may occur on amendments thereto and possibly on final passage of that bill tomorrow.

As to Friday, I cannot say what the situation will be. Of course, there are controversial conference reports that may be called up, thus necessitating yea-and-nay votes. There may be other measures on the calendar that have been cleared by Friday. In any event, Senators should be prepared for yea-and-nay votes on Friday, that being the final day before the August recess.

ADJOURNMENT UNTIL 11 A.M.

Mr. ROBERT C. BYRD. Mr. President, if there be no further business before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 11 a.m. tomorrow.

The motion was agreed to; and at 6:21 p.m. the Senate adjourned until tomorrow, Thursday, August 2, 1973, at 11 a.m.

NOMINATIONS

Executive nominations received by the Senate August 1, 1973:

DEPARTMENT OF STATE

Theodore L. Eliot, Jr., of California, a Foreign Service Officer of Class One, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Afghanistan.

DEPARTMENT OF JUSTICE

John W. Stokes, Jr., of Georgia, to be U.S. attorney for the northern district of Georgia for the term of 4 years, reappointment.

IN THE AIR FORCE

The following Air National Guard of the United States officers for promotion in the Reserve of the Air Force under the provisions of Section 593(a), Title 10 of the United States Code, as amended:

To be lieutenant colonel

LINE OF THE AIR FORCE

Maj. Harold C. L. Beardsley, [redacted] FG.
Maj. Frederick A. Blahus, [redacted] FG.
Maj. Robert L. Bordwine, Jr., [redacted] FG.
Maj. Ernest R. Bosetti, [redacted] FG.
Maj. Peter G. Brambir, [redacted] FG.
Maj. Norbert W. Brandt, [redacted] FG.
Maj. Robert J. Collins, [redacted] FG.
Maj. Kincheon V. Combs, [redacted] FG.
Maj. William R. Custer, [redacted] FG.
Maj. Roy E. Degan, Jr., [redacted] FG.
Maj. Jack D. Dobler, [redacted] FG.
Maj. John C. Druke, [redacted] FG.
Maj. Earl A. Ehrenberg, [redacted] FG.
Maj. Rudolf F. Gehrmann, [redacted] FG.
Maj. Arthur B. Haesche, Jr., [redacted] FG.
Maj. Francis L. Hales, [redacted] FG.
Maj. Alfred R. Hanson, Jr., [redacted] FG.
Maj. Roger L. Harrison, [redacted] FG.
Maj. John A. Henke, [redacted] FG.
Maj. Claude A. Holland, [redacted] FG.
Maj. Lewis A. Jones, [redacted] FG.
Maj. Michael C. Jordan, [redacted] FG.
Maj. Donald E. Joy, Jr., [redacted] FG.
Maj. Merlin S. Keely, [redacted] FG.
Maj. Willard E. Kline, Jr., [redacted] FG.
Maj. Richard D. Lang, [redacted] FG.
Maj. Ulay W. Littleton, [redacted] FG.
Maj. Clarence W. Long, [redacted] FG.
Maj. Vincent L. Looby, [redacted] FG.
Maj. Harrie B. Markham, Jr., [redacted] FG.
Maj. William H. Orr, [redacted] FG.
Maj. Boris Ortiz, [redacted] FG.
Maj. Jose A. Parodi, [redacted] FG.
Maj. David J. Pendergast, Jr., [redacted] FG.
Maj. Gilbert E. Petrina, [redacted] FG.
Maj. Carl C. Poythress, Jr., [redacted] FG.
Maj. Paul R. Rouillard, Jr., [redacted] FG.
Maj. Lawrence H. Shelton, [redacted] FG.
Maj. Richard H. Slemmer, [redacted] FG.
Maj. Arthur P. Tesner, [redacted] FG.
Maj. James L. Walters, Jr., [redacted] FG.
Maj. William A. Wilson, [redacted] FG.
Maj. Paul L. Wright, [redacted] FG.
Maj. Robert T. Yoshizumi, [redacted] FG.

U.S. ARMY

The United States Army Reserve officer named herein for promotion as a Reserve Commissioned officer of the Army under the provisions of title 10, United States Code, Section 593a and 3384.

To be brigadier general

Col. Charles J. West, Jr., [redacted] Infantry.

CONFIRMATIONS

Executive nominations confirmed by the Senate, August 1, 1973:

CENTRAL INTELLIGENCE

William Egan Colby, of Maryland, to be Director of Central Intelligence.

DISTRICT OF COLUMBIA COUNCIL

The following-named persons to be members of the District of Columbia Council for terms expiring February 1, 1976:

Henry S. Robinson, Jr., of the District of Columbia.

Marguerite C. Selden, of the District of Columbia.

W. Antoinette Ford, of the District of Columbia.

FARMERS HOME ADMINISTRATION

Frank B. Elliott, of Virginia, to be Administrator of the Farmers Home Administration.

(The above nominations were approved subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA

Orman W. Ketcham, of Maryland, to be an associate judge, Superior Court of the District of Columbia, for the term of 15 years.

Edmond T. Daly, of the District of Columbia, to be an associate judge, Superior Court of the District of Columbia, for the term of 15 years.

U.S. AIR FORCE

The following officer under the provisions of title 10, United States Code, section 8066, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of section 8066, in grade as follows:

To be general

Lt. Gen. Samuel C. Phillips, [redacted] FR (major general, Regular Air Force), U.S. Air Force.

HOUSE OF REPRESENTATIVES—*Wednesday, August 1, 1973*

The House met at 12 o'clock noon.

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

Brethren, be of one mind, live in peace; and the God of love and peace shall be with you.—II Corinthians 13: 11.

In the spirit and words of Saint Francis let us offer our morning prayer.

"Lord, make me an instrument of Thy peace:
Where there is hatred, let me sow love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
Where there is sadness, joy.

"O Divine Master, grant that I may not so much seek
To be consoled as to console;
To be understood as to understand;
To be loved as to love;
For it is in giving that we receive,
It is in pardoning that we are pardoned,
And it is in dying that we are born to eternal life."

Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Without objection, the Journal stands approved.

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate insists upon its amendments to the joint resolution (H.J. Res. 542) entitled "Joint resolution concerning the war powers of Congress and the President," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. FULBRIGHT, Mr. MANSFIELD, Mr. SYMINGTON, Mr. MUSKIE, Mr. AIKEN, Mr. CASE, and Mr. JAVITS to be the conferees on the part of the Senate.

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 373) entitled "An act to insure the separation of Federal powers and to protect the legislative function by requiring the President to notify the Congress whenever he, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any officer or employee of the United States, impounds, orders the impounding, or permits the impounding of budget authority, and to provide a procedure under which the Senate and the House of Representatives may approve the impounding action, in whole or in part, or require the President, the Director of the Office of Management and Budget, the department or agency of the United States, or the officer or employee of the United States, to cease such action, in whole or in part, as directed by Congress, and to establish a ceiling on fiscal year 1974 expenditures," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ERVIN, Mr. MUSKIE, Mr. RIBICOFF, Mr. CHILES, Mr. PERCY, Mr. JAVITS, and Mr.

GURNEY to be the conferees on the part of the Senate.

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

S. 628. An act to amend chapter 83 of title 5, United States Code, to eliminate the annuity reduction made, in order to provide a surviving spouse with an annuity, during periods when the annuitant is not married;

S. 871. An act to amend title 5, United States Code, to correct certain inequities in the crediting of National Guard technician service in connection with civil service retirement, and for other purposes; and

S. 1560. An act to extend the Emergency Employment Act of 1971, to provide public service employment for disadvantaged and long-term unemployed persons, and for other purposes.

CHESTER M. WIGGIN, JR.

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

Mr. BOLAND. Mr. Speaker, I was deeply saddened to learn this morning that Commissioner Chester M. Wiggin, Jr., of Hopkinton, N.H., a member of the Interstate Commerce Commission, was one of 88 victims of that tragic plane crash yesterday noon at Logan International Airport in Boston.

A highly respected New Englander, "Chet" Wiggin was well known to us here on Capitol Hill as administrative assistant to the late Senator Styles Bridges of New Hampshire from 1953 to 1962, and as administrative assistant to our colleague, Senator NORRIS COTTON, through 1969.

Appointed by President Nixon in 1970 as Cochairman of the New England Regional Commission, he served in that position until the President named him to the Interstate Commerce Commission last October.

A graduate of Dartmouth College and Boston University Law School, Commissioner Wiggin served in combat with the Marines in World War II and rose to the rank of lieutenant colonel.

He was a distinguished attorney who was admitted to practice before the bars of New Hampshire, the District of Columbia, and the U.S. Supreme Court.

He was Marine legal aide to the Under Secretary of the Navy from 1945 to 1947 and was an attorney adviser in the Executive Office of the Secretary of the Navy from 1947 to 1953.

Mr. Speaker, I came to know Chet Wiggin very well during the past few years in his positions as New England regional commission cochairman, and as an Interstate Commerce Commissioner who came before the Appropriations Subcommittee on budget matters.

He was a kind and unassuming human being but always a man of great principle and integrity. He was a dedicated public servant who spent a lifetime mastering the intricacies of government and applied this knowledge, in a very practical manner, so that it would serve the needs of the people.

Commissioner Wiggin was a true and good friend. His loss is a deep shock to his many friends in Washington and New England. I extend to his widow, Mrs. Joyce Wiggin, my profound sympathy in her hour of sorrow.

Mr. CLEVELAND. Mr. Speaker, I appreciate the gentleman from Massachusetts (Mr. BOLAND) paying a fine tribute to my friend and constituent, Chester M. Wiggin, Jr. It was a terrible shock this morning to hear of his death, as he was traveling by air from New Hampshire to Washington, D.C. This was a trip which we often took together. I always enjoyed the opportunity it gave me to exchange views and information concerning a wide spectrum of problems, with my knowledgeable and delightful friend.

Chet was without doubt one of the finest and best public servants I have ever met and worked with. He was a real pro. He served as administrative assistant on the staffs of U.S. Senators Styles Bridges and NORRIS COTTON with effectiveness and great distinction. He then became the Federal cochairman of the New England Regional Commission. In this capacity I continued my close association with Chet Wiggin. It was truly delightful to work with him on problems. He was responsive; he was practical; and he was always aware of the problems facing a Member of Congress trying to solve governmental problems.

Chet Wiggin's professional career continued with his appointment to serve as Commissioner on the Interstate Commerce Commission. It was typical of his professionalism and interest in approaching real problems constructively that he took great interest in and was carefully studying the railroad crisis facing the Northeastern United States. His death is a real tragedy, and a great loss to America.

My wife, Hilary, and I extend our deepest sympathies to Joyce Wiggin, wife of this great man and good friend

Mr. WYMAN. Mr. Speaker, I was profoundly shocked yesterday when I learned of the tragic death of my dear friend and ICC member, Chet Wiggin, in an aircraft accident in Boston. With his untimely passing, New Hampshire and the Nation have lost a dedicated and selfless public servant, and I have lost a truly valued friend and colleague.

Chet's long and distinguished career spanned more than 30 years of outstanding achievement and service to his State and to his country. After combat service with the Marines in the Pacific in the Second World War, he served as a key legal aid in the Navy Department. Following that time, he was Administrative Assistant to the late great Senator from New Hampshire—Styles Bridges—for nearly 10 years. His tremendous capacity for public service was again amply demonstrated in 1962 when the distinguished senior Senator from New Hampshire, NORRIS COTTON, chose him to be his Administrative Assistant.

Chet served in that position with distinction and competence until 1969 when he was nominated by the President to be Federal Cochairman of the New England Regional Commission. Chet served with the Commission until his confirmation by the Senate last year as a member of the Interstate Commerce Commission, and the exemplary manner in which he performed his duties was vividly demonstrated by the fact that when he left the New England Regional Commission for the ICC, he was warmly and personally commended for his diligence and competence by each of the six New England Governors.

Chet came to the ICC at a time when the nature of its regulatory mandate is taking on increasing importance and immediacy as the Nation wrestles with critical transportation problems. It is indicative of the high esteem in which Chet was held by the executive and the legislative branches of our Government that he was selected for service on the Commission. By all accounts he carried out the tremendously important and intricate duties of his new post with his customary ability, skill, and dedication.

Tragedy has cut short what promised to be more years of outstanding public service by one of New Hampshire's leading citizens. It is an awful loss.

Chet Wiggin will long be remembered for what he was—a highly effective publicly motivated civic leader, a fine citizen and a true friend to all. His presence will be sorely missed by thousands who knew and loved him but his memory will endure forever.

To his beloved wife Joyce together with his hundreds of friends and admirers, go the heartfelt sympathy of Virginia and myself during this sad and difficult time.

GENERAL LEAVE

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the life, character, and public service of the late Chester W. Wiggin, Jr.

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

There was no objection.

DISAPPOINTING PRICES OF TOBACCO SALES

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

Mr. YOUNG of South Carolina. Mr. Speaker, many tobacco farmers in our area are very concerned about the selling price of tobacco. When we move to the marketplace, we do so with anticipation. The opening prices on the auction market averaged 2.3 percent over last year's prices. This small increase does not keep pace with the rise in the cost of fuel, fertilizer, and farm labor. We were concerned about the 10-percent increase in tobacco acreage allotment. We, as farmers, simply do not need to grow more tobacco and get less money for it.

We had hoped that the devaluation of the dollar would have strengthened the purchases from the German mark, the English pound, and the Japanese yen. It is our hope now that in the weeks ahead the prices will increase as we move from lower-stalk tobacco to middle-stalk tobacco.

The question has been asked about collusion among tobacco companies. We certainly could not accuse anyone about these type tactics. It is our hope that the market in the weeks ahead will move toward stronger prices. If the prices remain as low as they are at the present time, it is our feeling that we have grown too much tobacco and are getting less money for it.

APPOINTMENT ON CONFEREES ON S. 426, PREMARKET TESTING OF CHEMICAL SUBSTANCES

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 426) to regulate interstate commerce by requiring premarket testing of new chemical substances and to provide for screening of the results of such testing prior to commercial production, to require testing of certain existing chemical substances, to authorize the regulation of the use and distribution of chemical substances, and for other purposes, with the House amendments thereto, insist on the House amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia? The Chair hears none, and appoints the following conferees: Messrs. STAGGERS, MOSS, STUCKEY, ECKHARDT, BROYHILL of North Carolina, WARE, and MCCOLLISTER.

CONFERENCE REPORT ON H.R. 8825, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; SPACE, SCIENCE, VETERANS APPROPRIATIONS, 1974

Mr. BOLAND. Mr. Speaker, I call up the conference report on the bill (H.R. 8825) making appropriations for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, and corporations for the fiscal year ending June 30, 1974, and for other purposes, and ask unanimous consent that the statement of the managers be read in lieu of the report.

The Clerk read the title of the bill.

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

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of July 27, 1973.)

Mr. BOLAND (during the reading). Mr. Speaker, I ask unanimous consent that the statement of the managers be considered as read.

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

There was no objection.

Mr. BOLAND. Mr. Speaker, we bring back to the House today a conference report on the HUD-space-science-veterans appropriation bill for 1974. The foundation of the democratic process rests on the ability of its people and its institutions to make reasonable accommodation, and reach sound decisions.

The conferees on this bill were faced with a number of difficult issues—and we resolved all of the differences except in a single instance. I believe we have brought back a good bill. Before I discuss that one exception, I want to take a moment to sum up what this important bill contains.

The total amount in this conference report is $19,056,500,000.

The House passed this bill on June 22, 1973, with a total of $19,070,954,000 in new obligational authority.

The Senate passed the bill a few days later on June 30, 1973, with a total of $19,118,373,063.

The conferees have brought back a report that is under both the House and Senate bills—$14,454,000 under the House and $61,873,063 under the Senate.

The conference total is also $1,827,723,000 below the comparable amount of new obligational authority provided for the agencies and department in the bill for the last fiscal year.

You may recall that the administration proposed terminating community development categorical grant programs in the budget requests and replacing them with a new program of special revenue sharing.

While $2,160,000,000 was provided for community development assistance last year, the budget this year contains only $137,500,000 for these purposes. This would leave a 1-year hiatus for community development support and cause local governments great hardship. Both the House and Senate agreed that these programs should not be precipitously terminated by executive fiat.

The total reported from conference, including $775,000,000 to continue these programs through the next fiscal year, is therefore $439,047,000 above the original budget estimates. It is also important to note that the administration has submitted an informal budget amendment to the other body requesting an increase of $260,000,000 above the original requests. The net effect of these informal requests from the Secretary of Housing and Urban Development would reduce the increase above the budget to $179,047,000.

Furthermore, the net impact of the conference bill on budget outlays is unchanged from the $20,223,734,000 estimated in the budget for 1974, and as proposed by the House bill.

Within these overall totals for the bill, the new obligational authority in the conference report for the Department of Housing and Urban Development is $3,092,916,000.

One amendment is reported in technical disagreement, but there is no real disagreement between the conferees. The conference committee accepted the Senate estimate of $2,020 million for housing payments, and has earmarked a "floor" of $280 million, the amount of the budget estimate, for payment of operating subsidies to local housing authorities, instead of $315 million as proposed by the Senate.

In taking this action, the conferees strongly urge the legislative committees to undertake a thorough study and evaluation of the concept of "operating subsidies." What is the effect of these subsidies on the efficient management and operation of local housing authorities? Are the charges of alleged abuses accurate? If so, how serious are they? I think these are important questions. An investigative report made by our committee last year indicates we need to get the answers as soon as possible.

For the "701" comprehensive planning grants program the conferees recommend a compromise figure of $75 million. The House had provided $25 million to carry this program through fiscal year 1974 and well into 1975, utilizing the large carryover unexpended balances in this program. The increase to $75 million should adequately provide for planning agencies through fiscal year 1975, and until the Congress has a better reading on the outcome of the Responsive Governments Act, the Better Communities Act, or other legislation from the legislative committees relating to housing and urban development.

A total of $3,002,100,000 is included for the National Aeronautics and Space Administration; $569,600,000 for the National Science Foundation; $39,860,000 for the Federal Communications Commission; $34,027,000 for the Securities and Exchange Commission; and $47,500,000 for the Selective Service System.

The bill also provides $12,265,807,000 for the Veterans' Administration. This is an increase of $52,807,000 over the budget request. The increase is entirely for medical care or hospital construction items. It will help to insure an adequate level and quality of care for our veterans.

The conference committee, as I indicated earlier, could not agree on one issue, which the House conferees felt did not belong in this bill. Amendments Nos. 44 and 45 are therefore brought back in disagreement.

The Senate proposed a new general provision to limit funds for the purchase, hire, or operation and maintenance of passenger motor vehicles that would apply only to the department and agencies included in this bill.

The House conferees are of the opinion that such a provision is unfair, unjustified, discriminatory, and should be considered by legislative committees and made applicable to all agencies, including the military, if it is desirable at all.

Furthermore, while it appears that section 405(b) was primarily intended to prevent the purchase, hire, or operation and maintenance of any passenger motor vehicle for the transportation by senior officials of the Government between their dwelling and place of employment, this provision could affect a great many Government employees even at the very lowest levels.

Since May 31, 1968, the standardized Government travel regulations have included a provision which allows an agency to provide reimbursement "for the usual taxi cab fares paid by an employee for travel between his office and home—when he is dependent on public transportation for such travel incident to officially ordered work outside of his regular working hours, and his travel is during hours of infrequently scheduled public transportation or darkness."

Many times it becomes necessary for secretaries of various Government officials to work on priority items into the

evening, and current authority allows the agencies to reimburse such employees for their travel fares. This provision of the standardized travel regulations is useful in providing safe conduct for them to their homes during the late evening hours.

The effects of the proposed Senate provision are unclear. If existing law covering passenger motor vehicle usage is less than clear, and in need of revision, this should be thoroughly researched by the legislative committees and made the subject of substantive legislation and made applicable to all departments and agencies, and not just the few in this bill.

The House conferees recommend that the House insist on its disagreement to the Senate amendment No. 44, and that it be deleted from the bill.

The House conferees feel that the compromises reached with the Senate are reasonable. The bill provides funds for vital activities.

I will include in my remarks a table showing the action taken on each item, the comparison with 1973, and the actions of the House and Senate.

Mr. Speaker, I recommend that the conference report be adopted.

COMPARATIVE STATEMENT OF THE NEW BUDGET (OBLIGATIONAL) AUTHORITY, HUD-SPACE-SCIENCE-VETERANS APPROPRIATION BILL, 1974 (H.R. 8825)

[Note: All amounts are in the form of appropriations unless otherwise indicated]

Agency and item	New budget (obligational) authority, fiscal year 1973 [1]	Budget estimates of new budget (obligational) authority, fiscal year 1974	New budget (obligational) authority recommended in House bill	New budget (obligational) authority recommended in Senate bill	Conference action	Conference action compared with— New budget (obligational) authority, fiscal year 1973	Conference action compared with— Budget estimates of new budget (obligational) authority, fiscal year 1974	Conference action compared with— House bill	Conference action compared with— Senate bill
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
TITLE I									
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Housing Production and Mortgage Credit									
Federal Housing Administration									
Rent supplement program:									
Increased limitation for annual contract authorization	($48,000,000)					(−$48,000,000)			
(Cumulative annual contract authorization)	(280,000,000)	($280,000,000)	($280,000,000)	($280,000,000)	($280,000,000)				
Homeownership and rental housing assistance:									
Homeownership assistance, increased limitation for annual contract authorization	($170,000,000)					(−$170,000,000)			
(Cumulative annual contract authorization)	(665,000,000)	($665,000,000)	($665,000,000)	($665,000,000)	($665,000,000)				
Rental housing assistance, increased limitation for annual contract authorization	(175,000,000)					(−175,000,000)			
(Cumulative annual contract authorization)	(700,000,000)	(700,000,000)	(700,000,000)	(700,000,000)	(700,000,000)				
Nonprofit sponsor assistance	1,000,000					−1,000,000			
College housing:									
Increased limitation for annual contract authorization	(5,000,000)					(−5,000,000)			
(Cumulative annual contract authorization)	(40,600,000)	(40,600,000)	(40,600,000)	(40,600,000)	(40,600,000)				
Salaries and expenses, Housing production and mortgage credit programs	15,748,000	5,300,000	5,300,000	5,120,000	5,120,000	−10,628,000	−$180,000	−$180,000	
[Government National Mortgage Association									
Payment of participation sales insufficiencies	19,496,000	19,821,000	19,821,000	19,821,000	19,821,000	+325,000			
Special assistance functions fund		95,647,000					−95,647,000		
Total, Housing Production and Mortgage Credit	36,244,000	120,768,000	25,121,000	24,941,000	24,941,000	−11,303,000	−95,827,000	−180,000	
Housing Management									
Housing payments	1,800,000,000	2,100,000,000	2,100,000,000	2,020,000,000	2,020,000,000	+220,000,000	−80,000,000	−80,000,000	
Salaries and expenses, Housing management programs	[2] 21,000,000	24,475,000	24,475,000	23,155,000	23,900,000	+2,900,000	−575,000	−575,000	+$745,000
Total, Housing Management	1,821,000,000	2,124,475,000	2,124,475,000	2,043,155,000	2,043,900,000	+222,900,000	−80,575,000	−80,575,000	+745,000
Community Planning and Management									
Comprehensive planning grants	100,000,000	110,000,000	25,000,000	110,000,000	75,000,000	−25,000,000	−35,000,000	+50,000,000	−35,000,000
Community development training and urban fellowship programs	3,500,000					−3,500,000			
New community assistance grants	7,500,000					−7,500,000			
Salaries and expenses, Community planning and management programs	10,134,000	11,625,000	10,134,000	9,875,000	10,134,000		−1,491,000		+259,000
Total, Community Planning and Management	121,134,000	121,625,000	35,134,000	119,875,000	85,134,000	−36,000,000	−36,491,000	+50,000,000	−34,741,000
Community Development									
Model cities programs	500,000,000		150,000,000	150,000,000	150,000,000	−350,000,000	+150,000,000		
Urban renewal programs	1,450,000,000	137,500,000	600,000,000	600,000,000	600,000,000	−850,000,000	+462,500,000		
Rehabilitation loan fund	70,000,000					−70,000,000			
Grants for neighborhood facilities	40,000,000					−40,000,000			
Open space land programs	100,000,000		70,000,000		25,000,000	−75,000,000	+25,000,000	−45,000,000	+25,000,000
Salaries and expenses, Community development programs	25,159,000	22,900,000	22,900,000	22,176,000	22,413,000	−2,746,000	−487,000	−487,000	+237,000
Total, Community Development	2,185,159,000	160,400,000	842,900,000	772,176,000	797,413,000	−1,387,746,000	+637,013,000	−45,487,000	+25,237,000
Federal Insurance Administration									
Flood insurance	10,000,000	20,000,000	20,000,000	20,000,000	20,000,000	+10,000,000			

Agency and item	New budget (obligational) authority, fiscal year 1973 [1]	Budget estimates of new budget (obligational) authority, fiscal year 1974	New budget (obligational) authority recommended in House bill	New budget (obligational) authority recommended in Senate bill	Conference action	Conference action compared with— New budget (obligational) authority, fiscal year 1973	Conference action compared with— Budget estimates of new budget (obligational) authority, fiscal year 1974	Conference action compared with— House bill	Conference action compared with— Senate bill
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
TITLE I—Continued									
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued									
Research and Technology									
Research and technology	53,000,000	71,450,000	60,000,000	71,450,000	65,000,000	+12,000,000	−6,450,000	+5,000,000	−6,450,000
Fair Housing and Equal Opportunity									
Fair housing and equal opportunity	9,489,000	9,850,000	9,750,000	9,546,000	9,546,000	+57,000	−304,000	−204,000	
Departmental Management									
General departmental management	5,529,000	6,350,000	6,150,000	6,042,000	6,042,000	+513,000	−308,000	−108,000	
Salaries and expenses, Office of general counsel	3,044,000	3,350,000	3,250,000	3,134,000	3,166,000	+122,000	−184,000	−84,000	+$32,000
Salaries and expenses, Office of inspector general		8,125,000	6,825,000	6,534,000	6,534,000	+6,534,000	−1,591,000	−291,000	
Administration and staff services	16,475,000	11,500,000	11,500,000	10,731,000	11,460,000	−5,015,000	−40,000	−40,000	+729,000
Regional management and services	22,991,000	20,200,000	20,200,000	19,769,000	19,780,000	−3,211,000	−420,000	−420,000	+11,000
Total, Departmental Management	48,039,000	49,525,000	47,925,000	46,210,000	46,982,000	−1,057,000	−2,543,000	−943,000	+772,000
Total, Department of Housing and Urban Development, Title I	4,284,065,000	2,678,093,000	3,165,305,000	3,107,353,000	3,092,916,000	−1,191,149,000	+414,823,000	−72,389,000	−14,437,000
TITLE II									
SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDEPENDENT AGENCIES									
Executive Office of the President									
National Aeronautics and Space Council									
Salaries and expenses	$480,000					−$480,000			
Office of Science and Technology									
Salaries and expenses	2,100,000					−2,100,000			
Total, Executive Office of the President	2,580,000					−2,580,000			
Federal Communications Commission									
Salaries and expenses	34,173,000	$36,860,000	$39,860,000	$39,860,000	$39,860,000	+5,687,000	+$3,000,000		
National Aeronautics and Space Administration									
Research and development	2,600,900,000	2,197,000,000	2,194,000,000	2,194,000,000	2,194,000,000	−406,900,000	−3,000,000		
Construction of facilities	77,300,000	112,000,000	87,800,000	101,100,000	101,100,000	+23,800,000	−10,900,000	+$13,300,000	
Research and program management	729,450,000	707,000,000	707,000,000	707,000,000	707,000,000	−22,450,000			
Total, National Aeronautics and Space Administration	3,407,650,000	3,016,000,000	2,988,800,000	3,002,100,000	3,002,100,000	−405,550,000	−13,900,000	+13,300,000	
National Science Foundation									
Salaries and expenses	638,740,000	579,600,000	561,600,000	571,600,000	566,600,000	−72,140,000	−13,000,000	+5,000,000	−$5,000,000
Scientific activities (special foreign currency program)	7,000,000	3,000,000	3,000,000	3,000,000	3,000,000	−4,000,000			
Total, National Science Foundation	645,740,000	582,600,000	564,600,000	574,600,000	569,600,000	−76,140,000	−13,000,000	+5,000,000	−5,000,000
Renegotiation Board									
Salaries and expenses	4,900,000	4,690,000	4,690,000	4,690,000	4,690,000	−210,000			
Securities and Exchange Commission									
Salaries and expenses	30,293,000	31,210,000	34,027,000	34,027,000	34,027,000	+3,734,000	+2,817,000		
Selective Service System									
Salaries and expenses	83,500,000	55,000,000	47,500,000	35,000,000	47,500,000	−36,000,000	−7,500,000		+12,500,000
Veterans' Administration									
Compensation and pensions	6,448,000,000	6,506,000,000	6,506,000,000	6,506,000,000	6,506,000,000	+58,000,000			
Readjustment benefits	2,692,400,000	2,526,000,000	2,526,000,000	2,526,000,000	2,526,000,000	−166,400,000			
Veterans insurance and indemnities	4,400,000					−4,400,000			
(By transfer)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)				
Medical care	2,606,153,000	2,656,000,000	2,670,350,000	2,706,805,063	2,676,261,000	+70,108,000	+20,261,000	+5,911,000	−30,544,063
Medical and prosthetic research	76,818,000	71,000,000	71,000,000	77,800,000	75,500,000	−1,318,000	+4,500,000	+4,500,000	−2,300,000
Assistance for health manpower training institutions	20,000,000			55,000,000	25,000,000	+5,000,000	+25,000,000	+25,000,000	−30,000,000
Medical administration and miscellaneous operating expenses	28,737,000	32,600,000	32,600,000	32,600,000	32,600,000	+3,863,000			
General operating expenses	320,821,000	315,000,000	313,822,000	300,000,000	310,000,000	−10,821,000	−5,000,000	−3,822,000	+10,000,000
Construction, major projects	125,993,000	61,299,000	61,299,000	70,435,000	68,343,000	−57,650,000	+7,044,000	+7,044,000	−2,092,000
Construction, minor projects	55,000,000	38,701,000	38,701,000	39,703,000	39,703,000	−15,297,000	+1,002,000	+1,002,000	
Grants for construction of State extended care facilities	6,000,000					−6,000,000			
Grants to the Republic of the Philippines	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000				

Footnote at end of table.

COMPARATIVE STATEMENT OF THE NEW BUDGET (OBLIGATIONAL) AUTHORITY, HUD-SPACE-SCIENCE-VETERANS APPROPRIATION BILL, 1974 (H.R. 8825)—Continued

[Note: All amounts are in the form of appropriations unless otherwise indicated]

Agency and item	New budget (obligational) authority, fiscal year 1973 [1]	Budget estimates of new budget (obligational) authority, fiscal year 1974	New budget (obligational) authority recommended in House bill	New budget (obligational) authority recommended in Senate bill	Conference action	Conference action compared with— New budget (obligational) authority, fiscal year 1973	Budget estimates of new budget (obligational) authority, fiscal year 1974	House bill	Senate bill
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Payment of participation sales insufficiencies	5,000,000	4,400,000	4,400,000	4,400,000	4,400,000	−600,000			
Loan guaranty revolving fund (limitation on obligations)	(375,000,000)	(400,000,000)	(400,000,000)	(500,000,000)	(500,000,000)	(+125,000,000)	(+100,000,000)	(+100,000,000)	
Total, Veterans' Administration	12,391,322,000	12,213,000,000	12,226,172,000	12,320,743,063	12,265,807,000	−125,515,000	+52,807,000	+39,635,000	−54,936,063
Total, Space, Science, Veterans, and certain other independent agencies, title II	16,600,158,000	15,939,360,000	15,905,649,000	16,011,020,063	15,963,584,000	−636,574,000	+24,224,000	+57,935,000	−47,436,063
TITLE III									
CORPORATIONS									
Department of Housing and Urban Development:									
Federal Housing Administration:									
Administrative expenses	(16,598,000)	(15,280,000)	(15,280,000)	(15,080,000)	(15,080,000)	(−1,518,000)	(−200,000)	(−200,000)	
Nonadministrative expenses	(170,586,000)	(178,730,000)	(178,730,000)	(175,851,000)	(175,851,000)	(+5,265,000)	(−2,879,000)	(−2,879,000)	
Government National Mortgage Association	(6,000,000)	(7,769,000)	(7,769,000)	(7,750,000)	(7,750,000)	(+1,750,000)	(−19,000)	(−19,000)	
Federal Home Loan Bank Board:									
Administrative expenses	(8,900,000)	(9,600,000)	(9,250,000)	(9,250,000)	(9,250,000)	(+350,000)	(−350,000)		
Nonadministrative expenses	(17,923,000)	(18,100,000)	(18,100,000)	(18,100,000)	(18,100,000)	(+177,000)			
Federal Savings and Loan Insurance Corporation	(550,000)	(740,000)	(740,000)	(740,000)	(740,000)	(+190,000)			
Total, administrative and nonadministrative expenses, title III	(220,557,000)	(230,219,000)	(229,869,000)	(226,771,000)	(226,771,000)	(+6,214,000)	(−3,448,000)	(−3,098,000)	
Total, all titles, new budget (obligational) authority	20,884,223,000	18,617,453,000	19,070,954,000	19,118,373,063	19,056,500,000	−1,827,723,000	+439,047,000	−14,454,000	−61,873,063

[1] Includes all supplementals.

Mr. TALCOTT. Mr. Speaker, I regret very much that our committee is back with our disagreement. As I understand it, our charges as conferees are to work out a compromise with the other body while defending the House position as forcefully as possible.

We were able to agree on numerous compromises involving numerous extraordinarily controversial and important issues.

In differences with the other body we were able to accomplish satisfactory compromises. I commend our conferees for subverting some of their own individual views and parochial preferences to the will of the House and to the goal of effecting reasonable compromise except for one item, namely: the question of automobiles for certain departmental and agency officials.

I am disappointed that we could not effect a fair compromise on this item but to do so would be unconscionable. I urge the House to maintain the House position.

Of course the easy, popular, and demagogic position would be to agree with the other body and outlaw all use and appropriation of funds for official automobiles.

"Let 'em walk, we do." Or more appropriately: "Let 'em jog, I do." "Why are they so special?" "Cars and drivers are for the wealthy." "That archaic custom went out with 'Gone With the Wind'." "The practice is abused." "Some officials took their car to Baltimore and kept it over night." "Some had their wives driven to parties or shopping." "Some had their children driven to school." "Some drove them to Georgetown parties." "Some of the undersecretaries could barely afford a car when they got their Washington assignment, let alone a driver; let 'em do what they did back home." "The cars are too big; take too much gas, oil and upkeep; pollute too much; take up too much parking space." "The drivers sit around most of the day." "The appearance of a special class is offensive in a democracy." "The costs are great and the money could be used for better purposes, namely: the poor, the old and sick and others." "Governmental pay is good, let 'em rent their own cars if they are so useful." "I don't care how useful, valuable and economical the practice is, I'm against it because my constituents think officials get too much." "This is a good economy vote; because I can balance it off against some of the big spending bills coming up." "My constituents applaud me whenever I can give those fat, lazy bureaucrats the business." "I'll get more publicity out of this vote than any five others because the media will just eat this up."

I have heard all the charges.

Unfortunately some are true and there are some abuses. Those who have abused this special prerequisite make it very difficult for others and for us today. But there are always misusers of any prerequisite. I am for weeding them out; but it is irresponsible to use a few isolated abuses or violations of a law as an excuse for rescinding it. Any abuse of this prerequisite appears flagrant, is long remembered, and invites the worst "press."

The Congress never has and ought to review the whole matter of official automobile usage. It should be done Government-wide—not just with a few agencies and one department. The review should include the executive departments and agencies, and the legislative and judicial branches—everyone.

A partial, narrow recommendation without hearings, study, investigation or thought is simply not reasonable or businesslike. We embarrass ourselves by making such decisions. I, for one, do not want to make an important decision on such little evidence or study.

I deplore the use of cars by wives and children; I deplore their use for nonbusiness uses. I believe some departments and agencies have too many. I believe that "car pools" and "driver pools" could be more effective and efficient in some circumstances. I believe that other transportation arrangements could be developed which are more beneficial to the officials and more economical to the taxpayer. I want to put the taxpayer's interest highest.

I believe some cars are too big, too expensive, too polluting. I believe that the time of the drivers could be better utilized.

I believe that abusers should be strictly and severely penalized.

I believe a Government-wide survey is urgently needed. I strongly recommend

that our Committee on Appropriations make such a study and a recommendation for a Government-wide policy concerning the use of official cars for high officials. The study could be authorized and begin tomorrow.

But for now, in the consideration of appropriation bills for 1974 and particularly for the consideration of this appropriation bill for a small number of Federal agencies and one Federal department, I believe that we should not suddenly rescind the practice permitting the present use of official automobiles.

At present the law pertaining to the use of Government-owned passenger motor vehicles for official purposes is not clear. The intent of the Congress in this area is sufficiently doubtful that additional legislation should be enacted which clearly spells out the congressional intent.

At present the Administrative Expenses Act of 1946 (31 U.S.C. 638a(c)(2)) appears to be the controlling statute.

The control of the use of Government vehicles is primarily a matter of administration discretion to be exercised within the framework of the applicable laws.

For many years the Congress on the recommendation of the Appropriations Committees and the House and the other body have approved the purchase of large automobiles by many of the departments and agencies of the Federal Government. Section 405 of the Senate bill would be discriminatory legislation. It singles out only a few agencies for discriminatory treatment of what is said to be a Government-wide problem. For years, the Congress has appropriated funds to support administrative vehicles, including those carrying agency heads to and from home. The Comptroller General of the United States has indicated in writing that this use of a Government-owned passenger motor vehicle does not violate any law or regulation.

Section 405 would deny this funding to only a few agencies, without any showing that there has been any abuse by those particular agencies.

If there is a problem, it is one which is common to all agencies and should be dealt with on an across-the-board basis or the section should apply only to those agencies to which an abuse has been established.

Section 405 would be legislative "overkill." The Senate committee report cites the "proliferation of the use of limousines and sedans by an inordinate number of Government officials far below Cabinet rank" as the reason for the proposed section 405. But instead of dealing with this problem, section 405 singles out, among others, the administrators of NASA and the Veterans' Administration and the Director of the National Science Foundation, all of whom are at Executive Level II, ranking with the Deputy Secretary of Defense, the Under Secretary of State, and the Secretaries of the Military Departments. Section 405 also cuts off the chairmen of the Securities and Exchange Commission and the Federal Communications Commission, who rank at Executive Level III, along with the Under Secretaries of the rest of the Cabinet Departments. None of these officials is far below Cabinet rank. All of them obviously bear major Federal responsibilities, which impose in many cases pressures and demands fully equivalent to those of Cabinet Department heads.

I believe section 405 would be bad policy. The primary justification for the use of automobiles by agency heads is the saving of time for them to devote to their official business, which amounts to a saving of money for the Government.

Any of these agency heads can testify, and anyone who wants to observe, can see for himself, that they can and do attend to many of their necessary duties while en route, and do so more efficiently than in their offices, because they are not then preoccupied with meetings and various interruptions of their routine day. Section 405 would in effect sacrifice this time saving and increase the required working time of agency heads, with no advantage and some likely added costs to the Government. In addition, the original justification for the 1946 law, 31 U.S.C. 638a, which authorizes department heads to utilize cars, was to maintain immediacy of communication with the Executive Department, and particularly, I suppose the President. Since 1946 new agencies have been created in which the agency head, though not technically of Cabinet rank, has had a similar need with the Executive. Moreover, in the case of fast-moving agencies like NASA, the agency head must be in instant communication with the progress of agency missions and be available for quick decisions when necessary. Section 405 would ignore these obvious mission requirements.

Furthermore, section 405, as drafted, is confusing, arbitrary, and inequitable. Section 405 would appear to prevent the Secretary of Housing and Urban Development from being carried to and from his home, even though the 1946 law clearly permits this. The statement to the contrary in the Senate committee report is simply wrong. The Senate committee report also states the intent to prohibit the use of "limousines and heavy, medium, and light sedans by Federal officials." Yet section 405 authorizes the use of passenger motor vehicles of types generally available in motor pools, which may include all those types of vehicles. And notwithstanding section 405, H.R. 8825 elsewhere specifically authorizes purchase or hire of passenger motor vehicles by several agencies. In addition, for no apparent reason, section 405 changes the word "domicile," as used in 31 U.S.C. 638a, to "dwelling," and this change calls in question the sensible practice under which Government employees on travel status, when so authorized, are permitted to use a GSA motor pool vehicle—or a rented vehicle—for travel between their motel and their temporary duty station. Section 405 would also stipulate that only employees engaged in field work in remote areas would be eligible for certain dwelling-to-employment transportation. This change would upset longstanding interpretations of the Government Travel Regulations under which use of a Government car for transportation between dwelling and place of employment is permitted in certain specified circumstances. For instances: when duty travel for field work commences from the dwelling, when certain employees are required to be on standby duty around the clock, or when public transportation is not available and the employee is required to work unusual hours. There is no apparent purpose in eliminating these equitable and well-regulated practices. Legislative change requires more careful consideration. There has been practically no consideration given to the proposed section 405.

It seems to me that until we obtain better technical information at the relatively few public officials who are entitled to the use of an official car or an official car and a driver are a wise expenditure of Government funds.

We ask many persons of considerable talent, expertise, and experience who could earn far more in private enterprise to come to Washington to serve their Nation in various capacities. We ought to do everything we can to fully utilize their talents. Most of them are required to commute between their homes and work for as much as an hour to 2 hours each day. This worktime is certainly more valuable to the Government than the cost of an automobile and driver. Some of the most productive work can be done by high officials while they are traveling by automobile. Of course it is absolutely essential that most of these high officials have good personal transportation between the Executive Department and their agencies and elsewhere. All of us know that there is no mass transportation system available in Washington. In fact, transportation and parking is very bad in Washington as compared with most any other city in the Nation. All of us know that taxi service is inferior and practically nil at certain hours of the day in Washington. All of us know that parking is at a premium and practically nil at numerous places where public officials are required to attend. All of us know that personal security in Washington is a serious concern. There are numerous reasons peculiar to Washington why an official automobile and driver is practically essential to top governmental officials whether it saved them time or permitted them additional time in which to do much of the work which we require of them daily.

For these and many other reasons I strongly urge that the House instruct our conferees to resist the proposal of the other body which is contained in sections 405 and 406 of the Senate bill, and that we urge the Senate to recede.

Mr. MAHON. Will the gentleman yield?

Mr. TALCOTT. I yield to the distinguished gentleman from Texas.

Mr. MAHON. I think we all recognize that it would be utterly impossible to have a bill of this magnitude that was completely satisfactory to every member of the Committee on Appropriations or

every Member of the House or the administration.

I would like to have the gentleman's view as to whether or not he thinks the bill is reasonably adequate under all of the circumstances and as to whether or not he thinks the bill ought to be enacted into law as written in light of all the facts which confront us at this time.

My own personal view is that this bill is a reasonable bill, even though it is over the budget. In my judgment, the budget was not completely realistic in some respects, and in my view this bill represents a reasonable compromise, and ought to be acceptable to all concerned. I hope it will be signed into law.

Mr. TALCOTT. Mr. Speaker, if anybody would ask for my personal opinion, I would urge that the bill be enacted into law because I believe the Members of the conference from the Committee on Appropriations performed especially well on this bill, and worked hard to resolve the differences between the House and the Senate. I believe we have made a reasonable effort to resolve those differences. I think this is as good a bill as we could bring back under all of the many circumstances. It proposes to appropriate more money than I would prefer, but nevertheless I think it is a good conference report.

Mr. MAHON. Mr. Speaker, if the gentleman will yield further, I want to commend the chairman of the subcommittee, the gentleman from Massachusetts (Mr. BOLAND), the minority member, the gentleman from California (Mr. TALCOTT), and all the members of this committee for the work that has been done in trying to reach a reasonably acceptable bill. I believe the House will feel that it is acceptable.

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

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

Mr. CEDERBERG. Mr. Speaker, I concur in the statement of the chairman, and I too would say that I am not very happy with an appropriation bill that runs this amount over the budget. However, I recognize the difficult situation which confronted the situation, and I would personally urge the President to sign the bill. Whether he will or not, I do not know, but I hope that he will.

I think there is a great deal of difference in having an appropriation bill go over in this amount rather than the one in HEW that goes $1.2 billion over, and in reality it is $1.8 billion if you add on that money that was originally intended for expenditure after fiscal 1974. This is a different situation, and I hope that we can reach a reasonable compromise.

I have the feeling that we will have no problem with this bill because I think everyone recognizes that in this business no one gets everything that they want.

I also concur with the chairman in that I too believe the gentleman from Massachusetts (Mr. BOLAND), and the ranking minority member, the gentleman from California (Mr. TALCOTT), and all of the members of the committee have done a very outstanding job with a very difficult and complex bill that covers a large number of subjects.

So again I would personally say that I would urge the President to sign the bill.

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

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

Mr. GROSS. Mr. Speaker, I thank the gentleman for yielding.

I would like to ask the gentleman why the House went up $50 million for comprehensive planning grants.

Mr. TALCOTT. In my judgment the reason we agreed to split the difference with the other body, and in effect went up is that that is the amount that we agreed was needed by the cities and counties. There was a tremendous input from all of the cities, their mayors and city councilmen, telling us that this was one of the most important programs to permit them to meet their housing and community development problems with which they were confronted. This is a very useful program for the cities, and counties. We only "went up" part way.

The SPEAKER. The time of the gentleman has expired.

Mr. BOLAND. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, in further response to the inquiry of the distinguished gentleman from Iowa (Mr. GROSS) with respect to the 701 comprehensive planning grants program, as the gentleman from Iowa knows, there was a rollcall in the House on that particular matter, and the subcommittee prevailed on its $25 million recommendation.

When we went to conference with the Senate there was concern on the part of the House Members to keep to that amount, which would be available for planning in 1975. This really is forward funding. There is enough money that would be available with the $25 million that the House provided in our bill to carry this program all the way through 1974, and well into 1975. However, a great number of the State and local planning agencies were concerned that they would not be able to plan for the entire fiscal year 1975. So what we really did was make $75 million available for the entire program. That was the amount of money that was expended in fiscal year 1973 for the 701 comprehensive planning programs. We provided that amount so all the State and local planning agencies can plan for the entire fiscal year 1975.

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

Mr. BOLAND. I would be delighted to yield to the gentleman from Iowa.

Mr. GROSS. I believe that the gentleman from California said that this was done under pressure from the mayors of the country. Did they suggest where the $45 million would come from, where it was to be obtained by the Federal Government?

Mr. BOLAND. No, I must admit that the mayors did not suggest that. I do not know if we shall ever get any response from the mayors as to where the moneys are to come from. I must say that all the mayors who participated in this program were very concerned, as were the Governors, and the metropolitan planning agencies.

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

Mr. BOLAND. I yield to the gentleman from South Carolina.

Mr. DORN. Mr. Speaker, I rise to commend the distinguished and able gentleman from Massachusetts, the chairman of the subcommittee, who has done a very outstanding job for the Congress and the country in handling these appropriations. He worked diligently long and hard. I might commend also the members of his subcommittee, the minority leader of his subcommittee, and particularly the distinguished gentleman from Massachusetts for his able leadership in getting these appropriations authorized, and then the conference report.

I might say to him, Mr. Speaker, on behalf of our committee, I want to thank him for his splendid cooperation, understanding of, and devotion to the veterans of this country and to our great Committee on Veterans' Affairs.

Mr. Speaker, I want to commend the distinguished members of the Appropriations Committee and particularly those who serve on the HUD, Space, Science, and Veterans Subcommittee for the thorough and exhaustive review which they again made this year of the appropriation request for the operation of the Veterans' Administration during 1974. This subcommittee under the distinguished chairmanship of the gentleman from Massachusetts (Mr. BOLAND) has been most diligent in reviewing the VA budget to assure the veterans of America that the Veterans' Administration will serve them properly and promptly and in the same spirit our exservicemen served their country in time of national crisis. Special and particular attention was given to the VA hospital system which has long been considered among the best Government operated medical facilities in America.

Since 1969, Congress has increased budget requests of the administration for VA medical care by hundreds of millions of dollars in an effort to keep pace with rising demands and increased costs of VA medical care.

During the past 5 to 6 years there have been vast differences of opinions between Federal budget officials, policymakers in the executive branch of the Government, committees of Congress concerned with veterans' affairs, and national veterans' groups as to the adequacy of VA hospital staffing and the quality of medical care available for America's veterans.

Based on investigations by the House Appropriations Veterans Subcommittee and the House Veterans' Affairs Committee, as well as veterans' organizations, it seems clear that there may be a serious need for immediate and substantial additional staffing and other resource increases for the VA. Surveys conducted by the House Veterans' Affairs Committee for several years among VA hospital directors indicated that additional staffing was considered to be one of their most pressing problems in the delivery of health care to veterans. These surveys also disclosed that various arbitrary personnel ceilings and grade deescalation

policies imposed by Executive order were having serious adverse effects and impeding the proper care of hospitalized veterans.

The 1974 Veterans' Administration budgetary request apparently is predicted on a continuation of hard-line personnel ceilings and grade deescalation policies which may result in the reduction of over 2,000 employees in the VA's Department of Medicine and Surgery in fiscal 1974.

During the 1974 VA budget hearings before the Congress, the Administrator of Veterans' Affairs presented testimony predicting that for the most part, present staffing patterns in the VA medical program were adequate to meet current demands. However, when the Administrator transmitted his budget request for fiscal year 1974 to the Office of Management and Budget, before it was sent to Congress, it contained a request for increased medical care employment totaling about 5,500 positions at a cost of $123 million in order to staff VA medical bed sections at a ratio of 1.65 staff to patients; surgical bed sections at 2.07 staff to patients, and psychiatric bed sections at 1.0 staff to patients. The Office of Management and Budget did not approve these levels and the overall 1974 budget request for VA medical care was reduced by over $173 million. Of course the Administrator was then required to defend the OMB approved level rather than his own recommendations. Nevertheless, Congress is increasing the medical budget by approximately $59 million for fiscal year 1974.

Staffing ratio and other resource requirements for VA hospitals have been debated for a number of years; however, little progress has been made in resolving the issue. Conflicting policies have been set by both the executive and legislative branches of the Government. Funds for implementing legislative policies have been impounded by the executive branch.

For the past 2 fiscal years, the Congress has established a minimum operating bed and average daily patient census level by law in seeking to insure that all qualified veterans in need of hospital care would have the necessary VA hospital facilities available to accommodate their medical needs.

For 2 consecutive years, the numerical levels of average usage and operating bed capacity as earmarked by the Congress for the VA hospital system have been ignored, apparently due to arbitrary guidelines imposed by the Office of Management and Budget.

In each of the past two fiscal years, an opinion has been sought from the Comptroller General of the United States as to whether or not the VA had complied with the provisions of law pertaining to the minimum average daily patient census and operating bed levels. In two separate opinions, the Comptroller General has stated that the VA has not complied with the provisions of law.

In passing this appropriation bill, Congress has taken note of President Nixon's statement in his human resources message on the state of the Union on March 1, 1973, concerning the provisions of medical care for veterans. In this message, the President stated:

> Since 1969, there has also been a steady shortening of the average length of stay in VA hospitals, a highly desirable objective from every viewpoint. This means that VA hospitals have fewer patients in bed on an average day, with shorter waiting lists, even though the total number of patients treated has gone up.
>
> Misunderstanding these statistics, some have sought to establish by law a numerical minimum average daily patient census in VA hospitals. But such a fixed daily census would represent a backward step; it would force a sharply increased length of stay—an effect that is medically, economically, and socially undesirable. It is far better that our veterans be restored to their families and jobs as rapidly as feasible, consistent with good medical care. A fixed patient census would tie the hands of those seeking to serve veterans' health needs; I urge Congress not to enact such a requirement.

In direct response to the President's contention as expressed in his March 1, 1973, message and further reiterated by the Administrator of Veterans' Affairs in testimony before the Congress that no fixed patient census or fixed operating bed level is needed to serve veterans' health care needs in fiscal year 1974, Congress omitted such provisions from the appropriations bill. Congress expects, however, that the administration will also drop the arbitrary restrictions it has imposed, which has limited available hospital facilities for the care of veterans. Congress expects the VA to accept for treatment eligible veterans in need of care, as required by law. The appropriations committee has indicated that it stands ready to favorably entertain consideration of future justified proposals submitted by the administration to supplement medical care funding in the future.

This is most important and I expect OMB to fulfill its commitment. Eligible veterans in need of care must be admitted and I am confident that Congress will furnish additional funds if the agency requests them.

An examination of the hearing record on the 1974 VA budget reveals substantial testimony by the Administrator of Veterans Affairs to the effect that an average daily census of 80,000 is sufficient to meet the needs of veterans requiring hospital care during fiscal year 1974. In his testimony, the Administrator reiterated the President's position that there was no need to establish by law minimum census and bed level requirements which the Congress adopted in fiscal years 1972 and 1973.

The Administrator of Veterans Affairs, in support of the requested budget, assured the committee that if the patient load required an increase in average daily patient census and operating bed levels during fiscal year 1974, the necessary upward adjustments would be made to take care of the additional load.

There are other areas of equal concern in the VA hospital system that need improvement. These include better staffing in direct patient care during night shifts, weekends and holidays; improvement in emergency care capability and around-the-clock hospital coverage to facilitate prompt workup and treatment of patients; more adequate space and better staffing to deal with greatly increasing out-patient care loads; some relaxation of rigid personnel ceilings and average grade level policies; and continued upgrading and replacement of physical facilities in the hospitals and clinics.

Mr. Speaker, the Veterans' Affairs Committee will continue to monitor the operation of the 169 VA hospitals throughout the VA medical system and the other programs administered by the VA. The committee is in process of completing a survey relating to the medical program and preliminary results indicate that there is a decided need for improvement in many facets of the program. There is considerable evidence that many veterans who are in need of hospital admission are being turned away. Such conditions cannot be tolerated. The administration has asked the Congress not to enact legislation requiring fixed floors or ceilings on the numbers of patients to be treated in VA medical facilities during fiscal year 1974. Congress has favorably responded to the President's request with the definite expectation that the Office of Management and Budget and Administrator of Veterans' Affairs are to be certain that all eligible veterans in need of care, as required by law, are accepted for treatment. The Appropriations Committee has made it clear that it stands ready to make any additional funds available which are needed to carry out this pledge to America's veterans. And, I want to assure all concerned that the House Veterans Committee will continue its efforts to assure veterans of efficient, timely, quality care.

Mr. BOLAND. Mr. Speaker, speaking on behalf of this subcommittee and the entire Committee on Appropriations, I welcome the kind words that have been extended to this subcommittee, particularly from the gentleman from South Carolina, who is vitally interested in veterans affairs and who has the consideration and concern of the veterans constantly in mind, as do, of course, other members of the Committee on Veterans' Affairs.

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

Mr. BOLAND. I yield to the gentleman from Mississippi.

Mr. MONTGOMERY. I should like to ask the distinguished chairman the figure for the standby Selective Service System reported in the conference report.

Mr. BOLAND. The figure that was adopted by the House, as the gentleman knows, was $47,500,000. This was reduced by the Senate to $35 million for a standby Selective Service System. When we went to conference, the Senate conferees yielded on that figure, and the figure now is what the House passed—$47,500,000 for a standby Selective Service System.

Mr. MONTGOMERY. Mr. Speaker, I should like to commend the chairman and the members of the committee of conference for standing by the House figure. I should like to say that this would

be the worst thing that could happen, in my opinion, to dismantle the Selective Service System at this time when the all-volunteer era is still in the trial stage.

I thank the Chairman.

Mr. BOLAND. I thank the gentleman from Mississippi.

Mr. CAREY of New York. Mr. Speaker, will the gentleman yield?

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

Mr. CAREY of New York. Not with regard to the context of the bill, but I think the House should be on notice that the distinguished chairman of the subcommittee stands today before the House in probably his last appearance as a happy bachelor. The next time he takes up this bill, he will join the miserable group of the rest of us as a Benedick. I want to pile more praise to that already heaped upon the head of the distinguished gentleman, and I am very happy that in this mature part of his life he has finally come to his senses.

Mr. BOLAND. My only response to that, Mr. Speaker, would be that I presume that the statement of the distinguished gentleman from New York carries the inference that as a married man I will probably come back here with a budget much below what we are presenting to the House today.

Mr. Speaker, I yield to the gentleman from California (Mr. TALCOTT).

Mr. TALCOTT. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. QUILLEN).

Mr. QUILLEN. Mr. Speaker, I would also like to congratulate the distinguished chairman of the subcommittee, the chairman and ranking minority member of the full committee, and the minority member of the subcommittee for the fine work they have done in bringing this measure to the floor.

I am particularly grateful for the additional $25 million for assistance for new State medical schools.

Mr. McDADE. Mr. Speaker, I rise in support of the conference report to the bill, H.R. 8825, making appropriations for various HUD, Space, Science, and Veterans programs. I wish to call to the Members' attention two areas of particular concern to me and to my constituents.

First I would like to refresh my colleagues recollection of language inserted, at my request in the House Report urging the Department of Housing and Urban Development to release the funds available now for obligation for the section 202 Housing for the Elderly program. I can understand HUD's determination to develop a new and more effective national housing program. But today there is little cause for rejoicing among the millions of underhoused elderly who are suffering under the guise of efficiency presented by HUD's moratorium on Federal housing starts. It makes much better sense to me to release funds available for obligation now for a program with a proven record of success addressed to a proven area of national need. Section 202 is such a program. I again call upon the Secretary of Housing to release the 202 program from limbo until satisfactory alternatives to a new approach to elderly housing can be taken.

One other area, which I call to the attention of my colleagues, is the increase in funds for section 701 Comunity Planning Grants. Earlier, the House had approved $25 million in new obligational authority. The Senate had approved the entire request for $110 million, and the conferees settled on a compromise of $75 million.

During House debate on the bill, the central question revolved on how much money HUD could and would obligate based on its past track record. Serious concern was voiced by some members regarding the adequacy of the $25 million appropriation level in meeting the needs of local planning agencies. I felt then, as now, that, despite the increase in new authority, HUD's program expenditures would not increase dramatically. Despite an increased authorization level enacted in 1972, HUD has consistently spent only about $50 to $60 million on this program.

During House consideration of the 701 budget, the committee did indicate that, if more funds were needed to implement the provisions of the proposed Responsible Governments Act yet to be considered by the Congress, the committee would entertain a request for supplemental funds. The addition of $50 million to the conference report should take care of such an eventuality.

The action by the House should in no way be interpreted as an attempt to restrict the planning capacity of any of our local agencies. Certainly, those of us, whose congressional districts have active housing and urban development programs, realize that a sound planning capability is vital. I think the committee has adequately reflected our commitment to the continuance of community development. However, we were faced with certain budgetary realities in preparing this bill. Those realities forced us to search for new areas in the budget whose programs could be maintained with existing funds. Section 701 was such an account. The actions of the conference committee in restoring 50 million should allay the fears of many members that insufficient planning funds would be available through the coming fiscal year.

Mr. Speaker, approval of the conference report on H.R. 8825 is vital to our Nation's commitment to better housing, community development, veterans care, and technological advancement for all Americans. I urge its adoption by the House.

Mr. TALCOTT. Mr. Speaker, we have no further request for time.

Mr. BOLAND. Mr. Speaker, I move the previous question on the conference report

The previous question was ordered.

The SPEAKER. The question is on the conference report.

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

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

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 401, nays 9, not voting 23, as follows:

[Roll No. 412]

YEAS—401

Abdnor	Derwinski	Karth
Abzug	Dickinson	Kastenmeier
Adams	Diggs	Kazen
Addabbo	Dingell	Keating
Anderson, Calif.	Donohue	Kemp
Anderson, Ill.	Dorn	Ketchum
Andrews, N.C.	Downing	King
Andrews, N. Dak.	Drinan	Kluczynski
Annunzio	Dulski	Koch
Archer	Duncan	Kuykendall
Arends	du Pont	Kyros
Armstrong	Eckhardt	Landrum
Ashley	Edwards, Ala.	Latta
Aspin	Edwards, Calif.	Lehman
Badillo	Eilberg	Lent
Bafalis	Erlenborn	Litton
Baker	Esch	Long, La.
Barrett	Eshleman	Long, Md.
Beard	Evans, Colo.	Lott
Bell	Fascell	Lujan
Bennett	Findley	McCloskey
Bergland	Fish	McCollister
Bevill	Flood	McCormack
Biaggi	Flowers	McDade
Biester	Flynt	McEwen
Bingham	Foley	McFall
Blackburn	Ford, Gerald R.	McKay
Boggs	Ford, William D.	McKinney
Boland	Forsythe	McSpadden
Bolling	Fountain	Macdonald
Bowen	Fraser	Madden
Brademas	Frelinghuysen	Madigan
Brasco	Frenzel	Mahon
Bray	Frey	Mailliard
Breaux	Froehlich	Mallary
Breckinridge	Fulton	Mann
Brinkley	Fuqua	Martin, Nebr.
Brooks	Gaydos	Martin, N.C.
Broomfield	Gettys	Mathias, Calif.
Brotzman	Giaimo	Mathis, Ga.
Brown, Calif.	Gibbons	Matsunaga
Brown, Mich.	Gilman	Mayne
Brown, Ohio	Ginn	Mazzoli
Broyhill, N.C.	Goldwater	Meeds
Broyhill, Va.	Gonzalez	Melcher
Buchanan	Goodling	Metcalfe
Burgener	Grasso	Mezvinsky
Burke, Calif.	Green, Oreg.	Michel
Burke, Fla.	Green, Pa.	Milford
Burke, Mass.	Griffiths	Miller
Burleson, Tex.	Grover	Minish
Burlison, Mo.	Gubser	Mink
Burton	Gude	Minshall, Ohio
Butler	Guyer	Mitchell, Md.
Byron	Haley	Mitchell, N.Y.
Carey, N.Y.	Hamilton	Mizell
Carney, Ohio	Hammer-schmidt	Moakley
Carter	Hanley	Mollohan
Casey, Tex.	Hanrahan	Montgomery
Cederberg	Hansen, Idaho	Moorhead, Calif.
Chamberlain	Hansen, Wash.	Moorhead, Pa.
Chappell	Harrington	Morgan
Chisholm	Harsha	Mosher
Clancy	Harvey	Moss
Clark	Hastings	Murphy, Ill.
Clausen, Don H.	Hawkins	Myers
Clawson, Del	Hays	Natcher
Cleveland	Hébert	Nedzi
Cochran	Hechler, W. Va.	Nelsen
Cohen	Heckler, Mass.	Nichols
Collier	Heinz	Nix
Collins, Ill.	Helstoski	Obey
Collins, Tex.	Henderson	O'Hara
Conable	Hicks	O'Neill
Conlan	Hillis	Owens
Conte	Hinshaw	Parris
Corman	Hogan	Passman
Cotter	Holifield	Patman
Coughlin	Holt	Patten
Cronin	Holtzman	Perkins
Culver	Horton	Pettis
Daniel, Dan	Hosmer	Peyser
Daniel, Robert W., Jr.	Howard	Pickle
Daniels, Dominick V.	Huber	Pike
Danielson	Hudnut	Poage
Davis, Ga.	Hungate	Podell
Davis, S.C.	Hunt	Preyer
Davis, Wis.	Hutchinson	Price, Ill.
de la Garza	Jarman	Price, Tex.
Delaney	Johnson, Calif.	Pritchard
Dellenback	Johnson, Colo.	Quie
Denholm	Johnson, Pa.	Quillen
Dennis	Jones, Ala.	Railsback
Dent	Jones, N.C.	Randall
	Jones, Okla.	Rangel
	Jones, Tenn.	Rees
	Jordan	Regula
		Reid

Reuss	Slack	Vanik
Rhodes	Smith, N.Y.	Veysey
Riegle	Snyder	Vigorito
Rinaldo	Spence	Waggonner
Roberts	Staggers	Waldie
Robinson, Va.	Stanton,	Walsh
Robison, N.Y.	J. William	Wampler
Roe	Stanton,	Ware
Rogers	James V.	Whalen
Roncalio, Wyo.	Stark	White
Roncallo, N.Y.	Steed	Whitehurst
Rooney, Pa.	Steele	Whitten
Rose	Steelman	Widnall
Rosenthal	Steiger, Ariz.	Wiggins
Rostenkowski	Steiger, Wis.	Williams
Roush	Stephens	Wilson, Bob
Roy	Stokes	Wilson,
Roybal	Stratton	Charles H.,
Runnels	Stubblefield	Calif.
Ruppe	Stuckey	Wilson,
Ruth	Studds	Charles, Tex.
Ryan	Sullivan	Winn
St Germain	Symington	Wolff
Sandman	Talcott	Wright
Sarasin	Taylor, Mo.	Wyatt
Sarbanes	Taylor, N.C.	Wydler
Satterfield	Teague, Calif.	Wylie
Saylor	Teague, Tex.	Wyman
Scherle	Thompson, N.J.	Yates
Schneebeli	Thomson, Wis.	Yatron
Schroeder	Thone	Young, Alaska
Sebelius	Thornton	Young, Fla.
Seiberling	Tiernan	Young, Ga.
Shipley	Towell, Nev.	Young, Ill.
Shoup	Treen	Young, S.C.
Shriver	Udall	Young, Tex.
Sikes	Ullman	Zablocki
Sisk	Van Deerlin	Zion
Skubitz	Vander Jagt	Zwach

NAYS—9

Ashbrook	Devine	Rousselot
Camp	Gross	Shuster
Crane	Rarick	Symms

NOT VOTING—23

Alexander	Gunter	Murphy, N.Y.
Blatnik	Hanna	O'Brien
Clay	Ichord	Pepper
Conyers	Landgrebe	Powell, Ohio
Dellums	Leggett	Rodino
Evins, Tenn.	McClory	Rooney, N.Y.
Fisher	Maraziti	Smith, Iowa
Gray	Mills, Ark.	

So the conference report was agreed to.

The Clerk announced the following pairs:

Mr. Rooney of New York with Mr. Smith of Iowa.
Mr. Blatnik with Mr. Evins of Tennessee.
Mr. Gray with Mr. Gunter.
Mr. Fisher with Mr. Ichord.
Mr. Hanna with Mr. O'Brien.
Mr. Murphy of New York with Mr. Conyers.
Mr. Rodino with Mr. Clay.
Mr. Leggett with Mr. Landgrebe.
Mr. Alexander with Mr. McClory.
Mr. Pepper with Mr. Dellums.
Mr. Mills of Arkansas with Mr. Maraziti.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

AMENDMENTS IN DISAGREEMENT

The SPEAKER. The Clerk will report the first amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 3: On page 3, line 13, strike out "$2,100,000,000" and insert "$2,020,000,000, of which, not less than $315,000,000 shall be used only for the payment of operating subsidies to Local Housing Authorities."

MOTION OFFERED BY MR. BOLAND

Mr. BOLAND. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. BOLAND moves that the House recede from its disagreement to the amendment of the Senate numbered 3 and concur therein with an amendment, as follows: In lieu of the matter stricken and inserted by said amendment, insert: "$2,020,000,000, of which not less than $280,000,000 shall be used only for the payment of operating subsidies to local housing authorities."

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

Mr. BOLAND. I yield to the distinguished chairman of the Committee on Appropriations, the gentleman from Texas (Mr. MAHON).

SALUTE TO MR. NATCHER

Mr. MAHON. Mr. Speaker, I wish to take a moment to call attention to a very interesting and significant statistic. This has reference to the gentleman from Kentucky (Mr. NATCHER) one of the most distinguished, effective, respected, and beloved men in this body.

On August 1, 1953, the gentleman from Kentucky, BILL NATCHER, was elected in a special election to the U.S. Congress. That was 20 years ago today.

The House has just completed the 412th rollcall of this session. This dedicated man, my very distinguished friend, has not missed a single rollcall during his entire 20-year tenure. This is a most remarkable achievement, and it seems to me that we might extend special congratulations to Mr. NATCHER, not only upon the fact that he has responded to all the votes, but that he has been such a dedicated and effective Member of this body. In his many responsibilities as a legislator, he has reflected credit upon the Congress.

So, Mr. Speaker, may I, on behalf of all the Members of the House, salute the gentleman from Kentucky, BILL NATCHER, upon this occasion.

Mr. SNYDER. Mr. Speaker, the records of the Clerk of the House of Representatives disclose that my friend Representative WILLIAM H. NATCHER has a perfect voting record. Representative NATCHER was elected in a specal election held on August 1, 1953, and since Congress was in adjournment at that time he was sworn in as a Member on January 6, 1954. He has never missed a day since he has been a Member of Congress and he has never missed a rollcall vote. During the 20 years that he has been a Member of Congress thousands of rollcalls have been held.

As a Member of Congress, BILL NATCHER knows that the fact that he has not missed a day in Congress or a rollcall vote is not the sole test of a good representative but, Mr. Speaker, I know that he is definitely of the opinion that Members of Congress should stand up and be counted on each issue. I have always believed this myself and I know that this is the main reason why BILL NATCHER is proud of the record he has established.

As the records will disclose, Mr. Speaker, I do not have a perfect voting record but I have an excellent record and one that I am proud of. I have endeavored to cast the vote of my people the way it should be cast.

We have a number of Members of the Congress today who have excellent voting records and this has applied all down through the years. If the records were checked back to March 4, 1789, which was the opening date of the first session of the first Congress which met in the city of New York, you would find that no Member has served in either the House of Representatives or the Senate of the United States who has a comparable record to the one established by our friend and colleague BILL NATCHER. BILL NATCHER is a member of the Committee on Appropriations and I know that his assignment to this committee has placed him in a position on a number of occasions where he has had close calls in order to be present to cast the vote of his people. Since I have been a Member of Congress, Representative NATCHER and I have worked together on a great many projects and programs which have produced benefits to the people in the Commonwealth of Kentucky and to the people throughout this country.

Mr. Speaker, the record established by Representative NATCHER is one that he and his people can be proud of and it is a privilege for me to call attention of the Members of the Congress to this record.

Mr. BENNETT. Mr. Speaker, I rise to pay tribute to the gentleman from Kentucky on the 20th anniversary of his coming to the Congress; and to pay tribute to him for his perfect voting and attendance record. Also on the high quality of his service and of his leadership in Congress.

An illustration of the latter is the outstanding job he did in presiding recently over the House, during the enactment of the agriculture bill. In my 25 years in Congress I do not remember seeing more able presiding by anyone. You will remember that there was a standing ovation of the warmest applause for him on that occasion. I cannot remember a more spontaneously given tribute to any of our membership in the years I have been here.

The gentleman from Kentucky (Mr. NATCHER), sets a standard of performance for Congress that not only is an inspiration to all of us in Congress, but also is an inspiration to our entire country. He is a gentleman in fact, not just by deference to his position. In addition he is a warmhearted man's man. His good humor makes him a delightful person to be with. His keen mind and dedicated American spirit always support his country in its needs. Mr. NATCHER, we are all truly grateful for your performance as well as for your extraordinary record.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate Amendment No. 44: On page 32, line 12, insert the following:

SEC. 405. (a) None of the funds made available under this Act may be used for the purchase, hire, or operation and maintenance of passenger motor vehicles (other than passenger motor vehicles of the types generally available in motor pools of Government agencies on the date of enactment of this Act and other than for the purchase, hire, or operation of one such vehicle for official use by the Secretary of Housing and Urban Development).

(b) None of the funds provided in this Act may be used for the purchase, hire, or operation and maintenance of any passenger motor vehicle for the transportation of any Government employee between his dwelling and his place of employment, except in cases of medical officers on outpatient medical

service and except in cases of officers and employees engaged in field work in remote areas, the character of whose duties make such transportation necessary, and only when such exceptions are approved by the head of the department concerned.

MOTION OFFERED BY MR. BOLAND

Mr. BOLAND. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. BOLAND moves that the House insist on its disagreement to the amendment of the Senate numbered 44.

Mr. BOLAND. Does the gentleman from Iowa wish me to yield to him?

Mr. GROSS. I do, and I thank the gentleman for yielding.

For the life of me I cannot understand what is wrong with that language to be found on pages 32 and 33 of the bill which represents the Senate amendment. Somewhere a start ought to be made in this Government toward the elimination of at least some of the limousines and some of the use of motor cars.

I regret that I do not have a list of the principal users of motor cars and the numbers of the various agencies, especially at this time of gasoline shortages and all that goes with it.

I do not understand why the House committee is opposed to this Senate amendment.

Mr. BOLAND. Mr. Speaker, I appreciate the comments of the distinguished gentleman from Iowa. There is a concern on the part of a great number of Members of Congress with respect to the use of motor vehicles and their hire, operation, and maintenance. As the gentleman said, perhaps somewhere along the line there ought to be a start made in the direction of at least taking a look at the problem.

It is the judgment, I might say, of most of the members of the subcommittee that the substantive legislative Committee on Government Operations ought to look into the whole spectrum of this subject. We do not think it is responsible or fair to do it in this bill alone.

There is no doubt that there may be some abuses in the use of motor vehicles. I do not believe the agencies carried in this bill have abused their privileges.

There is only one limousine provided in this bill—and that is for the Secretary of Housing and Urban Development. There are 13 medium sedans spread throughout all of the independent agencies in the bill, and three other sedans leased from the GSA.

Our concern with the language is not only that it is unfair and discriminatory with reference to the department and agencies in this bill, but that the meaning and consequences of the Senate language are not fully known. For example, the effect could bar payment of taxi fares for secretaries who are required to work after the regular working hours and are entitled to safe transportation to their homes.

Our concern also is that although it permits a limousine for the Secretary of Housing and Urban Department, it would bar its use for travel between his place of dwelling and the office. All other department heads of the Government do this. Why should the Secretary of Housing and Urban Department be singled out as a second-class Presidential appointee?

We agree with the gentleman that there ought to be a thorough look at the problem, but we think such a review should cover all Government agencies, including the Department of Defense and the military. In fact, perhaps the greatest abuse in the use of these cars is by military personnel. We feel there is little or no abuse with respect to the agencies carried in this bill.

Mr. GROSS. If the gentleman will yield further, I would reiterate that a start has to be made somewhere. If we wait for an overall study it would probably be a decade or a quarter of a century, before we obtained any action on this subject, which I believe ought to have some attention now. I cannot think of a better place to start than here and now on this bill and every other bill that comes along with some kind of a restriction on the use of motor cars.

There are some people who have been living off the fat of the land down here who, when they are turned out to pasture, will not know how to operate a motor vehicle, and I do not want to be called upon to sympathize with them later on.

I still say I cannot see any reason why this language is not acceptable and a start made here and now to put some kind of a restriction on the use of limousines and other motor vehicles on the part of the poobahs in this Government.

