movements.

86. In general, however, it would seem that in the context of the present Report the most important questions relate not so much to the technical aspects of fiscal and monetary policies, but rather to the more basic question of the appropriate objectives to be pursued.

B. PRICE-INCOMES POLICY

87. The 1960s have witnessed a wide variety of experience with price-incomes policy in many countries, and the growth of a very substantial literature on the subject. In the time available, it has only proved possible to attempt a brief summary of some of the problems that have been encountered. A description of experience with such policies in selected countries will be found in Annex B. (The countries covered are Austria, Canada, Finland, Germany, the Netherlands, the United Kingdom and the United States).

General characteristics and appraisal

88. The definition of a price-incomes policy, and the classification of those countries which have been following such policies, are in themselves a controversial question. It may, nevertheless, be useful to distinguish two broad approaches: the "the national price and income bargain" approach and the "price and incomes guidelines" approach.

89. The Netherlands in the 1950s provides the earliest example of the "national bargain" approach, and the Finnish Stabilization Agreements of 1968 and 1969 the most recent. This normally involves an agreement between the government and all the major

[1] The Economic Policy Committee of the OECD has a continuing concern with the technical aspects of fiscal and monetary policies as used for demand management purposes. The report on *Fiscal Policy for a Balanced Economy* (OECD, Paris 1968) contained 24 recommendations on steps to increase the scope for the use of fiscal policy as a means of promoting steady growth and maintaining the balance of the economy. Committee has commissioned studies on the operation and impact of monetary policy in selected countries.

social partners. The agreement is, typically, quite detailed and is tailored to meet the prevailing circumstances. It often covers not only industrial wages and prices, but also wages and salaries in the pulic sector, agricultural incomes, rents, distributive margins, dividends, etc.; and the package may include government commitments with regard to taxes, monetary policy, and so on. Implementation usually relies heavily on the discipline of the social partners, but is often backed by statutory powers for referring wage and price increases to some review body, or for compulsory arbitration, or for price and wage controls.

90. The "guidelines" approach is typified by the policy followed between 1962 and 1968 in the United States. The government, with or without the agreement of the social partners, announces the general principles of non-inflationary price and wage behaviour, together with the qualifications necessary to render these principles applicable to specific cases. Implementation generally relies heavily on mobilizing public opinion; it may be supported by bringing informal pressure to bear on important wage and price decisions, and by setting up official or semi-official bodies to which these decisions can be referred.

91. There are, of course, many variants between these extremes, as is illustrated by the chequered history of price-incomes policy in the United Kingdom. It should also be noted that quite a number of countries in Europe, including several of those who have not gone far towards establishing a comprehensive price-incomes policy, have made considerable use of price control of one form or another; and that minimum wage legislation plays an important role in income determination in a number of countries.

92. The record seems to show fairly clearly that price-incomes policy of both the national bargain and guidelines variety has succeeded in restraining price rises for periods of up to one to two years. Recent examples are provided by the United Kingdom in 1966–67 and Finland in 1968–69. To what extent any long-term success has been achieved, is, however, more doubtful and controversial.

93. As far as the major countries are concerned, the question cannot really be asked, since none of them have as yet pursued a coherent price-incomes policy for long enough to permit proper judgement. It could, of course, be argued that the fact that these policies have been modified or abandoned in several of these countries is sufficient proof that they are unworkable. Many would regard this as debatable, since the initial efforts may have been over-ambitious, and the on-and-off record owes much to fluctuating political fortunes.

94. Some other countries—for example, Austria, the Netherlands and Norway—have been pursuing a form of price-incomes policy for a much longer period. Judgment of the results achieved is, however, rendered difficult by the very large extent to which their economies are influenced by external developments. In these circumstances, effectiveness of price-incomes policies must be judged mainly in terms of the contribution they have made to reconciling the maintenance of external equilibrium with high levels of employment, and the promotion of constructive and relatively peaceful industrial relations. Judged against these standards, rather than against the observed rate of price increase, the record of a number of the smaller countries would seem to compare quite favourably with that of the larger countries.

The problems encountered—incomes policy

95. The major problem encountered in trying to build up a price-incomes policy is obviously the heavy burden of responsibility it imposes on the social partners. They are called upon to exercise moderation in the pursuit of their legitimate interests. Viewed from the top, the proposition that if money incomes and profits rise faster than national productivity the consequence will not be higher real incomes and profits but rising prices is impeccable. But it is not true when applied to individual groups or enterprises. It is thus all too easy for leaders on both sides to be pursuaded into accepting over-ambitious commitments on behalf of their members.

96. On the side of labour, these strains have been apparent in black-market wages, wage-drift, break-away unions, unofficial strikes and militancy on the shop floor. They may also have been partly responsible for the tendency observed in some countries for the locus of wage negotiation to shift down from the national to the plant level. In several countries trade union leadership has become increasingly reluctant to participate in the formulation and implementation of price-incomes policy. The strains on the employers' side have been less obvious and have received less attention—partly, perhaps, because in general less emphasis seems to have been given to the employers' role in the inflationary process (on both the wage and the price side).

97. A second problem area concerns the appropriate guidelines where prices are already rising at a significant pace. Difficult judgment is involved in establishing realistic targets: on the one hand, it has to be recognized that a price-wage spiral cannot be halted overnight; on the other, that full compensation for price increases in wages, and cost increases in prices, will perpetuate the spiral. These conflicting considerations also lie at the heart of the controversy concerning wage (and price) indexation. Some form of real income guarantee may be a necessary and desirable part of an overall bargain, but not if it is too rigid or quick-acting. It is interesting in this respect that Finland, and more recently Denmark, have acted to modify or abolish their very widespread and automatic systems of indexation.

98. There is a wider problem of the realism of price-incomes policy objectives. Because of concern that targets may be taken as the minimum basis for price and wage decisions, there has been a natural tendency to play on the safe side. But persistence with unrealistically low targets can, over time, bring the whole policy into disrepute. A recent example is the difficulties that have arisen in Germany because of serious under-estimation of the scope for productivity gains and non-inflationary wage increases in 1968 and 1969 at the time the "concerted action programme" for those years was established.[2]

99. A third set of problems relates to income differentials and the position of lower-paid workers. Here again, it is easy to be over-ambitious, with leaders agreeing to action in favour of the lower paid which is not, it subsequently turns out, acceptable to those higher up in the hierarchy of wages and salaries. Similar difficulties arise when legislative action is taken, for example, to raise legal minimum wage rates or to provide equal pay for women. Experience has continuously illustrated the tenacity with which existing wage differentials are defended. This has been another factor behind the phenomenon of wage-drift in Scandinavia and elsewhere. It is also evident in the rather widespread increase in the organisation and militancy of white collar workers during the 1960s.

100. The evolution of price-incomes policy has also focussed more attention on non-wage incomes. As foreshadowed in an earlier OECD report, countries have adopted rather different approaches to this problem, some putting most emphasis on competition and price policy, others seeking to establish a more direct policy for non-wage incomes.[3] One question about the more direct approach is how far fiscal measures, which may be accepted as a satisfactory *quid pro quo* by union leaders, are recognized and accepted as such by the rank and file lower down.

101. More generally, it is probably true that the search for price-incomes policies has tended to bring into the open issues concerning the distribution of income (and wealth) which until then had been lying dormant because of lack of information, the fragmentation of opinion, and the absence of any national forum in which they could be effectively raised. Where this has happened, policies and guidelines which implicitly take the existing distribution of income and wealth for granted have come under increasing attack from many different directions.

The problems encountered—price policy

102. Experience has tended to confirm the judgment that a comprehensive system of *price control*, in the strict sense, raises almost insuperable administrative difficulties; and over a number of years it would have harmful effects on efficiency. At the same time, however, quite a number of countries have made use of *temporary price and/or wage freezes*. It seems that in particularly difficult inflationary situations action along these lines can help to bring about a break in the price-wage spiral. But there is also a danger that price and wage increases accelerate again sharply as soon as these controls are relaxed or removed. The use of such measures, therefore, requires skillful timing within the framework of a comprehensive overall programme of appropriate fiscal, monetary and other policies.[4] In the last two or three years this has been attempted—with varying degrees of success—in the United Kingdom, France and Finland, and, more recently, in the Netherlands, Sweden, Denmark, Norway and Ireland.

103. With regard to the longer run, a number of countries have been giving increasing emphasis to what is often called an *active price policy*, including the use of various techniques of price supervision. The problems encountered have been relatively familiar and will only be sumarized briefly. Simple rules—such as that only increases in external costs may be passed on in higher prices—have to be qualified and elaborated to take into account factors such as self-financing ratios, rates of return on capital, price trends in export markets, etc. Experience has also shown, however, that more complex and qualified guidelines can provide scope for collusion between employers and employees in seeking to gain approval for both unjustified price increases and above-average wage increases.

104. In the implementation of an active price policy, it has proved difficult to avoid giving undue emphasis to restraining price increases in low productivity growth sectors, rather than to the promotion of price reductions in high productivity sectors. Selective action on politically sensitive prices, or on

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[2] See note on German experience, Annex 1.

[3] "A direct policy for non-wage incomes might be considered to comprise, first, watching the development of the major categories of non-wage incomes; second, obtaining general agreement as to what should be regarded as the appropriate behaviour of these incomes; and, third, correcting any disproportionate movement by tax changes or other means. This type of approach may not be a substitute for an active price policy: in practice, the two approaches may need to be complementary". *Policies for Prices, Profits and Other Non-Wage Incomes*, OECD, Paris, 1964, para. 118.

[4] In this context the flexible techniques used in France, e.g., through "contrats de stabilité" and contrats de programme", may be of interest to other countries.

price decisions most easily susceptible to government influence, may also have led to some distortion in price structures.

105. Despite these difficulties, a number of countries have felt it worthwhile to devote considerable resources to building up the necessary expertise required for effective price supervision over the longer run. It would seem that these efforts should be pursued, and that in some countries there is considerable scope for action along these lines.

Wages and prices in the public sector

106. It is now widely accepted that wages in the public sector should not be allowed to lag seriously behind those paid for similar occupations in the private sector. Experience in the 1960s has tended to confirm an earlier judgment that ". . . time passes and a day of shocked surprise comes when it is found that school teachers, or civil servants, or bus-drivers have been woefully neglected. The result is a wage adjustment of a size that should never happen in the interests of stabilization policy, which is bad in itself and bad as an example".[5] On the other hand, however, there have been a number of cases where a wave of inflationary wage claims appears to have originated in the public sector, which includes a number of strongly unionized occupations. If the government is to ask employers and employees in the private sector to exercise moderation in the face of pressures coming from the market place, it must surely be prepared to resist political pressures in favour of over-generous wage settlements in the public sector.

107. In a number of the smaller Northern European countries arrangements have gradually evolved under which wage and salary negotiations for public employees take place shortly after the main settlements have been reached in the private sector. In France, the recent collective bargain reached for the nationalized gas and electricity supply industry contained interesting arrangements to provide some assurance that wages and salaries would move broadly in line with prices and incomes in the rest of the economy. Other countries should be urged to consider whether they would not benefit from the experience acquired in these countries.

108. It should be noted that the public sector includes many relatively low-paid occupations. Negotiations, therefore, raise in an acute form the problem of the desirability, and at the same time the great difficulty, of giving above-average increases to low-paid workers, already discussed above.

109. With regard to prices charged by public utilities and other nationalized industries, governments are often tempted to intervene in the light of conjunctural or other political or social considerations. But the arguments against policies which eventually lead to abrupt and large increases in the public sector apply just as much to prices as they do to wages. Thus, prices should normally be raised fairly smoothly in line with costs; the latter being calculated on the basis of proper economic criteria, allowing for a wage rise no faster than in the private sector. There may, however, be some scope for limited flexibility in the timing of price increases according to the point reached in the general price/wage spiral.

The future of price-incomes policies

110. It would be unrealistic not to recognize that the difficulties just discussed have proved more serious than was envisaged by advocates of incomes policy a decade ago (including the OECD). Some governments may have pinned too much faith on price-incomes policies and neglected to give sufficient weight to other essential aspects of stabilization policy. In particular, it has been demonstrated only too often that—even where conditions are favourable to the application of price-incomes policy—the emergence of excess demand quickly undermines the basis for such a policy, and may well do long-lasting damage to the institutional arrangements and mutual understanding upon which it has been based. After the experience of the 1960s, there is certainly no justification for any country to regard price-incomes policy in any way as a substitute for proper demand management policies.

111. Critics would, of course, go further and claim that price-incomes policies have been proved to be unworkable, if not positively harmful. They argue that the whole concept of these policies is fundamentally inconsistent with the open and decentralized system of political and economic organisation on which Western societies are founded.

112. An effective price-incomes policy, it is true, implies—almost by definition—that consideration of the common interest has to some degree been injected into individual wage and price decisions. Some find it natural that the social partners should seek to achieve this through their own efforts, and through consultation with each other and the government; others are opposed on ideological grounds. But these differences in value judgments, however strongly held, should not be allowed to obscure the fact that inflation has become an increasingly serious problem. The question that must, therefore, be asked of opponents of price-incomes policies, is whether continuing, and perhaps accelerating, inflation might not engender changes in present economic and political systems far more unacceptable to middle-of-the-road opinion than would be involved in a relatively small shift towards taking more account of the common interest in making price and wage decisions. Such a shift might, of course, only make a relatively small contribution to greater price stability. But this would, nevertheless, be very welcome, since the essential problem is to keep price increases below the threshold at which inflationary expectations acquire a momentum of their own.

CONCLUSIONS

113. To those who accept this proposition, the question remains of how, in practical terms, to make price-incomes policy more effective over the longer run. This, no doubt, depends a great deal on the attitudes, institutions, economic structure and political philosophy of the country concerned. In some countries institutional changes will, no doubt, be required to promote better synchronisation of wage negotiations, and provide a more rational framework of industrial relations with respect to such things as the definition of bargaining units, arbitration and procedures for settling disputes, the legal status of collective agreements, etc.

114. On a wider plane, there may be a question as to whether in the past too much emphasis has been put on the role of unions in moderating wage increases and too little on the role of employers in granting inflationary wage increases and passing them on into prices. The basic aim, after all, is to get better price stability, not just for a few politically sensitive prices, but over the whole range of prices throughout the economy. Employers have a particularly direct concern with the continuation of economic growth and rapidly expanding markets. Perhaps more could and should be done to encourage them to exercise moderation in their price decisions, and to organise themselves better to resist pressures coming from the over-aggressive use of market power on the part of certain unions.

115. Elements of price-incomes policy can make a valuable contribution to breaking a wage/price spiral as part of an overall stabilization programme, although a flexible approach and careful timing are required to avoid a recrudescence of inflationary pressures when the time comes to start relaxing restrictive policies.

116. The extent of the need for price and incomes policies over the longer run no doubt varies from country to country. But wherever they are needed—and whatever they are called—effective price-incomes policies are likely to require wide-spread support; it is unfortunate if they become a plaything to be picked up or dropped by opposing political parties. It is also a mistake to base price-incomes policies too heavily on balance of payments considerations; this has been particularly apparent during the last 18 months of generalized inflation. Further, while institutional arrangements are of considerable importance, the basic requirement is for a better understanding of the issues, and more willingness to give greater weight to common as opposed to sectarian interests. This means also that the social partners have to be closely associated with the formulation of the whole range of policies needed to maintain reasonable price stability.