Mr. BOLAND. Mr. Speaker, I must say that this committee understands the concern of the gentleman from Iowa. I think the gentleman is correct in some of his statements, and I do not begrudge the fact that there are some abuses in the use of these cars. There will always be abuses—and it is our duty to try and limit these abuses. But it is also my judgment that the agency head who often is serving at considerable financial sacrifice, working long hours, and who has to come in early in the morning and work late into the night, has a justifiable need for these cars.

Most of these people are fine, dedicated public servants. They ought to have some of the prerogatives of office. Often they have come out of private life and are earning a relatively small salary in comparison to that which they commanded before taking their present positions. Most of them could easily make six figure salaries outside the Government. But they have come to Washington, not for personal aggrandizement, but because they are dedicated and interested public servants. They want to do a job in the public interest and they are vitally concerned in making a success out of the programs they run.

I think that people such as these are entitled to transportation in this city—including a few luxuries if you want to go so far as to call a medium sedan a luxury.

I wonder how many of you have tried to get a cab in this town at 10 o'clock at night—or have tried to get a cab some rainy afternoon? If you have, you know it is not easy. I do not believe that we should require these agency heads to depend on taxi cabs or on GSA cars.

Finally, it is simply unfair to take this action on only one appropriation bill. This provision would directly affect only 16 cars of the hundreds in use throughout the Government. If we are going to do this, we should do it across the board—by changing and correcting the basic law—and not willy-nilly on one appropriation bill.

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

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

Mr. TALCOTT. Mr. Speaker, I thank the gentleman for yielding.

I concur with the gentleman from Massachusetts and recommend to all of the Members of the House to not accept the Senate position and to reaffirm the position taken by the House.

I would like to answer the gentleman from Iowa, if I may.

I am just as interested as the gentleman from Iowa is in making sure our tax money is well spent. But we have not made a study at all of this problem throughout the Government. We have not made a study for the departments and various agencies that we are supposed to be legislating on. I think there ought to be some study, and that we just cannot arbitrarily say there is only going to be one limousine, and that there should not be any other automobiles at all of the other agencies.

I might add that there has not been one abuse mentioned. No one has called a single abuse to me concerning any of the agencies we are talking about.

I have heard the expression, "Let them walk, we do," or, more appropriately, "Let them jog, I do." But I do not think that that is good and responsible legislating.

I would also like to say this, that I, too, deplore abuses, and I, too, deplore the wives and children using the cars, and for other nonbusiness uses. I believe some departments and agencies have too many cars. I believe the cars are too big, and that the car pools will not work. I think that the use of automobiles should be looked into, but I believe that such a study should be governmentwide if we are going to legislate responsibly.

So, Mr. Speaker, I urge everyone to support the position of the House.

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

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

Mr. ECKHARDT. Mr. Speaker, I must say that I am in entire agreement with the gentleman from Iowa with respect to the Senate position on this bill.

I must confess that I do not remember the exact name of the Assistant Secretary whose limousine was in the horseshoe bend of the Rayburn Building when I reported on it to the House. That occurred several weeks ago. But he was an Assistant Secretary of Housing and Urban Development; however, it makes no difference because the situation is the same with virtually all of the limousines of the secretaries and assistant secretaries that park in the horseshoe bend on the east side of the Rayburn Building.

The situation that I previously referred to on the floor was this: I had my

attention called to it as I left my committee meeting. There was a long Cadillac parked there with the chauffeur lounging in the car. The window was rolled down because the air conditioning was apparently too cool for him. Now, that was on a bright, beautiful, rather coolish day that followed a terrible period here in Washington of heavy air pollution in sultry, gray, hot weather. During the pollution period the same thing had occurred. But let me return to the incident in question: I was on my way to meet a quorum call on the floor of the House, and then ultimately stayed here for about an hour and a half. And when I returned the man was still parked there. I asked him whose limousine it was, and if I had my notes before me I would tell you the name of the Assistant Secretary who was utilizing that limousine. Apparently the only reason why the air conditioning was on for that hour and a half was so that when the Secretary emerged from the committee before which he was testifying, Government Operations—for I checked that later—the car would be sufficiently cooled so that he would not have to endure the 3 or 4 minutes of heat that an automobile in summer subjects a man to until the time that the air conditioning can begin to take effect. But I see no reason why this should be permitted.

There was a pretty good principle established way back in the days of Sparta. Lycurgus required that all of the persons of highest authority in Sparta eat with the public on certain days. He required that they eat together in a public place so as not to give them the feeling that they were a different breed, a breed that drives around in chariots.

Why should we cater to that status-seeking pomposity which demands a private chauffeur and a limousine for every Assistant Secretary when he comes up here to testify? It seems to me it would be just as convenient if he came up here in an ordinary automobile supplied by the GSA. The provisions of the Senate bill are that the GSA regular pool cars be substituted for the limousines and heavy and medium sedan cars now used by the heads of most agencies. The bill reiterates the provisions of the 1946 act prohibiting the use of limousines to drive individuals to and from their homes. That seems to me entirely reasonable.

If GSA should have some slightly bigger cars that are to be used by slightly higher officials in these various agencies, that is all right with me, but it seems to me these cars should be used in common, dependent upon the need of the persons desiring to use them, not based on a nice differentiation for the levels of bureaucratic nobility so that some have a special badge of authority permitting them a particular kind of limousine, a chauffeur, a light in the car, and a telephone or two.

Mr. Speaker, I am opposed to the motion.

Mr. BOLAND. Mr. Speaker, in response to the gentleman from Texas, I do not think anybody can quarrel with some of the statements that have been made. I might say that there are no Assistant Secretaries of the department carried in this bill who have a limousine—no Assistant Secretaries. Only one man of the thousands of employees that are carried in this bill has a limousine. He is a member of the Cabinet, and he is the Secretary of the Department of Housing and Urban Development.

With reference to the cost as between the cars that are leased privately and those which may be leased from the General Services Administration, the annual cost of leased cars for a Mercury is $850. This is leased directly from the corporation. The cost of a Ford LTD is $750 a year. The Cadillac that is leased for the Secretary of the Department of Housing and Urban Development costs $1,000 a year, and the medium sedan, the Chrysler, is $900 a year.

To lease those cars from the GSA—and the agencies have to pay the GSA for the use of the cars that the GSA provides—a Ford Sedan with air conditioning and telephone costs $600 a year, plus 5 cents per mile. What this means is that if a GSA leased car is driven an average of 12,000 miles per year, for example, the cost to the Government is $600 plus 5 cents a mile, for a total cost of $1,200. That compares with a total cost of $750 per year plus gasoline to lease the same Ford sedan directly from the corporation. The net result is that leasing cars from the GSA does not save the Government any money.

What we are saying here is—and I think the gentleman would probably agree, and also the gentleman from Iowa—that there are abuses in this area, but I do not believe the abuses are occurring, as I understand it, in the agencies that are in this bill. The limousine is used by the Secretary, and I suppose at times he might very well permit the Under Secretary to use the limousine when he is not using it himself.

I do not know why we ought to start with this bill any more than some other bills. But more importantly, if some action is required, it should be done through legislation and not as a rider on this appropriation bill.

We ought to have appropriate legislative committees take a thorough look at this problem and give the Congress its recommendations in the matter.

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

Mr. BOLAND. The gentleman now has used a great deal of time and I have been very kind in yielding to him, and I am delighted to yield to him again.

Mr. ECKHARDT. Mr. Speaker, will the gentleman confirm that in the Senate hearings there was established the fact that the chauffeurs of these limousines were paid $14,000 to $17,000 a year?

Mr. BOLAND. This may be true, including their pay for overtime. The chauffeurs of these limousines, medium sedans, and sedans used throughout the Government are probably paid the same rate. Many have other responsibilities and serve in dual capacities, but that I think is a problem for the legislative committees. Do they want the Secretaries and Cabinet members of the various departments to have limousines? Do we not think the people who come here, oftentimes at great monetary sacrifice, are entitled to some perquisites and amenities? My judgment is they should have them. I think they do a great job. Many of these Cabinet members want to use the time they are traveling to their offices as productive working time. I think a great number of other top officials and heads of independent agencies are really important to the workings of this Government. There is no reason why the Government should not enable them to make the best use of time for official business.

Mr. ECKHARDT. Am I correct in understanding under the provisions of the 1946 act there is a prohibition against the use of limousines to drive individuals to and from their homes?

Mr. BOLAND. That is true except that in the 1968 standardized Government travel regulations, there is authority for the heads of departments to permit the transportation of those who work late into the night to use Government-owned vehicles to travel to their homes. Certain other specific usages are also spelled out.

There is no prohibition, as I understand it, with reference to Cabinet officers traveling to and from their homes and to their places of employment. This bill would bar the Secretary of Housing and Urban Development from doing precisely that. Why should the Secretary of Housing and Urban Development be barred from doing that when every other Cabinet officer can do it? That is why I say the provisions in this bill are unfair and unjust to the agencies and departments that are carried in this bill.

Mr. ECKHARDT. Mr. Speaker, will the gentleman yield further? Is it not also true that it was developed in the Senate hearings that the heads of the various agencies claimed they needed the limousines to drive them to and from home in case of emergency? Another head of an agency claimed the limousine driving him to and from work was also engaged in fieldwork.

Mr. BOLAND. What is wrong with that? Fieldwork would be official business, too; would it not? I see nothing wrong with that.

Mr. ECKHARDT. I should have loved to have had a chauffeur drive me home last night when we adjourned instead of having to ride my bicycle.

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

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

Mr. GROSS. With respect to providing chauffeur-driven cars for Secretaries and Deputy Secretaries and so on, if I recall correctly we had about 3 weeks of almost constant overtime in the House before the July recess and if I recall correctly we did not end business in the House until 11 o'clock last night. I had the pleasure of driving my own car home after I got through here at 11 o'clock last night and it was no burden. As a matter of fact I enjoyed it. There was no traffic on the highway. Does the gentleman mean to tell me these poor, overworked Secretaries and Under Secretaries, Assistant Secretaries and Assistants to Secretaries and Deputies to Secretaries up

and down the line have to be conveyed home in public transportation and at the expense of the taxpayers simply because they put in 3 or 4 hours overtime?

Mr. BOLAND. Oftentimes, as the gentleman knows, the Secretaries and Assistant Secretaries are actually engaged in official work and make productive use of time while they are coming to and from their offices.

Mr. GROSS. If the Secretaries in this Government are so senile they cannot drive themselves to and from home, they have no business being Secretaries.

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

Mr. BOLAND. I yield to the gentleman from Connecticut (Mr. GIAIMO).

Mr. GIAIMO. Mr. Speaker, it is with a great deal of hesitation that I get into this kind of debate, because it is almost the kind where one cannot win.

It is easy to point to the defects, abuses, and misuses, but I do think that if we are going to look at this problem, the governmental use and rentals of limousines and other cars, we should do it in an orderly fashion. I do not think we should start out with one secretary, the Secretary of Housing and Urban Development. I do not think we should do it in piecemeal fashion in this legislation and not in others.

If we want to look at the abuses of automobile useage in the Federal agencies, I am sure we will find them not in HUD or in the other agencies in this bill, but I am sure we will find that the Department of Defense, by definition, has got to be the greatest violator of abuses of automobiles, if not airplanes, helicopters, and other things.

Mr. Speaker, all I am saying is that, if the Congress feels that it should terminate this custom that has grown in our Government, and I am sure in all governments, we ought to do it in a reasonable fashion. This could be by one of the appropriation subcommittees of the Congress studying whether or not it should be terminated in all agencies and by all people, with the possible exception of the Presidency itself. However, I do not think we should do it here today in this one agency by singling out this Cabinet member and involving the Secretary of Housing and Urban Development and the other agencies that get something less than a limousine.

Mr. BOLAND. Mr. Speaker, I appreciate the gentleman's remarks. I agree with him thoroughly.

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

Mr. BOLAND. I yield to the gentleman from Illinois (Mr. DERWINSKI).

Mr. DERWINSKI. Mr. Speaker, I think the gentleman from Massachusetts very properly emphasized why, in this particular case, this particular item, this is no time to start a perhaps interesting exhibition of accusing certain government officials in their use of vehicles.

Certainly, given the monstrous responsibilities the head of a department faces, we know the practical use of these vehicles is necessary. I commend the gentleman and I suggest we support him.

Mr. GROSS. Mr. Speaker, will the gentleman yield for one observation?

Mr. BOLAND. I yield to the gentleman from Iowa (Mr. GROSS).

Mr. GROSS. Mr. Speaker, the gentleman from Illinois (Mr. DERWINSKI) has spoken like a true former Ambassador to the United Nations.

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

Mr. BOLAND. I yield to the gentleman from Indiana, a member of the subcommittee (Mr. ROUSH).

Mr. ROUSH. Mr. Speaker, I am a member of this subcommittee, and I was a member of this conference. I would not want to sit by and permit anyone to believe that I agree with the House position on this particular matter. I disagree.

I think there is a time to start in stopping the use of these limousines and automobiles on the part of various bureaucrats of this government. Although I would agree that we would be better off if we could make this a general rule and if we could incorporate the provisions in this particular act in the general law, I certainly agree with the gentleman from Iowa that this is the time to start.

I want to make it clear that I am among those on this subcommittee who disagree with the House position.

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

Mr. BOLAND. I yield to the gentleman from California (Mr. TALCOTT).

Mr. TALCOTT. Mr. Speaker, I had the same question as the gentleman from Texas (Mr. ECKHARDT). I asked the Comptroller General of the United States about the private use of automobiles, and in part he wrote to me, and probably to the members of the committee, that since we are dealing in this regard with private use of automobiles—

> The intent of Congress as to the use to which such automobiles may be put is not completely clear.
>
> It is our belief that the intent of the Congress in this area is sufficiently doubtful that additional legislation should be enacted clearly spelling out such intent.

Mr. Speaker, this is one thing our committee is trying to get the authorizing committee to do. This is the responsible way to legislate, in my judgment, and we need this.

The SPEAKER. The question is on the motion offered by the gentleman from Massachusetts (Mr. BOLAND).

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

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

The SPEAKER. Evidently a quorum is not present

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 222, nays 189, not voting 22, as follows:

[Roll No. 413]

YEAS—222

Adams	Bafalis	Boland
Addabbo	Baker	Bolling
Anderson, Ill.	Barrett	Bowen
Arends	Bell	Brasco
Ashley	Blackburn	Breaux
Breckinridge	Haley	Quillen
Brinkley	Hammer-schmidt	Railsback
Brooks	Hansen, Idaho	Rarick
Brown, Mich.	Harsha	Regula
Broyhill, Va.	Hastings	Rhodes
Buchanan	Hays	Roberts
Burke, Fla.	Hébert	Robinson, Va.
Burlison, Mo.	Heinz	Robison, N.Y.
Burton	Hillis	Rogers
Butler	Hinshaw	Rostenkowski
Camp	Hogan	Ruppe
Carney, Ohio	Holifield	Ruth
Carter	Holt	Ryan
Casey, Tex.	Horton	St Germain
Cederberg	Hosmer	Sandman
Chappell	Hutchinson	Sarasin
Clark	Johnson, Calif.	Satterfield
Clausen, Don H.	Johnson, Pa.	Scherle
Clawson, Del	Jones, Ala.	Schneebeli
Cochran	Jones, Okla.	Sebelius
Collier	Kemp	Seiberling
Conable	Ketchum	Shipley
Conlan	King	Shoup
Conte	Kuykendall	Shriver
Corman	Landrum	Sisk
Cotter	Latta	Slack
Coughlin	Lehman	Smith, N.Y.
Cronin	Long, La.	Snyder
Culver	Lott	Spence
Daniel, Dan	McCormack	Staggers
Daniel, Robert W., Jr.	McDade	Stanton, J. William
Daniels, Dominick V.	McEwen	Steed
Danielson	McFall	Steelman
Davis, Ga.	McKinney	Steiger, Ariz.
Davis, Wis.	McSpadden	Stephens
de la Garza	Macdonald	Stubblefield
Delaney	Mahon	Symington
Dellenback	Mailliard	Talcott
Dennis	Mallary	Taylor, Mo.
Dent	Martin, Nebr.	Teague, Calif.
Derwinski	Martin, N.C.	Teague, Tex.
Devine	Mathias, Calif.	Thomson, Wis.
Diggs	Matsunaga	Thornton
Donohue	Meeds	Tiernan
Dorn	Melcher	Ullman
Downing	Metcalfe	Van Deerlin
Dulski	Michel	Vander Jagt
Duncan	Milford	Veysey
du Pont	Minish	Vigorito
Erlenborn	Minshall, Ohio	Waggoner
Esch	Mitchell, N.Y.	Walsh
Eshleman	Montgomery	Wampler
Fascell	Moorhead, Pa.	Ware
Flood	Morgan	Whalen
Foley	Mosher	White
Ford, Gerald R.	Myers	Whitten
Forsythe	Natcher	Widnall
Fountain	Nelsen	Wiggins
Fraser	Nichols	Williams
Frelinghuysen	Nix	Wilson, Bob
Frenzel	O'Neill	Wyatt
Fuqua	Parris	Wylie
Gettys	Passman	Young, Alaska
Giaimo	Patten	Young, Fla.
Ginn	Perkins	Young, S.C.
Goldwater	Peyser	Young, Tex.
Gubser	Pickle	Zablocki
Guyer	Preyer	Zion
	Price, Ill.	Zwach
	Quie	

NAYS—189

Abdnor	Burke, Mass.	Froehlich
Abzug	Burleson, Tex.	Fulton
Anderson, Calif.	Byron	Gaydos
Andrews, N.C.	Carey, N.Y.	Gibbons
Andrews, N. Dak.	Chamberlain	Gilman
Annunzio	Chisholm	Gonzalez
Archer	Clancy	Goodling
Armstrong	Cleveland	Grasso
Ashbrook	Cohen	Green, Oreg.
Aspin	Collins, Ill.	Green, Pa.
Badillo	Collins, Tex.	Griffiths
Beard	Conyers	Gross
Bennett	Crane	Grover
Bergland	Davis, S.C.	Gude
Bevill	Dellums	Gunter
Biaggi	Denholm	Hamilton
Biester	Dickinson	Hanley
Bingham	Dingell	Hanrahan
Blatnik	Drinan	Harrington
Boggs	Eckhardt	Harvey
Brademas	Edwards, Ala.	Hawkins
Bray	Edwards, Calif.	Hechler, W. Va.
Broomfield	Eilberg	Heckler, Mass.
Brotzman	Evans, Colo.	Helstoski
Brown, Calif.	Findley	Henderson
Brown, Ohio	Fish	Hicks
Broyhill, N.C.	Flowers	Holtzman
Burgener	Flynt	Howard
Burke, Calif.	Ford, William D.	Huber
	Frey	Hudnut
		Hungate

Ichord	Moss	Shuster
Jarman	Murphy, Ill.	Skubitz
Johnson, Colo.	Nedzi	Stanton,
Jones, N.C.	Obey	James V.
Jones, Tenn.	O'Hara	Stark
Jordan	Owens	Steele
Karth	Patman	Stokes
Kastenmeier	Pettis	Stratton
Kazen	Pike	Stuckey
Keating	Poage	Studds
Kluczynski	Podell	Sullivan
Koch	Powell, Ohio	Symms
Kyros	Price, Tex.	Taylor, N.C.
Lent	Pritchard	Thompson, N.J.
Litton	Randall	Thone
Long, Md.	Rangel	Towell, Nev.
Lujan	Reid	Udall
McCloskey	Reuss	Vanik
McCollister	Riegle	Waldie
McKay	Rinaldo	Whitehurst
Madden	Rodino	Wilson,
Madigan	Roe	Charles H.,
Mann	Roncalio, Wyo.	Calif.
Mathis, Ga.	Roncallo, N.Y.	Wilson,
Mayne	Rooney, Pa.	Charles, Tex.
Mazzoli	Rose	Winn
Mezvinsky	Rosenthal	Wolff
Miller	Roush	Wright
Mink	Rousselot	Wydler
Mitchell, Md.	Roy	Wyman
Mizell	Roybal	Yates
Moakley	Runnels	Yatron
Mollohan	Sarbanes	Young, Ga.
Moorhead,	Saylor	Young, Ill.
Calif.	Schroeder	

NOT VOTING—22

Alexander	Landgrebe	Rees
Clay	Leggett	Rooney, N.Y.
Evins, Tenn.	McClory	Sikes
Fisher	Maraziti	Smith, Iowa
Gray	Mills, Ark.	Steiger, Wis.
Hanna	Murphy, N.Y.	Treen
Hansen, Wash.	O'Brien	
Hunt	Pepper	

So the motion was agreed to.

The Clerk announced the following pairs:

Mr. Rooney of New York with Mr. Fisher.
Mr. Gray with Mr. Mills of Arkansas.
Mr. Evins of Tennessee with Mr. Steiger of Wisconsin.
Mr. Hanna with Mr. Treen.
Mrs. Hansen of Washington with Mr. Hunt.
Mr. Murphy of New York with Mr. Clay.
Mr. Alexander with Mr. Landgrebe.
Mr. Leggett with Mr. Maraziti.
Mr. Sikes with Mr. McClory.
Mr. Smith of Iowa with Mr. O'Brien.
Mr. Pepper with Mr. Rees.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 45: Page 33, line 5, strike out "405" and insert "406".

MOTION OFFERED BY MR. BOLAND

Mr. BOLAND. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. BOLAND moves that the House insist on its disagreement to the amendment of the Senate numbered 45.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the several motions was laid on the table.

GENERAL LEAVE

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the conference report just agreed to, and to include tables, charts, and other extraneous material.

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

There was no objection.

PERSONAL EXPLANATION

Mr. GUNTER. Mr. Speaker, on rollcall No. 412 today in which the House considered the conference report which it has just adopted, I was detained on official business.

Had I been present, I would have voted "aye" on the conference report.

PERSONAL EXPLANATION

Mr. HUNT. Mr. Speaker, it has come to my attention on rollcall 413 of today I am not recorded as having voted. I ask that the RECORD reflect immediately after the tabulation on the vote today in the RECORD that I was present; I did vote; and I voted "aye" on amendment 44.

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS, 1974

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 516 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 516

Resolved, That during the consideration of the bill (H.R. 9590) making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain independent agencies, for the fiscal year ending June 30, 1974, and for other purposes, the provisions of clause 2, rule XXI are hereby waived with respect to the provisions: beginning with the words "of which" on page 6, line 21 through line 23; beginning with the words *"Provided further,"* on page 18, line 24 through page 19 line 3; and on page 26, lines 3 through 15.

The SPEAKER. The gentleman from Missouri (Mr. BOLLING) is recognized for 1 hour.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio (Mr. LATTA) pending which I yield myself such time as I may consume.

Mr. Speaker, this rule is on an appropriation bill, and is necessitated by the fact that there are three provisions that the Committee or Appropriations sought waivers of points of order on. One constituted an unauthorized transfer of funds, and two pieces of legislation on an appropriation bill. Those are listed in detail.

There is controversy on this subject, and I understand it will be pursued during the debate on the bill, but I know of no controversy on the rule itself.

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

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

I might say that the waivers provided for in this bill are occasioned by noncompliance with clause 2 of rule XXI. The waiver applies to the following provisions of the bill:

On page 6, lines 21–23, "of which $142,333,500 shall be available only for transfer to the Civil Service Retirement and Disability Fund."

On page 18, line 24 through page 19, line 3, *"Provided further,* That the appropriation granted under this heading for fiscal year 1973 in the amount of $203,312,000 shall revert to the Treasury."

On page 26, lines 3–15, "Sec. 3. No appropriation contained in this Act for the General Services Administration shall be available for administrative expenses in connection with the execution of a purchase contract under section 5 of the Public Buildings Amendments of 1972 unless such proposed purchase contract has been presented to the Committees on Appropriations of the Senate and House of Representatives, respectively, and the Congress within a period of sixty days thereafter has not passed an appropriation for the acquisition of an equivalent amount of space or, alternatively, during such period the proposed contract has been approved by the Committees on Appropriations of the Senate and House of Representatives, respectively."

Mr. Speaker, I might say that the Committee on Public Works is not too happy with this provision, and there might be some discussion of it under general debate. It provides that with regard to these buildings that are authorized under the Committee on Public Works and that are under construction even some time before the Committee on Appropriations has a chance to look at them, the Committee on Appropriations are going to have a firsthand look before they get under construction. I think this is a very worthy addition to this bill, even though it does occasion a waiver.

Mr. Speaker, I have no requests for time, and I yield back the remainder of my time.

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

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. STEED. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 9590) making appropriations for the Treasury Department, the U.S. Postal Service, the Executive Office of the President, and certain independent agencies, for the fiscal year ending June 30, 1974, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to 2 hours, the time to be equally divided and controlled by the gentleman from New York (Mr. ROBISON) and myself.

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

There was no objection.

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

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 9590, with Mr. BOLLING in the chair.

The Clerk read the title of the bill.

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

The CHAIRMAN. Under the unanimous-consent agreement, the gentleman from Oklahoma (Mr. STEED) will be rec-

ognized for 1 hour, and the gentleman from New York (Mr. ROBISON) will be recognized for 1 hour.

The Chair recognizes the gentleman from Oklahoma.

Mr. STEED. I yield myself such time as I may consume.

Mr. Chairman, we bring to the floor today one of the 13 major appropriation bills for this session of the Congress. It contains some of the more sensitive agencies of the Government. I want to start out by saying that this bill has required a great deal of extra work this year, and I have been very fortunate in having an unusually fine and hard-working subcommittee that has worked in cooperation with me, and I believe we have been able to resolve many very tricky and tiresome problems so that we can bring to the Members today a bill we can recommend and hope the Members will accept.

The bill we have involves in total $49,183,591,000. Of this amount $44,399,893,000 is for items that the subcommittee has absolutely no control over. They are commitments which are already made and which have to be met. There is $2,670,047,000 more for these items than we had last year. However, the bill in total is $993,768,000 over the total last year and it is $57,647,000 under the budget request.

Part of the $993,768,000 decrease will be wiped out later on when adjustments are made in some of the items which were not in a position where they could be finalized when this bill was marked up. A great deal of this decrease is in the disaster relief fund. We appropriated $592,500,000 last year for disaster relief. This bill provides only $100 million for this purpose for 1974 which is all the budget requested. The information we would need before we would increase this amount has not become available yet, and as the year evolves any additional funds which may be required for a disaster program can be handled in supplemental appropriation measures.

Of the funds we did have jurisdiction over, $4,843,698,000, the committee has reviewed that and has done as well as we could. I think we have arrived at the fairest level we could to present to the Members of the House.

It may be of some interest to explain what this $44,339,000,000 which is beyond our control largely consists of. Of course $27.5 billion of that is for interest on the national debt. There are other amounts to enable the Internal Revenue Service to make refunds on overpayments of personal income taxes. Some reimbursements we make to Puerto Rico and the Virgin Islands for customs duties we collect for them and so on.

In connection with the interest on the national debt, our late and beloved friend, George Andrews, of Alabama, would have said that $27.5 billion translates itself into $872 a second, or to $52,320 a minute, or to $3,139,200 an hour or $75,340,800 a day. Since that is just over one-tenth of the Federal budget, if we multiply these figures by 10 we will be getting fairly close to the cost of the entire Government for all purposes for every second, every minute, or every hour, or every day of the year. In other words, we are spending $750 million or in that neighborhood every day to run the U.S. Government in all its phases.

Of the departments we had to deal with, one of the most difficult was in the post office part of the bill. They had asked for about $1.3 billion under the two legislative authorities they have. One is 10 percent of the 1970 postal budget, which entitled them to about $920 million. The other was for revenues foregone on postal rates.

In allowing this money, we were aware of the fact that there is an item of payment to the retirement fund for Federal employees that is still to be resolved. The Postal Corporation insists that the Congress should pay that contribution to the retirement, and the Office of Management and Budget insists that the Postal Corporation should pay it. We have been arguing now for 3 years, and there is about $284 million in arrearage payment that somebody needs to make to the retirement fund.

We talked to the Civil Service Commission, and they said they were going to be in a desperate plight if some payment was not made this year. Therefore, in order to wipe out this arrearage, we have provided for the transfer out of the $1.3 billion payment to the Postal Corporation of half of the arrearage, or $142 million, into the retirement fund. The reason we did that was that the bill that would settle this argument has already passed the House which provided that the Congress would pay this amount. This amount was $104 million per year, brought about by the 5.5 percent pay raise granted by the Corporation to postal workers 3 years ago. It takes 30 years payout to amortize one of these obligations to the retirement fund.

The House passed a bill which says that for the next 30 years we have to pick up a $104 million tab in payments to the retirement fund. The bill is pending in the other body, and the Office of Management and Budget is very vigorously opposing its passage in that form, so that no action has been taken there yet. I do not think any action can or will be taken before this particular appropriation bill is finished. Therefore, we were trying to work out a system that would take care of the retirement fund and leave the Postal Corporation and the Congress in a position so that whatever the final decision is, they could adjust to it without any difficulty.

In other words, if the dispute works out that the Congress is going to pay the whole amount, then the Postal Corporation can replevin or reclaim the $142 million we have taken from their fund under a supplemental, which they would be entitled to do. If, on the other hand, it was held the Postal Corporation has to pay it, then they have paid it and we can pick up half the arrearage this year and half next year, and leave the retirement fund in good, sound condition. Therefore, that is what we have elected to do here.

I could not think of any other approach we could use in finalizing the legislation that settles this issue.

We had a problem that came up where we had to go back twice with the U.S. Customs Bureau because or Reorganization Plan No. 2, which transferred considerable manpower and resources from Customs over to the new narcotics agency of the Department of Justice. I think we now have made these adjustments. It has resulted in a reduction in the U.S. Customs budget.

I am sure, though, that with the loss of materials, aircraft, watercraft, vehicles, and radar sets that have been transferred, that Customs will be back next year asking us to replace some of those.

The reorganization plan authorizes them to make requisitions for additional aircraft and some other facilities, so that we will have to wait until that time before we know what, if any, additional resources they need over the regular amount to be back in balance.

We have a problem that the Members probably are going to hear something about before the day is over. That is the Office of Management and Budget. There has been on the record a $3.6 million reduction in the budget request. Last year they had $19.6 million, and they have asked for the same amount this year. The committee has allowed $16 million. There is a dispute as to how much of a cut this really is. The Bureau of the Budget transferred some of their functions to the General Services Administration on July 1.

They tell us that only relieved them of about $869,000 in cost. The GSA says it is going to cost them $1.5 million to do this function. It may be because they are going to add some additional work.

If we take the OMB figures, we have cut them $2.8 million. If we take the other figure, we have cut them $2.1 million.

There are some Members who want to increase the amount of the OMB budget. There are some who very strongly want to cut it more. It is a question only the House can settle.

I was very pleased, and I am very grateful to the subcommittee, because there were two strong schools of thought, and as a compromise and as a compliment to me, the Members all agreed to bring to the floor the $16 million as the best neutral point we could all center on, to at least get the bill here to allow the will of the House to be worked on it.

I hope the House will accept the figure we have here, because it is the fairest thing I can think to recommend.

I want the Members to know, if there is a different version sought by my colleagues here on the floor, the subcommittee really would like to know that. We have had many different versions of the attitudes people have about this agency.

I must say that the 1970 Reorganization Plan No. 2 transferred some authorities from the President himself to the then Bureau of the Budget and created the Office of Management and Budget. I have become a less enthusiastic believer in these reorganization plans every time one of them has happened.

I believe the situation we have now with the OMB is good evidence of what we get into when we try to create activities and to designate missions through a reorganization plan instead of in the regular legislative way. In my opinion,

if the OMB is not responsive to the Congress, the right way to correct this would be to review the functions and legislatively reduce, change, or otherwise provide what we do and do not want them to do. So long as the law stands the way it is I believe as a responsible thing that my subcommittee must try to give them the resources that are required for them to carry out these mandates.

It is the same with the Secret Service. We have been hearing a lot of publicity here lately about the expenditure of funds at Key Biscayne and at San Clemente and other places where the President of the United States spends some of his time. No one has been able to show me any law that gives us or anyone else any power to refuse the President the right to go where he wants to go when he wants to go.

The law we passed in 1968 increased the responsibilities and powers of the U.S. Secret Service in the protective field. We not only said that they would protect the President and his family, but also we provided for his safety. The safety and security covers a much broader field, I believe, than just security.

In addition to that, we provided this same facility for the Vice President and his family and for all former Presidents and their families, and then every 4 years all major candidates for President, and we also provided for the protection of foreign embassies and foreign visiting dignitaries.

This is a pretty big package of protection, and it has imposed a lot of extra work and duties on the U.S. Secret Service. When the President designates San Clemente as the place where he is going to spend a lot of time, then the Secret Service has to make a determination as to what they are going to do to provide adequate safety and security for him while he is there.

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

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

Mr. VANIK. I was going to ask the gentleman what his committee was able to do with respect to beefing up or strengthening the Internal Revenue Service. Will the gentleman get to that soon?

Mr. VANIK. Is the gentleman getting to that point very soon?

Mr. STEED. Yes, as soon as I finish this portion.

Mr. VANIK. All right. I will wait for that.

Mr. STEED. Mr. Chairman, we went into this in great detail. We may or may not have gotten all the information. We thought we had. We asked for it, and we were told we did. If the GSA can find additional expenditures which they can provide for us, I am sure they will be given a full opportunity to make all this evidence, including what we dug up, available to the Subcommittee on Government Operations, which is going to go into this matter under the chairmanship of the gentleman from Texas (Mr. BROOKS).

Anyway, I believe, even though the Members may find some things that were a little imprudent, a little too lavish, maybe a little too gaudy or too expensive, that the thrust has been in the direction of providing safety and security for the Chief Executive of our country. Having served with Chief Rowley of the Secret Service through the assassination and burial of a President and through the assassination and burial of a U.S. Senator who was running for President, as well as the wounding of a Governor while he was running for President, and the actual literal bombing of the interior of the Capitol Building itself, one cannot blame Mr. Rowley or me, I do not believe. We have had peculiar responsibilities, and I hope that if we make any mistakes, we make them on the side of too much and not too little.

If money is the only thing we are interested in, I will assure the Members that the record, if they will examine it, will clearly demonstrate that it costs about 200 times more to bury an assassinated President than it does to keep him alive.

So aside from the money end of it, I hope we are spending enough, even with the criticism that goes with it, to keep the man safe and secure. I know there is much more involved to it than that, and I think all reasonable people would want the U.S. Secret Service to make sure every reasonable step on earth is taken and everything will be done to guarantee that these important public people are not shot down by an assassin's bullet.

Mr. Chairman, we have had some problems with the Internal Revenue Service in the last 2 years. We did not know that a big drain on their manpower was going to occur last year when the economic stabilization program was heaped upon this agency, and this year, I believe, through the funding of the economic stabilization program itself, they can now be reimbursed for the manpower they need, and also, by adding on additional funds in the compliance and auditing areas of the act, they will be able to get back in balance.

We have gotten onto very thin ice in the last 2 years, I believe almost to an alarming degree, in this area, and I assure the Members that the subcommittee this year has tried to lean over in the other direction to make sure that we put them back in balance so that whatever loose ends there have been can be tightened up and brought back into proper order.

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

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

Mr. GROSS. Mr. Chairman, on the point of the economic stabilization activity, that is an increase, is it not, from the $30 million? Is it $60 million?

Mr. STEED. Yes, sir, And besides they had the manpower last year. If they carry it out to the same extent they have heretofore, they will use that much manpower. That is where the Internal Revenue got stuck last year with having to provide the shortfall. We have tried this year to put in the economic stabilization what amounts to the same amount of money, about the same amount of money they spent last year. This approach will not require the Internal Revenue to use its own money appropriated for other purposes to carryout this economic stabilization work that they are asked to perform on a farm-out basis on the economic stabilization program.

Mr. GROSS. Well, the IRS is still financing, is it not, its work on this economic stabilization?

Mr. STEED. That is what the $60 million is, for economic stabilization. They are reimbursed for that part of the work they performed in economic stabilization.

Mr. GROSS. They pay for it?

Mr. STEED. Yes. They were not able to do that last year. They just got a part of it.

Mr. GROSS. Mr. Chairman, may I ask this:

What happens if and when we get back to some kind of reasonable stability in this country; what happens to the IRS employees? Obviously they will not need all of them, because we can run the IRS without—how many, a couple thousand of them?

What happens then? Will the IRS be cut?

Mr. STEED. There are about 2,500 people who are involved in the economic stabilization work. If that goes out, here is what would happen. Either IRS would have to lay off 2,500 people or they would have to be able to absorb them through attrition. Since they have a pretty large workforce and use a very large temporary employment group for about 3 months of the year, I would imagine most or at least all of the skilled and qualified people in that 2,500 would be absorbed. Of course, there is a proliferation in the IRS work with that, so they might be needing additional manpower. I do not think it will be any problem, but as a cold-blooded fact, if the economic stabilization goes out of business, there will be no money to pay them.

Mr. GROSS. I would not like to think that the IRS is overstaffed to the extent of 2,500 employees.

Mr. STEED. That is where the catch is. They are not. But what happened was when the emergency demand was made on them they pulled people off some other work they could let pile up, so now they have big backlogs where they could have had the work done.

This year we tried to avoid that by giving economic stabilization sufficient funds to pay their own way and not have to deplete the workforce of IRS on their own. We are trying to get them back, and I hope we have.

Mr. VANIK. Will the gentleman yield?

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

Mr. VANIK. What the chairman suggests, then, is what you are doing now is restoring the former employees assigned to the economic stabilization work to their former functions in the tax-collecting agency. Is that correct?

Mr. STEED. In the main, that is true.

Mr. VANIK. But you are not providing for any increase in IRS personnel?

Mr. STEED. There is an increase.

Mr. VANIK. There is an increase in this bill?

Mr. STEED. Their workload goes up all the time.

Mr. VANIK. I understand.

Mr. STEED. And they have a need for additional manpower.

Mr. VANIK. I concur in that. That is the point to which I address myself, because I feel that the benefit-cost ratio of personnel in IRS is very high, because if they continue their work, then tax collections rise and the public interest is served by increased receipts and also by a clearing of the audits that are piled up.

Mr. STEED. In addition to the manpower they have received that they had donated to economic stabilization, they get that 2,500 back and in addition they get 1,450 new employees.

Mr. VANIK. Is that in accordance with the request of the Commissioner? Did he ask for that?

Mr. STEED. Yes.

Mr. VANIK. Or for a greater number?

Mr. STEED. It is what they asked for. Some of that personnel will be used to cut down on the backlog, which is very severe, but I think for the work they have done, even with all of the extra work force, they will still be behind the schedule that we would like to have them have. I think it will take about 3 years to catch up.

Mr. VANIK. I would like to express my gratitude to the committee for addressing itself to the greater needs of the IRS, because I think backlogs are very bad and should be avoided. The taxpayer is entitled to a quick audit if he is audited and a speedy disposition of the issue. Certainly the taxpayers of America are entitled to a hard-working and effective tax-producing agency which can only operate if it has the manpower.

Mr. STEED. We have an expression which is very popular over on the other side of the Capitol "at that point in time." They had no way of knowing what the demands of economic stabilization might be when they started on this procedure.

So taking advantage of that situation, we have tried to make the arrangement, and I think we are in good shape.

Mr. ROBISON of New York. Mr. Chairman, will the gentleman yield?

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

Mr. ROBISON of New York. Mr. Chairman, while the gentleman from Ohio is still here, I would like to say that I concur in principle with the thought that the gentleman expressed in this regard, and I would like to call the gentleman's attention and that of his colleagues to what we were told by the then Commissioner of the Internal Revenue Service, Johnny Walters, and here is a quotation from his statement to us during the hearings:

> . . . the millions of tax dollars foregone each year for insufficient auditing, collection and tax fraud deterioration.
>
> Far more serious is the danger of general deterioration over a period of years in the level of voluntary compliance. The cost of such deterioration must be reckoned in the billions. To illustrate, merely a one percentage point decline in the rate of voluntary compliance across the full range of taxpayers means a revenue loss of about $2 billion annually.

Later on in the hearing I asked him if he could give us even a statistical guess as to how much revenue had been lost in recent years as a result of the "general deterioration" in taxpayer compliance, of which he spoke. And to those of my colleagues who may be interested in and have sought to promote that which we generally refer to around here as tax reform, even though we usually all seem to have different ideas about what that term means, let me tell the Members that the Commissioner replied to that question as follows:

> We estimate at this point something like $6 billion per year is lost on individual taxpayers alone; but by 1976 if the trends we currently see are not corrected we estimate that this tax gap will reach roughly $8 billion a year.

So, tax reform is one route, and beefing up the capacity of the Internal Revenue Service to do a proper job in the compliance field without, of course, harrassing the taxpayers, is another route to acquire the additional revenue we need.

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

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

Mr. VANIK. Mr. Chairman, I certainly appreciate what has been said, and what has been placed in the RECORD by my distinguished colleague.

I want to point out that Johnny Walters addressed himself to the problem of the individual taxpayer. I am today placing in the RECORD an analysis of corporate tax payments which indicate a downward trend in corporate contributions and an increase of individual contributions by eight percent with a projection which will reach 15 percent by the end of next year. So that the trend is for greater individual contributions and reduced corporate contributions.

I would hope that these head people who are involved would also address themselves to the corporate tax returns which are very complex. They are almost beyond comprehension. They take a great deal of research and study, and constant review by almost the same number of people working on the same return.

Mr. WHALEN. Mr. Chairman, will the gentleman yield for a question?

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

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

I note that the committee has deleted the request of the administration, in title III, for $1.5 million for special projects.

On page 26 of the committee report the following appears:

> Certain questions have arisen, however, concerning the propriety of some of the expenditures from this account. The Committee, during the hearings, requested the Office of Management and Budget to provide a listing of the individual vouchers and expenditures from the funds provided under this account. The Administration, however, declined to provide such detailed information.

I wonder if the chairman could elaborate on that statement as to what the questionable procedures were?

Mr. STEED. This has always been an item in the bill that has given us trouble, and this is not the first time we have had such difficulty and trouble, and the absolute refusal to give us information. Under the House rules, any appropriation made on an executive order is subject to a point of order, therefore this item would be subject to a point of order. So because of the difficulty we have had over the years, and because of the difficulty this year, it is subject to a point of order anyway, we took it out. As far as I am concerned, I do not know, unless there is some legislation passed, of any way that it can be put back in.

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

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

Mr. WHALEN. What were the practices, the procedural practices, or practices in the use of the funds?

Mr. STEED. I do not know. We just did not find out, and rather than make an issue of it, since it was more or less a dead duck anyway, we just let it drop and it is out of the bill. It just did not have any legal status, so rather than precipitate any more disputes about it, we just let it be cut out anyway. If we had not taken it out in the committee, it would go out here on the floor.

Mr. WHALEN. If the gentleman will yield further for a final question, Was there concern on the part of the chairman and members of the subcommittee that these expenditures might have been used for Watergate and related activities?

Mr. STEED. That question came up, and we might have made political issue of it. I thought the other part of it was subject to a point of order if we had quarreled any more about it. We made our request, and so we just skipped the whole thing. It might have served some partisan feelings better to have made some noise about it. I had other headaches in here to worry about than that.

Mr. WHALEN. I thank the chairman.

Mr. STEED. Many agencies in here are of the old and fundamental core of the Government agencies, and nearly all of the revenues our Government gets are contained in this bill.

Last year this bill funded 110,704 employees. The budget request for this year was 112,573, an increase of 1,869. The bill as we present it today provides 112,223, an increase of 1,519, but a cut from the request of 350. In addition to this manpower, some of these agencies work other people on a contract from other agencies of the Government. Details on the employment funded outside the direct appropriations contained in this bill are set forth in the report on the bill.

Most of these agencies have had heavy increases in their workload, and we have, I think, examined the need for manpower very carefully, and I think that we have gotten just about as tight on that phase of this bill as we dare be and still hope that these agencies have got the manpower they need to carry out their duties.

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

Mr. ROBISON of New York. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, there is a saying—though I forget the source—that goes like this:

> Many men owe the grandeur of their lives to their tremendous difficulties.

This has, clearly, been a difficult year—for all of us. And this subcommittee found itself no exception to that rule as its members got down to their annual tasks. We faced an unusual number of uncertainties. Just as an example, for a time it appeared as if we were going to be brought into the antipoverty business—since one of our constituent agencies, the General Services Administration, was slated under the original budgetary presentation to take over that effort from the Office of Economic Opportunity which was, in turn, headed for extinction. This innovation was at least deferred, both by court decision and by still-pending congressional decisions to keep OEO in operation awhile longer, yet.

Then, we had to wait the arrival on Capitol Hill of reorganization plan No. 2—and the eventual failure of Congress to disapprove it—before we knew what might be left of the Bureau of Customs' responsibilities in the drive against illicit drugs, and whether to consider its original budget requests, prepared before the administration determined to set up the new Drug Enforcement Administration, or await an amended budget request for Customs that would reflect the changed situation.

Again, as for the Secret Service—and also the General Services Administration—public questions about the propriety of work done on properties owned or occupied by President Nixon in Florida and California, required us to interrupt our work in order to make at least a tentative inquiry into those questions, on which I will have more to say later.

Then, again with reference to GSA, but this time in company with the Office of Management and Budget, there was the clear feeling on the part of the subcommittee—with the intensity of that feeling varying among us—that what is generally referred to as "the will of Congress" as expressed, in this case, in connection with GSA's public buildings program, in last year's version of this bill, had been willfully ignored by the administration. Again, I will have more to say on this in a moment.

For, finally, it has to be noted that this subcommittee, whose work has generally been conducted among ourselves without much controversy, now found itself—in today's political context—deeply divided as to certain budgetary requests made in areas of sensitivity and importance to the Nixon administration. Perhaps this was inevitable—but it is also regrettable and, one can hope, therefore only temporary. I am certain that no one hopes so more than our chairman, the gentleman from Oklahoma (Mr. STEED), who throughout these recent weeks has remained his usual fair, objective, and patient self—and I wish to say now, Mr. Chairman, that it remains a constant pleasure to work with him in the capacity I do.

But, now let me speak to those items in controversy—and let me begin by discussing the level of funding for that Office of Management and Budget.

As you will note from the bill and the report, we have made a "recommendation" of $16 million for this key, executive branch agency—a reduction of $3.6 million from both last year's level for its salaries and expenses item and from this year's comparable $19.6 million request.

In my remarks I have placed quotation marks around that word "recommendation" for the reason that the $16 million figure was really a compromise figure arrived at for what might be called report purposes—that is, in light of the differences between us on this item, a figure to bring the bill before both the full committee and then to the floor, and I have reservations about its adequacy.

So, turn with me now, if you please, to page 23 of the report. It is here stated, you will see, that certain management functions were transferred in May of this year from OMB to GSA—that the annual cost of those functions was approximately $1.5 million, including the cost of 32 personnel, but that OMB had not reduced its original $19.6 million request correspondingly. This is all stated in partial justification of the recommended $3.6 million cut, and then the desire is set forth that the supposed balance of that cut be applied to the management functions of OMB rather than to its more traditional duties in developing, justifying, and preparing future budget requests.

However, Mr. Chairman—and I hope my colleagues will listen—we find here a misunderstanding of the actual facts relative to that transfer of functions and personnel to GSA. Actually, 30 positions were transferred to GSA by OMB, and 2 others from OMB to Treasury, at a total budget impact on OMB of $869,000. The $1.5 million figure cited in the report—and I, too, thought at the time it was accurate—was given us by GSA as representing its full-year cost of establishing its own new office of management policy, which will be composed of the 30 people from OMB plus 20 additional people reallocated to it from within GSA, itself.

Thus, the "recommended" $3.6 million cut will actually be one of over $2.7 million in OMB's capacities as opposed to the "softer" figure of $2.1 million which the report suggests.

But, of probably more importance is the effect of such a cut. At the $16 million figure, OMB will have to reduce its staff by 70 to 100 positions—bringing its personnel down to something around 530 to 550 people, this from its previously authorized level of 660.

Enough, you say?

Well, that may be—and there will be differences among us as to how much is enough. But—and again, please listen—in fiscal year 1954, 20 years ago when OMB was still the Bureau of the Budget and the annual Federal budget was only a bit over $70 billion, BOB had an authorized strength of 446 people. For fiscal year 1970, with the annual budget now up to $196 billion, its authorized strength was 553.

For fiscal year 1974—the year we are considering, with the annual budget, as we know, in excess now of $268 billion—is it reasonable, I ask, even if we were considering just the old Bureau of the Budget and not an Office of Management and Budget, to expect it to effectively perform its traditional budgetary duties with a staff of only about 100 persons more than BOB had, 20 years ago, when the annual budget was only about a fourth of what it is today?

If we are going to be reasonable—and I trust we are—the answer to that question would seem obvious.

But, of course, I know that OMB is not a popular agency, today. Neither, for that matter, was the old BOB of a few years back. I served on the Public Works legislative committee, when I first came here, and I can still remember our former colleague, Frank Smith, of Mississippi, railing against the "Bureau of the Budget, oh, the Bureau of the Budget," as he used to put it because he felt it was usurping the prerogatives of the Congress.

It is apparently the desire of some of my colleagues to cut OMB sufficiently to get the "M" out of OMB—in other words, through fiscal strictures of this sort, to reconvert it to the old BOB. But, again I ask, do we really want to do that? Sure, we all have a gripe of some kind against OMB—even I do—for the discipline it frequently exerts against us when we fail to exercise self-discipline in the first instance.

A few days ago, we considered and then passed an anti-impoundment measure. In the course of that debate there were some brave words about how we were determined to restore Congress to a coequal status with the executive branch—an ambition which I share. But I would suggest to my colleagues, Mr. Chairman, that you do not enhance congressional powers and capacities by the simple expedient of tearing the executive branch down to our present size.

If we really want to take the "M" out of OMB, let us wait to do it until we, here on Capitol Hill, have—as we have begun to consider how to do—managed to enhance our own capacities to handle and manage annual budgets of the size anticipated in the years ahead; and then let us make a BOB out of the OMB, if we wish, by appropriate legislative action rather than through what can only be described as punitive measures of the sort that some have encouraged.

Turning to another sensitive item, you will note from page 25 of the report that we have denied the "normal" annual $1.5 million request for what is called the special projects fund for the President. This fund goes back over a period of 20 years, or more, and it has been used by this and previous Presidents for a variety of purposes. This year, the suspicion grew that, in 1971, I suppose, payments were made to what can only be called the White House Plumbers from this fund. If such were the case, I would be among the first to decry it though, for whatever it is worth, all such allegations were not proven so only the suspicions remain.

The thrust of the report language, however, indicates we have deleted this item purely and simply because the White House would not tell us what it was used for. Well, I think we should be told. I think the Congress is entitled to know what expenditures are made from any such discretionary fund. But, in order to keep all this in some sort of historical perspective—which is, admittedly,

somewhat hard to do as everybody focuses on Watergate—some years back, when I first came on this subcommittee, and when a different President from a different political party was occupying the White House, I similarly tried to find out what he had done with his special projects moneys only to be told, in effect, it was none of my business.

All this appears on page 622, and following, of volume 3 of our hearings, and it would make for interesting reading for both my colleagues and the news media since it presents us—I would say, in all kindness—with a rather classic example of "whose ox is being gored." In any event, until we are told—in the future—what these moneys are actually used for, once they have been spent, I would not support a restoration of this type of discretionary fund.

Now, quickly, as to the GSA problem, let me say to my chairman (Mr. STEED), that I know how strongly he feels about this matter—and his feelings are reflected both in the subcommittee action on several GSA requests, as set forth in the bill and as described in the report. There was an agreement of sorts, as between GSA, OMB, and the subcommittee—and actually, one can argue, as between President and Congress, since Mr. Nixon signed last year's bill—to the effect that certain projects, 13 in number, in the then existing backlog of some 63 public buildings projects, would be built through the direct appropriation and construction process, rather than through the purchase-contract authority as then recently authorized by Congress. I was not privy to that agreement, though I knew it existed and I supported the necessary line-item appropriations, last year, for those 13 buildings.

After passage of our bill, and its signing into law—and without consultation with the subcommittee, please note—GSA, with OMB's approval, proceeded nonetheless to move those same 13 buildings forward under the new purchase-contract authority. Without arguing the merits of whether this was the better—and cheaper—way to build them, which may, indeed, be the case, I do not think this was a wise or proper action for GSA and OMB to have taken. It is Mr. STEED's firm conviction, in any event, that the line-item moneys thus not spent should now revert to the Treasury—as language in the bill provides—and not be reprogramed by GSA to other purposes, no matter how appropriate.

I will go along with this, under the circumstances. But I feel it should be understood by all that the reductions thus made for the GSA's Public Buildings Service account, under several items thereof, are not lasting reductions, or savings to the taxpayer, since it is obvious that GSA will need to have those items replenished and probably will find the subcommittee favorably inclined toward doing so as soon as a supplemental request in this regard can be made. I would hope the gentleman from Oklahoma would join me in this statement, for I think he does not wish to punish anyone in this regard but only to reassert what, by his lights, he considers to be the proper prerogatives of the Congress.

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

Mr. ROBISON of New York. I yield to the distinguished chairman.

Mr. STEED. I want the gentleman to know that I am in complete accord with him, and we have every expectation we will have no problem in this regard.

Mr. ROBISON of New York. I deeply appreciate the gentleman's comment. It is about what I expected of him, for that is the kind of man he is.

In the same connection, you will also find, on page 26 of the bill, where we have added language that would give the Appropriations Committee some residual control—to supplement the primary controls given to the Public Works legislative committees—over the growth, and therefore the cost, of GSA's turn toward the purchase-contract method of building Federal projects. Concern has already been expressed by some members of the legislative committee to the effect that we wish to usurp their jurisdiction in this regard, though such is not the case. We wish, instead, to have—and I think we should have—some end control over the follow-on expenditures that will accompany any rapid expansion of the purchase-contract method.

Finally, Mr. Chairman, with regard to the questions about so-called improvements in the name of Presidential security, at both the Florida and California locations occasionally occupied by the President, we did—as I said—inquire into the same. We have not yet attempted to draw any value judgments as to the propriety of the work done on such properties by GSA at request of the Secret Service. We understand another committee of the House will make a similar inquiry, and we have no objection as to that though I, for one, suspect they will find value judgments just as difficult to make, in the end, as we did. This is because the line between what is necessary to protect a President and what is not is very difficult to draw—at least it is, and will remain so, if the Nation wishes to avoid the trauma involved in another Presidential assassination, or in accidental but incapacitating injury to a President, whoever he may be.

If there are any further facts to come out concerning either Key Biscayne or San Clemente, let them come out—in full—and then let us try to draw some conclusion as to what has been done. As to that, if I were the President, and I am glad I am not—though let us remember he neither ordered any of this work done nor was probably even aware of it until it was called to public attention—I would want to offer to reimburse the Treasury for work which, after careful consideration by Congress, was found to be an improper improvement to property either used by me or owned by me.

That, however, is something over which I have no control. It is also something that relates to past decisions. For the future, let me close by noting that we have added new language in this bill—as suggested by the gentleman from Alabama (Mr. BEVILL)—which can be found on page 17, thereof, and which will require previous consultation with our subcommittee by both the Secret Service and GSA before comparable work can be done on Presidentially used property not owned by the Federal Government.

By way of extension of my remarks, I would now wish to comment, Mr. Chairman, on other items in our bill under the following headings:

BUREAU OF CUSTOMS

Mr. Chairman, this is one of the more important agencies whose budget requests we review and over which we have oversight. It is a very important agency collecting, as it does, over $4 billion a year in needed Federal revenues. Given its other duties—even though some of those in the narcotics field are to be reduced in scope now as the result of approval of Reorganization Plan No. 2 of 1973—including the processing, in fiscal year 1972, of 236.8 million people through Customs at our land, sea, and airports, which total constantly increases, and continuing to serve as the frontline enforcement agency against smuggling of illicit goods, including narcotics, it is essential that this agency be allowed sufficient funds for both needed manpower and equipment.

That manpower and supporting equipment is needed to enable Customs to process the upwards of 43 million mail packages it anticipates handling during fiscal year 1974. As to that constantly expanding item of workload it can—even at the budget recommendation we make you only screen about 11.8 percent of such packages for revenue purposes and about 14.6 percent for enforcement purposes. For larger shipments, the ongoing trend toward containerization adds to the Bureau's problems in keeping pace with international trade developments; to which workload has been added a host of related duties including administering agricultural, oil and textile quotas—of which there may soon be more; coffee, cheese and meat control programs; auto safety standards and auto pollution control laws, as well as gun control laws and the law protecting endangered species.

As our report details, the implementation of Reorganization Plan No. 2 reduced both Customs' duties and personnel substantially—with 509 special customs agents and support personnel going to the new Drug Enforcement Administration in the Department of Justice. Mr. STEED and I joined—for reasons we considered valid—in opposition to this plan at this point in time when it appeared to us that the fight against heroin, at least, was being won with Customs playing a large role in that essential victory, and showing a continuing capacity for building on its demonstrated record in keeping both hard drugs of all kinds and other dangerous drugs, as well as marihuana and its derivatives, out of our country. Needless to say, we lost on this issue, and can only hope that the new agency will prove to be an effective one. If it is, it will prove to be that by virtue of the ongoing input Customs can still provide towards its success since, at all ports of entry and elsewhere that Customs will be allowed to cooperate with it, the Customs inspector will go on being the frontline enforcement officer with primary responsibility for detecting smuggling of narcotics and related illicit goods.

In any event, Reorganization Plan No. 2's approval also brought an amended—and reduced—budget request for the Bureau. We have allowed that amended request, in full, even though—to a certain extent—we are here dealing, as is the Bureau, with certain unknowns chief among which is the actual impact, when it has been realized, of Customs' related loss to DEA of major items of equipment, vehicles of one kind or another, and other facilities. What is left of the Bureau will take some time to sort out, but you can rest assured our subcommittee will wish to watch this situation closely and will examine its new budgetary situation more closely next year than we had time to do in these past few weeks.

During the year, also, we inquired in depth into the special problems related to what is known as Customs preclearance procedures as the same have existed by special agreement between our country and Canada, as well as Nassau and Bermuda. We understand a good deal more about those problems than we did after personally inspecting the situation at all three locations. A number of ifs are involved, not only at both Bermuda and Nassau, where we feel such preclearance procedures probably should go on—and, if they do, where Customs staffing should be bolstered, in order to make such procedures both more efficient and secure as well as to meet the convenience of travelers—but especially insofar as Canada is concerned since, there, the whole matter is currently the subject of complex international negotiations not as yet resolved. There are pressures and countervailing pressures impinging on whatever the ultimate Canadian decision may be—and very substantial American economic interests are involved in the outcome. Much of this is detailed in a separate volume we put out, earlier this year, covering the hearings we held following our visit to Canada, Bermuda, and the reference is made to that volume in case further information is desired.

In concluding my remarks relative to the Bureau, Mr. Chairman, I would like to add a word or two about the very favorable impression the new Commissioner of Customs, Vernon D. Acree, has made not only on me but, I believe, on all members of our subcommittee. He is, in every sense of the word, a professional who will, I am confident, give the Bureau the kind of leadership it will need these next few years, which will be years of redirection to the high standards this old-line agency has always held forth.

INTERNAL REVENUE SERVICE

Mr. Chairman, the committee report amply describes our recommendations for this key Federal agency. In light of the existing and projected workload that IRS faces—with its assigned functions under now phase 4 of the President's economic stabilization effort yet to be unveiled for us but certain to be major—we suggest the full amount of the budget requests.

Having said that much, however, leaves unsaid the general concern—which I believe most of our subcommittee members share—that has been expressed during our more recent annual hearings about the manner in which more and more responsibilities having little or no relationship to the basic function of the IRS as tax collector have been piled upon it to the detriment of its capacity to carry out that function. As the then Commissioner, Johnnie M. Walters—who, during his rather brief span in that capacity, impressed the subcommittee with his real interest and genuine concern for the future of the agency he headed—told us, and this appears on page 466 of the hearings, one result of this has been, in Commissioner Walters' words, that—

. . . tax administration today is plainly inadequate. We are not providing taxpayers the service they deserve. Further we are not able to administer and enforce the tax laws adequately to keep our voluntary self-assessment tax system working properly. This is dangerous for a tax system that rests on the citizens' ability and willingness to comply with the rules and on their confidence that the Revenue Service will see that all citizens pay their fair share of the tax burden.

Reading further along in those hearings—if anyone is interested and all of us should be for this agency is, in a real sense, providing the lifeblood on which our Federal Government survives—you can find, and this appears on page 470, Commissioner Walters telling us this:

. . . today we face serious problems in taxpayer compliance and a real danger of general deterioration. There is growing opinion that our tax system is not equitable. One reason for this is the fact that we are not enforcing the tax laws adequately.

Attempting to explain this further, Mr. Walters then told us that—

This situation has not occurred overnight. Tax law enforcement has been slipping for 10 years, for a variety of reasons. In the first place, we have seen substantial growth in the taxpayer population. But more significant has been the rapid growth in higher income returns raising more tax issues; they are more complex and more likely to need audit. And they take more time to audit. . . . Besides marked growth in our regular work, each year has brought new assignments which lie outside the mainstream of tax responsibility. . . . Whereas IRS devoted about, 3,000 people to major special programs in 1963, there now are close to 7,000 assigned to such programs.

He then addressed himself to the essential audit function in these words—this appearing now on page 471:

What have been the consequences of our compliance capability? Audit coverage is stretched thin; the percentage of returns audited today is only a fraction of what it was 10 years ago (1.9 percent today, 5.8 percent in 1963). For lack of manpower, we annually must pass over, without investigation, hundreds of cases of probable tax fraud. Backlogs of delinquent taxes have become too large. Our capacity to ferret out habitual non-filers only now is beginning to get the emphasis it deserves after a period of unavoidable neglect.

Continuing, Mr. Walters told us—and this now is on page 476—that the most immediate consequence of this is—

. . . the millions of tax dollars (are) foregone each year for insufficient auditing, collection and tax fraud deterrence. Far more serious is the danger of general deterioration over a period of years in the level of voluntary compliance. The cost of such deterioration must be reckoned in the billions. To illustrate—

And, my colleagues, please note—

merely a 1 percentage point decline in the rate of voluntary compliance across the full range of taxpayers means a revenue loss of about $2 billion annually.

Later on—referencing now page 503 of the hearings—I asked Mr. Walters if he could give us even a statistical guess as to how much revenue had been lost in recent years as a result of the general deterioration in taxpayer compliance of which he spoke. To those of my colleagues who have been interested in, and have sought to promote that which we generally refer to around here as "tax reform," even though we all seem to have different ideas about what that term means—and I hope they will now listen carefully to this—it was the Commissioner's reply that:

We estimate at this point something like $6 million per year is lost on individual taxpayers alone; but by 1976, if the trends we currently see are not corrected, we estimate that this tax gap will reach roughly $8 billion per year.

So, Mr. Chairman, one can readily see, I believe, why the subcommittee has allowed, in its recommendation to you, the full budgetary requests of IRS—even though it is nearly $40 million over the amounts appropriated for IRS in the last fiscal year. To have done otherwise, would have been to endanger what were at least Commissioner Walters' plans and ideas for improving IRS tax-collecting capacities—as well as taxpayer services across the board.

We have been advised that, later this year, there may be a tax-reform measure for us to vote on—one that will, at least in part, not only simplify the still too-complicated Federal tax code and procedures, but also produce some additional, and badly needed, Federal revenue. To strengthen the hand of IRS is certainly not the same thing as true tax-reform. But, given the complexities and delay involved in producing the latter, it does appear to be a certain and faster road to easing the budgetary crunch that plagues us, all.

A caveat, however: Balance is needed, here—and, surely, the subcommittee neither expects nor wants IRS to apply anything other than even-handed justice, and uniformity of treatment, to the millions of the Nation's taxpayers and taxpaying business entities. Those individual taxpayers, and those taxpaying business entities, should pay only what they actually owe in Federal taxes—nothing more, nor less. And they should be free, of course, of undue harassment—as well as of annual audits for the pure sake of auditing.

In this regard, I called to Mr. Walters' attention newspaper reports to the effect that taxpayer settlements—where audits disclose matters in controversy, and those cases reach the so-called district office conference stage, or later the appeals stage—vary as to percentages of the amount claimed from one part of the country to another, and depending also apparently on the size of the amount in dispute. I asked him to comment, for

instance, on why taxpayers in the Little Rock, Ark., area settled disputes at the district office level—during fiscal year 1972—at an average of only 24 percent of the amount claimed, whereas taxpayers in the Baltimore area paid, on the average, 74 percent. I also asked him to try to explain why—in the same fiscal year—cases that did not go to court were settled for 67 percent of the amounts claimed in the $1 to $999 range, whereas, for cases where $1 million or more was claimed, the appellate division settled at an average of only 34 percent.

The answers I got—if anyone is interested—were to the effect that, on a regional basis, case-mixes in a regional office distort, when a 1-year average is considered, comparative statistics which, in the longer run, tend to even out; and that, in the larger cases, the issues involved are naturally more complex, the law less clear, and eventual settlements will, perforce, be at smaller levels of averages than for smaller claims. Neither answer was totally satisfactory, and I believe this to be an area of concern to which the subcommittee should continue to give oversight.

In any event, since our hearings, we not only have a new Commissioner—with whom the subcommittee has yet to get acquainted—but also those Watergate-related allegations that attempts have been made to use IRS for indirect political purposes. I, for one, do not have any doubt but that previous administrations to this one have, somehow, managed to have those individuals or entities that were some kind of problem to them subjected to tax audits. But that fact—if it is a fact—does no make the practice either right or defensible. Getting to know both former Commissioner Randolph Thrower and, later, Commissioner Walters as I did, I would have grave doubts about the possibility that either of them knowingly allowed IRS, when under their supervision, to be so used for such purposes.

Surely, this should never be allowed to happen, and I am pleased to note that the new Commissioner, Donald C. Alexander—who I have met only briefly—has already said that "politics has no part in the tax system," and that this means—in his further words—that—

> This organization and I are going to go straight down the middle as far as politics are concerned.

Mr. Alexander, it has been reported, is also conducting his own "in house" investigation as to whether or not supposed enemies of this administration had their tax returns audited, while supposed friends had tax cases against them dropped. I am sure the subcommitee will be interested in the results of any such investigation for we are dedicated—as all of us must be—to maintaining the highest possible level of public confidence, and trust, in this key Federal agency.

Finally, the subcommittee did not, again, have a chance to inquire into the propriety of subjecting certain classes of taxpayers—such as farmers—to examination of their tax returns for supposedly statistic-gathering purposes. If such information is required, it ought to be through the regular farm-census procedures rather than through this dubious method via an Executive order that, so some have told us, was to be a prototype for other departments besides the Department of Agriculture to use as an "outgrowth of discussion with the Joint Committee on Internal Revenue and Taxation." This is a matter where direct jurisdiction lies outside our purview but, speaking now only for myself, I do not like the direction indicated and will encourage our subcommittee to inquire further into the need for and propriety of this sort of practice at the earliest opportunity.

U.S. SECRET SERVICE

The last of the major Treasury Department agencies I would comment on, Mr. Chairman, is the U.S. Secret Service.

Before the Secret Service became involved—along with the General Services Administration—in the public furor, which I suggest has been a bit overblown, in regard to whether or not improper improvements were made to President Nixon's properties, or properties at least occupied by him in both Florida and California, this was an agency that, happily, stayed out of the public eye. That is the nature, of course, of such an agency whose mission has heretofore been understood and supported by all of us.

I'll have more to say in a moment about both the Key Biscayne and San Clemente situation. But, as you will otherwise note, we have allowed all but $500,000 of the Services' original budget request so that the adjusted total will, thus, stand at $1.2 million below what was appropriated for it in fiscal year 1973. I think it can be said that the Service—after several years of substantial growth to meet both the felt need for greater presidential and related security protection in the aftermath of the assassination of President Kennedy, and the new responsibilities thrust on the Service to protect certain Presidential candidates—has now reached a plateau insofar as personal needs are concerned. I think we can—and ought to try to—hold those personal needs at about the current level, which allows for 2,876 positions.

The Service performs certain essential functions, and performs them very well—though I doubt I would include the taping of White House conversations in that same essential category. Nevertheless, this is an agency that has a very difficult—indeed, perhaps almost an impossible—major mission to perform in protecting the President and other important personages; in participating in the effort against organized crime, and in preventing counterfeiting as well as the forgery of Government securities and theft or alteration of Government checks—with the annual number of the latter item now being estimated—believe it or not—at some 599 million pieces. That works out to about two and a half Government checks for every man, woman and child in America each year, now, and is some evidence on its own of how big Government has grown in our Nation.

In light of this volume of payments alone, it is little wonder that the theft and then forgery—and sometimes alteration—of a large number of such checks is a major problem. The Service received 75,759 check cases for investigation in fiscal year 1972—an increase of about 15 percent over the number of cases in the prior year. It has established so-called forgery squad systems in its major offices to deal with the problem, and its record of arrests and convictions is good. But I, for one, continue to believe that more—much more—can be done, especially in view of the facts in certain check "kiting" cases as described to us where dollar amounts were altered upward by several thousands of dollars, in an overall Treasury effort to review the present procedures involved by holders of Government checks in getting them cashed. Smaller Government checks could, for instance, have printed on their face words something like "not valid for more than $100," or whatever was appropriate, and other similar initiatives could be undertaken to make such checks more secure against either forgery or alteration. Of course, some cost would be involved, but the cost of criminal investigations, and of criminal prosecutions that follow—let alone the cost to society for not having provided sufficient deterrents to this kind of crime—are substantial enough to support looking into better ways of doing things. I hope Treasury, in cooperation with the Secret Service, will have something to tell us along these lines next year.

Back to the tape recording of those White House conversations—which came as much of a surprise to us as to anyone else—obviously we had no opportunity, this year, to inquire into the propriety of the use of Secret Service personnel and equipment for such purposes. Undoubtedly, we will wish to do so at a later date—and, hopefully, by then some of the partisanship and suspicion that clouds the current Watergate inquiries will have dissipated and we can be objective as to our own inquiry.

We did, however, as I have already mentioned, look into the well-publicized allegations to the effect that both the Secret Service and the General Services Administration made improper improvements—in the name of Presidential security and protection—to the Key Biscayne and San Clemente properties occupied, on an occasional basis, by Mr. Nixon. Again, these special hearings are printed as a separate volume which has not, I would say, had the circulation and attention it deserves since news media misrepresentations—unintentional, I am sure—continue to appear. The hearings on this matter were not long, but they were open and factual. It is clear they have not answered all questions, but they can answer some. I invite your attention to them, Mr. Chairman, and would say that the subcommittee probably should, and hopefully will, follow up on and attempt to evaluate better than we have had time yet to do the information thus elicited.

U.S. POSTAL SERVICE

Mr. Chairman, there is little that needs to be added to what our report says about

this item. Once again, we have—in our recommendations—tried to stay out of the postal ratemaking business, as we think we should even though some Members of this body seem determined to get the Congress back into that arena. In any event, we have allowed nearly all of the actual budget request—that is, the request contained in the President's January budget document—while charging that amount or, more accurately, the Postal Fund with a $142.3 million item to cover one-half of the arrearage due the civil service retirement and disability fund which arose out of the 1971 postal wage settlement. We acknowledge the possibility that, in time, the Senate may join the House in its recent action to charge this item to the taxpayers instead of the Postal Fund. Since this remains uncertain, however, and since the payment in question should at least be begun if the retirement fund is to remain sound, we feel our decision is proper—particularly in light of the fact that the Postal Service is willing to assume such payments in the future.

Along with the legislative committees, we have substantial oversight over operations of the still new Postal Service Corporation. Our hearings this year were full and complete, and are separately printed for reference purposes.

Others have doubts about the continuing viability of the independent corporation approach to carrying the mail, but most of us on the subcommittee still believe that postal reform can—and, in time, will—work. As a matter of fact, it would appear that the Corporation has come quite a long way back, already this year, from its low point at or around last Christmas time, and that substantial improvements in mail service are being felt across the Nation. Insofar as we can contribute to this situation, rest assured we will try to do so.

DOMESTIC COUNCIL

Mr. Chairman, things change substantially—the emphasis changes, anyway, on the way of doing things—not just from administration to administration but also during a Presidential administration, and the current one has not been immune from that.

Take this operation known as the Domestic Council, for instance. It was established by Reorganization Plan No. 2, as implemented by Executive order of July 1, 1970. Initial staffing in that year got up to an authorized level of 48 persons, as I recall it. The idea was to give the President what was called "a streamlined, consolidated domestic policy arm adequately staffed, and highly flexible in operation"—a sort of counterpart, as I remember it, to the National Security Council operation. Chaired by the President, and composed of Vice President, Secretaries of Interior, Agriculture, Commerce, Labor, Health, Education, and Welfare, Housing and Urban Development, and Transportation, plus the Attorney General, Chairman of the Council of Economic Advisers, and the Director and Deputy Director of the Office of Management and Budget, it was supposed to assess national needs in the domestic arena, develop alternative ways for meeting those needs, help the President make the inevitable choices, and then maintain a continuous review of how things were going.

Its line of responsibility, as vis-a-vis that of the Office of Management and Budget—or at least the management side of that "house"—was always a little "fuzzy," which is the very word former Director of OMB, Robert Mayo, used to describe that situation during our hearings in 1971. In any event, this administration was pretty gung-ho—if I can use the phrase—about what the Domestic Council approach could accomplish at the beginning and, at one time, the projected staff size of the Council was up to 90 persons, though I believe the most it ever asked for was 75 persons, this being in the fiscal year 1972 budget request. The next year, that request was shaved down to 66 persons—or positions—with John Erlichman serving as Executive Director. But, this year, with Kenneth R. Cole, Jr., as Executive Director, appearing before us, we were advised the Council—see page 562 of our hearings—had—

> . . . reassessed (its) needs, both in terms of doing (its) work, and in terms of methodology, and in terms of helping to achieve what . . . you can logically call a change in the President's posture. . . .

Whatever all that might mean.

In any event, Mr. Chairman, this change in posture was reflected in the Council's budget request, reflecting a staff cutback to 30 full-time personnel, which, as you will note, we have allowed with only a token cut of $68,000. Also, now, as we all know, there is a reorientation of unidentifiable proportions within the White House—both with regard to directions and to key staff people—and our old friend and former colleague, Mel Laird, has succeeded Mr. Erlichman, as Counsel to the President, and one can read where Mr. Laird intends that, while the Council will serve as a forum within which to resolve interagency issues and for drafting policy options, there will otherwise be a return to greater reliance upon the departments of the Federal Government in the executive branch for day-to-day policy and program guidance and, hopefully, more openness, in Mr. Laird's words, "with that coequal branch of our Government, the Congress of the United States."