117. Finally, there is a question of whether the name "price-incomes policy" (and its variants) has not outlived its usefulness. Many of the subjects discussed in the next section of this report can quite legitimately be thought of as forming part of a policy for prices and incomes. The problem is inflation, and what is needed is a positive policy against inflation right through the private and public sector.

C. POSITIVE PRICE POLICY THROUGH THE WHOLE RANGE OF GOVERNMENT ACTIVITIES

118. Firm fiscal and monetary policies, supplemented where possible by some form of price and incomes policy, must be the basic ingredients of successful action against inflation. In many countries, however, there is a growing body of opinion that the operation of demand management and price-incomes policies within politically acceptable limits may not be enough to achieve and maintain reasonable price stability. The remainder of this report therefore considers the scope for anti-inflationary action outside the broad framework of the policies so far considered. The underlying theme is that governments should strengthen their procedures for examining the price implications of each and every one of their activities. The immediate object should be to introduce procedures for taking account more consciously of the price implications of proposals for new governmental initiatives, and to embark on a review of the price implications of those existing policies which seem to provide the most obvious scope for a significant contribution to greater price stability.

119. The main areas for possible action discussed below concern: further trade liberalization, tougher and more extensive competition policies, less protection for uncompetitive sectors and industries, stronger manpower and regional policies to ease structural adaptation, and more efficient public expenditure and social policies.

120. Although it has not been possible to make more than a rapid review of the possibilities, it is hard to escape the conclusion that the scope for anti-infitionary action over both the short and the longer run—for example, in the fields of trade, agricultural and industrial policies—is considerable.

121. The objective in exposing the private sector to more effective domestic and international competition should be not only to attain some once-and-for-all cuts in the price level. Protection, at least in its more harmful forms, makes a dynamic contribution to inflation through weakening resistance to a continuing process of cost and price increases. The larger the protected sectors in relation to the economy as a whole, the greater will be the momentum behind the inflationary process.

122. All instances of industrial or agricultural protection exist for understandable

[5] *Report on the Problem of Rising Prices, op. cit.*, p. 60.

reasons, and to reduce or remove them would be politically painful. The key question, however, is what the alternative course of action is, in circumstances in which inflation is in some countries posing a threat to the continuation of full employment.

123. Taking any of the suggestions made below in isolation, it may be easy to argue that their contribution to the solution of the inflationary problem would hardly be worth the political and other difficulties involved. However, the fact is that all Member countries have to some extent carried over from the 1930s (and earlier) protectionist and interventionist attitudes and institutions which may have been justified under conditions of periodic and inescapable recessions, but are not under conditions of guaranteed high employment.

124. As regards social policies, inefficiencies in expenditure in achieving properly defined social objectives are inflationary to the extent that taxes are, as a result, higher than they need be. In such cases, inefficiencies in the public sector have just as much inflationary potential as when prices in the private sector are higher than they need be to provide a reasonable return to the capital and labour employed. The inflationary potential in public expenditure on social services must, *a priori*, be great.

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INFLATION—THE PRESENT PROBLEM

ANNEXES B: ADDITIONAL MATERIAL RELATING TO PART III B OF THE REPORTS PRICE-INCOMES POLICIES IN SELECTED COUNTRIES

B.1 Austria

Since the late 1920s, the determination of a wide range of prices and wage rates in Austria has been controlled or supervised either officially or by semi-official commissions of various kinds. Present mechanisms for dealing with wage and price questions are, then, a further development of well-established institutions.

After the war, the chambers of trade and industry, agriculture and labour and the trades unions assumed major responsibility in management of the economy and in prices and incomes policy, establishing in 1947 an Economic Commission "to observe the economic situation, and to put recommendations to the Government appropriate to the healthy development of the economy". Shortly after its establishment, an agreement was reached, fixing prices and wage rates for a three-month period. In the conditions of rapid inflation following the disappearance of wartime controls, the success of the agreement was rather limited. Nevertheless, close co-operation and discussion among the chambers continued and further agreements were reached in each of the four years to 1951.

In the autumn of 1951, the Federal Chamber of Trade and Industry and the Federation of Austrian Industry appealed to entrepreneurs not only to desist from price increase but, where possible, to reduce prices. At the same time, the Trades Union Federation declared itself ready to postpone wage demands for a period. The result was striking. Even without severely restrictive fiscal and monetary measures, many important prices were reduced by some 5 per cent, and there was a wage pause until the end of 1953.

Partly as a result of the great success of the 1951 agreements, the 1953–57 period was characterized by somewhat less active incomes policies than those in the preceding and following periods. At the same time, the annual rate of price increase (2.5 per cent for consumer goods) was relatively high. The final two years of the period produced an upswing in the economy which resulted in an acceleration in price and wage increases.

In March 1957 the then existing Economic Commission was replaced by a Parity Commission, composed of four representatives of the Government, two representatives of each of the Chambers (Federal Chambers of Trade and Industry, Labour and Agriculture) and two representatives of the Federation of Trade Unions. Membership was not compulsory and the Commission was given no formal legal basis. Its primary task was to implement voluntary control of price and wage movements in the interest of currency stability.

Problems arising in the first years of operation led to a number of changes in the structure of the Commission. A first major re-organisation took place in 1962 and included:

(*a*) Setting up of a Sub-Committee for Wage Questions alongside the Sub-Committee for Price Questions which had existed since the setting up of the Parity Commission.

(*b*) An extension and improvement of the system of price control.

(*c*) Assignment to the Parity Commission, in addition to its wage and price responsibilities, of the right to discuss and make recommendations on basic economic questions.

This reform was extended in 1963 by an agreement which provides for:

(*a*) Modification of price and wage controls with the aim of improving effectiveness.

(*b*) Formation of a "Council for Economic and Social Questions" within the framework of the Parity Commission.

Membership of the Incomes Sub-Committee is confined to representatives of the employers and employees (two each from the Trade Unions and the Federal Chamber of Trade and Industry, one each from the Chambers of Labour and Agriculture). The Committee meets fortnightly and can make decisions only on the basis of unanimous vote. In cases where no decision can be reached within six weeks, the case must be referred to the Parity Commission which must then reach a decision within five weeks.

The procedure under which wage questions are handled by the Sub-Committee is now well-established. An individual union requests revision of a contract, not directly to the Sub-Committee, but via the Trades Unions Federation. This allows the Federation an opportunity to sift, phase and standardize wage demands before they are presented to the Sub-Committee. The Federation presents the union demands to the Sub-Committee and requests that negotiations be allowed to proceed. The Sub-Committee may then approve immediate negotiations, ask for further information, recommend a postponement of negotiations, or refer the matter to the Commission. It *must* follow the latter course of action if the proposition is of basic significance to the economy, or if it is likely to result in price increases. The negotiated agreement must again be submitted to the Sub-Committee which may again request information, delay implementation or refer the agreement to the Commission, etc.

Smooth operation of the Incomes Sub-Committee presupposes, of course, well-disciplined, centralized trades unions willing to sacrifice part of their sovereignty in favour of the Trades Unions Federation and the Commission. In fact, such conditions do exist in Austria. There are only 16 unions and they are centralized with their membership defined by industry grouping. Wage negotiations may be carried out at regional and plant levels, but wage agreements are the prerogative of the national authorities of the union under powers delegated by the Trades Unions Federation.

On the employers side, too, negotiations are conducted on a well-disciplined, centralized basis. The degree of centralization is reflected in the fact that about one-third of all agreements are national and about two-thirds are regional. The number of plant agreements is small (about 2 per cent of the total).

For the most part, wage agreement involve alteration by a fixed percentage of the basic rate in an existing contract, although changes in working hours and other employment conditions are, of course, included from time to time. Agreements are usually reached without resort to strike action. Especially in recent years, the number of working days lost through strikes has been insignificant. Direct Government interference in wage bargaining has not been of significance since the early post-war years, official influence being confined to that exerted by Government representatives in the Parity Commission (i.e. the main body, *not* the Incomes Sub-Committee).

For the last decade or so, during which time incomes policy has been operating in something close to its present form, the annual rate of real GNP growth *per head* in Austria has been roughly the same as in Germany; i.e. about 4 percent. This has been achieved, moreover, in conditions of full employment and relative price stability. As far as cyclical fluctuations are concerned, it is clear that, on various occasions, decisions of the Parity Commission have produced a significant smoothing of cyclical fluctuations. The fact that at other times fluctuations may have been aggravated was a result of faulty diagnosis of the economic situation rather than of defects in incomes policy as such. In recent years, the contra-cyclical operation of incomes policy has been rather marked. Wage increases were agreed and granted in 1967 in spite of the recession; during the subsequent upswing great restraint was exercised and the balance of payments situation was not endangered. This year, however, with the inflationary tendencies of the late stage of the upswing aggravated by demand and cost pressures emanating from Germany, incomes policy has begun to come under pressure.

B.2 Canada

Aside from wartime controls, Canada has only very recently begun to experiment with a kind of incomes policy. As recently as 1966, the Economic Council of Canada, an independent but semi-official organisation, concluded that an incomes policy would fail to meet effectively the problem of maintaining reasonable price stability at high levels of employment in Canada in view of: [1]

(1) Division of jurisdiction between federal government and the provinces in key legislative areas relating to an incomes policy. The Federal government has no power to institute direct wage-price controls, and could use in large part only purely voluntary methods of inducing wage restraint, since the provinces have the major constitutional responsibility in the area of labour relations.

(2) Large regional differences, making it difficult to establish uniform guidelines all over Canada.

(3) Decentralization and local autonomy of both labour unions and employer organisations, making general agreement difficult. Moreover, only about a third of the labour force is organised.

(4) The strong influence in key production sectors of foreign trade and other external factors (e.g. wage parities with U.S. workers).

But the persistent and accelerating cost/price spiral in a situation of increasing slack which prevailed after 1966, and the resultant erosion of confidence in demand management, led to the establishment in May 1969, of an independent Prices and Incomes Commission "to enquire into and report upon the causes, processes and consequences of inflation and to inform those making current price and income decisions, the general public and the government, on how price stability might best be achieved".

In August 1969 the Commissions requested business, professional groups, labour and Government to co-operate in the creation of a comprehensive package of income restraint.

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[1] Economic Council of Canada, *Third Annual Review*, November, 1966.

A national conference was planned for December, in order to secure general support for voluntary price/wage curbs. But labour unions were not convinced that their interests would be safeguarded, especially where non-wage incomes and wages and salaries of non-organised workers were concerned, and in mid-October ruled out agreement on any formula including wage restraint. They had already rejected one specific formula holding wage increases to 5 per cent, if price increases did not exceed 2 per cent annually, and proposing a justification procedure for any price increases above this limit.

The Commission then shifted to a sequential approach in an attempt to enlist the cooperation of other groups before resuming discussions with labour unions. In order to forestall the threat of large price increases before agreement could be reached, the Government, early in January 1970, asked business in some sectors to delay price increases until March.

Early in February, the Prices and Incomes Commission convened a national conference on price stability, with 250 business and professional leaders. The resulting agreement tentatively commits business firms to reduce the number and size of price increases they would normally make in 1970. Specifically, price increases were to be somewhat smaller than needed to generate revenue equal to cost increases. As a supplementary measure, a system of price reviews was agreed upon, providing advance notice, in some cases, for planned price increases. One week later, in a federal provincial conference of government leaders, provinces gave their broad support for the programme of voluntary restraints, and stated their intention to apply to proposals of the Prices and Incomes Commission within their own jurisdiction, as far as their particular circumstances would permit.

Following the conferences the Commission reopened discussion with labour, but with little success. In June 1970 the Commission made a public proposal for a wage yardstick. An upper limit of 6 per cent for first-year wage contracts was proposed, consistent with a long-term-average productivity growth of two and of a half to three per cent a year, plus some three to three and a half per cent increase in the consumer price index during the following 12 months. There were, however, no recommendations for action in cases where this yardstick might be exceeded. The Federal Government supported these guidelines as an indicator for the general public, but most provinces have shown themselves reluctant to exert pressure for compliance.

Labour unions, in a subsequent meeting with the Commission, rejected the guidelines, advocating instead a national conference between government, labour and business, to consider a new approach to present economic problems in terms of a broader incomes policy concept. The Government has indicated some interest, but nothing has been made public so far, as to if, and when, and under what terms of reference, such a meeting might be convened.

With increasing economic slack, prices in Canada have shown a distinct slowing tendency recently, but wage settlements continue to be high, and cost pressures quite strong.

B.3 Finland

Centralized collective settlement, wage indexation, maintenance of farm incomes, and price controls have been characteristic of Finnish incomes determination throughout the post-war period. Following the 1967 devaluation, however, there was widespread acceptance of the view that some urgent and new approach to economic policy was necessary. The Stabilization Agreement of 1968 accordingly provided for abolition of indexation. The general increase in wages in 1969 was to be about the same as the increase in productivity i.e., 3–4 per cent. However, the wage increases were not to be granted in percentage form but by a flat-rate increase of 16 pennies an hour (equal to 3.5 per cent). As part of the general agreement there were to be controls on prices and rents, and the Government was to control agricultural prices and thus incomes. A Prices and Wages Council was established on a tripartite basis. The wages section has not met. The prices section adopted the general principle that wage increases were not to be permitted grounds for price increases although exceptions were made for labour intensive industries and the service sector.

In September 1969, a Second Stabilization Agreement provided for a general flat-rate increase of 18 pennies an hour, or by one per cent should the 18 pennies an hour increase be less than one per cent; a further increase of one per cent to be allocated as the social partners in each sector or branch decided.

Price control was fairly comprehensive under the First Agreement but modified a little under the Second. Seventy per cent of the cost-of-living index is covered by price control. Prices are frozen at the levels existing on some particular date, as are profit margins and retailers' margins. Any customer can complain to the price inspectorate that prices have been improperly increased. If the complaint is found justified, fines are levied in relation to the improper profit made.

A number of semi-finished products are excluded from control, since it was thought that control over the final price would exercise some restraining action as purchasers would refuse to pay higher prices for bought-in components.

In the present circumstances, it has been widely agreed by both social partners that the central wage settlements would not have been possible without the price controls. In principle, therefore, there is agreement on the inter-dependence of wage and price restraint and an acceptance that the controls on prices can, and need to, be more strict than those on wages. During 1968–69, for example, real earnings in industry rose 6.3 per cent while prices advanced only 2.3 per cent. Wage drift has occurred in certain sectors amounting to around 2–3 per cent in 1969.

There is little doubt that Finland has been successful in restraining the increase in money wages in the last two years. The policy was introduced in a period of economic emergency that was recognized as such by the general public. This meant that there was a tremendous fund of goodwill towards the policies and a great willingness to cooperate and exercise restraint. The economy is now booming and there have been considerable improvements in real income, some 5–6 per cent per annum in 1969 and 1970 and it cannot be excluded that the fund of goodwill may now be diminishing.