As I said, Mr. Chairman, things change, and sometimes for the better—which is what I think this change will prove to be. Columnist James Reston has—as some of us may have noted—taken to referring to the old Haldemann-Erlichman way of doing things in the White House as the "Politburo" approach—that is, having a top-level staff in party control that parallels the formal structure of the government, itself. By contrast, the "British system," as it might be called—and that is the one ours is modeled after—has 10 Downing Street with a small staff, so I understand, as a place where Cabinet members gather to decide on policy matters. Let us be honest in our appreciation of historic trends, Mr. Chairman, the great explosion of White House staff really began under President Kennedy, and not just with the currently beleaguered administration. If the trend, then begun, is now being reversed, away from something like the Russian system—if there is, indeed, any sort of accurate parallel between that and what we may have been moving toward—and in the direction again, now, of what might be called the British system, that is all to the good.

NATIONAL COMMISSION ON PRODUCTIVITY

Mr. Chairman, $5 million was requested for this activity, but the subcommittee, recognizing at the time of our markup that the National Commission on Productivity needed legislative reauthorization for fiscal year 1974, left the item out of our bill. Since then, as we all know—and for reasons that remain obscure to me and, in my judgment, also ill-advised—on July 17 the House voted down a bill which would have so reauthorized the Commission.

This action ends the matter, at least for the time being, but it is still worthy of note that, in this Monday's Wall Street Journal one can find an article describing the fact that there was a decline in worker productivity in the second quarter of this year—the first actual decline in output per hour of work since late 1970—which fact does raise some additional concern over the inflationary pressures which afflict and affect our economy. Whether or not this decline is a temporary thing is too early to say—there are some indications it may be—but it is also a fact, in any event, that productivity in this Nation, that once prided itself on its capacity in this regard, has been slipping relative to that of other nations of late years and that is something which can make it increasingly difficult for us to compete in markets both here and abroad.

Worker productivity is a complex, human equation, on which many complicated, interrelated factors are brought to bear. Research into this area is needed, and I am only sorry that this subcommittee was not able, this year, to fund that essential work.

NATIONAL SECURITY COUNCIL

Mr. Chairman, as I said a few moments ago with respect to the Domestic Council, things do, indeed, change. Take, for instance, this National Security Council operation. As we were told some years back, President Nixon was using the National Security Council—whose membership is composed of the President, Vice President, the Secretary of State, the Secretary of Defense and, formerly, the Director of the Office of Emergency Preparedness, which post is now being dropped—to which membership the Chairman of the Joint Chiefs of Staff served as military adviser and the Director of Central Intelligence Agency as intelligence adviser, as the focal point for effective policy review and decisionmaking. Those words are taken from the 1970 foreign policy message of the President—and we find, therein, under the subtitle of "The Policymaking Process: The NSC System," a Presidential pledge to—

> . . . restore the NSC to its preeminent position in national security planning . . . as ". . . the principal forum for Presidential review, coordination and control of U.S.

Government activity in the field of national security and foreign affairs.

Said the President—

. . . the apex of the system is the National Security Council itself. The Council does not, of course, make decisions. Its discussions put the issues and choices in sharp focus and give me the counsel of my senior advisers as the final step in the process of comprehensive review before I make a decision.

Then, and the date of the message from which these words are taken was February 18, 1970, the President stated that, so far, during his administration, the Council had met 73 times. This, to me, seemed like a refreshing change from the manner by which Lyndon Johnson fashioned foreign policy "out of his hat," so to speak, after consultation with, perhaps, Rusk and McNamara.

I do not know, Mr. Chairman, that any one way of creating foreign policy is, perforce, better than another. But it was my feeling, at the time, that the structured approach Mr. Nixon at first had in mind, here, was more certain of insuring what the President, in that same message, called—

The full and fair presentation of the views of all agencies within the foreign affairs community . . . (and would help) overcome distortion in the policy review process by insuring that our analyses proceeded from a common appreciation of the facts.

Whatever the event, gradually—as the months passed in 1970, 1971, and 1972, calendar years, that is—President Nixon's use of the Council mechanism, as reflected by full Council meetings, dwindled down until in 1972, as I recall the testimony, there were only three such meetings and, at the time of our hearings this spring, there had been only two or three such meetings. As we were advised, however, there were frequent NSC "subgroup" meetings, as they are called, which serve, again as we were told, as the consensus developing machinery which, if reached, may make full Council meetings unnecessary.

Mr. Chairman, I cannot fault the accomplishments of President Nixon—or of Dr. Kissinger—in the field of foreign policy except in minor ways; under them, the direction of foreign policy has been generally in accord with my own thinking, and the successes far exceed the possible failures. Nevertheless, I do continue to feel—even as Mr. Nixon apparently did a few years back—that the full Council approach is a valuable tool in making foreign policy and so I hope it will be used more again in the future than it has in the recent past.

Finally, the report does mention our concern over the substantial number of detailed personnel at NSC—51, in all, from various agencies, we were told—to add to its own projected 79 full-time permanent personnel. There are undoubtedly special reasons that make NSC a special case in this regard, but I agree that, as the report suggests, it would be better for NSC to consider adding these detailees to its own personnel lists and requesting, next year, a larger appropriation to cover their costs. This would make for better—and, if I can use the word, more "honest"—budgetary bookkeeping.

EMERGENCY HEALTH

The final item I would comment on, Mr. Chairman, is that for the emergency health program, so-called, operated out of HEW's Health Services and Mental Health Administration.

As reference to the report—page 41—will show, the subcommittee was unimpressed with the justification as attempted for the $6 million request by HEW to inventory, sort out and dispose of such items as may remain in the "medical stockpile" portion of the program. It is our thought, instead, in deleting this item, that such materials should be transferred to GSA for disposal through its regular surplus-property disposal program.

We have, however, as will be noted included $3 million in the bill to continue—on sort of an ad hoc basis—the community training portion of the old program since there appears to be both a need and a demand for the same. We are doing this even though we are aware of the fact that this Congress has recently passed new legislation—with new programs including some in the community training field—under the label of emergency health services, of which legislation, incidentally, I was an original House sponsor. We do not anticipate, nor desire, any duplication of efforts here, and doubt there will be any since the EMS bill, for reasons extraneous to these remarks, may provoke a veto and, even if it does not, it is likely that any new programs thereunder could not be begun before the start of the next fiscal year, at best.

Mr. STEED. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. KOCH).

Mr. KOCH. Mr. Chairman, I want to commend Mr. STEED, the distinguished gentleman from Oklahoma, Mr. BEVILL of Alabama, and the other members of the Subcommittee on Treasury, Post Office, and general Government expenditures for their sagacity in adopting what people throughout the country should hail as a commendable step toward protecting us from frivolous Government expenditures.

For the first time, the appropriating legislation for Treasury, Post Office, and general Government contains a proviso under title IV, page 17, directing the General Services Administration to obtain permission from the House and Senate Appropriations Committees before spending any of its funds on any privately owned property owned, and as I interpret the clause, also occupied by someone the Secret Service is authorized to protect. As you know, Mr. Chairman, on July 12, I introduced legislation, H.R. 9241, which would bar any Government agency from making any permanent improvements, repairs or installations to any privately owned property also occupied by anyone whom the Secret Service is authorized to protect unless specifically authorized by the Congress. While my bill is more extensive and definitive in its provisions, I am pleased to support the Appropriations Committee measure which will demand a better accounting from the General Services Administration when it seeks to spend money on Presidential and other privately owned properties.

To clarify the committee's action, I would like to ask the distinguished chairman a few questions with regard to this legislation: What form does the chairman intend shall be used by GSA in requesting permission to spend moneys for this purpose? Will the agency be required to submit an itemized budget request to the Appropriations Committee along with its regular fiscal year request for funds? If not, will the agency be required to define, prior to expending such funds, the specific items, and purposes to be purchased and accomplished?

What form will approval of the Senate and House Appropriations Committees take? And will permission to GSA be granted by a majority vote of the committee members or will permission be granted simply on approval of the respective chairmen of the committees?

The committee's bill, H.R. 9590, provides that the funds appropriated under this act will provide "fencing, lighting, guard booths, and other facilities—as may be appropriated to enable the U.S. Secret Service to perform its protective functions pursuant to title 18, U.S.C. 3056." Does the committee intend this language to clearly limit the purchases and authorized improvements to those directly related to the security and protection of those persons whom the Secret Service is authorized to protect?

Finally, as I interpret the committee's legislation, it would cover in fiscal year 1974, in addition to the President's homes in Key Biscayne and San Clemente, the Vice President's home in Bethesda, the home owned by Bebe Rebozo, but occupied by Mr. and Mrs. David Eisenhower, also in Bethesda, Mr. Robert Abplanalp's residence in the Bahamas, and any other privately owned residence owned or occupied by anyone whom the Secret Service is authorized to protect. Am I correct in my interpretation, Mr. Chairman?

Mr. STEED. Mr. Chairman, I will try to answer the gentleman's several questions with a statement.

First, all people that the Secret Service is mandated to protect would be involved in the gentleman's description. The way this works, as I visualize it, would be very much the way the reprograming of money works now.

If the agency wants to reprogram money, it is required by law that it come back to the committee and obtain written permission. These requests are reviewed by the subcommittee, and if the majority favors it, a letter is written authorizing the transfer.

The work we are talking about here is done by the written request of the Secret Service to the General Services Administration specifying what it is they want constructed. When these requests are filed, before being acted on, they would be submitted to the Committees on Appropriations of the House and Senate. Both Houses would be involved, and it would have to be done in writing. There has to be a record of it so anybody who wants to know about it would have access to it.

Mr. KOCH. I thank the distinguished chairman.

Mr. GROSS. Will the gentleman yield?

Mr. STEED. I yield to the gentleman.

Mr. GROSS. Can the gentleman tell us how much was spent to protect Dr. Spock?

Mr. STEED. I do not know, but it was a lot more than suited me and, as the gentleman knows, I have had some not very complimentary things to say about that. It is not because I have anything personal against him, but I just could never bring myself to believe he qualified as a major candidate for the Presidency, and that is what the law says.

Mr. GROSS. Are we still protecting him?

Mr. STEED. Oh, no.

Mr. GROSS. I thank the gentleman.

Mr. STEED. I yield 5 minutes to the gentleman from New York (Mr. ADDABBO).

Mr. ADDABBO. Mr. Chairman, I rise in support of H.R. 9590 and urge that the Members of the House support this legislation.

I believe that under the direction of subcommittee chairman, Mr. STEED, and the ranking minority member Mr. ROBISON and our outstanding staff and cooperation of committee members, we have come up with a bill that is decidedly fair to the agencies covered by the bill, while remaining well within the realm of fiscal integrity.

As is the case so often, this bill is filled with compromises, some of which I like better than others. What we have learned in studying this bill, I think, is the distinct need for additional study in specific areas. That study will come in the months ahead. Meanwhile, we have agreed to a bill that is fiscally sound without hindering the agencies and their programs.

I believe that if the Members go over the bill title by title, they will find that the committee used judicious care to maintain adequate funds for essential programs.

Programs of less vital interest were cut in varying degrees. We ended the appropriations for the Council on International Economic Policy because it was the feeling of the committee that the program could be ended without adverse effect to the Nation.

Similarly, we disapproved an increase for the Office of Telecommunications Policy and in fact approved a cut in last year's budget. In these days of tight money, the Nation can do without additional studies and research in telecommunications.

We have also recommended a staff cut in the Office of Management and Budget. The committee recommends a slash of about 17 percent over last year's budget, which could possibly be greater, and that is a controversial issue to which we will be speaking directly at some later point in this debate.

Perhaps one of the most dramatic cuts in the budget that you will find concerns special projects for the Office of the President. In last year's budget, the Congress approved $1.5 million for special projects, and the committee considered giving the President the same amount in this year's budget.

However, in the hearings, we were faced with White House witnesses who refused to tell the committee how the money was used last year or what plans they had for the money in this year's budget.

It was the feeling of the committee, one with which I entirely concur, that the power of the purse resides with the Congress, and that the Congress could not tolerate this blatant refusal to testify on the part of the White House.

Accordingly, the committee approved no funds for special projects in the bill, and it is my deepest hope that the House will stand by our side on this matter.

Let me stress that from my point of view, that if the White House chooses to come before the Appropriations Committee and testify as to its need for the funds and its planned use for them, I am among those committee members who stand ready to reconsider the matter. But until the White House accepts the concept of the congressional right to know, I am firmly opposed to appropriating a single penny for the special projects fund.

The rest of the bill is fairly self-explanatory, I believe. Members will find in reviewing the bill that the committee has used a sharp knife with many of the agencies where we felt cutting back could be accomplished without harm.

I think we in the Congress must face the fact that some of our most favored projects must be cut back somewhat in this period of difficult economic fluctuations.

We have tried to be fair, and I believe we have been, even though some projects close to my own heart have been cut. I think it is important to remember that while we have denied some increased budget proposals and have made actual slashes in some worthwhile programs, we have kept those offices and agencies functioning in a viable way.

We have tried to cut only those programs that duplicated the efforts of other agencies, or those offices that performed duties that while perhaps esoteric, were not necessary to the well-being of the Nation's citizenry.

I tend to think it more important for the Bureau of Customs to get additional funds to fight narcotics trafficking than it is to provide funds for the President to "promote economy and efficiency by establishment of more efficient business methods in government." Accordingly, Customs went up and the budget for expenses of management improvement were cut in half. I commend Customs for their outstanding work.

There may come a time when we can have both fully funded programs, but this is not that time. All in all, this is a bill that deserves the full support of all the Members, and I would hope that the Members will express that support overwhelmingly. Thank you.

Mr. JONES of Alabama. Will the gentleman yield?

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

Mr. JONES of Alabama. Mr. Chairman, the report contains certain limitations and legislative provisions on pages 44 and 45. I am particularly concerned with the last item on page 44 in connection with administrative expenses for the General Services Administration. There is a feeling of apprehension that this language as contained in the bill is a trespass upon the authority of the Committee on Public Works under the Public Building Act Amendments of 1972.

Is the gentleman from Oklahoma of the belief that this is an infringement and does it divest the Public Works Committee of authority under this legislation?

Mr. STEED. Let me assure the gentleman there is no intention whatsoever to infringe on the authority or jurisdiction of the Committee on Public Works, and I do not believe that the proviso here could in anywise affect the authority and actions of the gentleman's committee. As a matter of fact, I believe it would strengthen the review.

If the gentleman will turn to page 19 of the bill, down to line 18, he will notice an item for $7.3 million for the payment of public buildings purchase contracts, which is the beginning of this program. This will be in the bill every year for the next 30 years. We have no way of knowing how much it will proliferate henceforth.

What we are trying to do is have an opportunity to look at the contracts before finalization so that we can make a determination as to whether they come within the mandate given the General Services Administration by the Committee on Public Works as to the ultimate costs that must be borne by the taxpayers.

There is no way today that I can honestly tell the gentleman what this program will ultimately cost. We would like to get into a responsible position so that we can assure the House whatever amount of money is contained therein actually went for that purpose.

Mr. JONES of Alabama. Did the GSA provide you with a cost estimate as provided in the 1972 act?

Mr. STEED. We have had those notices but no detail of the contract itself or the ramifications of it. It is just that since we have to pay the bill, we think we ought to have some opportunity to review it before these commitments are made.

Mr. JONES of Alabama. The distinguished gentleman from New York (Mr. ROBISON) talked about the residual effect.

And that is what the committee was dealing with under the provisions that are in the bill. Is that the understanding of the gentleman on that?

Mr. STEED. Yes. The only time I could figure where this would involve the Committee on Public Works is that if in the contract they were ready to sign we came to the conclusion it did not coincide with the mandate given them by the Committee on Public Works we would probably insist that they go back to the Committee on Public Works and clear it up.

Mr. JONES of Alabama. I would like to assure the gentleman from Oklahoma that there will not be any indifference on

the part of the Committee on Public Works in making a total and thorough examination of the report from the GSA in order that we can ascertain whether or not the GSA is complying with the law, and that their prospectuses submitted to the Committee on Appropriations are in total compliance with the authorization act.

Mr. STEED. As I view this, I can see where there could be no worry or concern for anybody interested in this program on the way it works. I can see where there might be some difficulty if it got out of gear and somebody blew the whistle on them. I think everyone would want the Committee on Appropriations to be able to report in a responsible manner on all costs that must be paid by the taxpayers of this Nation.

Mr. JONES of Alabama. Does the gentleman think that there will be a continuing relationship between the Committee on Public Works and the Committee on Appropriations in making an analysis as to compliance at every stage?

Mr. STEED. I can assure the gentleman from Alabama, as I am sure the gentleman well knows, that there has been probably more interchange, especially at the staff level, between the Committee on Public Works and our committee than almost any other situation in the Congress. We have no intention of deviating from that policy at all and, if necessary, to increase it at whatever stage we think that we need to keep ourselves in the clear on this program.

We know that the Committee on Public Works wants it to work, and we want it to work. I can see no reason at all where there would be any point that we would have any difficulty.

Mr. JONES of Alabama. Under those conditions I would think that we would not have any reports that would escape us, and I hope we can come to that proper arrangement.

Mr. STEED. I can assure the gentleman from Alabama that as long as I am chairman of this subcommittee there will never be any action in this committee concerning the Committee on Public Works that that committee does not receive information as to what is involved.

Mr. JONES of Alabama. Mr. Chairman, I thank the gentleman from Oklahoma and I would further state for the RECORD that it is my hope that the Subcommittee on Public Buildings and Grounds of the Committee on Public Works, chaired by the distinguished gentleman from Illinois (Mr. GRAY) and the Subcommittee on Appropriations, chaired by the distinguished gentleman from Oklahoma (Mr. STEED) could work this problem out together in such a manner that proper action would be taken by the authorizing committee, the Public Works Committee, to resolve this problem in legislation after hearings are held on the matter by the Committee on Public Works. The basic jurisdiction and the creation of the Public Buildings Act Amendments of 1972 are totally within the purview of the Committee on Public Works. The whole question of purchase contract programs are under its control. However, the Committee on Public Works in setting up that act wrote in specific language which allows the Appropriations Committee under the act to check into the question of whether or not the Administrator of General Services has exhausted all other means of funding before he moves to purchase contracts. The language appears in section 5(h) of Public Law 92–313, the Public Buildings Act Amendments of 1972 and reads as follows:

(h) No space shall be provided pursuant to this section until after the expiration of 30 days from the date upon which the Administrator of General Services notifies the Committee on Appropriations of the Senate and House of Representatives of his determination that the best interests of the Federal Government will be served by providing such space by entering into a purchase contract therefor.

This was an effort on the part of the Committee on Public Works to work in conjunction with the Appropriations Committee which must fund these contracts. The Committee on Public Works, I would assure the gentleman, will continue to operate in this manner.

For this reason my remarks have a twofold purpose, one, to make it clear that this action today in no way will mitigate or prevent further action by the Committee on Public Works in finally resolving this problem and, two, to assure the gentleman from Oklahoma that the Committee on Public Works through its Subcommittee on Public Buildings and Grounds will work closely with him to resolve what is obviously a real problem.

Mr. STEED. I thank the gentleman and again assure him that the Committee on Appropriations will continue to be most cooperative in this matter.

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

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

Mr. ROBISON of New York. I yield 3 minutes to the gentleman from Ohio (Mr. HARSHA).

Mr. HARSHA. Mr. Chairman, I appreciate the gentleman from New York yielding to me.

Mr. Chairman, I would like to address another question or two to the distinguished chairman of the subcommittee, the gentleman from Oklahoma (Mr. STEED).

As I understand it, the Public Building Amendments of 1972 require only that the prospectus for the purchase contract be approved by both the House and the Senate Committees on Public Works, and then notice should be sent for a period of 30 days to the Committee on Appropriations to show that the best interests of the Federal Government will be served by providing Federal space by entering into a purchase contract.

Mr. STEED. That is correct. In 30 days they have to justify and make the report.

Mr. HARSHA. As I understand this new language, we are changing that to read, or to have the effect, that the General Services Administration could not proceed under this purchase contract arrangement for a period of 60 days, during which time, even though the Committee on Public Works may have approved the project, the Congress, by an appropriation act, could have the effect of repealing that approval, or stymieing it. Under this language it says that no appropriations shall be available for administrative expenses in connection with the execution of a purchase contract unless such proposed purchase contract has been submitted to the Committees on Appropriations of the respective Houses, and the Congress within a period of 60 days thereafter has not passed an appropriation for that building. In other words, if you did pass an appropriation within 60 days it would have the effect of nullifying the action of the Committee on Public Works.

Mr. STEED. The purpose of that is to fix it so that we cannot in effect pocket-veto anything, in other words, if the burden should be on the subcommittee to do something or else it would run out of its own accord. As far as I am concerned they could bring their proposition to us at the same time they do to the Committee on Public Works, and, of course, if we are notified by the Committee on Public Works that they approved it, then we would do our job. We then would have the information we need to have, so I see no reason why there would be any delay at all if they wanted to make the information available to us when we are ready to go. We do not want to try to run the program; we just want to try to know what is going on and have some view on it before we move.

They come in here and say, Here is how much we are going to give you this year. We do not know what it is for, when it happened, or anything else. I do not think it is a responsible thing.

This first 7 million in here is just the beginning. I cannot tell the gentleman what caused that 7 million.

Without this amendment, there never would be any.

Mr. HARSHA. I understand from the gentleman's colloquy with the distinguished gentleman from Alabama the committee is in no way endeavoring to infringe upon the jurisdiction of the Committee on Public Works.

Mr. STEED. On the contrary. There would be no way we could infringe on anything they are doing now. It might be that we might be able to give them some additional information we are not now able to get, so we could make whatever corrections we need to make.

The CHAIRMAN. The time of the gentleman has expired.

Mr. ROBISON of New York. Mr. Chairman, I yield 2 additional minutes to the gentleman from Ohio.

Mr. STEED. There would be no place we could go except back to the Committee on Public Works and get the correction for what is to be done.

Mr. HARSHA. I should like to ask the distinguished minority member of the subcommittee if he has the same understanding as the gentleman from Oklahoma.

Mr. ROBISON of New York. I would say to the gentleman from Ohio that I do.

Mr. HARSHA. I thank the Chairman and I thank the gentleman.

I yield back the balance of my time.

Mr. ROBISON of New York. Mr.

Chairman, I yield such time as he may consume to the gentleman from Alabama (Mr. EDWARDS).

Mr. EDWARDS of Alabama. Mr. Chairman, this is not a bad bill. It is like any other bill. It has got problems in it, and we have agonized over many of the parts in here, and there is a lot of compromise in here, but by and large I think it is a good bill. It is almost a billion dollars less than last year's bill.

I am somewhat concerned that we only cut $57 million off of the budget this year, because I have a feeling when it goes over to the other body, as usual they will add a lot to it. I am very hopeful that in the final analysis we can keep it under the budget, substantially under the budget. I think that it would show good fiscal responsibility if we can.

Last year we expressed considerable concern here about the problems of preclearance of passengers coming into this country from Canada, Nassau, and the Bahamas by air. We had extensive hearings on that this year, and as a result of those hearings and understandings that we have had, and trips that the subcommittee has made, I think the preclearance problem has been resolved. It will be noticed that we removed that section prohibiting preclearance from the bill, from the general provisions of the bill, this year. I believe in the future the preclearance situation will be handled in a good way and probably in the least expensive way as far as handling all of the travelers who come back and forth between these particular ports of entry.

There are a number of minor changes in the general provisions of this bill compared to last year. I will not go into all of them. If anyone has any questions about them, I will be glad to try to answer those questions.

We have in general tried to weed out those which have been there for a long time and which have no further application to the legislation. I think we have done that this year. There were other provisions that GSA and OMB wanted to leave in and this committee felt they should stay in the bill. The provision on public buildings and contracts has been discussed at great length and everybody understands what we are trying to do in this subcommittee, so I will not go into that.

Mr. Chairman, I believe this is a good bill and I would urge the committee to support it and pass it today.

Mr. STEED. Mr. Chairman, I yield 5 minutes to the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. Mr. Chairman, I rise in support of this legislation.

Mr. Chairman, I would like to clarify a point at this time in light of the wide publicity that has been given to the spending of taxpayer's money to insure the President has adequate protection at his Florida and California residences.

I introduced an amendment which is included in this appropriation bill which provides that the General Services Administration would be required to obtain prior approval from the House and Senate Appropriations Committees before any expenditures on privately owned property may be made.

I wish to make it clear that this in no way changes or hinders the Secret Service's responsibility and authority in recommending changes or improvements to protect the President or any others entitled to Secret Service protection.

I am not stating that those funds that were spent on the President's property were or were not necessary to insure his protection. What I am saying is that this amendment I have offered will protect the taxpayers from any possible abuse of this authority.

Again, let me emphasize that I am not questioning the judgment of the Secret Service as to what structural or landscape changes may be needed to assure the safety of the President and members of his family.

I know the American people want the most complete security feasible for their President, and so do I.

But I do not think it is to the best interest of the taxpayers of our Nation for the Appropriations Committees to have to depend on newspaper accounts to learn where these appropriated funds for security have been spent.

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

Mr. BEVILL. I yield to the gentleman from Alabama (Mr. EDWARDS).

Mr. EDWARDS of Alabama. Mr. Chairman, I commend the gentleman for the amendment he offered which I think is a good one. This committee felt all along we were keeping track of what was going on in those agencies that come before us and I think it was true that we learned in the hearings that we have not seen all the items that have gone into construction of facilities on the personal property or private property in connection with the protection of the President. We should see this information and I think the amendment offered by the gentleman will assure that we do. Again I commend the gentleman for presenting it to the subcommittee and I am glad to see that it is in the bill today.

Mr. BEVILL. I thank the gentleman.

Mr. KOCH. Mr. Chairman, at this point in the discussion, I would like to comment on a proviso contained under title IV of the committee bill which relates to legislation I have introduced. For the first time, the appropriating legislation for Treasury, Post Office, and General Government directs the General Services Administration to obtain permission from the House and Senate Appropriations Committees before spending any of its funds on any privately owned property owned or occupied by someone the Secret Service is authorized to protect. As my colleagues may recall, on July 12, I introduced legislation, H.R. 9241, which would bar any Government agency from making any permanent improvements, repairs or installations to any privately owned property also occupied by anyone whom the Secret Service is authorized to protect unless prior approval is received from the Congress.

Earlier in the general debate on this matter, the chairman of the Subcommittee on Treasury, Post Office, and General Government Appropriations assured me that the committee would require GSA to submit itemized requests in order to receive permission to spend its moneys in situations of this kind.

This is an important breakthrough in obtaining a more accurate and true picture of how funds on Presidential and Vice Presidential homes will be spent. With the subcommittee providing the necessary oversight, it is doubtful that future taxpayer dollars will be spent on frivolous items, but rather on those items deemed necessary for the security and protection of those whom the Secret Service is authorized to protect.

I want to emphasize that it is not my intention and certainly not the intention of the Congress to handcuff the Secret Service and GSA in performing their responsibilities under the law, but simply to insure a more thorough accounting of their funds. My overriding concern here is that public moneys are being spent on creature comforts for which the average American homeowner and apartment dweller often must plan and sacrifice in order to afford. It has really been appalling that Federal funds could be spent for such obvious non-security-related items such as a swimming pool heater, den furniture, plants and shrubs, and according to recent reports, a foot shower supposedly required by the Secret Service agents to wash the sand off their feet when they come off duty after following the President on the Pacific Ocean beach. I am sure that no Member of Congress wants to hamstring the President or his Secret Service agents in performing their duties. But it really is laughable to attempt to explain away some of the purchases and improvements as necessary for the security and protection of the President.

The spirit in our country is at its lowest ebb in many years, embroiled as we are in the quagmire of deceit and conspiracy of the Watergate affair. The American public has been flimflammed and we cannot allow this to continue. We have a responsibility as Members of Congress to once again lift the spirits of our fellow citizens so that they can be proud of their country and its leaders.

Such a mistrust of Government officials saddens and hurts every one of us in our attempts to represent our constituents.

I was particularly distressed this morning, Mr. Chairman, to note in the Washington Post that Mr. BROOKS, our distinguished colleague from Texas, has now been informed by GSA that his subcommittee, which is investigating expenditures in this area, will not have access to the documents relating to work on the presidential homes. According to the news report, this represented a change of heart for GSA, following a meeting of the Administrator with White House officials. This is the kind of blatant defiance of responsible Government action displayed by the White House and we cannot permit this to continue. It is my understanding that the gentleman from Texas intends to ask his colleagues on the House Government Operations

Committee to invoke its subpena power in an attempt to obtain the necessary data with which to undertake its investigation. Let us hope that the information will then be forthcoming. At the present time the estimates on these expenses are between $2 and $10 million. Because the President refuses to disclose them, citizens will think they are closer to $10 million.

It was to preclude future unnecessary Government expenditures on behalf of the President and Vice President that I originally introduced H.R. 9241. I am delighted, however, that the Subcommittee on Treasury, Post Office and General Government has assumed such a vigilant guardianship over GSA in this area. GSA's expenditures in behalf of the President over the last several years have not received close scrutiny, but the committee's action today insures that GSA's budget request will be examined carefully in the future.

On a related matter, I would like to report on the correspondence I have had with the Commissioner of Internal Revenue concerning the tax implications to the President and Vice President of the recently disclosed GSA expenditures on nonfederally owned properties. As my colleagues are aware, on July 11 I wrote to Donald C. Alexander, Commissioner of Internal Revenue, on this matter. Very shortly thereafter, I received a response from the Commissioner, which unfortunately, did not address itself to the points I had raised. I have written again to the Commissioner and have appended the pertinent correspondence to this statement. I based my request to the Commissioner on section 61 of the Internal Revenue Code of 1954 which defines gross income as "all income from whatever source derived." Thus, if compensation takes a form other than cash or securities, it is nonetheless included in gross income, unless specifically excluded by some other provision of the Code.

This is a serious question that must be resolved. All Americans have a stake in its ultimate determination. As I will reiterate, I am not attempting to prevent improvements or purchases from being made to nonfederally owned properties provided they are deemed necessary for the security and protection of the individuals involved. I am objecting to the potential windfall which may be reaped by such persons when, at the expiration of their official terms, they return to their status as private citizens. Repairs, additions, and furnishings which may have been made to their properties or any other privately owned property in many cases will revert to the owners despite GSA's claim that items are inventoried.

It is absolutely paramount to clarify the tax situation in this case, and I am hopeful that the Commissioner will enlighten us as to whether those items primarily for the personal benefit of the individual, do constitute taxable income.

The correspondence follows:

WASHINGTON, D.C., *July 11, 1973.*

Hon. DONALD C. ALEXANDER,
Commissioner of Internal Revenue,
Washington, D.C.

DEAR MR. ALEXANDER: On June 20, 1973, the General Services Administration (GSA), Region 4, released a Schedule of Costs Incurred at the Presidential Complex, Key Biscayne, Florida. This was followed on June 21, 1973, by a similar GSA study summarizing the costs incurred by the Federal Government for the Presidential Compound in San Clemente, California. There was also released, on June 28, 1973, a GSA report of the expenditures for Vice President Agnew's residence in Bethesda, Maryland for the period April through June, 1973.

Many of these expenses have been characterized as part of the costs incurred at the request of the U.S. Secret Service in support of its requirement to protect the President and Vice President. Others, however, appear to be merely of a maintenance or capital improvement nature. These include heating system modification, landscaping, a swimming pool cleaner, washing machine, lawn mower, ice-maker and many other items that normally are incurred by a homeowner to repair or improve his residence. In the instance of the President and Vice President, however, these costs have been borne entirely by the Federal Government.

Section 61 of the Internal Revenue Code of 1954, as amended, defines gross income as "all income from whatever source derived." Thus, if compensation takes a form other than cash or securities. it is nonetheless included in gross income, unless specifically excluded by some other provision of the Code. Accordingly, the receipt of an automobile from a business friend for past or future services is compensation, as would be the receipt of any other type of real or personal property.

The payment by the Federal government for home improvements, landscaping, office furniture and other items of non-security nature for both of the personal residences of the President appear to be additional compensation to him, and thus should be included in his gross income for the years in which the work was done. At the very least a serious investigation should be undertaken to determine the exact tax implications of these expenditures by the government on behalf of the President.

There is also the question of the future tax effects of the security-related improvements. Assuming that the value of the San Clemente and Key Biscayne properties will be enhanced by the expenses for Secret Service protection, how should these be treated upon completion of Mr. Nixon's term of office? It does not seem equitable that the President should receive government paid renovations of his personal residences and then be able to reap the benefits on a future sale of the homes. It would appear that these security expenditures, therefore, should also be included in ordinary income, if and when the governmental need therefor has expired, or at the least, upon sale of the property.

Immediate review of these questions is essential. It would be highly unfair for the average taxpayer to bear the full burden of the Internal Revenue Code while the President is able to escape taxation on expenditures made for him by his employer, the Federal Government. Accordingly, I will appreciate receipt of your opinion as to the federal income tax consequences of the expenditures outlined herein and your advice as to what steps are to be taken by Internal Revenue Service with respect thereto.

Sincerely,

EDWARD I. KOCH.

INTERNAL REVENUE SERVICE,
Washington, D.C., July 13, 1973.

Hon. EDWARD I. KOCH,
House of Representatives,
Washington, D.C.

DEAR MR. KOCH: Thank you for your letter of July 11, 1973, regarding expenditures made by the General Services Administration with respect to the residences of the President and Vice President.

As you know, the tax affairs of all persons, including high government officials, are confidential and may not be disclosed except as provided by law. We can assure you, however, that this information will be considered by the appropriate personnel of the Service.

Sincerely,

DONALD C. ALEXANDER.

WASHINGTON, D.C., *July 20, 1973.*

Hon. DONALD C. ALEXANDER,
Commissioner, Internal Revenue Service,
Washington, D.C.

DEAR MR. ALEXANDER: Thank you for your prompt response to my letter concerning the tax implications of the non-security related expenditures by the government in behalf of the President and Vice President.

I certainly agree that the Internal Revenue Service must maintain the confidentiality of every individual's tax return. I want to emphasize therefore, that I am not seeking any disclosure of information on the tax returns of the President and Vice President. Nor am I asking whether any of the items to which I referred in my previous letter were reported as income.

On the contrary, I am seeking your opinion as to whether the non-security related expenditures to which I referred in my letter of July 11th constitute taxable income or may constitute taxable income under Section 61 of the Internal Revenue Code of 1954. I would appreciate your giving me a statement on the legal principles applicable to the determination of whether items of this nature are to be included in a taxpayer's income. For example, if an employer provides improvements to an employee's home which are not necessary to carry out the employer's business, are these improvements considered income? Or, if such improvements can be used by the employee in the course of his business, but are *primarily* for the personal benefit of the employee, are they considered income for tax purposes? I realize that there are special facts and circumstances in each case, but I would appreciate having from you an opinion on the legal principles applicable to such items.

In the event your office determines that the items in question do constitute income, what then would be the appropriate course of action for the IRS in such cases?

Sincerely,

EDWARD I. KOCH.

Mr. VANIK. Mr. Chairman, I just want to take this opportunity during the debate on the GSA appropriation for fiscal year 1974 to raise the issue of how the GSA and the appropriations for it could be used to help solve our Nation's energy crisis through solar energy utilization. The rhetoric of the "energy crisis" is familiar to all of us by now. We know that at the base of our dilemma is the fact that as a Nation, we have outstripped our capacity to supply ourselves with energy resources.

Unfortunately, despite the profusion of proposed solutions to our shortages, precious little in the way of positive Government action has been shown. Particularly disappointing in this regard is the administration's seeming lack of understanding of the full range of alternatives available to us in solving our shortages. High priority solutions suggested by the President—the Alaskan pipeline, tax benefits for exploratory drilling, the breeder reactor program constitute marginal solutions.

While we are committing billions of dollars to increasing our supply of energy we are spending a mere pittance on research into ways in which we can conserve energy. A staff study by the Office of Emergency Preparedness, which was released last fall, estimates that by 1980 the Nation could conserve the equivalent

of 7.3 million barrels of oil a day through implementation of a coherent program of energy conservation. That is equivalent to building three pipelines across Alaska. Slowing the growth rate of our demand for energy will buy us vital time in meeting our needs in the critical 15 years ahead. We must face facts. We can no longer afford policies which work to promote extravagant energy use.

But what has our Government done to explore this promising alternative? The administration contents itself with organization charts; it is as if by establishing a new Office of Energy Conservation in Interior we have solved the problem. In terms of positive action, there are only shallow programs to promote wise energy use. The President, in his April 18 energy message stated:

> We as a nation must develop a national energy conservation ethic.

Unfortunately, the President failed to present an enlightened and forceful program to that end.

The energy message did, however, touch on one facet of Federal action which, if actively pursued, could form an important component of a national policy of energy conservation. The General Services Administration is currently designing two buildings, a post office in Saginaw, Mich., and a new Federal building in Manchester, N.H., as buildings of model energy and environment design. Although welcome, two buildings is a limited commitment. In view of the tremendous potential for energy savings and the limited technological problems involved, it is vital that the Federal Government pay more attention to this facet of our energy shortages.

A meaningful commitment to energy conservation as a national policy demands that the available techniques of solar energy be applied to meeting the thermal requirements of residential and commercial buildings.

The potential for energy conservation and the increased utilization of solar energy in the construction of Federal office buildings is not a pipedream. I would like to quote from a statement by Mr. Fred S. Dubin, president of Dubin, Mindell, Bloome Associates, before the Subcommittee on Energy of the House Science and Astronautics Committee. Dubin, Mindell, Bloome Associates are energy consultants to the GSA. According to Mr. Dubin:

> Energy conservation through design using off-the-shelf hardware/systems/methods, can reduce the yearly energy consumption in new buildings by 35 to 50% and of existing buildings by 15 to 20%. More than half the savings can be accomplished with no appreciable increase in initial costs.

Mr. Dubin goes on to state:

> The utilization of solar energy for heating and cooling of buildings can result in a further reduction of 40 to 75% of the yearly energy requirements for space conditioning. It is technologically feasible now. It is economically competitive with electric resistance heating and cooling now. It will be economically competitive with conventional oil or gas fueled systems in the near future anywhere in the country.

Dr. Alfred Eggers of the National Science Foundation stated in testimony before the same House Committee:

> Our estimates indicate that solar energy could provide at least half of the energy needed for space heating for single-family dwellings in almost all regions of the United States.

The primary obstacle to the widespread implementation of solar energy technologies in the building industry is the fact that there exists no significant solar equipment industry. Although the market for solar equipment exists, its dimensions or strength have not been fully assessed. As the result, private industry is reluctant to commit large sums of capital to manufacturing solar equipment. Without such a commitment, techniques of solar equipment manufacture will remain customized with little opportunity for cutting costs.

A substantial Federal commitment to solar energy in office building construction will do more than test the winds of the marketplace. Important data will also be generated. Significant information on component and systems design and testing will prove invaluable to the future of solar energy in meeting the thermal requirements of buildings. This data will become an indispensable resource on solar energy for architects, design engineers, and builders.

The importance of Federal involvement in this area cannot be overstressed. A broadened commitment by the GSA to implement energy conserving technologies and solar energy to all old and new Government buildings can serve as the catalyst to a revolution in building design and construction. I will introduce in September significant legislation to promote solar energy use and development. We can no longer afford to ignore viable policies which offer the hope of divorcing ourselves from an overdependence on rapidly vanishing fossil fuels.

I hope that in the future, GSA will request additional funds for the installations of solar energy systems in Federal Office Buillding. I hope that the Committee and the House will support or mandate these initiatives to solving our energy crisis.

Mr. ANDERSON of Illinois. Mr. Chairman, I rise to express disappointment at the fact that the Appropriations Committee has not seen fit to include in this bill funds for the General Services Administration to continue the operation of the National Industrial Equipment Reserve—NIER. This national reserve of machine tools for defense emergency production needs was established by the 1948 National Industrial Reserve Act which also authorizes the lending of NIER machinery to nonprofit educational institutions for vocational training purposes. The so-called tools for schools loan program has been in operation since the early fifties, and at present there are approximately 8,000 pieces of machinery on loan to 400 schools in 44 States, benefiting some 35,000 youths and disadvantaged persons. This has been a most valuable and popular program both from the standpoint of the schools and trainers, and the Government which not only derives free maintenance and storage of the machinery on loan, but also benefits in defense preparedness terms from the manpower pool trained on NIER machinery.

Mr. Chairman, you will recall that NIER, which is under the Department of Defense, but maintained by the General Services Administration, ran into some difficulty last year when the administration attempted to shift it from the GSA budget to that of DOD and incorporate NIER machinery in the General Industrial Reserve of the Department of Defense. This proposal met with resistance in the Congress, and, as a consequence, NIER was funded under neither budget. Due to lack of funds, GSA was forced to suspend the loan program and close down its two main NIER storage facilities at the end of last year, and NIER has been in a state of limbo ever since.

Given this situation, I collected over 80 cosponsors in the House for an urgent supplemental appropriation bill to restore $1.8 million for NIER. When the first supplemental appropriation bill for fiscal 1973 came to the House floor on April 12 of this year, we were successful in attaching this NIER amendment, and it was subsequently accepted by the House-Senate conference and became part of Public Law 93–25 on April 26.

Nevertheless, on May 24, 1973, a directive was sent to the Department of Defense from the Office of Management and Budget ordering the dismantlement of NIER on the grounds that the "program today does not serve as critical a defense need as it did in 1948." The OMB directive went on to state—

> We have determined that, rather than reactivate the NIER program, the tools should be declared excess so that they might be donated to the schools for vocational training purposes. If appropriate, a national security clause should be placed on the excessed tools as a contingency for effective recall in time of emergency. Furthermore, if, in your judgment some of these tools are required for defense purposes, they can be transferred to the Defense General Industrial Reserve.

Mr. Chairman, fortunately that OMB directive has not yet been implemented and the Department of Defense as well as our own Armed Services Committee are carefully reviewing the proposed dismantlement of NIER as well as alternative approaches. Thus far, of the $1.8 million we provided for NIER in that first supplemental, $900,000 has been released to the GSA to reimburse it for the operation of NIER during the first half of fiscal 1973. According to the testimony of GSA's Assistant Administrator for Administration, G. C. Gardner, Jr., OMB intends to use the other $900,000 we appropriated to implement the dismantlement of NIER, despite the fact that those funds were clearly appropriated for the express purpose of continuing the operation of NIER.

Mr. Chairman, I think all this raises several important questions. As I read the 1948 National Industrial Reserve Act, only the Secretary of Defense is authorized and directed to "designate what excess industrial property shall be disposed of subject to the provisions of the national security clause," and to "consent to the relinquishment or waiver of all or any part of any national security clause in specific cases when necessary to permit the disposition of particular excess

industrial property when it is determined that the retention of the productive capacity of any such excess industrial property is no longer essential to the national security or that the retention of a lesser interest than that originally required will adequately fulfill the purposes of this act." How is this determination to be made? Again the act is most explicit. It requires that "The Secretary of Defense shall appoint a National Industrial Reserve Review Committee" which, among other things, is charged with the responsibility of recommending to the Secretary "the disposition of any such property which in the opinion of the committee would no longer be of sufficient strategic value to warrant its further retention for the production of war material in the event of a national emergency." There is no provision in this law or any other, to my knowledge, which authorizes the Office of Management and Budget to substitute its determination and judgment for that of the Secretary and the review committee as to the disposition and disposal of NIER tools. And the facts are that the Review Committee has been defunct for several years now and the Secretary of Defense has made no determination that the entire NIER is no longer essential to the national security.

I would also question whether OMB can direct the expenditure of funds appropriated to continue NIER for the purpose of abolishing NIER. This clearly runs contrary to congressional intent in appropriating those funds, as the legislative history on this will reveal.

Another interesting question is why none of the $1.8 million we have appropriated has been released for the purpose of protecting the NIER tools in the Terre Haute, Ind., and Burlington, N.J., storage facilities. There are approximately 4,000 pieces of machinery valued at $45 million in those two facilities, and they have been left unattended, without dehumidification or security since last December 31. According to a letter which I received from GSA dated June 12, 1973, "the tools in storage at Terre Haute and Burlington are showing signs of rust." It seems rather ironic that while NIER is presumably being dismantled in part as a cost-savings device—and we are talking about approximately $1.8 million per year—machinery valued at $45 million is being allowed to rust into disrepair at these two storage facilities. And something which is too often overlooked is that NIER, over the years, has actually been saving the Government vast sums of money because the schools have been providing us with free storage and maintenance of the tools on loan. According to figures supplied to me by the General Accounting Office, it would cost the Government up to an additional $3.8 million per year to store and maintain the machinery on loan.

Mr. Chairman, another argument advanced by OMB to justify its NIER dismantlement directive is that—

Manpower training objectives would be met if the tools were surplused since they could then be donated on a priority basis to educational institutions.

But this assertion greatly oversimplifies and distorts the excess-surplus donation process. The actual and accurate procedure to be followed was explained to me by the GSA in the following portions of its June 12 letter:

Implementation of the Office of Management and Budget (OMB) plan for termination of the NIER program would require, first that the NIER tools be declared excess to the needs of the Department of Defense (DoD). They would then be screened among the Federal agencies for possible Federal utilization. If no further Federal need for the tools were determined, the equipment would be declared surplus and be made available for donation by the General Services Administration through the Department of Health, Education and Welfare (HEW).

Under existing DHEW procedures the tools would be allocated to State agencies for Surplus Property, not directly to schools. The distribution to schools or other eligible donees within each State would be accomplished by the State Agency.

Mr. Chairman, what all this means is that, contrary to the OMB contention, these tools would not be available to schools on a priority basis. Other Federal Government agencies would have first access to the tools, and they would then be declared surplus and made available to State agencies which are under no obligation to make them available to schools on a priority basis. I think it is also important to point out that in declaring all NIER machinery excess, those tools now on loan to schools would be subject to possible removal first, by any Federal agency which might be interested, and second, by the State Agency for Surplus Property. Such a contingency obviously could have a monumental disruptive impact on the 400 U.S. schools which now have 8,000 pieces of NIER machinery on loan. There is obviously no way, for instance, to prevent the Agency for International Development—AID—from selecting the choicest NIER tools, either from the storage facilities or from the schools, and from donating these to AID recipients abroad.

It should also be pointed out that OMB has given the Department of Defense a free hand at transferring whatever NIER machinery it may wish to its own General Industrial Reserve; and it is my understanding that DOD has already written to our Appropriations Committee requesting permission to transfer 1,000 of the 4,000 pieces of NIER machinery in storage to the DOD reserve.

Coincidentally, the GSA has informed me that only about 25 percent or 1,000 of the 4,000 NIER tools in storage "are of a type which could be used by schools for vocational training." I am not suggesting that these are necessarily the same 1,000 tools DOD has requested for itself, but I am suggesting that there is bound to be some overlap between what DOD wants and what the schools can use.

I hope, Mr. Chairman, that I have effectively exploded this OMB myth that schools are going to be given priority access to NIER machinery when it is disposed of. The facts just do not support that promise, and I would suggest that it is a deceptive ruse designed to defuse and diffuse objections which might otherwise be raised to the NIER dismantlement.

Mr. Chairman, while I will not today be offering an amendment to provide further funds for NIER under GSA in fiscal 1974, I want to make it quite clear for the record that it is not because my own interest and that of my many cosponsors in continuing the NIER and the tools for schools loan program has in any way waned. It is my hope that a compromise can be reached between the administration and the Congress on this, and I am grateful for the fact that this matter is being looked into by our own Armed Services Committee. In the meantime, no action should be taken, in my opinion, to implement the OMB dismantlement directive, both becaues of the legal questions involved and the irreversiable and disruptive impact this would have. I have, in the past, urged the reactivation of the National Industrial Reserve Review Committee to evaluate the contemporary need, if any, for NIER with respect to our national security and defense preparedness posture, and that, pending the findings and recommendations of that review, the NIER be continued along with the loan program. If it should be determined that NIER is no longer warranted as a separate reserve, we should consider the alternative of transferring NIER machinery to the DOD General Industrial Reserve and operating the school loan program out of that reserve. I suggest this, because of my firm conviction of the great value of the loan program in providing trained manpower on these "master tools of industry" which are the key to our continued economic health and industrial expanison and growth.

Mr. STEED. Mr. Chairman, I have no further request for time.

Mr. ROBISON of New York. Mr. Chairman, I have no further request for time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

TITLE I—TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

For necessary expenses in the Office of the Secretary, including the operation and maintenance of the Treasury Building and Annex thereof; hire of passenger motor vehicles; and not to exceed $7,500 for official reception and representation expenses; $17,600,000, of which not to exceed $100,000 shall be available for unforeseen emergencies of a confidential character, to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on his certificate.

Mr. GROSS. Mr. Chairman, I move to strike the necessary number of words.

Mr. Chairman, I take this time to ask the chairman or someone on the subcommittee who is conversant with the bill a question or two. I refer to page 40 of the committee report where it states that $63.5 million is listed for the operation, maintenance and continuing development of a nationwide civil defense system. In addition to this amount the committee allowed $24 million for a nationwide inventory of fallout shelters and shelter research. Why it is necessary to conduct a $24 million survey of existing shelter facilities, or is the survey for the purpose of locating additional shelter space?

Mr. ROBISON of New York. Mr. Chairman, will the gentleman yield?

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

Mr. ROBISON of New York. Mr. Chairman, I am not sure I can answer the gentleman's question to his satisfaction but let me try to answer my friend.

This item comes under what is now called the Defense Civil Preparedness Agency. We do not particularly like that. We think it might better be called the Civil Defense Preparedness Agency, but in any event under this new name there was a marriage about a year ago of the old civil defense arrangments, which were largely aimed at providing shelters for people against a so-called nuclear disaster. We had those kinds of surveys as to where those shelters might be found and signs to direct people thereto, and even the stocking of some of those shelters with food, water, and so forth.

Under this new approach, as I said, there is a marriage between the concerned Government heads—and we share it—about nuclear disasters and natural disasters such as hurricanes, earthquakes, floods, and things of that sort. What I am trying to say is that I think the shelter survey moneys here would be used to expand upon the old program, which would probably be at least out of date, if not somewhat obsolete, from the standpoint of what is needed. That is, what shelter space is available, not just against a nuclear attack.

Mr. GROSS. It has gone up to $63.5 million for the program, with an added $24 million for a survey. I still do not understand why we should have to expend $24 million for a survey.

Mr. ROBISON of New York. If the gentleman will yield further, those are two separate items. The first item to which he refers, $63,500,000, is for a variety of purposes for the Defense Civil Preparedness Agency as shown on page 40 of the report, including its operation, maintenance, continuing development of nationwide emergency warning systems, distribution of radiological defense equipment, support of activities required to maintain capacity in emergency periods, whereas the shelter money was something else.

We thought it was justified, and I continue to think it is.

Mr. GROSS. The Bureau of the Public Debt continues to inch its way up, as to costs, does it not, Mr. Chairman, and the only way those costs, which are $77 million in this bill, will ever be cut is to reduce the Federal debt.

Is that not true, Mr. Chairman?

Mr. STEED. The gentleman is absolutely correct.

Mr. GROSS. On page 41 of the report I note that there is $3 million for the phasing out of Emergency Medical Health Service costs in the Department of Health, Education, and Welfare.

I would like to ask why it requires $3 million to close down.

Mr. STEED. That is a little bit misleading. There are two functions here.

The closing down part does not get any money this year. The $3 million is what we have had all along and used in training programs which have been very well received throughout the country. We deliberately did not give any money for the other part because we think General Services Administration can do that out of other operating funds they already have. This money is $3 million, which is for that half of the program that is for training.

Mr. GROSS. Let me refer for a moment to the recommendation of $1,376,000 for the Council of Economic Advisors.

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

(By unanimous consent, Mr. GROSS was allowed to proceed for an additional 2 minutes.)

Mr. GROSS. That is something of an increase over last year, and there is a reduction of personnel in the Council from 57 to 46. Why would there be any increase at all under those circumstances?

Mr. STEED. Basically, the determination of this whole thing is salaries. It is a matter of whether we have more high-salaried people or more low-salaried people. They can have a large budget with fewer high-salaried people than they would have with more lower-salaried people.

Mr. GROSS. That is not the brain trust at the White House that put a ceiling on meat, it is?

Mr. STEED. No. They are the economic policymakers.

The only way I can explain economists, after listening to them for 18 years, is that it sounds to me as though what they try to tell us is sort of like this: "If we had some ham, we would have some ham and eggs, if we had some eggs."

They apparently perform what the President believes is a useful function. They have to do an enormous amount of fact-finding and research, and make conclusions for him. They are pretty busy people.

Mr. GROSS. I always thought that costs ought to go down when the number of employees goes down, but perhaps these people are so endowed with gray matter and such experts, that they are worth those top salaries.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

OFFICE OF MANAGEMENT AND BUDGET

SALARIES AND EXPENSES

For expenses necessary for the Office of Management and Budget, including hire of passenger motor vehicles, and services as authorized by title 5, United States Code, section 3109, $16,000,000.

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

The CHAIRMAN. Evidently a quorum is not present. The call will be taken by electronic device.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 414]

Alexander	Dingell	Hébert
Bolling	Dulski	Henderson
Buchanan	Evins, Tenn.	Horton
Carey, N.Y.	Fisher	Jarman
Chisholm	Frey	Landgrebe
Clark	Gibbons	Landrum
Clay	Gray	Mills, Ark.
Conyers	Hanna	Minshall, Ohio
Diggs	Hastings	Mitchell, Md.
Mosher	Rooney, N.Y.	Whitten
Murphy, N.Y.	Sandman	Wilson, Charles, H., Calif.
O'Brien	Schroeder	
Pepper	Seiberling	
Powell, Ohio	Sikes	Wilson, Charles, Tex.
Preyer	Smith, Iowa	
Reid	Stuckey	Zwach
Rodino	Teague, Tex.	
Roncalio, Wyo.	Udall	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BOLLING, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 9590, and finding itself without a quorum, he had directed the Members to record their presence by electronic device, whereupon 384 Members recorded their presence, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

AMENDMENT OFFERED BY MR. EVANS OF COLORADO

Mr. EVANS of Colorado. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. EVANS of Colorado: Page 10, line 18, strike the figure "$16,000,000", and in lieu thereof insert the figure "$15,200,000".

Mr. EVANS of Colorado. Mr. Chairman, there is a small correction that has been made to my amendment. My amendment read "line 17." It should be "line 18."

Mr. Chairman, the consequences of this amendment, if passed, will be to cut the committee recommendations for the Office of Management and Budget 5 percent. In other words, the committee has recommended $16 million for fiscal year 1974 for the Office of Management and Budget. For the year 1973 the Office of Management and Budget had and spent $19,600,000 and asked for the same amount for the fiscal year 1974. The committee has cut their request from $19,600,000 to $16 million.

Part of this cut is illusory, for $1,500,000 of this cut is represented by a transfer of responsibility from the Office of Management and Budget to the General Services Administration. Those slots and that money were not stricken by OMB from its budget request, although I believe it could have. It is true that the Office of Management and Budget has been further cut beyond that down from $19,600,000 by the committee to a round figure of $16 million even.

If my amendment passes, it will mean that under the House version of this bill the Office of Management and Budget would get, as I say, $15,200,000. I believe that the Office of Management and Budget has too many people: 628 full-time permanent personnel.

I sometimes wonder whether or not they may be bumping into each other down there. Obviously they could not keep track of the loss of their own responsibilities when it came time to interpolate that into a reduction of their own budget request for the next fiscal year.

I am also impressed that there may be too many in OMB who do not understand the limited powers of the OMB. I believe there are too many who misunder-

stand a term known as congressional intent. I believe there are too many who do not understand the constitutional powers of Congress. I believe there are too many in OMB who do not understand the public need of money authorized to be spent for public purposes, authorized by Congress and signed into law by the President.

It is my hope that this belt tightening may make the people in the OMB a little sharper and more sensitive in the future to these matters I have mentioned.

Mr. Chairman, I hope the Members will see fit to vote in favor of this amendment.

Mr. STEED. Mr. Chairman, I rise in opposition to the amendment.

As I said during the general debate this is an item that has given the subcommittee probably as much difficulty as any other item in the bill. It is true we have some Members who very much wanted to increase the amount. We had others who very much wanted to cut it substantially more than we did. The figure here today is a compromise figure that I prevailed upon those who wanted more and those who wanted less to agree upon as a bare bones figure for this agency if we expect it to carry out the mandates imposed upon it by the law.

I might add that I understand my good friend and colleague, among many others, and some of the reasons they have that this agency needs to be curtailed. I am not going into the merits of that now. I believe the only effective way that could be done would be to have the legislative committees take a complete review of the entire functioning of the OMB. I think such a review would probably be justified because of the very fact of the proliferation of the Government itself and the need the President has for this type of facility in carrying out his duties.

As long as the law is the way it is, as chairman of this subcommittee in all seriousness I think it is incumbent upon me, regardless of how I feel personally, to plead with the House at least to stick with the figures we have in the bill. Any way we look at it, it certainly is a bare bones figure if we are going to expect this agency to carry out what we have mandated it to do by law.

I hope the Members will defeat this amendment and help us prevail with the figure in the bill.

(By unanimous consent, Mr. CEDERBERG was allowed to proceed for 5 additional minutes.)

Mr. CEDERBERG. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I believe this amendment is really not in the best interest of the taxpayers of this country. Let me proceed to tell the Members why.

The Office of Management and Budget last year had $19.6 million approved by this body. The budget figure for the OMB this year is exactly the same amount of money in spite of increases in workload and pay costs. It is one of the few instances where this has occurred.

I recognize full well that there is some disenchantment with the OMB, but those of us who have been around here for some years realize this is not a new phenomenon. This has always been true. The OMB is an organization that fits between the executive agencies and the Congress and it always has been sort of the whipping boy. I have never been entirely satisfied with this situation myself.

My friend, the gentleman from Colorado, has stated there is a $1.5 million reduction, because of some employees who were transferred to GSA. This is an incorrect figure. That figure should be $869,000. They are transferring roughly 30 employees out of OMB to do some functions that really can be better done in GSA.

That would be a charge of $50,000 per employee, which is of course wrong. Where the $1.5 million comes is because GSA took these employees, added others to them and said the function they are going to perform would cost GSA $1.5 million for a full year.

What will this cut do? First, let me say that I am not happy with the $16 million figure. I would much prefer that this item go back at least to $18 million. I think that is a much more reasonable figure, and perhaps it should be $18.7 million, but here we have an agency, as the gentleman from Colorado stated, that has 628 employees looking after a budget of some $268 billion.

Twenty years ago this same agency had a little over 400 employees, when it was charged with the responsibility of overseeing a $70 billion budget.

This has concerned me a great deal, so I wrote a letter to the Comptroller General. The Comptroller General is responsible to this body, and he has a working relationship by law with the Office of Management and Budget. As a matter of fact, he has personally a great expertise in this area, because he served there for many, many years.

I would like to read this letter to the Members, and I would like to ask them to listen, because I believe it is pertinent to the question we have here now. The letter is addressed to me:

JULY 31, 1973.

Hon. ELFORD A. CEDERBERG,
House of Representatives.

DEAR CONGRESSMAN CEDERBERG: I have your letter of July 31 in which you ask my views as to how a reduction of $2,731,000 in the fiscal year 1974 appropriations request for the Office of Management and Budget would affect the ability of the OMB to be responsive to the needs of the Congress, including the various programs which involve the joint participation between the General Accounting Office and the Office of Management and Budget.

While I am obviously not in a position to evaluate the overall budgetary requirements of the Office of Management and Budget, I nevertheless feel strongly that the OMB needs to play a strong leadership role in the improvement of financial management of the executive branch. In many GAO audit reports, we have emphasized the potential savings and management improvements which can be made by the executive branch but which require the action of a central agency acting on behalf of the President. Under the Legislative Reorganization Act of 1970, executive agencies are required to advise the Congress of their proposed action with respect to recommended improvements included in General Accounting Office reports. Copies of agency responses are furnished to the OMB in order that the OMB can follow through on matters where agency action may not be adequate. This is an important function and one which can do much to bring about the kind of improvements which this Office is in a position to recommend.

The Legislative Reorganization Act of 1970 also included a provision (Title II, Section 202), requiring the Secretary of the Treasury and the Director of the Office of Management and Budget, in cooperation with the Comptroller General, to "develop, establish, and maintain standard classifications of programs, activities, receipts and expenditures of Federal agencies" in order to meet the needs of all branches of the Government, including the Congress. The statute requires the Secretary of the Treasury and the Director of OMB to submit an annual report with respect to their performance under this provision. The GAO's role has been to work with the committees of Congress to assure that the information provided pursuant to the Act is of maximum assistance to the Congress.

A great deal of work is already under way and considerable staff resources have been allocated by this Office and recently a total of six additional staff members of the OMB and the Treasury have been allocated to this effort. In light of the numerous inquiries which we have received from members of Congress, from hearings held by the Joint Committee on Congressional Operations, and the expressed interest of the appropriation committees, I know of the high priority which has been attached to this effort in the Congress. I consider the staff presently assigned to this project as minimal and more resources will undoubtedly be desirable as the program moves ahead.

Under the Budget and Accounting Act of 1950, the Secretary of the Treasury, the Comptroller General, the Director of the OMB, were directed to cooperate in a joint financial management improvement program. All three of these agencies have statutory responsibilities for the improvement of financial management and must utilize financial data obtained from the operating agencies. About three years ago, the three principal agency heads under the joint program agreed that because of the scarcity of trained manpower in the financial management field, the Civil Service Commission should be added to the program. Within the past few weeks, since Executive Order 11717, transferring certain financial management activities to the GSA, it was decided to invite the Administrator of General Services to become a member.

I consider the Joint Financial Management Improvement Program of great importance to the Congress and have attempted to support it because of the potential for savings in improved management. I attach a list of priority projects under the Program prepared recently in connection with our recent review of the staffing requirements of this effort.

Another area in which the GAO has been deeply concerned is that of Federal Government procurement. Federal procurement now represents nearly 25 percent of the total Federal budget and there are many opportunities for savings. I recently served as a statutory members of the Commission on Government Procurement. Mr. Perkins McGuire, formerly Assistant Secretary of Defense, served as the Chairman of the Commission, and Congressman Holifield, Chairman of the Committee on Government Operations, served as Vice Chairman. Congressman Horton served as a member, as did Senators Gurney and Chiles of Florida. This Commission unanimously recommended that a strong central point of leadership in the executive branch was required if the recommendations of the Commission were to be effectively carried out. The Commission expressed a preference for locating this responsibility, which we estimated would take a minimum of 20 staff members, in the Office

of Management and Budget. Yesterday, I testified before the House Government Operations Committee on H.R. 9059, which would establish such an office, in which I stated my preference for locating this responsibility in the OMB. Based on reviews by this Office, I am persuaded that there are sizable economies which can be achieved in the procurement of goods and services by the Federal Government and I would hope that the OMB could undertake this responsibility.

PRIORITY PROJECTS TO BE UNDERTAKEN WITH ADDITIONAL STAFFING BY THE JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

With stronger executive leadership and full-time staff support, the Joint Financial Management Improvement Program has the potential of evolving into a strong management consulting organization to assist in improving management in every level of the Federal Government. In addition to a full-time staff, additional manpower borrowed from agencies for particular projects would enlarge the capability of this Program. Following is a list of projects by priority which we believe should be undertaken by the JFMIP.

AVOID DUPLICATION

There has been a great deal of costly duplication in designing automated systems to perform accounting functions. Certain agencies have successfully developed such areas as centralized payrolling and voucher processing. JFMIP could serve as an effective agency for seeing that one agency makes use of what another agency has developed and could help eliminate further duplication and unnecessary cost.

(a) Agencies would be encouraged to centralize payroll systems, integrate personnel and accounting. Guidance for standardization of programs, data elements, codes and forms would be given to reduce duplication of efforts.

(b) Uniform procedures would be developed for establishing a single point in each agency for the preparation, review and scheduling of all vouchers for payment. One department estimated annual savings of $4 million by implementing such a procedure.

CASH MANAGEMENT POLICY

No formal policy exists in the Federal Government with regard to payment for goods received. Most agencies pay their bills as they are received, subject only to administrative time lag required to execute appropriate paperwork. Opportunities exist for reducing interest costs by regulating the cash flow.

IMPROVING USEFULNESS OF FINANCIAL DATA

"Drowning in data while starving for facts" was a catchy title to an article that also describes a major problem in Government. JFMIP needs to take leadership in helping agencies learn to boil down data to its essence and reform it so that operating managers can grasp it quickly.

PRODUCTIVITY PROJECT

The project to measure and enhance the productivity of Government workers should be carried on for several more years until it has become an established program—to improve measurement methods, to better relate costs to output units, to extend the program to State and local governments, and to take numerous steps to enhance productivity. A cooperative effort of GAO-OMB-CSC is needed. JFMIP seems a logical permanent home base for this project and such a home is badly needed to prevent the project from losing impetus.

WIDER USE OF UNIT COSTS

Unit costs are an important tool for promoting efficient, economical decisionmaking. Relatively little use is made of them in Government since the emphasis is primarily on budgetary control. JFMIP needs a vigorous program to show Government managers how unit costs can help them.

DEFINE THE ROLE OF FINANCIAL MANAGERS

In Government financial managers and operating managers often tend to go their separate ways without much cooperation. We believe financial managers should be the right hand of operating managers by giving them the financial data that is needed to make sound operating decisions. We believe standards for what a financial manager's duty should be are needed to guide Government financial managers into their proper role. JFMIP would be a logical organization to establish such standards.

GUIDE FOR EVALUATING EFFECTIVENESS OF AGENCY FINANCIAL MANAGEMENT

The purpose of such a guide would be to provide additional assistance to agencies in developing and refining financial management systems. Such a guide would aid agencies in a systematic self-appraisal of their financial management system and pinpoint how well the system serves management. It could be of value in the design of a system.

BUDGETING FOR MANAGEMENT

A need exists for more effective budgeting tools for agencies' internal budgeting purposes. A project to develop guidelines and illustrative material on the use of internal cost-based budgeting could result in better management practices.

IMPROVED AUDITING

Auditing in Government needs to cover not only financial results but in addition should cover whether the audited entity with existing laws and regulations, was efficient and economical in spending its money and achieved the objectives of the program. The number of auditors at all levels of government that can do this work of such a broad scope is limited. We need to have JFMIP support projects for training auditors to handle this type of audit work.

That is signed by Elmer B. Staats, our Comptroller General.

Here we are asking to cut OMB when new and additional responsibilities are being added.

Here are some of the projects they want to look into:

Avoid duplication.
Cash management policy.
Improving usefulness of financial data.
Productivity project.
Wider use of unit costs.
Define the role of financial managers.
Guide for evaluating effectiveness of agency financial management.
Budgeting for management.
Improved auditing.

These are all responsibilties of OMB as they try to do what they can, never to all of our satisfaction, in handling a budget of $268 billion.

It seems to me the height of folly to reduce this below $16 million. As a matter of fact, I believe the $16 million is crippling now. I hope that could be increased.

I believe this is an opportunity to strike a blow for sensible fiscal management, even though I recognize the disenchantment some have with this agency.

Mr. MAHON. Mr. Chairman, I move to strike the last word.

Mr. Chairman, the House is made up of statesmen who have in mind the public interest. At times we may have a tendency to be a bit spiteful or resentful of decisions of the executive branch.

But we must look at the funding requirement of the Office of Management and Budget today in a broad responsible way. I must differ with my friend, the gentleman from Colorado (Mr. EVANS) who has offered this amendment to reduce the appropriation for OMB another $800,000.

I feel that a certain comity ought to exist between the President and the legislative branch, certainly in the matters of staffing. It is not up to the President to tell us how much staff we need or should have for our work.

Mr. Chairman, the Office of Management and Budget is an essential arm of the President. It works with the President and at the direction of the President. The staff of OMB is generally comprised of dedicated career men. These career men may be Democrats, or Republicans, or independents.

Now, partisan decisions are made at times, I am sure, by the Director of the OMB, but they are not necessarily his decisions. Really, they are the decisions of the President.

Over the period of years in which I have served on the Committee on Appropriations, I have known rather well a number of Presidents and Budget Directors and I know how close the relationship is between the President and the Director of the budget. It is up to the Director to deal with the President and do his bidding.

Now, with respect to the subject of impoundment, I believe this administration has gone beyond the bounds of propriety in withholding funds. I do not agree with the present Director, Roy Ash, in all particulars by any means. I believe some of the decisions made by the administration have been most unwise. I have opposed these decisions, and I continue to oppose them.

But the President must have fully adequate help just as we must have adequate help. I know how Presidents operate. A President will say to his department and agency people, "Listen fellows, we cannot go beyond a certain figure in the budget this year."

After exploring all facets of the question, he calls in the Budget Director and his staff and he says, "We cannot go any further than this figure. This is just as far as we can go with the budget. Find a way to shave down these requests from the various agencies and departments."

Then the budget people explore various alternatives and grapple with almost impossible problems and spend many long nights trying to find answers. Presentations are then made and different courses of possible action are set forth. The President considers the situation and certain decisions are made. But that is the President's action; it is not an action by the Budget Director. He will make his recommendations, but after all, the President cannot escape complete and full responsibility.

If there is not a strong central budget office, adequately staffed with capable and dedicated people, the Budget Director simply becomes a tool in the hands of the ambitious Cabinet officers and agency heads. Virtually every Cabinet officer and agency head I have ever

known has wanted more and more and more money for larger and larger and larger programs.

We have learned that we cannot satisfy all the officials in the executive branch. They want more and more money, and Presidents have had to put a restraining hand on them, and it is through his Director of the Budget that he does this. If we did not have the Bureau of the Budget, instead of the budget request this year being for $278 billion, it would be way above $300 billion in my opinion. This is the way it would go. Cabinet members and agency heads become big spenders, as a general rule. They become special pleaders for their programs. This is understandable. In Congress we too tend to become big spenders for programs in which we have a special interest in behalf of our people. The Budget Director is the hatchetman for the President. He is the man who often bears the brunt of the criticism against budget cuts or inadequacies. But I am very troubled that we would undertake to punish the Office of Management and Budget by making this proposed additional reduction. I believe the reduction that has already been made is too sharp. In view of the budget preparation responsibilities and other responsibilities of OMB, $18 million or $19 million in the context of the budget is very small—small compared to the magnitude and complexity of Federal budget considerations.

The CHAIRMAN. The time of the gentleman from Texas (Mr. MAHON) has expired.

(By unanimous consent, Mr. MAHON was allowed to proceed for 5 additional minutes.)

Mr. MAHON. Most of us have had problems with decisions which have been made by the Office of Budget and Management.

Then they say, "But, Congressman, did not the Congress establish an expenditure ceiling which is billions of dollars under the amounts that have been provided? We cannot spend but so much money this year, and therefore we must withhold the expenditure of some of the money which has been provided by the Congress. Now, if you had not enacted this spending ceiling it might be a little different situation."

So I just hope we will not try to further reduce the appropriation for the Office of Management and Budget.

I have always believed and I continue to believe that we must do something about the whole budget. We must get better control of the both, the revenue and expenditure sides of the budget and in this connection I commend to the attention of Members the budget control legislation which is pending before the Rules Committee. I would also join in encouraging the Office of Management and Budget to try to find ways that they might do a more responsible job. But they cannot do an adequate job of reviewing the complexities of the Federal budget with the hundreds of programs involving millions of employees without adequate staff to ferret out waste and the shortcomings of these agencies.

So I think it is essential that they have adequate resources. I want them to use their authority more discretely, but I do not want to cripple the Office of Management and Budget which, to a considerable extent, is made up of dedicated, nonpartisan people who usually do a most worthwhile job for the American taxpayer. I hope we will not let our feelings of disappointment and outrage over some of the things that have happened cause us to take unwise action here today.

Mr. GERALD R. FORD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment.

Let me preface my remarks by saying that in the 24-plus years that I have been privileged to serve here I have had many differences with Directors of the Bureau of the Budget or Directors of the OMB. This includes both Democratic and Republican directors. I have had many differences with staff personnel of either the Office of the Bureau of the Budget or the OMB. But I must say that over the years I have respected what at least in my opinion is the professional job that these individuals do in trying to put together a budget for submission to the Congress and to execute that budget after the Congress has acted on the appropriation bills.

As the distinguished chairman of the Committee on Appropriations has said, these are nonpartisan professional people, and without a question of a doubt, if this amendment passes, you will end up firing the people who, regardless of partisanship, have tried to do an important and good job in a professional way.

Now, what is the extent of the committee action and what would be the impact of the amendment on this arm of the White House?

Last year, in fiscal 1973, the budget request for OMB was $19.6 million. The Congress gave to that office the full budget request. The budget request for fiscal year 1974, the year covered by this bill, was identical with last year.

Which means in effect that OMB was going to tighten its budget, because we have had personal pay increases in the interim. The committee in its wisdom made a reduction from $19.6 to $16 million which is an 18-percent decrease—and I repeat—an 18-percent decrease. This means that the committee is recommending that there be further belt tightening.

If my recollection is accurate, I know of no other agency in the Federal Government in any appropriation bill that has been considered thus far for fiscal 1974 where there has been such a percentage slash.

The amendment offered by the gentleman from Colorado (Mr. EVANS) would further cut the budget for the Office of Management and Budget by 5 percent, or $800,000 more.

So if you take what the committee recommended, an 18-percent cut, plus the 5-percent cut recommended by the Evans amendment, you have a 23-percent cut. I do not think that makes sense. We expect that Agency to put together the budget and expect that Agency to work in the implementation and execution of the budget, and yet we are not willing to give them as much money as they had last year. In fact the slash is a 23-percent reduction below what they got last year. I just do not think it makes sense.

I have no understanding, and I am not speculating as to the motives of anyone, but if we really want a job done by a group of professional, nonpartisan administrators, we should not vote for the Evans amendment.

Therefore, Mr. Chairman, I urge the defeat of the Evans amendment. I hope and trust that the committee will sustain the Committee on Appropriations in its recommendations.

Mr. PICKLE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to ask the gentleman from Colorado (Mr. EVANS) if his amendment, in effect, as the gentleman from Michigan said, reduces the recommendations of the Committee on Appropriations a total of $800,000 over and above what the committee is recommending?

Mr. EVANS of Colorado. Mr. Chairman, if the gentleman will yield, that is correct.

Mr. PICKLE. The statement is made that this makes a cut of 25 percent.

Mr. GERALD R. FORD. Mr. Chairman, if the gentleman will yield, a 23-percent cut.

Mr. PICKLE. A 23-percent cut.

Is that a good appraisal?

Mr. EVANS of Colorado. If the gentleman will yield, I am in the process of trying to figure out what percentage $4.4 million was to the $19.6 million. I get 21 to 22 percent, in that vicinity.

In other words, the total difference between what OMB asked for and what they would get with my amendment would be a 21- or a 22-percent cut.