B.4 Germany

Attempts to formulate an incomes policy in Germany and to establish criteria for wage settlements compatible with full employment growth and monetary stability can be traced back to the mid-1960's. In their Annual Report for 1964, the Council of Economic Advisers argued that "if the cost level is not to rise, nominal wages under certain conditions—especially monetary and external equilibrium—may not rise by more than the (average) percentage increase in productivity per man-hour in the economy. If, however, the share of capital costs in total falls . . ., or if the terms-of-trade improve, additional room is created for wage increases over and above the increase in productivity in the economy, without a rise in the cost level. The converse is, of course, also true". The report goes on to suggest that "it may be appropriate to make optimistic estimates of the productivity increase in the economy, in the hope that a certain wage (cost) pressure will strengthen rationalization efforts by entrepreneurs" but that "care must be exercised in phasing increases in employers' contributions to Social Security since abrupt increases reduce the scope for 'cost-neutral' wage settlements". The Council did not, however, advocate a strict application of these rules. "When an individual sector of the economy has an insufficient supply of labour, wage increases must exceed the norm, if necessary substantially, in order to provide an incentive to mobility into this sector. Conversely, in sectors where a contraction in the labour force is necessary, wage increases must be below the norm".

The principle of a productivity oriented wage policy has been repeatedly reiterated in later reports of the Council where also the concept of "concerted action" has been developed.

The underlying premise that responsibility for overall economic performance rested equally with government, management, and labour was sanctioned by the Growth and Stability Law of 1967 which, among other things, provided for the co-ordination of private decisions and official economic policy as specified in an annual forecast (by means of periodic consultation). Since February 1967 participants (representatives of the employers' associations, the trade unions, the Council of Economic Advisers, the Bundesbank and the Ministries of Economics and Finance) have met several times a year at irregular intervals. It was in no way intended that such coordination should reduce the autonomy of employers or employees in wage bargaining but rather that, through the provision of quantified information, employers and employees should be made aware of the economic implications of their decisions.

The introduction of "Concerted Action", coincided with the introduction of official quantitative forecasts, and the institution enjoyed a certain success in its early stages. Following wage reductions in certain industries during the first half of 1967, the participants agreed "that a policy of reducing wages hinders the recovery required in economic activity and is, therefore, contrary to the interests of all parties". This avoidance of too great a weakening of wages led the participants to conclude in early 1968 that the programme had "in the past year made a significant contribution to an improvement in reciprocal information and resulted in more rational decision making". In 1968 the task of incomes policy was much more complicated. Confronted with indications of a strong recovery in 1968 the Council of Economic Advisers estimated as possible upper limit of real GNP growth of six and a half per cent, but the Government decided on a much more cautious policy envisaging a GNP growth rate of 4 per cent and postulating a norm for increases in wages and salaries of 4–5 per cent. As in the previous year, the participants agreed "to support the Government target for 1968 by their autonomous decisions".

Wage agreements in subsequent negotiations fell within the recommended 4–5 percent, and the trade unions also committed themselves to longer-term contracts with a norm of this order. For example, an important agreement with the 4 million strong Metal Workers' Union in May 1968 had the following provisions: duration 18 months; a wage increase of 4 per cent on the 1st April 1968 and 3 per cent on the 1st January 1969. The agreement also improved protection against redundancy.

Actual growth of real GNP, however, was well above the official target, and even, at 7 per cent, a little above the optimistic variant of the Council of Economic Advires' forecast. The wage-lag rather than being moderated, was even more pronounced than in previous cycles, resulting in a distinct cooling of union enthusiasm for the programme. When the Government presented its target forecast for 1969 of four and a half percent growth of real GNP (actual outturn 8 per cent), and a wage norm of five and a half-six and a half per cent, the participants were able to reach

agreement only on "the necessity of cautious and well-balanced policies in order to protect the overall equilibrium of the economy." Wage rate agreements in the following months resulted in increases of about seven and a half per cent, and the agreement in the Metal Working Industry involved a wage increase of 8 per cent with a contract to run 13 months. This was generally considered to be moderate.

By the autumn, with a situation of excess demand in the labour market, a wave of wildcat strikes forced employers to re-negotiate unexpired contracts with the result that during the fourth quarter wages and salaries showed a twelve and a half per cent increase on one year earlier. This implied that the share of compensation of employees in national income was restored to the 1965 level which the Council of Economic Advisers had considered to be sustainable in the long run.

Following the failure to reach agreement on the general direction of economic policy and on incomes policy in particular, the official 1970 target projections did not explicitly put forward a wage norm, and wage settlements have continued at a level far above productivity growth. The recent government guidelines for 1971 have also been rejected by the unions because of the lack of more specific guidelines for profits and prices.

B.5 The Netherlands

The Dutch experience with incomes policy has been continuous over the post-war period. Until 1959, wage regulation took the form of what was called "Guided Wage Policy". The general principles of the Government's wage policy were worked out and laid down by the Social Economic Council, on the basis of a Royal Decree.[2] Negotiations for collective agreement took place on the basis of directives issued by the National Board of Mediators [3] and were generally collective agreements covering all industry, although the National Board of Mediators could approve extra wage increases for selected industry branches in special cases. Any agreements between employers and employees were subject to the approval of the National Board of Mediators, and labour conditions might be directly affected by regulations issued by the Board on the basis of general directives from the Minister for Social Affairs and Public Health. During this period, wage settlements took the form of general rounds of wage increases so regularly that this has come to be identified with "Guided Wage Policy" as such.

Partly in the hope of introducing more flexibility into the process of wage determination, and partly in the hope that a new system would reduce the extent of government interference in labour relations, important changes were instituted in 1959. Under the revised system, a differentiated wage policy was introduced which would permit wages in each sector to be determined primarily on the basis of productivity advances in that industry itself (although considerations obviously had to be given to the general rate of productivity advance). The new system, it was argued, would provide the foundation for the price policy as well, since wage increases were only permitted when increased labour productivity made them possible. This, in turn, implied price stability except in cases where productivity seriously lagged behind. In such cases, wage increases which exceeded productivity advances (and, hence, implied price rises) were to be counterbalanced by wage increases lagging behind productivity advances in exceptionally efficient industries (the difference to be reflected in compulsory price cuts).

After the first two years, however, the system began to break down. As the highest productivity rates are usually achieved in the same industries over an extended period of time, undue disparities between the income levels in the different industries appeared. Second, the constant need to verify productivity justifications for proposed wage increases led to continual interference by various government bodies, especially the National Board of Mediators. Finally, the system was introduced during an upward phase of the trade cycle so that employers were more and more willing to pay wages higher than those specified by the criterion (1–2 per cent more than productivity growth).

In November 1962, another revision was introduced which had two principal aims:

1. The role of government in labour relations was to be further reduced;

2. Wage increases were to be related to overall economic situations (state of the labour market, productivity, foreign wage cost trends, balance of payments considerations, etc.), rather than simply to productivity in individual industries.

The revision transferred powers to approve wage (and other labour) agreements from the National Board of Mediators to the Foundation of Labour,[4] but with numerous reservations. The Foundation's approval was to be given in the light of norms for the growth of overall wage rates compatible with the half-yearly reports of the overall economic situation prepared by the Social Economic Council and accepted by the Government. If the Foundation approved an agreement which the National Board of Mediators considered not in keeping with the norms, the Board could advise the Minister for Social Affairs and Public Health to declare the agreement non-binding. Should the Foundation be unable to reach a decision about an agreement, the Board was to decide whether to approve or not. If the Government considered that waged developments were threatening overall economic policy aims, it could impose a wage pause of 1–2 months' duration during which time no new agreements would be approved. During the pause, the Government would consider further advice from the Social Economic Council and consult with the industrial organisations. If suitable agreement could be reached, normal procedures would be resumed. If not, the Government could:

1. Impose a wage freeze;

2. Place the entire negotiating process back under the direct authority of the National Board of Mediators;

3. In the latter case, it could issue general directives (including the setting of maximum permissible wage increases) to the Board.

For a variety of reasons (entry into the EEC where real wages were generally higher than in the Netherlands, possible under-valuation of the florin, over-full employment, discontent with the lengthy discussions and intervention involved in wage administration), none apparently closely related to the institutional structure of the 1962 system, wages exploded in the autumn of 1963. Average pay increase per worker in 1964 was 15 per cent and in 1965 another 11 per cent. In late 1965, the Foundation of Labour was unable to agree on a 1966 wage policy and the Government urged that contract renewals should not exceed a basic average increase of 7 per cent. By May 1966, agreements covering almost 600,000 employees and anticipating increases averaging ten and a half per cent were still pending. The Government, therefore, decreed a wage pause (to last until mid-July) and decided to restore full authority to the National Board of Mediators to approve, delay, suspend and freeze wage agreements. The May 1966 measures were accompanied by compulsory price controls according to which:

1. Any proposed price increase would have to be approved by the Ministry of Economic Affairs;

2. Only rises in external costs could be passed on in prices;

3. Any fall in external costs had to be reflected in prices;

4. Traders were not to increase their money profit margins.

The Government fixed maximum wage increases to take effect from January 1st, 1967 at 4 per cent and agreed to further increases of 1.5 per cent as from July 1st, 1967. The price control powers of the Government expired on January 1st, 1967; but the associations of Dutch industrialists, wholesalers and retailers agreed to a programme of voluntary cooperation—in particular, they agreed not to pass money wage increases on in prices. Nevertheless, the Government retained its legal right to reinstate direct price controls should any "unjustified" increases take place.

Perhaps as much because of easing labour market conditions as of effective controls, the wage guidelines were largely observed. As a result of improved wage and price behaviour and of reduced labour market tensions, the requirement for prior Government approval of collective wage agreements was abolished as of January 1st, 1968. In addition to the improved market conditions, a feeling had grown up that, in practice, the guidelines served as a minimum, rather than an average—at least under conditions of "over-full" employment. Besides, it was hoped that restoring freedom to the wage negotiating process would reduce the frictions which had increasingly characterized negotiations within the Foundation of Labour. The Minister of Social Affairs retained the power to invalidate agreements if they threatened the equilibrium of the economy. Otherwise, agreements were to be negotiated on an industry or large company basis independent of Government guidelines.

In an attempt to legalize these provisional arrangements, a draft Wage Law was presented to Parliament in September 1968. The proposed bill recognized the principle of free wage agreements between employers and employees, but retained three lines of defence for the Government. If wage contracts were considered contrary to the national interest, the Ministry of Social Affairs was to have the power:

1. To invalidate wage agreements;

2. To decree a general wage freeze or given limitations to pay increases.

3. As a last resort, to reintroduce, for a maximum period of one year, the earlier system of prior approval of agreements.

The bill immediately met with heavy parliamentary and public opposition, especially from the unions. Even after it had been amended so that the power of the Government to intervene in individual labour agreements was essentially limited to the right to invalidate an agreement if, and only if, it threatened the equilibrium of the economy, the bill was passed only in conjunction with a vote of confidence. In protest against even this retention of power by the Government, several central union organisations withdrew, in early 1970, from further negotiations with the Government and the employers' associations at the national level.

[2] A body, established under the provisions of a 1950 Act on Industrial Organisation, which consists of representatives of employers and employees, in addition to a number of member appointed by the Crown.

[3] A board established to administer far-reaching powers in the field of wages and other labour conditions granted to the Government under a 1945 "Special Conditions of Employment Order".

[4] A cooperative body of workers' and employers' organisations which grew up during the war years as a means of dealing with problems of labour relations (as well as other, more general, matters) outside the official framework imposed by the occupying Power. It continues to exist and has continued to occupy a crucial, and now officially-delineated, role in labour negotiations.

The long delay in securing parliamentary passage of this bill left the nation with a not very effective wage control procedure through 1969. Partly for this reason, and partly because prices were moving sharply upward for several reasons (introduction of the TVA, increased import prices, and wage cost pressure), the Government began to tighten price control early in 1969 and, in early April, imposed a general price freeze. The step was recognized as constituting, at best, a temporary solution to the inflation problem and the Government sought the advice of the Social Economic Council. The Council proposed a comprehensive anti-inflationary programme which was published in its June 1969 report. The programme spelled out a package of fiscal, monetary and other policy recommendations which, in terms of incomes policy, recommended that:

1. The increase in real disposable income of a standard worker's family (including wage drift) should be held within 2.5 to 3 per cent in 1970.

2. Accordingly, the normal wage increase in collective agreements due for renewal in 1970 should be limited to 5 per cent.

3. The extent to which contractual working hours were to be shortened should be moderated.

4. All collective labour agreements should include a provision that non-recurring compensatory extra wage increases should be granted if the cost-of-living index rose for "relevant reasons" by more than 3.5 per cent.

5. Agreements should also include a clause that, if overall productivity rose faster than anticipated (3 per cent) in 1970, representatives of the employers' and workers' associations should discuss in the autumn the possibility of granting a compensating wage increase.

6. There be no increase in the rates of TVA.

7. Increases in housing rent be delayed by 6 months until 1st July 1970.

Wage negotiations took place at the local and industry level. In late August of 1970, an unofficial dock strike broke out in Rotterdam which quickly spread to other industries.

Coupled with the earlier withdrawal of several central union organisations from national-level negotiations, the strikes and the ensuing events, this meant a serious situation for Dutch wages policy. The central labour market organisations appeared on the scene on 1st September. An agreement was reached providing for a maximum 1970 wage increase per worker in enterprises employing "Koppelbazen" labour of Fl. 400 and for the consideration of the possibility of similar increases in other enterprises. The metal industrial, building and transport workers' unions immediately claimed a full and generalized increase of Fl. 400. By mid-September, the strikers had returned to work on the basis of decentralized agreements. It is difficult to know all the terms with clarity.

The Government announced its 1971 budget proposals on 15th September which, in addition to tax increases and expenditure restraints, envisaged possible imposition of a temporary wage pause under the provisions of the existing Wage Law. The central trade unions opposed the pause as "undesirable, not feasible in practice and economically unnecessary," and the central employers' organisations were also not in favour of it. According to the rules and in order to bring the unions back to the conference table, the Government requested an opinion from the Social Economic Council regarding the pause, the Government programme, and the Government's authority to intervene in particular settlements. On the 19th October, the SEC unanimously recommended restriction of Government intervention in global wage/price policies, including global freezes, and favoured periodic tripartite consultations to assess wage and price trends in view of their cost and demand impact and the development of the main economic aggregates.

The Government accepted the SEC recommendations and, in return, the central labour unions are now prepared to resume consultations within the framework of the SEC. The advice of the SEC on the wage pause and the Government's anti-inflationary programme is still in preparation. On 13th November the Government introduced a scheme for the calculation of generally permitted price increases (taking into account in particular increases in external costs and, as an exceptional measure, the 400 guilder wage increases).

B.6 Norway

Since the war, Norway has pursued a comprehensive incomes and prices strategy comprising price controls and subsidies as well as dividend and wage restraints. While the principle of free negotiation of settlements is recognized, in practice all parties subscribe to the co-ordination of income determination for labour, business, agriculture and fishing.

1945–1962

Until 1952, all wage disputes were submitted to a tripartite wage board primarily oriented towards preservation of industrial peace. Thereafter major responsibility for wage settlements on a collective long-term basis was assumed by the National Labour Union and National Federation of Employers. When disputes were considered detrimental to the national interest, the government could propose legislation reconvening the National Arbitration Board. Contracts generally incorporated an escalator clause permitting renegotiation in the event of a cost-of-living increase beyond the specified ceiling. In order to avoid spiralling costs and prices, the government attempted to stabilize the price level by means of a flexible price control and subsidization scheme to the extent which revenues would allow. Until 1960, dividends were similarly subject to approval beyond a designated limit and for some industries profits were regulated as well. Maintenance of the relative income position of farmers and fishermen became, in view of price controls, increasingly a concern of government.