Mr. PICKLE. I would think that it was not accurate to say that OMB actually is being cut $1.5 million, when in fact it would just be transferred over to the GSA. That is not a cut, except in transfer of figures.

Mr. CEDERBERG. Will the gentleman yield?

Mr. PICKLE. I will yield later, if the gentleman will permit me to finish.

Mr. CEDERBERG. But the figure is not correct.

Mr. PICKLE. It is more of a transfer than it is an actual cut, but I would be glad to yield to the gentleman later to receive a reply on that.

I was also told this would make a further cut of 2.1 million in reducing OMB's management, and not as to budget preparation activities. I presume that that is the area where they want to reduce approximately 100 other people.

Is that what the committee is saying would actually result?

Mr. CEDERBERG. Mr. Chairman, if the gentleman will yield, they have about 660 employees now, and this would cut them to about 420 or 425, which is what they had 20 years ago when the budget was one-third what it is now.

Mr. PICKLE. The gentleman is saying, then, that the 800,000 would mean in effect a reduction of 100 personnel?

Mr. CEDERBERG. No, that is not correct. The 800,000 is the result of the approximately 30 personnel who were transferred to GSA. GSA gave a figure of 1½ million, because they added employees to that as they put the group together, but the total of OMB, with the 30 transferred employees from GSA, is about 860,000, in that area.

Mr. PICKLE. It seems to me, Mr. Chairman, that there are a lot of ways to look at this so-called cut. I feel that the gentleman from Colorado may have a good amendment. I do not think we ought to cut OMB just for the pleasure of trying to cut an agency with which we have had difficulty. We need them, or an agency counterpart to them.

I would say that if we are going to make a reduction—and I recommend it—we ought to take the same amount of money and put it for the appropriation committee of our professional staff here on the Hill. I think we ought to bolster our own staffs rather than bolster the staffs down the street. We do not have a big enough voice in this matter. Once we make our appropriations, once we vote a particular sum and it is put in the pipeline, so to speak, it is a hard and difficult matter for us to get the appropriation.

Whether we like to admit it or not, OMB has really become the invisible government. It is the cradle-to-the-grave segment of our appropriation form of government. We have to literally hit them on the head with a two-by-four to get their attention to obtain the funds that are appropriated. They do not reason with us. They just say we cannot have them. They fix the budget to begin with. They see that the budget is approved, the money is appropriated, and then they control the budget. They control whole billions. I do not think it is unreasonable if we tighten up on this some more, and I think they can stand this additional cut. It would be something we could live with, and it would be a healthy thing for us.

I do not know why the professional staff up here should not be built up and have a counter voice. I do not recommend setting up another Bureau of the Budget on the Hill. We have tried that, and I understand it would not work, or at least we have not allowed it to work. But there is a great deal of difference between setting up our own BOB as opposed to turning it entirely over to OMB. When we put in the word "management" we have literally made our own thorny bed.

The CHAIRMAN. The time of the gentleman has expired.

(On request of Mr. EVANS of Colorado, and by unanimous consent, Mr. PICKLE was allowed to proceed for 2 additional minutes.)

Mr. EVANS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the gentleman from Colorado.

Mr. EVANS of Colorado. In order that we may have a good idea of where we are, particularly where we are with percentages, if the minority leader and the ranking member of the Committee on Appropriations would follow me on these figures so that I can be sure that I am right, last year OMB had $19,600,000. The committee report shows that $1,500,000 worth of duties were transferred to GSA. If we take $1,500,000 away from $19,600,000, the difference would be $18,100,000.

If my amendment were to pass, they would have for the next fiscal year $15,200,000 or a cut from the $18,100,000 of $2,900,000, which in effect means that the combined effect of the committee bill and my amendment would be to reduce OMB $2,900,000 below where they were last year, if we discount the $1,500,000 that they have transferred over to GSA. That, if I figure correctly, means we are talking about a total cumulative effect of a cut of 10.5 percent.

I thank the gentleman for yielding.

Mr. PICKLE. I think those figures are very interesting, and I am not informed enough to know whether it is 10 percent or 23 percent, but there is a reasonable element of doubt as to actually what the total cut would be.

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

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

Mr. CEDERBERG. I think I am correct in saying the $1½ million figure is an incorrect figure. That is a GSA figure. We cannot transfer the 30 employees out and charge $50,000 for an employee to transfer him out. These are professional people and it is something in the area of $860,000 and not $1.5 million. That is one situation.

Then we have another problem, if the gentleman will yield further. We voted on an impoundment bill. I voted against it, and probably and I hope it will not become law, but that puts an additional burden on them and it will probably take at least 200 additional employees in the OMB.

Mr. ROBISON of New York. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, before the issue is joined I think we ought to understand what is involved and what we want to do. I think it is pretty clear that the author of the amendment was not here during general debate, for if he had been he would have understood that the budgetary impact of the transfer of OMB employees and functions to GSA was $869,000 rather than the $1.5 million which is mentioned in the committee's report. That figure unfortunately was inaccurate. I did not know it at the time or I would have sought to correct it. So, instead of the $2.1 million net cut as suggested in the report, there is, in actuality, a $2.8 million cut for OMB to which the gentleman now wants to add an additional $800,000 cut.

I am unhappy with the $16 million level already in this bill. I think that is too much of a cut, and certainly we should not go below that figure.

In support, let me give some history. In fiscal year 1954—20 years ago, when OMB was still the Bureau of the Budget and the annual Federal budget was just over $70 billion—the old BOB had an authorized strength of 446 people. In fiscal year 1970, with the annual budget now up to $196 billion, it had 553 people.

Today, as we know, we are dealing with a budget in excess of $268 billion, and there are contained in that budget literally countless new Federal programs that had not even been thought of 20 years ago. Just to develop, prepare, and justify such a budget, or the next and even larger one OMB is already at work on, is a tremendous task even before the people at OMB attempt to manage its day to day administration in behalf of the President and, let it be noted, in behalf of the Congress.

The other thing the author's amendment did not mention is that with the figure of $16 million now in the bill for OMB, the OMB will already have to reduce its staff by 70 to 100 people as well as eliminate some of its nonstatutory activities such as putting out their highly valuable "Catalog of Federal Domestic Assistance" which all of our offices use, and it would even probably have to reduce its level of cooperation here on the Hill with such as the Joint Study Committee on the Budget that, even now, is seeking to find ways through which Congress can reform and improve its own budgetary procedures.

If the amendment offered by the gentleman from Colorado (Mr. EVANS) were adopted, OMB would have to release perhaps as many as 40 more people, making the matters I have just pointed out still worse, for it would then have only 42 more people than the old BOB had 20 years ago when the Federal budget was about one-quarter the size of today's.

Mr. Chairman, we all have some sort of "gripe" against OMB. We would all like to hold it hostage for something we want for our districts or our States. We are all annoyed with OMB when it exerts discipline against us in an institutional sense as it does, for instance, after we have failed to exercise self-discipline in the first place.

During our recent debate on the anti-impoundment measure, brave words were uttered from this well about how we were going to restore Congress to its proper "coequal" status with the executive branch. That is an ambition that I share, but I would say again to my colleagues, in all earnestness, that we can only achieve that goal by building up, as we have begun to do, the powers and capacities of Congress to handle and manage budgets of today's size, and not through the expedient of tearing the executive branch down to our present size.

Mr. Chairman, I hope the amendment is defeated.

Mr. DICKINSON. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I have listened to the debate on this amendment with a great deal of interest, because I feel that I have a dog in this fight myself.

Here is the very distinguished chairman of the Appropriations Committee admonishing those of us in the House not to be petulant or spiteful, or not to vote out of any sense of pique over something OMB has done. I agree with him, but I think this is probably a pretty good amendment.

We talk about impoundment. I do not thing that there is a person in this Chamber who has not felt the adverse

effects of impoundment. Certainly I have, but I have no animosity toward the administration or toward OMB or toward Mr. Ash for the impoundments, even though I do not always agree with them. Whether they are schools, highways, or whatever, they hurt. We talk about whether or not some pet project of ours has been approved by OMB, something we feel is very necessary to our districts. We feel it is just as important, or more important than most of the things in the budget, and if it does not get in there we are unhappy with what used to be the Bureau of the Budget, or OMB, or its Director.

I can understand that, but this is not really the reason I feel that this is a good amendment. I am not talking about the discipline of OMB, as the gentleman from New York mentioned. I am not talking about the discipline they have visited on us because of our lack of self-restraint. There has to be a hatchet man, a bad guy, so OMB has to come on and exercise some fiscal restraints on us.

Mr. Chairman, the thing that bothers me the most are these faceless, anonymous bureaucrats in the woodwork down there that make these decisions contrary to the will of the Congress. We do not know who they are or how to get at them when they set themselves up as the final arbiter of what will or what will not be done.

Mr. Chairman, I wrote a letter to the White House on July 13 of this year, and would like to read part of it:

As you know, I was a supporter and cosponsor of legislation to extend the authority of the Economic Development Administration because I felt that is an area where the Administration could do a great deal of good. EDA's programs create employment—they cannot be described as "giveaways"—and I was pleased to learn that your office reached a compromise with the Congress over an authorization figure of $430 million, with a lesser appropriation figure, and the President signed the bill. I saw this development as a "plus" for our side, but I have learned that the Office of Management and Budget is trying to "gut" EDA and is making definite plans to phase the agency out.

As an example, while a compromise appropriation figure of $225 million was agreed to, OMB intends to continue toward dismantling EDA. OMB intends to transfer the actual control of EDA's funds to the Commerce Department itself, and no operations or administration money is being requested. The business loan program will be all but terminated with only $5 million requested for this activity. OMB waited until the House of Representatives had already passed the State-Commerce-Justice appropriation bill before it submitted its FY 74 budget request to Congress and, as a result, the House probably will accept Senate language in the appropriation bill.

As yet, I have not received an answer, but the point is, who makes these decisions? Here is something the White House has agreed upon, the administration; Congress has passed and enacted it into law; it is law, but some bureaucrat sitting down there in the OMB has decided that he does not like our law and he is not going to comply with it.

I daresay there is nobody in this Chamber who can really get at the facts and decide who makes these decisions that are going to rescind the act of this Congress.

I do not want to be vengeful or spiteful, but I will say this: We only get one chance to bite at this apple; that is once a year. I think it is time that we get their attention, if it takes a 2 by 4. If they run out of money, there is always a supplemental that they can come back with. I think that it is time that some of the people downtown and some of our bureaucrats realize that the Congress does have a place in the scheme of things, and when we pass a law and the President agrees to it and signs it into law, we mean for it to be carried out.

I do not know how deeply this will cut, Mr. Chairman. I hope it passes.

I am going to vote for it. I sincerely hope it will cut deeply enough to get those faceless bureaucrats who make such decisions which are contrary to the express will of Congress.

Mr. MYERS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, each of us at some time during each year, on some appropriation, has some serious disagreement with the Office of Management and Budget, but certainly that is nothing new. I have had my disagreements with the Bureau of the Budget. I still have disagreements with OMB. But thank goodness we have someone in that capacity today, because in the last fiscal year we appropriated about $18 billion more than we had available, or at least we authorized the Executive to spend about $18 billion more than we had available through the normal revenue and borrowing authority.

Who is going to make the cuts? The last gentleman who spoke said he wants to make them here, in the Congress, where we can see them and they are not faceless.

If we are going to continue to appropriate and to direct the Executive to spend more money than we take in, we are faced with one of two choices. Either we are going to "bite the bullet," to use a famous expression by a former President, and raise taxes, or we are going to raise the national debt. Probably it will be a combination of both.

I disagree with OMB frequently, and I do today. But the responsibility rests right here with this body, and perhaps more particularly with this committee. If we face our responsibility we can do away with the OMB pretty much.

Someone a few moments ago, the architect of this amendment and other cuts, was saying that they are going to strike "management." I see nothing in the language that says management is going to be taken out of OMB. This will be taken out across the board. They are not going to take it exclusively from the budget review functions. They have to continue management functions. I believe they will have to continue a management function in OMB if they are to meet the statutory requirements placed on the OMB by the Congress.

The chairman said that both Democrats and Republicans made up the Office of Management and Budget, which is of course true. I heard some snickering from that side. I say to my friends, if we pass this cut, which we may do, who do they think will be fired down there, just Republicans? Not at all. There will be some of those people who may have gotten their positions back under the Johnson administration, or perhaps under the Kennedy administration, who will get the ax, too.

This is something that is irresponsible.

There is an old saying in Indiana, and I guess it is true elsewhere also, "You can be penny-wise and pound-foolish." I believe this is exactly what we would be this afternoon if we took out our displeasure on OMB.

The cuts are going to have to be made; there is no question about it. Who is going to make the cuts? How are they going to be made? They will have to be made.

It will not be by this body. It will be by one or two so-called politicians who are left, for OMB will have to fire 50 to 100 people of the professional staff as a result of the funds cut. OMB will be quite political, perhaps, even more so than before.

I do not believe this will accomplish anything. It will not be a 22-percent cut or an 18-percent cut, if we only appropriate $19.6 million, when we consider the $404,000 of personnel benefits increases that this Congress has voted for pay increases, and so forth. They would have a 2-percent cut if we appropriated the same number of dollars. Add that to the 18-percent plus and we come up with a reduction of more than 20 percent from last year's level as it has been reported from the committee.

Mr. EVANS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. MYERS. I yield to the gentleman from Colorado.

Mr. EVANS of Colorado. I believe that the gentleman implied the Congress has been an irresponsible spending Congress. I would bring to the attention of the gentleman in the well that in the past 4 years this irresponsible Congress has cut the President's requests by $20 billion.

Mr. MYERS. But not the President's budget for appropriated funds.

Yes, we have cut the President's requests, but there is contract authority we pass. This will probaby occur in the next couple of days on the highway fund, too, to bypass the Congress entirely. This grants away the authority to control expenditures through contract authority.

The gentleman would not disagree with me that when we add contract authority, that we are granting each year, which is getting more so on each of these bills, that it does mean an increase in the national deficit. This adds to the debt, when we add the contract authority through the trust funds and so forth.

Mr. EVANS of Colorado. Is it not true that it is the President and not the Congress who spends money under contract authority?

Mr. MYERS. But which is the arm that holds that limitation? The Congress also passed a statutory limitation as to how much money can be spent in a fiscal year. Who is going to make the cuts?

Mr. EVANS of Colorado. Authority is one thing.

Mr. MYERS. Authority?

Mr. EVANS of Colorado. Having contract authority is one, and spending under contract authority is another.

Mr. MYERS. When we limit expenditures the Executive can make cuts which have to be made. Who is going to make them responsibly? They are going to be made.

The gentleman would not deny that cuts will have to be made in what the Congress directs the President to spend. Cuts will be made.

Mr. VEYSEY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Colorado (Mr. EVANS). I believe it is really a foolish act for us to go about cutting an additional 5 percent off of the management function of the Office of Management and Budget and to do so out of pique or out of irritation because we have not all had our own way in getting those items in our districts that we would like to see.

Now, I recognize that we are all going to fight, we are going to scrap down to the line for those appropriations that will go for our districts. But we must also remember that someone in this Government has to hold the line; someone has to say, "No." That is the role that has been assigned to the management portion of the Office of Management and Budget.

As I figure it, there is only about $5 million that is clearly identifiable as being for the purpose of fiscal management in the Office of Management and Budget. If I understand the thrust of the amendment offered by the gentleman from Colorado, he would arbitrarily cut that an additional $800,000 or a further 16 percent cut on top of an overall 18 percent cut.

Now, $5 million spent for the fiscal management of this gigantic organization, the Government of the United States, is miniscule compared to the $268 billion level that we are hopefully going to hold our expenditures to next year.

I figured it up a while ago, and it is only .002 of 1 percent; .002 of 1 percent is all we are spending on fiscal management of this gigantic operation.

Now, Mr. Chairman, most businesses which are run sensibly and wisely would be spending 1 or 2 percent or perhaps more of their gross expenditures for the fiscal management of their affairs.

I say that we would be very foolish if we try out of pique and irritation to cut an additional 5 percent here and thus endanger our capability to manage in a competent way the finances of this Government.

We know that cuts and impoundments will have to be made if this Congress does not succeed in containing its level of expenditures within the $268 billion. Now, do we want those cuts to be irrational, or do we want them to be rational? Do we want them to be thoughtless and arbitrary, or do we want them to be thoroughly researched and thoughtfully considered?

Mr. Chairman, I think we want the latter. We want sensible, rational management of this enterprise of ours. So I urge a "no" vote from the Members to defeat this amendment.

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

Mr. VEYSEY. I yield to the gentleman from Illinois.

Mr. COLLIER. Mr. Chairman, I completely agree with the gentleman. I think this is nitpicking.

I believe that the amount involved is certainly out of line with the demands made upon the OMB in performing so vital a function in our fiscal affairs.

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

Mr. HAYS. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I rather reluctantly support this amendment because I do not think it is a deep enough cut. But I operate on the theory that some cut is better than no cut. I was amused at the gentleman who just preceded me in the well and at the one who preceded him. The gentleman who just preceded me was giving us a big story about how responsible big business is, about how much money they devote to their budget and management.

I do not know what percentage Litton Industries devoted to this item, but even with Government cost overruns the place almost went bankrupt under the directorship of the present Director of the Office of Management and Budget. And that ought to be enough to cut it off right there.

Now, the gentleman talks about being piqued because you did not get a certain project in your district. That might affect the gentleman, but I have been here for 25 years and I have never asked the Office of Management and Budget for one thin dime for my district.

When I handle an authorization bill—and I handle a few—I do not ask them their opinion and I do not care what their opinion is.

And then the gentleman who preceded him said,

> Why, you are going to have some politician making these decisions.

Well, you know what is wrong with OMB? The same thing that was wrong with that crew in the White House; there was not a politician in the lot. There is not a one of them who ever ran for office as township trustee or justice of the peace. And that is what got the President in trouble.

I am surprised because I served here 25 years ago with the President, and I know he is a good politician. I am surprised that it took him as long as it did to get Mel Laird and people of his ilk in his administration who know something about what makes a democracy run, like the President himself knows, and not a bunch of ad men and professional bureaucrats, which is what the OMB is full of. There is not a politician in the place.

Name one. There is not a politician in the place. There is not a man in the place who ever got elected to office. There is not a man in the place who ever went out and earned his living except on the Government payroll. And that goes for Mr. Ash, who earned his as he put his company in bankruptcy.

I say we ought to cut this place 5 percent and let them know who the people send down here to run the business—not a bunch of faceless bureaucrats who think they are God Almighty reincarnated.

Mr. MYERS. Will the gentleman yield?

Mr. HAYS. I will yield to the gentleman. He is eager and I am eager to yield to him.

Mr. MYERS. I appreciate the gentleman's generosity in yielding.

First off, I do not know what the definition of a politician is, but at least the implication——

Mr. HAYS. I will tell you. Stop right there. The definition of a politician is a fellow who has run for office and gotten elected or not but at least run. He has been in the political arena submitting himself to the voters.

Mr. MYERS. Will the gentleman yield further?

Mr. HAYS. That answered your question. What is the next one?

Mr. MYERS. The gentleman said out of 600 employees no one ever ran for office. Is that the gentleman's statement?

Mr. HAYS. I ask you to name me one.

Mr. MYERS. I cannot right now, but I will be glad to accommodate you.

Mr. HAYS. You research it, and if you come up with one, I will be glad and maybe a little bit pleased. I would be glad to know if any one, just one, down there did. And I am willing to make you a little wager of the best buffet dinner we can buy downstairs, which is pretty good, by the way, that you will not find one.

Mr. MYERS. If the gentleman is comparing the House restaurant as an analogy, I am afraid it will not stand up.

Mr. HAYS. All I can tell you is the House Administration Committee took a bankrupt organization, namely, the House restaurant, and put it in the black, and that is more than the OMB have been able to do.

Mr. MYERS. By jumping the price. That is because you raised the price. And you say they cannot do the same thing.

Mr. HAYS. We did not raise the prices when we had a 32-percent increase in the past year. We did not raise it a dime. But we did it by efficiency and cut off some employees, too. And that is all we are asking you to do down at the OMB: cut out some deadwood and some dead weights and some arrogant individuals who think they are smarter than the Congress of the United States. You do not think they are, do you? And you are a Member of Congress. Do you think anybody down there is smarter than you are?

Mr. MYERS. OMB is cutting the budget and we are not.

Mr. HAYS. You answer me. Do you or do you not? I do not. I am no cheapskate on this. I am not with some of you who think they are not worth $42,000. I know someone came to me who had spoken to one of my colleagues and he came out and said he was against the raise for Congress. They said, "What do you think about that? We know you are for one." I said, "I guess he knows what he is worth and I know what I am worth." And I know the same thing about the Bureau of the Budget.

Mr. RONCALIO of Wyoming. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise to speak in favor of the amendment offered by the gentleman from Colorado (Mr. EVANS) before being drowned out by my dear colleagues, who are screaming for a vote and I am sorry to say that this always seems to happen.

For instance, last night I wanted to speak on a matter concerning the military, and the gentleman from South Carolina (Mr. DORN) spoke before me, and when the gentleman was through speaking I was afraid that if a recruiting officer were to come through the House lobby I would have joined up for a 5-year stint.

And here I am rising to speak in favor of this very reasonable 5-percent cut for the Office of Management and Budget, and I have to follow the gentleman from Ohio (Mr. HAYS).

As I say, Mr. Chairman, I rise in behalf of the amendment offered by the gentleman from Colorado (Mr. EVANS). I think it is a sensible cut, a proper amendment.

Mr. Chairman, we cut many agencies, and we have refused to increase salaries of ourselves. We are asking every facet of America to get in line and help in our battle against inflation. I think that this will be a help in that direction.

When Mr. Ash was appointed to the Office of Management and Budget I wrote to President Nixon and I said, in effect, Mr. President, this appointment affects all of the Members of the Congress, and this man that you have appointed has a conflict of interest left over from Navy disputes involving hundreds of millions of dollars, and a man such as that ought not to be passing judgment on projects in my State where the Office of Management and Budget has been immobilizing them by impounding funds. And I would respectfully recommend someone less controversial to Congressmen and perhaps more capable—and let me tell this to my dear friends on the Republican side. This was before Watergate.

I did not get an acknowledgement of my letter from the President, or a staffer in the President's office; I got a letter from Mr. Ash himself, and he said, "Dear Congressman, you don't have your facts straight regarding me. Let me come by your office and put you straight."

I said I would put together a group of Members including majority leader TIP O'NEILL, and for him to speak to us.

He declined my offer, although he courteously offered to again come by my office to discuss this matter.

Then matters ground still, we now find ourselves in a situation now where we have broken off virtually all communications between the Members of the Congress and the heads of OMB who were concerened about the Ash matter.

The least we can do to put all of us on the right track is to vote for this relatively modest cut of 5 percent, and maybe if we do that then perhaps we can get back into communication with the OMB.

I just do not think it is proper to have such a sensitive public office with men like Ash. They should be run by politicians, if you please. At present Watergate has put seven men in jail to the disgrace of all of us, Democrats and Republicans alike, and there is not a single politician in the bunch. None ever had to run for public office.

Mr. Chairman, I hope that we can support the amendment offered by the gentleman from Colorado (Mr. EVANS).

The CHAIRMAN. The question is on the amendment offered by the gentleman from Colorado (Mr. EVANS).

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

RECORDED VOTE

Mr. EVANS of Colorado. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 199, noes 209, not voting 25, as follows:

[Roll No. 415]

AYES—199

Abzug	Gettys	Price, Ill.
Adams	Giaimo	Randall
Addabbo	Gibbons	Rangel
Anderson, Calif.	Ginn	Rarick
Andrews, N.C.	Gonzalez	Rees
Annunzio	Grasso	Reid
Ashbrook	Green, Oreg.	Reuss
Ashley	Green, Pa.	Riegle
Aspin	Griffiths	Roberts
Badillo	Gross	Rodino
Barrett	Gunter	Roe
Bennett	Haley	Rogers
Bergland	Hamilton	Roncalio, Wyo.
Biaggi	Hanley	Roncalio, N.Y.
Bingham	Hansen, Wash.	Rooney, Pa.
Blatnik	Harrington	Rose
Boggs	Hays	Rosenthal
Bowen	Hechler, W. Va.	Rostenkowski
Brademas	Helstoski	Roush
Brasco	Henderson	Roy
Breaux	Holtzman	Roybal
Brinkley	Howard	Runnels
Brooks	Hungate	Ryan
Brown, Calif.	Ichord	St Germain
Burke, Calif.	Johnson, Colo.	Sarbanes
Burke, Mass.	Jones, N.C.	Satterfield
Burton	Jones, Tenn.	Saylor
Byron	Jordan	Scherle
Carey, N.Y.	Karth	Schroeder
Carney, Ohio	Koch	Seiberling
Chisholm	Kyros	Shipley
Clancy	Landrum	Sisk
Clark	Leggett	Snyder
Collins, Ill.	Lehman	Staggers
Conyers	Litton	Stanton, James V.
Cotter	Long, La.	Stark
Crane	Long, Md.	Stephens
Culver	McCormack	Stokes
Daniel, Dan	McKay	Stratton
Daniels, Dominick V.	Macdonald	Stuckey
Davis, S.C.	Madden	Studds
Delaney	Madigan	Sullivan
Dellums	Mann	Symington
Denholm	Mathis, Ga.	Symms
Dent	Mazzoli	Taylor, N.C.
Derwinski	Meeds	Thompson, N.J.
Dickinson	Melcher	Thornton
Diggs	Metcalfe	Tiernan
Dingell	Mezvinsky	Towell, Nev.
Donohue	Milford	Udall
Dorn	Minish	Van Deerlin
Downing	Mink	Vanik
Drinan	Moakley	Vigorito
Eckhardt	Mollohan	Waggonner
Edwards, Calif.	Morgan	Waldie
Eilberg	Moss	White
Evans, Colo.	Murphy, Ill.	Wilson, Charles H., Calif.
Fascell	Nedzi	
Flynt	Nix	Wilson, Charles, Tex.
Foley	Obey	
Ford, William D.	O'Hara	Wolff
Fountain	O'Neill	Wright
Fraser	Owens	Yatron
Fulton	Perkins	Young, Fla.
Fuqua	Pickle	Young, Ga.
Gaydos	Pike	Zablocki
	Poage	
	Podell	
	Preyer	

NOES—209

Abdnor	Goldwater	Passman
Andrews, N. Dak.	Goodling	Patman
Archer	Grover	Patten
Arends	Gubser	Pettis
Armstrong	Gude	Peyser
Bafalis	Guyer	Powell, Ohio
Baker	Hammer-schmidt	Price, Tex.
Beard	Hanrahan	Pritchard
Bell	Hansen, Idaho	Quie
Biester	Harsha	Quillen
Blackburn	Harvey	Railsback
Boland	Hastings	Regula
Bray	Heckler, Mass.	Rhodes
Breckinridge	Heinz	Rinaldo
Broomfield	Hicks	Robinson, Va.
Brotzman	Hillis	Robison, N.Y.
Brown, Mich.	Hinshaw	Rousselot
Brown, Ohio	Hogan	Ruppe
Broyhill, N.C.	Holifield	Ruth
Broyhill, Va.	Holt	Sandman
Buchanan	Horton	Sarasin
Burgener	Hosmer	Schneebeli
Burke, Fla.	Huber	Sebelius
Burleson, Tex.	Hudnut	Shoup
Burlison, Mo.	Hunt	Shriver
Butler	Hutchinson	Shuster
Camp	Jarman	Sikes
Carter	Johnson, Calif.	Skubitz
Casey, Tex.	Johnson, Pa.	Slack
Cederberg	Jones, Ala.	Smith, N.Y.
Chamberlain	Kastenmeier	Spence
Chappell	Kazen	Stanton, J. William
Clausen, Don H.	Keating	Steed
Clawson, Del	Kemp	Steele
Cleveland	Ketchum	Steelman
Cochran	Kluczynski	Steiger, Ariz.
Cohen	Kuykendall	Steiger, Wis.
Collier	Latta	Stubblefield
Collins, Tex.	Lent	Talcott
Conable	Lott	Taylor, Mo.
Conlan	Lujan	Teague, Calif.
Conte	McClory	Teague, Tex.
Corman	McCloskey	Thomson, Wis.
Coughlin	McCollister	Thone
Cronin	McDade	Treen
Daniel, Robert W., Jr.	McEwen	Ullman
Davis, Ga.	McFall	Vander Jagt
Davis, Wis.	McKinney	Veysey
de la Garza	McSpadden	Walsh
Dellenback	Mahon	Wampler
Dennis	Mailliard	Ware
Devine	Mallary	Whalen
Dulski	Maraziti	Whitehurst
Duncan	Martin, Nebr.	Whitten
du Pont	Martin, N.C.	Widnall
Edwards, Ala.	Mathias, Calif.	Wiggins
Erlenborn	Matsunaga	Williams
Esch	Mayne	Wilson, Bob
Eshleman	Michel	Winn
Findley	Miller	Wyatt
Fish	Mitchell, N.Y.	Wydler
Flood	Mizell	Wylie
Ford, Gerald R.	Montgomery	Wyman
Forsythe	Moorhead, Calif.	Yates
Frelinghuysen	Moorhead, Pa.	Young, Alaska
Frenzel	Mosher	Young, Ill.
Frey	Myers	Young, S.C.
Froehlich	Natcher	Young, Tex.
Gilman	Nelsen	Zion
	Parris	Zwach

NOT VOTING—25

Alexander	Gray	Mitchell, Md.
Anderson, Ill.	Hanna	Murphy, N.Y.
Bevill	Hawkins	Nichols
Bolling	Hébert	O'Brien
Clay	Jones, Okla.	Pepper
Danielson	King	Rooney, N.Y.
Evins, Tenn.	Landgrebe	Smith, Iowa
Fisher	Mills, Ark.	
Flowers	Minshall, Ohio	

So the amendment was rejected.

The result of the vote was announced as above recorded.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

OFFICE OF TELECOMMUNICATIONS POLICY

SALARIES AND EXPENSES

For expenses necessary for the conduct of telecommunications functions assigned to the Director of Telecommunications policy, including services as authorized by 5 U.S.C. 3109, $2,070,000.

AMENDMENT OFFERED BY MR. LEHMAN

Mr. LEHMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LEHMAN: On page 10, line 24, delete "$2,070,000" and substitute "$1,552,000".

Mr. LEHMAN. Mr. Chairman, last December 18 the Director of the Office of Telecommunications Policy, Clay Whitehead, delivered his now-famous speech in Indianapolis, warning that—

Station managers and network officials who fail to act to correct imbalance or consistent bias from the networks—or who acquiesce by silence—can only be considered willing participants, to be held *fully accountable* by the broadcaster's community at license renewal time.

Senator ERVIN has characterized this proposal as "a thinly veiled attempt to create governmental censorship over broadcast journalism."

Within a month, two respected television stations in Florida had their licenses challenged. The challenges just happened to involve a number of Nixon associates and campaign officials and the issue has still not been resolved.

When President Nixon established the OTP in 1970, Congress was assured that it would have the same range of technical duties as the old Office of Telecommunications Management in the Office of Emergency Preparedness. The emergence of OTP as a partisan political office is not only a change from its anticipiated technical role, but also from the expectations of Congress as to OTP's future activities.

As the Appropriations Committee noted, there is already $5 million in the Department of Commerce budget for telecommunications research and support. I would like to commend Mr. STEED, the distinguished chairman of the subcommittee and the members of the full committee for their wisdom in eliminating the duplication in research funds for OTP.

It is not widely realized that there is an Office of Telecommunications Policy in the Executive Office of the President as well as an Office of Telecommunications in the Department of Commerce. We are actually talking about a total package involving over $7 million and almost 400 people.

My amendment deals not with research funds but with political excess and bureaucratic waste. It would reduce the appropriation for OTP salaries and expenses by 25 percent.

A job with OTP must be one of the most sought-after positions in Washington. Sixty percent of the staff make over $20,000 a year. The average GS salary, including clerks and secretaries, is over $22,000. Personnel costs have jumped 51 percent in the past 3 years.

A reduction in salaries would reaffirm the committee's wish that the support of the Commerce Department be better utilized. Reducing the OTP will force a greater reliance on this 347-person, $5 million support organization.

Someone will mention that the OTP staff is to be reduced by 13 this year. That is true. But the cutback is merely a return to the preelection level of fiscal 1972. The fact is that OTP's personnel costs will not fall back to the 1972 level. Total personnel compensation will be almost 30 percent higher than 1972 and travel costs will be 54 percent higher.

The Office of Telecommunications Policy has become a costly and powerfully partisan antimedia post within the Executive Office of the President. By voting to limit funds for this office today, the House will send a message that we will not tolerate the wasteful and partisan activities which the Office of Telecommunications Policy now pursues.

Mr. STEED. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this agency is another one of these agencies that was created by one of the Reorganization Plans. The Members of the legislative committees who were interested in these functions represented to us that this is an important agency.

We have already cut $1,200,000 out of the budget. If they are going to fulfill the mandate of the plan creating them, they really need this amount of money, and I urge, as a responsible act, the defeat of the amendment, because I believe if they are going to do this job, they will need the amount of money we have in the bill.

Mr. Chairman, I urge that the amendment be defeated.

Mr. BROWN of Ohio. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I believe that the amendment offered by the gentleman from Florida (Mr. LEHMAN) is essentially mischievous in that it attempts to cut back by 25 percent the operating budget for the personnel of this particular office.

Now, let us understand what this office does. In the first place, the reason that there is an increase in the need for travel funds by this office is because we had this year two international conferences, instead of one, on telecommunications policy. These conferences involve such things as the use of satellites, spectrum usage and allocation, and relationship of rules for commercial broadcast.

In this field the United States, as it is in other fields, is one of the world's leaders, but we are not the sole leader in the world. There are other nations, including most of the advanced technological nations in the world which are significantly involved in communications.

The budget for the operation of this office in terms of personnel has been between $1,634,000 in fiscal year 1972, actual funds, and $2,070,000, estimated funds, in 1974. The personnel numbers are in the process of reduction from 65 to 52, and these personnel are all highly technical personnel. These are not clerks and typists; these are people of technical backgrounds in the communications field, engineers, and scientists for the most part who are involved in the development not only of domestic communications policy matters, but also in the development of worldwide policy matters.

Mr. Chairman, I believe that the committee has damaged the OTP already by the reduction of the $1,270,000 in research funds.

Mr. VAN DEERLIN. Will the gentleman yield at that point?

Mr. BROWN of Ohio. But to further cut the personnel of the office, and of the effort that makes worldwide communications available, would be extremely damaging to the effort in this field both nationally and internationally, and I oppose the amendment.

I am glad to yield to the gentleman.

Mr. VAN DEERLIN. The gentleman from Ohio intends to introduce an amendment later today to restore a portion of the $1.2 million for outside research, does he not?

Mr. BROWN of Ohio. Indeed I do, because this is not a duplication, as the gentleman from Florida stated, of the work done by this department but, rather, is an additional study in an entirely different area of work than that undertaken by the funds allocated to the Department of Commerce.

For instance, a major portion of the funds in the Department of Commerce are made up of expenditures for the IRAC Committee, the Interdepartmental Committee on Radio which involves people from the U.S. State Department, Department of Commerce, and Department of Defense and the worldwide communications field in the defense area. This committee is administered by one of the assistants in the Office of Telecommunications Policy, although he deals with a 17-member board made up from all of these departments, using funds from the Department of Commerce.

Mr. VAN DEERLIN. If the gentleman will yield further, if the $1.2 million is deleted from outside research, is that related to the almost $5 million they spend through the Department of Commerce?

Mr. BROWN of Ohio. It is not the same money; it is a completely different study area, so it is not a duplication of funds but an actual reduction. If the gentleman will let me tell him at this point, I will give him a list of the things I would like to continue studies of.

To open up a study of communication systems in the United States, talking about telephone systems and activities in that field.

A study which would provide for improvement of coordination and productivity of all Federal Government programs in the communications area.

A study which would involve spectrum management and allocation policy.

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent, at the request of Mr. VAN DEERLIN, Mr. BROWN of Ohio was allowed to proceed for 3 additional minutes.)

Mr. BROWN of Ohio. To identify and eliminate possible bilateral side effects of electromagnetic radiation; a study of the computer field, which is now, as the gentleman from California knows, involved in communications both domestically and worldwide; to promote the orderly growth and development of the computer industry and at the same time to protect the private rights of individuals.

Mr. VAN DEERLIN. Will the gentleman yield at that point?

Mr. BROWN of Ohio. I am glad to yield.

Mr. VAN DEERLIN. I commend all of the lines of inquiry the gentleman mentioned, but does he not feel the amendment offered by the gentleman from Florida serves at least as an indication of concern by this body that a great deal of what has been coming out of the Office of Telecommunications Policy ignores the OTP's assigned mission? I'm sure the Congress wishes this agency to concern itself with these very legitimate technological inquiries and matters that the President needs to be informed of as we go through a constantly changing era of communications. Is not the gentleman concerned, as some on this side of the aisle are, over the outright political pronouncements that have come out of that office?

Mr. BROWN of Ohio. As the gentleman knows, the Telecommunications Policy Office has responsibility for policy recommendations on all telecommunication policies, and that would include CATV development, which is a new field, and the era of pay TV, and whether we want to change the regulations with reference to commercial broadcast systems that we now have; also such things as land mobile use in this country, which is a developing field which is multiplying rapidly. All of those areas this particular office has responsibility for.

The gentleman is concerned as to whether or not the Office of Telecommunications Policy has overspoken itself in certain areas, like public broadcasting.

Mr. VAN DEERLIN. Will the gentleman address himself to that?

Mr. BROWN of Ohio. Let me suggest to you that we are already involved in such things, and you know that they are being cut from 65 down to 52. That number of 52 personnel will be achieved at the end of the year.

I think the gentleman has had some assurances from the Director of the Office of Telecommunications Policy that the office is probably subsiding in the area of public statements about it.

Mr. VAN DEERLIN. And they will not further indulge in "ideological plugola"?

Mr. BROWN of Ohio. That is the gentleman's term.

Mr. YATES. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment offered by the gentleman from Florida (Mr. LEHMAN).

Mr. Chairman, the gentleman from California is exactly right. This is the most politically minded office in the White House, if that is possible. This is the office headed by Mr. Whitehead who arrogantly denounced the broadcasting companies as being guilty, of "ideological payola" to use his words. They had better reform, be implied, if they wanted to keep their broadcast licenses. To him, reform meant changing their broadcasting patterns by altering their news programs to be more favorable to the administration—not fair, impartial broadcasting, but leaning to the White House news.

The Office of Telecommunications Policy is attempting to influence the theoretically independent Federal Communications Commission, attempting to curtail the freedom of the Public Broadcasting Corporation; which is harassing the media, which is threatening to impose a system of censorship on all broadcasting. Its policies clearly violate the first amendment. This is the time to check the unwise policies of this office. The gentleman from Florida has proposed an amendment which should be approved.

This committee should let it be known that the news media in this country shall not be threatened by the scarcely veiled threats issuing from Mr. Whitehead's office. I hope that the amendment offered by the gentleman from Florida will be passed.

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

Mr. YATES. Of course I will yield to the gentleman from Ohio.

Mr. BROWN of Ohio. I got the impression that this whole thing was politically motivated with the idea that we reduce all people with which the gentleman in the well and others in the Congress disagree. Is that correct?

Mr. YATES. I would tell the gentleman from Ohio that I voted against the amendment to cut funds from the OMB on the last vote. The gentleman from Ohio knows that I am not politically motivated. If any politics is being played it is by the Office of Telecommunications Policy. This agency under the leadership of Mr. Whitehead is trying to muscle his way through the broadcasting industry, both public and private. His policies clearly infringe the first amendment.

Mr. BROWN of Ohio. It would seem to me from what we see daily on the television that there has not been much silencing of the media.

Mr. YATES. Thank heavens for that. I suggest that Mr. Whitehead has quieted down ever since the Watergate scandals have been aired.

Mr. BROWN of Ohio. Mr. Whitehead has not really been silenced. He has been asked to testify before the Committee on Interstate and Foreign Commerce.

Mr. YATES. Who knows about that? How many speeches has Mr. Whitehead made in the country since Watergate hit the front pages and the air waves? Now he wants to be as quiet as he can.

Mr. BROWN of Ohio. He is still making public speeches, so I do not believe the gentleman has been silenced completely.

Mr. YATES. I would tell the gentleman from Ohio that Mr. Whitehead is not nearly as blatant or aggressive as he was early this year and last. I think his ideas represent the kind of approach that this Congress ought to curb. I will support the amendment offered by the gentleman from Florida (Mr. LEHMAN).

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida (Mr. LEHMAN).

The question was taken; and on a division (demanded by Mr. STEED) there were—ayes 42, noes 64.

RECORDED VOTE

Mr. YATES. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 190, noes 217, not voting 26, as follows:

[Roll. No. 416]

AYES—190

Abzug	Gibbons	Poage
Adams	Ginn	Podell
Anderson, Calif.	Grasso	Preyer
Andrews, N.C.	Green, Pa.	Price, Ill.
Annunzio	Griffiths	Randall
Ashbrook	Gross	Rangel
Ashley	Gunter	Rarick
Aspin	Hamilton	Rees
Badillo	Hanley	Reid
Barrett	Harrington	Reuss
Bennett	Hays	Riegle
Bergland	Hechler, W. Va.	Rodino
Biaggi	Heckler, Mass.	Roe
Biester	Heinz	Rogers
Blatnik	Helstoski	Roncalio, Wyo.
Boggs	Hicks	Rooney, Pa.
Bowen	Holifield	Rose
Brademas	Holtzman	Rosenthal
Breaux	Howard	Rostenkowski
Breckinridge	Hungate	Rousselot
Brinkley	Ichord	Roy
Brooks	Jones, N.C.	Roybal
Brown, Calif.	Jones, Tenn.	Runnels
Burke, Calif.	Jordan	Ryan
Burke, Fla.	Karth	St Germain
Burke, Mass.	Kastenmeier	Sarbanes
Burton	Kazen	Satterfield
Carney, Ohio	Kemp	Scherle
Chisholm	Kluczynski	Schroeder
Clark	Koch	Seiberling
Collins, Ill.	Kyros	Sisk
Conyers	Leggett	Snyder
Corman	Lehman	Stanton, James V.
Cotter	Litton	Stark
Crane	Long, La.	Steele
Culver	Long, Md.	Steiger, Ariz.
Daniel, Dan	Lujan	Stokes
Daniels, Dominick V.	McCloskey	Stratton
Danielson	McCormack	Stuckey
Davis, Wis.	Macdonald	Studds
de la Garza	Madden	Sullivan
Dellums	Mathis, Ga.	Symington
Denholm	Matsunaga	Symms
Dent	Mazzoli	Thompson, N.J.
Derwinski	Meeds	Thone
Diggs	Melcher	Thornton
Dingell	Metcalfe	Tiernan
Donohue	Mezvinsky	Udall
Drinan	Milford	Ullman
Dulski	Minish	Van Deerlin
Eckhardt	Mink	Vanik
Edwards, Calif.	Moakley	Vigorito
Eilberg	Mollohan	Waldie
Fascell	Morgan	White
Findley	Moss	Wilson, Charles H., Calif.
Fish	Murphy, Ill.	Wilson, Charles, Tex.
Foley	Nedzi	Wolff
Ford, William D.	Nichols	Yates
Fraser	Nix	Yatron
Froehlich	Obey	Young, Ga.
Fulton	O'Hara	Zablocki
Gaydos	Owens	
Giaimo	Parris	
	Patman	
	Pickle	
	Pike	

NOES—217

Abdnor	Chappell	Ford, Gerald R.
Addabbo	Clancy	Forsythe
Andrews, N. Dak.	Clausen, Don H.	Fountain
Archer	Clawson, Del	Frelinghuysen
Arends	Cleveland	Frenzel
Armstrong	Cochran	Frey
Bafalis	Cohen	Fuqua
Baker	Collier	Gettys
Beard	Collins, Tex.	Gilman
Bell	Conable	Goldwater
Bevill	Conlan	Gonzalez
Blackburn	Conte	Goodling
Boland	Coughlin	Green, Oreg.
Brasco	Cronin	Grover
Bray	Daniel, Robert W., Jr.	Gubser
Broomfield	Davis, Ga.	Gude
Brotzman	Davis, S.C.	Guyer
Brown, Mich.	Delaney	Haley
Brown, Ohio	Dellenback	Hammer-schmidt
Broyhill, N.C.	Dennis	Hanrahan
Broyhill, Va.	Devine	Hansen, Idaho
Buchanan	Dorn	Hansen, Wash.
Burgener	Downing	Harsha
Burleson, Tex.	Duncan	Harvey
Burlison, Mo.	du Pont	Hastings
Butler	Edwards, Ala.	Henderson
Byron	Erlenborn	Hillis
Camp	Esch	Hinshaw
Carter	Eshleman	Hogan
Casey, Tex.	Evans, Colo.	Holt
Cederberg	Flood	Horton
Chamberlain		Hosmer

Huber	Moorhead, Pa.	Stanton, J. William
Hudnut	Mosher	Steed
Hunt	Myers	Steelman
Hutchinson	Natcher	Steiger, Wis.
Jarman	Nelsen	Stephens
Johnson, Calif.	O'Neill	Stubblefield
Johnson, Colo.	Passman	Talcott
Johnson, Pa.	Patten	Taylor, Mo.
Jones, Ala.	Perkins	Taylor, N.C.
Jones, Okla.	Pettis	Teague, Calif.
Keating	Peyser	Teague, Tex.
Ketchum	Powell, Ohio	Thomson, Wis.
Kuykendall	Price, Tex.	Towell, Nev.
Latta	Pritchard	Treen
Lent	Quie	Vander Jagt
Lott	Quillen	Veysey
McClory	Railsback	Waggonner
McCollister	Regula	Walsh
McDade	Rhodes	Wampler
McEwen	Rinaldo	Ware
McFall	Roberts	Whalen
McKay	Robinson, Va.	Whitehurst
McKinney	Robison, N.Y.	Whitten
McSpadden	Roncallo, N.Y.	Widnall
Madigan	Roush	Wiggins
Mahon	Ruppe	Williams
Mailliard	Ruth	Wilson, Bob
Mallary	Sarasin	Winn
Mann	Saylor	Wright
Maraziti	Schneebeli	Wyatt
Martin, Nebr.	Sebelius	Wydler
Martin, N.C.	Shipley	Wylie
Mathias, Calif.	Shoup	Wyman
Mayne	Shriver	Young, Alaska
Michel	Shuster	Young, Fla.
Miller	Sikes	Young, Ill.
Minshall, Ohio	Skubitz	Young, S.C.
Mitchell, N.Y.	Slack	Young, Tex.
Mizell	Smith, N.Y.	Zion
Montgomery	Spence	Zwach
Moorhead, Calif.	Staggers	

NOT VOTING—26

Alexander	Flowers	Mills, Ark.
Anderson, Ill.	Flynt	Mitchell, Md.
Bingham	Gray	Murphy, N.Y.
Bolling	Hanna	O'Brien
Carey, N.Y.	Hawkins	Pepper
Clay	Hébert	Rooney, N.Y.
Dickinson	King	Sandman
Evins, Tenn.	Landgrebe	Smith, Iowa
Fisher	Landrum	

So the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. BROWN OF OHIO

Mr. BROWN of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Ohio: Page 10, line 24, after the first comma, strike out the figure $2,070,000 and insert the figure $2,745,000, and add at the end thereof the following: "*Provided*, That not to exceed $675,000 of the foregoing amount shall remain available for telecommunications studies and research until expended."

POINT OF ORDER

Mr. BEVILL. Mr. Chairman, I should like to make a point of order against the amendment.

The CHAIRMAN. The gentleman will state his point of order.

Mr. BEVILL. The second provision is: *Provided*, That not to exceed $675,000 of the foregoing amount shall remain available for telecommunications studies and research until expended.

There is no authorization for studies and research, and I make a point of order against that portion of the amendment.

The CHAIRMAN. Does the gentleman from Ohio desire to be heard on the point of order?

Mr. BROWN of Ohio. Mr. Chairman, the amendment proposes to restore funds which were stricken by the committee in its consideration of the proposals for this particular office as the bill was under consideration in the committee.

The amendment seeks to restore a portion of the funds which were a part of that total budget asked of the committee. The reason for the proviso language is to further clarify for what the additional funds would be used, to go back to the testimony of the office when it appeared before the committee and to restore the specific portion of those funds.

Mr. STEED. Mr. Chairman, may I be heard on the point of order?

The CHAIRMAN. The Chair will hear the gentleman.

Mr. STEED. The language of the original bill was submitted to the experts, and it was held it would be subject to a point of order, because the funds would be available until expended. That is why it was deleted from the bill in the committee.

The CHAIRMAN. The Chair would like to be sure the Chair understands the point of order of the gentleman from Alabama and of the gentleman from Oklahoma.

The gentleman from Alabama (Mr. BEVILL) is citing the language of the proviso and makes a point of order against the whole amendment, is that correct?

Mr. BEVILL. Yes, Mr. Chairman.

The CHAIRMAN (Mr. BOLLING). The Chair is prepared to rule.

The Chair will rule narrowly on the point made by the gentleman from Oklahoma. The words "until expended" constitute legislation on an appropriation bill. Therefore, the point of order is sustained on that ground.

If there are no further amendments to be proposed, the Clerk will read.

The Clerk read as follows:

PHARMACOLOGICAL RESEARCH

For necessary expenses in connection with activities authorized by section 224 of the Drug Abuse Office and Treatment Act of 1972 (Public Law 92–255), $20,000,000: *Provided*, That none of the funds made available under this heading shall be available for allocation to any other Government agency unless the head of such agency shall certify in writing that all funds available to such agency for drug abuse prevention activities are fully committed and that additional funds are required for programs that appear to have promise of being exceptionally effective.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I make a point of order against the language appearing at page 11, line 9 through 15, of the bill.

Mr. Chairman, I would like to be heard on the point of order.

Mr. STEED. Mr. Chairman, we have already passed that part of the bill.

The CHAIRMAN. The Chair feels that the point of order is timely.

The gentleman will be heard on his point of order.

Mr. DINGELL. The point of order, Mr. Chairman, is that the amendment is violative of clause 2 of rule XXI, as constituting legislation in an appropriation bill, in that it imposes upon Government agencies other additional duties.

I note, incidentally, Mr. Chairman, that the language also is violative of the same rule cited, in that I know of no legislative authority or, rather, no legislation this particular language would implement.

I note additionally, Mr. Chairman, that the heads of agencies are compelled by the language of lines 11 through 15 to perform additional duties and responsibilities by making added and additional certifications which are not clearly appropriation in character, but which, rather are additional duties which are imposed and which are in the nature of legislation.

The CHAIRMAN. Before listening to other Members who may wish to be heard on the point of order, the Chair wishes to be sure of this point: The gentleman makes the point of order only against the proviso?

Mr. DINGELL. That is correct, Mr. Chairman.

The CHAIRMAN. Does the gentleman from Oklahoma (Mr. STEED) desire to be heard on the point of order?

Mr. STEED. Mr. Chairman, I may say that this language was put in the bill last year and we put it in again this year, because there are so many spigots out of which these programs are being funded. The Committee was trying to hold some order to this section.

However, now that the point of order has been made, our hope to do that has gone. We concede the point of order.

The CHAIRMAN (Mr. BOLLING). The Chair sustains the point of order.

The Clerk will read.

The Clerk read as follows:

SPECIAL FUND FOR DRUG ABUSE

For the "Special fund" established by section 223 of the Drug Abuse Office and Treatment Act of 1972 (Public Law 92–255), $20,000,000: *Provided*, That none of the funds made available under this heading shall be available for allocation to any other Government agency unless the head of such agency shall certify in writing that all funds available to such agency for drug abuse prevention activities are fully committed and that additional funds are required for programs that appear to have promise of being exceptionally effective.

AMENDMENT OFFERED BY MR. ROBISON OF NEW YORK

Mr. ROBISON of New York. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROBISON of New York: On page 11, line 19, strike out $20,000,000" and insert "$21,500,000."

Mr. DINGELL. Mr. Chairman, I reserve a point of order to the proviso beginning at line 19, on page 11, down through the end of——

The CHAIRMAN. The gentleman need not do that, because the Clerk has not completed reading that section.

Mr. DINGELL. Mr. Chairman, I am merely being vigilant in protecting my rights.

The CHAIRMAN. The gentleman from New York (Mr. ROBISON) is recognized for 5 minutes in support of his amendment.

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

Mr. ROBISON of New York. I yield to the gentleman from Oklahoma.

Mr. STEED. Mr. Chairman, may I say that had the committee had the information we now have, the amount of money stated in the gentleman's amendment would be in the bill. Now that we have such information, I personally accept the

amendment and urge my colleagues to approve it.

Mr. ROBISON of New York. Mr. Chairman, I apppreciate the gentleman's acceptance of the amendment.

Mr. Chairman, briefly, what it does is put the level of funding for this item at the same level it enjoyed last year, $25 million, including the carryover of funds.

The CHAIRMAN. The Chair regrets to state that the Chair was confused on the point at which the amendment was offered. Therefore, the Chair wishes to give the gentleman from Michigan (Mr. DINGELL) an opportunity to make his point of order at this time, since he attempted to reserve a point of order at the proper time.

PARLIAMENTARY INQUIRY

Mr. DINGELL. I thank the Chairman.

I would make a parliamentary inquiry to assist the Chair and to assist me as to whether a point of order would lie at this particular time to the language on page 11, line 19, through the top of page 12, line 2, beginning with the word *"Provided"* at line 19, page 11.

The CHAIRMAN. In order to clarify the situation, the Clerk will read the paragraph entitled "Special Fund for Drug Abuse," beginning on line 16, page 11.

The Clerk reread the section.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I rise to a point of order at this point. The point of order is that the language on page 11, line 19, beginning with the word *"Provided,"* down through the end of the section at the top of page 19, line 2, is again violative of rule XXI, clause 2, in that it does constitute legislation on an appropriation bill in that it does require additional actions by Government in certifying "in writing that all funds available to such agency for drug abuse". It does involve an additional burden on the executive branch and therefore does constitute a violation of the rule referred to.

Mr. ADDABBO. Mr. Chairman, will the gentleman yield to me before he insists on his point of order?

Mr. DINGELL. I yield to the gentleman.

Mr. ADDABBO. I wish to point out to the gentleman from Michigan that if this language is stricken, then the head of this agency can transcend the operation of every other agency without their permission and can transcend the action of every other committee without their permission, and that is why in our questioning of the head of that division we put in this restrictive action. But this money would not or could not be expended unless and until the mother agency expended and acted in that particular field.

Mr. DINGELL. Mr. Chairman, in order to assist my good friend, the gentleman from New York, I ask unanimous consent that I may reserve the point of order in order that I may respond to the comment made by my friend.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DINGELL. I am very sympathetic and satisfied that the Committee on Appropriations was trying to do a good job but am also satisfied that we do have problems that should be brought to the attention of the legislative committees, and I am satisfied that this is the way the matter should be handled.

For that reason, Mr. Chairman, I insist on my point of order.

The CHAIRMAN. The Chair understands the gentleman from Michigan to insist on his point of order.

Mr. DINGELL. I do.

The CHAIRMAN (Mr. BOLLING). The Chair understands that the point of order is conceded and the Chair sustains the point of order.

PARLIAMENTARY INQUIRY

Mr. ROBISON of New York. Mr. Chairman, a parliamentary inquiry. Where is my amendment now?

The CHAIRMAN. The gentleman's amendment is about to be acted on.

The Clerk will report the amendment.

AMENDMENT OFFERED BY MR. ROBISON OF NEW YORK

The Clerk read as follows:

Amendment offered by Mr. ROBISON of New York: At page 11, line 19, strike out "$20,000,000" and insert "$21,500,000."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SPECIAL ASSISTANCE TO THE PRESIDENT

For expenses necessary to enable the Vice President to provide assistance to the President in connection with specially assigned functions, including hire of passenger motor vehicles, services as authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem equivalent of the rate for grade GS–18, compensation for one position at a rate not to exceed the rate of Level II of the Executive schedule, and other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service, $675,000.

POINT OF ORDER

Mr. GROSS. Mr. Chairman, I make a point of order against the language to be found on page 12, beginning with line 3 and reading through line 13, on the basis that it is legislation on an appropriation bill in violation of rule XXI, clause 2, and particularly I point to the language to be found on line 11, which reads as follows:

and other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service,

Mr. Chairman, I insist that is legislation on an appropriation bill, and it goes beyond the purview of the Committee on Appropriations.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. STEED. Only to say this, Mr. Chairman: That without this item, the Vice President, who has many very heavy duties outside of his service with the Senate, will have no staff whatever.

Mr. GROSS. Mr. Chairman, I insist on the regular order; the gentleman is not addressing himself to the point of order.

The CHAIRMAN. The gentleman from Oklahoma will confine himself to the point of order.

Mr. STEED. Mr. Chairman, I just want to say in view of earlier rulings that Executive orders are not sufficient authority to appropriate money that we have to concede the point of order because this agency was appointed by the President.

The CHAIRMAN. Does the gentleman from Michigan (Mr. DINGELL) desire to be heard on the point of order?

Mr. DINGELL. I do, Mr. Chairman, only to remind the Chair that the burden is upon the Committee on Appropriations to sustain the legislative basis for its actions.

The CHAIRMAN (Mr. BOLLING). The Chair is ready to rule.

The point of order is conceded, and the point of order is sustained.

Mr. DINGELL. Mr. Chairman, I would point out that I have a point of order that I would reserve to the next section.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

THE WHITE HOUSE OFFICE

SALARIES AND EXPENSES

For expenses necessary for the White House Office, including not to exceed $2,250,000 for services as authorized by title 5, United States Code, section 3109, at such per diem rates for individuals as the President may specify, and other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service; newspapers, periodicals, teletype news service, and travel (not to exceed $75,000), and official entertainment expenses of the President, to be accounted for solely on his certificate; $9,100,000.

The CHAIRMAN. The gentleman from Michigan (Mr. DINGELL) has reserved a point of order.

The gentleman will state his point of order.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I note the same point of order which was previously sustained by the Chair, and made by the gentleman from Iowa (Mr. GROSS).

I would point out that this language appearing on page 12, lines 14 through 25, constitutes a violation of rule XXI, clause 2, in that it constitutes legislation in an appropriation bill.

I would point out specifically the language which reads on line 18:

at such per diem rates for individuals as the President may specify, . . .

Clearly this is not sanctioned by authorization or law. And then the language goes on:

and other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service; . . .

And then the language goes on.

I would state, Mr. Chairman, there is no showing that there is legislative authority for this particular appropriation. I would point out again to the Chair that there is a requirement in the Rules of the House that appropriation committees do bear the burden of establishing the legislative basis for attempted appropriations. I would point out that

this has not been done, and I insist on the point of order.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. STEED. Mr. Chairman, we submitted this item along with many others for expert review by the Office of Management and Budget, and were advised that the language starting on line 18 after "section 3109,"—

at such per diem rates for individuals as the President may specify, . . .

And going down to line 22, where it says—

in the Government service; . . .

And we were advised that the language is subject to a point of order, and we concede the point of order.

We were also advised that the language on page 12, line 23, after—

(not to exceed $75,000), . . .

The words—

and official entertainment expenses of the President, to be accounted for solely on his certificate; . . .

Is also subject to a point of order, and we concede that.

The rest of it is not subject to a point of order because it is provided by law.

The CHAIRMAN (Mr. BOLLING). The Chair is ready to rule.

If the Chair understands correctly, the gentleman from Michigan (Mr. DINGELL) has made a point of order against various items in the paragraph and therefore makes a point of order against the entire paragraph?

Mr. DINGELL. Mr. Chairman, that is correct.

The CHAIRMAN. Unless the gentleman from Texas desires to be heard, the Chair is ready to rule on the point of order to the paragraph.

PARLIAMENTARY INQUIRY

Mr. ECKHARDT. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. ECKHARDT. Mr. Chairman, I have been about to raise a point of order on the provision "to be accounted for solely on his certificate." I understand that this is conceded.

The CHAIRMAN (Mr. BOLLING). The Chair also understands it is conceded. The Chair's understanding of the situation is that the point of order made by the gentleman from Michigan lies against the whole of the paragraph. The Chair is prepared to rule that the point of order has been conceded and is sustained, and that the whole paragraph, therefore, is stricken.

AMENDMENT OFFERED BY MR. STEED

Mr. STEED. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STEED: Page 12, line 14, insert:

THE WHITE HOUSE OFFICE

SALARIES AND EXPENSES

For expenses necessary for the White House Office, including not to exceed $2,250,000 for services as authorized by title 5, United States Code, section 3109; newspapers, periodicals, teletype news service, and travel (not to exceed $75,000); $9,1110,000.

Mr. DINGELL. Mr. Chairman, I reserve a point of order at this point.

Mr. STEED. Mr. Chairman, this item provides all the secretarial and the other office help that the President of the United States has in the discharge of his very heavy duties. We have had this language reviewed by the experts, and it is all in accordance with existing law. I cannot imagine that the Congress would want to take away from the President the only secretarial help he has. I hope the House will approve the amendment.

Mr. DINGELL. Mr. Chairman, I continue to reserve a point of order.

Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, I rise to engage in colloquy with my good friend, the gentleman from Oklahoma (Mr. STEED).

Mr. STEED has offered an amendment which, if I understand it, reintroduces all of the language of the paragraph at page 12, lines 14 through 25, except that language which was the subject of the point of order which I had earlier made; am I correct?

Mr. STEED. That is right.

Mr. DINGELL. Now I ask my good friend, the gentleman from Oklahoma, this question. We have eliminated the President's power to fix per diem rates for individuals as the President may specify; am I correct?

Mr. STEED. That is correct.

Mr. DINGELL. We have also eliminated the power of the President to acquire thereby other personal services without regard to the provisions of law regulating the employment and compensation of persons in government service; am I correct?

Mr. STEED. That is right.

Mr. DINGELL. The provision says:

other personal services without regard to the provisions of law regulating the employment and compensation of persons in the Government service. . . .

We have also eliminated that; am I correct?

Mr. STEED. That is correct. We have also knocked out the part that says:

official entertainment expenses of the President. . . .

Mr. DINGELL. I see.

to be accounted for solely on his certificate. . . .

The gentleman is correct?

Mr. STEED. That is right.

Mr. DINGELL. I ask my good friend, the gentleman from Oklahoma, having established that this is his intention, how, then, is the will of the House to see to it that the President accounts for these in the appropriate fashion to be carried out, and how is the will of the House as expressed here by the gentleman's amendment to be superintended? Will this be done by GAO accounting, or precisely how will this be done?

Mr. STEED. Just like all other Government agencies. Because of the travel and all this sort of thing, it will come under the existing law that covers all such items in the Government. He is authorized this in 3 U.S.C. 105 and 106 and 5 U.S.C. 109, so he would have no special regulations. It would have to come under whatever agency of the Government it is as far as travel and other items.

Mr. DINGELL. These activities, then, all become subject to audit by GAO and become matters of public information which are available to the public of the United States?

Am I correct?

Mr. STEED. They already are, as far as that is concerned.

Mr. DINGELL. I would tell the gentleman I have engaged in some scrutiny and as of this particular minute I have found my access to these matters has been foreclosed and the access of General Accounting Office to these matters has been foreclosed, but what I am trying to do is establish a little legislative history to find out precisely what are the facts with regard to the matters we have just discussed.

Mr. STEED. The President is covered by other restrictive laws, and the gentleman probably knows more about what it takes to be President of the United States than the President does.

Mr. DINGELL. I do not profess to any such knowledge but I was trying to ascertain some facts.

Mr. STEED. I have never cut this item since I have been chairman of this committee.

Mr. Chairman, I recommend approval of the amendment.

Mr. DINGELL. Mr. Chairman, I withdraw my point of order and I stand upon the legislative history just created by my good friend, the gentleman from Oklahoma, and I am satisfied we have done in this regard a good day's work. I do not object to the amendment offered by my good friend, the gentleman from Oklahoma.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma (Mr. STEED).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk proceeded to read the bill.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, a point of order. The Clerk is not reading the bill. He is skipping all around. He is not reading pages and paragraphs as the rules require and I ask that the Chair instruct the Clerk.

The CHAIRMAN. The Clerk is reading the bill by paragraph and will continue to read the bill by paragraph.

Mr. HOGAN. Mr. Chairman, I agree with the gentleman from Michigan. I have an amendment to be offered on page 16 and I could not find nor follow where the Clerk was reading.

The CHAIRMAN. The Clerk passed that point quite some time ago.

Mr. HOGAN. It could not have been quite some time ago because he just read the independent agencies but he did not read the subsections.

Mr. DINGELL. Mr. Chairman, pursuant to the point of order I would like to say this.

Mr. WIGGINS. There is no point of order.

The CHAIRMAN. The Chair would like to state to the gentleman from Maryland that the Clerk paused for some time after reading the paragraph to which the gentleman from Maryland is

referring, and the Chair waited some time before he told the Clerk to proceed. The Clerk has now read page 17, line 11. The Chair tried to protect the gentleman but the gentleman did not respond.

Mr. HOGAN. Mr. Chairman, I ask unanimous consent that the Clerk be requested to read the first paragraph on page 16 again.

The CHAIRMAN. The gentleman from Maryland asks unanimous consent to return to the first paragraph on page 16. Is there objection to the request of the gentleman from Maryland?

Mr. DINGELL. Mr. Chairman, reserving the right to object, I think the Clerk rather should return to the bottom of page 14, because I note that is when he started skipping.

The CHAIRMAN. The Clerk has read properly under the Rules of the House and the Precedents of the House. The committee may return to page 16 only by unanimous consent.

Mr. CHARLES H. WILSON of California. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk read as follows:

REPAIR AND IMPROVEMENT OF PUBLIC BUILDINGS

For expenses, not otherwise provided for, necessary to alter public buildings pursuant to the Public Buildings Act of 1959, as amended (40 U.S.C. 601–615), and to alter other federally owned buildings, including grounds, approaches and appurtenances, wharves and piers, together with the necessary dredging adjacent thereto; and care and safe-guarding of sites; preliminary planning of projects by contract or otherwise; maintenance, preservation, demolition, and equipment; to remain available until expended, $82,000,000, to be derived by transfer from the appropriation "Public Buildings Service, Operating Expenses": *Provided*, That for the purposes of this appropriation, buildings constructed pursuant to the Public Buildings Purchase Contract Act of 1954 (40 U.S.C. 356) and the Public Buildings Amendments of 1972 (86 Stat. 216), and buildings under the control of another department or agency where alteration of such buildings is required in connection with the moving of such other department or agency from buildings then, or thereafter to be, under the control of General Services Administration shall be considered to be public buildings: *Provided further*, That none of the funds made available under this head shall be available for the acquisition of unimproved real property or real property having improvements of negligible value for Government purposes.

CONSTRUCTION, PUBLIC BUILDINGS PROJECTS

For an additional amount for expenses, not otherwise provided for, for construction, pursuant to the Public Buildings Act of 1959, as amended (40 U.S.C. 601–615), in addition to the sums heretofore appropriated for such projects, $2,572,000, as follows: Border Station, Alaska Highway, Alaska, $732,000; courthouse and Federal office building, Fayetteville, Arkansas, $140,000; Border Station, San Diego, California, $1,100,000; and Federal office building, Buffalo, New York, $600,000; to remain available until expended: *Provided*, That the foregoing limits of costs may be exceeded to the extent that savings are effected in other projects, but by not to exceed 10 per centum: *Provided further*, That the appropriation granted under this heading for fiscal year 1973 in the amount of $203,312,000 shall revert to the Treasury.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, because of the difficulty the Clerk is having in reading, I rise to protect myself on a point of order on page 19, line 18.

The CHAIRMAN. The Clerk has not yet read that.

The Clerk will read.

The Clerk read as follows:

SITES AND EXPENSES, PUBLIC BUILDINGS PROJECTS

For an additional amount for expenses necessary in connection with the construction of public buildings projects not otherwise provided for, including preliminary planning by contract or otherwise, and the alteration of public buildings and other federally owned buildings (including buildings constructed pursuant to the Public Buildings Purchase Contract Act of 1954 (40 U.S.C. 356) and the Public Buildings Amendments of 1972 (86 Stat. 216), and buildings under the control of another department or agency where alteration of such buildings is required in connection with the moving of such department or agency from buildings then, or thereafter to be, under the control of the General Services Administration) not otherwise provided for, $500,000, to remain available until expended.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I make a point of order against the language "until expended" appearing on page 19, line 18.

Mr. Chairman, that constitutes a violation of rule XXI, clause 2, legislation in an appropriation bill.

Mr. STEED. Mr. Chairman, we concede the point of order.

The CHAIRMAN (Mr. BOLLING). The point of order is conceded and sustained.

Does the Chair understand correctly that the gentleman makes his point of order against the limited language?

Mr. DINGELL. Mr. Chairman, the point of order was only to, "shall remain available until expended."

The CHAIRMAN. The point of order is sustained.

The Clerk will read.

The Clerk read as follows:

PAYMENTS, PUBLIC BUILDINGS PURCHASE CONTRACTS

For payments of principal, interest, taxes, and any other obligations under contracts entered into pursuant to the Public Buildings Purchase Contract Act of 1954 (40 U.S.C. 356) and the Public Buildings Amendments of 1972 (86 Stat. 216), $7,300,000.

EXPENSES, UNITED STATES COURT FACILITIES

For necessary expenses, not otherwise provided for, to provide directly or indirectly, additional space for the United States Courts incident to expansion of facilities (including rental of buildings in the District of Columbia and elsewhere and moving and space adjustments), and furniture and furnishings, $7,512,000.

FEDERAL SUPPLY SERVICE

OPERATING EXPENSES

For expenses, not otherwise provided, necessary for supply distribution (including contractual services incident to receiving, handling and shipping supply items), procurement, inspection, standardization, transportation and public utility activities, and other supply management and related activities, as authorized by law, $95,000,000.

NATIONAL ARCHIVES AND RECORDS SERVICE

OPERATING EXPENSES

For necessary expenses in connection with Federal records management and related activities, as provided by law, including reimbursement for security guard services, contractual services incident to movement or disposal of records, and acceptance and utilization of voluntary and uncompensated services, $33,000,000, of which $500,000 for allocations and grants for historical publications as authorized by 44 U.S.C. 2504, as amended, shall remain available until expended.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. DINGELL. Mr. Chairman, the point of order is to the language on page 20, line 25, referring specifically to the words in the bill, "shall remain available until expended."

That again, Mr. Chairman, is violative of rule XXI, clause 2, as legislation on an appropriation bill.

Mr. STEED. Mr. Chairman, we concede the point of order.

The CHAIRMAN (Mr. BOLLING). The point of order is conceded and sustained.

The Clerk will read.

The Clerk read as follows:

PROPERTY MANAGEMENT AND DISPOSAL SERVICE

OPERATING EXPENSES

For expenses, not otherwise provided for, necessary for carrying out the functions of the Administrator with respect to the utilization of excess property; the disposal of surplus property; the rehabilitation of personal property; the appraisal of real and personal property; the national stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98–98h); the supplemental stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 456, as amended by 73 Stat. 607); including services as authorized by 5 U.S.C. 3109 and reimbursement for security guard services, $33,000,000, to be derived from proceeds from transfers of excess property, disposal of surplus property, and sales of stockpile materials: *Provided*, That during the current fiscal year the General Services Administration is authorized to acquire leasehold interests in property, for periods not in excess of twenty years, for the storage, security, and maintenance of strategic, critical, and other materials in the national and supplemental stockpiles provided said leasehold interests are at nominal cost to the Government: *Provided further*, That during the current fiscal year there shall be no limitation on the value of surplus strategic and critical materials which, in accordance with section 6 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98e), may be transferred without reimbursement to the national stockpile: *Provided further*, That during the current fiscal year materials in the inventory maintained under the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061–2166), and excess materials in the national stockpile and the supplemental stockpile, the disposition of which is authorized by law, shall be available, without reimbursement, for transfer at fair market value to contractors as payment for expenses (including transportation and other accessorial expenses) of acquisition of materials, or of refining, processing, or otherwise beneficiating materials, or of rotating materials, pursuant to section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b), and of processing and refining materials pursuant to section 303(d) of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2093(d)): *Provided further*, That none of the funds available under this heading shall be available for transfer to any other account nor for the funding of any activities other than those specifically authorized under this heading.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. DINGELL. Mr. Chairman, I rise again out of diligence to protect myself as to points of order.

At page 22, the first point of order is as to the words following the word *"Provided"* on page 22, line 6, down through the semicolon following the word "Government" at page 22, line 12.

I make the point of order, Mr. Chairman, together with another point of order on the same rule beginning with the words, *"Provided further"* down through the word "stockpile," at page 22, line 18, in that both of these provisos are violative of rule XXI, clause 2, and constitute legislation in an appropriation bill.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. STEED. Mr. Chairman, on the second point of order, I believe the gentleman does not intend to stop on line 22, does he? I believe he would have to go on to the end of the proviso.

Mr. DINGELL. I intend to get the next proviso as soon as we dispose of these points of order.

Mr. STEED. The gentleman stopped in the middle of a proviso.

Mr. DINGELL. I am going to get the *"Provided further,"* next.

Mr. STEED. There is no *"Provided further,"* next. This stops with the "supplemental stockpile" in line 22.

Mr. DINGELL. In order, Mr. Chairman, to assist my good friend from Oklahoma, I will make another point of order against the language beginning on page 22, line 18, with *"Provided further,"* down through the conclusion of that *"Provided further,"* on page 23, line 7; and then I will make a further point of order against the *"Provided further,"* language on page 23, line 7, down through the end of line 10 on page 23; in that all of these provisos and "Provided furthers" do constitute violations of rule XXI, clause 2, and constitute legislation in an appropriation bill in violation of the rules.

I again cite the requirement of the rules as set forth in the House rules, that the burden of establishing the soundness of an appropriation is upon the committee which offers it to the House, and I point out that that burden cannot be borne, and that these are violative of the rules, constituting legislation in an appropriation bill.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. STEED. Mr. Chairman, we concede the point of order.

The CHAIRMAN. The point of order is conceded, and the point of order is sustained, and the language beginning with the word *"Provided"* on line 6, page 22, down through line 10, on page 23, ending with "this heading" is stricken.

Mr. STEED. Mr. Chairman, the proviso was the one starting on page 22 and going down to the word "stockpile" on line 18. That was the point of order made, against that language.

Mr. DINGELL. Mr. Chairman, I beg to differ.

The CHAIRMAN. The Chair believes the gentleman from Michigan made a point of order against the language in that proviso, the language in the second proviso of *"Provided further,"* and in the third proviso, beginning on line 18, *"Provided further,"* and then another *"Provided further,"* beginning on line 7, page 23.