Consultation among the various interest groups and government as an alternative to competition for bigger income shares developed in the late 'fifties. Following the first informal meeting in 1956 at the invitation of the government, wage agreements and price increases tended to conform to the government's recommended guidelines and, given government willingness to subsidize price stability, held largely within the norms for the contract duration. Negotiations in 1958 resulted in a renewal of the prior agreement with some reduction of working hours, revision of ceilings and corresponding index adjustments and reduction of subsidies.

1962–1970

The 6.5 per cent jump in consumer prices subsequent to the 10 per cent increase in incomes provided for by the 1961 settlement favoured the establishment in 1962 of the unofficial Contact Committee, consisting of the Prime Minister, Finance Minister, Wages and Prices Minister with union, employer, farmer, and fisherman representatives, as an ongoing forum for mutual consideration of incomes questions and information exchange. While this innovation probably contributed substantially to the successfully settlement of 1963 (2.5 per cent incomes increase) it failed to avert the following year's breakdown despite mediation in both union/employer and government/farmer negotiations and the resultant reconvening of the Arbitration Board. (The board's decision allowed for a wage rate increase of 3.2 per cent in 1964 and 1.6 per cent in 1965 with a slightly higher improvement in farm incomes.)

In 1965, an independent Expert Committee was formed to furnish an impartial factual basis for Contact Committee discussions. The Committee's first report (1966) reviewed the economic situation and employed an econometric model to estimate the impact of various wage, farm price, productivity, and import price changes on consumer prices, real incomes, and income distribution. Despite the improved factual and analytical input, the parties were unable to conclude an agreement and the Arbitration Board was again convened, authorizing average wage increases of 4.8 per cent in 1966 and 0.3 per cent in 1967 and farm income advances of 10 percent in 1966 and 3 per cent in 1967. Price advances in 1967, however, activated escalator clauses permitting wage advances not significantly different from the preceding year. The 1967 Export Committee was broadened to include analysts from the negotiating parties as well as government and the Central Bureau of Statistics, and in March 1969 the Committee became a permanent agency reporting to the Price and Wage Minister and the Contact group. The 1968 agreement gave a 4.4 per cent increase in wage rates as compensation for the reduction in the contractual working week from July, a 1.8 per cent special adjustment from mid-May, and a general increase of 2 per cent from the 1st January 1969. The 1970 agreement, also covering two years, allowed for an overall average increase in hourly wage rates in the year of 9 per cent (four and a half per cent per annum over the contract period). In both years compromise settlements were arranged through the intercession of the State Mediator.

In recent years labour costs have increased by some 8 per cent annually, twice as much as the overall increase in productivity. While increases in negotiated wage rates in industry have been moderate, wage drift has been large and relatively stable (3–4 per cent annually). Prices have increased at about the same pace as the average for other industrialized European OECD countries as have unit labour costs.

The merits of the Norwegian incomes policy, besides being an instrument in income distribution, lies in the fact that it has enabled the Government to keep the use of productive resources on a very high level throughout post-war years. While the average increase in prices and production costs does not differ much from developments in most other countries, unemployment has been lower than the European average, and economic growth has been rapid and steady. With persistently strong pressures on resources, unco-ordinated wage and incomes policies could easily have led to larger wage and price increases. Thus, the Confederation of Employers has estimated the average annual increase in negotiated wage rates at 6 per cent in the few years of decentralized agreements, against only half that size in years with co-ordinated agreements. Moreover, in years with decentralized agreements 460,000 days' work were lost because of labour disputes, while the number was only about 70,000 in years with centralized agreements.

B.7 United Kingdom

Pre-1961

Attempts in the late 1940s to contain money incomes to a rise comparable with that of output achieved temporary consensus among trade unions, business and government. The withdrawal of union support in 1950 and subsequent union opposition thwarted further government attempts to maintain some sort of incomes policy and threw more weight on demand management. The only major innovation was the establishment, in 1957, of the Council on Prices, Productivity and Incomes to "keep under review changes in prices, productivity and the level of incomes and to report thereon." The Council's initial emphasis on excess demand was superseded in later reports by concern with cost-push and administered pricing and

recommendations were put forward advocating wage and profit increases consonant with long-term productivity trends, lower import duties, and action against price maintenance.

1961–1963

In 1961, despite trade union opposition, a "pause" or temporary halt to increases in wages, salaries and dividends was called for by the Chancellor as one of a number of short-term measures to meet the balance of payments crisis. Public sector wages were restrained but the effects in the private sector were less apparent. In the following year the government moved towards a more permanent form of incomes policy. A White Paper, "Incomes Policy: the Next Step", set a "guiding light" for average wage increases of two and a half per cent, the target being based on recent productivity trends. The basic approach was that implementation would be voluntary, with agreements in which there was government participation or arbitration more directly affected by the policy, and the government assisting on a wider plane by publishing helpful factual information. In the hope of arousing and influencing public opinion the National Incomes Commission was formed in late 1962. Its task was to report on pay claims submitted to it by both parties, or by the government in a restricted range of public sector cases, or to report retrospectively on selected private sector settlements, but without powers of amendment. But the NIC's impact was limited by its terms of reference, trade union opposition to its work and the lack of a secretariat of sufficient size to allow either research on the speedy publication of reports. Wage rates continued to rise at rates well in excess of the "guiding light", despite an upward revision of the latter to three and a quarter per cent in 1963 following a National Economic Development Council report that this was a more appropriate goal for national productivity increases.

1964–1965

In 1964, against the background of a serious balance of payments position, the new Labour Government initiated a strengthening of incomes policy. In December, government, trade union and employer organisations signed the "Joint Statement of Intent on Productivity, Prices and Incomes", in which all agreed to co-operate on the introduction and implementation of new machinery to review prices and incomes and to examine particular cases to see if behaviour was in the national interest. In February 1965 the NIC was succeeded by the National Board for Prices and Incomes, to which the government could refer cases of wage or price increases it wished to have reviewed.[5] The NBPI included members with trade union and business experience, as well as independents. Its work was more informal and private than the public hearings of the NIC, and it had a sizeable staff. In April the government set out very specific criteria by which wage and price changes should be judged.[6] It reiterated the earlier three to three and a half per cent target for the increase in average earnings, but also listed the circumstances to which exceptional pay increases should be confined. The White Paper also set out guidelines for individual price increases and decreases.

By the end of 1965 it was clear that the new policy was having little effect on wages and prices. As only a small number of cases could be handled by the NBPI, the government proposed a system of advance notification of income (including dividends) and price increases. The implementation of the early warning system was delayed, but it was finally incorporated in the 1966 Prices and Incomes Act. The government could require 30 days' notice of wage or price changes, refer them to the NBPI if it so desired, with a further delay required until the Board reported up to three months later. There was no obligation to follow the Board's recommendations.

1966–1969

In July 1966, faced with another sterling crisis, the government introduced deflationary measures and called for a six-month standstill on prices and incomes (including dividends). There followed a further six-month period of severe restraint in which some increases could be justified by exceptional circumstances. The appeal was for voluntary observance of the standstill, but Part IV of the Prices and Incomes Act allowed the government to reverse for a year any price or pay increases since the 20th July 1966. Part IV was brought into force in early October when some cracks in the freeze began to emerge.

The 1967 Prices and Incomes Act introduced the next policy stage, to be operative from the end of the period of severe restraint in mid-year. The norm for price and income increases remained zero, but slightly different criteria which would allow increases were enumerated.

Part IV of the 1966 Act was allowed to lapse in August 1967 but certain reserve powers were retained by the government through the activation of Part II. Thus the provisions for advance notification and the government's delaying powers remained. In June the Part II period of delay was increased to a maximum of six months from the date of reference to the NBPI, and the government adopted powers to suspend price or pay increases implemented before they could be referred to the Board.

In 1968 a reformulation of policy set a three and a half per cent ceiling on pay settlements. The ceiling was to cover all types of earnings, excluding the effect of increased hours worked, and to be applied at an annual rate since the last adjustment in pay. But any increases in incomes or prices now had to satisfy at least one of a number of criteria similar to those in the 1967 Act. Legislation was introduced increasing the delaying powers on price and pay increases to twelve months, requiring price reduction when recommended by the PIB, to moderate and phase housing rent increases and requiring notification and restraint on dividend increases. The powers were adopted for eighteen months, though they were still to be used only when voluntary arrangements broke down.

Early 1969 saw the first moves towards a much more broadly based reform of industrial relations. The White Paper "In Place of Strife"[7] outlined proposals for an Industrial Relations Act. The bill was an essential part of the 1969 budget strategy and the government felt that its implementation could be accompanied by some loosening of incomes policy. But the consultations with the Trade Unions ran into trouble on the so-called "penal clauses." The TUC, and the threat of a revolt within the Parliamentary Labour Party, persuaded the government to drop both these provisions in exchange for a "solemn and binding" obligation from the TUC to act against unconstitutional strikes and inter-union disputes.

In December, an outline of future prices and incomes policy was presented.[8] A range of two and a half to four and a half per cent annually based on a projected productivity growth of 3 per cent per annum was given as the norm for pay increases. The guidelines for price and income increases did not change greatly, apart from the inclusion of equal pay for women as one of the income criteria and the abolution of the specific three and a half per cent limit on dividend increases. The government's delaying powers under the 1967 and 1968 Acts were not renewed but the powers under Part II of the 1966 Act were renewed for the calendar year 1970.

The effectiveness of prices and incomes policies during the sixties is not readily ascertained. Although wage and price increases were successfully curtailed during the six-month periods of freeze, given the subsequent rebound, it is doubtful whether they were anything more than an exercise in buying time. The medium-term impact seems to have been less marked, although by mid-1969 prices and profit margins were substantially below what would have been expected on the basis of past relationships. Prices and incomes policies may thus have had some mild restraining effect on prices in the medium term.

1970

The present government considers that the primary objective of economic policy at the present time must be to bring down the present high level of pay settlements, although it recognizes that this may have to be done rather gradually. It considers the major responsibility for achieving results rests on those who negotiate pay increases—employers and unions. Meetings have been held with the Confederation of British Industry, and with the Chairmen of Nationalized Industries, as well as with the Trades Union Congress, and the Government has stressed the urgent need progressively to reduce the current level of wage settlements to more realistic levels. It also regards it as essential that employers should ensure that settlements come at a frequency of no more than one in twelve months, since an acceleration in the frequently of pay settlement is one of the most undesirable features of the current situation. Fair and reasonable offers should be made but, once made, they should not be raised under the threat of strikes. The Government will not make any moves to encourage employers to raise offers to unreasonable levels in order to avert strikes. In its capacity as an employer in the public services the Government intends itself to act in accordance with these principles.

The Government does not intend, however, to re-impose a statutory incomes policy or a wage freeze, nor, indeed, to lay down norms or detailed wages criteria. Nor does the Government intend to make use of the powers available to it under Part II of the Prices and Incomes Act 1966 to impose statutory standstills on particular pay and price increases pending investigation by the National Board for Prices and Incomes, which is being wound up. The Government is setting up co-ordinated machinery for advising it on the remuneration of certain public sector groups for whom no negotiating machinery is, for one reason or another, appropriate. It is intended that three review bodies should be established with a degree or interlocking membership. One will advise on the remuneration of the Boards of nationalized industries, the judiciary, senior civil servants, senior officers of the armed forces and such other groups as might be appropriately considered with them. Another will advise on the pay of the armed forces generally. A third will advise on the remuneration of doctors and dentists in the National Health Service. These three review bodies will have at their disposal a secretariat provided by a new Office of Manpower Economics, which will also be used to service any *ad hoc* enquiries which are necessary from time to time to examine particular pay structures and related problems. The Office will also carry out analytical and educational work on more general matters affecting pay and its relation to

[5] Cmnd. 2577. Machinery of Prices and Incomes Policy.

[6] Cmnd. 2639. Prices and Incomes Policy.

[7] Cmnd. 38.88, January 1969.

[8] Cmnd. 4237, Productivity, Prices and Incomes Policy after 1969.

productivity. A review is being made of the work of the institutions concerned with competition, and a statement on the government's proposals for strengthening and developing the work of the monopolies commission is expected soon.

Although the Government is not retaining the detailed early warning system for pay and price increases and does not intend to seek to influence the size of increases by direct intervention in each particular case, it considers that it should be kept informed of changes in the prices of certain products, and of important pay settlements. Discussions are taking place with industry about voluntary arrangements for this purpose.

B.8 United States

Aside from direct controls over wages and prices during World War II and the Korean War, the only US experiment with incomes policy has been the "wage-price guideposts" of the 1960s.

The fundamental premise that wage increases, to be non-inflationary, should not exceed the trend of economy-wide productivity gains was officially recognized by the Council of Economic Advisers (CEA) under the Truman Administration as early as 1952. With increasing concern over "cost-push" inflation in the late 1950s, the Eisenhower CEA repeatedly reiterated the concept emphasizing that private as well as government decision-making would have to be responsive to the need for price stability. The thesis that cost-push or administered price inflation becomes a serious problem when the economy is in the vicinity of full employment received substantial support from the series of studies prepared for the Joint Economic Committee of the Congress in 1959.

The Kennedy Administration's first CEA Annual Report (January 1962) elaborated the more explicit formulation that "the general guide for non-inflationary wage behaviour is that the increase in wage rates (including fringe benefits) in each industry is equal to the trend rate of overall productivity increase. The general guide for non-inflationary price behaviour calls for price reductions if the industry's rate of productivity increase exceeds the overall rate . . . it calls for an appropriate increase in prices if the opposite relationship prevails; and it calls for stable prices if the two rates of productivity increase are equal".

The Report allowed for deviations for reasons of efficient resource allocation—i.e., to encourage shifts of labour and capital out of and to industries with a surplus or shortage of these resources—and to correct for inequities as those arising from varying amounts of market or bargaining power. No modification was made in the wage guidepost to take into account increases in the cost of living (presumably since these would not occur if the guide-posts were followed). In the 1964 Report the CEA tightened the guide-posts by noting that the exceptions were "intended to apply to only a relatively few cases".

The 1962 Report hesitated to specify a precise figure for the estimated trend rate of productivity increase, but later reports employed a five year moving average to establish the official long-term trend growth rate of 3.2 per cent, a figure reconfirmed in 1966 when the 3.6 per cent rate yielded by the average was rejected as merely reflecting a cyclical upswing.

The guide-posts were originally conceived to have a purely educative function, government interference in private wage-price decisions being deemed undesirable. However, later statements by officials suggested that the public might need altering to important guide-post violations and that, in certain key situations, the public interest might require government intervention. The CEA became increasingly involved in specific bargaining and pricing situations, applying pressure both through public statements and private consultations with union and industry representatives.

After mid-1965 the emergence of general excess demand began to raise prices more rapidly despite the guide-posts, and the fact of rising prices undermined the case for the productivity criteria for wage increases. Confrontations between the Government and unions or businesses multiplied and these both created resentment at *ad hoc* Government interventions and demonstrated the Government's lack of power. The guideline effort, at least in the form initiated in 1962, was recognized to have come to an end in the summer of 1966 when the airline mechanics refused to accept a wage settlement which substantially exceeded the guidelines but which nevertheless had been approved by the Government. Thereafter the Government did not espouse any definite guidelines, but only offered tentative suggestions from time to time about appropriate price-wage behavior in an inflationary situation. It made no general effort to enforce or apply these standards, although sporadic attempts to persuade individual businesses and unions to exercise restraint continued.