In other words, the Chair was under the impression that the gentleman made points of order against all the provisions beginning with *"Provided,"* on page 22, line 6, through page 23, line 10.

Mr. DINGELL. The Chair is correct.

The CHAIRMAN. Which would have the effect of striking all the language the Chair just described?

Mr. STEED. Mr. Chairman, the points of order made against the language are conceded down to line 7, page 23, but the language of that *"Provided further,"* is a simple limitation on an appropriation bill and is not subject to a point of order.

The CHAIRMAN (Mr. BOLLING). The Chair agrees with the gentleman from Oklahoma.

The various points of order that are conceded are sustained, and that language is stricken. The language:

Provided further, That none of the funds available under this heading shall be available for transfer to any other account nor for the funding of any activities other than those specifically authorized under this heading.

Which is a proper limitation and appears beginning in line 7, page 23, through line 10, remains in the bill, since the point of order has not been made against the entire paragraph.

The Clerk will read.

The Clerk read as follows:

UNITED STATES TAX COURT

SALARIES AND EXPENSES

For necessary expenses, including contract stenographic reporting, and other services as authorized by 5 U.S.C. 3109, $5,760,000: *Provided,* That travel expenses of the judges shall be paid upon the written certificate of the judge: *Provided further,* That $1,280,000 of this appropriation shall remain available until expended for equipment, furniture, furnishings and accessories, required for the new Tax Court building and, whenever determined by the Court to be necessary, without compliance with section 3709 of the Revised Statutes, as amended (41 U.S.C. 5).

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I assert a point of order against the line beginning with *"Provided further"* at page 26, line 21, down through the end of the paragraph at the top of page 27, line 2.

Mr. Chairman, the burden of the point of order is that the language in the bill referred to is violative of rule XXI, clause 2, constituting legislation in an appropriation bill. I refer specifically to the language at line 22 wherein the words are as follows:

That $1,280,000 of this appropriation shall remain available until expended for equipment, furniture, furnishings, and accessories . . .

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

Mr. DINGELL. I yield to the gentleman from Oklahoma.

Mr. STEED. Mr. Chairman, I concede the point of order.

The CHAIRMAN (Mr. BOLLING). The point of order is conceded, and the point of order is sustained.

The Clerk will read.

The Clerk read as follows:

RESEARCH, SHELTER SURVEY, AND MARKING

For expenses, not otherwise provided for, necessary for studies and research to develop measures and plans for civil defense; continuing shelter surveys, marking, and equipping surveyed spaces; and financial contributions to the States under section 201(1) of the Federal Civil Defense Act, which shall be equally matched, for emergency operating centers and civil defense equipment; $24,000,000, to remain available until expended.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I make another point of order here, at page 27, lines 20 and 21, beginning with the words, "To remain available until expended."

Again that is violative of rule XXI, clause 2, as constituting legislation in an appropriation bill, and I call to the attention of the Chair the requirements of the rule that the burden of establishing a legislative basis on appropriation is upon the author of the bill.

The CHAIRMAN. Does the gentleman from Oklahoma, Mr. STEED, concede the point of order?

Mr. STEED. Yes, sir, Mr. Chairman.

The CHAIRMAN (Mr. BOLLING). The point of order is sustained.

The Clerk will read.

The Clerk read as follows:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE HEALTH SERVICES AND MENTAL HEALTH ADMINISTRATION

EMERGENCY HEALTH

For expenses necessary for carrying out emergency planning and preparedness functions of the Health Services and Mental Health, Administration, and procurement, storage (including underground storage), distribution, and maintenance of emergency civil defense medical supplies and equipment, as authorized by section 201(h) of the Federal Civil Defense Act of 1950 (50 U.S.C. App. 2281(h)), and, except as otherwise provided, sections 301 and 311 of the Public Health Service Act with respect to emergency health services, $3,000,000, to remain available until expended.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I make another point of order, based upon rule XXI, clause 2, at line 20, page 28, wherein the words, "to remain available until expended," appear.

I make the point of order that again this constitutes legislation in an appropriation bill.

The CHAIRMAN. Does the gentleman from Oklahoma (Mr. STEED) concede the point of order?

Mr. STEED. Mr. Chairman, I concede the point of order.

The CHAIRMAN (Mr. BOLLING). The gentleman from Oklahoma (Mr. STEED) concedes the point of order. The point of order is sustained.

AMENDMENT OFFERED BY MR. HOGAN

Mr. HOGAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOGAN: Page 28, immediately after line 20, insert the following:

COMMISSION ON THE REVIEW OF NATIONAL POLICY TOWARD GAMBLING

SALARIES AND EXPENSES

For expenses necessary to carry out functions of the Commission on the Review of

the National Policy Toward Gambling, established by section 804 of the Organized Crime Control Act of 1970 (P.L. 91-452; 84 Stat. 938), $200,000.

Mr. HOGAN. Mr. Chairman, the gambling question has been debated for many years and presently there is a widespread call for decriminalization of gambling as a victimless crime. Apart from philosophical or moral considerations, two major lines of argument are offered to justify change: First, to raise public revenue; and second, to cut down profits going to organized crime. At the present time there are no hard facts to confirm or refute these agreements. The Gambling Commission will gather this data and make it available to the States.

The widespread interest in the various States is reflected by an increasing public acceptance of legalization. For example, referendums or lotteries which first passed by a margin of 2 to 1 are now passing by a margin of 7 to 1—New Jersey, Ohio, New Hampshire, Maryland, Washington, Iowa, and Montana. Presently eight States have lotteries in operation. New York City; three New York counties and Connecticut either have or are considerating off-track betting. Thirty States have horse racing and 10 States have dog racing. Nevada has casinos and slot machines. California has card parlors, and many States allow bingo and raffles for charitable purposes. At least 14 States are now actively considering lotteries; five States are actively considering sports pool betting and many other States are studying casinos, off-track betting, specialized race betting schemes and such as exacta daily numbers game. It has been forecast that within the next 5 to 10 years 30 States will have lotteries. Many others will legalize bingo and raffles, some will legalize sports betting, numbers, and off-track betting, and several others are considering establishing casinos.

Many of these States are desperately crying for leadership on behalf of the Federal Government to provide the answer to many questions regarding both revenue and the effect upon law enforcement and its conversant effects upon the social mores of their people.

Presently there are conflicts between the Federal laws and regulations regarding gambling and many of these activities in the States. Specifically, excise taxes, the Federal Communications Commission laws, laws affecting the Postal Service, and the Criminal Code of the United States, provide real conflicts which should be resolved with the legalized gambling activities of the States.

The Commission is charged with the responsibility of studying the effectiveness of the Federal statutes as they exist. This Commission was purposely delayed for a 2-year period in order to allow its study to encompass a new gambling statute which was enacted in 1970 with the statute which created the Gambling Commission. That statute completed the cycle of Federal involvement and made gambling jurisdiction of the Federal Government concurrent with that of the States. The Commission is to study the effectiveness of these Federal statutes, not only in terms of their possible infringement upon the States, but also in terms of the cost of the Federal enforcement trying to prohibit gambling.

This cost must be weighed against the ultimate resulting effect in terms of tax dollars spent. Finally, the effectiveness must include the need to consider statutory alternatives, such as changes in our methods of taxation of gambling activity.

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

Mr. HOGAN. I yield to the gentleman.

Mr. STEED. I might advise the gentleman that at the time we marked up the bill we did not have all of the information on this item that now comes to hand. If we had, this item would have been included. So I am perfectly willing to accept the amendment and urge my colleagues to do likewise.

Mr. HOGAN. I thank the gentleman from Oklahoma.

Mr. ROBISON of New York. Mr. Chairman, will the gentleman yield?

Mr. HOGAN. I yield to the distinguished minority leader of the committee.

Mr. ROBISON of New York. The minority would have no objection to the amendment.

Mr. HOGAN. I thank the gentleman from New York.

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

Mr. HOGAN. I yield to the gentleman.

Mr. HUNT. Mr. Chairman, gambling is a well-established activity in the State of New Jersey where, in 1971, parimutuel betting exceeded $35 million, or 2.3 percent of the total State revenue. Those figures are approximately the same as 1972. The State lottery which grossed $40 million in 1970 has increased its activity to where in 1972 it grossed $60 million, or 3.4 percent of the total State revenue. Off-track betting as an activity has been proposed but is not likely to be approved by the State of New Jersey in 1973. Casinos to be established in Atlantic City have been considered, but it is considered unlikely at this point that they will be approved. A sports complex is currently being built in the State of New Jersey, and most authorities feel that when that sports complex is completed further proposals to legalize gambling activities surrounding sports will be proposed.

All of the questions which have faced the State of New Jersey can and should be evaluated and considered by a forum such as the National Gambling Commission. I submit that that Commission is the proper forum to consider these and other acts regarding the New Jersey experience, so that they may be a basis for other States' activities in the legal gambling field.

I urge adoption of this amendment.

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

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

Mr. WIGGINS. I am still not clear on the purpose of gentleman's amendment. Is it to authorize and appropriate funds for a commission on national policy?

Mr. HOGAN. I am sorry?

Mr. WIGGINS. Would the gentleman explain to me and to the other Members of the House the purpose of the $200,000 to be appropriated here?

Mr. HOGAN. In 1970, Congress, under the Organized Crime Act, established new jurisdiction of the Federal Government with relation to gambling in the United States where virtually the Federal Government and the States now both have jurisdiction over what prior to that time had been intrastate gambling. The legislation at that time mandated the creation 2 years after enactment of that statute of a commission to study the national policy toward gambling. In October of last year that commission was created, but never had any funds with which to begin its work. So in this appropriation bill we are asking for $200,000, which, incidentally, is less than the $350,000 that the Office of Management and Budget recommended.

Mr. WIGGINS. I understand now and thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland (Mr. HOGAN).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 602. Unless otherwise specified and during the current fiscal year, no part of any appropriation contained in this or any other Act shall be used to pay the compensation of any officer or employee of the Government of the United States (including any agency the majority of the stock of which is owned by the Government of the United States) whose post of duty is in continental United States unless such person (1) is a citizen of the United States, (2) is a person in the service of the United States on the date of enactment of this Act, who, being eligible for citizenship, has filed a declaration of intention to become a citizen of the United States prior to such date, (3) is a person who owes allegiance to the United States, or (4) is an alien from Poland or the Baltic countries lawfully admitted to the United States for permanent residence: *Provided*, That for the purpose of this section, an affidavit signed by any such person shall be considered prima facie evidence that the requirements of this section with respect to his status have been complied with: *Provided further*, That any person making a false affidavit shall be guilty of a felony, and, upon conviction, shall be fined not more than $4,000 or imprisoned for not more than one year, or both: *Provided further*, That the above penal clause shall be in addition to, and not in substitution for, any other provisions of existing law: *Provided further*, That any payment made to any officer or employee contrary to the provisions of this section shall be recoverable in action by the Federal Government. This section shall not apply to citizens of the Republic of the Philippines or to nationals of those countries allied with the United States in the current defense effort, or to temporary employment of translators, or to temporary employment in the field service (not to exceed sixty days) as a result of emergencies.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I make a point of order as follows: Line 20, beginning with the word "*Provided*," at page 31, section 302. The language continues to the word "*Provided*" at page 31, line 24, the word "with" and the colon.

The point of order is that this is violative of clause 2, rule XXI, as constituting legislative action in an appropriation bill.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard?

Mr. STEED. I do, Mr. Chairman.

Mr. Chairman, this proviso has been in the bill for many years. This may impose a duty upon the person seeking, but it does not impose any additional

duties on the Government side of it, and it is a strict limitation, it is a limitation in the sense that it requires only a type of qualification which is standard.

The CHAIRMAN (Mr. BOLLING). The Chair is prepared to rule.

The language,

an affidavit signed by such person shall be considered prima facie evidence . . .

Seems to the Chair clearly to be legislation, and the Chair sustains the point of order.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I rise to a further point of order.

The CHAIRMAN. The gentleman from Michigan will state his point of order.

Mr. DINGELL. Mr. Chairman, I rise to a point of order to page 31, line 24, beginning with *"Provided further,"* down through the word "both" and the colon on page 32, line 2.

The point of order, Mr. Chairman, is that this is again legislation in an appropriation bill. I would point out to the Chair that we are creating a new crime by this legislation, which says:

That any person making a false affidavit shall be guilty of a felony, and, upon conviction, shall be fined not more than $4,000 or imprisoned for not more than one year, or both:

Obviously this is a legislative effort by the Committee on Appropriations.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. STEED. Mr. Chairman, in view of the ruling of the Chair on the previous point of order, we concede this point of order.

The CHAIRMAN (Mr. BOLLING). The point of order is conceded, and the point of order is sustained.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I raise the same point of order again as to rule XXI, clause 2, to the words, beginning on page 32, line 2:

Provided further, That the above penal clause shall be in addition to, and not in substitution for, any other provisions of existing law:

I cite again the earlier ruling of the Chair, and the point of order previously stated.

The CHAIRMAN. Does the gentleman from Oklahoma (Mr. STEED) desire to be heard on the point of order?

Mr. STEED. I do, Mr. Chairman. This is an entirely different proposition. This is a very obvious limitation.

The CHAIRMAN (Mr. BOLLING). The Chair is ready to rule.

It would appear to the Chair that this proviso relates to the language that has already been stricken, and that the same ruling that applied to the stricken language would apply to it; therefore the Chair sustains the point of order.

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I have a further point of order.

The CHAIRMAN. The gentleman from Michigan will state his point of order.

Mr. DINGELL. Mr. Chairman, skipping over to the next *"Provided further,"* going on down to the words, beginning on page 32, line 7:

This section shall not apply to citizens of the Republic of the Philippines or to natives of those countries allied with the United States in the current defense effort, or to temporary employment of translators, or to temporary employment in the field service (not to exceed sixty days) as a result of emergencies.

Mr. Chairman, I make note of the fact that this again constitutes legislation in an appropriation bill. I point out that it imposes upon the Government agencies involved the duty to make findings as to the citizenship of persons involved. Obviously this is an additional burden which this legislative act would apply. It again refers, Mr. Chairman, to earlier language which has been stricken by points of order, and constitutes a hold on those provisions which have previously been stricken by points of order.

So, Mr. Chairman, I renew my point of order with regard to the language appearing on page 32, commencing on line 7, with the words, "This section" through the end of the paragraph in line 12.

The CHAIRMAN. Does the gentleman from Oklahoma desire to be heard on the point of order?

Mr. STEED. Mr. Chairman, we concede the point of order.

The CHAIRMAN (Mr. BOLLING). The point of order is conceded and the point of order is sustained.

The Clerk will read.

The Clerk read as follows:

SEC. 610. Funds made available by this or any other Act to the "Building management fund" (40 U.S.C. 490(f)), and the "Postal service fund" (39 U.S.C. 2003), shall be available for employment of guards for all buildings and areas owned or occupied by the United States or the Postal Service and under the charge and control of the General Services Administration or the Postal Service, and such guards shall have, with respect to such property, the powers of special policemen provided by the first section of the Act of June 1, 1948 (62 Stat. 281; 40 U.S.C. 318), but shall not be restricted to certain Federal property as otherwise required by the proviso contained in said section, and, as to property owned or occupied by the Postal Service, the Postmaster General may take the same actions as the Administrator of General Services may take under the provisions of sections 2 and 3 of the Act of June 1, 1948 (622 Stat. 281; 40 U.S.C. 318a, 318b) attaching thereto penal consequences under the authority and within the limits provided in section 4 of the Act of June 1, 1948 (62 Stat. 281; 40 U.S.C. 318c).

POINT OF ORDER

Mr. DINGELL. Mr. Chairman, I make, again, the same point of order against the entirety of section 610, beginning with line 4 on page 36.

Mr. STEED. Mr. Chairman, we concede the point of order.

The CHAIRMAN (Mr. BOLLING). The point of order is conceded and sustained.

AMENDMENT OFFERED BY MR. ASHBROOK

Mr. ASHBROOK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ASHBROOK: Page 36, after line 23, insert:

"SEC. 611. Notwithstanding any other provision of this act, expenditures for programs provided herein shall not exceed 95 per centum of the amounts appropriated."

Mr. ASHBROOK. Mr. Chairman, I will not require more than 30 seconds to explain this amendment. I will not take more than that time. This is what was formerly known as the Bow amendment. I believe the Committee on Appropriations generally has done a good job holding the line, but I think it is time for the House, in the light of our current financial situation, to indicate our belief that we should go a little bit further in limiting the expenditure of Federal funds. As I said, it is the Bow amendment. It would seem to me, in closing, that if this House in its wisdom can see fit to reduce the military bill as we did yesterday, by comparison there is nothing in this bill that could not operate at 95 percent.

Mr. Chairman, I urge support of this amendment.

Mr. STEED. Mr. Chairman, I rise in strong opposition to this amendment. I believe this is a gratuitous effort to undo the work that this subcommittee has worked so long and hard to do. We have had no previous warning that such an amendment would be offered. I think that it is irresponsible in the extreme, and I hope the Members will sustain the committee and vote it down.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

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

Mr. ASHBROOK. Mr. Chairman, I demand a recorded vote.

A recorded vote was refused.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. FASCELL

Mr. FASCELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FASCELL: On page 36, after line 23, insert a new section:

SEC. 611. (a) No part of any appropriation contained in this or any other Act, or of funds available for expenditure by any corporation or agency, shall remain available to an agency whenever either House of Congress, any committee or subcommittee thereof (to the extent of matter within its jurisdiction), or the Comptroller General of the United States has delivered to the office of the head of an agency a written request that it be furnished any document, paper, communication, report, study, or any other material within its possession or under its control unless the head of such agency provides the material requested as soon as practicable but not later than thirty days from the date of the request.

(b) No part of any appropriation contained in this or any other Act, or of funds available for expenditure by any corporation or agency, shall remain available to an agency whenever either House of Congress, or any committee or subcommittee thereof (to the extent of matter within its jurisdiction) requests the presence of an officer or employee of an agency for testimony regarding matters within the agency's possession or under its control unless the officer or employee shall appear and supply all information requested.

(c) "Agency," as used in this section means a department, agency, instrumentality, or other authority of the Government of the United States (other than the Congress or courts of the United States), including any establishment within the Executive Office of the President.

POINT OF ORDER

Mr. ROBISON of New York. Mr. Chairman, I make a point of order

against the proposed amendment on the ground that it is clearly legislation on on an appropriation bill.

The CHAIRMAN. Does the gentleman from Florida desire to be heard on the point of order?

Mr. FASCELL. Yes, I do, Mr. Chairman.

Mr. Chairman, the language is totally consistent as a limitation on this bill as contained in many sections of the bill. I call the Chair's attention to 607 (a) as one example and there are many others in which the limitation with respect to the appropriation is quite clear. Therefore, since the amendment which is proposed does not provide for any additional duties on the part of any executive agency and is clearly a limitation on an appropriation it is totally consistent with those already contained in the bill and made available for the purposes of this amendment.

The CHAIRMAN (Mr. BOLLING). The Chair is ready to rule. The Chair has had an opportunity to examine the amendment and finds that the language "of funds available for expenditure by any corporation or agency" clearly does not comply with the precedent that is found on page 614 of Cannon's Precedents, volume 7, 1604:

In order to qualify as a limitation, an amendment to an appropriation bill must apply to the appropriation under consideration, and propositions to apply such limitations to funds appropriated in other acts are not in order.

The language of the amendment clearly applies to other acts. Therefore, the Chair sustains the point or order.

AMENDMENT OFFERED BY MR. FASCELL

Mr. FASCELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FASCELL: On page 36, after line 23, insert a new section:

SEC. 611. (a) No part of any appropriation contained in this or any other act shall remain available to an agency whenever either House of Congress, any committee or subcommittee thereof (to the extent of matter within its jurisdiction), or the Comptroller General of the United States has delivered to the office of the head of an agency a written request that it be furnished any document, paper, communication, report, study, or any other material within its possession or under its control unless the head of such agency provides the material requested as soon as practicable but not later than thirty days from the date of the request.

(b) No part of any appropriation contained in this or any other Act shall remain available to an agency whenever either House of Congress, or any committee or subcommittee thereof (to the extent of matter within its jurisdiction) requests the presence of an officer or employee of an agency for testimony regarding matters within the agency's possession or under its control unless the officer or employee shall appear and supply all information requested.

(c) "Agency," as used in this section means a department, agency, instrumentality, or other authority of the Government of the United States (other than the Congress or courts of the United States), including any establishment within the Executive Office of the President.

Mr. FASCELL (during the reading). I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD at this point, and I will explain the language stricken out.

Mr. EDWARDS of Alabama. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk concluded the reading of the amendment.

POINT OF ORDER

Mr. ROBISON of New York. Mr. Chairman, I make a point of order again on the proposed amendment as amended by the gentleman from Florida on the ground that it is still legislation on an appropriation act, resting that again on the basis that the language makes it apply to "this or any other act."

Mr. FASCELL. Mr. Chairman, the amendment seeks to be strictly a limitation within the purview of the rule. I call the attention of the Chair to the language in 607(a), which says—

No part of any appropriations contained in this or any other Act, or of funds available for expenditure by any corporation or agency, shall be used for publicity . . .

Once having done that in this legislation, it seems to me that where language is clearly a limitation within the purview of the legislation or extending the legislation, that the amendment would be in order.

The CHAIRMAN (Mr. BOLLING). The mere fact that this similar language remains in the bill does not protect the gentleman's amendment from the fact that it adds additional legislation to that which has been permitted to remain in the bill and is itself subject to a point of order.

The point of order is sustained.

AMENDMENT OFFERED BY MR. FASCELL

Mr. FASCELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FASCELL: On page 36, after line 23, insert a new section:

SEC. 611. (a) No part of any appropriation contained in this Act, shall remain available to an agency whenever either House of Congress, any committee or subcommittee thereof (to the extent of matter within its jurisdiction), or the Comptroller General of the United States has delivered to the office of the head of an agency a written request that it be furnished any document, paper, communication, report, study, or any other material within its possession or under its control unless the head of such agency provides the material requested as soon as practicable but not later than thirty days from the date of the request.

(b) No part of any appropriation contained in this Act, shall remain available to an agency whenever either House of Congress, or any committee or subcommittee thereof (to the extent of matter within its jurisdiction) requests the presence of an officer or employee of an agency for testimony regarding matters within the agency's possession or under its control unless the officer or employee shall appear and supply all information requested.

(c) "Agency," as used in this section means a department, agency, instrumentality, or other authority of the Government of the United States (other than the Congress or courts of the United States), including any establishment within the Executive Office of the President.

POINT OF ORDER

Mr. ROBISON of New York. Mr. Chairman, I make a point of order against the amendment on the ground that the amendment as presented is still legislation on an appropriation act; specifically, that it requires additional duties of additional people, including officers mentioned in the act, and that it addresses itself to matters which go far beyond the scope of the legislation.

The CHAIRMAN. Does the gentleman from Florida wish to be heard?

Mr. FASCELL. Yes, Mr. Chairman.

The language is obviously and clearly a limitation on the appropriation contained in the act, and that is what the language says. It imposes no duty on any executive agency not already required by law.

The CHAIRMAN (Mr. BOLLING). The Chair has had an opportunity to examine the amendment again and finds that the language which appears in the amendment, which says "unless the head of such agency provides the material requested," and the language in paragraph (b) which says "unless the officer or employee shall appear and supply all information requested," does in fact impose additional duties and is legislative in effect.

Therefore, the Chair sustains the point of order.

The Clerk will read.

The Clerk concluded the reading of the bill.

Mr. STEED. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. BOLLING, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 9590) making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending June 30, 1974, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. STEED. Mr. Speaker, I move the previous question on the bill and all amendments thereto to final passage.

The previous question was ordered.

The SPEAKER. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. SYMMS

Mr. SYMMS. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. SYMMS. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. SYMMS moves to recommit H.R. 9590 to the Committee on Appropriations.

GENERAL LEAVE

Mr. STEED. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks and to insert statistical matter concerning the bill just passed.

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

There was no objection.

Mr. STEED. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

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

There was no objection.

AUTHORIZING CLERK TO MAKE CORRECTIONS IN ENGROSSMENT OF H.R. 9590

Mr. STEED. Mr. Speaker, I ask unanimous consent that in the engrossment of H.R. 9590, the Clerk be authorized to make corrections in section numbers, punctuation, and cross-references to reflect the action of the House.

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

There was no objection.

LEGISLATIVE PROGRAM AND ADJOURNMENT TO 11 A.M. TOMORROW

Mr. O'NEILL. Mr. Speaker, I rise to announce the program for the remainder of the afternoon.

The bill that was scheduled, emergency eucalyptus assistance, has been taken off.

At this time we plan to bring up the conference report on the Law Enforcement Assistance Act. There will also be two printing resolutions.

Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow morning.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL. I am happy to yield to the distinguished minority leader.

Mr. GERALD R. FORD. Will the gentleman give us an outline, as best he can, of the schedule for tomorrow?

Mr. O'NEILL. May I say that the bill on the trans-Alaskan pipeline authorization is the first bill scheduled for tomorrow. That would normally take a good part of the day. We also hope to get to the eucalyptus tree bill.

Mr. GERALD R. FORD. I had understood there were several conference reports which would come at the outset of the session tomorrow. There was one I was particularly interested in, the IEP legislation, which the gentleman from Ohio (Mr. ASHLEY) was particularly interested in.

Mr. O'NEILL. That will be brought up but only after the two bills just mentioned.

Mr. GERALD R. FORD. I thank the gentleman.

The SPEAKER. The Chair did not understand the announcement of the program. The Chair was under the impression that the trans-Alaskan pipeline authorization bill was the first order of business tomorrow. That has been the understanding of the Chair all week.

Mr. GERALD R. FORD. Mr. Speaker, I just had several discussions with Members, and they had indicated to me that there were several conference reports that would come at the outset of the session, when we come in at 11 a.m.

Mr. O'NEILL. Mr. Speaker, there apparently was a misunderstanding that the gentleman from New Jersey (Mr. RODINO) was going to call up his conference report tonight and the gentleman from Ohio (Mr. ASHLEY) was going to call up his conference report first thing tomorrow. This is not the case. Mr. RODINO will be recognized first tomorrow and Mr. ASHLEY after the other two bills.

The SPEAKER. The Chair was not aware that the LEAA conference report was coming up this evening.

The Chair had intended to put the eucalyptus bill down following the legislation that was passed and was going to discontinue the business of the night, because we had been here so late last night with a special order.

The Chair would ask the indulgence of the Members. The Chair had not had any indication from any Member of any further program.

Is there objection to the request of the gentleman from Massachusetts (Mr. O'NEILL) that when the House adjourn today, it adjourn to meet at 11 a.m. tomorrow?

There was no objection.

CONFERENCE REPORT ON S. 1672—AMENDING SMALL BUSINESS ACT

Mr. PATMAN submitted the following conference report and statement on the bill (S. 1672) to amend the Small Business Act:

CONFERENCE REPORT (H. REPT. No. 93-428)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1672) to amend the Small Business Act, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

AUTHORIZATION

SECTION 1. Paragraph (4) of section 4(c) of the Small Business Act is amended—

(1) by striking out "$4,300,000,000" and inserting in lieu thereof "6,600,000,000";

(2) by striking out "$500,000,000" where it appears in clause (B) and inserting in lieu thereof "$725,000,000";

(3) by striking out "$500,000,000" where it appears in clause (C) and inserting in lieu thereof "$600,000,000"; and

(4) by striking out "$350,000,000" and inserting in lieu thereof "$475,000,000".

LOANS TO MEET REGULATORY STANDARDS

SEC. 2. (a) Section 7(b)(5) of the Small Business Act is amended to read as follows:

"(5) to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis) as the Administration may determine to be necessary or appropriate to assist any small business concern in effecting additions to or alterations in its plant, facilities, or methods of operation to meet requirements imposed on such concern pursuant to any Federal law, any State law enacted in conformity therewith, or any regulation or order of a duly authorized Federal, State, regional, or local agency issued in conformity with such Federal law, if the Administration determines that such concern is likely to suffer substantial economic injury without assistance under this paragraph: *Provided*, That the maximum loan made to any small business concern under this paragraph shall not exceed the maximum loan which, under rules or regulations prescribed by the Administration, may be made to any business enterprise under paragraph (1) of this subsection; and".

(b)(1) Section 7(b)(6) of the Small Business Act is repealed.

(2) Paragraph (7) of such section 7(b) is redesignated as paragraph (6).

(c) Section 28(d) of the Occupational Safety and Health Act of 1970 (Public Law 91-596) is amended by striking out "7(b)(6)" and inserting in lieu thereof "7(b)(5)".

(d) In no case shall the interest rate charged for loans to meet regulatory standards be lower than loans made in connection with physical disasters.

CONFORMING TECHNICAL AMENDMENTS

SEC. 3. (a) Subsection (g) of section 7 of the Small Business Act, as added by section 3(b) of the Small Business Investment Act Amendments of 1972, is redesignated as subsection (h).

(b) Subsection (c) of section 4 of the Small Business Act is amended by striking out "7(g)" each place it appears in paragraphs (1)(B), (2), and (4) and inserting in lieu thereof "7(h)".

DISASTER LOANS

SEC. 4. (a) The second paragraph following the numbered paragraphs of section 7(b) of the Small Business Act is amended by striking out "July 1, 1973," the first time it appears therein and inserting in lieu thereof "July 1, 1975,".

(b) Subparagraph (D) of the second paragraph following the numbered paragraphs of section 7(b) of the Small Business Act is amended by striking out clauses (i) and (ii) and inserting in lieu thereof the following: "with respect to a loan made in connection with a disaster occurring on or after April 20, 1973, but prior to July 1, 1975, and notwithstanding section 9 of Public Law 93-24, the Small Business Administration shall, at the option of the borrower, either cancel $2,500 of the loan and make the balance of such loan at an interest rate of 3 per centum per annum, or make the entire loan at an interest rate of 1 per centum per annum. In the event of the refinancing of a home or a business, the monthly payments after the refinancing shall in no case be lower than such payments prior to the disaster.".

(c) Notwithstanding the provisions of any other law, in the case of a disaster occurring on or after April 20, 1973, the Secretary of Agriculture shall make disaster loans at the same rate of interest and with the same forgiveness provisions applicable to Small Business Administration disaster loans pursuant to this section.

AUTHORITY OF SECRETARY OF AGRICULTURE WITH RESPECT TO NATURAL DISASTERS

SEC. 5. Notwithstanding the provisions of Public Law 93-24, the Secretary of Agriculture shall continue to exercise his authority with respect to natural disasters which occurred after December 26, 1972, but prior to April 20, 1973, in accordance with the provisions of section 5 of Public Law 92-385 as such section was in effect prior to April 20, 1973.

LIVESTOCK LOANS

SEC. 6. Section 7(b)(4) of the Small Business Act is amended by inserting before the semicolon at the end thereof the following: ": *Provided*, That loans under this paragraph

include loans to persons who are engaged in the busines of raising livestock (including but not limited to cattle, hogs, and poultry), and who suffer substantial economic injury as a result of animal disease".

EROSION ASSISTANCE

SEC. 7. (a) Section 7(b)(1) of the Small Business Act is amended by inserting "erosion directly related to a flood, high water or tidal wave," immediately after "floods,".

(b) The Disaster Relief Act of 1970 is amended—

(1) by inserting in section 101(a)(1) between the words "high waters," and "wind-driven waters," the following: "erosion,"; and

(2) by inserting in section 103(1) between the words "high water," and "wind-driven water," the following: "erosion,".

LOANS FOR ADJUSTMENT ASSISTANCE IN BASE CLOSINGS

SEC. 8. Section 7(b) of the Small Busines Act is amended by adding after paragraph (6) the following new paragraph:

"(7) to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis) as the Administration may determine to be necessary or appropriate to assist any small business concern in continuing in business at its existing location, in reestablishing its business, in purchasing a new business, or in establishing a new business if the Administration determines that such concern has suffered or will suffer substantial economic injury as the result of the closing by the Federal Government of a major military installation under the jurisdiction of the Department of Defense, or as a result of a severe reduction in the scope and size of operations at a major military installation."

ANNUAL REPORT ON STATE OF SMALL BUSINESS

SEC. 9. The first sentence of subsection (a) of section 10 of the Small Business Act and the first word of the second sentence of such subsection are amended to read as follows: "The Administration shall, as soon as practicable each calendar year make a comprehensive annual report to the President, the President of the Senate, and the Speaker of the House of Representatives. Such report shall include a description of the state of small business in the Nation and the several States, and a description of the operations of the Administration under this chapter, including, but not limited to, the general lending, disaster relief, Government regulation relief, procurement and property disposal, research and development, technical assistance, dissemination of data and information, and other functions under the jurisdiction of the Administration during the previous calendar year. Such report shall contain recommendations for strengthening or improving such programs, or, when necessary or desirable to implement more effectively Congressional policies and proposals, for establishing new or alternative programs. In addition, such".

ANTI-DISCRIMINATION AMENDMENT

SEC. 10. Section 4(b) of the Small Business Act is amended by adding after "The Administrator shall not engage in any other business, vocation, or employment than that of serving as Administrator." the following new sentence: "In carrying out the programs administered by the Small Business Administration, including its lending and guaranteeing functions, the Administrator shall not discriminate against any person or small business concern receiving assistance from the Small Business Administration based on sex, and the Small Business Administration shall give special consideration to veterans of United States military service and the survivors of their immediate families.".

And the House agree to the same.

WRIGHT PATMAN,
ROBERT G. STEPHENS, Jr.,
HENRY B. GONZALEZ,
TOM S. GETTYS,
FRANK ANNUNZIO,
JIM HANLEY,
FRANK BRASCO,
EDWARD I. KOCH,
PARREN J. MITCHELL,
WILLIAM B. WIDNALL,
J. WILLIAM STANTON,
LAWRENCE G. WILLIAMS,
MARGARET M. HECKLER,
JOHN H. ROUSSELOT,
CLAIR W. BURGENER,
Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
ADALI STEVENSON,
ALAN CRANSTON,
ROBERT TAFT, Jr.,
LOWELL P. WEICKER, Jr.,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the Conference on the disagreeing votes of the two houses on the amendment of the House to the bill (S. 1672), to amend the Small Business Act, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying Conference Report:

The House struck out all of the Senate bill after the enacting clause and inserted a substitute amendment.

The Committee of Conference has agreed to a substitute for both the Senate bill and the House amendment. Except for clarifying, clerical and conforming changes the differences are noted below. The House amendment provided disaster relief assistance administered through the Small Business Administration to homeowners and businesses in the following manner: Borrowers could obtain a $2,500 forgiveness on their loan and finance the balance at 3 per cent or the borrower could choose not to accept any forgiveness and finance the entire loan at 1 per cent. This provision would be retroactive to April 20, 1973, and would terminate on July 1, 1975. The Senate bill provided that disaster relief programs administered by both the Small Business Administration and the Farmers Home Administration would contain a $4,000 forgiveness feature with the amount of forgiveness reduced by 4 per cent for each $1,000 of income the recipient had above $10,000. The Senate provision was retroactive as far as Farmers Home Administration assistance was concerned to December 26, 1972. The Conference agreed to accept the House amendment including the Senate provision making the same financial assistance available to disaster relief programs handled by the Farmers Home Administration. The net effect of this is to make certain that in all disaster programs both farmers, homeowners, and businesses are given the same treatment. The Conferees also included the provision making the assistance retroactive to December 26, 1972, for purposes of FHA loans, but kept the House cutoff date of July 1, 1975.

Both the Senate bill and the House amendment contained provisions making victims of erosion eligible for disaster relief. The Senate bill, however, amended the Disaster Relief Act of 1970 by classifying erosion as a disaster relief for relief under that Act, while the House amendment made erosion a disaster eligible for assistance under the Small Business Administration. Because the Senate bill and the House amendment were to two different bills, the Conferees agreed to include both the House and Senate provisions in the Conference Reported measure. The House amendment contained a provision that would prohibit the Small Business Administration from discriminating against any person or small business concern based on sex and required the Administration to give special consideration in the conduct of its programs to veterans of the U.S. military services and the surviving members of their families. There was no comparable provision in the Senate bill. The Conferees accepted the House provision.

The Conferees note that because of recent changes in the disaster relief laws that many disaster victims have been uncertain as to whether they should seek loans because of the high interest rate and lack of forgiveness in the current law. The Conferees are concerned that administratively set deadlines for disaster relief help set by the Farmers Home Administration and the Small Business Administration may expire, thus precluding businesses, farmers, and homeowners from applying for benefits under the conference reported provision. In light of this the Conferees expect that both the Small Business Administration and the Farmers Home Administration will extend for 90 days after enactment of this bill the deadline for seeking relief for previously declared disasters.

WRIGHT PATMAN,
ROBERT G. STEPHENS, Jr.,
HENRY B. GONZALEZ,
TOM S. GETTYS,
FRANK ANNUNZIO,
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Managers on the Part of the House.

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ALAN CRANSTON,
ROBERT TAFT, Jr.,
LOWELL P. WEICKER, Jr.,
Managers on the Part of the Senate.

REQUEST TO CONSIDER S. 1410, TO EXTEND AUTHORITY OF FEDERAL RESERVE BANKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the Senate bill (S. 1410) to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 1 year the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury.

The Clerk read the title of the Senate bill.

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

Mr. ROUSSELOT. Mr. Speaker, reserving the right to object, is this the bill we considered in committee today to extend for 3 months?

Mr. PATMAN. Yes, we amended it to extend for 3 months.

Mr. ROUSSELOT. So the bill the gentleman is presenting is for 3 months?

Mr. PATMAN. The gentleman is correct.

Mr. ROUSSELOT. Mr. Speaker, I thank the gentleman.

Mr. GROSS. Mr. Speaker, further re-

serving the right to object, is the gentleman then retracting the statement he made that it is a 2-year extension?

Mr. PATMAN. That is the title of the Senate bill, and we amended it.

Mr. GROSS. So it has been changed to 3 months?

Mr. PATMAN. It is the same bill.

Mr. GROSS. Mr. Speaker, what is this? Is this the old familiar $5 billion cushion?

Mr. PATMAN. It is, yes, sir.

Mr. GROSS. This is the bill that was branded when it was first passed in Congress in the Senate as being a "printing press money bill"?

Mr. PATMAN. I believe the gentleman from Ohio did refer to it in that way. I am not saying he is wrong.

Mr. GROSS. Mr. Speaker, this is the bill by which we could end up, at the rate of the movement of money these days, at the end of 3 months with $5 billion of debt represented by nothing but greenbacks or printing press money?

We would have to tax the people to get out of them this $5 billion cost.

Mr. PATMAN. If the Secretary of the Treasury wanted to do that, there would be a possibility, but I do not anticipate it. I do not think it is reasonable to expect that.

Mr. GROSS. Mr. Speaker, in view of the fact that it will come up, I hope for a full dress debate in 3 months from now——

Mr. PATMAN. Oh, sure.

Mr. GROSS. And I hope to live that long—I will withdraw my reservation of objection.

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

Mr. DELANEY. Mr. Speaker, I object.

APPOINTMENT OF CONFEREES ON S. 373, IMPOUNDMENT CONTROL AND 1974 EXPENDITURE CEILING

Mr. BOLLING. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 373) to insure the separation of Federal powers and to protect the legislative function by requiring the President to notify the Congress whenever he, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any officer or employee of the United States, impounds, orders the impounding, or permits the impounding of budget authority, and to provide a procedure under which the Senate and House of Representatives may approve the impounding action, in whole or in part, or require the President, the Director of the Office of Management and Budget, the department or agency of the United States, or the officer or employee of the United States, to cease such action, in whole or in part, as directed by Congress, and to establish a ceiling on fiscal year 1974 expenditures with House amendments thereto, insist on the House amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Missouri? The Chair hears none, and appoints the following conferees: Messrs. BOLLING, SISK, PEPPER, LONG of Louisiana, MARTIN of Nebraska, LATTA, and DEL CLAWSON.

LEGISLATIVE PROGRAM

(Mr. O'NEILL asked and was given permission to address the House for 1 minute.)

Mr. O'NEILL. Mr. Speaker, I wish to make the following announcement: There is no further business for the evening except unanimous-consent requests.

AN ALTERNATE TO IMPEACHMENT

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

Mr. OBEY. Mr. Speaker, I have today introduced an amendment to the U.S. Constitution which establishes a special Presidential election as a possible alternative to impeachment proceedings and requires such an election in the event the President is removed by impeachment. The amendment also calls for a repeal of the 22d amendment to the Constitution, which limits the time a President can serve to two terms.

For the past 6 months Watergate has debilitated the executive branch of Government, distracted the legislative branch and confused and frustrated the American public. Yet, unless something startling happens, it is likely that we will continue in this situation for the next 3½ years with the President serving without the confidence of a substantial majority of the American people.

No one can calculate with certainty, the cost that a crippled Presidency may impose on the American people over the next 3½ years—the inflation that might have been more effectively dealt with; the international disagreements that might have been more creatively and forcefully addressed—but you can be sure the costs are high.

A special election in circumstances like this could clear the air. That option is not available in the present crisis. It should be available in the event of such a crisis in the future.

If the incumbent President under these circumstances, lost an election, we could at least have a new President who would be able to govern for the remainder of the term.

If the incumbent President won, he would have a new mandate and much of the doubt surrounding his conduct in public office would become past history.

In any case, the ability of Government to direct its full and effective attention to the critical national problems would be restored.

Another reason why I support the idea of a special election under certain conditions is, frankly, because of the situation we find ourselves in at this time with respect to Vice President Agnew. This situation highlights what I believe is a basic structural flaw in American Government which was created by the 12th amendment to the Constitution.

Originally, the Constitution provided that the Vice President would be the individual receiving the second highest number of votes in the electoral college. The Vice President was, therefore, the President's strongest opponent in the last election and in the event that the administration came under such severe question as to warrant impeachment of the President, it would not be unreasonable for the Vice President to succeed him. He was actually more a member of the legislative branch, as Presiding Officer of the Senate, than he was a part of the administration.

By virtue of the 12th amendment and the evolution of our party system, the present method of selecting a Vice President makes this line of succession questionable at best in the event of impeachment. Should a president, whose extreme malfeasance in office warrants impeachment be succeeded upon his forced removal by an individual whom he has hand-picked, who campaigned for his election, who shared the same campaign funds and the assistance of the same campaign aides, and who once in office became a key member of and spokesman for that administration? Can you imagine a worse set of credentials for assuming public leadership at such a difficult point in a nation's history?

Even if the Vice President were completely innocent of the charges brought against the President, should not the Constitution place the mantle of leadership on someone free from the slightest association with the mistakes of the past—someone able to go forward in the execution of Presidential duties without the shadow of a previous administration perpetuating the suspicions and lack of confidence that such situations create?

I think the answer to that question is "yes," and I feel the leadership should fall to a man who has received a mandate from the American people in a special election as provided for in this amendment.

I have coupled this provision for special elections with repeal of the two-term limitation on the presidency for several reasons. I believe that one of the causes of Watergate was that some people associated with the White House felt that if they could just get past this last election, they would have a 4-year license to do virtually anything they wanted without ever being held politically accountable.

John Dean's description of "keeping the lid on until after the election" perhaps best describes the psychology of those aides who realized the president was constitutionally precluded from facing the electorate again and saw their political accountability to the American people ending on November 7. I think it is dangerous when men in positions of great public responsibility feel that for 4 years they can do almost anything they want because they are not going to be answerable to the voters.

As political scientist James MacGregor Burns notes:

> I would not want all or most presidents to seek a third term, but I would want all presidents in their second term to recognize that they might want to seek a third term.

If there is ever the slightest likelihood that a president will once again be going to the well to ask for public support in a new election, I think it is likely that a

president and his aides will be more circumspect in their conduct.

Of course, there are those on the other side who argue that the Chief Executive should be freed from the pressures of politics and public opinion.

That is exactly what we do not need. God save the country from self-styled political "statesmen" who no longer feel it necessary to respond to the public emotion, pressure, and concern with which mere mortal politicians must grapple. Politicians who no longer are forced to deal with pressures that make up public opinion will sooner or later lose their understanding of those pressures, and Presidents are no exception.

Daniel J. Boorstin, one of America's most noted historians stated recently in reference to Watergate:

> The notion that it is desirable to have a president who can give his full attention to the "presidency" and not worry about re-election is quite a mistake. What we want is a president who will be thinking about the prospects of re-election and will wonder what reaction the public will have to what he's doing as president. That's what we mean by representative government.

This amendment is in fact similar to the one offered by the gentlewoman from Oregon (Mrs. GREEN) last month.

Her resolution would allow Congress to call a special election if each House by a two-thirds vote found that the President had: failed to execute the laws passed by Congress; exceeded the constitutional powers of his office or allowed trespass upon the rights of U.S. citizens.

I add two additional features:

First. The requirement that such special elections shall be held in the event of impeachment to prevent the ascendancy of the Vice President of an impeached President.

Second. The elimination of the 22d amendment prohibiting a President from holding more than two terms.

Her proposal is, I believe, an excellent alternative to the impeachment process—a process which although intended as a cure has as a result of the alteration of the Constitution, become almost as painful as the disease it is supposed to cure.

The addition of the provision requiring a special election in the event of impeachment would make that process a more feasible solution to Executive malfeasance and the elimination of the 22d amendment would help to prevent such irresponsible action on the part of the Executive that would warrant the use of either special elections or impeachment.

I include a copy of the suggested amendment for reprinting below:

H.J. RES. —

Joint resolution proposing an amendment to the Constitution of the United States relating to the strengthening of the system of checks and balances between the legislative and executive branches of the Government as envisioned by the Constitution with respect to the enactment and execution of the laws and the accountability to the people of the executive as well as the legislative branches of the Government

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution of the several States:

SECTION 1. There shall be such power vested in the Congress of the United States that upon enactment by two-thirds of the Senate and of the House of Representatives present of a joint resolution that the President has consistently failed or refused faithfully to execute the laws enacted by the Congress; or that he has willfully exceeded the powers vested in him by this Constitution and the laws of the United States; or that he has caused or willfully permitted the rights of citizens of the United States to be trespassed upon in violation of this Constitution, the laws of the United States, or treaties made, or which shall be made, under their authority, the Congress shall by legislation enact a law which shall be excluded from the provisions enumerated in article I, section 7 of this Constitution requiring presentation to and signature by the President of all laws by Congress; provide for a special election for President and Vice President of the United States, such special election to be held within ninety days from the date of enactment of the joint resolution.

SEC. 2. The special election of the President and the Vice-President as provided for in section 1 of this article shall be by the direct popular vote of the registered voters of the several States.

SEC. 3. The special election shall be held pursuant to law enacted by the Congress and necessary campaign funds and allied expenses of the political parties participating in such special election as provided for in this article shall be financed exclusively from the funds which the Congress shall appropriate. Such legislation shall be excluded from the provision emunerated in article I, section 7 of this Constitution requiring presentation to and signature by the President. of all laws by Congress.

SEC. 4. The provisions of this article establishing a special election shall be inoperative whenever the date for such special election shall occur within one hundred and eighty days prior to the normal date for the election of the President and Vice President or within ninety days of any general election of Members of the House of Representatives as provided for by this Constitution and the laws of the United States.

SEC. 5. The incumbent President and Vice President shall be eligible to be renominated as candidates of their respective political party for reelection, and, if reelected, shall be considered as continuing to fulfill the term of office for which originally serving upon the enactment of the legislation under this article. If persons other than the incumbents are elected in the special election, such persons elected shall serve for the remainder of the unexpired terms of the incumbents.

SEC. 6. The provisions enumerated in section 1 of this article shall in no manner impair impeachment procedures relating to the President and Vice President in this Constitution.

SEC. 7. The twenty-second article of amendment to this Constitution is repealed.

SEC. 8. In the event of the removal of the President through the impeachment process, the Congress by concurrent resolution shall provide for a special election for President which shall be held not less than 60 days nor more than 90 days from the date of the President's removal. The Speaker of the House of Representatives shall serve as President in the interim period and shall have the full authority of the office.

SEC. 9. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution of the United States by the legislatures of three-fourths of the several States within seven years from the date of its submission to the several States by the Congress.

TWENTIETH BIRTHDAY OF THE U.S. INFORMATION AGENCY

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

Mr. GERALD R. FORD. Mr. Speaker, today is the 20th birthday of the U.S. Information Agency, the Federal agency which tells the American story abroad.

It was on August 1, 1953, that the late President Dwight D. Eisenhower signed an Executive order establishing USIA as an independent agency with the responsibility for overseas information activities previously carried out by the Department of State and the Mutual Security Agency.

USIA operates 169 posts in 100 countries, communicating U.S. policies through a variety of means. The Voice of America, USIA's broadcasting arm, produces and broadcasts radio programs in 36 languages, broadcasting 858 hours per week. The VOA provides 250 newscasts daily, disseminating reliable and authoritative news.

In the United States, USIA provides assistance to foreign journalists covering public affairs in this country.

Theodore C. Streibert served as USIA's first director. He was followed by Arthur Larson, George V. Allen, Edward R. Murrow, Carl T. Rowan, Leonard H. Marks, Frank J. Shakespeare, and the Agency's present director, James Keogh.

Mr. Speaker, I salute the USIA on the occasion of its 20th anniversary for doing a fine job of communicating our ideas, our policies, and our institutions to overseas audiences. The work of the USIA is vital to the success of our Nation's diplomatic efforts and is helping us build a lasting structure of world peace.

President Nixon has issued a statement marking the 20th anniversary of the USIA. The President's message is as follows:

THE WHITE HOUSE,
Washington, July 26, 1973.

Twenty years ago, President Eisenhower signed the reorganization plan which established a separate United States Information Agency to communicate the objectives and policies of the United States to the people of other nations and to increase mutual understanding between the people of the United States and other peoples of the world.

For two decades, the USIA has presented to the world reliable information about our people, our culture, our aspirations and our policies. As the relationships among nations have changed and as we have moved from an era of confrontation to a new and challenging period of negotiation, USIA's efforts take on new importance. In a climate of lessened tensions and increased negotiations, international relationships are more complex and the issues more complicated. To succeed, our policies must be understood, our motives made clear and our ideals articulated. Truly there is a need today for a communications effort in support of our diplomatic initiatives to build a durable structure of peace in which those who would influence others will do so by the strength of their ideas, not by the force of their arms.

On this twentieth anniversary year of the United States Information Agency, I extend to its staff serving at home and abroad congratulations for a job well done and my best wishes for the future.

RICHARD NIXON.

A CITY, COUNTY, AND CONGRESSIONAL DISTRICT ASSESS THE IMPACT OF THE FISCAL YEAR 1974 FEDERAL BUDGET AND REVENUE SHARING ON THE LOCAL COMMUNITY

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

Mr. RIEGLE. Mr. Speaker, I would like to share for the public record the results of public hearings held to determine the effects of—

Changing Federal funding priorities;

Phasing out of categorical grant programs;

Revenue sharing; and

On our local programs, services, and people in Genesee County and Flint, Mich.

Like other cities and counties across the country today, our people face: First, major changes and reductions in net Federal resources available at the local level; and second, a shift in responsibilities toward State and local government, giving them more power to decide how Federal dollars are allocated and spent locally.

Accordingly, we first conducted a survey of over 80 local units of government and community programs, as well as of the Federal Cabinet heads. As a result, we found that Genesee County and Flint can anticipate a net loss of Federal funds of $11 million in fiscal year 1974, down from $23 million in fiscal year 1973.

Our next step was to institute budget impact hearings to evaluate the meaning of these changes. The hearings involved:

An intergovernmental panel of township, city, county, State, and congressional elected officials.

Local witnesses, including 32 top leaders and administrators of community services and programs spanning the fields of education, health, manpower, law enforcement, and social services.

Additional issues providing focus for the testimony were:

The effectiveness of the categorical grant system versus revenue sharing and the local allocation process.

The availability of non-Federal funding to continue programs jeopardized by cutbacks.

The role of citizen participation in the new responsibilities of local government, particularly in setting local budget priorities.

The impact of the shift toward local decisionmaking on minority interests and programs.

The national budget priorities, as reflected in the administration's budget proposal, and their consistency with local needs.

The lessons to be learned about how programs and services might work better and how local, State, and Federal roles should be revised accordingly.

I wish to thank all who participated for their hard work and sincere effort. Together we have gathered insights essential to our own community as well as to State and Federal officials around the country. These issues have relevance for other communities because Genesee County and Flint are a typical medium-sized metropolitan area of 450,000 people—with a full mix of economic, racial, and social groups, most particularly working people.

THEMES AND HIGHLIGHTS FROM WITNESSES

The concept of revenue sharing, with increased local responsibility, moves in the right general direction and is heightening the awareness of people toward the processes, opportunities, and problems of local government. However, the lack of good information, preparation, and sophisticated rational methods, along with major structural, organizational, and managerial inadequacies often leave local governments crippled at the outset.

Revenue sharing at present is so severely underfunded as to barely scratch the surface of local needs—and, contrary to advance expectations, may leave some urgent human service areas with dangerously fewer funds than previous programs provided. In the city of Flint alone, bona fide requests for the use of revenue sharing dollars already exceed available funds by more than 400 percent. At current inflation rates, revenue sharing funds could be eaten up simply to maintain existing services.

There is nearly unanimous agreement that our national priorities, as reflected by the administration's budget, are grossly out of line with local concerns and needs—especially in the fields of housing, education, environment, manpower, health—that is, the full range of human service programs. There is a feeling that communities and people are suffering because of too much spending on defense, space programs, foreign aid, and agricultural subsidies, among other areas.

The manner in which fiscal year 1974 budget proposals are being executed at the local level is severe, abrupt, full of uncertainties, and insensitive to problems being needlessly created. Instead of the Federal Government aiding local programs in a constructive and measured plan for change, people perceive a sudden dismantling process which is creating apprehension and chaos among organizations and, more importantly, among the citizens they serve.

There are many ways the Federal Government should revise its working relationship with local communities and stimulate action rather than stifling it with frustrating bureaucracy, redtape, and procedures—that is, using formulas rather than the grantsmanship game to fund local government units, providing better basic information, providing more management improvement and planning funds, funding only one local government unit affecting a given population.

Minorities, especially those sharing conditions of poverty, are extremely fearful that revenue sharing—with increased local responsibility and abandonment of Federal program guidelines—will diffuse the special attention and concentration of resources needed for their long overdue advancement. They fear that Government in the hands of the local majority will ignore the needs of the minority at just the time when hope, involvement, and direct help are so badly needed. For the poor, revenue sharing, with no strings attached, is a great shadow over the whole infrastructure of help to the disadvantaged that has been constructed over the last 10 years and that has awakened a spirit of progress. The specter of inadequate funding is as bad as no funding at all—if it means a step backward.

Local governments and programs are facing their own fiscal crises, abetted by inflation, in which expenses and demand for services are fast outstripping sources of income. Revenue sharing as presently underfunded arrives only in time to postpone the crisis for another year or so. Pressures are mounting to use revenue sharing for defraying general operating deficits and maintaining traditional services rather than for setting new community goals, innovating, planning better government programs, and improving the capabilities of government.

PRELIMINARY FINDINGS AND CONCLUSIONS

In the course of 8 hours of testimony, several themes emerged. The preceding section highlights some of the major concerns expressed. In addition, I would like to add my findings and preliminary conclusions.

Revenue sharing can falsely raise and then shatter the hopes and expectations of local communities unless funded at substantially higher levels than are presently proposed. This will deepen citizen cynicism if, once again, the Federal Government promises more than it delivers. It will be a cruel hoax to put local decisionmakers in the position of having to allocate resources that are impossibly short of the need. Revenue sharing must not be advertised as the answer to all problems, but must be seen as an historic change in the roles and responsibilities of each level of government, with many problems and difficulties that require care and cooperation over a period of several years. Above all, it must be given a fair chance with increased funding.

The administration and the Federal Government generally must be far more sensitive to the problems of transition and the undertaking of new responsibilities at the local level. The present harsh insensitivity to the problems of change and of planning carefully for the future creates the risk of not learning from our past experiences, while communities and programs scramble for survival. Much more attention should be paid to evaluating what can be learned from the mistakes and successes of the last 10 years and applying it to the new designs necessary for the next 10 years.

Our proposed national spending priorities simply do not reflect the concerns of our local communities. Human service programs are going to suffer at a time when our defense budget is going up. This perversion of our financial priorities will compound the inadequacies of revenue sharing unless Congress steps up its battle to exercise the will of the people against an executive branch that fails to understand and execute these wishes. People will not tolerate two sets of priorities—one for the administration's pet projects and another that accepts what is left over for human services in our local communities.

The evidence points to things getting worse before they get better. We can foresee an even greater "financial crunch" coming, locally and nationally. The uncertainties of revenue sharing and fund-

ing in fiscal year 1974 are surpassed by even greater uncertainties in fiscal year 1975 and the possibility of further reductions in Federal programs. Both the executive and legislative branches share responsibility for the chaos of dismantled programs and for funding by continuing resolution. Both should be aware of the severe impact that this has on the local level and assume the responsibility for finding long-term remedies. Temporary juggling of deficits cannot obscure the need to develop wiser priorities, better managed programs, and a more aware and involved citizenry. The public must have more facts so that people can participate openly and knowledgeably in the difficult choices that lie ahead. Without public support, all approaches will fail.

Minorities are on the "whip-end" of changes in priorities and allocation of funds and changes in governmental responsibilities and programs. There is a great danger that much of the progress of the last 10 years could be lost if we abandon the Federal priorities that guided this progress. A rush toward local government responsibility must not proceed without insuring that the needs of the poor and those who do not have an equal stake in our system will continue to receive high priority. Our country cannot stand the cost of the despair and cycle of poverty that would result if human service needs were ignored. This could prove both spiritually and economically devastating. When the $11 million net loss of Federal funds to Genesee County is viewed in the context of the 36,000 citizens who fall below OEO's guideline for poverty—$4,300 for a family of four—it is a much more serious loss than when it is viewed as spread out among 500,000 people in the country.

There is a tendency to think of saving "my program" or "my agency" from extinction, whether at the Federal, State, or local level. All of us are trying to help the same people—including those who are sick, elderly, ill educated, young, homeless, or without adequate incomes. Our priorities require the best programs possible for these people with the funds that are available. "My program" should not be the issue—rather it should be what overall answer is best for our people.

LOOKING AHEAD

A new form of cooperation is required among levels of government, elected officials, program administrators, and the public if we are going to meet these new challenges. We have a chance to work together to apply the lessons of local experience to better methods of priorities, allocating scarce resources, and organizing and providing human services.

These hearings are only the beginning of this process. The next steps are to:

Distribute this information for review and study in Congress, the administration, and within State and local governments.

Distribute it to the news media so that the public can participate fully and openly in this reappraisal process.

Reconvene the local panel of elected officials and administrators to evaluate the meaning of this information and to recommend further areas for concentrated effort.

Hopefully, we all can begin to make wiser and more informed judgments—locally and nationally—as a result of this first step.

PANEL PARTICIPANTS, BUDGET IMPACT HEARINGS, MAY 14, 1973

CONGRESSIONAL REPRESENTATIVE

Congressman Donald W. Riegle, Jr.

STATE REPRESENTATIVES

Senator Gordon Rockwell.
Representative Bobby Crim.
Representative Robert Edwards.
Representative James Smith.
Representative Harold Scott.

COUNTY COMMISSIONERS

Mr. Michael Carr.
Mr. Gerald Brown.
Mr. Nathaniel Turner.
Mr. Thomas Gadola.
Mr. Gary Corbin.

CITY COUNCILMEN

Mr. Edward Little
Mr. Gerry Yurk

TOWNSHIP OFFICIALS

Dr. Russell Phillips, Vice President, Genesee County Small Cities Association.

OTHER ELECTED REPRESENTATIVES

Mr. Floyd McCree, Registrar of Deeds, Flint, Michigan.

BRIEF SUMMARIES OF TESTIMONY—(IN ORDER OF PRESENTATION)

MR. BRIAN RAPP, CITY MANAGER, FLINT MICH.

This is a brief overview of the impact of the proposed fiscal year 1974 budget and revenue sharing programs on the city of Flint. Spokesmen for the city will provide further details from their various departments.

Some programs will be terminated and others substantially decreased.

Without revenue sharing, a municipal financial crisis would have occurred this year.

Very little new activity or improvement of services will result from the $19 million in revenue sharing coming into the city.

Operating costs of the city must be reduced and brought into line with available revenue or the city will face either a tax increase or a curtailment of services in 1975.

The city must consider bonding if it is to complete high-priority capital projects.

MELVIN INGRAM, ACTING EXECUTIVE DIRECTOR OF THE GENESEE COUNTY COMMUNITY ACTION AGENCY (GCCAA)

GCCAA works toward eliminating the causes and alleviating the effects of poverty in Genesee County. More than 36,000 people in the County fall within OEO poverty guidelines ($4,200 annual income for a family of four). Poverty is measured by more than income, however—it is wanting, but not having the opportunity to overcome such poverty conditions as hunger and malnutrition, lacking legal protection, living in unsafe housing, lacking adequate education, lacking adequate clothing, suffering from preventable disease, not knowing how to participate in society, and not knowing how to avoid reproduction.

GCCAA this year plans to serve some 1,400 persons with a staff of 27. Last year it served more than 2,000 with a staff of 30+.

GCCAA has budgeted $1.14 million for operating 13 projects this year.

GCCAA receives slightly more than 75% of its funds from the Federal Government—60% directly and 15% from local agencies (such as Model Cities), that are federally funded.

The Administration's proposed 1974 budget, in its worst outcome, i.e., without OEO funding and no local support to replace it, would eliminate all anti-poverty programs except Head Start—which has an uncertain future and may only last one more year. Therefore, in one year—in the worst case—there would be no anti-poverty services in Genesee County.

The "best" outcome would occur if the city/county governments would (1) reserve enough money to ensure GCCAA's current services through this transitional period, and (2) avoid altering present programs in an effort to anticipate new trends in the political and funding climate.

This means $520,000 to continue present services in the absence of OEO funding.

Poverty is a vicious, self-perpetuating cycle. Escape from poverty conditions is a prerequisite for justice.

It costs less to alleviate the conditions of poverty than to maintain persons in poverty.

One out of every 12 persons in Genesee County is income poor.

GCCAA has never had adequate funds to deal effectively with the county's poverty problems.

To maintain its present level—which only dents the problem—GCCAA requires an annual budget increase of 5–6% to cover inflation.

It would take more than $10 million annually to bring the incomes of the poor in the county up to the poverty line.

Rather than concentrating national priorities on defense spending and local priorities on capital improvements, spending should be refocused on eliminating racial discrimination and poverty. This, in turn, eventually would reduce poverty problems and their associated costs, and make more money available for capital expenditure.

Insufficient funding is almost as bad as no funding because it cripples programs and makes them ineffective and inefficient.

Revenue sharing funds are being used to fill gaps caused by cutbacks in categorical programs. These funds are less than were previously available and special revenue-sharing is needed.

Poverty can be reduced if a substantial effort is made. Since the Economic Opportunity Act was passed in 1964, the number of poor and the proportion they represent of the national population has been dramatically reduced. Poverty problems are incredibly complex and are a national problem. Revenue sharing at the local level is not the answer to a national problem and only the Federal Government has the authority and resources necessary.

ANTHONY RAGNONE, GENESEE COUNTY DRAIN COMMISSIONER

The Genesee County Drain Commission is responsible for providing adequate facilities for storm water drainage, sanitary sewage collection and disposal, public water distribution, and solid waste disposal. Complete facilities for the county would cost between $200 and $300 million over the next ten years. Although the county and state have been making significant progress toward clean water, the impoundment of water pollution control and HUD water and sewer funds will cause both county and state programs to face serious setbacks.

Currently 25% of the funds are from federal and state grants.

The only sources of federal funds available are the amended Clean Water Act and revenue sharing funds.

Revenue sharing is inadequate, and too uncertain as a source.

Federal standards cannot be met without greater funding; a realistic program is a necessity.

An agreement on priorities by all levels of government should be made before federal and state legislation is passed.

Assurance for adequate funding at all levels should be made part of the legislation.

Programs should be administratively simple to meet goals and objectives.

REV. HARRY REDDS, EXECUTIVE DIRECTOR, GREATER FLINT OPPORTUNITIES INDUSTRIALIZATION CENTER (OIC)

The Center is a comprehensive manpower training and personal development program emphasizing minority leadership development through an extensive, cooperative operation involving business and industry, agencies, institutions, and community volunteers. The objective is to provide adult basic education and vocational skills training for the unemployed and underemployed. Federal funding contributes 84% of the total cost of $168,384. The staff of ten in the past year has served 282 people enrolled in the program, more than half of whom have been placed in jobs or upgraded in their jobs.

Inner city people must develop skills in order to enter the mainstream of American life.

Many of the people who entered this program entered on welfare rolls and left standing on their own feet.

Without adequate Federal support, the program could end.

The program is new, and its impact is not yet clear, but it is certain that it provides hope to inner city people who would otherwise be ruled out of programs leading to employment.

If people lose hope, the result is chaos.

Persons who loaf on street corners are parasites, not contributors—and each of them brings down many others with him.

It is a crime that many inner-city children have a high school certificate but lack the ability to do what is required of a high school graduate; the result is usually failure in a job situation.

ANTHONY P. LOCRICCHIO, EXECUTIVE DIRECTOR OF LEGAL SERVICES OF EASTERN MICHIGAN

The Legal Services Program provides attorneys for those whose incomes are below poverty guidelines and who cannot afford private legal assistance—about 35,000 people in Genessee County. The poor have legal problems as complex as others. In addition, the law traditionally leans in favor of special interest groups, slum landlords, and institutions feeding on the poor. These laws must be challenged and reformed in the Courts. Without competent legal counsel for the poor, equal justice—the basic tenet of our democracy—cannot exist.

The Administration's proposed Legal Services Corporation bill would fund National Legal Services at only $71 million in actuality, a $20 million cut back.

HEW and HUD support would be completely cut out.

The bill would raise poverty guidelines by 100% (which would include 40% of Genesee County), with no increase in funds for additional staffs and services—a 300% increase in the number of people to be served with a potential 20% decrease in funding!

The White House must not be permitted to name the Board of Directors of the National Corporation and thereby politicize and interfere with the judicial system.

In Genesee County, seven attorneys serve about 5,000 people each year and turn away the same number of people qualified for aid; that is two percent of the County's attorneys serve 12% of its population.

We need another six attorneys and the corresponding supporting staff.

ANTHONY J. CEBRUN, DIRECTOR, FLINT-GENESEE COUNTY HEALTH DEPARTMENT MODEL CITIES FAMILY AND COMMUNITY HEALTH CENTER

The problems of poor health (inadequate housing, unemployment, and inferior education are interrelated and inseparable. Sickness and poverty reinforce each other—the poor are likely to be sick and the sick are more likely to be poor. The Center's philosophy centers around health in the classic sense—a state of complete physical, mental, and social well-being, not merely the absence of disease or infirmity. Prevention and early intervention are essential. The Center's main purpose is to develop and maintain an ambulatory health delivery system focusing on preventive medicine.

The Center is in the planning and development phase, but maintains two existing programs funded by HUD Model Cities Funds.

The program has served over 5,000 people since June 1972 with a staff of 14, including one doctor and one registered nurse.

The current budget is $250,000; it is slated for a $50,000 increase for fiscal year 1973–74.

This increase will not permit the Center to render critically needed medical and health services. Starter capital is essential.

Budget needs are conservatively estimated at $450,000.

There are no other funding resources except HUD and Model Cities—without them the program is in jeopardy.

Revenue sharing will not permit the continuation of successful programs formerly funded by the Federal Government.

It is fallacious to assume that state and local governments can contribute the needed resources to replace federal support.

The Administration's budget clarifies the fact that health, and more specifically preventive medicine programs, has a low national priority. If illness can be prevented or minimized, costs will be greatly reduced. We must as a nation change and improve our health delivery system.

MR. RONALD JOHNSON, EXECUTIVE DIRECTOR, GENESEE COUNTY MODEL CITIES PROGRAM

The Model Cities program not only administers 16 programs in Flint and Genesee County, but also finances other agencies and projects. In fiscal year 1974, Model Cities will receive $2,457,000 in new funds. With carryover funds, the total will be $5,502,605.

Every attempt was made to enable all projects to deliver services at this year's level (3rd year).

As of July 31, 1974, neither HUD nor the Model Cities supplemental funds will not be available to the Model Cities program.

The continuation of the program will depend upon using either the city or county special revenue sharing funds.

For the future, Model Cities hopes to coordinate its programs with others that are administered locally.

MR. WARD CHAPMAN, ASSISTANT PROSECUTOR, GENESEE COUNTY

The County Prosecutor's office operates five federally supported grant programs that focus on organized crime, special investigations, consumer protection, prosecutor administration, and a cooperative reimbursement program that enforces provisions for child support for children receiving public welfare assistance.

Federal funding supports 61.3% of these projects, which operate on a total budget of $536,000 with a staff of 25.

Without revenue sharing these programs would end.

Additional revenue sharing funds, appropriated for 1973, will be used to employ one half-time and nine full-time employees to work on organized crime, consumer fraud, and to begin a program in environmental protection. The funds will also be used to provide career salary levels for prosecutor personnel and improved technical facilities.

General revenue sharing is essential and should be expanded.

Special revenue sharing should be established for law enforcement programs.

MR. PAUL GADOLA, JR., GENESEE COMMUNITY COLLEGE

The College has an open door policy and tries to make possible two years of college education for people in the community who are disadvantaged, that is, who have insufficient funds, inadequate jobs, or heavy family commitments. The College strives to provide career development and vocational education programs that are relevant to community needs. It stresses flexibility in admissions—by accepting people, for example, without high school diplomas who prove they can do college-level work—and in class scheduling—by providing night and weekend courses and county extension programs.

The concept of revenue sharing has validity and should prove helpful in sorting out regulations and requirements that are unrealistic in current categorical programs such as, regulations applying to faculty hiring.

MRS. KATHLEEN SAUNDERS, COORDINATOR, FLINT-GENESEE COUNTY COMMUNITY COORDINATED CHILD CARE ASSOCIATION (4–C's)

The 4–Cs Association, through mobilization, coordination and planning, seeks to provide the most efficient and effective use of resources, both public and private, agency and individual, to support quality child care services. It does not operate any programs of its own, but attempts to work for the benefit of children through encouraging cooperative efforts rather than tolerating duplication of services by agencies with the same target children.

The program has a $37,000 budget and employs two and a half staff.

Funding is through Title IV–Section A of the Social Security Act, which provides 75% Federal funding when local sources provide 25%. (Local sources are the Mott Foundation and the United Fund.)

Title IV and other parts of the Social Security Act are being cut back and many families and agencies will be affected; it is not yet possible accurately to estimate the impact.

New regulations for social service programs went into effect on May 1, 1973; funding for 4–Cs will depend upon the interpretation of these regulations.

Some other sources of funds are available, but they are extremely limited.

MILTON SACKS, ADMINISTRATOR, HURLEY HOSPITAL, A CITY-OWNED HOSPITAL

The health field has been allocated a minute amount of money in the Federal budget for FY 1974. The phase-out of health programs will have a serious negative impact on Hurley Hospital, a 700-bed public hospital, and on other inner-city hospitals.

There is a nationwide need for $20 to $30 billion to remodel aged urban and inner-city hospitals that may not be met because of the phase-out of Hill-Burton funds.

Hurley Hospital would need upward of $25 million to keep up with the advances in medicine and bio-medical equipment.

The city is allocating only 4% of its general revenue sharing funds for health, a portion far from adequate for the needs of the hospital and community.

The hospital will suffer from the lack of funds for improving nursing education and for the stroke, heart, and cancer programs (the Regional Medical Programs.)

There must be rigid Federal priorities if Federal funds become available on a local basis to replace these programs.

MR. FRANK M. PATITUCCI, DIRECTOR OF FINANCE, CITY OF FLINT

The following is a summary of a report on the status of the finances of the City of Flint.

Improved management methods are required if the $56 million dollar budget of the city is to be brought under control.

Without revenue sharing, a municipal financial crisis would have occured this year.

Very little new activity or improvement of services will result from the $19 million in revenue sharing coming into the city.

The operating costs of the city must be reduced and brought into line with operating revenue, or the city will face either a tax increase or a serious curtailment of services in 1975.

The city must consider bonding if it is to complete high-priority capital projects, most of which have already been started.

Only if the city acts at this time will it be able to avoid a serious financial crisis two years from now.

The following are recommended changes in the way the federal government finances and relates to activities of local government.

The federal government should use the formula method rather than the application/grant method to fund local governmental units.

The federal government should provide better information so that local governmental units can compare themselves to the "competition."

The federal government should provide more management improvement and planning funds to local governmental units.

The federal government should work through the state administrative structure rather than through parallel federal offices, in serving local governmental units.

The federal government should work directly with states in order to improve the laws affecting the operations of local governmental units.

The federal government should fund only one local governmental unit affecting a given population, then fund all programs through that unit.

MELVYN S. BRANNON, EXECUTIVE DIRECTOR, URBAN LEAGUE OF FLINT

The Urban League is concerned with the problems of people—the black and the poor—who are dependent on the government for essential services. The League is funded principally by the United Fund, but several of its projects result from contracts made with various Federal departments.

Programs such as On-The-Job Training, Labor Education Advancement, and Street Academies provide valuable services to people with severe disadvantages. These are federally contracted projects; their elimination will be felt by many people.

Insecurity resulting from tenuous funding sources directs our energy toward seeking the renewal of contracts and securing other grants.

In Michigan, federal cutbacks would affect people in some of the following ways: 1,500 children would be excluded from foster care services; 635 children in foster care would be cut off from adoptive service funding; 2,462 migrant children will no longer be eligible for day care.

Services to retarded or emotionally disturbed children, to drug addicts, to alcoholics, and to unwed mothers would be reduced by Federal cutbacks at the very time when they should be expanded.

Prohibition of matching funds will wipe out $1.9 million of child care programs.

The question remains: Is revenue sharing a boon or a boondoggle? City administrators stress the importance of fiscal responsibility. As demonstrated in the past, this means closing one's eyes to the poor and their problems. Although arguments for revenue sharing can be persuasive, the needs of poor people are not a priority to local officials. Only after public safety, police, and fire departments acquire all "necessary" equipment, after all water and sewage disposal plants have been built, after all the monuments have been erected, and after city officials have received salary increments, will the poor receive what they deserve—and we all know what will be left for them.

When millions of dollars in federally funded programs to help the poor are eliminated and replaced by thousands of dollars in revenue sharing, can anyone conclude other than that we are victims of a grand hoax?

The nation's priorities are abhorrent—bombs in Cambodia are more important than bread for the hungry. Skylabs take precedence over shelter for the homeless. Elected officials must take the lead in exposing this hoax and restoring national integrity. They must enact legislation that will guarantee that some of the revenue sharing money will go for people programs.