It is not clear whether the guide-posts and associated official intervention had any very significant effect on the rate of increase in prices and wages during the 1960s. While price performance was generally good during the first half of the decade, this was also a period of considerable economic slack. After 1965, wages and prices accelerated far beyond guide-post limits but, as just pointed out, this was a period of excess demand, and the guide-posts were not intended to be a substitute for adequate demand management.

Although in a number of specific instances it appears that official intervention did succeed in avoiding, postponing, or reducing excessive price or wage increases (e.g. the famous confrontation with the steel industry in 1962), the cumulative effect may not have been very substantial or significant, foregone increases merely being shifted to a later period. In many collective bargaining situations, moreover, the 3.2 percent standard probably served as a minimum acceptable gain, rather than as a target, and in these cases may have increased, rather than restrained, the ultimate settlement.

Wage-price determination models developed to test the significance of the guide-posts have yielded contradictory conclusions. One study[9] developed a model which consistently under-predicted wage changed in the 1962–66 period until a dummy variable representing the guide-posts was introduced for the period, giving support to the hypothesis that the guide-posts had a significant effect. A related study[10] upheld this conclusion. But these results were disputed in a latter study[11] which found that an alternative specification of the model produced a better fit without the need for the guide-post dummy and a more recent model[12] concluded that guide-post dummies do not significantly contribute to the explanation of price or wage behaviour in the 1962–66 period.

A different approach has been taken by Arthur Okun, Chairman of the CEA during the last year of the Johnson Administration.[13] Taking components of the industrial wholesale price index said to have been responsive to public pressure, he finds that the end of government attempts to influence private decisions accounted for a substantial portion of the acceleration in prices between 1968 and 1969. Unfortunately, this analysis sheds little light on the longer-term effectiveness of direct price policies. It also highlights an important weakness—the uneven impact of such policies—which would tend to cast doubt on whether improvements in price performance from this source could be sustainable.

The question whether "incomes policy" is useful, necessary or desirable, in the American economic situation has been under continuous review by the current US administration since early 1969. The Administration's initial view was that the urgent necessity was for persistence in demand restraining measures, that the breakdown of guide-posts policy was too recent to permit the credible revival of similar measures, and that the appearance of reliance on such a policy would weaken the necessary support for fiscal and monetary restraint. Although the wisdom of this strategy was the subject of consideration throughout 1969 the most serious reappraisal came in the Spring of 1970 with the change in the economic situation. By that time unemployment had risen significantly, there was little sign of abatement in price increases, the inflation no longer seemed to be the result of current excess of demand, and there were questions about how rapidly the inflation would react to slack in the economy. In these circumstances the Administration made certain changes in the stance it had maintained during the excess demand period:

1. It directed the Council of Economic Advisers to publish period "Inflation Alerts" calling attention to significant price and wage developments.

2. It established a Cabinet Board to review government regulations and purchasing policies that may contribute to inflation.

3. It established a National Commission on Productivity, including representatives of business, labor, the general public and government, to study and recommend policies to speed up the growth of productivity and to "achieve a balance between costs and productivity which will lead to more stable prices."

In his speech of June 17, 1970 announcing these steps the President made a more direct appeal for the co-operation of business and labor in restraining inflation than he had previously made. He did not, however, set forth any specific guidelines, explaining that such action would probably be ineffective against inflation in general and divert attention from more fundamental measures.

There has as yet been only limited experience with the three new procedures established in June. They are obviously capable of being operated with greater or less intensity and it remains to be seen how far they will go. Meanwhile Administration officials continue to indicate their receptivity to further steps which may be found promising in the American situation as it actually emerges. Now that the economy is beginning to rise again special attention is being paid to the problem of preventing that revival from re-accelerating the inflation rate.

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

Mr. PROXMIRE. I yield.

Mr. HARRIS. Will the Senator permit me to cosponsor his amendments? I think they are much needed.

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[9] George L. Perry, "Wages and Guideposts", *American Economic Review*, September, 1967.

[10] Gail Pierson, "The effect of Union Strength on the U.S. Phillip Curve", *American Economic Review*, June, 1968.

[11] N.J. Simler and Alfred Tella, "Labor Reserves and the Phillip Curve", *Review of Economics and Statistics*, February, 1968.

[12] Robert J. Gordon, "The Recent Acceleration of Inflation and its Lessons for the Future", *Brooking Paper on Economic Activity*, N. 1, 1970.

[13] Arthur K. Okun, "The Controlled Experiment of 1969", Appendix to *Inflation, the Problems and Prospects before us*, Charles C. Moskowitz Lecture, 1970.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the name of the distinguished Senator from Oklahoma (Mr. HARRIS) be added as a cosponsor of the amendments I have just sent to the desk.

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

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

UNANIMOUS-CONSENT AGREEMENT

Mr. BYRD of West Virginia. Mr. President, if I may have the attention of the distinguished Senator from Wisconsin (Mr. PROXMIRE) and the distinguished Senator from Texas (Mr. TOWER), I ask unanimous consent that following the disposition of the amendment by Mr. BENTSEN (No. 764), concerning which a time limitation has already been agreed to, the distinguished Senator from Ohio (Mr. TAFT) be recognized to call up his amendment; that time on that amendment be limited to 2 hours, to be equally divided between the distinguished mover of the amendment and the distinguished manager of the bill; that upon the disposition of the amendment of Mr. TAFT, the able Senator from California (Mr. CRANSTON) be recognized to call up his amendment—which would exempt the press, broadcast, and other media from wage and price controls—the time on that amendment to be limited to an hour and a half, to be equally divided between the able mover of the amendment (Mr. CRANSTON) and the able manager of the bill, the Senator from Alabama (Mr. SPARKMAN); that upon the disposition of that amendment, the distinguished Senator from New York (Mr. JAVITS) be recognized to call up his amendment, which would add a title as to productivity, the time on that amendment to be limited to 2 hours, to be equally divided between the able mover of the amendment (Mr. JAVITS) and the able manager of the bill (Mr. SPARKMAN); that upon the disposition of the amendment by Mr. JAVITS, the Senator from Illinois (Mr. PERCY) be recognized to call up his amendment dealing with employee productivity, the time on that amendment to be limited to 30 minutes, to be equally divided——

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

Mr. BYRD of West Virginia. I yield.

Mr. PROXMIRE. I just discussed an amendment with the Senator from Illinois. Perhaps the Senator from New York can enlighten me on this. I understood that it was the Javits-Percy amendment.

Mr. BYRD of West Virginia. Those are two different amendments. It is my understanding that Mr. PERCY is cosponsoring the amendment by Mr. JAVITS. But following that amendment, Mr. PERCY will call up an amendment dealing with employee productivity, the time to be limited to 30 minutes, to be equally divided between the able mover of the amendment and the able manager of the bill.

Provided, further, Mr. President, that time on any amendment in the second degree, motion, appeal, or point of order, with the exception of nondebatable motions, to any of the foregoing enumerated amendments be limited to 20 minutes, to be equally divided between the distinguished mover of such and the distinguished manager of the bill.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

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

Mr. BYRD of West Virginia. I yield.

Mr. JAVITS. Mr. President, I ask unanimous consent to have printed in the RECORD the text of my amendment and various supporting documents.

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

AMENDMENT No. 769

At the end of the bill insert the following new section:

NATIONAL PRODUCTIVITY ACT OF 1971

SEC. 3. (a) (1) It is the policy of the United States to promote efficient production, marketing, distribution, and use of goods and services in the private sector; and improve the morale of the American worker, all of which are essential to a prosperous and secure free world, and to achieving the objectives of national economic policy.

(2) The Congress finds that the persistence of inflationary pressures, and of a high rate of unemployment, the underutilization and obsolescene of production facilities, and the inadequacy of productivity are damaging to the effort to stabilize the economy.

(3) The Congress, therefore, finds a national need to increase economic productivity which depends on the effectiveness of management, the investment of capital for research, development, and advanced technology and on the training and motivation of the American worker.

(4) The Congress further finds that at a time when economic stabilization programs require price-wage restraints, management and labor have a strong mutual interest in containing "cost-push" inflation and increasing output per man hour so that real wages may increase without causing increased prices, and that, without in any way infringing on the rights of management or labor, machinery should be provided for translating this mutuality of interest into voluntary action.

(b) (1) There is hereby established in the executive branch an independent agency to be known as the "National Commission on Productivity" (hereinafter referred to as the "Commission"), which shall be composed of twenty-three members as follows:

(A) the Secretary of the Treasury; the Secretary of Commerce; the Secretary of Labor; the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget;

(B) six members who shall be representative of the business community;

(C) six members who shall be representative of labor organizations;

(D) six members who shall be representative of the general public, and who shall be selected without regard to any interest or connection they may have with any of the foregoing areas.

(2) Members of the Commission referred to in paragraphs (A) through (D) of subsection (G) (1) shall be appointed by the President, by and with the advice and consent of the Senate, for terms of six years, except that of the members first appointed, six shall be appointed for terms of two years, six shall be appointed for terms of four years, and six shall be appointed for terms of six years. One of the Commission members shall be designated as Chairman by the President. The initial members of the Commission shall be those persons now appointed as members of the National Commission on Productivity.

A member appointed to fill a vacancy occurring prior to the expiration of the term of his predecessor shall be appointed only for the unexpired portion of such term.

(3) The Commission shall meet at least four times each year at such times as it shall determine or at the call of the President. A quorum shall consist of thirteen members.

(4) Members of the Commission referred to in paragraphs (B) through (D) of subsection (b) (1) shall receive compensation at a rate equal to the daily equivalent paid to a person occupying a position of a GS–18 under the General Schedule while performing services for the Commission and while away from their homes in connection with attendance at meetings of the Commission shall be entitled to transportation expenses and per diem in lieu of subsistence at the rate prescribed under section 5703 of title 5, United States Code.

(5) The President is authorized to appoint, by and with the advice and consent of the Senate, an Executive Director of the Commission. The Executive Director shall be the principle executive officer of the Commission in carrying out the objectives, functions, duties and powers of the Commission described in sections 4 through 6, below, and shall receive compensation at the rate prescribed for level V of the Executive Schedule by section 5315 of title 5 of the United States Code.

(6) The Executive Director of the Commission with the approval of the Chairman of the Commission is authorized to employ, and fix the compensation of, such specialists and other experts as may be necessary for carrying out its functions under this Act, with regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and with regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, and is authorized, subject to such provision, to employ such other officers and employees as may be necessary for carrying out its functions under this Act and fix their compensation in accordance with the provisions of such chapter 51 and subchapter III of chapter 53.

(c) It shall be the objective of the Commission—

(1) to enlist the cooperation of labor, management, and State and local governments, in a manner calculated to foster and promote increased productivity through free competitive enterprise toward the implementation of the national policy declared in the Employment Act of 1946 to create and maintain "conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power";

(2) to promote the maintenance and improvement of worker motivation and to enlist community interest in increasing productivity and reducing waste;

(3) to promote the more effective use of labor and management personnel in the interest of increased productivity;

(4) to promote sound wage and price policies in the public interest, and to seek to accomplish that objective within a climate of cooperation and understanding between labor, management, and the public, and within a framework of peaceful labor-management relations and free and responsible collective bargaining;

(5) to promote policies designed to insure that United States products are competitive in domestic and world markets;

(6) to develop programs to deal with the social and economic problems of employees adversely affected by automation or other technological change or the relocation of industries.

(d) (1) It shall be the duty and function

of the Commission, in order to achieve the objectives set forth in section 4, to encourage and assist in the organization and the work of labor-management-public committees and similar groups on a plant, community, regional, and industry basis. Such assistance shall include aid:

(A) in the development of apprenticeship, training, retraining, and other programs for employee and management education for development of greater upgraded, and more diversified skills;

(B) in the formulation of programs designed to reduce waste and absenteeism and to improve employee safety and health;

(C) in the revision of building codes and other local ordinances and laws, in order to keep them continuously responsive to current economic conditions;

(D) in planning for provision of adequate transportation for employees;

(E) in the exploration of means to expand exports of the products of United States industry;

(F) in the development, initiation, and expansion of employee incentive compensation, profit-sharing and stockownership systems and other production incentive programs;

(G) in the dissemination of technical information and other material to publicize its work and objectives;

(H) to encourage studies of techniques and programs similar to those in paragraphs (1) to (8) of this subsection, as they are applied to foreign countries; and

(I) in the dissemination of information and analyses concerning the economic opportunities and outlook in various regions and communities, and of information on industrial techniques designed for the increase of productivity.

(2) The Commission shall transmit to the President and to the Congress not later than March 1 of each year an annual report of its previous year's activities under this Act.

(3) The Commission shall perform such other functions, consistent with the foregoing, as it determines to be appropriate and necessary to achieve the objectives set forth in section 4.

SEC. (d)(1) In exercising its duties and functions under this Act—

(A) the Commission may consult with such representatives of industry, labor, agriculture, consumers, State and local governments, and other groups, organizations, and individuals as it deems advisable to insure the participation of such interested parties;

(B) the Commission shall, to the extent possible, use the services, facilities, and information (including statistical information) of other Government agencies as the President may direct as well as of private agencies and professional experts in order that duplication of effort and expense may be avoided;

(C) the Commission shall coordinate such services and facilities referred to in subsection (2) above in order to supply technical and administrative assistance to labor-management-public committees and similar groups referred to in subsection (d)(1);

(D) the Commission shall establish the regional offices and such local offices as it deems necessary;

(E) the Commission shall hold regional and industrywide conferences to formulate ideas and programs for the fulfillment of the objectives set forth in section 4;

(F) the Commission may formulate model programs to ameliorate the effects of unemployment caused by technological progress;

(G) the Commission may furnish assistance to parties in collective bargaining entering into collective bargaining agreements; and

(H) the Commission may review collective bargaining agreements already in effect or those being negotiated to ascertain their effects on productivity; and it may have the power to make recommendations with respect to the agreements made or about to be made in specific industries.

(2) The Commission may accept gifts or bequests, either for carrying out specific programs which it deems desirable or for its general activities.

(c) There are hereby authorized to be appropriated the sum of $10,000,000 to carry out the purposes of this title during the period ending April 30, 1973.

CHAIRMAN OF THE BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM,
Washington, D.C., February 18, 1971.

Hon. JACOB K. JAVITS,
U.S. Senate,
Washington, D.C.

DEAR JACK: I'm writing in response to your request for comments on your bill to establish a National Productivity Council. You mentioned that even though you introduced it in 1963 it seems up to date in many respects. I would say the proposal is even more timely now. The need for increasing productivity is more pressing, and the prospects of achieving it through local councils seem better.

Management and labor face a common problem today. Demand for goods is weak. Consumers, concerned over the continued increases in living costs, are cautious about spending. This is a typical reaction to inflation of the kind we have been experiencing. As a result, production has fallen and unemployment has increased. This is not a situation in which aggregate demand must be curbed to stop a demand-pull inflation. We have passed that stage. Now we have to find a way to bring a lingering cost-push inflation under control to clear the way for a resumption in consumer spending, which will bring with it more efficient use of our resources.

Continued wage increases in excess of productivity gains will only mean continued price rises and continued unemployment. Yet workers will not be satisfied for long with paychecks that shrink in buying power. A major part of the solution, of course, is to find ways to increase productivity so that profits and wages both can rise as inflation subsides.

During World War II labor-management committees were established in thousands of war plants as a means of getting maximum production out of resources that were fully utilized. The program worked, because management and labor shared a common interest in solving a problem of paramount importance to the country. In 1944, W. Ellison Chalmers, then Chief of Staff, War Production Drive Headquarters, described the results as follows:

"(1) They are improving production. The files of War Production Drive Headquarters contain thousands of instances of production increases which have resulted from committee recommendations and from workers' suggestions, brought forth in response to the joint labor-management program. This has come in part from the development of individual suggestion systems. Many of these had existed before but took on new life when they were sponsored and directed by the Labor-Management Committees. Several million ideas have come in through these systems and hundreds of thousands of them have been adopted. Nearly 6000 of them, indeed, received national recognition from the War Production Board.

"This industrial teamwork has meant greater production by the collective ideas of the main committee and especially its departmental subcommittees, at work on the bottlenecks in each plant.

"The committees have done more than 'expand' production. They have also improved quality, cut down waste, reduced the use of critical materials, and salvaged scrap. It is particularly important to note these production accomplishments, for they demonstrate that a production committee has a job to do even when schedule changes or material shortages force a downward revision of output."

Today, while the circumstances are different and the challenge is not so dramatic, the problem is real and pressing for the country as a whole and particularly for employers and workers.

I understand that you are exploring with Administration officials various alternative methods of organizing this effort and fitting it in with other Federal activities. Whatever housekeeping arrangements are ultimately decided upon, I enthusiastically support the objective of setting up local committees as a means by which management and labor can join together in increasing productivity, thereby fighting inflation and unemployment at the same time.

Sincerely yours,

ARTHUR F. BURNS.

NATIONAL ASSOCIATION OF MANUFACTURERS,
September 29, 1971.

Hon. JACOB K. JAVITS,
U.S. Senate, Washington, D.C.

DEAR SENATOR JAVITS: You will recall that during my appearance before the Joint Economic Committee on September 22 you asked for additional comments on your suggestion for establishment of productivity councils.

I have provided this information for inclusion in the printed record of the Committee hearings and am enclosing a copy for your personal use.

Sincerely

W. R. GULLANDER, *President.*

STATEMENT OF MR. GULLANDER ON PRODUCTIVITY COUNCILS

The NAM favors the general principle of establishing two-way channels of communication between employers and employees.

Plant-by-plant joint labor-management productivity councils can serve a useful purpose, under appropriate circumstances. Participation should be voluntary by all parties. The councils could help to keep the importance of productivity at the center of attention. They could provide a forum for useful discussion of ways of removing barriers to productivity growth.

[From the Washington Post, Sept. 12, 1971]

PRODUCTIVITY KEY TO ECONOMY

(By Senator JACOB K. JAVITS)

(NOTE.—Joseph R. Slevin is on vacation. His guest columnist today is Sen. Jacob K. Javits of New York, the ranking Republican member of the Congressional Joint Economic Committee.)

President Nixon has just recognized that the inflation and unemployment problems plaguing the nation have not been solved or even effectively curtailed by the use of government's traditional tools of monetary and fiscal policy to regulate the economy.

I applaud his new economic policy, its goal of prosperity without war and the measures he recommends to increase incentives for new technology, to produce more jobs, and to freeze prices, wages and rents.

But no federal government law or policy, no matter how desirable, is a substitute for the real thing. Such a law can only help if it produces the real thing—and the real thing is productivity.

Increasing our national productivity (the sum of the outputs of individual workers) is the key to restoring economic well-being to the United States. The inflation we are now experiencing—so-called cost-push inflation—is a direct result of wage and price increases which are in excess of gains in productivity.

Over the last three years, the prices of goods and services have spurted forward be-

cause output per manhour has not increased as much as compensation per manhour (wages). As a result, the rise in labor costs has pushed prices upward.

At 2.1 per cent, the United States has had the lowest average annual rate of increased productivity since 1965 of all the major industrialized countries. Average increases over the same period are 5.3 per cent in West Germany, 6.6 per cent in France, 7.9 per cent in Sweden and 14.2 per cent in Japan.

Even though hourly wages in Japan have increased 15.1 per cent a year during this same period, labor costs there have risen by only .8 per cent. Compare this with the United States, where labor costs have increased by 3.9 per cent over the same period. Is it any wonder that we cannot compete with Japan in selling our goods on the world markets?

Our primary economic challenge is how to deal with this problem of declining productivity. Fourteen Republican senators recently joined with me in introducing the National Productivity Act of 1971. Because increased productivity benefits the worker as well as the businessman, the thrust of this legislation is to promote mutual understanding and cooperation between labor and management to maximize technical and managerial progress. The vehicle is the establishment of a national productivity commission with local support from regional and industry-wide councils down to the plant level.

Some studies already under way to determine why American productivity is on the decline indicate that the attitude of a worker plays a major role in the amount of his output. But it is still not clear what the factors are that actually determine his moral. This is clearly a subject for intensive study by the commission.

The worker, alone, is not the cause of loss in productivity. We must look, too, at the practices of America's managers.

Have they done as much to promote increased productivity as they might? Managerial practices must be scrutinized by the commission to determine if they can and should be revised toward the goal of improving productivity.

It is, however, the industry-wide committees closest to the plant level which I believe hold the greatest promise for making gains in productivity.

Today our nation's total resources are underutilized, with a gap of 7 per cent between our present gross national product and our potential output. There is a clear need for both labor and management to coordinate in planning for efficient, expanded production as well as for addressing the traditional problems such as absenteeism, waste, technology, training and quality control that were the concerns of the World War II industrial councils.

I know the times are different and that one of our worst productivity problems now is the erosion of morale due to the quagmire of Vietnam—as contrasted to the patriotic feelings which inspired high morale during the world crusade against Hitlerism.

But the time is ripe for a productivity drive because we are just getting out of Vietnam, we are in serious economic trouble and the President has just shown the national determination to halt and reverse an economic course which many feared was leading to disaster.

I urge strongly that labor-management councils be set up with the aid of regional productivity councils as quickly as possible so that they may implement innovative solutions to the productivity problems which plague their particular industries and also share these solutions with other industries where they would be applicable.

I believe that the major aim of the national productivity commission should be to advance the U.S. economy beyond its prior productivity growth rate of 3.1 percent per year to even higher percentage increases. In this way we can meet the challenges of international competition as well as generate the revenues needed—through increased output rather than through increased taxes—for improving the physical, economic and social quality of life in the United States and for assuming our continued role in improving the quality of life throughout the world.

[From the New York Times, Oct. 8, 1971]

GAINS IN PRODUCTIVITY ESSENTIAL TO A STABLE ECONOMY

(By Albert L. Kraus)

Productivity gains are not a certain cure for all the problems afflicting the American economy. But if the United States is to regain reasonable price stability and become more competitive in world trade, rising productivity is essential.

Productivity gains are necessary, also, if the nation is to cover the costs of cleaning up the environment and restoring its cities and if it is to satisfy the income aspirations of its people, particularly blacks and others heretofore deprived.

The unfortunate fact is that productivity gains have been slowing down in recent years. At the same time, the countries of Western Europe and Japan have been making more rapid gains.

What is productivity? It is the amount of goods or services each worker produces in a year, a month, a day or an hour. The usual measure is output per man-hour.

An increase in hours worked or the participation of more people in the labor force may produce gains in productivity. But the greatest increases are thought to result from the investment of additional capital or from breakthroughs in technology.

Leon Greenberg, staff director of the National Commission on Productivity, has estimated that a one-tenth of 1 per cent increase in output per man-hour this year would mean $1-billion more in the gross national product, the total output of goods and services.

By 1980, a similar one-tenth of 1 per cent increase would produce about $15-billion of added G.N.P. in real terms, or after allowance for price increases. For the decade of the nineteen-seventies as a whole, such an increase would provide about $60-billion of G.N.P.

Actually, the growth in productivity has been slower than expected. Using a statistical comparison with the years 1950 to 1966, Mr. Greenberg calculated that output per man-hour in the last four years was at least five-tenths of a percentage point lower than what it should have been.

In every major industry division, there was a falling-off in the productivity growth rate in the last four years, with the worst deterioration occurring in mining, communications, utilities, transportation, finance, insurance and real estate. Trade and miscellaneous services also slowed down, but to a lesser degree.

One reason for this lag in productivity was the slump in total output associated with the recession last year. Productivity tends to fall off sharply in years of economic downturn as output declines more rapidly than man-hours worked. Similarly, it tends to rise rapidly in years of recovery until men and machines become fully employed.

Another reason for the slowing down was the continuing shift of the United States from a manufacturing to a service economy. As a smaller part of the population works at making goods and a larger part works to provide medical, educational, financial and other services, productivity gains become more difficult.

Services, until now at least, have been a low-productivity area. Mr. Greenberg estimates that the shift into low-productivity industries will lower the growth of output per man-hour by two-tenths of a percentage point in the seventies—in contrast to a gain of a like amount over the last 20 years.

It is often said that more productivity is an answer to inflation. This, however, is not necessarily so. G. M. Brannon, associate director of the Treasury's Office of Tax Analysis, noted recently that increases in money wages may still outdistance gains in output per man-hour.

He cited the experience of Japan, which over a fairly long period has been increasing productivity 10 per cent a year. But wages have risen 15 per cent a year, resulting in a 5 per cent rise in prices.

Productivity gains will not necessarily improve the competitive position of American concerns in world trade, either. To do so, they must be translated first into greater wage and price stability. And they must not be offset by an exchange rate structure that gives undue advantage to foreign concerns.

Without gains in productivity, however, the problems of inflation and international competition for American concerns would be much harder to solve.

EXCERPT OF STATEMENT OF SENATOR JAVITS, INTRODUCING S. 2414 (NATIONAL PRODUCTIVITY ACT OF 1971), AUGUST 4, 1971.

Mr. President, the purpose of this particular measure, the National Productivity Act of 1971, is to stimulate the productive effort of the United States through the establishment by law of a National Productivity Council, which the President has already appointed. Indeed, the bill appoints as the first council those members already serving, but it gives the council legislative standing rather than statutory standing, should this bill become law. The bill also provides for adequate funding of the Commission and its local organizations and more clearly specifies the functions this Council should undertake.

Mr. President, this bill goes to the local, regional, and plant level to deal with problems of absenteeism, waste, technology, training, and quality control, all of which are derived from a very rich and successful experience which we had in World War II, with a similar organizational structure.

We feel very strongly, Mr. President, that there has been such an erosion of the motivation of the American worker in recent years and that the productivity of the American worker has been so sharply reduced—a phenomena which is unnatural, uncommon, and unusual for the United States. As a result a patriotic effort of this character calling upon the best in the tradition of the American people is an essential element in restoring the confidence of our people in our national destiny.

Mr. President, the facts are that for the last 6 years, since 1965, the productivity of the United States, figured by the Bureau of Labor Statistics in a most authoritative way, has been the lowest of any industrial country of the world. Talking about bad news, this is just about as bad as news can be for the United States as a power in the world and for the American people individually, in terms of the achievements of our country, of which we are traditionally so proud.

Mr. President, aside from the United States, the countries compared are Belgium, Canada, France, West Germany, Italy, Japan, Netherlands, Sweden, Switzerland and the United Kingdom.

Our productivity increase has averaged in those years 2.1 percent. The next lowest is Canada with a 3.5 percent, and after that the United Kingdom with 3.6 percent. Mr. President, that is compared with Japan of 14.2 percent and with the Netherlands at 8.5 percent and Belgium at 6.8 percent.

Mr. President, I ask unanimous consent that a chart prepared by my office from figures of the Bureau of Labor Statistics may be made a part of my remarks.

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

AVERAGE PERCENT INCREASES OF PRODUCTIVITY, COUNTRY BY COUNTRY

	1965-66	1966-67	1967-68	1968-69	1969-70	Average 1965-70
United States	1.2	0.1	4.6	2.1	1.5	2.1
Belgium	7.1	7.4	8.1	6.6	3.9	6.8
Canada	2.7	1.8	6.0	3.8	2.1	3.5
France	6.8	5.6	7.4	7.1	5.7	6.6
West Germany	3.6	6.4	6.9	5.5	2.2	5.3
Italy	4.7	4.2	8.0	3.9	4.1	5.1
Japan	10.5	14.5	14.8	15.0	15.0	14.2
Netherlands	5.9	6.6	11.1	8.8	9.1	8.5
Sweden	5.6	7.8	10.9	7.7	5.4	7.9
Switzerland	5.1	5.0	5.3	10.3	4.3	6.2
United Kingdom	3.0	3.0	6.1	2.2	3.1	3.6

Mr. JAVITS. Mr. President, this is a cause for the deepest alarm and concern, and reflects the terrible erosion of motivation and spirit, because that is what it comes down to in the final analysis. Production is not unlike war in that no matter what weapons people are given, it still depends on the morale of those to whom the weapons are given. It is the same in productivity and the morale of workers.

We 14 Senators hope this may be realized as the national crisis that it is and that by establishing self-help organizations with national sponsorship, as we did in World War II—and the crisis no less on the local, regional, and plant level—to evidence our concern.

There is no great amount of money involved. We hope the road back may be tried. This comes at a uniquely important time when we are getting out of the Vietnam war, when the President is going to open the door to new relationships with the Peoples Republic of China, when the SALT talks are going on, and when people are getting frustrated by the twin engines of inflation and unemployment.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Leonard, one of his secretaries, and he announced that on November 24, 1971, the President had approved and signed the following acts and joint resolution:

S. 306, an act for the relief of Eddie Troy Jaynes, Jr., and Rosa Elena Jaynes;

S. 629, an act for the relief of Chen-Pai Miao;

S. 708, an act for the relief of the village of Orleans, Vt.;

S. 1026, an act to amend the Small Reclamation Projects Act of 1956, as amended;

S. 2559, an act to amend the Consolidated Farmers Home Administration Act of 1961 to authorize insured emergency loans; and

S.J. Res. 132. Joint resolution extending the duration of copyright protection in certain cases.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer (Mr. TUNNEY) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(The nominations received today are printed at the end of Senate proceedings.)

ORDER FOR RECESS TO 9 A.M. TOMORROW

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in recess until 9 o'clock tomorrow morning.

Mr. TOWER. Mr. President, reserving the right to object, does that mean there will be no morning hour tomorrow?

Mr. BYRD of West Virginia. That means there will be no morning business, but it was my intention to ask that a bill be called up which would consume the first 30 minutes of tomorrow.

Mr. TOWER. Setting this matter aside to take up that bill has been cleared with the leadership on this side?

Mr. BYRD of West Virginia. It has been cleared, through Senator EAGLETON, with the appropriate Senators on the other side. What I would intend to do would be to call up, immediately after recognition of the two leaders on tomorrow, S. 1163, a bill which deals with nutrition for the elderly. The Senator from Vermont (Mr. STAFFORD) and the Senator from Missouri (Mr. EAGLETON) are interested in that bill. Senator STAFFORD would have an amendment to it. It would be my intention to ask unanimous consent that there be a time limitation of 30 minutes on the bill, and that there be a time limit on Mr. STAFFORD's amendment of 20 minutes, to come out of the time on the bill.

Mr. TOWER. I have no objection, but I would like to clear it with the leadership on this side of the aisle.

I am informed that it is all right. I do not object.