WILLIAM R. BLUE, GENERAL MANAGER, MASS TRANSPORTATION AUTHORITY (MTA)

The MTA operates a 26-bus system in a 10-mile radius of Flint. It also serves as the bus system for Flint Public School secondary students and has some 7,500 charter boardings each month, including those of many senior citizens. It receives about $30,000 per month from the City of Flint to provide public transportation. A new State legislative package offers some relief to the city in supporting this system, but to meet the community's total needs, informed and concerned Federal assistance will be necessary.

Revenue sharing—"New Federalism"—is not yet funded in line with its promise.

Flint's $2 million in available revenue sharing funds has been met with $13.5 million in requests.

Growing fuel shortages make it necessary to increase investment in mass transportation systems.

Substantial amounts of Highway Trust Funds could and should be freed for other transportation programs.

The MTA hopes to obtain $80,000 in revenue sharing funds for the coming year, but its program for the next four years would be jeopardized by any large federal cutbacks.

The MTA looks to the Federal Government for help in acquiring new facilities and equipment, in addition to more operational funds to expand its services.

Cutting back on human services under "New Federalism" ignores many vital human needs such as the transportation needs of senior citizens, student riders, and the general population, which is entitled either to federal funds via revenue sharing (their money) or to having the money left at the local level in the first place.

DR. RONALD CHEN, COMMISSIONER, GENESEE COUNTY COMMUNITY MENTAL HEALTH SERVICE

The Genessee County Community Mental Health Services provide direct services for psychiatrically ill adults, adolescents, children, and the aged. Services include in-patient services, residential care facilities, partial hospitalization facilities, out-patient clinics consultative and collaborative resources, and emergency 24-hour walk-in services.

There is a need to develop residential treatment services, which could reduce state institutionalization by 90%.

The outlook for alternative sources of funding (other than federal) is guarded and dependent upon continued state, county, and third-party support.

It is essential to have maximum citizen participation in the planning process.

We need state and federal funds to construct facilities in addition to staffing and operation allocations for community mental health services.

Funding for local programs should be based on population, with a per capita rate established.

Local government, with federal revenue sharing, should provide a more substantial input in terms of fiscal allocations.

Coordination—a forum for joint planning—should be established to minimize duplication of efforts.

RICHARD WILBERG, ACTING DIRECTOR, FLINT DEPARTMENT OF COMMUNITY DEVELOPMENT

The city of Flint currently is responsible for nine urban renewal projects designed to facilitate rehabilitation and redevelopment of blighted areas. Under the eight Neighborhood Development Programs, the city is authorized to spend $95.5 million toward the completion of these projects. Financing is based on a 12-month period. With the proposed changes in federal funding, Flint faces serious financing problems.

Flint will receive $5.4 million to replace present categorical aid programs of $8 to $10 million.

There will be at least a 35% program reduction.

An estimated $2.2 million land inventory debt will remain in July, 1974.

The Better Communities Bill should be amended to include:

A better formula for distributing funds that accounts for need.

Funding for reduction of land inventory debts.

A longer (two year) funding period.

MR. CHARLES P. HOLMES, EXECUTIVE DIRECTOR, GENESEE COUNTY REGIONAL DRUG ABUSE COMMISSION

The purpose of the Genesee County Regional Drug Abuse Commission is to serve as the planning, coordinating, and grantsmanship agency for drug abuse activities in Genesee, Lapeer, and Shiawassee Counties. It supports three therapeutic treatment centers and four community programs, serving as a crisis intervention center. The Commission acts as a legal liaison between law enforcement agencies and treatment agencies, and it provides information and technical assistance for the community at large.

The end of categorical grants could well be the death knell for the majority of human service programs.

At present, there is no movement to phase out drug abuse funds at the federal and state levels. but drug abuse should expect to lose its current "glamour" and funding priority.

Including in-kind, voluntary, state, private, and other sources, the Commission is operating nearly a $2-million-a-year program, of which $403,384 is from the National Institute of Mental Health (NIMH).

Money allocated for law enforcement cannot be considered money allocated for drug treatment, rehabilitation, or coordination.

The present reorganization of HEW threatens to remove NIMH as a funding agency, and to frustrate local drug problems.

DR. CHARLES PAPPAS, PRESIDENT, AND MR. CLARK TIBBITS, ADMINISTRATIVE ASSISTANT TO THE PRESIDENT, GENESEE COMMUNITY COLLEGE

The College is growing at the rate of 5% per year, largely because it actively seeks citizens who want and need additional education to be more productive. There is only so much money available, and the priority given education is far too low. People must realize education is an investment. There is a great need for education in the urban areas, but there may not be funds for the people who most need the benefits. Particular emphasis should be placed on career and vocational training.

The College is increasingly depending on federal funding to develop new programs and to provide supportive services for new studies.

Federal funding totals $1.476 million out of the total budget of $8 million.

An expected reduction of $170,000 for next year represents a 21% decrease in federal funds for program expansion and a 16% decrease in funds for institutional improvement.

New applications for $580,000 in federal funds are not expected to be granted either because of a lack of appropriations or because of low funding levels.

The problem is not just the lower level of funding, but also the uncertainty surrounding the funding of almost every program. An example of this is the Student Financial

Aid bill which was just signed. No guidelines are yet available, a new Career Development Learning Center is in jeopardy because the manpower agencies interested in being in the center cannot make commitments because of uncertainty about their budgets—and their continued existence—after June 30, 1973.

MR. RONALD WISNER, DEAN OF STUDENTS, UNIVERSITY OF MICHIGAN—FLINT COLLEGE

The University of Michigan–Flint is committed to expanding higher education opportunities for the urban population of Genesee County. The University relies heavily on Federal grants to support its academic programs and to assist a high percentage of its students.

Federal funds supported 49% of the expenses of the University in 1972–73, and 54% of the expenses in 1973–74.

In 1972–73, 663 students out of a total enrollment of 2,550 received federal student aid.

As a young college, the University of Michigan–Flint does not have a large reservoir of endowment funds to draw upon in case of federal funding cutbacks.

A decrease in student aid would severely restrict the opportunities of the urban population for higher education and would also restrict the scope of the curriculum.

It is highly unlikely that non-profit foundations could underwrite a significant portion of the programs eliminated by cutbacks in federal funding.

MRS. OLIVE R. BEASLEY, DISTRICT EXECUTIVE, CIVIL RIGHTS COMMISSION

The Civil Rights Commission in Flint is responsible for promoting equal opportunities in housing, employment, education, and other areas. Flint's minority population comprises one-third of the city's population. The cutback of federal programs in housing, manpower, and education will have a serious impact on the progress made by minorities in obtaining equal opportunities.

Minority families in Flint earn $705 to $1,336 less than the average median income.

There has been a marked increase in formal complaints of illegal discrimination (over 430 complaints in the first 9 months of the year, compared to 347 claims during the previous 12 months.)

The termination of many programs will have a serious negative impact on Flint minorities.

"New Federalism" programs threaten to lessen citizen participation and minority representation in the decision-making process.

Program moratoriums and the uncertainty of federal funding cause minorities to lose jobs, services, and the protection of equal opportunity requirements.

MR. EUGENE GRICE, DIRECTOR, GENERAL ADMINISTRATIVE SERVICES, AND MS. MARJORIE ROBINSON, COMPENSATORY PROGRAMS COORDINATOR, FLINT COMMUNITY SCHOOLS, FLINT, MICH.

The Flint School District operates 25 federally funded programs with a combined budget of more than $5 million, which represents some 10% of current operating funds. The programs range from Health Start, to comprehension pre-school programs, Title I programs for educationally disadvantaged children, Adult basic reading programs, neighborhood youth corps, drop-out prevention, senior citizen programs, etc.

Judging from current information on revenue sharing, it appears that many programs operated by the District will have to be discontinued—such as the neighborhood youth corps summer program, library book programs, and a controlled scan TV project.

Many current programs will operate at reduced levels, with a smaller staff and fewer participants.

Alternative sources of funding are not available now, and the future seems bleak as education is a low priority item nationally.

The Title I program represents 20% of the total federal funds coming into the District.

Twenty-six schools are participating in Title I.

Some 8,500 children are identified as eligible for this program, but, because of the funding formula, only 3,400 are being served.

The greatest problem with Title I is funding for 1973–74; some aspects of the program may have to be deleted.

JOE A. BENAVIDEZ, DIRECTOR, THE SPANISH SPEAKING INFORMATION CENTER, FLINT

Better education is a basic answer to many of the nation's problems and would especially help minority groups. Children should be taught in school about the various backgrounds of minority races. Better teaching, more minority teachers, and better guidelines would help.

The Spanish Speaking Information Center serves 1,750 families in the Model Cities Area, Flint, and Genesee County with four full-time staff persons.

The Center operates Spanish classes and bi-lingual programs, publishes a newsletter, is working on job development programs, has a child care program, participates in community organizational activities, and operates a variety of other programs.

National priorities should be reordered away from defense and focused on education.

Revenue sharing appears to take money away from citizens without giving them needed services in return.

It is essential that information dissemination services be improved for all people, but especially for minority groups.

MR. BERNARD PLAWSKY, EXECUTIVE DIRECTOR, HUMAN SERVICES PLANNING COUNCIL

The Council was created to help plan and coordinate the delivery of human services in Genesee and Lapeer Counties. Recent major Federal policy changes regarding allocations to human services must be studied to assure that people without means, or those most vulnerable to sudden shifts in available resources, are not hurt. Efforts to revitalize urban centers and suburban communities must be diminished. The Council has just completed a Resource Allocation study of the Flint Metropolitan area which showed:

Of the 86% of the agencies responding, $386,587,119 was identified for one fiscal year. The Federal Government supplied 46.1%, the 4.1% state 24%, city 15.7 tuition and fees 4.6% and county government.

The expenditure breakdown was as follows: standard of living 46%; education 19.1%; physical environment 9.1%; health 8.2%; safety 4.6%; leisure 3.6%; transportation 3.4%; government 2.5%; justice 1.3%; mental health 1.1%; and housing .9%. In the Standard of Living Category of $178 million, $164.7 million was for direct income maintenance.

From all indications, there will be a cutback in Federal money as a result of revenue sharing. Who is to make up the difference? Are services to be dropped?

If so, which ones, and what will our priorities be?

Highest priority for revenue sharing funds should go to human services.

The lag between phasing out old programs and creating new programs could work considerable hardship.

The Council urges that:

an assessment be made of direct services that might be reduced or eliminated, and the number of people affected during this period.

a master plan be developed to assure the continuing delivery of human services when and if significant reductions should occur.

local governmental units allocate adequate portions of revenue sharing funds for direct delivery of human services.

citizen input be structured and immediately implemented in the decision-making process within local governmental units.

ROBERT E. ENNIS, EXECUTIVE DIRECTOR, SERVICES TO OVERCOME DRUG ABUSE AMONG TEENAGERS (SODAT)

SODAT's title is self-explanatory—it serves anyone with a drug problem, a potential drug problem, or a drug-related problem. The program has a total budget of $361,000, supporting 14 full-time staff members who serve a static population of 500, a dynamic population of 1,000. Federal funds are provided on a matching basis, which this year is 80%, next year will be 75%, and the following year 60%.

Revenue sharing affects the number of people served in that it assists in meeting local match requirements.

Next year revenue sharing is needed to provide part of the local support. In the following year it may not be available.

SODAT will continue to use every local funding source available.

It must continue to demonstrate, through quality and quantity, the effectiveness of its program so that it may be assumed through an organization such as the United Fund.

The priorities are: to establish the need for the program and to evaluate it on the basis of its "products." The priorities emphasized should be in the areas of cost, follow-up, and sound clinical and administrative policies that will ensure quality service at the least cost for human service clients.

Most programs are poorly run administratively; thus, there is a vital need for a positive bureaucracy as well as for good clinical people.

MR. SAUL SEIGEL, EXECUTIVE DIRECTOR, FLINT AREA CONFERENCE, INC. (FACI)

In effect, the Administration has over-reacted to proliferating and perhaps overlapping programs in human services by an abrupt and wholesale attempt to cut back and condense programs. The idea of revenue sharing—the thought of putting local problems in the hands of local decision-makers—is admirable, but the Administration's program is an overreaction that could ultimately misdirect our real national priorities.

Now that the war is over in Southeast Asia, the nation must solve the basic problems of the cities. For example, do we still need cities. . . who must live in them. . . what price must we pay. . . are we willing to pay it? We must address the old problems, for unless we attack these evils, the cities will be lost, along with the people who live in them. We risk showing the same lack of concern for people that has destroyed other societies in the past.

There are three municipal problems: crime, race (and the public perception of the problems of crime and race), and the providing of opportunities for private investors to make a profit.

We have not even begun to find the solutions to the problems of the cities.

Our national priorities must be changed and refocused.

More private and public cooperation is essential to attacking these problems.

MR. JAMES BRUCE, SUPERINTENDENT, FLINT RECREATION AND PARK BOARD

As a nation we must give priority to revitalizing our cities and metropolitan areas where some 70–80% of our people live. The nation as a whole can be no better than the mertopolitan areas. Parks and recreation facilities can play a vital role in such revitalization efforts, specially by providing for the needs of youth and senior citizens.

In Flint, as in most other urban areas,

park and recreational funding has been on a "left-over" basis, which leads to an impossible planning situation.

After years of neglect, park and recreational development has been helped by Federal categorical grants in the last 10 years.

Most of these grants have now been terminated or frozen, and development will come to a grinding halt.

Revenue sharing does not appear to be of much value in this regard beyond the 1973–74 fiscal year, as the rising costs of city government operations will devour the available funds.

Federal, State, and local governments must address three major problems in this area:

Neighborhoods must be improved to develop pride and maintain economic value. This means funds for neighborhood parks, riverfront and waterway beautification, and similar projects.

Funds must be available on a continuing, year-round, basis for planning, organizing, and conducting recreational and leisure time programming, particularly for youth and senior citizens.

Funds must be provided to maintain parks and facilities, or all other efforts will be rendered valueless.

MR. ALDEN F. BRISCOE, MANPOWER PLANNING COORDINATOR FOR GENESEE-LAPER-SHIAWASSEE

It is impossible to compare fiscal year 1973 funds available with proposed 1974 funds because of the late Congressional passage of the Department of Labor-HEW appropriation bill, the two Presidential vetoes of the bill, the enrollment freeze/impoundment of funds, the extension of the fiscal year 1973 Emergency Employment Act (EEA) appropriations over two years, the giving and taking away of funds, and a number of definitional questions.

Nearly as important as the dollar figures has been the chaos caused by the uncertainty of funding.

Part of the blame rests with Congress and its atrophied system that held up approval of necessary appropriations.

This creates chaos in local agencies that cannot plan, are uncertain of funding and programs, and must employ staff on a month-to-month basis.

Presidential vetoes in the name of "economy' hit programs designed to help the poor and unemployed. The same need for "economy" apparently did not arise in the military.

Administration imposed hiring freezes on the EEA program predictably made it grind to a halt, whereupon the Administration branded it a failure.

Because of the continuing resolution that was used to sustain the EEA program, local program agents had to extend the program month by month with inadequate guidelines and arbitrary deadlines, causing chaos, confusion, and frustration. Many other programs were similarly affected.

CHARLES C. WILLIAMS, DEPUTY DIRECTOR, GENESEE COUNTY DEPARTMENT OF SOCIAL SERVICES (DSS)

The DSS is the largest tax supported social service agency in the county, administering 20 programs—the principal ones being Old Age Assistance, Aid to the Blind, Aid to the Disabled, Aid to Dependent Children (ADC), and General Assistance. The first four are financed through state and federal funds, the latter through state and county funds. The 400 DSS employees serve nearly one-tenth of the county's 400,000 citizens with financial and social service assistance. Payments total $2,865 million per month, 50% of which is supplied through a Federal matching formula.

The ADC program accounts for the largest group—nearly 10,000 adults and more than 25,000 children.

ADC has been criticized because some families get more than they could earn or than a high percentage of people in the area earn, while other equally needy families get little or no aid.

This problem could be alleviated by reviewing and revising the "income disregard" formula and eliminating duplication in distributing benefits.

The DSS has compiled a community resources directory identifying some 200 public and private agencies providing financial and social services programs to Genesee County residents.

The multiplicity of programs and agencies has led to a "super-market" kind of system for the low-income population that results in many instances of duplication and oversubsidizing.

To eliminate this problem, some form of local central intake and inter-agency communication system should be developed.

Although concern has been expressed locally about the phasing out of some Federally financed programs, Flint and Genesee County are blessed with the resources, the people, and the commitment to take care of their citizens.

Michigan public welfare programs are generally in good shape financially, and barring a major economic catastrophe, the county's low-income population will probably be provided for with some increases in benefits.

DR. D. W. MCNAUGHTON, GENESEE COUNTY HEALTH DEPARTMENT

The Department's programs are aimed at meeting the needs of the county's population by providing an atmosphere in which the highest possible level of physical, mental, and social compatibility will be attained. The Department has 103 personnel, 63 project personnel. Its budget totals $2.236 million, of which $1.484 million comes from local (city, county and state) funds and $752,000 comes from project funds (private, state, and federal). The federal share is nearly 30% of the total.

The number of people to be served will increase, but because of rising salaries and the unavailability of funds, the staff is likely to decrease.

Federal funds are likely to decline, which will cause the review of all programs to determine priorities. The highest priorities would be carried out at the expense of other programs.

Additional sources of funding will be difficult to find, especially for new and unexplored areas.

The health of the family is essential in providing effective assistance in such high priority areas as housing, food, clothing, and jobs.

Health, however, has a lower priority than many other social needs.

Human service programs, including health, are more effective when the individuals concerned have a voice in determining priorities.

MR. RENWICK GARYPIE, DIRECTOR, GENESEE COUNTY LIBRARY

The County library system comprises 15 public libraries in suburban Genesee County outside the City of Flint. Its 46 employees serve a population of about 250,000 on an operational budget of about $800,000 per year, largely from County sources. Federal aid programs, funded by the Library Services and Construction Act, have provided no direct cash aid, but rather assistance for special projects. Such programs include the Periodical Grant Program, which provides $18,200 for 1,500 magazine subscriptions, assistance to communities to build new local libraries, and assistance to the Mideastern Michigan Library Cooperative, which spreads costs for economy reasons and shares services to give better public service. The Genesee County Library is the largest member of the Cooperative and has shared accordingly in the $140,000 received in the past six years for special programs.

"New Federalism" proposes to replace categorical grants with revenue sharing.

Revenue sharing has not supported programs that have been dropped.

Revenue sharing funds have been used mostly to increase the budget for buying new books. They have not actually increased this budget, however, but only restored it to the level existing five years ago before inflation and salary increases devoured the funds.

Genesee County local government officials value libraries and will do their best to support them with available revenue sharing funds.

President Nixon recently emphasized the importance of "an efficient and readily accessible library system." This goal is not to be gained by cutting out Federal assistance programs that have done much to promote interlibrary cooperation and improve efficiency and substituting revenue sharing programs at levels barely adequate to fund *non*-library needs in many communities.

MR. CHESTER SIMMONS, NEIGHBORHOOD DIRECTOR, MODEL CITIES PROGRAM

The Model Neighborhood Council is responsible for ensuring citizen participation in the decisions affecting the Model Cities neighborhood. The involvement of citizens in setting priorities for the use of federal funds is critical.

Congress should ensure an equal partnership approach to problem-solving by the citizens in legislation, and not allow local units of government to determine to what degree citizens will be involved.

There should be funds to educate citizens about the processes of special revenue sharing so that they will be able to participate fully.

DORIS KIRKLAND, SENIOR CITIZENS SERVICES, COMMUNITY PROGRAMS OF THE FLINT BOARD OF EDUCATION, MOBILE MEALS AND CENTRAL MEALS

The purpose of the Mobile and Central Meals programs is to serve hot, nutritious meals to older people unable to obtain or prepare their own food. The program is currently serving 250 meals per week to the Model Cities Senior Citizens Center and 100 meals per day for a six-month period to the elderly poor identified by the Department of Social Services.

Primary funds come from the Older Americans Act, Title III, and consist of $64,293.

The program helps the elderly to function in society and to maintain some independence.

An alternative to this program—nursing home care—averages $500 per month.

Of the 100 elderly who responded, 53% said that they could not manage without the Mobile Meal Service.

Federal funds totaling $175,000 are supporting the Model Cities Senior Citizen Center, which offers nearly 6,000 older people a variety of services. Another program, Genesee County R.S.V.P., is receiving $27,666 in federal funds to support a volunteer-based program for the elderly.

THE CURRENT GI BILL IS POPULAR AND EFFECTIVE

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

Mr. TALCOTT. Mr. Speaker, the American people and its Federal Government have provided our veterans and their dependents with the best educa-

tional and training benefits of any nation at any time.

The Veterans' Administration is carrying out their charter from the Congress in administering the GI benefits in an exemplary way.

For these reasons the training programs are more popular than ever. I receive letters of appreciation for the so-called GI benefits from many veterans and their dependents almost every day from all over the United States.

The taxpayer deserves great and continued thanks. But the taxpayer should also be pleased with the success of the GI benefits program.

Every American should be grateful for the unselfish contributions of the serviceman to the defense of our security and freedoms. We can be pleased and satisfied that the programs are growing so popular with the Veteran and his dependents.

The current GI bill is popular, successful and appreciated. Popularity of the current GI bill is attested by an increase of a quarter million in the number of individuals using educational benefits during fiscal year 1973. A total of 2,125,595 persons trained compared to 1,864,158 in fiscal year 1972. This represents an increase of 14 percent above last year.

Included among these trainees are 188,889 servicemen, 1,541,829 Vietnam era veterans and 394,877 veterans who served only between the Korean conflict and the Vietnam era. More than half of the trainees—56 percent—were enrolled at the college level.

Of these, 40 percent were going to junior colleges or comparable community colleges. The growth of the junior community college enrollment in fiscal year 1973 was at the rate of 19 percent compared to an 11 percent increase in all college trainees under the GI bill.

After the first 85 months of educational assistance under the current GI bill—June 1966 to June 1973—a total of 3,092,111 Vietnam-era veterans and servicemen have trained. This is 47.2 percent of the 6,557,000 Vietnam era veterans in civil life as of June 1973. These veterans have several more years in which to enter training, and current trends indicate that substantially more than half of them will use their educational benefits.

Farm cooperative training had a 52-percent increase in fiscal year 1973, rising to 13,494 from 8,884 in fiscal year 1972. Apprentice and other on-job training increased 17 percent, rising from 161,683 in fiscal year 1972 to 188,686 in fiscal year 1973.

The enrollment of servicemen in junior colleges, community colleges, and in high schools increased more than 200 percent in fiscal year 1973, above the fiscal year 1972 enrollment. There was an overall increase of 35 percent in the number of servicemen enrolled, rising from 139,908 in fiscal year 1972 to 188,889 in fiscal year 1973.

A total of 68,098 individuals trained under the program for dependents educational assistance during fiscal year 1973. This number includes 57,605 sons or daughters and 10,493 wives or widows. The total is 6 percent higher than the number of dependents training in fiscal year 1972.

REGULATING AUTOMATED PERSONAL DATA SYSTEMS

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

Mr. KOCH. Mr. Speaker, the report of the Secretary's Advisory Committee on Automated Personal Data Systems was issued today. It concerns itself with the need to provide safeguards "against the potential adverse effects of automated personal-data systems." The report proposes the following criteria for safeguards:

First. There must be no personal data recordkeeping systems whose very existence is secret.

Second. There must be a way for an individual to find out what information about him is in a record and how it is used.

Third. There must be a way for an individual to prevent information about him that was obtained for one purpose from being used or made available for other purposes without his consent.

Fourth. There must be a way for an individual to correct or amend a record of identifiable information about him.

Fifth. Any organizations creating, maintaining, using, or disseminating records of identifiable personal data must insure the reliability of these data for their intended use and must take precautions to prevent misuse.

It is not our country alone that has concerned itself with the proliferating data collection systems. There have been reports by similar commissions in Canada, Great Britain, and Sweden. Indeed, Sweden recently enacted legislation which would protect its citizens from computer abuses.

The area of personal privacy is one that I have concerned myself with since coming to Congress. In 1969 I first introduced the Federal privacy bill which would regulate the collection of material gathered by Federal agencies. That bill, H.R. 667, has 81 cosponsors. Today our colleague, ALPHONSO BELL and I are introducing legislation which would regulate the collection of personal data collected by any agency, private or governmental.

I was interested in reading a statement in the Secretary's report, to wit:

> The strongest mechanism for safeguards which has been suggested is a centralized, independent Federal agency to regulate the use of all automated personal data systems. In particular, it has been proposed that such an agency, if authorized to register or license the operation of such systems, could make conformance to specific safeguard requirements a condition of registration or licensure.

That is exactly the approach taken by my bill. I am sorry to report, however, that there is an inexplicable gap between the Secretary's advisory committee's findings and its recommendations for initiatives to establish safeguards to protect our privacy. Instead of recommending a comprehensive mechanism for implementing its suggested national policy for data collection and computers, the committee proposes only random amendments to existing laws and reliance on court actions. It suggests that we—

> . . . Invoke existing mechanisms to assure that automated personal data systems are designed, managed, and operated with due regard to protection of personal privacy. We intend and recommend that institutions should be held legally responsible for unfair information practice and should be liable for actual and punitive damages to individuals representing themselves or classes of individuals. With such sanctions institutional managers would have strong incentives to make sure their automated personal data systems do not violate the privacy of individual data subjects as defined.

Clearly the Secretary's advisory committee's proposals are inadequate. I hope, therefore, that the Members will support the strongest mechanism which is provided in the bill I am introducing today. The bill is a difficult one to draw, and I am certain that before it becomes law, as I hope it will, it will go through a lengthy amending process. The bill establishes a Federal Privacy Board responsible for protecting individuals' rights to privacy against improper, incorrect, or unauthorized compilation or dissemination of information lodged in computerized data banks. The central premise of the legislation is that the way to control the collection of data is to regulate the use of computers. All private data banks, as well as non-Federal Government data banks—Federal banks being covered by H.R. 667—would be required to register with the Federal Privacy Board.

I believe that H.R. 9759 taken with H.R. 667 will deal fairly and comprehensively with this major issue of our time, the protection of personal privacy.

I am setting forth the text of H.R. 9759, and I would appreciate receiving comments, critical as well as supportive, of any provision in the bill, so as to make it ultimately the best of bills.

The bill follows:

H.R. 9759

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purposes of this Act—

(1) the term "data bank" means any register or any other notes kept for any person (but not for any local, State, or Federal governmental authority), and made by automatic data processing and containing name, personal number or other particular whereby information can be assigned to an individual;

(2) the term "personal information" means information concerning an individual;

(3) the term "individual registered" means an individual in respect of whom an entry has been made in a data bank; and

(4) the term "keeper of the data bank" means anyone for whose activity automatic data processing is being carried out.

SEC. 2. Except as provided in section 5, a data bank may not be kept except in accordance with the provisions of this Act. Permission to keep a data bank shall be obtained in the case of each such data bank from the Federal Privacy Board created under section 14.

SEC. 3. (a) Permission shall be granted by the Federal Privacy Board if it determines that there is no reason to assume that, with due observance of the regulations prescribed under section 6, undue encroachment on the privacy of individuals registered will arise.

(b) The Federal Privacy Board shall prescribe rules to assure that automatic data processing carried out for any local or general governmental authority of each State, the District of Columbia, and the Commonwealth of Puerto Rico is conducted so as to protect the privacy of individuals. Such rules shall insofar as feasible apply the standards established for protecting privacy in auto-

matic data processing which are established for the agencies of the Federal Government.

SEC. 4. (a) Permission to record in a data bank information concerning a suspicion of or penalty for crime may not be granted to a person other than an authority which by law is responsible for keeping a record of such information, unless there are extraordinary reasons therefor, as determined by the Federal Privacy Board.

(b) Permission to record, in a data bank, information that a person has received medical attendance, welfare, treatment for alcoholism or the like may not be granted to a person other than an authority which by law is responsible for keeping a record of such information, unless there are special reasons therefor, as determined by the Federal Privacy Board.

(c) Permission to record, in a data bank, information concerning political or religious views may be granted only where there are special reasons as determined by the Federal Privacy Board.

SEC. 5. (a) The Federal Privacy Board may determine that data banks of members, employees, tenants, insured persons or other customers and similar kinds of data banks may be kept without permission otherwise required under section 2.

(b) No data bank may be kept under subsection (a) unless—

(1) with respect to a data bank other than a data bank of employees, the date of birth is not entered in the data bank;

(2) no personal information is entered in the data bank other than information given by the individual registered for the purpose for which the data bank is kept or by an authority according to law, or which has arisen within the activity of the keeper of the data bank or which concerns a change of address;

(3) no information referred to in section 4 is entered in the data bank;

(4) an individual registered is suitably informed that the data bank is kept by automatic data processing and concerning the kind of personal information entered in it;

(5) information from the data bank is not issued in such a manner that information is given concerning an individual except—

(A) when he has consented thereto;

(B) when information is issued to a person who, by permission granted according to section 2, is entitled to enter the information in a data bank;

(C) when information is issued to an authority according to law; or

(D) when the information issued is needed in order that the keeper of the data bank may be able to safeguard his rights against the individual registered.

(c) In order to prevent the risk of undue encroachment on privacy, the Federal Privacy Board may, by regulation, provide that no data bank may be kept under subsection (a) unless such data bank complies with other conditions in addition to those stated in subsection (b).

(d) Before a data bank referred to in this section is established, a notification thereof shall be made to the Federal Privacy Board.

SEC. 6. (a) If permission to keep a data bank is granted by the Federal Privacy Board under section 2, regulations shall be issued by the Federal Privacy Board as to—

(1) the purpose of the data bank,

(2) the personal information which may be entered in the automatic data processing equipment,

(3) the adaptation of personal information that may be made through automatic data processing equipment, and

(4) what particulars may be made accessible in such manner that information on individuals is provided.

(b) In other respects regulations may, insofar as needed, be issued concerning the obtaining of information for the data bank, the carrying out of the automatic data processing, the technical equipment, information to persons affected, the keeping and selection of information, the issuance of personal information to others and the use of such information in other respects, as well as regulations concerning control and security.

SEC. 7. At the request of the person who intends to carry out automatic data processing the Federal Privacy Board shall issue a binding statement as to whether permission or notification is required.

SEC. 8. (a) If there is reason to suspect that personal information in a data bank is incorrect, the keeper of the data bank shall, without delay, take the necessary steps to ascertain the correctness of the information and, if needed, to correct it. If the information cannot be verified, it shall be excluded from the data bank at the request of the individual registered.

(b) If a piece of incorrect information, which shall be corrected, or of unverified information, which shall be excluded, has been handed to a person other than the individual registered, the keeper of the data bank shall, at the request of the individual registered, notify the receiver concerning the correct information or concerning the exclusion of the information.

SEC. 9. If in a data bank there is personal information which with regard to the purpose of the data bank must be regarded as incomplete, or if a data bank which constitutes a record of persons contains no information on a person who with regard to the purpose of the register would be reasonably expected to be included in it, and if this may cause undue encroachment on privacy or risk of loss of rights, the keeper of the data shall enter the information which is missing.

SEC. 10. (a) At the request of an individual registered, the keeper of the data bank shall, for such minimal fees as the Federal Privacy Board shall prescribe, and as soon as possible, inform him of the personal information concerning him in the data bank. When an individual registered has been so informed, new information regarding such personal information need not be given to him until twelve months later.

(b) Subsection (a) does not apply to information which, pursuant to law may not be delivered to the individual registered.

SEC. 11. Personal information in a data bank may not be issued if there is reason to assume that the information will be used for automatic data processing not in accordance with this Act or abroad. If the issuance will not cause undue encroachment on privacy, the Federal Privacy Board may permit the issuance after opportunity for a hearing and notice to all persons concerned.

SEC. 12. (a) The keeper of a data bank or any person who has dealt with the data bank may not without authorization reveal what he has learned from it about the personal circumstances of an individual.

(b) If personal information has been issued in accordance with regulations prescribed under this Act that limit the right of the receiver to pass it on, the receiver or any person who in his activity has dealt with the information shall not reveal what he has learned about the personal circumstances of an individual.

SEC. 13. Information from an automatic data processing recording which is provided for the purpose of judicial or administrative proceedings shall be added to the relevant file in readable form. The Federal Privacy Board may permit specific exceptions from this rule, after opportunity for a hearing and notice to all persons concerned, where special reasons so warrant.

SEC. 14. (a) There is established the Federal Privacy Board (hereinafter in this section referred to as the "Board").

(b) The Board shall establish published rules to implement the provisions of this Act.

(c) The Board shall consist of seven members, each serving for a term of two years, four of whom shall constitute a quorum. The members of the Board shall be appointed by the President, by and with the advice and consent of the Senate. No more than four of the members appointed to serve at the same time shall be of the same political party, and all members shall be from the public at large and not officers or employees of the United States.

(d) Members of the Board shall be entitled to receive $100 each day during which they are engaged in the performance of the business of the Board, including traveltime.

(e) The Chairman of the Board shall be elected by the Board every year, and the Board shall meet not less frequently than bimonthly.

(f) The Board shall appoint and fix the compensation of such personnel as are necessary to the carrying out of its duties.,

SEC. 15. For the purpose of its supervision the Federal Privacy Board shall be granted admission at reasonable hours to premises where automatic data processing is carried out or where computers or equipment or recordings for automatic data processing are kept, and may by subpena compel the production of documents relating to such processing. Enforcemnt of any subpena issued under this section shall be had in the United States District Court for the District in which such documents shall be located.

SEC. 16. With respect to each data bank, the keeper of the data bank shall deliver to the Federal Privacy Board the information and particulars concerning the automatic data processing which that Board requires for its supervision.

SEC. 17. If undue encroachment on privacy arises through a data bank or its use, the Federal Privacy Board shall issue regulations concerning the collection of information for automatic data processing, the carrying out of automatic data processing, the information which may be included, the technical equipment, the adaptation through automatic data processing, notification of persons concerned, issuance or other use of personal information, the keeping or selection of information, control or security measures needed for protection against such encroachment. In conjunction therewith the Federal Privacy Board may amend regulations given in the decision granting permission to keep a data bank. If protection against undue encroachment on privacy cannot be attained by other means, the Board may cancel the permit or prohibit the keeping of a data bank kept under section 5.

SEC. 18. Any person who has dealt with a matter relating to a permission or with notification or supervision under this Act shall not reveal what he has learned about the personal circumstances of an individual or about professional or business secrets.

SEC. 19. Any person who willfully or through criminal negligence—

(1) keeps a data bank without permission under this Act, when such permission is required, or in contravention of a prohibition order issued pursuant to section 17;

(2) keeps a data bank referred to in section 5 without having notified the Data Inspection Board;

(3) violates rules or regulations issued under this Act;

(4) issues personal information in violation of section 11;

(5) violates the provisions of section 12 or 18; or

(6) gives incorrect information when fulfilling an obligation to provide information as stated in section 10 or 16;

shall be fined not more than $5,000 or imprisoned not more than one year.

SEC. 20. (a) A keeper of a data bank shall pay compensation to an individual registered for damage caused to him through incorrect information concerning him in the data bank. When assessing the damages, the suffering caused and other circumstances of other than a purely pecuniary significance shall be taken into consideration. The keeper of the data bank shall be liable even if the error or the damage has not arisen through any act or omission of his own.

(b) In the case of a class action to enforce liability under subsection (a), damages shall not exceed the greater of $50,000 or 2 percent of the net worth of the defendant, as of the end of the fiscal year of the defendant immediately preceding the fiscal year in which the cause of action of such class action arose.

(c) In the case of any successful action to enforce liability under this section, the costs of the action, together with a reasonable attorney's fee, as determined by the court, shall be awarded to any prevailing party plaintiff.

SEC. 21. If the keeper of a data bank fails to grant access to premises or documents pursuant to section 15 or fails to give information pursuant to section 16 or to fulfill his obligations pursuant to section 8, 9, or 10, the Federal Privacy Board may assess a penalty of not more than $5,000 which may be recovered by the United States through an action in the appropriate United States District Court.

SEC. 22. This section and section 14 of this Act shall take effect on the date of its enactment, and sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, and 21 shall take effect one year after the date of the enactment of this Act.

CORPORATE FEDERAL TAX PAYMENTS AND FEDERAL SUBSIDIES TO CORPORATIONS FOR 1972

The SPEAKER pro tempore (Mr. MCFALL). Under a previous order of the House, the gentleman from Ohio (Mr. VANIK) is recognized for 60 minutes.

Mr. VANIK. Mr. Speaker, today I would like to report to you on the update of my 1971 corporate tax study. This report is a description of the effective Federal tax rate paid by America's leading corporations as well as an analysis of many of the Federal tax subsidies provided to corporations.

Last July 19, when I released my analysis of the Federal corporate taxes paid by our Nation's 100 largest industrial corporations in tax year 1971, our citizens were shocked to find that some large U.S. corporations were making profits, paying dividends, reporting substantial income to their shareholders, yet paying no Federal income taxes. At that time I voiced my fear that large corporations were becoming freeloaders on the American scene, and smaller businesses and individuals were being forced to increase their share of the Federal tax burden.

I had hoped that last year's findings of "no tax payments" would only be a 1-year phenomenon—but, unfortunately, the findings of my tax year 1972 study—which I am releasing today—illustrates that the situation is deteriorating.

In 1971, only 6 out of 45 corporations in the sample paid an effective Federal corporate tax rate of less than 10 percent and more than 1 percent on $2.3 billion in taxable income. In tax year 1972, that figure had grown to 14 corporations out of 58 in the sample. These 14 corporations paid an effective Federal corporate tax rate of less than 10 percent and more than 1 percent on $3.6 billion in taxable income.

What is more disturbing is that the 100 large industrial corporations shouldered less of the Federal tax burden in 1972 than in 1971. Someone had to make up the difference! That someone is the ordinary taxpayer and the small businessman.

But this study does much more than point the finger at those corporations who have avoided paying any Federal taxes through use of the tax code. In the past 8 months, our Nation has been deeply troubled by the energy crisis and a food crisis. To what extent has the Federal tax code induced those crises? These are difficult and complicated questions that must be more fully examined. But the findings of this study significantly illustrate the propensity of the tax code to cause market distortions.

SCOPE AND METHOD

My study examines 146 companies selected from the 1970 Fortune magazine list of large corporations. This study covers the tax year 1972 and also those same companies for the tax years 1971 and 1970. Included were 100 industrial corporations; 20 airlines, railroad, and trucking corporations; 10 telephone, electric power, and gas transmission corporations; 7 retailing corporations and 9 commercial banks. The study was based entirely on information from public sources, including 10–K reports, forms U5S, registration statements, and prospectuses filed with the Securities and Exchange Commission as well as annual reports to the Interstate Commerce Commission and the Federal Power Commission.

The appendix to this study discusses the problems involved in securing an approximate effective tax rate from public information sources. The appendix provides a detailed explanation of the methodology of this study and the problems involved in preparing this material.

The attached tables show the approximate taxable income, approximate Federal corporate income taxes paid and effective tax rates of the companies studied, where the information could be secured from public sources. It should be noted that the figures presented, in the tables, represent approximations rather than precise figures. In a few isolated cases, the margin of error may be considerable. This is because the public sources generally did not present the data in a way which they could be used directly to calculate the effective tax rates of the corporations. Because of the complexities in reporting, it was not possible to obtain data for each corporation on the "top 100 list." The sample in the study is as follows:

SIZE OF SAMPLE OF CORPORATIONS WITH DATA AVAILABLE FOR TAX YEAR 1972

100 industrial corporations sampled.
61 available and calculable.
20 transportation corporations sampled.
13 available and calculable.
10 utility corporations sampled.
9 available and calculable.
7 retailing corporations sampled.
5 available and calculable.
9 commercial banks sampled.
3 available and calculable.
146 corporations in the sample.
90 corporations available and calculable.

For the same data for years 1969, 1970, and 1971 refer to my 1971 study contained in a Joint Economic Committee print available at the Government Printing Office—stock No. 5270–01620, pages 3 to 35—or in the CONGRESSIONAL RECORDS of July 19 and 20, 1972.

The confusion, complexity, and secrecy which shrouds corporate tax and financial reporting is indescribable. One of the later chapters of my study thoroughly examines the problem and proposes legislative solutions. Let me say here that I believe the figures in the charts are as accurate as they could be made by my staff, aided by certified public accountants from the Joint Committee on Internal Revenue Taxation. If there are errors, the fault probably lies with the deliberate confusion in certain corporate reports.

FINDINGS OF THE TAX YEAR 1972 ANALYSIS OF THE FEDERAL TAXES PAID BY THE CORPORATIONS INCLUDED IN THIS STUDY

Mr. Speaker, the study which I have completed provides the most dramatic evidence that the Federal subsidies provided to giant corporations through the tax code significantly reduce or even eliminate their Federal tax obligations.

Despite the fact that the following 11 companies were earning substantial profits in 1972, and paying out dividends, they paid no Federal income tax. What is even more shocking is that some of these companies not only paid no Federal tax but received a credit back from the Treasury.

Those industrial corporations with substantial before tax income reported to shareholders who paid no Federal corporate tax in 1972:

	Income reported to shareholders
McDonnell Douglas	$111,675,000
Republic Steel	43,061,000
Occidental Petroleum	10,419,000

Those transportation and utility corporations with substantial before tax income reported to shareholders who paid no Federal corporate tax in 1972:

Income Reported to Shareholders

Railroad Corporations:
Burlington Northern Inc., $48,711,000.
Airline Corporations:
Eastern Airlines, $59,178,000.
Trans World Airlines (received a credit of $857,000) $43,497,000.
United Airlines (received a credit of $148,000) $32,445,000.
Northwest Airlines (received a credit of $6,174,000) $17,253,000.
Consolidated Edison of N.Y. (received a credit of $1,091,000) $144,781,000.
American Electric Power (received a credit of $6,708,000) $168,103,000.
Penzoil Company (received a credit of $836,000) $62,276,000.

In tax year 1972, there were 11 profitable corporations out of 90 for which data was available that paid no Federal income tax—but this would have little

significance even if this were the complete picture. The statutory rate that corporations should theoretically pay is 48 percent, yet in addition to the 3 industrials who paid no tax, 14 out of the remaining 58 industrials for which data was available paid only a 1- to 10-percent Federal effective tax rate.

INDUSTRIAL CORPORATIONS INCLUDED IN THE STUDY WHICH MADE PROFITS AND PAID AN EFFECTIVE FEDERAL TAX RATE OF 1 PERCENT TO 10 PERCENT

Year	Number of corporations	Amount of taxable income on which 1 percent to 10 percent corporate tax was paid
1969	10 out of 78	$3,377,000,000
1970	13 out of 86	3,171,000,000
1971	6 out of 45	2,327,000,000
1972	14 out of 58	3,666,710,000

The average effective Federal corporate tax rate was 29.6 percent in 1971 and 29.0 percent in 1972 for the industrials in the sample. This is nearly 20 tax percentage points below the statutory rate.

Some corporations have decreased their tax burden dramatically in recent years. ITT in 1972 paid an effective rate of 1 percent while its pre-tax income was $376,383,000.

EFFECTIVE FEDERAL TAX RATE OF ITT

	Net income before Federal tax	Effective rate (percent)
1969	$357,345,000	14.4
1970	429,615,000	4.2
1971	413,858,000	4.9
1972	376,383,000	1.0

Let me stress here, Mr. Speaker, that these corporations have done nothing illegal in lowering their tax rates—they have simply taken advantage—quite effectively—of the multitude of tax subsidies which have been enacted into the tax laws over the years.

The following chapters of this study will examine a wide range of aspects of the Federal tax code as they relate to corporations and the consumers that are affected by corporate decisions. It is my hope that this study will emphasize the need for a thorough tax reform bill to be reported from the Ways and Means Committee this fall.

But this study goes much further than any one tax reform bill could possibly provide. Our tax policy, whether we like it or not, does much more than just raise revenues. Our tax policy over the years has placed incentives and disincentives into the law hoping to correct specific problems. As the years roll on and the problems come and go, the provisions of the tax code remain, with a constituency and effect that many times has little to do with the original intent of the legislation.

It appears quite obvious that this study confirms my fears described in last year's report—that there is a startling reduction of corporate tax payments. The present laws are designed to insure that large American corporations will pay less and less in the future in support of our Government.

The footnotes in the following tables are divided between arabic numerals and letters of the alphabet. The numbers are footnotes developed during the 1972 study. The letters are footnotes which have been "brought forward" from the 1971 study. Several of last year's footnotes relating to the availability of material are no longer applicable, but have been included in this print to provide a history and to insure consistency in the study.

CHART A

APPROXIMATE EFFECTIVE FEDERAL INCOME TAX RATE PAID BY COMPANIES SELECTED FROM FORTUNE MAGAZINE LISTS OF LARGE CORPORATIONS

Corporation	1972			1971			1970		
	Adjusted net income before Federal income tax [1] (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)	Adjusted net income before Federal income tax [a] (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)	Adjusted net income before Federal income tax [a] (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)
INDUSTRIAL CORPORATION LIST									
General Motors Corp	3,579,773	1,595,392	44.6	3,252,100	[b] 1,566,275	48.2	608,200	[b] 149,418	24.6
Exxon Corp		[2]			[d]			[d]	
Ford Motor Co		[3]		1,094,800	384,800	[c] 35.2	864,600	360,000	[c] 41.6
General Electric Co	798,400	315,300	39.5	724,500	[f] 256,400	35.4	490,368	192,100	39.2
International Business Machines Corp	1,842,268	562,580	30.5	1,550,347	[d] 466,122	30.1		[d]	
Mobil Oil Corp	589,413	17,300	2.9	590,405	[f] 85,700	14.5	570,395	95,600	16.8
Chrysler Corp	303,900	112,900	37.2	135,300	[g] 18,800	13.9	(37,800)	[g] (48,000)	
International Telephone & Telegraph Corp	376,383	3,686	1.0	413,858	20,247	[h] 4.9	429,615	18,085	[h] 4.2
Texaco, Inc	869,711	23,600	2.7	928,689	[b] 30,000	3.2	921,247	[b] 73,250	8.0
Western Electric Co., Inc	537,980	[4] 217,649	40.5	478,958	[i] 210,102	43.9	489,089	[i] 221,627	45.3
Gulf Oil Corp	233,000	12,000	5.2	628,558	[b] 31,062	4.9	625,732	[b] 11,892	1.9
United States Steel Corp	157,988	23,200	14.7	104,516	7,920	[u] 8.2	109,491	(66,110)	
Westinghouse Electric Corp	288,888	91,494	31.7	257,192	74,754	29.1	199,829	51,675	25.9
Standard Oil Co. of California	334,207	19,400	5.8	356,115	[f] 17,600	4.9	185,411	29,700	16.0
The LTV Corp	18,579	1,300	7.0	(39,308)	2,942		(59,948)	3,133	
Standard Oil Co. (Indiana)	390,096	74,682	19.1	423,140	63,462	15.0	417,768	56,018	13.4
The Boeing Co	24,805	10,000	40.3		[(rr)]		9,390	9,000	[t] 95.9
E. I. du Pont de Nemours and Co	693,300	290,000	41.8	601,600	254,000	42.2	587,700	253,300	43.1
Shell Oil Co		[2]			[z f]		305,298	34,285	11.2
General Telephone & Electronics Corp		[3]			[3 f]		428,639	[d] 176,506	41.2
RCA Corp	257,525	91,937	35.7		[d]			[d]	
The Goodyear Tire & Rubber Co		[2]		263,267	[b] 64,404	24.5	190,229	[b] 40,362	21.2
Swift & Co	55,575	14,200	25.6	45,118	[f] 11,600	25.7	48,395	[b] 5,666	11.7
Union Carbide Corp	320,900	67,100	20.9	240,005	44,709	18.6	240,666	49,448	20.6
Procter & Gamble Co	452,328	166,724	36.9	397,974	153,828	38.7	389,412	171,294	44.0
Bethlehem Steel Corp	183,364	15,000	8.2	195,008	[f] 30,000	15.4	122,071	[b] (13,000)	
Eastman Kodak Co	885,650	342,500	38.7	704,455	[f] 275,250	39.1	681,761	270,600	39.7
Kraftco Corp		[2 3]		157,222	65,302	41.5	147,774	65,547	44.4
The Greyhound Corp	87,839	36,114	41.1	106,370	[f] 41,240	38.8	64,416	12,387	19.2
Atlantic Richfield Co	211,901	16,141	7.6	218,268	[f] 5,815	2.7	211,845	10,622	5.0
Continental Oil Co	207,445	12,371	6.0	109,030	[(b] 24,472)		189,377	[b] 9,962	5.3
International Harvester Co	77,037	14,043	18.2	72,184	25,300	35.1	93,633	24,443	26.1
Lockheed Aircraft Corp		[5]							
Tenneco, Inc	246,753	34,287	13.9	236,117	[f] 41,991	17.8	190,065	24,273	12.8
North American Rockwell Corp		[3]		125,534	[d] 59,507	47.4	122,207	[d] 55,713	45.6
Litton Industries, Inc		[6]		69,451	[b] 15,648	22.5	100,690	[b] 29,739	29.5
United Aircraft Corp		[7]		(92,572)	[g] (2,428)		79,228	[g] 16,260	20.5
Firestone Tire & Rubber Co		[2 3]		230,369	[d] 99,334	43.1	172,781	[d] 67,650	39.2
Phillips Petroleum Co	164,650	39,221	23.8	161,050	22,984	14.3	146,371	37,687	25.8
Occidental Petroleum Corp		[8]		(60,409)	[b] 5,553		178,059	[b] 2,457	1.4
General Dynamics Corp		[3]			[f]		(3,867)	(38,106)	
Caterpillar Tractor Co	312,339	110,672	32.2	203,294	[b] 72,658	35.7	241,173	[b] 100,599	41.7
The Singer Co	110,200	37,500	34.0	99,887	15,396	15.4	116,818	22,212	19.0
McDonnell Douglas Corp		[9]		144,613	[d] (8,087)	[(j)]	173,170	[d] (46,524)	
General Foods		[10]		207,305	87,265	42.1	189,793	86,851	45.8
Continental Can Co., Inc		[11]			[f]		143,661	[b] 57,615	40.1
Monsanto Co	184,289	65,991	35.8	141,374	[f] 56,636	40.1	71,303	6,622	[r] 9.3
Sun Oil Co	182,291	9,044	5.0	189,265	[b] 7,445	3.9	192,858	[b] 27,569	14.3
Honeywell	143,243	12,232	8.5	115,414	[f] 7,550	6.5	95,668	24,867	26.0
W. R. Grace & Co		[3]			[f]		31,507	[d] (4,669)	
Dow Chemical Co	229,342	62,337	27.2	185,129	41,708	22.5	142,793	45,924	32.2
International Paper Co	144,074	35,518	24.7	80,826	12,479	15.4	40,577	23,586	[s] 58.1
American Can Co		[3]			[f]		122,425	42,655	34.8
Borden, Inc		[3]			[f]		96,443	[d] 31,453	32.6
Rapid American Corp		[12]		61,180	20,909	34.2	71,056	24,852	35.0

Corporation	1972 Adjusted net income before Federal income tax[1] (thousands)	1972 Approximate current Federal income tax (thousands)	1972 Effective rate (percent)	1971 Adjusted net income before Federal income tax[a] (thousands)	1971 Approximate current Federal income tax (thousands)	1971 Effective rate (percent)	1970 Adjusted net income before Federal income tax[a] (thousands)	1970 Approximate current Federal income tax (thousands)	1970 Effective rate (percent)
Burlington Industries, Inc		(2)		74,820	[b] 35,947	47.4	147,107	[b] 79,007	53.7
Union Oil Co. of California	152,166	9,800	6.4	129,987	[f] 11,750	9.0	139,598	7,540	5.4
R. J. Reynolds Industries, Inc	420,995	160,832	38.2	430,261	[f] 188,004	43.7	415,600	[d] 197,116	47.4
Sperry Rand Corp		(2)		116,588	40,700	34.9	146,232	60,050	41.1
Xerox Corp	397,196	118,832	29.9	348,576	105,866	30.4	330,116	111,026	33.6
Boise Cascade Corp		(11)			(f)		39,714	2,854	7.2
Cities Service Co	126,254	32,662	25.9	112,132	[f] 9,934	8.9	159,472	27,169	17.0
Minnesota Mining & Manufacturing Co		(2 3)			(f)		295,886	83,400	28.2
Consolidated Foods Corp	103,344	36,157	35.0	102,819	[b] 38,590	37.5	101,568	[b] 32,761	32.3
Gulf & Western Industries, Inc		(3)		51,381	[b] (29,350)		56,652	[d] (9,500)	
Textron, Inc	147,141	62,200	42.3	130,418	[f] 69,600	[13] 53.4	124,236	57,983	46.7
The Coca-Cola Co		(2)			(f)		209,502	[d] 60,050	28.7
TRW Inc		(2 3)			(f)		148,278	[d] 65,556	44.2
Armco Steel Corp		(3)		63,052	6,175	9.8	63,744	3,565	5.6
Beatrice Foods Co		(3)		115,768	50,564	43.7	111,205	51,946	46.7
Ralston Purina Co		(2)		86,429	33,100	38.3	104,770	45,800	43.7
Uniroyal, Inc	80,187	6,882	8.6	58,229	[f] 10,604	18.2	25,726	(3,585)	
Aluminum Co. of America	84,820	7,713	9.1	50,199	(17,036)		106,143	9,112	8.6
American Brands, Inc		(2)			(f)		209,062	[b] 88,156	42.2
The Bendix Corp	93,202	34,997	37.5	58,119	10,570	18.2	46,969	17,271	36.8
The National Cash Register Co		(11)			(d)			(d)	
American Standard Inc	42,507	7,450	17.5		(f)		(8,802)	(8,068)	
The Signal Co., Inc		(3)		26,863	[b] (7,394)		(78,388)	[b] 583	
Ashland Oil, Inc		(2)			(k)			(k)	
Owens-Illinois, Inc	90,797	18,097	19.9	96,685	23,877	24.7	97,785	35,638	36.5
United Brands Co		(2)			(f)		(7,961)	(850)	
CPC International, Inc		(3)			(f)		89,648	24,668	27.5
The Standard Oil Co. (Ohio)		(2)			(f)		71,735	(589)	
Republic Steel Corp		(3 14)			(f)		18,264	(9,916)	
Champion International Corp		(3)			(f)		47,689	[b] 9,082	19.0
FMC Corp	73,016	22,830	31.3	60,647	[f] 21,551	35.5	88,130	28,794	32.7
American Home Products Corp	309,613	120,263	38.8	284,902	[f] 111,702	39.2	271,048	[d] 126,683	46.7
Raytheon Manufacturing Co		(3)			(f)			(d)	
Warner-Lambert Co	177,412	56,783	32.0	161,844	[f] 56,767	35.1	150,371	51,942	34.5
Genesco, Inc	21,425	9,158	42.7	23,491	[b] 9,328	39.7	37,070	[b] 13,430	36.2
Allied Chemical Corp		(2)			(f)		88,011	[e] 8,336	9.5
National Steel Corporation	116,313	42,900	36.9	73,655	17,600	23.9	73,449	(19,825)	
Weyerhaeuser Co	211,541	49,940	23.6	158,314	[f] 42,936	27.1	170,667	33,460	19.6
U.S. Industries, Inc	121,212	43,537	35.9	129,977	47,040	37.6	115,251	41,154	35.7
Getty Oil Co	129,525	18,367	14.2	138,140	17,062	12.4	121,462	19,725	16.2
Teledyne, Inc		(3)			(f)		109,312	34,192	31.3
Colgate-Palmolive Co	86,871	19,330	22.3		(d)			(d)	
The B. F. Goodrich Co	86,299	13,945	16.2		(f)		30,561	[d] 6,090	19.9
Georgia Pacific	163,240	34,480	21.1	94,940	[f] 6,620	7.0	107,070	4,500	4.2
Whirlpool Corp	122,002	56,457	46.3	92,172	45,011	[t] 48.8	33,345	19,040	[t] 57.1
TRANSPORTATION CORPORATION LIST									
Airline Corporations									
UAL, Inc	32,445	(148)		(7,301)	0	0	(51,168)	(22,850)	
Trans World Airlines, Inc	43,497	(857)		(7,128)	0	0	(98,823)	0	0
American Airlines, Inc		(15)		2,404	(75)		(37,552)	(9,874)	
Pan American World Airways, Inc		(13)		(66,033)	0	0	(70,005)	(15,774)	
Eastern Air Lines, Inc	59,178	0		7,639	0	0	8,073	0	0
Delta Air Lines, Inc	67,686	3,310	4.9	43,550	(2,491)		77,165	9,615	12.5
Northwest Airlines, Inc	17,253	(6,174)		11,800	[f] (15,394)		44,560	[d] (15,280)	
Railroads									
Penn Central Co		(17)							
Southern Pacific Co	162,833	15,807	9.7	145,675	[i] 19,551	13.4	124,098	[i] 12,049	9.7
Norfolk & Western Ry. Co	56,714	13,320	23.5	62,866	752	1.2	63,305	[m] (2,026)	
Burlington Northern, Inc		(18)			(f)		35,663	[n] 1,451	4.1
The Chesapeake & Ohio Ry Co	39,463	5,787	14.7	5,301	[f] (7,685)		52,563	3,331	6.3
Union Pacific RR Co	139,560	16,619	11.9	49,838	[f] (21,615)		114,589	(3,835)	
Sante Fe Industries, Inc	119,391	15,900	13.3	68,528	[f] 11,600	16.9	59,607	4,600	7.7
Southern Ry. Co	100,488	15,153	15.1	92,419	[f] 19,704	21.3	56,474	9,895	17.5
Missouri Pacific RR Co	31,970	3,201	10.0	20,932	1,925	9.2	23,135	[o] 553	2.4
Trucking Companies									
Consolidated Freightways, Inc		(2)			(f)		13,156	[d] 6,928	52.7
Leaseway Transportation Corp		(2)		26,129	4,793	18.3	1,483	(3,105)	
Roadway Express, Inc	46,052	20,594	44.7	34,572	[p] 18,931	54.8	17,606	[p] 8,573	48.7
Yellow Freight System, Inc		(2)		24,260	[d] 10,897	44.9	13,773	[d] 5,135	37.3
UTILITY CORPORATION LIST									
American Telephone & Telegraph Co	3,980,821	[19] 1,231,511	30.9	3,498,478	[q] 1,138,474	32.5	3,561,809	[q] 1,478,656	41.5
Consolidated Edison Co. of New York, Inc	144,781	(1,091)		202,228	[r, v] 6,727	3.3	110,027	[r] (17,500)	
Pacific Gas & Electric Co	276,249	60,905	22.0		(s)			(s)	
Commonwealth Edison Co	260,389	32,763	12.6	203,099	[f] 19,833	9.8	195,940	53,127	27.1
American Electric Power Co., Inc	168,103	(6,708)		149,876	6,722	4.5	136,662	18,051	13.2
Southern California Edison Co		(3)		159,824	35,409	22.2	160,407	35,840	22.3
The Columbia Gas System, Inc	151,762	27,163	17.9	119,659	28,077	23.5	129,666	43,592	33.6
El Paso Natural Gas Co	105,979	26,657	26.1	87,854	23,908	27.2	33,034	6,644	20.1
Texas Eastern Transmission		(2)		101,768	26,362	25.9	81,424	18,991	23.3
Penzoil Co	62,276	(836)		35,479	[f] 6,393	18.0	74,719	(12,755)	
RETAILING CORPORATION LIST									
Sears, Roebuck & Co	748,200	317,200	42.4	682,148	289,306	42.4	694,394	292,308	42.1
Allstate Insurance Co. Consolidated & Subsidiaries	169,593	33,644	19.8	90,775	5,327	5.9	82,910	(265)	
The Great Atlantic & Pacific Tea Co., Inc		(11)		89,437	33,883	37.9	100,666	41,750	41.5
Safeway Stores, Inc		(2)		155,127	[b] 75,328	48.6	140,441	[b] 69,893	49.8
J. C. Penney Co., Inc	261,623	127,620	48.8	216,605	72,509	33.5	225,482	86,182	38.2
The Kroger Co	15,693	4,103	26.1	56,522	21,462	38.0	74,366	32,839	44.2
Federated Department Stores, Inc	175,197	86,346	49.3	154,669	68,798	44.5	169,942	80,832	47.6

Footnotes at end of table.

CHART A—Continued

APPROXIMATE EFFECTIVE FEDERAL INCOME TAX RATE PAID BY COMPANIES SELECTED FROM FORTUNE MAGAZINE LISTS OF LARGE CORPORATIONS—Continued

Corporation	1972			1971			1970		
	Adjusted net income before Federa income tax[1] (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)	Adjusted net income before Federal income tax[a] (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)	Adjusted net income before Federal income tax[a] (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)
COMMERCIAL BANKING LIST									
Bank America Corp		[3]			[f]		239,758	[d] 75,880	31.7
First National City Corp	264,844	63,678	24.0	281,559	[b] 80,486	28.6	222,175	[d] 43,557	19.6
The Chase Manhattan Corp	159,568	8,671	5.4	158,952	[f] 9,108	5.7	163,619	[d] 42,445	25.9
Manufacturers Hanover Corp	95,102	2,826	3.0	114,005	[f] 19,640	17.2	142,573	[d] 49,870	35.0
J. P. Morgan & Co., Inc		[3]			[f]		132,690	[d] 36,386	27.4
Western Bancorporation		[3]			[f]		70,097	[d] 10,856	15.5
Chemical New York Corp		[3]		102,073	[d] 31,734	31.1	102,675	[d] 33,967	33.1
Bankers Trust New York Corp		[3]			[f]		83,903	[d] 28,236	33.7
Continental Illinois Corp		[3]		100,257	[d] 25,513	25.5	77,922	[d] 17,794	22.8

CHAPTER B

[1] The adjusted net income before Federal income tax reported to shareholders is comprised of net income or loss from financial statements with appropriate adjustments made for Federal income tax expense or refund, income or loss attributable to minority interests, and income or loss from investments in affiliated companies whenever the equity method of accounting was used. In certain cases, the minority interest and/or the income or loss reported under the equity method was not separately disclosed and in these cases those adjustments could not be made and the data, therefore, was omitted.

[2] The minority interest and/or the income or loss reported under the equity method was not separately disclosed. Data for this company, therefore, has been omitted.

[3] The provision for income taxes may contain State and/or local and/or foreign in addition to Federal income taxes. Data for this company, therefore, has been omitted.

[4] The income of Western Electric Co., Inc., is included in the consolidated tax return of American Telephone & Telegraph Co. However, this is essentially the same approximate tax which would have been reflected had a separate return been filed.

[5] A footnote to the financial statements for Lockheed Aircraft Corp. filed with form 10-K for 1972 indicates: "As a result of book-tax accounting differences, the company had taxable losses in 1972 and 1971 and deferred taxes were increased."

[6] The provision for income taxes is not separated into current and deferred tax categories. Additionally, the provision for income taxes may contain State and/or local and/or foreign in addition to Federal income taxes. Data for this company, therefore, has been omitted.

[7] United Aircraft Corp. provides for taxes on income in combined amounts for Federal, Canadian, and State. Data for this company therefore, has been omitted.

[8] Footnote No. 9 to the consolidated financial statements for Occidental Petroleum Corp. for the calendar year ended Nov. 31, 1972, indicates: "Substantially all of the 1972 and 1971 provisions for income taxes relate to Occidental's Libyan operations. As a result of the utilization of the percentage depletion and foreign tax credits, no Federal taxes have been paid or provided for the 2 years ended Dec. 31, 1972, except for a tax on tax preference items as prescribed by the Tax Reform Act of 1969."

[9] Information abstracted from the McDonnell Douglas Corp.'s annual report to shareholders for 1972 indicates: "Taxable income of McDonnell Douglas Corp. is significantly different from earnings reflected in the financial statements. This difference is primarily due to commercial aircraft development costs being deducted for taxes as incurred and the cost of sales for the DC-10 program being determined under the specific unit cost method (on lower of cost or market basis) rather than under the average cost method used in the financial statements. McDonnell Douglas Corp.'s 1970 and 1971 Federal income tax returns reflected net operating losses. McDonnell Douglas Corp.'s 1972 return will reflect taxable income before being offset by the unused net operating losses from 1970 and 1971."

[10] The provision for income taxes is not separated into current and deferred tax categories. Data for this company, therefore, has been omitted.

[11] Due to losses, the data for this company has been omitted.

[12] The provision for current and deferred taxes, and the tax benefits due to extraordinary items were not separately disclosed. Data for this company, therefore, has been omitted.

[13] This high effective rate for Textron, Inc., may have been the result of expenses being deducted for book purposes which are either not deductible for Federal tax purposes or are deducted for Federal tax purposes at a date later than for book purposes.

[14] A footnote to the consolidated financial statements for Republic Steel Corp. for 1972 indicates that due to a "carryback of operating losses for the year 1971 including timing differences and a deduction for percentage depletion," a Federal income tax refund arose.

[15] Due to a large extraordinary writeoff, data for this company has been omitted.

[16] A footnote to the consolidated financial statements of American Airlines, Inc., for 1972 indicates that: "As a result of timing differences, American's Federal income tax return for the year ended Dec. 31, 1971, reflected an accumulative net loss carryforward of approximately $45,200,000. This net operating loss carryforward is available to reduce future taxes payable. Upon realization of the operating loss carryforward, such benefit would be credited to the deferred tax liability and not affect future earnings. American anticipates that its tax return for the year ended Dec. 31, 1972, will reflect an additional net operating loss carryforward."

[17] Data for this company was not available.

[18] A footnote to the annual report of Burlington Northern Inc., and subsidiary companies for the year ended Dec. 31, 1972, indicates: "The company will have no taxes payable on its Federal income tax return due to current year tax deductions related to discontinuance of passenger services and trackage abandonments and certain merger-related items recorded per books in 1969."

[19] Because the wholly owned subsidiary Western Electric Co., Inc. is accounted for under the equity method, the income and current Federal income tax for Western Electric Co., Inc., is not included here even though a consolidated tax return is filed.

Note: This study is based entirely on information from public sources including 10-K reports, form U5S, registration statements and prospectuses filed with the Securities and Exchange Commission as well as annual reports to shareholders and annual reports to the Inter-State Commerce Commission and the Federal Power Commission.

FOOTNOTES TO 1969-71 STUDY RELEASED JULY 19, 1972

[a] The adjusted net income before Federal income tax reported to shareholders consists of the net income (or loss) plus all Federal income tax expense (or income) plus deductions for minority interest taken in calculating net income and less income from an investment in another company when the equity method of accounting has been used. In some cases, the minority interest and/or the income reported under the equity method was not separately disclosed; thus, in these cases, these adjustments could not be made. (These accounting problems are further explained in the Appendix.)

[b] The deferred income tax accounts (tax effect of timing differences) may contain State and local and/or foreign in addition to Federal income taxes. Thus, this might have a significant effect on the estimated current Federal income tax and percentage.

[c] All the data necessary to compute the result for 1969 were not available on the 1971 and/or 1970 financial statement.

[d] Possibly overstated significantly because foreign and/or State and local income taxes are combined with Federal income tax. Wherever this is believed to be extremely significant, the data are omitted. These companies have not reported separately their Federal income tax expense. As stated elsewhere, this is an apparent violation of SEC filing requirements.

[e] The Ford Motor figures represent the effects of State and local as well as Federal income taxes. Their reports combine these amounts and thus the percentages are higher.

[f] The data for 1971 were not available when this information was being gathered.

[g] Including Canadian and U.S. income tax.

[h] Even though there appears to be some tax paid, the 10-K for ITT indicates that Hartford and ITT filed consolidated tax returns on which no tax was paid.

[i] Western Electric Co.'s income is included in the consolidated return for the Bell System; however, this is essentially the same tax which would have been reflected if a separate return were filed.

[j] McDonnell Douglas Corp.'s 1971 10-K indicates a NOL carryforward from 1970 and 1971; thus, in effect, no Federal income tax has been paid since prior to 1967.

[k] The 1971 and 1970 data for Ashland Oil were not readily available in the SEC microfilm files.

[l] The 10-K report states that Southern Pacific had no tax liability on a consolidated return for either 1971 or 1970; the results for 1969 were not disclosed. The estimated amounts for Federal income tax ($19,551,000 for 1971 and $12,049,000 for 1970—effective tax rates of 13.4 percent and 9.7 percent, respectively) if actually paid may have been paid by subsidiaries less than 80 percent owned and, thus, not eligible to be included in the consolidated tax return. Some, or all, of these amounts may represent overstatement of Federal income tax accrual accounts in order to provide a reserve for future tax deficiencies following audits by the IRS; to this extent they would not be paid.

[m] The analysis of Federal income taxes (page 316 of their 1970 ICC annual report) showed that Norfolk & Western saved $29,403,000 in Federal income tax due to accelerated depreciation and to 5-year amortization. Their Federal income tax, if based on income per books of account, would have been $39,632,000. Filing a consolidated return saved an additional $16,687,000 in Federal income taxes. Their minimum tax on preferences was $2,143,000; however, the analysis of Federal income taxes indicated a refund of $1,624,000. The 1970 net income (after provision for income tax and after providing for minority interests) was $71,259,000 for Norfolk & Western and $64,017,000 consolidated.

[n] The 1970 ICC annual report (page 316, "Analysis of Federal Income Taxes") showed that Burlington Northern saved $12,236,000 due to accelerated depreciation. Their taxes based on income recorded in the accounts would have been $13,367,000. Their refund was $603,603. The net income (after provision for Federal income tax and after reflecting minority interests) for Burlington Northern was $33,000,000 and $34,202,000 consolidated.

[o] The 1970 analysis of Federal income taxes (page 316 of their ICC annual report) indicated that Missouri Pacific had a refund of $814,700. Their Federal income tax based on taxable income as recorded in the accounts for financial reporting would have been $6,671,000. The net income (after provision for tax) was $18,189,000 for Missouri Pacific and $21,580,000 when consolidated. This company saved over $8,000,000 in taxes in 1970 due to accelerated depreciation and 5-year amortization.

[p] The information for Roadway Express was taken from its 1971 annual report to shareholders.

[q] Because the wholly owned subsidiary Western Electric Co. is accounted for by using the equity method, the income and current Federal income tax for A. T. & T. is not included here even though a consolidated tax return is filed.

[r] Notes to the financial statement of Con Edison indicate net operating losses for tax purposes for both 1970 and 1971 while the 1971 net income reported to shareholders was the highest in any of the prior 10 years of the company's history. Dividends paid were $102,065,000—1969; $108,021,000—1970; and $119,406,000—1971. None of the dividends on the common stock for these 3 years (amounted to $81,188,234 and $73,436,126 for 1971 and 1970) were taxable as dividend income.

[s] Due to undisclosed amounts of intraperiod tax allocation, the total Federal income tax provision cannot be ascertained for Pacific Gas & Electric.

[t] This high effective rate for Whirlpool may have been the result of expenses being taken for book purposes which are not deductible for tax purposes (e.g., goodwill).

[u] In the tables released last July 19 and which were prepared by the joint committee, United States Steel's effective tax rate was approximated at 7.6 percent; subsequent analysis by the committee indicates that the rate is closer to 8.2 percent.

[v] The figure for Con Ed tax paid in 1971 is brought forward from the study released July 19, 1972, and prepared by the joint committee. Subsequent information (see chapter on tax free dividends) indicates no tax paid.

CHAPTER C

APPENDIX—PROBLEMS IN SECURING APPROXIMATE EFFECTIVE TAX RATES FROM PUBLIC INFORMATION SOURCES

CONSOLIDATIONS: FINANCIAL STATEMENTS AND TAXES

For financial statement reporting purposes, companies frequently consoldiate foreign subsidiaries and subsidiaries which are more than 50-percent owned. For Federal income tax puroses, generally, they must be domestic subsidiaries and 80-percent or more owned before they can be included in a consolidated income tax return.

In financial reports to shareholders, the total Federal income tax expense (as well as all other revenue and expense accounts after elimination of the intercompany transactions) of all consolidated subsidiaries (even the 50-percent owned companies) is reported as though it were an income tax or refund entirely attributable to the majority interest of the consolidated group. The minority interest in a particular subsidiary's net income or loss (perhaps as much as 49 percent) however, is removed at the bottom of the income statement. Thus, the consolidated financial reports often show the total tax expense of even 51-percent owned subsidiaries while

eliminating the income attributable to the minority interest.

To compensate for this, the net income per financial statement was adjusted by the income or loss attributable to the minority interest.

METHODS OF ACCOUNTING FOR AN INVESTMENT IN A SUBSIDIARY OF AFFILIATE

If the equity method is used for financial statement reporting purposes to account for an investment in a subsidiary or affiliate which is not included in a consolidated tax return, the provision for income tax expense may exceed or be less than that which is reported on the consolidated financial statements. The equity method, which is sometimes called a one line consolidation, produces the same net income to shareholders as does consolidation. Under the equity method, the parent corporation's proportionate part of the "after tax" earnings of the subsidiary or affiliate are shown on one line in the income statement; in a consolidation, all income and expense accounts of the subsidiary are combined with those of the parent and other consolidated subsidiaries and the net after tax earnings or loss of a subsidiary attributable to a minority interest are later deducted. Thus, consolidation for financial statement reporting purposes shows all Federal income tax expense recorded by all the consolidated subsidiaries while the equity method does not reflect any of the Federal income tax or refund attributable to subsidiaries or affiliates which are accounted for under the equity method.

Because the Federal income tax or refund attributable to the equity method net income or loss was not disclosed, the equity method income or loss was used as an adjustment to the net income per financial statement.

"OVERSTATING" THE PROVISIONS FOR FEDERAL INCOME TAXES

Corporations may "overstate" the accrued Federal income tax liability and thus, overstate the provision to provide for anticipated taxes due because of an Internal Revenue Service audit of tax returns for open years. Corporations "book" this "overstatement" because of the tendency to resolve doubtful items in the corporate favor while realizing that many of these items might result in tax deficiencies by the Internal Revenue Service. Because the amount of this "overstatement" of the provision for Federal income taxes cannot be determined from public information sources, no attempt was made in this study to adjust for this amount in arriving at the estimated current Federal income tax liability.

INTERPERIOD TAX ALLOCATION

Another major problem in estimating a Federal income tax liability involves the use of the accounting technique referred to as "comprehensive tax allocation." The Accounting Principles Board of the American Institute of Certified Public Accountants in Opinion No. 11, stated that "the tax effect of a timing difference should be measured by the differential between income taxes computed with and without inclusion of the transaction creating the difference between taxable income and pretax accounting income. The resulting income tax expense for the period includes the tax effects of transactions entering into the determination of results of operations for the period. The resulting deferred tax amounts reflect the tax effects which will reverse in future periods. The measurement of income tax expense becomes thereby a consistent and integral part of the process of matching revenues and expenses in the determination of results of operations." Generally, this results in a provision for income tax expense being larger than the current tax liability which will result in a "deferred Federal income tax liability" being recorded on the financial statements. Comprehensive tax allocation and amortization of the investment tax credit over the lives of the assets (rather than flowing it through the investment tax credit) results in the provision for Federal income tax expense for financial statement reporting purposes being larger (and in some cases smaller) than the actual current tax liability.