The PRESIDING OFFICER. Is there objection to the request of the Senator from West Virginia? The Chair hears none, and it is so ordered.

ORDER VACATED FOR TRANSACTION OF ROUTINE MORNING BUSINESS TOMORROW

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the previous order that there be a period for the transaction of routine morning business tomorrow be vacated.

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

UNANIMOUS-CONSENT AGREEMENT ON S. 1163

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that following the recognition of the two leaders under the standing order tomorrow, the Chair lay before the Senate S. 1163, a bill dealing with nutrition for the elderly, the time on that bill to be limited to 30 minutes, to be equally divided between the distinguished Senator from Missouri (Mr. EAGLETON) and the distinguished minority leader or his designee; that time on an amendment by the Senator from Vermont (Mr. STAFFORD) be limited to 20 minutes, to be equally divided between the distinguished mover of such and the distinguished Senator from Missouri (Mr. EAGLETON), with the understanding that the time on the amendment will come out of the 30 minutes allotted to the bill; with the further understanding that any amendment in the second degree be limited to 5 minutes, to be equally divided between the distinguished mover of such and the distinguished Senator from Missouri (Mr. EAGLETON).

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BYRD of West Virginia. Mr. President, it is my understanding that no rollcall vote will be required on that bill or on the amendment thereto, but I ask unanimous consent that, should a rollcall vote develop in connection with either the amendment or the bill, such rollcall vote not occur until following the rollcall vote or votes disposing of the amendment No. 763 by the distinguished Senator from Oklahoma (Mr. HARRIS) on tomorrow.

The PRESIDING OFFICER (Mr. BUCKLEY). Without objection, it is so ordered.

ECONOMIC STABILIZATION ACT OF 1971

The Senate continued with the consideration of the bill (S. 2891) to extend and amend the Economic Stabilization Act of 1970.

AMENDMENT NO. 763

Mr. HARRIS. Mr. President, I call up my amendment No. 763 and ask that reading of the amendment be dispensed with and that it be printed in the RECORD at this point.

The PRESIDING OFFICER (Mr. TUNNEY). Without objection it is so ordered; and the amendment will be printed in the RECORD.

The text of the amendment is as follows:

On page 22, line 1, strike all of lines 1 through 7 inclusive and insert in lieu thereof the following:

"EXPIRATION AND ANTITRUST ACTIONS

"SEC. 216. (a) The authority to issue and enforce orders and regulations under this title expires at midnight June 30, 1972, but such expiration shall not affect any action or pending proceeding, civil or criminal, not finally determined on such date, nor any action or proceeding based upon any act committed prior to July 1, 1972.

"(b) The President shall, pursuant to Section 6d of the Federal Trade Commission's Act, 15 US Code 46d direct the Commission to undertake immediately for submission to the President and the Congress prior to June 1, 1972, an investigation of oligopoly industries, that is, those manufacturing industries in which the national or regional market share held by the 4 largest firms is 50% or more as determined by the Census Bureau in its study for the Senate Anti-

trust Subcommittee; this investigation shall have as its purpose: (1) determining whether those industries are non-competitive in character and have, therefore, contributed significantly to the inflationary spiral since 1966, and (2) recommending specific measures to the Congress and to the President for decentralizing those industries in a manner involving minimum cost for the firms in question and for the nation's economy and leading to the restoration of effective price competition.

"The President, upon submission of the FTC report on oligopolistic industries, shall direct the Federal Trade Commission and the Anti-trust Division of the Justice Department immediately to undertake anti-trust suits against aligopolistic industries which are found to have contributed significantly to the inflationary spiral since 1966 in order to restore effective price competition in these industries.

Mr. HARRIS. Mr. President, this is the amendment I spoke of earlier today. It is divided into two parts. The first part would limit extension of the Economic Stabilization Act to June 30, 1972, rather than April 1973, as the legislation presently provides.

The second part of the amendment would require the President of the United States, acting by and through the Federal Trade Commission and the Department of Justice, to commence anti-trust actions against those industries found to be noncompetitive and, thereby, to have contributed significantly to the inflationary spiral.

Mr. President, it will be my intention to debate both parts of the amendment at the same time, the time being limited to 1 hour to a side; and then, upon my motion, asking for the parts to be divided at the conclusion of the debate and to have separate rollcall votes thereon, one immediately following the other without debate on each of the two parts of the amendment.

QUORUM CALL

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HARTKE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. TUNNEY). Without objection, it is so ordered.

AMENDMENT NO. 768

Mr. HARTKE. Mr. President, I call up amendment No. 768 and ask that it be stated.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the pending amendment, the Harris amendment, be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will state the amendment.

The legislative clerk proceeded to state the amendment.

Mr. HARTKE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment reads as follows:

On page 6, after line 4, insert the following:

"'(f) Whenever the President exercises his authority under this section to stabilize wages or prices, he shall also exercise his authority to stabilize interest rates. The criteria for determining allowable price increases by business firms shall be generally applicable to financial institutions and for the purpose of applying such criteria, the term "interest rate" shall be considered to be a price.'"

UNANIMOUS-CONSENT AGREEMENT

Mr. BYRD of West Virginia. Mr. President, if I may have the attention of the distinguished Senator from Wisconsin (Mr. PROXMIRE), and the distinguished ranking minority member of the committee, the Senator from Texas (Mr. TOWER), I ask unanimous consent that on tomorrow the time on the amendment offered by the Senator from Indiana (Mr. HARTKE), be limited to 10 minutes, the time to be equally divided between the distinguished mover of the amendment, the Senator from Indiana (Mr. HARTKE), and the distinguished manager of the bill, the Senator from Alabama (Mr. SPARKMAN); that the time on any amendment to the amendment be limited to 10 minutes, to be equally divided between the mover of the amendment in the second degree and the distinguished manager of the bill; that the time on any motion, appeal, point of order—with the exception of nondebatable motions—be limited to 10 minutes and divided similarly.

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

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

Mr. BYRD of West Virginia. I yield.

Mr. PROXMIRE. Mr. President, I think that in fairness to the Senator from Indiana, it should be pointed out that this is a very important amendment. It is quite complicated, and I think that this kind of amendment deserves considerable discussion.

As I understand it, the Senator from Indiana is going to discuss the amendment tonight and he will not be limited as to time tonight, so that his discussion of the amendment on tomorrow can be concise.

I understand that he is going to offer an amendment to limit interest payment so that we will have parity of treatment in the various categories.

Mr. HARTKE. The Senator from Wisconsin is exactly correct.

Mr. TOWER. Mr. President, would the Senator from West Virginia restate his unanimous-consent request?

Mr. BYRD of West Virginia. Mr. President, the Senator from Indiana would be limited to 5 minutes on his amendment tomorrow, and the distinguished manager of the bill would be limited to 5 minutes.

Mr. TOWER. Mr. President, let us make that 15 minutes.

Mr. BYRD of West Virginia. Fifteen minutes, to be equally divided?

Mr. TOWER. Yes. I mean 7½ minutes to the side.

Mr. BYRD of West Virginia. Very well. Mr. President, I revise my unanimous-consent request to provide that the time on the Hartke amendment on tomorrow be limited to 15 minutes, to be equally divided between the mover of the amendment and the distinguished manager of the bill.

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

Mr. BYRD of West Virginia. Mr. President, the amendments to be offered by the Senator from Montana (Mr. METCALF), under the previous order, were to be taken up in sequence following the disposition of amendment No. 763 by the Senator from Oklahoma (Mr. HARRIS) on tomorrow.

It is my understanding, however, in discussion with the Senator from Indiana (Mr. HARTKE), that he has cleared with the Senator from Montana the calling up of the Hartke amendment immediately prior to the Metcalf amendments.

Mr. HARTKE. Mr. President, I have discussed this matter with the Senator from Montana (Mr. METCALF). He agreed that that procedure was agreeable and satisfactory to him.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate resume its consideration of the Hartke amendment on tomorrow immediately following disposition of the Harris amendment, No. 763, or in the event a rollcall vote should occur on S. 1163, a bill to provide nutrition for the elderly, concerning which a rollcall vote is not expected—but in the event a rollcall vote does occur on S. 1163—immediately following such rollcall vote on tomorrow.

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

Mr. HARTKE. The purpose of my amendment is very simple: It requires that any time the President exercises his authority under the pending legislation to stabilize wages or prices, that he also act to control interest rates. That is the essence of the amendment. Additionally, it reads that the criteria used to determine the allowability of price increases shall be applicable to financial institutions, and for the purpose of applying these criteria interest rates shall be considered prices. In their simplest terms interest rates represent the price of money. I believe it appropriate, therefore, that those orders and regulations governing prices should be applied, as far as is practicable, to the stabilization of interest rates.

If accepted, this amendment would go far toward erasing the present, popular view that "the money lenders" have been unjustly exempted from the sacrifices that the general public and other industries have been forced to accept. Clearly, the new economic policy will not succeed unless the public at large is confident of its basic equality and even-handedness. President Nixon recognized this hard fact when he stated during his October 7 phase II address that "holding the line against inflation means holding all of that line" and consequently appointed a Government committee on interests and dividends with standby authority to control interest rates.

The Chairman of this new Committee, Dr. Arthur Burns, believes that this standby authority will never have to be used. As proof he, and other administration spokesmen, point to what they call a consistent downward trend in interest rates since the announcement of the wage and price freeze on August 15. In fact, short-term market rates of interest

have declined appreciably, but for two reasons totally unrelated to any impact of the freeze. First, the short-term credit requirements of business have been down through the first 9 months of this year. Borrowing by corporations declined at a rate of almost $1 billion from January to June of this year and, while the credit needs of business have increased somewhat since midyear, the performance through the first three-quarters of 1971 has shown no real growth. This lack of growth in bank loans during the first 9 months of this year follows hard upon a drop of almost $5 billion in the last half of 1970. This decrease in the demand for credit in 1970 and the first three-quarters of 1971 is almost solely attributable to the current recession and largely explains the present drop in some short-term interest rates.

The second circumstance which also has the effect of depressing certain interest rates is explained in the October 1971 economic report of the Manufacturers Hanover Trust Co., wherein Mr. Tilford Gaines, senior vice president and economist, states:

It has been widely anticipated that the Treasury would have to borrow about $20 billion during the last half of 1971 to finance the record peace-time deficit projected for fiscal 1972. In actual fact, the bulk of the Treasury's new money needs has thus far been provided by foreign central banks' purchases of special U.S. Government securities. These funds, in turn, have arisen from the purchases of dollars by foreign central banks in the period prior to the decision to let the dollar float, and the further purchases in the past two months as the central banks have intervened to provide stability in the floating market. In the six months March through September, foreign official accounts added about $17 billion to their holdings of marketable U.S. Government securities and an additional $9 billion was funneled back to the U.S. Treasury for the purchase of special issues. As a consequence, the pressures upon the U.S. money market that most analysts had expected from Treasury borrowing this half year have not materialized.

Gaines believes, however, that the influence of foreign central banks on interest rates will only be temporary.

The dollars purchased by foreign central banks and turned over to the U.S. Treasury have represented money flowing into other national currencies as a hedge against an expected devaluation of the dollar. It is predictable that most of this money will flow out of these other currencies and back into dollars, primarily into the eurodollar market, as soon as the principal countries decide upon a new set of currency parities that the market is willing to believe are reasonable. As this happens, the treasury will find it necessary to redeem the special securities it has recently issued and turn to the U.S. money market to raise the money needed for the redemptions (since there should, at that time, be an availability of funds in the eurodollar market, some part of the money probably will be raised overseas). In the final analysis the recent disturbances in the international monetary system might force the treasury to compress into only one or two months the borrowing that it would otherwise have done in a more orderly fashion over several months.

It is plain, that the present dip in interest rates is due more to the sluggishness of the economy and the related necessity that the country's biggest borrower—the Federal Government—go abroad for its money, than to any positive impact of the new economic policy.

In his testimony before the Committee on Banking, Housing and Urban Affairs, Dr. Burns stated that:

We are moving into a period for which there is little historical precedent, and little basis for gauging exactly how credit markets will adapt to the new circumstances.

I quite agree with Dr. Burns. These are, indeed, new and uncharted areas with which we are trying to deal. But, if we are unsure of how to act in these new circumstances, would it not be better to press for mandatory control of interest rates rather than voluntary restraints?

The voluntary restraints used against price and wage increases in late 1970 and early 1971—the so-called "inflation alerts"—were admitted failures. Yet, Dr. Burns seems to have had something like the discredited "inflation alerts" device in mind when he suggested in his Banking Committee testimony that the Committee on Interest and Dividends:

Would certainly frown upon any premature upward moves of rates that had previously been sluggish in moving down.

Burns went on to state that:

There is every reason to believe that banks and other lenders will cooperate in our program on a voluntary basis.

I am afraid that I cannot share Dr. Burns confidence.

While quite true that some interest rates have declined recently, I believe this is attributable more to the terrible shape of the economy than any positive self-restraint by financial institutions.

And what of future months? Assuming for the purposes of discussion that the new economic policy does work, what will happen to interest rates as demand increases? The answer is obvious: As demand for credit increases, strong upward pressures on interest rates will also increase. And what will occur if Government permits these demand pressures to force interest rates higher? Would such increases be consistent with the efforts to control employees wages and employers prices? I think not. It would be far better in my opinion to put the lenders on notice now that any unreasonable increase in rates will be met promptly with mandatory controls and that the price of money would be determined by standards similar to those used to determine the appropriate price of manufactured products.

The Under Secretary of the Treasury Department, Charles E. Walker, in his statement before the Banking Committee, said that:

In requesting standby authority over interest rates and dividends, we are asking for authority which we do not think we will have to use.

It is my feeling that Secretary Walker is incorrect. Assuming once again that the President's policies have the effect of moving the economy forward, with a predictable increase in the demand for credit, will not the need for curbs in interest rates be inevitable? Unless the Federal Reserve System is prepared to furnish inflationary increases in the supply of money and credit, some sort of controls would appear necessary once a recovery takes hold.

And what if a recovery does not take place in the near future, a possibility which I consider more likely? In that event, it is just as important, perhaps more so, that the public be assured that the sacrifices which they are asked to make are also being made by those who lend money currently, the view appears widespread—whether rightly or wrongly—freeze period. This belief can be met, it seems to me, only by instituting controls over the price of money, more stringent than the voluntary ones now in effect.

Here then is the dilemma: If the economy moves forward, interest rates will surely go up requiring some sort of control; if the economy continues, despite our best efforts, to stagnate, interest rates will no doubt level off but the popular demand to stabilize rates will continue.

My amendment is intended to further assure the public that the economic policies drafted by the Congress, and implemented by the President, do indeed require an equality of sacrifice on the part of all Americans, the affluent as well as the average.

This administration has made it very clear that it does not intend to use mandatory controls to stabilize interest rates. I think this is a mistake. I think it is a mistake because it erodes the confidence of the American public in the evenhandedness of these economic policies, and because it makes no provision for the effect that an economic recovery would have on interest rates.

It is for these reasons that I offer this amendment and urge its acceptance.

HARRIS AMENDMENT NO. 763 MADE THE PENDING QUESTION

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the amendment by Mr. HARRIS (No. 763), now again be laid before the Senate and that it be made the pending question.

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

UNANIMOUS-CONSENT AGREEMENT ON CERTAIN AMENDMENTS

Mr. BYRD of West Virginia. Mr. President, with respect to the following amendments which have been offered by Mr. PROXMIRE, I propose that there be a time limitation with respect to each as follows:

I ask unanimous consent that on the amendment by Mr. PROXMIRE which would require that board hearings be made public there be a time limitation of 1 hour, to be equally divided between the distinguished mover of the amendment (Mr. PROXMIRE) and the distinguished manager of the bill (Mr. SPARKMAN).

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

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that on the amendment by Mr. PROXMIRE which would require confirmation of a chairman of each of the boards there be a time limitation of 1 hour to be equally divided between the able mover of the amendment (Mr. PROXMIRE) and the able manager of the bill (Mr. SPARKMAN).

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

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that

with respect to the amendment by Mr. PROXMIRE which would exempt State and local employees there be a time limitation of 2 hours to be equally divided between the able mover of the amendment and the able manager of the bill.

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

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that with respect to the amendment by Mr. PROXMIRE exempting small business there be a time limitation of 2 hours, to be equally divided between the able mover of the amendment and the able manager of the bill.

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

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that, with respect to each of these amendments by Mr. PROXMIRE, on amendments in the second degree, motions, appeals, and points of order, with the exception of nondebatable motions, there be a time limitation of 30 minutes to be equally divided between the mover of such amendments, motions, appeals and points of order, and the distinguished manager of the bill.

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

Mr. PROXMIRE. Will the Senator yield on that point?

Mr. BYRD of West Virginia. I yield.

Mr. PROXMIRE. I presume that that is the usual form in which a reservation is requested. I just wonder about an amendment to an amendment. If a Senator offering the original amendment objects to having his amendment amended, would he not be given any right at all with respect to time.

Mr. BYRD of West Virginia. I think the usual form leaves the opposition under the control of the manager of the bill.

Mr. PROXMIRE. That is all right.

The PRESIDING OFFICER. That is the usual procedure.

Mr. BYRD of West Virginia. I am sure that if a situation should develop as the able Senator has stated it, the manager of the bill would in all likelihood designate time in opposition thereto to the offerer of the amendment in the first degree.

Mr. President, with respect to the four amendments by Mr. PROXMIRE on which we have just gotten time agreements, I have not indicated or asked for their programing. In other words, I have not asked that they be programed at any particular time. Would the Senator have any objection if I asked that the amendment providing that board hearings being made public follow the amendment by Mr. PERCY?

Mr. PROXMIRE. I should prefer to have that amendment come up as soon as possible. If that is the earliest possible time, I would be happy to have that done, unless it could be taken up earlier than that. Frankly, I think it probably should come up after my first amendment, which comes after Senator NELSON'S, but I understand the Senator is already locked into the present agreement, so I would not ask for a modification.

Mr. BYRD of West Virginia. Very well. If it is agreeable to the Senator, I ask unanimous consent that his amendment dealing with board hearings be called up upon the disposition of the amendment by Mr. PERCY dealing with employee productivity, and on which there is a limitation of 30 minutes.

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

PROGRAM

Mr. BYRD of West Virginia. Mr. President, the program for tomorrow is as follows:

The Senate will convene at 9 o'clock a.m., following a recess. After the two leaders have been recognized under the standing order, the Senate will proceed to consider S. 1163, a bill providing nutrition for the elderly. On that bill there is a limitation of 30 minutes, with the understanding that an amendment by Mr. STAFFORD will be offered. There will be a limitation of 20 minutes on that amendment, the time to come out of the 30 minutes on the bill.

There is a further understanding that there will be no rollcall votes on the amendment or the bill, but that if any such rollcall votes should be ordered, those rollcall votes would be laid over until later in the day.

Upon the disposition of S. 1163, the Senate will resume its consideration of the unfinished business, and the pending question before the Senate will be on amendment No. 763 by Mr. HARRIS, on which there is a 2-hour limitation.

Following the disposition of the amendment by Mr. HARRIS, if a rollcall vote should be ordered on S. 1163, the bill dealing with nutrition for the elderly, that rollcall vote will then occur. In any event, following the disposition of the amendment by Mr. HARRIS or a rollcall vote on S. 1163, the Senate will take up the amendment by Mr. HARTKE dealing with interest rates, under a 15-minute limitation. After the Hartke amendment, the Senate will take up the amendments by Mr. METCALF, amendments Nos. 752, 753, 754, and 755, but not necessarily in that order, with the understanding that on the first of such amendments to be called up by the distinguished Senator from Montana (Mr. METCALF), there will be a 1-hour limitation, and that on each of the succeeding three amendments there will be a 20-minute limitation.

Upon the disposition of the amendments by Mr. METCALF, Mr. NELSON will call up his amendment No. 758, on which there is a 2-hour limitation.

Following that amendment, Mr. PROXMIRE will call up his amendment on reporting, on which there is a 1-hour limitation.

Upon the disposition of that amendment, Mr. BENTSEN will call up his amendment No. 764, on which there is a 1-hour limitation.

Mr. TAFT will then call up his amendment, on which there is a 2-hour limitation.

Mr. CRANSTON will then call up his amendment to exempt press, broadcast, and other media from the wage-price controls, upon which there is a 1½-hour limitation.

Mr. JAVITS will then call up his amendment, adding a title on productivity, on which amendment there is a 2-hour limitation.

Then Mr. PERCY will call up his amendment on employee productivity, on which there is a 30-minute limitation. After that, Mr. PROXMIRE will call up the first of his four amendments which have been submitted just in the last little while. That amendment provides that board hearings be made public, upon which time there is a 1-hour limitation.

Mr. PROXMIRE. Will the Senator yield briefly?

Mr. BYRD of West Virginia. I yield.

Mr. PROXMIRE. I have calculated—and I think the calculations of the Senator from West Virginia are roughly similar—that this arrangement would provide for about 14 or 14½ hours of debate, not counting rollcall votes.

Mr. BYRD of West Virginia. The Senator is correct.

Mr. PROXMIRE. This would go only to the amendment offered by Mr. JAVITS. It does not include amendments offered by Mr. PERCY and Mr. PROXMIRE.

Mr. BYRD of West Virginia. It would include the Percy amendment but not the four amendments by Mr. PROXMIRE.

Mr. PROXMIRE. In view of the fact that the Senate will convene at 9 o'clock tomorrow morning, and in view of the fact that there will be rollcall votes on almost all of these amendments, I would presume, under these circumstances, that we would not expect to conclude action on all of the amendments the Senator has listed for tomorrow. Unless we worked until 8, 9, 10, or 11 o'clock, we could not finish with all of these amendments.

Mr. BYRD of West Virginia. In response to the Senator, may I say that the distinguished majority leader will have returned tomorrow, and that will be up to him and the leadership on the other side of the aisle. But I think that the joint leadership would certainly desire to remain in session late tomorrow. The Senator was eminently correct when he indicated that the amendments which have been enumerated, including his four amendments, will certainly carry us well into the next day—Wednesday.

Mr. PROXMIRE. I thank the Senator.

Mr. BYRD of West Virginia. I thank the able Senator from Wisconsin (Mr. PROXMIRE) and the able Senator from Texas (Mr. TOWER).

RECESS TO 9 A.M.

Mr. BYRD of West Virginia. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in recess until 9 o'clock tomorrow morning.

The motion was agreed to; and (at 5 o'clock and 39 minutes p.m.) the Senate took a recess until tomorrow, Tuesday, November 30, 1971, at 9 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate November 29, 1971:

U.S. DISTRICT COURTS

Charles B. Renfrew, of California, to be a U.S. district judge for the northern district of California, vice Gerald S. Levin, deceased.

Anthony A. Alaimo, of Georgia, to be a U.S. district judge for the southern district of Georgia, vice a new position created by Public Law 91-272, approved June 2, 1970.

Philip W. Tone, of Illinois, to be a U.S. district judge for the northern district of Illinois, vice a new position created by Public Law 91-272, approved June 2, 1970.

U.S. MARINE CORPS

Maj. Gen. Louis Metzger, U.S. Marine Corps, having been designated, in accordance with the provisions of title 10, United States Code, section 5232, for commands and other duties determined by the President to be within the contemplation of said section, for appointment to the grade of lieutenant general while so serving.

EXTENSIONS OF REMARKS

THE JAPANESE ECONOMIC THREAT

HON. STROM THURMOND

OF SOUTH CAROLINA

IN THE SENATE OF THE UNITED STATES

Monday, November 29, 1971

Mr. THURMOND. Mr. President, a timely speech entitled "The Japanese Economic Threat" has recently come to my attention.

In this pamphlet the author, Mr. Anthony Harrigan, points out the encroachment of Japanese industry into the markets of U.S. industry. Imported Japanese textiles have been ruining the U.S. textile industry with such practices as market flooding. Our domestic steel industry can barely compete, and our shipping industry has floundered.

Mr. President, Japan has erected complicated trade barriers to keep U.S. imports from Japan's domestic markets. Further, Japan sells items abroad for much less than they are offered for sale in Japan. As long as U.S. industry is characterized by union control and excessive labor cost, we cannot compete with Japanese industries. Japanese tax laws are set up to favor big business, and cheap Japanese labor and monopolistic trade practices widen this edge.

Mr. Harrigan's speech was delivered prior to the recent Japanese textile agreement. However, this speech points out the definite need for such an agreement.

The United States can no longer afford to be indifferent to the protection of our domestic industries. These comments deserve the consideration of the Congress.

Mr. President, I ask unanimous consent that the speech entitled "The Japanese Economic Threat" by Mr. Anthony Harrigan be printed in the Extensions of Remarks.

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

THE JAPANESE ECONOMIC THREAT

(By Anthony Harrigan)

It is time that the United States recognizes that it faces a formidable challenger on the world economic scene—Japan.

The Hudson Institute recently asserted that Japanese living standards will surpass American levels with 15 years.

We should understand that we are witnessing a fundamental rearrangement of the world's powers, economically and militarily. But the American people apparently don't grasp the extent of the Japanese economic challenge and the peril it poses to our national economy and standard of living.

Today, 26 years after the United States defeated Japan, the Japanese can boast of having the third-strongest industrial system in the world. Let me briefly review some of their achievements. They are the world's principal shipbuilders, while our shipyards are no longer able to compete and, in many cases, are kept alive by naval contracts. The Japanese have a tremendous hold on the electronics business and are rapidly eating into our domestic and foreign markets. The ambition of untold thousands of American teenagers is to own a Japanese-built Honda motorcycle. Half a dozen Japanese makes are sold in this country, whereas the U.S. has only one major motorcycle maker these days. In the last few years, American highways have become crowded with Japanese automobiles. Japan's automakers are squeezing Detroit, costing thousands of American jobs. The Japanese have begun to sell transport aircraft in the United States. Piedmont Airlines is the first U.S. line to use Japanese planes. Japanese copying machines are in widespread use in offices and factories. Japanese textile imports are pushing the U.S. textile industry to the wall, threatening the very existence of an industry that employs 2½ million people. In the last year, textiles from the Far East resulted in the loss of 100,000 jobs in the U.S. textile industry.

The overall impact of Japanese products on our peope's buying habits is colossal and, in my opinion, ruinous. There is no evidence whatever that Japanese imports are leveling off. Consider the textile situation. The Japanese have refused to negotiate meaningful voluntary quotas on textile imports. Instead, the Japanese textile industry unilaterally announced certain limited restraints. But the import statistics indicate that these voluntary restraints are meaningless. Imports from Japan and other Far Eastern countries are soaring. The Commerce Department reported August 5 that textile imports are up 10 per cent from May and 47 per cent from June last year. The value of these imports was $1.7 billion. That means $1.7 billion in lost business for American manufacturers.

The import situation is equally serious for the steel industry. U.S. steel imports totaled a record 9 million tons in the first half of 1971. Incidentally, Japanese steel sells for $40 a ton less than American-made steel.

Some Americans don't find danger in the Japanese trade campaign directed at the United States. They ignore the fact that Japan erects complicated trade barriers to keep U.S.-made products out of Japanese markets. Indeed some Americans apparently aren't even dismayed at the idea of the U.S. becoming a service-oriented importer economy. I don't understand where they think the money is going to come from for the U.S. to live well in the future.

The wealth of nations is created by producing goods and by transporting them to buyers. This is the way Great Britain became rich in the 19th century. Each year, we are losing our lead as a producer nation. Japan is the country that's really turning out the ships and other heavy equipment. Moreover, Japan's large, modern merchant marine carries Japanese goods to market. Our merchant marine languishes because of high construction costs and equally high operating costs, resulting from enormously expensive union labor. The majority of American-owned ships has to operate under flags of convenience, the flags of Honduras, Panama and Liberia, for example, so as to be able to hire crews at a cost-effective rate.

The economic challenge posed by Japan—and I suggest that you think of Japan as a single, giant company under centralized direction—is the gravest economic challenge this country has ever faced.

Here in Atlanta, I am reminded of Henry Grady's famous speech about the Georgia man who died and was buried in a Northern-made suit, in a grave dug by a Northern-made shovel and laid to rest under a piece of stone from the North. Georgia's only contribution was the corpse and the hole in the ground. Well, it is not an exaggeration to say that our entire country is likely to approach that situation by the end of the 1970's, with Japan in the role of the North, unless there is a change in national policy. I can envision a grave dug by a Japanese-made power shovel, a body clad in Japanese textiles, and a hearse made by a Japanese auto-maker.

Those of you who are in service industries may not feel the Japanese economic pressure. But talk to Southern manufacturers—textile, steel or whatever—and you will discover the profound alarm they feel. In South Carolina, which is absolutely dependent on the textile industry for state revenues, plants are shutting down or hours and days of operation are being curtailed because of the flood of Asian imports. In Birmingham, the steel mills are under similar pressure because of Japanese-made steel. In 20 years, Japanese steel production has jumped from five million to 100 million tons and is likely to exceed American production in two years.

Despite the threat to our country's economic well being, there is considerable indifference or open opposition to protection for threatened U.S. industries. Many of our national leaders and opinion-makers are the captives of "free trade" slogans. But as long as we have union monopolies and excessive labor costs which are non-competitive, we cannot live under a one-way free trade system.

To be sure, free trade has an ancient and honorable tradition. Here in the South, we were eager subscribers to the concept when our principal product was cotton. But truly free trade is possible only where free economic conditions exist on all sides. That is to say, the trading partners must subscribe to the same system and permit the same degree of access to their markets. But that's not the situation today. The United States has cut tariffs and otherwise made it easy for Japan and other countries to do business in the United States. The Japanese, however, make it difficult for American products to be sold in Japan. A Cadillac in Tokyo sells for $25,000 because of import barriers. In addition, Japanese industry operates as a huge cartel, with the government aiding business at every opportunity. As Jenkin Loyd Jones recently pointed out, "while American anti-trust laws would jail executives of any competing American firms who dared join together in fixing prices or otherwise trying to cartelize foreign trade, in Japan the government is in the thick of the conspiracy."

Finally, the Japanese and American wage structures are completely different. Japanese wages are extremely low, whereas U.S. companies must pay high scales.

The free trade enthusiasts say that the answer lies with automation. But that isn't an answer for America. The Japanese can automate their plants as rapidly or more rapidly than American manufacturers. For one thing, the cost of automation is lower in Japan—again because of low labor costs.

We often forget how central to competition are labor costs. In general, employee compensation represents almost 80 per cent of the cost of production. In 1968, corporate