Comprehensive tax allocation accounting can result in a net current asset (prepaid taxes in excess of current deferred tax liabilities) or a net current deferred tax liability, or in a net fixed asset for "prepaid" taxes or a net long-term deferred tax liability (for amounts not expected to reverse in one year).

Wherever possible, these deferrals of Federal income taxes were taken into consideration in estimating the approximate current portion of Federal income tax expense.

Permanent differences (items which do not reverse, e.g., the 85-percent dividends received deduction) are treated in the same manner for financial statement reporting purposes as they are for tax purposes. Thus, these items do not result in any differences nor do they affect the provision for Federal income tax expense or the corresponding liability.

INTRAPERIOD TAX ALLOCATION

This accounting technique results in showing the effect of taxes on the various sections of the income statement. Thus, extraordinary gains and/or losses are reduced when reported to shareholders by the tax or tax savings attributable to them. Accordingly, in estimating current Federal income tax, wherever possible, an effort was made to reflect the tax effects of extraordinary items where appropriate. For example, where the income statement showed separately a Federal income tax expense or tax savings attributable to a nonoperating extraordinary gain or loss, these items were netted against each other for purposes of this study.

This problem is further complicated when the extraordinary gain or loss is recognized for financial statement reporting purposes in years different than for tax purposes, thus, making comprehensive interperiod tax allocation a significant factor in estimating the current Federal income tax.

CHAPTER D—WHY GENERAL MOTORS PAYS AN EFFECTIVE FEDERAL TAX RATE OF 44 PERCENT WHILE ITT REDUCES ITS FEDERAL TAX RATE TO 1 PERCENT

It is clear from this tax study that there exists a great disparity in the effective taxes paid to the federal government by the largest corporations of America. For example:

[In percent]

1970:	
ITT	4.2
General Motors	24.6
1971:	
ITT	4.9
General Motors	48.2
1972:	
ITT	1
General Motors	44.6

At first glance, it might seem that General Motors and some other old line giants now paying high effective tax rates, should hire a new set of tax lawyers. When my tax study figures were released last year, many stockholders of these "old line giants" were asking why their "chosen companies" were paying such high taxes while others paid so little?

Those stockholders should be comforted to know that the answers to their questions do not lie in the "questionable competence" of their company's tax lawyers.

General Motors could not partake in the conglomerate buying sprees of the 1960's without the fear of a wholesale attack from the Justice Department's Antitrust division. Our antitrust laws have been drafted to prevent one corporation from taking over monopoly control of a single line of business—or in more technical language, to prevent "vertical monopolies." But through the 1960's the new conglomerates bought into a wide range of industries while carefully avoiding antitrust laws.

Most of the tax provisions of the code that can help a company reduce its tax burden are related to conglomerate growth at home and abroad. Pooling of interest, the foreign tax credit, and capital loss provisions acquired as a result of a newly purchased company all benefit the conglomerates to a much greater degree as they purchase new companies for tax and growth purposes. The result is that many of the most active conglomerates are able to reduce their effective tax rates way below old line companies—thus giving them more revenue for more acquisitions.

CHAPTER E—HAS OUR TAX POLICY INDUCED THE ENERGY CRISIS?

Many complex and interrelated problems have contributed to create our "energy crisis." In trying to untangle these problems and formulate a new tax related energy policy, the Congress must relate the implications of present tax provisions to shortages and skyrocketing prices of fuels to the American consumer.

The tax subsidy system for the oil industry is the most extensive of the entire tax code—causing concentration within the oil industry and higher prices to the consumer. The three major tax subsidies to the oil industry are:

(1) the special provisions which permit the option to expense intangible drilling and development costs;

(2) the percentage depletion allowance; and

(3) the foreign tax credit and deferrals.

As this study will point out, domestic declining profit margins in oil and gas production have led to new business strategies within the petroleum industry—increased crude prices—growing foreign investment—and the elimination of independent gasoline stations.

THE TAX BURDEN OF THE PETROLEUM INDUSTRY

The interaction of these three major provisions of the tax code has led to charges that the major oil companies shoulder an unreasonably light tax burden. On October 21, 1971, the *Congressional Record* included an analysis of the industry's tax burden compiled by *U.S. Oil Week*. The study concluded that the large oil companies paid an effective rate of 8.7% on a before tax net income of $8.8 billion, while their statutory tax rate supposedly remained at 48%. The publication of these figures touched off a controversy between the industry and public interest groups over the proper policy of taxing the oil industry. The heat of the debate on oil taxes increased considerably with the recent publication of Taxation with Representation's compendium of study papers. The study paper, entitled *The Petroleum Industry's Tax Burden*, was prepared by several knowledgeable tax lawyers and economists. The study makes several major points:

It is an important first step in any such tax analysis to decide on the precise measurement of tax burden. The issue here is to decide whether to limit calculations to domestic income or to include also income from foreign sources.

There are subtle, but invalid ways to increase the stated amount of taxes paid by the industry. Excise taxes, for example, are almost never paid by the corporation and should not be included as such. They are paid by the consumer at the filling station.

According to economists James Cox and Arthur Wright the most significant factors leading to the industry's deflated tax burden is the operation of the foreign tax credit and the percentage depletion deduction. By their

calculations, the foreign tax credit accounts for a 15% reduction. The intangible drilling expense deflates the effective tax rate by about 2.1%. Other provisions of the tax code operate to further reduce the federal tax burden by 8.3%. Depletion reduces by 14.5%.

My analysis of the 10–K forms of the eighteen major oil companies illustrates that the industry's effective Federal corporate tax rate in 1972 has been reduced to 8.3%. The following is a breakdown by company of those figures:

OIL COMPANIES 1972

	Adjusted net income before Federal income tax (thousands)	Approximate current Federal income tax (thousands)	Effective rate (percent)
1. Exxon	(1)		
2. Mobil Oil	$589,413	$17,300	2.9
3. Texaco Inc	869,711	23,600	2.7
4. Gulf Oil	233,000	12,000	5.2
5. Standard Oil (California)	334,207	19,400	5.8
6. Standard Oil (Indiana)	390,096	74,682	19.1
7. Shell Oil	(1)		
8. Atlantic Richfield	211,901	16,141	7.6
9. Continental Oil	207,445	12,371	6.0
10. Tenneco	246,753	34,287	13.9
11. Philips Petroleum	164,650	39,221	23.8
12. Occidental Petroleum			0
13. Sun Oil Co	182,291	9,044	5.0
14. Union Oil	152,166	9,800	6.4
15. Cities Service	126,254	32,662	25.9
16. Ashland Oil	(1)		
17. Standard Oil of Ohio	(1)		
18. Getty Oil	129,525	18,367	14.2
Total	3,837,412	318,875	8.3

[1] The minority interest and/or the income or loss reported under the equity method was not separately disclosed. Data for this company, therefore, has been omitted.

THE ORIGIN OF THE DEPLETION ALLOWANCE

The origin of the depletion allowance is rooted in the concept of property depreciation included in the Revenue Act of 1913. Congress felt that some allowance had to be made for the loss in value of property used in the course of conducting business. Traditional depreciation, it was later reasoned, did not apply to oil and gas companies, for it did not account for the depreciation of the minerals they produced.

The oil companies thought that to be equitable, the depreciation deduction should be allowed in relation to the value of the mineral deposit. In 1918 a system of "discovery value depletion" was devised for that purpose.

The objective of discovery value depletion was to provide an incentive for exploration and development of the oil and gas resources within the United States. This was the origin of the idea that the capital value of the producing property is the amount to be recovered through the depletion allowance—rather than simply the taxpayers capital investment—such as oil rigs—in the property.

Discovery value depletion proved difficult to administer, since determination of the value of the producing property proved a difficult and vague task, causing Congress to switch to percentage depletion at the rate of 27½%. Long held by the industry as a sacred and scientific figure, the 27½% depletion rate was simply a compromise between the rate of 25% voted by the House and 30% voted by the Senate in the Revenue Act of 1926. The allowance remained at this rate until the Revenue Act of 1969 reduced the percentage to 22%. This is how percentage depletion established its foothold in the tax code. It has never been a precisely calculated economic principle.

For tax purposes, the operator of a producing property—or an investor with a direct interest—is allowed to deduct from his taxable income 22% of his gross income from the property. This deduction was limited to 100% of net income in the Revenue Act of 1921. In 1924, the limitation was reduced to 50% of net income, where it stands today.

The advantages to the taxpayer of this scheme are clear—percentage depletion may be claimed as long as there is income from the property. The net income limitation works only to limit the impact of the deduction within one taxable year. There is no limitation which applies over the productive life of the property. Professor J. Reid Hambrick of The George Washington University Law School has calculated that at the present rate of allowance, the level of depletion allowance actually claimed for tax purposes is sixteen times the level of deduction that would be allowed if depletion were limited to the actual dimishing value of the property's oil field.

THE DEPLETION ALLOWANCE AND MONOPOLY

The percentage depletion allowance creates a natural tax haven for the major integrated firm—of which there are 18—which produces its own crude oil. A refiner in control of his own sources of crude oil can shift profit dollars to "tax haven" production. By charging high prices for the crude oil it buys from itself—by inflating its internal transfer prices—the firm can shift profits to production, where the effective tax rate is low. Theoretically, with a corporate tax rate of 48% and a depletion allowance of 22% the tax savings which arises from profit shifting are substantial. It is therefore likely to expect that any crude oil price increases will be translated into direct tax savings.

The movement to crude oil production by the majors is causing higher crude prices, as oil companies transfer their profit dollars to production tax shelters.

Crude oil production is controlled mainly by a limited number of large firms, whose integrated structure has placed upward pressure on crude oil prices, as a direct result of the depletion allowance. The following data on the crude oil self-sufficiency of the majors documents this trend.

[In thousands of barrels per day]

Rank (by refinery input) in group			1958			1972		
1958	1972	Company	Crude input runs to refineries	Net U.S. crude production	Production as percent of refinery runs [1]	Crude input runs to refineries	Net U.S. crude production	Production as percent of refinery runs [1]
(1)	1	Exxon	749.0	375.7	50.2	1,029.0	970.0	94.3
(3)	2	Texaco	598.7	387.3	64.7	1,012.0	[2] 801.5	79.2
(7)	3	Shell	464.0	301.7	65.0	986.0	638.0	64.7
(2)	4	Standard (Indiana)	640.6	278.0	43.4	956.0	487.0	50.9
(4)	5	Mobil	540.4	208.8	38.6	856.0	394.0	46.0
		5 largest oil companies	2,992.7	1,551.5	51.8	4,839.0	3,290.5	68.0
(6)	6	Standard (California)	483.4	253.7	52.5	815.4	462.0	56.7
(5)	7	Gulf	485.0	316.9	65.3	767.3	560.9	73.1
	8	Atlantic-Richfield				713.4	437.3	61.3
(13)		Atlantic	185.6	84.9	45.7			
(18)		Richfield	119.0	53.6	45.0			
(10)	9	Phillips	218.3	118.6	54.3	545.0	267.6	49.1
	10	Sun				481.0	281.0	58.4
(11)		do	212.1	89.1	42.0			
(19)		Sunray	108.1	74.0	76.8			
		10 largest oil companies	4,804.2	2,542.3	52.9	8,161.1	5,299.3	64.9
	11	Union Oil (California)				415.9	263.1	63.3
(15)		Union	151.4	89.8	59.3			
(14)		Pure	152.0	58.7	38.6			
(17)	12	Standard (Ohio)	128.1	25.8	20.1	399.6	29.6	7.7
(16)	13	Continental	148.8	136.5	91.7	340.0	220.0	64.4

Rank (by refinery input) in group		Company	1958			1972		
1958	1972		Crude input runs to refineries	Net U.S. crude production	Production as percent of refinery runs [1]	Crude input runs to refineries	Net U.S. crude production	Production as percent of refinery runs [1]
(9)	14	Cities Service	251.8	90.4	35.9	269.0	215.3	80.0
	15	Getty [4]				194.0	[3] 316.0	162.8
(12)		Tidewater	192.2	79.2	41.2			
(20)		Skelly	48.9	64.1	131.1			
(8)		Sinclair [5]	420.6	114.5	27.2			
		Total	1,493.8	659.0		1,618.5	1,044.0	
		1958 majors	2,992.7	1,551.5	51.8	4,839.0	3,290.5	68
		U.S. totals	7,849.5	3,201.3		9,779.6	6,340.3	
		5 majors as percent of totals	38	48.5		49.5	51.9	

[1] Represents degree of integration.
[2] Texaco reports gross production; net estimated at 87½ percent of gross.
[3] Includes some Canadian production.
[4] Getty data in 1972 includes Skelly.
[5] Sinclair acquired by Atlantic-Richfield; part of property spun off to BP (United States); BP (United States) now merged with Standard of Ohio.

Sources: 1958—Joel Dirlam, "The Petroleum Industry" in "Adams Structure of American Industry." 1972—National Petroleum News, Mid-May Factbook, 1973.

High crude oil self-sufficiency has made the increased price of crude oil a fact of life in our domestic economy. Crude oil prices are rarely established through open, arms-length bargaining. Crude prices are "posted" or set for each producing area by the major producers for that area. Posted prices are a product of an imperfect competitive situation—they are insulated from the dynamic interaction of supply and demand.

A significant development that has occurred during the recent period of fuel and gasoline shortage has been the escalation of crude oil prices. In the three months since March 1973, crude oil prices have risen 70 cents to 75 cents per barrel, as documented in the Oil and Gas Journal, June 18, 1973. In order to counteract the deteriorating domestic profit picture, the majors appear to be reacting in two ways. First, they have raised crude prices. Second, they have taken an increased interest in the profitability of their marketing operations at the gas pump—a point I will discuss later at greater length. The capability of raising crude prices, however, is directly linked to the operation of the percentage depletion allowance. As Thomas Field, Executive Director of Taxation with Representation has stated, "There is an incentive to raise crude oil prices in the very existence of the percentage depletion deduction."

While it is in the interest of the majors to maintain high crude prices, the inflated price structure places heavy burdens on the independent refiners, distributors, and marketers. Dr. Fred Allvine, an economist specializing in the oil industry, has pointed out:

"High and noncompetitive crude oil prices have contributed to the decline of independent refining capacity, the demise of the independent terminal operators, the selling out of the independent marketers, and the takeover of integrated oil companies having a low degree of crude oil self-sufficiency."

Concentration in the refining industry is high. Although there are 253 domestic refineries, the largest eight—all controlled by the major oil companies—produce over 66% of the supply of finished products. For the independent refiner, the availability of crude oil is the critical factor in his operations. With no captive source of supply, the independent must rely on the major for his crude. Through exchange agreements, the majors can effectively control the operations of the independent refiner.

Under the old oil import quota system, which limited the total supply of crude oil to the domestic market, these exchange agreements were vital to the survival of inland independent refiners who were unable to find sufficient crude oil supplies. A survey conducted by the Independent Refiners Association of America concluded that in March, 300,000 barrels a day of refinery capacity was not being used because of the lack of crude oil. Despite the fact that the import quota system has been abolished, this situation of dependence and shortage for the independent still exists.

Allvine's conclusions are supported by investigations into the refining industry by the Federal Trade Commission. Michael L. Glassman, chief of the FTC's Bureau of Economic Evidence, describes the implications of the percentage depletion allowance on downstream activities in the following memorandum:

"The oil depletion allowance may directly encourage the exploration for and the exploitation of domestic crude oil sources, but it may indirectly bring about results which limit the supply of refined products by restraining entry into the refining segment of the industry by non-integrated firms. This result may occur because the oil depletion allowance creates an incentive to higher crude prices."

Beyond this fact, there appears to be a feedback effect which exacerbates the impact of the depletion allowance on oil supplies—with fewer refiners the demand for crude is curtailed. The supply will be restricted to meet this demand—all at higher prices.

The majors have a vested interest in a neutralized independent sector. Glassman of the FTC maintains that the majors carefully manipulate the price of crude to maximize profits while protecting the captive but impotent independent refiners.

". . . the majors must not choose a crude price so high that the independents go out of business as the result of earning zero profits, for if the independents shut down, the majors will lose customers for one-half of their crude production. Rather they will select a crude oil price which permits refinery profits margins which are large enough to induce the present independents to stay in the market but will not be large enough to induce new independents to enter the industry, increase the supply of refined products, and cause prices and profits in the oil industry to decline."

The facts appear to bolster Glassman's contention that the barriers to entry into refining are exceedingly high. In the Eastern region of the country (Petroleum Administration District No. 1) only one independent refinery has been built since 1950—a small 2,000-barrel per day facility in Florida. No refinery in excess of 10,000 barrels per day, has been built in the Gulf Coast Region (P.A.D. 3) during the same time period.

LACK OF FINANCIAL DATA ON OIL INDUSTRY

Part of the difficulty in detailing the FTC's claim stems from the lack of adequate financial data. Inadequate SEC requirements on divisional reporting obscures the magnitude of profit shifting between production and marketing activities. In 1967 the IRS took steps to require more extensive reporting by the oil companies on their use of the depletion deduction. This data—required on form O and form M of the income tax return—was to be compiled in connection with the Census Bureau's survey of mineral industries. This census is compiled every five years. With these two complementary sources of data, the quality of public debate on this vital area of public policy would have improved markedly. Unfortunately the IRS failed to fulfill its commitment. Although data was requested with the 1967 filing, this data was only partially compiled. Since that time the requirement has been dropped. While it is the responsibility of the IRS to develop and oversee adequate reporting requirements, I have little optimism. As Thomas Field of Taxation with Representation says:

"If the IRS decides to study crude petroleum prices, I do have one recommendation to make, and that is that the existing IRS offices handling the petroleum area not conduct this study. Although I have many good friends who are solid people in some of these offices, the fact is that I regard many of the people who staff the IRS petroleum and minerals offices as superannuated and as people about whose loyalty to the service and to the public interest I sometimes have had questions."

The impact of the depletion allowance on the structure of the industry appears to be significant. This special provision, which began as an open-ended alternative to depreciation, not only has resulted in a Treasury loss of over $1 billion annually, but also has precipitated an economic climate in which monopoly control is essential for a successful business operation. The costs to the consumer in higher product prices have yet to be realistically assessed. Nonetheless, it is clear that inefficiencies in distribution arising from excessive market concentration are directly responsible for the shortages in petroleum products of recent months.

THE WRITE-OFF OF INTANGIBLE DRILLING AND DEVELOPMENT COSTS

The provision for expensing intangible drilling costs arose through administrative regulation—it was not granted by Congress. Intangible drilling costs represent about 75% of the costs of drilling a well. They include the direct expenditures for labor, fuel, supplies, and the like that are incurred in the drilling and equipping of oil and gas wells. The option to expense rather than capitalize these costs arose with a Treasury decision in 1917 and was carried through subsequent Treasury rulings. It was later written into the tax code after it had been used for thirty years by Administrative ruling.

If it were not for this provision the industry would have to capitalize these development expenditures and recover them through the depletion allowance. When percentage depletion is claimed it generally duplicates and recovers most of the same costs that have been deducted as intangible drilling expenses. Yet under existing law no adjustment of percentage depletion is required. This is a striking example of a double deduction for the same dollar of costs.

In addition to electing the option for his intangible costs, the taxpayer is offered a similar choice to expense or capitalize his dry hole costs—the cost incurred in drilling unsuccessful wells. The importance of these various options rests on the flexibility given to the taxpayer in offsetting his tax liability. The only constraint that must be juggled is the 50% net income limitation pertaining to the depletion deduction. As a result of this flexibility in the tax code, production decisions can arise which bear little relationship to rational economic criteria.

ORIGINS OF THE FOREIGN TAX CREDIT

The industry finds another large tax advantage in the credit allowed for taxes paid to foreign governments. The foreign tax credit found its way into the tax code of 1918, but its application to the petroleum industry did not become widespread until domestic oil companies moved into foreign operations in the late 1940's. Since that time, massive investments have been made by the majors in foreign production. The following table reflects this trend.

Production of Oil by Selected U.S. Companies in Foreign Countries Outside North America—1950 and 1966

[Thousand barrels per day]

1950:	
Exxon	1,015
Mobil	129
Texaco	190
Gulf	403
Shell	459
1966:	
Exxon	2,831
Mobil	854
Texaco	1,154
Gulf	1,710
Shell	2,093

[Source: Adelman, *The World Petroleum Market*]

The purpose of the foreign tax credit was to eliminate double taxation of a company's business activities. It was argued that, provided the foreign tax remains the same as the U.S. tax rate, it secures tax neutrality with respect to the choice between domestic and foreign investment. However, the foreign tax credit system does not always work out that way.

In many countries the corporate tax rate is less than the company would pay in the U.S., providing an initial incentive to go abroad.

Beyond the basic reduction in the tax rate, many American corporations repatriate just enough of their foreign earnings to offset their domestic taxes through the foreign tax credit. Because of tax deferral provisions in another section of the tax code, the rest of the company's foreign earnings can be indefinitely deferred from U.S. taxation. As corporations become untaxed in America, we can primarily thank the foreign tax credit, over and above any other provision.

With growing operations abroad, the foreign tax credit has become an increasingly important mechanism by which the major oil companies significantly reduce their tax burden. The following table demonstrates this fact:

NET TAX BEFORE AND AFTER FOREIGN TAX CREDIT IN 3 MAJOR OIL COMPANIES IN 1970

[In millions]

Oil corporations	Total income	Net tax before FTC	Foreign tax credit	Net tax after FTC
A	$2,798	$168	$133	$35
B	2,651	231	213	18
C	2,135	114	101	13
Total			[1] 447	

[1] Total foreign tax credit for only 3 oil companies 1970.

IMPLICATIONS OF THE FOREIGN TAX CREDIT

The operation of the foreign tax credit aids a privileged few multinational firms. For the solely domestic segment of the petroleum industry, this provision is a dead letter.

The operation of the foreign tax credit, like the depletion allowance, created perverse incentives for the oil industry. In the years after World War II, domestic involvement in foreign production increased considerably. With this increasing involvement, foreign governments placed growing pressure on the oil companies to increase their royalty payments. To the oil companies, the advantage of claiming these increased payments as taxes rather than royalties was clear. A tax payment can be credited against a U.S. tax liability, where as a royalty payment must be treated as a deductible business expense when computing U.S. taxes. It was in the interest of the U.S. oil companies to persuade their host governments to enact income tax statutes to replace their royalty claims. In 1954 King Saud changed the royalty payments into a tax, as requested by the industry, so that the companies could benefit from the foreign tax credit.

The impact of the ruling has been to create an artificial incentive for investment abroad. Whereas the domestic producer must pay for mineral rights to land through royalty payments, which are treated as a business expense, the same payments by a foreign producer qualifies as a tax credit. The termination of the foreign tax credit would put domestic production in a more competitive position with foreign development.

TAX DEFERRALS

The tax deferral provision allows the earnings of foreign subsidiaries of U.S. corporations to enjoy a deferment of U.S. tax until remitted as dividends. Since most earnings are reinvested abroad in fixed assets, this virtually amounts to a permanent exemption from federal tax. It is estimated that the average effective rate of foreign taxes on profits of U.S. affiliates is in the order of about 36% and that foreign subsidiaries of U.S. corporations paid nearly $1 billion less in foreign profits taxes than they would have paid under the U.S. income tax. Deferral clearly introduces a non-neutral incentive to invest abroad and is difficult to defend on both equity and efficiency grounds. Between them, the deferral and the foreign tax credit provide a fantastic incentive to invest abroad.

If deferrals were to be terminated, while the tax credit was continued, the revenue gains would be estimated anywhere between $160 and $900 million.

Mr. William Barrett, of the University of New Hampshire, in his examination of capital expenditure patterns before the Ways and Means Committee, has documented the growing shift in capital investment abroad in recent years. With the declining profitability of domestic production, appealing tax incentives for foreign investment have created an alternative for the large multinational firms.

In 1963 oil exploration efforts, surveyed by Chase Manhattan's Group, the largest twenty-seven to thirty-one oil companies totaled $5,528 million in capital and exploration expenditures worldwide. Of this total, 70.4% was dedicated to domestic exploration and 29.6% to foreign. By 1971, this pattern had shifted dramatically. Of the total worldwide expenditure of $13,778 million, only 48.5% was expended domestically, while 51.5% was devoted to foreign production. Until the announcement of the new fee-free import system, much of this production was limited in its benefit to the U.S. market by virtue of the oil import quota restriction.

The question has been raised, but not resolved, whether the multinational oil companies have developed an allegiance to themselves which overrides any other. In their operation they serve neither the interests of the producing nation nor the consuming nation. M. A. Adelman in his book, *The World Petroleum Market*, touches on this point when he claims that the oil companies are merely the tax collectors for the Organization of Petroleum Exporting Countries (OPEC). If this thesis is valid, the world oil shortage is no shortage at all, but really the product of cooperation between the oil companies and OPEC in the face of unwitting passivity of the oil consuming nations. It is not possible to resolve these issues here—but the question remains. Has the tax code worked to subvert the interests of the United States by encouraging excessive foreign investment without hope of an adequate return to the American people?

GASOLINE MARKETING

The declining profit picture in domestic production has led to new business strategies by the major petroleum companies—the increase in crude prices, growing foreign investment, and the elimination of independent marketers. To increase profits, in addition to the shifting of profit dollars into the foreign tax havens, the major companies are looking to their domestic marketing structure to provide more profits. In the past, the marketing structure has been subsidized by the production division of the giant firms. In order to make their distribution network more profitable, the major companies must streamline their operations—consolidating marketing operations into a smaller number of high volume stations and close marginal, low-volume outlets.

The main obstacle to the majors in their scheme to increase profits from marketing is the independent marketer.

As independent, discount marketer—Hudson, Martin, Fill 'em Fast—operates on a high-volume, low-cost, low-price basis. They are geared to sell gasoline as opposed to credit cards, games, prizes, and spare parts. Most don't even maintain garages and car racks. By virtue of their greater efficiency, they are capable of selling gasoline at 3¢ to 5¢ per gallon less than the major brands—Texaco, Exxon, Gulf, and so on.

The independent gasoline marketer has a significance which far outweighs his market share. The independent serves as the only counter balance to the massive market control exerted by the majors. He offers substantial price competition.

It is clear that the majors have taken advantage of this recent period of contrived shortages not only to streamline their own marketing operations, but also to place a squeeze on the independent marketer. Since the independent marketer receives only about 2% of his supplies from major refineries, the interests of the independent refiner and the marketer are closely tied. With this relationship in mind, the major oil companies have tightened the supply of crude to the independent refiners. The resulting chain of events would eventually start choking the independent gas stations—which is exactly what happened.

Because the independent marketer does not have access to a captive supply of finished products, this recent period of shortage has hit particularly hard. Most have been forced to cut back service. Many have been forced to close. As of June 15, 1973, the Office of Oil and Gas in the Department of Interior estimates that between 1,200 and 1,300 independent service stations have been forced to close.

The loss of the independent segment of the marketing industry will carry significant implications for the American consumer. As Professor Allvine from Georgia Tech noted, "when supply is fixed, reduced or cut off to independents, the majors are no longer concerned about competition from those sources." As the result of his own study in four cities, Los Angeles, Portland, Seattle, and Phoenix, Allvine concludes that when the threat of the independent is neutralized, gas-

oline prices inflate and achieve a remarkable stability. Allvine recently stated:

"During the past 38 weeks, since August 15, 1972, major brand prices have increased in those four markets by approximately 3¢ per gallon and have remained steady. Much of the same thing has happened throughout much of the U.S. as supplies available to the independents have been cut back."

Between the refiner and the marketer in the Petroleum network is the wholesale distributor or terminal operator. This segment of independent businessmen has also suffered from the growing control of the integrated majors. For over a decade, the livelihood of the independent terminal operators has declined, because like the independent refiner and marketer, the terminal operator has no guarantee of supply. He is at the mercy of the market power of the integrated major firm. George Panuska of the Independent Terminal Operators of America maintains that the economic situation has caused a deterioration of his membership since 1959:

"While the number of independent terminal operators was rapidly diminishing, the number of terminals, and the average terminal capacity available to the nation were growing by leaps and bounds. All such expansion became the private province of the integrated oil companies rather than independents and newcomers. *At the present time their control over supply is more complete than ever before.*"

The independents who refine, transport, and market petroleum have been drawn inescapably within the web of the major oil companies. The majors—who were induced to expand their production by the depletion allowance—now control the vital sources of supply to the entire industry. This control has worked to isolate the majors from the pressure of the market place. While crude oil shortages have pushed independents to the brink of economic failure, the majors have enjoyed healthy profits. The listing below illustrates some of the first quarter gains of the eight fully integrated majors.

PROFITS AND SALES OF THE 8 INTEGRATED OIL COMPANIES, 1972-73

	Sales 1st quarter 1973 [In millions]	Percent change from 1st quarter 1972	Percent profits change from 1st quarter 1972
Atlantic Richfield	$997.6	+5	+52
Exxon	5,674	+13	+43
Gulf Oil	2,103	+9	+19
Mobil Oil	2,790	+13	+10
Shell Oil	1,089.5	+12	+49
Standard Oil (Ind.)	1,469	+11	+12
Standard Oil (Calif.)	1,608.4	+17	+24
Texaco	2,495	+14	+15

FINDING A SOLUTION: THE PROPER ROLE OF TAXATION

Eugene Rostow, in his book, *National Policy for the Oil Industry*, in 1948 stated:

"There is no basis in the technology of refining for concluding that bigness of the oil companies is the inevitable price we must pay for using modern methods of manufacturing. On the contrary, there is every reason to believe that from the point of view of efficiency in operations—cost per unit—smaller firms would be able to operate on a competitive basis if the control of the majors over access to raw materials, on the one hand, and to market on the other, were eliminated."

Petroleum industry concentration in 1973, the same as it was in 1948, is the primary obstacle to the efficient operation of the oil industry. Our federal tax laws have been the catalyst for this concentration. As a result, the majors have gained effective control over supplies, markets, and prices. Divesting is obviously the most direct procedure by which competition could be injected into the market place. The staff of the FTC is already studying this alternative. But at this point in time, it amounts to giving the patient medicine to kill the pain without ever removing the cancer.

Apart from this restructuring of the industry, a serious reconsideration of the impact of the tax code on oil and gas must be made. For too long, overblown rhetoric has overshadowed substantive analysis in the tax treatment of petroleum production. For example, special privileges for oil continue to be wrapped in the banner of National security—even though the percentage depletion allowance has encouraged the exhaustion of our domestic oil reserves by providing subsidized production and production for tax purposes rather than market demand. In testimony before the Ways and Means Committee this spring, Richard Gonzales of Humble Oil conjured up communism as an argument to justify the continuation of the depletion allowance.

"Petroleum continues to be highly important to security even with the development of nuclear weapons and intercontinental missiles. The United States must be prepared to fight effectively by conventional means since it does not propose to start a nuclear war. Otherwise, important areas of the world will soon be lost to aggressors who will not hesitate to take advantage of any deterioration in our ability to conduct conventional military operations."

This reasoning is dangerously outdated. No one is arguing the importance of petroleum to national security. The capacity of refining and producing oil is the keystone to our economic health and our military preparedness. But the essential issue for public policy is how to devise an effective, economical and efficient mechanism to insure that the national security is not impaired by an interruption of petroleum supplies from overseas. I believe the best alternative to accomplish this task is the establishment of a National Defense Petroleum Reserve. I have introduced legislation to establish such a reserve of crude oil and finished petroleum products as a kind of national insurance.

I will be introducing the following proposals that would provide—

(1) Elimination of the federal tax deductibility of radio and television media advertising expenses for the promotion of fossil, residual, or distillate fuels. If the industry is, as it says, short of reserves, it makes little sense to encourage expenditures promoting further use of their products. As the FTC anti-trust investigation points out, the monopoly nature of the indusry makes the facade of competition ludicrous. Tax deductibility of oil industry advertisement only adds insult to injury to the American taxpayer-consumer.

(2) Elimination of deferrals on foreign earned income of U.S. wholly or partly owned subsidiaries.

(3) Elimination of the Intangible Drilling Deduction.

(4) Limitation on the Asset Depreciation Range system so that it shall not apply to property used outside of the United States and that depreciation of such property shall be based on its actual useful life—subject to the reserve ratio test. This will encourage greater investment and exploration at home rather than overseas.

A more reasoned approach to the special treatment of petroleum would include many of the issues raised in this chapter. However, the discussion should also include an entire range of new concerns. Ideally, taxation of energy should be geared to limiting its careless and excessive use of irreplaceable resources. That is, a tax can be an effective means to internalize some of the social and environmental costs of energy consumption. Russell Train, Chairman of the Council of Environmental Quality, recently said:

"In the long run, we must increasingly shift our efforts from simply finding more energy supplies to concerning ourselves with how to use energy to best meet our many needs."

The Federal Tax Code must reflect this new direction. This means ending the excessive subsidies that encourage consumption, and begin taxing the consumption of our most inefficient energy consumers.

The petroleum industry is fond of drawing a dichotomy between environmental quality and economic growth. No such dichotomy exists. The national interest will best be served when this dangerous fabrication is eliminated from the arena of public policy. Sustained economic growth and sound environmental principles are complementary goals.

Our tax code can carry us toward both goals.

CHAPTER F—AGRI-CONCENTRATION AND TAX-LOSS FARMING

Corporations and individuals seeking to shelter their normal income have moved into farming ventures, hoping to incur a loss to offset their normal income. As a result the markets for many agricultural products have become distorted, reducing the profit margins of many real farmers.

As an illustration of the dimensions of the problem, S. B. Wolfe, Director of the Audit Division of the Internal Revenue Service, told my staff that in 1971 three thousand individuals filed schedule F's—the farm section of the tax return—in Manhattan alone. It is also shocking that 374% more corporate schedule F's were filed in 1967 in the State of New York than were filed in the State of Kansas. This all reflects a dangerous trend toward the absentee farmer—a trend stimulated by tax benefits rather than production. Confucius said, "The best fertilizer is the footsteps of the landowner," but the current tax system works against that wisdom.

SPECIAL TAX PROVISIONS FOR FARMERS

The Internal Revenue Code has made special provisions for farmers as far back as the Revenue Act of 1916, when farmers were granted the option of using the cash method of accounting to compute their income rather than the accrual method required of other businesses. The accrual method of accounting requires the keeping of complex records of all receipts and expenses during the time period in which they were incurred. This method differs from the cash basis of accounting, in which income is considered earned when received, and expenses are recorded when paid. The great risks in farming, with the fluctuating possibility of very good years or bad ones, underscore the need for the cash method for real farmers. But this same method which justifiably benefited real farmers, also provides great havens for "shelter sharks." No real farmer ever wants a bad year—while tax-loss farmers plan on bad years so they can offset their non-farm income.

A study of the history of legislation relating to farm taxes reveals no conscious effort on the part of Congress to establish a subsidy that would promote investment in agriculture. Special farm tax provisions were made to allow for the special problems faced by farmers—real farmers. The tax policy may have been well intentioned, but in practice the current tax structure serves only to undermine the very farmers it was originally intended to help. Those tax provisions attracted a new breed of farmer—the tax-loss farmer—whose interest is not in growing crops but sheltering his income.

The real farmer is subject to burdensome property taxes, the high cost of machinery and other inputs, not to mention weather fluctuations, insects and blights, and the element of pure luck. The average rate of return on a farm investment—not counting potential growth in the value of the land—is only

3%—larger farms taking a greater percentage of that 3% than the smaller farms, many of which just break even. As many small and medium size real farms have been losing and going under, an increasing number of corporations and wealthy city dwellers are learning to lose at farming and still get away with a profit. The following table shows, vividly, the decline in farms during the past six years:

Number of farms

1968	3,071
1969	2,999
1970	2,954
1971	2,909
1972	2,870
1973	2,831

These new "farmers" have done a great deal to distort the normal supply and demand of agricultural commodities in the market place. As real farmers diminish in number and the number of tax-loss farmers increase—the total contribution of the agricultural sector to the U.S. Treasury has remained about the same over the three year period 1968, 1969, and 1970.

FEDERAL TAX CONTRIBUTION OF THE AGRICULTURAL SECTOR

Calendar year	Agriculture, forestry, and fishing [1]	Farms [1 2]
1968	$1.5	$1.4
1969	1.6	1.5
1970	1.6	1.4

[1] The corporate share in these estimates approximates $100,000,000.
[2] Farms column is a subsection of agriculture, forestry, and fishing column.

The Family farms still numerically make up most of the farms of America, while corporate farms—although small in number—are absorbing a disproportionate amount of the sales of all produce. The distortions and imbalance caused are incredible. In 1970 only $100 million of total agricultural tax payments to the Treasury were made by corporate farms. Yet while accounting for only 1% of all American farms, these corporate farms accounted for 38% of all farm sales.

A look at total farm receipts is most revealing. More than 50% of all farms in this country have sales of less than $5000 a year, but these same farms only account for 7.8% of total farm sales. By USDA figures, only 11.7% of all farms are grossing more than $20,000 a year, but these 11.7% of the farms account for 67% of all farm sales. The same pattern of growing concentration discussed in the chapter on Small Business is reflected in agriculture.

THE SECRET OF THE TAX-LOSS FARMER

The Secret behind the success of the tax-loss farmer is that farm tax laws allow one to create an artificial loss on a farm venture which can be used to offset non-farm income, reducing the amount of income subject to tax and effecting substantial tax savings. The loss is only artificial and is a phenomena produced by the cash method of accounting available to farmers. Under this system farmers can claim deduction in one year, for the costs associated with growing the crop or raising livestock, thus creating a net loss, and then sell the product and pay tax on the profit in another year when it is more to their advantage, "tax-wise."

For the full-time farmer, the gains realized by utilizing the cash accounting method are minimal, since his yearly output for seed, feed, and farm equipment will average out over the years, and gains realized for sale of products during one year will be offset by the costs of the product marked for sale the following year. The cash accounting method is easier for the average farmer to work with than the accrual method. It does not require the farmer to keep inventories of his stock or maintain an accurate record of how much each cow eats. Cash accounting simplifies bookkeeping chores, and, in addition, it allows some flexibility in adjusting year to year income.

To the tax-loss farmer, on the other hand, who can generally afford the accountants and bookkeepers, cash accounting is the key to tax savings by allowing the tax-loss farmer to make large premature deductions against a high non-farm income. This means he can postpone paying taxes on that percentage of his non-farm income equivalent to the amount of his farm deductions.

While theoretically the tax-loss farmer should eventually be liable for a tax on the profits from his farm operations, the fact is that there are many methods the investor can employ to minimize the tax or even eliminate it altogether. The most obvious technique is for an investor to go into "farming" in a year when his non-farm income is unusually high and his tax bracket is higher than usual. The next year, or in some future year when his non-farm income would be taxable at a lower rate, he declares his farm profits which will then be taxed at a lower rate.

While it might be concluded that the tax-loss farmer seems to be going to a lot of trouble to save a few dollars on his tax bill, the benefits to the wealthy investor are compounded, since the greater the investor's income, the greater the value of each deductible dollar. The benefits received increase in proportion to the tax bracket of the investor. To illustrate, take the example of the taxpayer in the 50% bracket who would normally be expected to pay half of every $1000 of his income in taxes. If he can deduct a $1000 feed expense from his gross income, he has in effect paid only $500 for the $1000 worth of feed—the difference between what he would otherwise have paid in tax and the $1000 price tag of feed. The average farmer's income bracket is about 20%—the average farmer would therefore have an out-of-pocket expense of $800 for the same amount of feed. The high income investor can get substantially more mileage out of his investment dollar than can the average full-time farmer. The non-farmer investor has a competitive edge over the farmer with a low or moderate taxable income. Bigness means efficiency—but an efficiency based not on superior techniques of production, but on a tax system that rewards bigness and discriminates against the smaller farmer.

THE "EFFICIENCY" OF LARGE AND SMALL FARM OPERATIONS

A study by the Department of Agriculture, "The Economies of Size in Farming," proved that the one and two man farms can achieve the greatest economies of scale. This recent study points out that large scale operations seem efficient only because they have the advantage of such external factors as the ability to buy in-puts in large volume and the capacity to employ various devices to reduce or eliminate their federal income costs. large farms come out ahead by saving on income taxes.

This means that the wealthy farmer or tax-loss investor can compensate for his lack of technical know-how and management efficiency by gains through tax and accounting benefits. "Big farms" also mean power in the market place. It is far simpler for a processor to contract with one large farming operation than with ten smaller ones. The ultimate rewards to the consumer are not as clearly beneficial. The existence of a large number of producers insures that prices remain competitive. When production becomes concentrated in the hands of a few, prices are no longer subject to competitive restraints and inevitably go up.

EFFECT OF THE TAX-LOSS FARMER ON THE MARKET

In sheltering corporate and individual income, the "farmer" whose priorities are not on the farm can play havoc with the whole market structure. Economist Michael Perelman said:

"When a corporation like Tenneco goes into the almond growing business, it can use its leverage from its large production of almonds to force down almond prices. The losses to Tenneco as a farmer are more than compensated by the tax benefits to Tenneco."

The principle is basically the same in the case of the individual tax-loss farmer. He can channel the profits of his "regular" business into another part of his business—his farm income. Tax-loss farmers, who have little personal commitment to producing agricultural commodities for profit, have the potential to force family farmers out of business by temporarily forcing down prices on farm products. But consumers have a vested interest in the family farmer's welfare. America's abundant supply of "cheap food" has depended on the skill and diligence of family farmers who know their land and care about their production.

One of the problems in allowing tax-loss farmers to compete with full-time farmers who depend on farming as a livelihood, is the problem inherent in management primarily interested in tax benefits for its clients. It is highly unusual for a tax-loss farmer to have any direct involvement with his farming operation. The usual practice is for a potential investor to contract with an agency that specializes in managing farm interests for wealthy urbanites and who takes on all responsibilities connected with the investment, in exchange for a per-acre fee for livestock or acres managed plus a percentage of the profits returned. By far the most common route to the farm for the city investor is an investment in a limited partnership scheme to develop orchards, feed supplies, or breed livestock.

The investor delegates all responsibility of management to the syndicators of the venture. Since in the majority of cases, the management company is assured a flat fee regardless of the profitability of the enterprise, the management has nothing to lose by underbidding the competition. No real consideration is given to the costs of production—emphasis is placed instead on generating more commissions. The management can easily afford to take a temporary loss to undermine and breakdown the competition posed by small farmers. Such practices create unfortunate pressure on small farmers, but price cutting on this level has little chance of being reflected on the consumer's food bill, since the lower prices offered by tax-loss farmers are absorbed by middlemen and promoters. But as small farms are squeezed out, you can be sure that this will create continued increases in your food bill.

High income lawyers, doctors, movie stars, athletes, and corporations might not recognize fertilizer, even if it were on their boots, but they do recognize a good tax deal.

It is frightening that we are allowing these non-farmer types to assume control of our nation's most essential natural resource. When an investor chooses a particular farm venture as a tax shelter, his decision has little to do with the major concerns of the working farmer, such as market demand, soil suitability, production efficiency or other factors. He considers what kind of investment will allow him to stretch his deduction the farthest—what will offer him the greatest tax shelter. Such attitudes should give us grave cause for concern.

ORCHARD AND VINEYARD VENTURES

From the corporation's point of view, the most attractive agricultural investments are orchard and vineyard developments, cattle

breeding herds, and cattle feeding programs—but ingenious promoters are always coming up with new variations of the theme. Cal-Maine Inc., a holding company, whose subsidiaries conduct a fully integrated commercial egg business, is the backer of a venture called "National Farming Program 1972," which offers the investor an opportunity to buy up to $6 million of interest in the egg business. The irony of this situation is that nobody else seems to be making any money on eggs.

Depressed prices to family farm producers are a real threat posed by tax-loss farming. Sudden oversupply of a commodity has disastrous effects on the small producer, who is always the first to suffer when the price in the market collapses. In Senate Hearings on Land Management, Ownership, and Use in California, one family farmer described the effect of one oil company's tax dodge venture. The company planted several thousand acres of cling peaches on the western side of the Fresno Valley. As a result, the market for peaches was glutted and many growers were forced to let their peaches rot on the trees. The oil company got their tax write-off and the farmers were left with all the peaches they could eat. For several years the peach market was distorted. Farmers were afraid to invest because of what happened in previous years. If the oil company decides not to pick the peaches and take them to market, a real shortage may develop that would skyrocket the cost of peaches to the consumer. Tax-loss farming threatens sudden market fluctuations in nearly every commodity where it is prevalent.

Because of rising popularity and increased consumption of wine in the United States, investors are rushing into viniculture. The entire grape acreage in California in 1972 consisted of 400,000 acres, of which 93,000 has been planted in the past three years, 53,000 acres in 1972 alone. Projected new plantings for 1973 may exceed 70,000 acres—50,000 by two limited partnerships alone. Experts are concerned that prices received by producers of grapes will drop dangerously when they are ready to harvest and market.

The citrus and almond industries were so adversely affected by the influx of non-farmer investors, that in 1969 industry spokesmen petitioned Congress to remove their special privilege of deducting, rather than capitalizing the costs of developing these crops. Congress acted on their request in the 1969 tax reform act.

Grapes, fruit, nut, and vine crops (with the exception now of citrus and almonds) are all attractive to tax-loss farmers because of tax laws which allow one to immediately deduct the costs of developing these commodities, despite the fact that it takes several years for the orchard or vineyard involved to mature and bear products that can be sold. Orchards and vineyards are classified as capital assets—a capital asset being an asset that is not the final, saleable product in itself, but rather an asset that is used to produce products for sale. Tax laws require other businesses to deduct a percentage of the cost of such capital assets over the period of time during which they are useful for production—in other words, depreciation of the asset. Vineyard and orchard producers therefore get an indirect subsidy because of their ability to deduct development costs when incurred, rather than spread those costs over a period of years.

Family farmers are more interested in fair prices than tax subsidies. Apricot producers are actually losing money because the increase in production stimulated by tax breaks does not compensate for the low price apricots will bring in a low price market.

TAX-LOSS FARMING INFLATES LAND VALUES—RAISES BEEF PRICES

Full-time farmers are feeling the pinch of tax-loss farming from both ends. Not only does over-supply bring waste and lower prices to the producer, but costs of production are being forced up in a very real way through inflated land prices. Tax loss investors can afford to pay a price $25 to $100 higher than the productive value of the land. As tax-loss farmers pay more per acre than the projected yield warrants, it means that all farmers wishing to expand their operations will be forced to pay higher prices.

The land squeeze is having a particular effect on the beef industry—and consequently beef prices. The number of acres necessary to support just one animal can range from one to forty, depending on the region of the country. The fact that outside investors are outbidding farmers for acreage has led to a situation where range land is increasingly scarce. One Texas rancher noted that he knew of no land between Houston and Dallas (a distance of 250 miles) that was priced in a range economically feasible for farming and ranching. It is not difficult to make the connection between rising land costs, and the rising cost of beef.

The prospect of tax-loss farming pushing beef prices up even further is very likely.

The following table shows the dramatic increase in farm real estate values:

FARM REAL ESTATE VALUES: INDEX OF AVERAGE VALUE PER ACRE, BY STATES AND REGIONS, SELECTED DATES, 1950-70 [1]

[1957-59=100]

State and region	1950	1955	1960	1965	1969 March	1969 November	1970 (March)
Maine	71	90	111	128	166	173	173
New Hampshire	80	87	114	144	195	201	207
Vermont	84	86	114	151	209	222	231
Massachusetts	78	83	116	142	182	192	200
Rhode Island	76	81	117	149	201	210	214
Connecticut	73	81	113	135	181	184	189
New York	75	86	107	130	168	176	181
New Jersey	57	82	113	137	186	196	209
Pennsylvania	62	82	111	141	188	202	214
Delaware	55	80	118	153	202	208	218
Maryland	54	79	113	157	218	226	243
Northeast	67	83	111	140	186	196	206
Michigan	62	83	109	127	170	176	175
Wisconsin	74	84	107	118	160	171	174
Minnesota	63	80	108	121	158	161	165
Lake States	66	82	108	122	162	168	170
Ohio	59	85	105	125	159	163	168
Indiana	60	85	107	125	166	163	162
Illinois	63	85	105	124	163	157	161
Iowa	73	90	108	117	163	167	168
Missouri	66	85	109	150	203	204	211
Corn Belt	65	86	107	125	168	167	170
North Dakota	64	83	111	138	183	185	187
South Dakota	73	88	109	135	[2] 170	164	169
Nebraska	73	97	110	135	177	179	180
Kansas	70	89	108	131	168	167	164
Northern Plains	70	90	109	134	173	172	173
Virginia	62	84	109	135	174	178	192
West Virginia	72	83	110	131	163	162	171
North Carolina	65	90	106	141	180	173	177
Kentucky	70	85	112	148	180	186	189
Tennessee	74	87	112	150	199	205	210
Appalachian	68	87	109	143	182	184	190
South Carolina	64	87	112	144	204	204	204
Georgia	56	79	118	167	262	272	289
Florida	45	66	118	159	174	182	193
Alabama	62	84	113	159	219	229	232
Southeast	55	77	116	159	211	219	228
Mississippi	58	73	108	148	222	228	236
Arkansas	62	85	115	183	254	262	271
Louisiana	56	78	117	154	220	236	237
Delta States	59	78	113	161	232	242	248
Oklahoma	67	90	115	158	207	215	221
Texas	63	91	117	159	195	202	204
Southern Plains	64	91	116	158	198	205	208
Montana	57	80	116	142	177	181	186
Idaho	65	87	110	126	152	153	159
Wyoming	68	83	113	141	171	175	180
Colorado	74	91	111	136	163	164	165
New Mexico	77	98	109	146	171	176	177
Arizona	58	81	112	132	140	141	140
Utah	70	90	108	127	145	146	150
Nevada	64	90	108	132	152	152	155
Mountain	66	87	111	135	160	162	166
Washington	66	90	107	122	160	164	165
Oregon	69	88	106	129	160	165	168
California	58	79	116	160	186	188	186
Pacific	60	82	113	150	179	181	181
48 States	65	85	111	139	179	183	186

[1] All farmlands with improvements as of Mar. 1, except as indicated.
[2] Revised.

Source: U.S. Department of Agriculture.

PROMOTERS CASH IN AS TAX-LOSS FARMING MIDDLEMEN

In many cases it is the organizer of the venture rather than the investor himself who has the most to gain. Arthur J. Groesbeck, a Los Angeles tax adviser, estimated that probably half of all tax shelters were of no value—slick promoters can skim as much as 50% as their take. The commitment of the typical promoter-manager to agricultural production economics is even less than the interest of the typical investor, since the investor at least has to put up the capital.

According to sources at Agribusiness Accountability Project, one such offering, the Calderone-Curan Ranches, Inc., offered investors the chance to own their own purebred herd of ten head of beef for the price tag of $28,570. The securities dealer making the sale would get 6¾% of the sale amount, and an additional 2½% would go to the dealer-manager, making selling commissions a grand total of 9¼% of the investment. In addition, the purchaser enters into a maintenance contract whereby the company feeds, cares for and breeds the animals in exchange for the assignment upon birth of all bull calves and every tenth heifer calf produced by the herd. Proceeds realized by the sale of animals not up to the standard of the herd also go to the management company. The net price of $2571 per head received by the company and the actual cost of the animal—about $400—goes to cover all the costs of arranging financing, the breeding, and maintaining the animals. In this example the promoter is meeting his costs and making his profits regardless of whether or not the enterprise turns out to be profitable. On top of everything else, he shares in 50% of any profits that do return to the venture.

FEEDING VENTURES

Prior to 1969, there was little interest in cattle feeding, but suddenly investor interest caught on so that now it is estimated that 60% of the cattle on feed in California are owned by limited partnerships and cattle feeding funds. A recent study at Texas A&M shows that 90% of the 1.4 million head of cattle being fed in the Panhandle-Plains region are owned by individuals and groups other than the feedlots, which means a potential investment of around $348 million by tax-loss farmers.

The effect of increased dependence in the cattle feeding industry on custom feeding arrangements, sponsored by tax-loss capital, may have long-term implications for the cattle industry. Because the availability of tax-loss capital is responsive to fluctuations outside of the industry rather than within it, problems relating to the amount and constancy of investment capital may eventually have effects on retail prices. For example, there is usually a substantial increase in investment capital available to feeding programs at the end of the year, when taxpayers need a quick shelter. Because of the increased end of the year "tax shelter demands," increased demand for feeder cattle may force up feed prices and lead to early placement of younger calves on feed. The increased use of younger, less profitable calves may lead to increased prices for feed cattle, rather than a cutback in the feedlot's profit margin.

Another disadvantage to the increased dependence of cattle feeding programs on the unsteady supply of outside capital is that it is mainly felt by the smaller operators. In the summer, when investor interest lags—smaller lots find the going tough without the help of the promotion staffs and contacts available to bigger lots. All of this adds to increased meat prices because of these tax-loss feed ventures.

TAX-LOSS FARMING INCREASING—AND UNSCRUTINIZED

One of the unsettling things about tax-loss farming is that by all indicators it appears to be rapidly increasing—but no one seems to know very much about it. No substantial work has been done to evaluate either the extent or the impact of tax-loss farming. It seems to me that a phenomena that has the potential to alter the whole structure of American food production deserves more attention. With so little evaluation done on this subject, how can we measure the damage that may have already been done—or that will occur?

I am advised that the Department of Agriculture has exactly two staff members working on tax-related issues in agriculture. A third staff member has informally been keeping track of limited partnership offerings filed with the SEC. So far USDA has come out with only three short studies touching on the problems of tax-loss farming, the first of which appeared in 1972. All three of these studies have been concentrating on the methods of tax-loss farming rather than the impacts of tax-loss farming.

A few facts have come from research done by the land grant colleges, but the problem with this material is that it tends to be area-specific and does not provide a comprehensive picture of the problem. Texas A & M has produced a study of the financial structure of the Texas beef feeding industry, and work is being done at the University of Missouri on cattle feeding. The most thorough thinking on the subject of the current and potential effects of tax-loss farming has been done by Hoy Carmon and Charles Davenport of the University of California. But there are still many gaps to be filled in. It is hard for the Congress to take sound and judicious action on the problems posed by tax-loss farming when so little is known about its effects.

Part of the problem in determining the extent of tax-loss farming is that many farm ventures are exempt from filing with state or national regulatory agencies, because they plan intrastate offerings or they have less than a minimum number of partners. No matter how large, agencies that manage investor herds are not required to file prospectuses with the SEC, since they provide services rather than deal in securities. No one knows how much acreage is "farmed" by individuals who have contracted with these agencies or those who have made their own arrangement to become tax-loss farmers.

LEGISLATIVE RECOMMENDATIONS

In 1969 Congress began to limit some of the abuses in tax-loss farming by requiring farmers with losses exceeding $25,000 in any one year to establish what is called the Excess Deductions Account. This provision, which affects only those with $50,000 or more in non-farm income, limits the amount of total income that can be offset by farm losses.

Unfortunately, the EDA provision has had little effect in deterring tax-loss farming. To some extent it has discouraged interest in beef breeding; the number of prospectuses offering partnerships in beef breeding do not seem to have increased appreciably since 1969, but neither have they decreased. Oppenheimer Industries reports that the EDA has had little effect on their breeding operations. The EDA has no effect whatever on the kinds of tax-loss farming where capital gains is not a factor, like feeding and egg production.

The Agribusiness Accountability Project, a public interest group that has begun to produce the needed research on tax-loss farming, has come up with the following recommendations to reduce or eliminate the deleterious effects of tax-loss farming:

(1) Tax loss farming has negative impact on farmers and on consumers. The U.S. Department of Agriculture has taken no position on the issue. The Secretary of Agriculture, Earl Butz, should make a policy statement of the Department's position on the subject of tax-loss farming.

(2) Congress should devise legislative methods that do not promote unfair competition in farming by giving proportionately more benefits to the wealthier taxpayers. Such possibilities include:

Imposing an outside limit on the amount of farm deductions that can be used to offset non-farm income in any one year, with loss-carry forward privileges for losses exceeding that amount so that farmers would not lose the ability to make legitimate deductions.

Placing a restriction on the percentage of allowable deductions to be claimed by taxpayers whose tax bracket exceeds a set figure.

Changing the status of certain farm expenses from deductions to tax credits, so that all farmers would receive a tax credit equal to a straight-across the board percentage of their expenses.

(3) Administrative agencies are asked to take action to correct tax-loss farming abuses:

The Internal Revenue Service should deny partnership status to the limited partnerships in agricultural ventures, which would thus subject the venture to corporation tax and disallow the pass-through of gains and losses to investors. This can either be achieved by IRS rulings that such ventures fulfill two of the four characteristics that are used to define a corporation, or that the operation is not profit-oriented.

The Treasury Department should take administrative action to disallow limited partners, whose liability is theoretically limited to the extent of their investment, from taking deductions that exceed their actual cash contributions to the venture. This can be accomplished by amending IRS Regulation 1.752, paragraph (e).

The SEC is urged to tighten disclosure requirements by

(a) restricting further the regulations on who must file farm offerings;

(b) requiring agencies offering management services to investors to file for registration and supply information on the number of their clients and the amount of acreage controlled;

(c) requiring annual public disclosure of the financial status of limited partnerships;

(d) requiring prospectuses to spell out dangers of over-planting in particular commodities.

(4) State and local governments should take measures to protect their rural constituencies from the potential deleterious effects of tax-loss farming on their communities, for example:

Requiring permits for any limited partnership, where either an offer will be made to more than ten individuals, more than five partners will be involved, or the total investment in the venture exceeds more than $200,000.

The approval of such permits would take into account potential negative impact on the farm community and the stability of the industry or crop planned for development.

An alternative approach would have communities adopt policies that would levy a special tax or require special zoning on land that will be farmed by an absentee owner.

(5) The Congress should undertake a full-scale public inquiry into the extent and potential impact of tax-loss farming:

The Department of Agriculture should initiate a thorough, public investigation of tax-loss farming, with particular emphasis on the acreage, crops, and commodities affected and the implications of such on farmers and rural communities.

Concurrently, an evaluation should be made of alternative sources of supply of capital that could be provided for farmers, ranchers, and feedlots now dependent on this kind of outside capital.

Studies should be undertaken at the state and local levels and in the land grant colleges to measure the impact of tax-loss farming on various localities of the country.

I endorse these recommendations and hope

that we can begin to thoroughly study the tax code and its effect on the cost of food to the American consumer. It is time that we begin to think ahead to assure that future food shortages will not be caused by tax policies, or even exacerbated by a string of tax provisions that raise little revenue and create chaos in the market place.

CHAPTER G—SMALL BUSINESS—AN ENDANGERED SPECIES

Competition, the most basic element of our free enterprise system, is dangling precariously as small business continues to lose ground to conglomerate America.

The share of total profits for manufacturing corporations with assets under $1 million declined 44.8% between 1969 and 1970. Between 1970 and 1971 there was an additional decline of 3.9%. This decline in profits for corporations with assets less than $1 million is especially significant, when compared with the fact that profits for manufacturing corporations with assets over $1 billion declined only 7.2% between 1969 and 1970 and rose 14.3% between 1970 and 1971.

In 1971, almost 55% of all corporate profits in America were achieved by the billion-dollar corporations, one hundred and twenty-four in number. What is left for the remaining 1,700,000 corporations of America? The following chart dramatically illustrates how smaller corporations have been over-shadowed during the past decade by corporations with assets of over $1 billion.

PERCENTAGE OF TOTAL ASSETS OF MANUFACTURING CORPORATIONS

	Over $1,000,000,000 in assets		Under $10,000,000 in assets	
	Percentage of total	Number of corporations	Percentage of total	Number of corporations (thousands)
1959	27	24	20	154.1
1960	28	28	18	163.6
1961	28	29	19	171.3
1962	31	34	19	(1)
1963	31	36	19	179.4
1964	33	39	17	182.4
1965	33	41	17	183.3
1966	36	52	17	184.8
1967	38	63	16	194.2
1968	43	78	14	188.8
1969	46	87	14	198.9
1970	48	102	12	194.7
1971	51	111	12	(1)
1972	52	115	12	(1)
1973	52	124	12	(1)
Increase (percent)		500		26

[1] Figures not available.

Souce: Data taken from quarterly financial reports from the FTC (1).

The explosion of conglomerate mergers over the past ten years was ignited by the fuse of the tax code. Under *section 368* of the tax code—the pooling of interest provision—large corporations purchase smaller operations, permitting the seller to avoid *any payments* on capital gains from the sale. Many small businessmen who may not have an interested son or daughter to take over the business, or have had a bad year, might be lured by such a tax-free exchange. In 1971, two thousand three hundred and three corporations were sold for one reason or another to large purchaser corporations, with the seller taking advantage of the pooling of interest provision for the acquisition.

Many large corporations make offers to small businesses, "which they cannot refuse." Under *section 368* of the code, the two companies make an exchange of stock so that the large corporation takes complete control of the smaller—possibly even making the previous owner President of the newly acquired subsidiary. The seller receives his payment in the form of stock in the larger corporation. Not a penny of tax is paid on the sale. If the new owner passes the newly acquired stock on to his heirs, they receive the benefits of the capital gains at death and also pay no tax.

This provision alone has provided an incentive for small business to sell out and has paved the way for the formation of huge conglomerates. As small operations find it increasingly difficult to compete, offers become harder to resist. The future profit streams of these small companies have become lost in the sea of conglomerate profits—undermining the future of small business in this country.

PERCENTAGE OF DEPRECIATION, INVESTMENT CREDIT, AND FOREIGN TAX CREDIT ALLOWANCES CLAIMED BY MANUFACTURING CORPORATIONS WITH ASSETS OF $100,000,000 OR MORE (697 CORPORATIONS IN NUMBER)

	Share of depreciation (percent of total)	Share of investment credit (percent of total)	Share of foreign tax credit (percent of total)
1965	64.6	66.9	91.9
1966	65.9	69.7	93.1
1967	67.7	69.9	93.3
1968	70.1	72.7	94.2
1969	71.1	77.0	95.8
1970	(1)	89.1	(1)

[1] Figures not available.

Source: Internal Revenue Service, statistics of income; corporate income tax returns, 1965-69; preliminary statistics of income, 1970.

But the pooling of interest has not been the only provision of the tax code that has provided the five hundred largest industrials with a crushing power to absorb competition and expand their control of the market.

The following chart shockingly demonstrates how our tax laws operate in the most mischievous manner to suppress small business. The provisions of the tax code which provide advantages for stimulation and expansion to industry—depreciation, the investment credit, and the foreign tax credit—benefit to a substantially greater degree only those corporations with over $100,000,000 in assets.

These same six hundred and ninety-seven corporations with over $100,000,000 in assets control 77% of total manufacturing assets.

Giant corporations, even as they receive increased tax benefits from the Treasury, seem to be reducing their number of employees. In 1972, the largest five hundred industrials employed 136,960 fewer workers than in 1969, even though in 1972 they had $113.1 billion more in sales than in 1969. According to the *Fortune* 500 listing for 1972, the following top ten companies reduced their employment from 1971 to 1972.

General Motors	by 13,809
Exxon	by 2,000
IBM	by 3,341
Western Electric	by 1,350

The following chart illustrates that although employment has decreased for all sizes of manufacturing industries—small firms have held higher percentage employment levels, using 1967 as the base year, than corporations with over five hundred employees. What is more dramatic is the fact that even as the big corporations steadily keep eroding the little man's market, they hire less workers.

EMPLOYMENT IN MANUFACTURING, BY EMPLOYMENT SIZE, USING 1967 AS THE BASE YEAR

Employment size	Employment in thousands—1967 base	Percent change in employment 1967	1968	1969	1970	1971
1 to 3	132	100	100.8	98.5	97.0	95.5
4 to 7	254	100	101.2	100.0	99.6	99.2
8 to 19	818	100	100.8	101.1	100.8	99.0
20 to 49	1,585	100	100.8	103.3	103.5	100.6
50 to 99	1,806	100	102.0	102.9	103.5	98.5
100 to 249	3,107	100	104.2	106.9	107.2	102.8
250 to 499	2,788	100	100.9	105.0	107.0	100.2
500 plus [1]	[1] 8,945	[1] 100	[1] 100.8	[1] 103.3	[1] 97.6	87.9
Total	19,435	100	101.4	102.6	102.0	98.0

[1] Illustrates dramatic decline in employment since 1967 for the largest corporations of America.

Source: Social and Economic Statistics Administration, Bureau of the Census: County Business Patterns, 1967-71.

Manufacturing sales over the past decade definitely reflects the pattern of concentration of manufacturing assets, described in an earlier table. In 1972, corporations with over $100 million in assets made 66.9% of total sales for all manufacturing corporations, while corporations with $10 million in assets and below made only 20.7% of the total sales.

The following chart clearly indicates that the largest corporations—with frightening regularity—tended to increase their share of all sales in the manufacturing market over the past eight years.

SALES FOR MANUFACTURING COMPANIES, BY ASSET SIZE, 1964-72

	Sales of companies with assets of $10,000,000 and below (thousands)	Percent of total sales	Sales of companies with assets of $10,000,000 to $100,000,000 (thousands)	Percent of total sales	Sales of companies with assets of $100,000,000 and above (thousands)	Percent of total sales
1964	121,862,000	27.5	77,209,000	17.4	244,003,000	55.1
1965	132,142,000	26.8	83,551,000	17.0	276,508,000	56.2
1966	147,506,000	26.6	89,335,000	16.1	317,457,000	57.3
1967	145,688,000	25.3	86,492,000	15.0	343,246,000	59.7
1968	148,214,000	23.5	87,962,000	13.9	395,732,000	62.6
1969	156,999,000	22.6	94,787,000	13.6	442,797,000	63.8
1970	149,512,000	21.1	93,996,000	13.3	465,305,000	65.7
1971	148,974,000	19.8	92,550,000	12.3	509,309,000	67.8
1972	175,959,000	20.7	105,639,000	12.4	569,208,000	66.9

Source: FTC quarterly financial reports for manufacturing corporations, 1964-72.

SMALL BUSINESS AND ANTITRUST

As tax policy provided inducements for concentration, it was logical to hope that antitrust policy would counteract such moves by the larger corporations. It might have been expected that tax and antitrust policy would offset each other—by preventing companies from being broken up and by monitoring growth through acquisition. But, unfortunately, this was not the case.

Except for a handful of cases, such as the Standard Oil case of 1911, antitrust enforcement by the Department of Justice and the Federal Trade Commission alike has focused upon the activities of smaller business enterprises. The FTC established many marketplace rules in the form of the small firm but protect large, growing corporations. For example, after a ten year legal struggle, the Schwinn Company was forbidden by the United States Supreme Court to employ the same marketing practices as does Sears and Roebuck. Yet Schwinn had less than a 12% share of the market while Sears had over 50%. The reason for this is that Sears already had its own built in distribution apparatus—their retail stores—while Schwinn did not. It remains to be seen if the FTC's recent announcement of action against eight oil giants marks a new turning point in American economic history.

Another area where small business finds it impossible to compete is with regard to price discrimination. This type of discrimination provides the "death blow" to small businesses when larger corporations offer to purchase smaller firms, "making deals they can't refuse."

More than than thirty-five years ago Congress enacted the Robinson-Patman Act, forbidding discrimination in price except under certain narrow and limited circumstances. The purpose of the law was to put small businesses on an equal footing with large corporations over the prices each paid for wholesale goods. The Robinson-Patman Act, when originally enacted in 1936, was hailed as the Magna Carta of small business.

Since that time the Robinson-Patman Act has been subject to extensive and well earned criticism. It was originally intended to tighten and supplement the price discrimination prohibition in section 2 of the Clayton Antitrust Act of 1914. The Robinson-Patman Act was intended to curb price discrimination that unduly favors national over local sellers, and to protect independent merchants from unfair competition from large buyers obtaining the benefits of price discrimination.

The following is a quote from the 1970 report of the Special House Subcommittee on Small Business concerning the Robinson-Patman Act:

"Over the years the Robinson-Patman Act has come to have unintended anticompetitive effects. The price discrimination prohibition has discouraged types of price differentials which might have improved competition by lessening the rigidity of oligopoly pricing or by encouraging new entry."

From these findings it seems that the tax code has stimulated conglomerate acquisition, while the intended counter effects of antitrust policy have not reacted. To what degree has our food crisis and our energy crisis been caused by the concentrating effects of tax and antitrust policy? To what degree will further shortages and distortions be caused because of the continuance of such policies? To what degree will small business be able to provide the needed competition to offset the domination of all markets by a powerful few.

FOOTNOTE

(1) Quarterly Financial Reports estimates will not necessarily agree with other statistical compilations, whether based on a sample or complete canvass, because:

(a) The QFR eliminates multiple counting of interplant and other intercompany transfers included in statistics based on nonconsolidated, partly consolidated, or combined reports from multicorporate enterprises.

(b) Each enterprise which filed a form 1120 U.S. income tax return and was classified as a manufacturer in a given fiscal year has a known probability of being drawn in the QFR sample, as has each enterprise which filed an application for a Federal Social Security Employer's Identification Number and was classified as a manufacturer in a given calendar quarter. Each corporation in the QFR sample, therefore, is given its proper weight in computing QFR estimates. Moreover, the composition of the sample changes each quarter so as to reflect the effect of all corporate births, deaths, acquisitions, divestitures, mergers, consolidations, and the like. Furthermore, so as to redistribute the reporting responsibility as equitably as possible among the smallest corporations, one-eighth of the sample is replaced each quarter. The QFR estimates, therefore, may differ significantly from estimates based on reports for identical groups of companies.

CHAPTER H—A NEED FOR CONGLOMERATE DISCLOSURE REQUIREMENTS—THE BIGGER THEY ARE THE LESS WE KNOW

Complex reporting procedures used by corporations and especially conglomerates have made it difficult to accurately estimate the actual amount of federal income tax paid for any particular year. My examination of the annual reports of many corporations confirm that they are "foggy streets" where the stockholders, the public, and even the experts can't find their way.

HOW MUCH TAX DID U.S. STEEL PAY IN 1971?

The following is a segment of the notes to financial statements on taxes from the 1972 annual report of U.S. Steel:

11. Taxes

Total taxes payable for the years shown are detailed as follows:

[In millions]

	1972	1971
Income taxes payable on earnings of current year:		
United States	$43.0	$13.2
Foreign governments	35.9	44.7
Subtotal	78.9	57.9
Investment credit deductible	19.8	5.0
Currently payable	59.1	52.9
Social security taxes	100.3	88.2
Property taxes	113.1	107.5
Other State, local, and miscellaneous taxes	40.4	42.0
Total payable	312.9	290.6

The provision for estimated United States and foreign taxes on income differs from the taxes currently payable as shown above because certain items of income and expense are recognized in different years for income tax and for financial accounting purposes as explained in item j. of Note 1.

The provision for estimated United States and foreign taxes on income is as follows:

[In millions]

	1972	1971
Income taxes currently payable (see above)	$59.1	$52.9
Timing differences:		
United States	(17.3)	(57.7)
Foreign	2.2	4.8
Total	(15.1)	(52.9)
Provision for estimated taxes on income	44.0	

On March 20, 1973, I sent the following letter to the Joint Committee on Internal Revenue Taxation:

"From the enclosed 1972 annual report of United States Steel, can you determine whether this company paid any federal income taxes in 1971. It would also be greatly appreciated if you could provide effective rates for both 1971 and 1972.

"Am I correct in assuming that no taxes were paid in 1971, and in 1972 the effective tax rate was 3 or 4%?"

The Committee responded:

"This is in reply to your letter of March 20, 1973, wherein you asked if it could be determined if U.S. Steel Corporation paid any Federal income taxes in 1971 and in 1972.

"Major factors which make it difficult to accurately estimate from the annual report the actual Federal income tax paid for a particular year involve:

"1. Consolidating for financial reporting to shareholders companies that could not be included on a consolidated tax return;

"2. The possible overstating of the Federal income tax accrual (liability and expense) to provide a reserve for anticipated tax deficiencies which may follow an audit by the Internal Revenue Service;

"3. The existence of a complex accounting procedure—"comprehensive tax allocation"—sometimes referred to as interperiod tax allocation.

"Consistent with the analysis of annual reports that was undertaken for you previously, no adjustment has been made to the consolidated net income reported to shareholders for foreign income; foreign taxes, net of any deferral, decreased the consolidated net income. To this extent, therefore, the amount for U.S. Federal income taxes paid or owed does not include any amount for foreign taxes paid or owed but the adjusted consolidated net income does include foreign income from consolidated foreign subsidiaries.

"An analysis of the 1972 annual report of this corporation seems to indicate that for the calendar years 1971 and 1972, the corporation paid or owed approximately $8,200,000 and $23,200,000, respectively, in Federal income taxes. The approximate effective tax rate for 1971 appears to be 8.2 percent and for 1972, 14.7 percent. The amount of Federal income taxes paid or owed and the effective tax rate for 1971 differs from that which was previously reported principally because of additional disclosure regarding the income of a non-consolidated subsidiary reported on the equity basis."

Note that on the bottom line of the note to the financial statement of United States Steel there is no provision for incomes taxes for 1971, yet the committee analysis indicates that the approximate effective federal income tax rate appears to be 8.2%.

The following is a quote from United States Steel's annual report to their stockholders in 1971.

"Notes to financial statement of United States Steel." *Estimated United States and Foreign taxes on income*—No provision for taxes on income is required for 1971 due principally to statutory deductions associated with mineral production and investment credits and since deferred taxes provided in prior years on foreign subsidiary earnings exceeded the taxes on such earnings repatriated in December 1971 because of credits for foreign taxes paid. Estimated United States and foreign taxes [on income (etc.)] on income payable for the year 1971 of $57.9 million are offset by deferred tax credits of a like amount."

In effect they claimed in their own report in 1971 that they did not pay any U.S. federal taxes because of the foreign tax credit. By the Committee's analysis, however, they did pay at a rate of 8.2%.

The complexities and intended ambiguities in these annual reports relate messages in a code that no one seems to be able to decipher.

HOW CORPORATIONS LEGALLY AND ILLEGALLY OBSCURE THEIR FEDERAL TAX PAYMENTS

By far one of the major problems in understanding the tax provisions of many of these annual reports is the combination of the federal tax expense with local, state, and foreign tax expenses when reporting to the SEC and to stockholders.

Xerox, for example, lists its tax expense under one figure titled "Income Taxes"—with no breakdown of either their state and/or local and/or foreign taxes. Exxon, General Motors, and 3M, as well as many others, also listed "lumped up tax expenses" in their annual reports to their stockholders for 1972.

This has not been an isolated problem. The American Institute of Certified Public Accountants, in their 1972 publication "Accounting Trends and Techniques," sampled 136 annual reports and discovered that:

Provision for Income Taxes: Combined with Federal, 116; Shown Separately, 20; Total, 136.

(1) Figures relate to 1971 annual reports of 136 companies sampled.

A corporation's combination of the foreign and federal tax figures particularly understates the amount of taxes paid to the Federal government, since the foreign tax provision may wash out a large portion of the federal taxes. [Refer to the section of this study on energy with regard to the foreign tax credit and deferrals.]

This method of combining reported tax payments is distorting and misleading—and should be corrected.

I sent a letter to the Chairman of the Securities Exchange Commission on March 21, 1973, on the question of whether or not the separate listing of taxes paid—as required by law in the 10–K forms filed with the SEC—should not be required in the annual report to stockholders. The following is the former Chairman, Bradford Cook's, response to my inquiry.

"It is currently the judgment of the Commission staff that the breakdown of the tax expense data as required in form 10–K separation of the foreign and federal tax expense is not data which is essential to the average investor in understanding the results of operations as reported in the annual report and, hence, Rule 14 a–3(b)(2) would not require its inclusion in an annual report to shareholders."

It seems that the Securities Exchange Commission holds to the philosophy that the average investor need only possess the minimum of information. With the increasing growth of Multi-Nationals, I believe the average stockholder would be interested in what countries his company is investing—and what tax benefits are acquired by such investments.

The main concern of this section has been the combining of tax expense in *annual reports* to stockholders. However, it is a violation of SEC regulations to combine tax expenses in the *10–K report filed with the SEC*. Regulation SX (Rule 3–16, 0) requires that State, foreign, and Federal taxes must be stated separately in the annual 10–K report to the Securities and Exchange Commission.

Last year I brought to the attention of the Securities and Exchange Commission the fact that in 1971 four major corporations violated this law by combining their tax expense figures. Rather than strengthening their enforcement efforts in 1972, the Securities and Exchange Commission seems to have allowed the proliferation of this illegal activity. In my analysis of the effective taxes paid in 1972, the following 33 corporations out of 146 appear to have violated the Regulation SX Rule:

Ford Motor Company.
General Telephone and Electronics Corporation.
Kraftco Corporation.
North American Rockwell Corporation.
Firestone Tire & Rubber Company.
General Dynamics Corporation.
W. R. Grace & Co.
American Can Company.
Borden, Inc.
Burlington Industries, Inc.
Sperry Rand Corporation.
Minnesota Mining & Manufacturing Company.
Gulf & Western Industries, Inc.
The Coca-Cola Company.
Beatrice Foods Co.
American Brands, Inc.
The Signal Companies, Inc.
CPC International Inc.
Champion International Corporation.
Raytheon Manufacturing Company.
Allied Chemical Corporation.
Teledyne, Inc.
Consolidated Freightways, Inc.
Leaseway Transportation Corp.
Yellow Freight Systems, Inc.
Southern California Edison Company.
Texas Eastern Transmission.
Safeway Stores, Incorporated.
Bank America Corporation.
Western Bancorporation.
Chemical New York Corporation.
Bankers Trust New York Corporation.
Continental Illinois Corporation.

As I have illustrated in this study, if corporations combine their tax expenses in the 10–K, violating the law, they make it impossible to calculate their effective taxes paid to the Federal government. It is my suspicion that many corporations, aware of how they could disguise their low tax payments, have intentionally omitted such data, thereby breaking the law. They realized that the SEC would probably not take any action, and if they did, it would only amount to a "slap on the wrist."

THE WAVE OF ACQUISITIONS DURING THE 1960'S REQUIRES GREATER REPORTING REQUIREMENTS

The tremendous number of companies which have been swallowed by giant conglomerates have also created problems with regard to corporate reporting for tax and general descriptive business information.

I am preparing legislation to be entitled, "The Conglomerate Disclosure Act of 1973." This new legislation will require that a corporation:

(a) Name the significant individuals and corporate owners of their stock;

(b) Cost and value of those owners' holdings;

(c) Number of shares owned by those stockholders;

(d) The percentage of the outstanding securities of any class held by significant owners.

This type of disclosure will illustrate how closely these corporations are controlled by other corporations. My bill will also seek to provide disclosure of certain tax information for the consolidated company, as well as for any subsidiary which has over $50 million in assets. This bill will make available only the federal income tax totals which appear on schedules C-I-J-M1- and M2 of the federal corporate tax return.

The following shows the itemized listings that appear on schedules C-I-M1-M2- and J:

(A) taxable income
(B) the surtax exemption
(C) dividends (and deemed dividends received)
(D) dividends received deductions and Western Hemisphere Trade Corporation deduction
(E) the tax imposed by section II (or any tax imposed in lieu thereof)
(F) the foreign tax credit
(G) the investment credit
(H) credit for expense for work incentive programs
(I) the personal holding company tax
(J) the tax from recomputing a prior year's investment credit
(K) the minimum tax on preference items imposed by section 56
(L) total taxes imposed by chapter 1
(M) reconciliation of income per books with income per return (including a reconciliation of book depreciation and depletion with tax depreciation and depletion) and
(N) analysis of unappropriated retained earnings per books.

Information required by this paragraph shall be computed under the method of accounting on the basis of which the corporation regularly computes such information for purposes of the taxes imposed by chapter I of the Internal Revenue Code.

This requirement is necessary for the larger corporation because it utilizes a consolidated return which shelters and conceals vital information which is clearly available in the public financial statements of the small corporate structure. Small business is at a competitive disadvantage resulting directly from the inability of our national economic advisors and our anti-trust enforcers to know what is really going on in the whole economy. Most of the provisions of every tax act are directly stimulating and feeding the growth of giant corporations. Small business catches small crumbs from these tax laws, but only crumbs. As the U.S. government has become more dependent on expansive taxing policies to stimulate our economy, the benefits have flowed to the top largest 500 corporations, leaving small business out in the cold.

This bill, if enacted into law, will be of immeasurable benefit to the investing public. A well-informed investor provides a more wise and solid expansion of our Nation's economy. My corporate tax study of last summer made it very clear that many of Wall Street's largest firms knew little about the true income and tax picture of our nation's giant industrial firms. There is great danger in investing through the eye of a crystal ball rather than through facts. My legislation will provide those facts and will legislate an essential degree of corporate openness.

This legislation will not invade personal privacy or destroy honest competition in any way. Corporations will not be required to disclose how they made their profits. It will only provide that Federal taxes actually paid will be clearly reported. This requirement should produce no competitive disadvantage or burden.

This is not the first legislative action by the Congress directed at corporate disclosure. The Revenue Act of 1924 made corporate returns public. Section 257 of that Act was known as the publicity clause and its purpose was to eliminate fraud, dishonesty, and corporate tax evasion.

One year after the 1924 Revenue Act, with the publicity clause in effect, corporations paid at least $100,000,000 more into the Treasury, with business actually lighter in volume than in the previous year. Where did all the new revenue come from? Who was sheltered by the arbitrary cloth of secrecy and confidentiality? The secrecy that has surrounded corporate income taxes serves only to protect against the tax collector. Unfortunately this disclosure provision was eliminated from the law after only one year. Secrecy has been the rule ever since.

NEW CONGLOMERATE ACQUISITIONS, 1961–68

Company	Number of acquisitions	Total assets of those acquisitions (millions)
ITT	50	$3,705
Gulf & Western	67	2,882
Ling Temco Vought	23	1,901
Tenneco	31	1,196
White Consolidated	29	1,080
Teledyne	125	1,026
Occidental Petroleum	15	767
Litton	79	609
Total	419	13,166

This list is very incomplete and does not list any of the "older giants" which kept growing through the 1960's. But it does indicate that the annual reports, economic data, line of business information, tax data, and other informational reports that existed for each formerly independent company have now been lost forever, mazed into the aggregate and relatively meaningless reports of a few giants.

For example, Avis Sheraton Corporation used to file their own detailed reports—now all we know is that Avis Sheraton is part of ITT. How much of their profits make up ITT's profits—how much of ITT's total taxes are paid by Avis Sheraton? We just don't know.

Public information about where the losses or gains are being experienced, stated in recognizable, comparable terms of corporate organization, standard industrial classification, and tax data, is essential. Competitive balance between large and small businesses, and competition itself, is endangered when giants refuse—and are permitted to refuse—to tell what they are doing and how they are doing it.

One of the major questions that has never been answered is how much of the corporate sector is owned by other corporations and how much tax do they pay on the dividends from that ownership. [Refer to the section of this study that refers to the 85% dividends received deduction.]

The state of Wisconsin opened virtually all income tax returns from 1920 until repeal in 1953. Ironically the proponents for the repeal of the law were not individuals—who clearly have a legitimate and constitutionally protected interest in personal privacy—but powerful interest groups.

The Supreme Court decided long ago that the 14th Amendment applies to corporations. The idea that constitutional protections of privacy that apply to individuals should apply across-the-board to corporate entities is questionable. Corporations are never jailed or dissolved because they violate the law. Under present circumstances even the fine is tax deductible as a cost of doing business—illegally. The reasoning process that brought corporations under the 14th Amendment has shielded corporate structures from the kind of accountability and the kind of disclosure that would have made them more accountable. Where overriding public interest demands, that shroud of secrecy should be removed.

In recent years, I have been very concerned about the loopholes that allow these giants to legally avoid their tax liabilities. But last year's speeches by the Honorable Johnnie Walters, the recently fired Commissioner of the Internal Revenue Service, concern me, when he suggests that corporate tax evasion is becoming widespread. Disclosure of tax payments could help reverse such a tax avoidance trend.

The large corporations, through complex and combined reporting procedures, have made it impossible to accurately estimate from public sources the actual corporate federal income tax paid for any particular year. As a result of confusing and divergent corporate reporting methods, the public is not only being led to believe that corporations pay their fair share to support public services in this country, but they are also being misled in investment decisions.

The Congress of the United States, which makes our federal tax laws, is most effectively confounded and blindfolded by the shroud of secrecy, consolidation, and confusion that surrounds corporate taxes. As a member of the Ways and Means Committee I am beginning to feel that Uncle Sam is a blind man, guided only by special interest groups, throwing a tax collecting sieve into the sea of corporate profits. The Congress cannot legislate without facts. Until the tax code produces facts, it cannot produce revenue with justice.

CHAPTER I—85 PERCENT DIVIDEND RECEIVED DEDUCTION SHELTERS CORPORATE DIVIDEND INCOME—WITH NO JUSTIFICATION OR LOGIC

The 85% dividend received deduction is a disturbingly unjustified "free lunch" for American corporations. This provision of the tax law—section 243 of the IRS code—allows a corporation to deduct from taxable income, 85% of the dividends received from another domestic corporation. To use this provision, a corporation does not have to fulfill any requirements for any particular percentage of ownership interest or control in the company issuing dividends. A corporation investing its money in other corporations may successfully avoid most of the tax on its income derived from those sources.

I have attempted to discover how much of the corporate sector owns the corporate sector—but with present disclosure requirements, it is an impossible task.

Actual figures were impossible to acquire, but the following data presents a realistic projection of the dimension of tax avoidance related directly to the 85% dividend received deduction.

Total dividends received from domestic corporations for all industries

1966	$4,434,963,000
1969	5,031,253,000
1970	5,218,165,000

These figures amount to an increase of 15% over this five year period for corporate dividend income received from other domestic corporations. Most of the abuse of this provision is concentrated in holding and investment companies, as well as insurance companies.

Dividends Received From Domestic Corporations

1970:

Holding and investment companies, $1,943,504,000.

Insurance carriers, $1,051,884,000.

Fifty-seven percent of all dividends received in 1970 were received by these two sectors of the economy.

Using a conservative figure, it is probable that about $4,435,000,000 of corporate dividend income escaped taxation during the taxable year 1970. In 1972, using proportions and accounting for increased use of this provision, it is probable that $6,000,000,000 escaped taxation.

The 85% dividends received deduction is distinct from the 100% dividends received deduction for members of an affiliated group. The difference between those two provisions is vital in sifting out which dividends are non-taxable with equitable justification, and which are unjustified tax avoidance.

In cases where one corporation owns the entire capital stock of a second corporation, with the subsidiary paying a dividend to the parent, it is clear that the dividend should not be taxed—the funds have simply shifted from one pocket to another in the same pair of pants. The law recognizes this and allows 100% dividends received deduction for members of affiliated groups, with 80% stock ownership set as the definition of control.

However, the 85% "dividends received deduction" available to a corporation on dividends received from domestic corporations, regardless of any question of ownership, is a sham that gives corporations substantial tax benefits denied to individual taxpayers. This provision has no rational justification in the law. Justification sheepishly given by corporations is that without the deduction, there would be double taxation of the same income. *Mertens,* often quoted authoritatively on tax matters, has this to say:

"If it were not for this provision, dividends might become subject to taxation a number of times. This would be true where the stock of one corporation is held by another corporation, and the stock of the latter is held by another. Under such an arrangement a dividend paid by the first corporation to the second would be taxable to the latter, and again taxable to the third corporation when paid over to it. And again there would be a tax payable on the dividend paid by the third corporation to its stockholders." (Vol. 7, Ch. 38, Pg. 124)

This cry of "double taxation" is not sufficient reason to excuse a corporation from being taxed on this form of income. A corporation is taxed when it earns income and its individual shareholders are then taxed on the dividends—this too is double taxation. Yet, we have come to accept the fact that the same income may be taxed twice in this way. Why should a corporation be treated any different than an individual in this regard? It must be recognized that a dollar of income to a corporation is a dollar of income subject to taxation, whether that income is derived from the sale of a product, from interest on a note, or a dividend on an investment. The mere fact that some other corporation has paid tax on its income before distributing the dividend in no way alters the character of that dividend to the recipient. This dividend income should be taxed for a corporation the same way it is taxed for individuals.

The following example graphically illustrates the inequities inherent in the 85% "dividends received deduction":

A corporation may borrow money at 8% interest and invest in preferred stocks with an assured 5% dividend return, and because of the 85% "dividend received deduction," still come out ahead.

The corporation borrows $1,000,000 at 8% interest. The interest is $80,000, this is deductible in full against other income as an expense so at the 48% corporate tax rate, the out-of-pocket cost is $41,600.

The corporation invests the $1,000,000 in stocks at a 5% dividend rate:

Income	$50,000
Exclude 85 percent	42,500
Taxable remainder (use 48 percent rate)	7,500
Tax	3,600
Gross dividend income	50,000
Less tax	3,600
Less out of pocket interest	41,600
Profit on transaction	4,800

As a result of the 85% "dividend received deduction" the U.S. taxpayers have subsidized this corporation. The Treasury in effect paid the company $4,800 to borrow $1,000,000 in a situation where it cannot lose. This seems difficult to justify.

Dividends received from preferred stock and interest received on corporate bonds are similar in many ways:

(1) Neither has any vote or control in the corporation;

(2) Both virtually assure payment at a stated rate.

But the interest on the bond is fully taxable, while the dividend received is eligible for the 85% deduction. The taxability of the income to the corporation should not be dependent on the circumstances of the paying corporation—it is still income, whether someone else deducted it or paid tax on it.

LEGISLATIVE PROPOSAL

Corporations which meet current tests for affiliates eligible to file a consolidated return should be allowed to continue the 100% "dividends received deduction," which, as

earlier stated, has some justification in the law. But I recommend that this privilege be limited to two tiers of corporate organization, in order to discourage the proliferation of multiple levels of corporations without real business purpose.

The 85% "dividend received deduction" is neither logical, equitable, or demonstrably functional. It is in the most pure sense of the word a *tax loophole*, which corporations can use to lower their effective rates for Federal corporate taxes. Dividend income is no different than other types of income and deserves to be taxed without this special privilege.

There is no doubt, as with any question of tax reform, that those who now benefit—especially the insurance and investment companies—will predict the stifling of investment and "cracks in Wall Street." There are no historical facts to sustain such a claim—our economic history suggests that people will invest as long as there is a dollar to be made.

Chapter J—Tax Free Dividends

During the 1960's a mysterious development occurred—not intended by the Congress—in which mainly utilities and investment trusts began to distribute larger and larger amounts of tax free dividends to their stockholders.

A dividend is defined by law as a distribution of property—which includes money—by a corporation to its shareholders out of either current or accumulated earnings and profits. Any distribution in "excess" of current or accumulated earnings and profits is a tax free dividend, not currently taxable to the stockholders. When stock is originally bought, the initial purchase is called the "cost basis." For tax purposes the cost basis is the point from which the appreciated or depreciated value of that stock is calculated. When one receives a tax free dividend it reduces the owner's cost basis in his stock. After the basis is recovered, such additional dividends are then taxed as long-term capital gains. In a number of industries these tax free dividends, which result in avoidance of tax for the recipient at ordinary income rates and at capital gain rates, have been steadily increasing. Many of these industries are very capital intensive and have been maintaining steady and solid growth in total assets, net income, and retained earnings. Yet through a series of accounting manipulations, they have benefited from this "return of capital provision" in a manner that was intended by the Congress to apply to corporations being liquidated.

Although the primary abusers of this provision have been the utilities, real estate investment trusts have also been making tax free distributions in the same manner.

In 1968 power companies alone made approximately $400 million in tax free distributions—Consolidated Edison paying $83 million alone in 1968. In 1971 $119 million of such distributions were made by Consolidated Edison. It is very clear that the problem is becoming more severe every year. Consolidated Edison paid out 43% more in tax free dividends in 1971 than it did in 1968, but the company's annual reports show greater profits and growth and not the state of liquidation for which the law was intended.

The reason for the use of the word "mysterious development," is that the primary factor for determining the taxability of a distribution, is the level of "earnings and profits," an obscure tax accounting term. If a corporation can reduce its earnings and profits and still have large amounts of cash to distribute to its stockholders, the greater will be the propensity for a tax free distribution. Accelerated methods of depreciation and very short depreciation lives for tax purposes are the primary cause—for book purposes—of greatly reduced "earnings and profits."

This rather simple and uncomplicated phrase "earnings and profits" appears in over 60 places in the Internal Revenue Code but it is not defined anywhere in the Code. Earnings and profits are not the same as retained earnings nor is it the same as accumulated taxable income. It is a rather nebulous no-man's land having some of the characteristics of retained earnings and accumulated taxable income. However, the problem is that within this "mystic no-man's land," corporations wheel and deal with provisions of the tax code.

Since "earnings and profits" are not the same as retained earnings, it is often possible for a corporation to have increasing amounts of retained earnings legally available for the payment of dividends, even though there may be no "earnings and profits." The secret is the difference between book and tax income. In the Consolidated Edison example for 1971, the retained earnings exceed a half a billion dollars while "earnings and profits" reflected a deficit in both current and accumulated earnings and profits.

Summary of corporate distribution to stockholders and their tax treatment

In many situations, a tax free dividend is justifiable and has rational foundations in the law. The intent of this section of my tax study is not to attack the concept of the tax free dividend, but to expose the unjustified use of this tax benefit—a use that will continue in the future unless the tax law is changed. Many utilities, real estate operations, and trusts have abused tax free distributions—"the distribution out of capital."

The following chart provides a breakdown of the different types of corporate distributions, including a description of their tax treatment and effect on earnings and profits.

Note that number 4 under Nature of Distribution is the tax free distribution we are examining in this study:

TABLE 1.—BREAKDOWN OF DIFFERENT TYPES OF CORPORATE DISTRIBUTION

Nature of distribution	Shareholder's tax treatment	Effect of earnings and profits	Basis to distributee of any asset (other than cash) distributed
Out of current or accumulated (i.e. accumulated after Feb. 28, 1913) earnings and profits.	Dividend taxable as ordinary income	Reduces earnings and profits	Fair market value for individuals. Lesser of fair market value or adjusted basis to distributing corporations for shareholders.[1]
Out of earnings and profits accumulated prior to Mar. 1, 1913.	First reduces the basis (generally cost) of the stock, any excess taxable as a capital gain.	Reduces earnings and profits accumulated prior to Mar. 1, 1913.	Fair market value for individuals. Lesser of fair market value or adjusted basis to distributing corporation for corporate shareholders.[1]
Out of interest in value prior to Mar. 1, 1913	First reduces the basis of the stock, any excess not taxable.	Reduces earnings and profits attributable to increase in value prior to Mar. 1, 1913.	To the extent of reduction in basis fair market value for individuals and lesser of fair market value or adjusted basis to distributing corporation for corporate shareholders. Any excess may have zero basis.[1]
Tax free distribution out of capital	Tax free distribution, which first reduces the basis of the stock, any excess taxable as a capital gain.	No reduction	Fair market value for individuals. Lesser of fair market value or adjusted basis to distributing corporation for corporate shareholders.[1]

[1] The use of fair market value is required for corporate shareholders receiving distributions of assets on or after Nov. 8, 1971 from a foreign corporation not effectively connected with the foreign corporation's U.S. trade or business.

TABLE 2.—SPECIAL PROVISIONS (REGARDING LIQUIDATIONS, REDEMPTIONS AND STOCK DIVIDENDS)[1]

Nature of distribution	Shareholder's tax treatment	Effect on earnings and profits	Basis to distributee of any asset (other than cash distributed
In complete liquidation	As payment for stock, with difference between cost basis and payment treated as capital gain or loss.	No need to consider	Fair market value.
In partial liquidation	As payment for stock, with difference between cost basis and payment treated as capital gain or loss.	Reduces earnings and profits to the extent not chargeable to a capital account.	Do.
In redemption of stock, generally (under sec. 302(a) and 303).	As payment for stock, with difference between cost basis and payment treated as capital gain or loss.	Reduces earnings and profits to the extent not chargeable to a capital account.	Do.
In redemption of stock but treated under the general provisions as equivalent to a dividend (falls under sec. 201).[2]	Taxed under general provisions (see table 1)	Effect depends on application of general provisions.	Basis determined under general provisions.

Footnotes at end of table.

TABLE 2.—SPECIAL PROVISIONS (REGARDING LIQUIDATIONS, REDEMPTIONS AND STOCK DIVIDENDS) [1]—Continued

Nature of distribution	Shareholder's tax treatment	Effect on earnings and profits	Basis to distributee of any asset (other than cash) distributed
Stock dividend (sec. 305(a))	Not taxable as a dividend and excluded from income. A sale or redemption results in a capital gain. However, if considered sec. 306 stock may be taxed as a dividend or as ordinary income at time of subsequent sale or redemption. [3]	Distribution does not reduce earnings and profits. Redemption reduces earnings and profits, but not sale.	Basis of old stock is allocated between new and old stock.
Stock dividend treated as ordinary distribution under general provisions (falls under sec. 301). [4]	Taxed under general provisions (see table 1)	Effect depends on application of general provisions.	Basis determined under general provisions.

[1] This table covers common types of distributions which may receive treatment different from the general rule. There are numerous specialized provisions which are not covered, such as the treatment of dividends of regulated investment companies, personal holding companies and insurance companies, the treatment of redemption to pay death taxes, the treatment of distributions of related corporations, and treatment under reorganizations.

[2] There are no exact rules for determining when a redemption is considered a dividend. There are three rules which determine a redemption: (1) The redemption is disproportionate, (2) The shareholder's interest is completely terminated, or (3) The redemption is of railroad stock issued under a bankruptcy reorganization. Even if the redemption does not fall under any of these rules, it may still be considered a redemption and not a dividend if it can be shown not to have been essentially equivalent to a dividend.

[3] Sec. 306 covers the receipt of a nontaxable stock dividend which is later disposed of. Sec. 306 stock generally is a stock dividend other than common stock issued on common stock (or the equivalent). Redemption of sec. 306 stock is taxed as a dividend under the general provisions. Sale of sec. 306 stock results in the treatment of proceeds as ordinary income (up to the fair market value of the stock up to the proportional amount of earnings and profits of the corporation) at the time the stock dividend was made.

[4] Stock dividends may be considered regular taxable dividends under a number of situations: The following are treated as regular dividends: (1) Stock dividends paid on preferred stock (except increases in the conversion ratio of convertible to account for stock dividends or splits into which stock is convertible); (2) Stock dividends in lieu of cash (i.e., if any stockholder can elect to receive cash or property); (3) Stock dividends received by 1 class of common if another class of common (or convertible) receives cash or preferred stock dividends; (4) Stock dividends received by common stockholders if some received preferred and some received common; and (5) All distributions of convertible preferred unless they will not result in disproportionate distributions. In addition, the Secretary of Treasury may determine when certain distributions other than actual stock (such as changes in conversion ratios) comprise a taxable dividend.

INCREASED DEPRECIATION DEDUCTIONS ARE THE MAIN FACTOR REDUCING "EARNINGS AND PROFITS"—THEREBY INCREASING THE TAX FREE DIVIDEND ABUSE

The question is how has it been possible to abuse the tax free dividend provisions? The major reason is that depreciable lives of assets have been substantially reduced in relationship to their actual economic lives. The resulting dramatically increased depreciation is deducted in calculating "earnings and profits," causing distortions in dividend tax law applications which are determined by the level of earnings and profits. Since increased depreciation is the main cause of this tax avoidance, the following is a description of how, over the years, depreciation has been increased beyond the actual economic depreciation of the asset.

In 1931 Bulletin F, the first depreciation useful life schedule, established suggested lives for several thousand business assets. Before that time, the taxpayer calculated his depreciation deduction supposedly using the true economic life of the asset, but often using much shorter lives. Under the pre-Bulletin F system the burden of proof rested on the shoulders of the Internal Revenue Service to establish that the deduction was unreasonable.

The stimulus for further change was a report issued by a subcommittee of the Ways and Means Committee in 1933, which reported that depreciation deductions had increased substantially and that in 1931 corporate depreciation deductions exceeded corporate taxable income. In view of this situation and the supposed need for revenues at the time, the report recommended that depreciation deductions be decreased by 25% for three years.

However, Treasury Decision No. 4422 corrected the situation, involving excessive depreciation deductions, by placing the burden of proving the reasonableness of the deduction squarely upon the taxpayer. The Bulletin F lives were revised again in 1942, generally providing slightly shorter lives than the 1931 version. Until 1954, when accelerated depreciation methods were enacted, there were no statutory rules for determining the method of depreciation, although the Treasury had consistently favored the straight line method. In 1962, Bulletin F was replaced by guideline lives. This new decision made several major changes:

(1) It substituted about 75 class lives for the 5000 Bulletin F lives.

(2) It introduced an industry wide rather than asset type classification.

(3) It substantially shortened the lives, increasing depreciation deductions.

(4) It introduced a reserve ratio test—a procedure to test the acceptability of the lives based on the past taxpayers experience. (It was never applied because of delays in the law and was finally abolished in 1971.)

The reason for the change to guideline lives was to provide more economic stimulus by reducing the depreciable lives. In 1971, the Treasury introduced the asset depreciation range (ADR) which made two more major changes:

(1) It allowed taxpayers to shorten the class lives by 20%, and

(2) It repealed the Reserve Ratio test.

The use of accelerated depreciation methods and very short lives has greatly increased the depreciation deductions and have thus lowered the effective tax rates of corporations. These increasing depreciation deductions have also resulted in a distortion of "earnings and profits" which determines the taxability of a dividend;

(1) As a depreciation deduction *increases*, economic income *increases*, accounting net income remains the same (due to deferred tax accounting).

(2) As depreciation deduction *increases*, earnings and profits *decrease*.

(3) If earnings and profits *decrease* below the level of retained earnings for distribution to stockholders—then at that point the return of capital provision makes those distributions *tax free* until the basis is fully recovered.

CONGRESS IN 1969 ATTEMPTED A WEAK SOLUTION TO THE PROBLEM

During the hearings on the 1969 Reform Act, the Congress recognized the problem of these increasing tax free distributions. Therefore the 1969 Reform Act provided that for the purpose of computing "earnings and profits," a corporation must deduct depreciation on the straight line method, or on a similar method providing for ratable deductions of depreciation over the useful life of the asset. In effect the Congress attempted to limit to a reasonable amount the depreciation that could be deducted in computing "earnings and profits," which directly affects the taxability of dividends.

Up to this point we could feel assured that the Congress was seriously attempting to correct the problem. But the closing curtain had not yet crossed the stage.

Under pressure from Tenneco the Congress delayed the applicability of this provision until June 30, 1972, or for all intent and purposes until 1973 since most taxable years begin on January 1. This special interest, 3 year delay was given supposedly to avoid drastic reductions in the market value of the shares of corporations which were making such tax-free distributions. During this three year period, tax free distributions increased from $260 million in 1968 to more than $600 million in 1972. Rather than clearing up the problem during this lag period the companies seemed to have "caught their second wind in this tax free rip-off."

Before this attempted correction in the 1969 Reform Act could become effective in late 1972, the Congress enacted the Asset Depreciation Range which increases further the tax free dividend abuses. With ADR, taxpayers were permitted to shorten the lives of their depreciation assets by as much as 20% from the already short guideline lives established in 1962—greatly increasing the tax write-offs for depreciation. The elimination of the reserve ratio test and the further shortening of lives increases the straight line depreciation, thereby reducing "earnings and profits", and thus increasing the amount of tax free dividends that may be distributed. So it seems that to some degree if not totally, ADR will greatly obstruct or crush the delayed correction of the 1969 Act.

Therefore, in order to eliminate this unjustified tax avoidance, I am preparing legislation to restrict the deduction of depreciation in computing "earnings and profits" so as to eliminate the distribution of unjustified tax free dividends. My bill will force corporations to use the straight line method of depreciation *over the full economic life of the assets*, or the amount of depreciation used for book purposes—whichever is less—in computing "earnings and profits."

I would hope that when the Ways and Means Committee begins work again on the tax reform bill, this needed amendment will be incorporated into that effort.

The following charts illustrate the growing problem of non-taxability of corporate dividends. Consolidated Edison provides the most dramatic example of the abuse. The chart covers both common and preferred dividend payments of Consolidated Edison from 1962 to 1971 inclusive.

Note how on chart A, year by year the distributions become increasingly exempt from tax. In 1962, 51% of their total dividend payments were taxable while 48.6% were nontaxable. By 1970 Consolidated Edison had successfully distributed 100% of their dividends tax free—and 100% were nontaxable again in 1971.

In certain instances when companies liquidate, tax free dividends are justified. But let's examine the condition of Consolidated Edison over this ten year period. Virtually every year, this Company's net income increased steadily and significantly as can be seen on chart B. Over this ten year period, its net income increased 225%.

Consolidated Edison's retained earnings also increased every year from $261½ million in 1962 to $533½ million in 1971—an increase of 204%.

As these indications points out, Consol-

idated Edison, even with its heavy capital investments, seems to have maintained consistent growth.

To compound this shocking increase in the nontaxability of their dividends, Con-Ed's federal effective tax rate decreased from 23.77% in 1962 down to refunds in both 1970 and 1971. Note that the effective federal tax rate for 1971 differs from the charts in the beginning of my study. The effective tax rate for Con-Ed in 1971 was calculated last year. The data in this section was calculated with additional reporting information that was not used in calculating the effective rate for Con-Ed for the 1971 chart.

Taking only the last five years (1967–1971), Consolidated Edison reported to shareholders before tax net income of approximately $670 million on which they paid no Federal income tax (net for the five year period). Of this $670 milion they paid out over $524 million in dividends, of which $477 million were tax free to the shareholders. This is hardly the case of double taxation of corporate earnings—a favorite topic of corporate tax lobbyists—it is double tax avoidance.

Another large company which has taken advantage of tax free dividends has been the Virginia Electric Power Company. In 1969 VEPCO had an effective Federal income tax rate of 31.7% and their dividends were 96.7% nontaxable. While the data is not yet available for 1972, the company has estimated that the common dividends will be 100% nontaxable and the preferred dividends will be 55.5% nontaxable.

The VEPCO figures parallel the pattern of the Consolidated Edison charts. As the effective tax rate for VEPCO is dropping, the dividends are becoming increasingly nontaxable. This happens while the net income is increasing. VEPCO's net income was $63,251,000 for 1969 and $82,048,000 for 1971. This trend toward nontaxation is increasing the frustration and reducing the tolerance level of the American public. These companies with reduced tax payments and increased profits then throw salt on the public wounds by requesting massive rate increases for their services. Following is chart D describing the Virginia Electric Power Company dividend distributions and taxes paid over a five year period:

CONSOLIDATED EDISON CO.

	1962		1963		1964		1965		1966	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Dividends payments—Common	$48,273,761		$55,340,671		$58,707,527		$67,063,126		$67,063,126	
Cumulative preferred $5 per share	9,576,595		9,576,595		9,576,595		9,576,595		9,576,595	
Cumulative preferred, series A, 5¾ percent	3,450,000		3,450,000		3,450,000		3,450,000		3,450,000	
Cumulative preferred, series B, 5¼ percent	3,937,500		3,937,500		3,937,500		3,937,500		3,937,500	
Cumulative preference, 4.12 percent convertible, series A	3,079,542		3,784,080		1,874,221					
Dividends paid	[68,317,398]		[76,088,846]							
Cumulative preferred, series C, 4.65 percent					1,728,250		2,790,001		2,790,001	
Dividends paid					[75,274,093]					
Cumulative preferred, series D, 4.65 percent							2,170,000		3,487,502	
Dividends paid							[88,987,222]			
Cumulative preferred, series E, 5¾ percent									1,122,114	
Dividends paid									[91,426,838]	
Cumulative preferred, series F, 6.20 percent										
Cumulative preference, convertible, series B, 6 percent										
Cumulative preferred, series G, 8.30 percent										
Common:										
Taxable	(1)		18,389,705		0		8,047,575		0	
Nontaxable	(1)		36,950,966		58,707,527		59,015,551		67,063,126	
Cumulative preference series A and B:										
Taxable	(1)		3,784,080		1,368,181					
Nontaxable	(1)		0		506,040					
Cumulative preferred, series A to G:										
Taxable	(1)		16,964,095		18,692,345		21,924,096		14,130,953	
Nontaxable	(1)		0		0		0		10,232,759	
Total Dividend			76,088,846		79,274,093		88,987,222		91,426,838	
Taxable	(1)		39,137,880	51.4	20,060,526	25.3	29,971,671	33.7	14,130,953	15.5
Nontaxable	(1)		36,950,966	48.6	59,213,567	74.7	59,015,551	66.3	77,295,885	84.5

	1967 [4]		1968 [4]		1969 [4]		1970 [4]		1971 [4]	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Dividend payments—Common	67,063,126		67,101,985		67,967,537		73,436,126		81,188,234	
Cumulative preferred $5 per share	9,576,595		9,576,595		9,576,595		9,576,595		9,576,595	
Cumulative preferred, series A, 5¾ percent	3,450,000		3,450,000		3,450,000		3,450,000		3,450,000	
Cumulative preferred, series B, 5¼ percent	3,937,500		3,937,500		3,937,500		3,937,500		3,937,500	
Cumulative preference, 4.12 percent convertible, series A										
Cumulative preferred, series C, 4.65 percent	2,790,001		2,790,002		2,790,002		2,790,004		2,790,004	
Cumulative preferred, series D, 4.65 percent	3,487,502		3,487,502		3,487,502		3,487,502		3,487,502	
Cumulative preferred, series E, 5¾ percent	2,875,004		2,875,004		2,875,004		2,875,004		2,875,004	
Cumulative preferred, Series F, 6.20%	869,783		2,480,000		2,480,000		2,480,000		2,480,000	
Dividends paid	[94,049,511]									
Cumulative preference, convertible, (Series B, 6 percent)			4,762,425		5,500,937		5,481,453		5,470,691	
Dividends paid			[100,461,013]		[102,065,077]					
Cumulative preferred, Series G, 8.30 percent							507,200		4,150,006	
Dividends paid							[108,021,384]		[119,405,536]	
Common:										
Taxable	0		0		0		0		0	
Nontaxable	67,063,126		67,101,985		67,967,537		73,436,126		81,188,234	
Cumulative preference Series A and B:										
Taxable			0		0		0		0	
Nontaxable			4,762,425		5,500,937		5,481,453		5,470,691	
Cumulative preferred, Series A to G:										
Taxable	15,921,967		17,443,928		13,154,437		0		0	
Nontaxable	11,064,418		11,152,675		15,442,166		29,103,805		32,746,611	
Total dividend	94,049,511		100,461,013		102,065,077		108,021,384		119,405,536	
Taxable	15,921,967	16.9	17,443,927	17.4	13,154,437	12.9	0		0	
Nontaxable	78,127,544	83.1	83,018,086	82.6	89,910,640	87.1	108,021,384	100	119,400,536	100
Net income before Federal income tax and before extraordinary items	120,435,618		117,417,297		121,157,321		129,477,495		124,406,609	
Extraordinary items	[3](4,804,031)		[3](4,315,955							
Federal income tax	(27,480,000)		(21,320,000)		(20,200,000)		(17,700,000)		(14,100,000)	
Net income	88,151,587		91,781,342		100,957,321		111,777,495		110,306,609	
Beginning of the year retained earnings	237,662,023		261,496,212		277,188,708		298,871,936		321,662,209	
Special charges and credits	[3] 4,000,000									
Plus net income	88,151,587		91,781,342		100,957,321		111,777,495		110,306,609	
Less dividends	(68,317,398)		(76,088,846)		(79,274,093)		(88,987,222)		(91,426,838)	
End of the year retained earnings	261,496,212		277,188,708		298,871,936		321,662,209		340,541,980	
Effective Federal tax rate	27,480,000 / 115,631,587 =	23.77	21,320,000 / 113,101,342 =	18.85		16.67		13.67		11.33

Footnotes at end of table.

CONSOLIDATED EDISON CO.—Continued

	1967 [4]		1968 [4]		1969 [4]		1970 [4]		1971 [4]	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Net income before Federal income tax and before extraordinary items	139,216,639		150,719,355		142,288,814		110,927,252		139,016,831	
Extraordinary items	[5] (11,670,000)									
Federal income tax	[6] 4,521,532 [5] 5,600,000 (16,300,000)		(22,200,000)		[7] 5,014,715 [7] (7,200,000)		[9] 17,500,000		[10] 53,395,807 [11] 3,085,000 [11] 3,082,000	
Net income	121,368,171		128,519,355		140,103,529		128,427,252		198,579,638	
Beginning of the year retained earnings	340,541,980		367,860,988		395,919,330		433,957,782		454,363,650	
Special charges and credits	348									
Plus net income	121,368,171		128,519,355		140,103,529		128,427,252		198,579,638	
Less dividends	(94,049,511)		(100,461,013)		(102,065,077)		(108,021,384)		(119,405,536)	
End of the year retained earnings	367,860,988		395,919,330		433,957,782		454,363,650		533,537,752	
Effective Federal tax rate	10,700,000 127,546,639	8.39		14.73	7,200,000 142,288,814	5.06	Refund		Refund	

[1] Not readily available.
[2] Originally charged to retained earnings net-of-tax effect loss on debt retirement.
[3] Transfer from reserve for injuries and damages.
[5] Accrual of vacation pay attributable to prior years $11,670,000 less tax saving of $5,600,000.
[6] Tax refunds and/or reduction in liability on settlements for 1960 and 1961.
[7] Tax refunds and/or reduction in liability on settlements for years 1962 through 1965.
[8] Reduction of tax for year 1969 due to application of guideline depreciation $15,100,000 less $7,900,000 equals $7,200,000.
[9] Refund for 1970 net operating loss for tax purposes.
[10] Breakdown is as follows:

Refund of taxes, years 1962–68 due to retroactive election of guideline depreciation	$48,500,000
Interest on this refund at 6 percent	17,500,000
Gross refund	66,000,000
Estimated Federal taxes on the interest	(6,730,000)
Estimated State and local taxes	(909,796)
Total	58,360,204
Unlocated difference	(4,964,397)
Credited to income in 1970	53,395,807

In addition there are investment credit carryforwards of $32,700,000 plus any unused 1971 net operating loss, if any.
[11] Refund for 1971 net operating loss for tax purposes $2,100,000 plus reduction of $1,032,000 in accrued taxes no longer payable less $50,000 paid for minimum tax on tax preferences equals $3,082,000 while the $3,085,000 was the result of previously deferred taxes.

Note: Effective tax rate by year (Federal income tax dividend by net income before Federal Income tax but after extraordinary items, if any). Net income before Federal income tax and after extraordinary items for years 1962 through 1971 equals $1,274,273,245. Estimated Federal income tax paid for years 1962–71 reduced for refunds and interest equals $54,300,946. Effective tax rate for years 1962 through 1971 equals 4.26 percent ($54,300,946÷$1,274,273,245). If the net taxes paid ($54,300,946) were reduced by the "earned" but carried forward investment credits ($32,700,000) the effective tax rate would be ($21,600,946÷$1,274,273,245) or 1.7 percent for this 10-year period.

CONSOLIDATED EDISON CO.

	1963	1964	1965	1966	1967	1968	1969	1970	1971
Net income	91,781,342	100,957,321	111,777,495	110,306,609	121,368,171	128,519,355	140,103,529	128,427,252	198,579,638
Plus Federal income tax	21,320,000	20,200,000	17,700,000	14,100,000	16,300,000 (4,521,532) (5,600,000)	22,200,000	7,200,000 (5,014,715)	(17,500,000)	(53,395,807) (3,085,000) (3,082,000) 17,500,000
Net income before tax	113,101,342	121,157,321	129,477,495	124,406,609	127,546,639	150,719,355	142,288,814	110,927,252	156,516,831
Estimated taxable income	[3] 81,537,250	[3] 40,121,052	[3] 57,637,829	[3] 27,174,909	[3] 30,619,167	[3] 36,957,472	[3] 27,869,570	[3] (36,458,333)	[1] (4,375,000)
Difference (before tax net income in excess of taxable income)	31,564,092	81,036,269	71,839,666	97,231,700	96,927,472	113,761,883	114,419,244	147,385,585	160,891,831
Depreciation deductions for Federal income tax purposes	[4] 130,100,000	[4] 142,700,000	[4] 153,900,000	[4] 160,000,000	[4] 166,200,000	[6] 186,700,000	[6] 195,800,000	[6] 202,200,000	
Depreciation from income statement	[5] 76,836,000	[5] 83,561,000	[5] 88,259,000	[5] 89,793,000	[5] 92,459,000	[7] 95,915,000	[7] 100,729,000	[7] 107,355,000	
Difference due to depreciation	53,264,000	59,139,000	65,641,000	70,207,000	73,741,000	90,785,000	95,071,000	94,845,000	
Difference due to other than depreciation	27,772,269	12,700,666	31,590,700	26,720,472	40,020,883	23,634,244	52,314,585	66,046,831	

[1] $2,100,000 NOL refund÷48 percent=$4,375,000—Would be larger if there is a net operating loss carry forward.
[3] $17,500,000 NOL refund÷48 percent=$36,458,333.
[3] Taxable dividends÷(1-corporate tax rate)=Estimated taxable income for a utility company when some nontaxable dividends were paid. Corporate tax rates were 52 percent in 1963, 50 percent in 1964, 48 percent in 1965, 1966, 1967, and 1971, 52.8 percent in 1968 and 1969, and 49.2 percent in 1970.
[4] Per prospectus dated Sept. 12, 1969, p. 17.
[5] Per prospectus dated Sept. 12, 1969, p. 5.
[6] Per prospectus dated June 14, 1972, p. 30.
Per prospectus dated June 14, 1972, p. 6.

VIRGINIA ELECTRIC POWER CO.

[Dollar amounts in thousands]

	1967	1968	1969	1970	1971
Net income	$54,376	$57,813	$63,251	$72,154	$82,048
1. Federal income tax:					
Current	30,460	33,569	30,252	23,784	9,702
Investment credit	1,934	3,070	4,082	1,163	1,952
Investment credit	(366)	(424)	(516)	(1,318)	(2,062)
Deferred	(1,547)	(1,547)	(1,547)	(1,547)	(1,547)
Total	30,481	34,668	32,271	22,082	8,045
2. Before tax net income	84,857	92,481	95,522	94,236	90,093

	1967	1968	1969	1970	1971
Effective tax rate 1 divide by 2 (percent)	35.9	36.3	31.7	25.2	10.8
Dividends common	[1] $31,284	[1] $34,293	[1] $36,923	[2] $39,906	[3] $41,993
$7.45 preferred					[1] 2,194
$8.84 preferred				[1] 800	[1] 3,094
$7.72 preferred			[1] 1,329	[1] 2,702	[1] 2,702
$4.80 preferred	[1] 1,440	[1] 1,440	[1] 1,440	[1] 1,440	[1] 1,440
$4.12 preferred	[1] 515	[1] 515	[1] 515	[1] 515	[1] 515
$4.20 preferred	[1] 420	[1] 420	[1] 420	[1] 420	[1] 420
$4.04 preferred	[1] 404	[1] 404	[1] 404	[1] 404	[1] 404
$5.00 preferred	[1] 1,447	[1] 1,447	[1] 1,447	[1] 1,447	[1] 1,447
Total	35,510	38,519	42,478	47,634	54,209
Preferred taxable	4,226	4,226	5,555	7,728	12,216
Preferred nontaxable					
Common taxable	31,284	34,293	36,923	17,874	1,376
Common nontaxable				22,032	40,617
Total	35,510	38,519	42,478	47,634	54,209

[1] Taxable.
[2] Taxable, nontaxable, 55.21 percent.
[3] Taxable, nontaxable, 96.7240 percent.

Note: 1972 common dividends 100 percent nontaxable. 1972 preferred dividends 55.565 percent nontaxable. 1972 net income $103,737,000—net income increased $21,689,000 since 1971. VEPCO paid no Federal income tax in 1972 and even received a refund of $6,850,000; 1972 10—K form filed with the Securities Exchange Commission.

Companies paying 1972 cash dividends wholly or partly as a return of capital—Tax free dividends

[In percent]

Abacus Fund Inc	100
Advance Ross Corp	100
Aragon Fund Inc	50
Athlone Industries Inc	85
Atlantic City Electric Co., of Common	85
Babson Investment Fund	5.6
Belco Petroleum Corporation	100
Bernards Water Co	100
Boston Edison Co	100
Brooklyn Union Gas Co.—of Preferred	18
Brooklyn Union Gas Co.— of Common	100
Canal Rudolp Corp	77.4
Carolina Power and Light Co	60
Cascade Natural Gas Co	3
Central Hudson Gas and Electric	47
Central Louisiana Electric	13.8
Central Vermont Public Service	79
City Investment Co.—of Preferred	20
City Investment Co.— of Common	100
City Water Co. of Chattanooga	100
Clinton Water Works Co	100
Colonial Income Fund	41
Commercial Alliance Corp	100
Commonwealth Realty Trust	18
Connecticut Light and Power Co	22
Connecticut Natural Gas Corp	100
Consolidated Edison Co. NY	100
Davenport Water Co	100
Delmarva Power and Light Co of Common	80.3
Detroit and Canada Tunnel Corp	1.06
Detroit Edison Co.— of Common	98
Equitable Gas Co	15
General Public Utilities— of Common	80
General Real Estate Shares	30.43
Green Mountain Power	100
Gulf States Utilities — of Common	23
Hackensack Water Co.— of Common	57
Hawaiian Electric Co	53.2
Hugoton Gas Trust	22
Hydraulic Co	35
Idaho Power Co.— of Common	9
Interstate Power Co.— of Common	4.9
Investors Realty Trust	27.8
Lawrence Gas Co	60
Long Island Lighting Co.— of Common	72
Lynn Gas Co	45
Maine Public Service Co. of Common	32
Middlesex Water Co.— of Common	94
Mountain Fuel Co.— of Common	71
Mystic Valley Gas	35
Mystic Valley Water Co	100
New England Electric System	35
New York State Electric and Gas Co. —of Common	90
Niagara Mohawk Power Co. —of Common	95
Northern States Power Co.—of Common	62
Northwest Industries	100
Ogden Corp	100
Ohio Water Service Co	40
Oklahoma Gas & Electric—of Common	18
Orange and Rockland Utilities	100
Pacific Gas and Electric—of Common	42
Pacific Gas Transmission	65
Pacific Power and Light—of Common	75
Portland General Electric	49
Potomac Electric Power Co.—of Common	75
Presidential Realty Trust	100
Public Service Company of New Hampshire—of Common	70
Public Service Electric and Gas— Preferred	40
Public Service Electric and Gas— of Common	100
Puget Sound Power and Light— of Common	42
Rapid American Corp. (Ohio)	100
Reading and Bates Offshore Drilling	100
Recrion Corp	100
Rheingold	100
Riverside Real Estate Investment Trust	100
Rochester Gas and Electric Corp— of Common	86
Savannah Electric and Power— of Preferred	70
Savannah Electric and Power— of Common	100
Sierra Pacific Power—of Common	64
Small Business Investment Co	100
South Carolina Electric and Power— of Preferred	35
South Carolina Electric and Power— of Common	100
South California Edison—of Common	49
Southern Co	64
Southern Connecticut Gas—of Common	80
South West Gas Corp.—of Common	49
Southwestern Electric Service— of Common	12
Southwestern Public Service— of Common	19
Springfield Gas Light Co	21
Standard Shares	100
Texas Oil and Gas	100
Transcontinental Gas Pipeline— of Common	9
Trinity Petroleum Trust	24
UAL	100
Union Electric—Preferred	25
Union Electric—of Common	100
U.S. Bancorp Realty and Mortgage Trust	15
U.S. Realty Investments	21
Utah Power and Light—of Common	70
Virginia Electric & Power—of Preferred	55
Virginia Electric & Power—of Common	100
Washington Natural Gas—of Common	5
Washington Water and Power— of Common	18
West Virginia Water Co	100
Western Union	100
Western Union Telegraph	100

* Information From "Capital Changes Reports" Commerce Clearing House.

CHAPTER K—WESTERN HEMISPHERE TRADE DEDUCTION THE ULTIMATE IN ACCOUNTING GYMNASTICS

The Western Hemisphere Trade Corporation deduction reduces a qualifying corporation's tax liability from 48% to 34% without equitable justification. This tax provision has also benefited taxpayers whom the Congress never intended to benefit.

When the Western Hemisphere Trade Corporation deduction (WHTC) was incorporated into the law in 1942 its original intent was to exempt American corporations actively doing business outside of the U.S., but in the Western Hemisphere, from the World War II surtax. It was claimed that that excessive surtax greatly damaged their competitive position abroad—a tear jerking argument in light of historical developments of American multinationals.

In examining historical records, I have found that the reason for the original legislation in 1942 was that several American corporations, engaged in actual business operations in Latin America, actively lobbied for the provision—Patino mines in Bolivia, a telephone company in Argentina, and a railway company in Central America claimed that the tax was unfair. Patino mines thought the war surtax was unfair and that the U.S. tax was too high a price to pay for a U.S. charter—threatening to charter elsewhere if an exemption wasn't granted. Also on the committee record was a letter from ITT operating in Argentina urging the exemption. Senator George, then chairman of the Senate Finance Committee, said:

"That the tax laws of other countries did not levy taxes on the foreign based branches of domestic corporations and that to alleviate the inequity somewhat, and to encourage our American corporations in doing business in the western hemisphere, we have provided the WHTC."

But what began as a so called "life saver" provision for several specific U.S. corporations soon became a "free-for-all"—tax shelter sharks smelled blood and the frenzy was on.

The vague language of the provision soon allowed domestic exporters to bite into benefits. Through a series of legal and accounting gymnastics, domestic subsidiaries were created to qualify as a WHTC. To qualify a corporation must:

(1) be a domestic corporation;

(2) conduct all of its business in the Western Hemisphere;

(3) have 95% of its income come from sources outside the United States.

After World War II the provision was greatly expanded by judicial interpretation so that exporters or specially designed subsidiaries with no investment outside of the

U.S. could become WHTC's for tax avoidance purposes.

Total Revenue Loss to the Treasury Because of the WHTC

1966	$401,831,000
1969—729 returns	331,030,000
1970—641 returns	289,000,000

My staff inquired at the Treasury to determine why the revenue loss figures were decreasing—why were less companies electing to take WHTC? The Treasury claims that they do not know why fewer companies are electing the provision. But it is evident that revenue losses to the Treasury are substantial and continuing.

The following is an example of how the WHTC deduction is computed for a corporation with $100,000 pre-tax net income.

(1) $100,000 net income times 14 percent divided by 48 percent equals $29,167.

(2) $100,000 net income minus $29,167 deduction (WHTC) equals $70,833 taxable income.

(3) $70,833 times 48 percent divided by 100 percent equals $34,000 federal tax payable.

(4) $70,833 taxable income minus $34,000 federal corporate tax paid equals $36,833 plus $29,167 equals $66,000 income after tax.

The Western Hemisphere Trade Deduction saved this corporation $14,000.

The same example is taken without FHT deduction for a corporation with a net income of $100,000.

(1) $100,000 net income times 48 percent divided by 100 percent equals $48,000.

(2) $48,000 federal tax payable.

(3) $52,000 income after tax.

The following chart provides an industry breakdown of the benefits received as a result of the Western Hemisphere Trade deduction in the year 1969.

TOTAL ACTIVE CORPORATION RETURNS

No. of returns, 729.

Total, $331,030.000.

The following is an industry breakdown of those that benefited from the WHTC.

MAJOR INDUSTRY	*Amount*
Agriculture, forestry and fisheries	$4,050,000
Mining:	
Total mining	41,243,000
Metal mining	30,933,000
Coal mining	----------
Crude petroleum and naural gas	1,038,000
Nonmetallic minerals (except fuel)	9,227,000
Construction	3,905,000
Manufacturing: Total Manuturing	262,240,000
Food and kindred products	5,366,000
Tobacco manufacture	53,000
Textile mill productions	----------
Apparel and other fabricated products	279,000
Lumber and other wood products (except furniture)	92,000
Furniture and fixtures	1,000
Paper and allied products	1,180,000
Printing and publishing	635,000
Chemicals and allied products	27,275,000
Petroleum refining and related industries	106,596,000
Rubber and miscellaneous plastic products	667,000
Leather and leather products	80,000
Stone, clay, and glass products	1,020,000
Primary metal industries	94,486,000
Fabricated metals, (except machinery and transportation equipment)	3,919,000
Machinery (except electrical)	10,762,000
Electrical equipment and supplies	7,134,000
Motor vehicles and equipment	$700,000
Transportation equipment (except motor vehicles)	419,000
Scientific instruments, photographic equipment, watches, and clocks	1,185,000
Miscellaneous manufacturing products and manufacturing not allocable	391,000
Transportation, communication, electrical, gas, and sanitary services: Total amounts	3,650,000
Transportation	2,637,000
Communication	920,000
Electric, gas, and sanitary services	93,000
Wholesale and retail trade:	
Total wholesale and retail	13,757,000
Total wholesale	13,622,000
Groceries and related products	1,507,000
Machinery equipment and supplies	5,184,000
Miscellaneous wholesale trade	6,931,000
Total retail	135,000
Building materials, hardware and farm equipment	----------
General merchandise stores	----------
Food stores	----------
Automobile dealers and service stations	----------
Apparel and accessory stores	----------
Furniture, home furnishings, and equipment stores	----------
Eating and drinking places	----------
Miscellaneous retail	135,000
Wholesale and retail not allocable	----------
Finance, insurance, and real estate:	
Total banking	619,000
Credit agencies other than banks	214,000
Security and commodity brokers, dealers exchanges and services	----------
Holding and other investment companies	89,000
Insurance carriers	163,000
Insurance agents, brokers and service	153,000
Real estate	----------
Services:	
Total services	1,566,000
Hotels and other lodging places	222,000
Personal services	----------
Business services	209,000
Auto services and miscellaneous repair services	126,000
Amusement and recreation services	427,000
Other services	582,000
Nature of business not allocable	----------

LEGISLATIVE HISTORY OF THE WESTERN HEMISPHERE TRADE CORPORATION ILLUSTRATES THE LACK OF ECONOMIC JUSTIFICATION IN THE LAW AND ITS EVOLUTION

In 1942 the World War II excess profits tax was adopted by the Congress and an exemption from that tax was granted to domestic corporations that derived 95% of their income from sources outside of the U.S. This provision was introduced as a floor amendment in the House and passed without debate. The rationale for this special treatment was that the excess profits tax related to fiscal problems of the American domestic economy and was designed to combat the rapid increase in domestic income brought about because of defense spending. For the very few corporations—mentioned earlier—whose business activity was elsewhere in the world, primarily in Latin America, proponents urged that they should not be affected by this tax.

In 1942, Congress was after more revenue to finance the war and increased the corporate surtax. At the time this surtax was passed the Congress exempted the Western Hemisphere Trade Corporation from the surtax—which continued after the war as a .4% reduction in the corporate tax rate.

But looking later and deeper into the records it becomes evident how this provision actually made it into the law. The following is a colloquy which took place in 1955 between Senator Douglas and Professor Roy Blough, who was the Treasury economic expert on taxes in 1942 when the provision was adopted into law:

"Senator DOUGLAS. But there is a special exception made in the case of Latin America and there is exception, as I understand it, made in the deferral of taxes on re-invested earnings of foreign incorporated subsidiaries of American concerns, am I correct?

"Mr. BLOUGH. That is correct.

"Senator DOUGLAS. My inquiry is, was it wise to get started down this road in the first place?

"Mr. BLOUGH. Well, I was in the Treasury at the time the 14 percentage points was first put in, and my recollection is that there were a very few specific corporations which had particular financial problems, and which were represented by some pretty influential people, and Congress——

"Senator DOUGLAS. This is not an economic argument. It may be a political argument, but it is not an economic argument. We are trying to be economists and statesmen, and not politicians you see.

"Mr. BLOUGH. Yes indeed, and to conclude my point, and it seems to me that the considerations which dictated that action were different from the ones you have in mind.

"Now, the matter has been rationalized since then into something different, but if my memory serves me correctly, that was the actual basis for it in the first place.*"

The Treasury Department was not happy about the resulting preferential treatment and proposed as a solution that the Latin American corporations involved be exempt from the war surtax. The State Department opposed preferential treatment for American branches since it thought foreign incorporation to be a desirable solution. As a result of conflicting pressures from within the Administration, the Treasury took no active position. Unfortunately this was the climate in which the Western Hemisphere Trade deduction came into law. And as Stanley Surrey said in the *Columbia Law Journal* of 1956:

"Clearly the isolated and atypical problems which were presented in 1942 did not justify the broad rate reduction contained in the WHTC. One is struck with the paucity of Congressional consideration and discussion of these issues in 1940 and 1942. One senses the pressure exerted by a few important or persistent taxpayers and "ad hoc" resolutions of their problems. Yet the principles and rationalizations poured into these provisions after their adoption, are in marked contrast to their origins."

EXPORTERS JUMP ON THE BANDWAGON

The most dramatic revenue loss to the Treasury as a result of the Western Hemisphere Trade provision has been in an area that was entirely unforeseen when the provision was enacted into law by the Congress. As Stanley Surrey said in his Law Journal article:

"The draftsmen of the measure, having in mind the corporations actively operating in Latin America which had succeeded in obtaining from Congress the lower tax rate, and lacking the sufficient tax knowledge about the general tax background respecting foreign income, simply used the pattern of

* Hearings before the Subcommittee on Tax Policy of the Joint Committee on the Economic Report, 84th Congress 1st session, page 624 (1955)

prior provisions referring to income from 'sources without the U.S.' They believed that this language together with a requirement that the income be derived from the 'active conduct of trade or business' would properly delineate the situations involved. Subsequent developments proved that they were sadly misinformed."

Today the Western Hemisphere Trade corporation is largely a feature of export trade and not of indigenous manufacturing activity.

Many corporations will break off part of their operations and and create a Western Hemisphere Trade corporation to receive the lower tax rate. Most exporters readily altered their nomal business operations to fit these new tax-dictated patterns.

Nearly all of the exporters who operated under the provision recognized that their new business operations were artificially tailored to the tax rules. Tax counsel carefully scrutinized all business accounts and transactions to insure that WHTC status was not lost. Once these tax counsel make the necessary arrangements, the exporters can readily enjoy tax windfalls which an uninterested Treasury, an uncritical Congress, and hurried draftsmen handed them in 1942.

LEGISLATIVE RECOMMENDATION

The continuance of this provision beyond its World War II setting was an accident of tax history—and an unnecessary one. On June 22nd, I introduced legislation to repeal the Western Hemisphere Trade Corporation deduction.

The only possible benefits resulting from this provision might be a slight increase in our export trade. But it must also be noted that this export benefit is more than offset by import inducements which are also provided by this provision. With other direct tax inducements to export, it seems needless and senseless to maintain this substantial revenue loss of an expected $200 million in 1972 and another $190 million in 1973. This tragic "tax mistake" by the Congress and the Treasury has cost the U.S. taxpayers over $10 billion since 1942.

Let the public beware that the writers of our tax law are not always sure of the effects of their actions. The combination of special interest pressure and human error may reap bountiful harvest for the lucky few.

It is my hope that the Ways and Means Committee during the upcoming tax reform hearings will equitably eliminate this wart from the tax code.

CHAPTER L—INVESTMENT TAX CREDIT: AN INEFFICIENT STIMULATOR, AN INCENTIVE FOR CONCENTRATION

In a perfectly competitive economy, the primary directive of business investment is demand, and any incentive for business investment other than expansion determined by demand will cause economic distortions. Investment in plant and equipment falls off when the economy sags, leaving most operations with idle machinery. Therefore, investment tax incentives to buy more machinery will likely have little effect, especially in the short run, for creating more employment.

A company cannot increase its employment or its sales to the public by using tax incentives to purchase new equipment when its existing equipment is already lying idle due to slack demand. While such tax incentives may increase after-tax earnings for the company, they have a very low "cost-benefit" ratio for the economy as a whole. Despite an estimated investment tax credit cost to the Treasury of $3.8 billion in 1972, unemployment remains at the unacceptably high level of 4.8%—even though the investment tax credit has been in effect for nearly two years.

Demand being the most efficient and effective stimulant to end a recession, it would have been wiser in 1971 to reduce consumer taxes in order to stimulate demand, rather than to have re-established the investment credit. Once the economy got moving, a tax increase probably would have had an immediate effect to dampen inflation, saving us from the uncertain, hazy situation that exists today. This reduction of consumer taxes coupled with an investment credit only for additional job-producing expansion would have avoided the shotgun approach of the general investment tax credit, which ignored many it would have helped and benefited some needlessly.

INVESTMENT TAX CREDIT FAVORS THE BIG CORPORATIONS

A smaller company may not have the cash flow or savings to use investment credit in a slack period. But a very large corporation, especially a diversified company, regardless of demand or expansion, may be interested in a write-off that may not produce any new jobs in that company. In 1972 the 500 largest industrials, which obtained the vast majority of tax benefits from the investment credit, had 136,960 fewer workers than in 1969, pointing out that the investment credit is not as directly successful as some of its proponents would have us believe.

In 1971, when the investment credit was reinstituted, nearly 30% of our nation's capital machinery was lying idle. But if the incentive was used only for productive equipment for expansion, it would provide maximum economic stimulation per dollar of Treasury loss.

For example, if a taxicab corporation has a fleet of 100 cabs and regularly replaces ten cabs each year as they wear out, there is no incentive or gain to the economy in providing a tax incentive to the company to buy the ten cabs which they already intended to buy. Instead, the law should be amended to provide an investment incentive if the company decides to expand its fleet of cabs from, say, 100 to 110 cars. They would then be allowed a credit on the purchase of the ten new or additional cabs. This would concentrate the effect of investment tax incentives on expansion—in this case, on the employment of ten new drivers and the manufacture of ten new cars.

CHAPTER M—INDEMNIFICATION OF CORPORATE EXECUTIVES FOR ILLEGAL ACTS

According to the former Commissioner of the Internal Revenue Service, Johnnie Walters, tax fraud is becoming popular. Despite inadequate auditing manpower, the IRS has recently been turning up astounding cases of tax evasion schemes among large, publicly held corporations.

One large firm listed on the New York Stock Exchange "grossly understated excise tax by subterfuge." The IRS claimed that violations were so flagrant that the company and two of its principal officers were indicted on criminal charges.

Another company bought insurance from a foreign concern but did not report rebates of 1 to 2 million dollars a year paid to its Swiss subsidiary. Still another deducted the cost of spare parts while depreciating the same items, thereby claiming millions of dollars in double deductions.

Bookkeeping manipulations are also popular. One corporation whose "charitable contributions" exceeded the maximum allowable deduction simply shifted, through a bookkeeping entry, nearly $1 million out of the contributions account and reduced its reported sales total. Unreported and illegal corporate political contributions now coming to light indicate some of the depths of corporate bookkeeping manipulations.

Strangely enough, there is a conspicuous disparity between sentences for tax crimes and sentences for other crimes. Harsh sentences for individual street crimes are commonplace. The theft of a used car worth $500 rates a three-year prison term whereas the tax evasion of $50,000 rates a small fine and no prison time at all. Harsh sentences are rarely issued for the crimes of businessmen. Even the fines are so low, in many cases, that they are merely viewed as the cost of doing business illegally.

Giving great encouragement to this corporate lawlessness is a practice known as indemnification, in which a corporation pays for all or part of an officer's legal expenses or fines as a result of a criminal indictment. I am preparing legislation that will make it illegal for an employer to deduct expenses incurred for the indemnification of employees who commit criminal offenses.

The corporation, after paying legal fees and fines for an executive who has committed a criminal offense, deducts these expenses from its Federal income tax. As a result, an unconscionable situation has developed where the legal defense of those who have committed a criminal offense "for the good of the company" is paid for by the taxpayers.

Article XV of the By-Laws of the Continental Oil Company for 1971 and 1972 provides as follows:

"The corporation shall indemnify to the full extent authorized or permitted by the State of Delaware any person made, or threatened to be made, party to an action, suit, or proceeding (whether civil, criminal, administrative, or investigative) by reason of the fact that he, his testator, intestate, is or was a director, officer, or employee of the corporation or serves or served any other enterprise at the request of the corporation."

Corporate executives of Continental Oil have not, to my knowledge, committed any criminal offenses, but this potential misuse of the taxpayer's money is written into their By-Laws.

The tax counsels of large corporations are experts and know tax law very well. Like all other individual citizens, they should be held strictly responsible for their actions.

CHAPTER N—INDUCING COMPETITIVE PRICING IN MONOPOLIES—THROUGH THE TAX CODE

Except for the recent initiative by the Federal Trade Commission, our antitrust enforcers seem to be suffering from a lack of courage and direction. "Cobwebs" have developed in the antitrust division of the Justice Department. In short, the Federal government seems to have blinded itself to the impact of concentrated economic power on the consumer.

In hearings before the Senate Select Committee on Small Business in 1971, it was noted that the Federal Trade Commission has data showing that if the leading oligopoly industries were broken up, there would be as much as a 20% reduction in the prices of products produced by those industries. Yet we still see no action. Instead, policy statements were issued by the Department of Justice similar to this: "ITT should not have to divest itself of Hartford Insurance because that action would have had a deleterious effect on the economy."

It is my feeling that the Congress should not abdicate complete authority to any Administration. Our national antitrust policies must not be dependent on the four year cycles of any one man's politics. The Congress should assert itself in countering the effects of monopolistic power through the use of tax policy—a self-enforcing, self-administering anti-trust policy that is consistent and free from the political whims of the day.

EXCESS PROFITS TAX ADOPTED AS AN EXCESS MONOPOLY PROFITS TAX

An excess profits tax is a tax levied on income. The income which is the base of an ex-

cess profits tax is that portion of net income which is supposed to exceed normal income. During wartime a high rate of taxation in the form of an excess profits tax was used to "scrape off" the high inflationary profits of certain industries. These inflationary profits were a result of massive Federal contracts for war production. This concept could and should be adopted to induce competitive pricing within monopolistically controlled "high priced" industries.

The purpose of the excess profits tax during the war was to prevent profiteering as a result of the war. The Congress should apply this same principle to prevent corporations from profiteering through high prices as a result of monopoly power.

The objective of a monopoly profits tax would be to return monopoly profits to the public either through higher taxes, or lower prices to the consumer. The scope of the provision could be broadened by adding a "forgiveness" feature under which the tax owed would be forgiven to the extent that price reductions were made. Any corporation affected by the tax could obtain "forgiveness" of all or part of the tax owed by the simple means of reducing the prices of its products in the following year. If a corporation's proposed price reductions in the following year were equal to the monopoly profits tax of the previous taxable year, then no tax would be owed, and no tax would be paid. In practice the tax is levied on one year but not collected until one year from the end of that taxable year.

The monopoly profits net income on which the tax would be applied would be similar to the excess profits net income computed under the excess profits tax of World War II.

The following is an example of how the forgiveness provision would operate to reduce monopoly prices. Assume that a corporation had a monopoly profits tax in 1970 of $500,000 and sales of $12 million, which represented 1 million units sold at $12 each. In computing the amount to be forgiven, it would be assumed that in 1971 the corporation would sell the same number of units as were sold in 1970. Whether the corporation sells a larger or smaller number of units is immaterial, since the computation only determines the amount of forgivness of a tax on income already earned. In this example, the corporation can obtain complete forgiveness of its 1970 tax of $500,000 by reducing the prices of its products in 1971 by 50c per unit.

This monopoly profits tax would simulate actual reductions in prices to break up noncompetitive price structures. The tax would inject uncertainties into the minds of rival oligopolists. Without an agreement or understanding, which would remain unlawful under the antitrust laws, no one could be assured what choice his rival might makes. The company that elects to pay the tax to the government has good reason to fear that his competitor might elect to reduce his prices.

Thus from one simple tax provision could flow anti-monopoly competition. These monopoly industries would have to economize and reduce prices or lose out in a competitive struggle.

CHAPTER O—TAX POLICY AS AN ANTITRUST MECHANISM

Phase I, II, III, III½, and IV wage and price controls were inevitable economic responses to the pricing distortions caused by the concentration of our Nation's largest corporations. If the U.S. economy were made up of small and medium sized corporations, the need for such controls would never have arisen. The problem developed when giant corporations continued to raise prices as productivity increased. If smaller companies dominated the market, competition would have held price levels down.

One direction in which we can move in order to maintain control of our economy is to develop new mechanisms of control for monetary policy in order to deal with concentrated power. The following example will illustrate one of the many ways multinationals have warped the precision tools of economic control. Nineteen of our Nation's largest banks are now giant multinational operations, obtaining financing funds from the Eurodollar market, beyond the control of domestic monetary policy. During the 1950's tightening of the money supply by the Federal Reserve System would have significantly cooled the economy if it was needed. Now the largest banks and corporations just borrow funds from the European money markets on their accounts overseas, regardless of U.S. policy. At present, the tightening of the interest rates puts a credit squeeze on the small businessman but has little effect on the growth and expansion of the largest corporations. Andrew Brimmer of the Federal Reserve Board, in his 1972 study entitled *Multinational Banks and Management of Monetary Policy in the U.S.*, said:

"The mainsprings of this evolution have been a small number of very large multinational banks constituting the core of the domestic money market but which are also heavily involved in international finance. Because of the activities of these large institutions in mobilizing and rechanneling funds, the financial system in the U.S. has become much more open to the influence of foreign financial developments than was the case a year ago."

Moving in another direction, we could provide incentives and disincentives in the tax law to break the whirlpool movement of concentration. The same tax code that provided incentives for acquisitions, such as the "pooling of interest provision," could be adjusted to reverse the trend of concentration.

Antitrust policy in its present form will never be an efficient or effective economic tool. It has been too sporadic, with no specific policy geared to the economics of the whole market. The Justice Department and the Courts tend to spend a disproportionate amount of time on the individual case, rather than providing an overall policy. The tax code could provide a clean, across-the-board approach to encouraging giant corporations to divest.

Our present antitrust laws have been somewhat effective against horizontal and vertical acquisitions, but present laws have been totally ignored and ineffective against the wave of conglomerate mergers which took place during the 1960's.

STATEMENT IN RESPONSE TO ITT CRITICISM OF THIS REPORT

Mr. VANIK. Mr. Speaker, before concluding, I would like to enter in the hearing record a copy of a statement, read over the telephone to my office, issued by ITT president, F. J. Dunlevy:

ITT STATEMENT

ITT President, F. J. Dunlevy said: "There is serious error in Congressman Vanik's figures." Mr. Dunlevy said: "ITT taxable U.S. income in 1972 was $246 million, and the total tax liability was $98 million. ITT had a credit of $55 million on the taxes already paid to foreign government and an investment tax credit of $17 million on the approximately $400 million invested in new plants and equipment in 1972 to sustain and create jobs. Our net tax due to the Federal government was approximately $26 million and that has been paid in estimated tax payments. Our final tax return for 1972 is not due until September 15, 1973."—ITT.

Mr. Speaker, Mr. Dunlevy of ITT stated that ITT's taxable U.S. income in 1972 was $246 million. My investigation indicates that ITT's adjusted net income before Federal income taxes reported to shareholders was $376,383,000. Mr. Dunlevy is unfortunately comparing "apples and oranges." Inherent in the terms taxable income and adjusted net income before Federal income tax are a variety of differences which were illustrated in the footnotes and appendix to my study. For example, the appendix to my study indicates that for financial statement reporting purposes, companies frequently consolidate foreign subsidiaries and subsidiaries which are more than 50 percent owned while for Federal income tax purposes generally, they must be domestic subsidiaries and 80 percent or more owned before they can be included in a consolidated income tax return. This means that the taxable income figure given by Mr. Dunlevy is not comparable with the figure which I have published in my study.

Mr. Dunlevy also states that the total tax liability of ITT was $98 million. He does not indicate in that $98 million figure how much is currently payable to the U.S. Government, how much is deferred, nor how much is foreign taxes.

Mr. Dunlevy states that the net tax due to the Federal Government was approximately $26 million and that has been paid in estimated tax payments. He states that this is an approximate figure and that the final tax return for 1972 is not due until September 15, 1973.

The fact that this has already been paid in estimated tax payments does not necessarily indicate that it is ITT's actual liability. Also, we again encounter the problems which were indicated in the footnotes and appendix to my study. The principles and practices upon which the financial statements were prepared differ from the principles and practices upon which consolidated Federal income tax returns are filed.

As a result, I feel that ITT's statement seems misleading in that it doesn't describe a comparable tax picture. I stand on my statement that it appears, from available published sources, that ITT paid no more than 1 percent Federal income tax in 1972.

SUPPORT URGED FOR H.R. 790 TO ELIMINATE AN UNDUE BURDEN PLACED ON FARMERS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. MICHEL) is recognized for 5 minutes.

Mr. MICHEL. Mr. Speaker, the Members of this body recently muddled through hours of debate and many votes to approve a farm bill and send it to conference. After that, and with today's concern over high food prices and a possible beef shortage looming over the horizon, it would hardly seem necessary to bring the plight of the farmer to the attention of my colleagues. Yet, I find it necessary today to do just that.

Since enactment of the Consumer Credit Protection Act, or truth-in-lending law, in the 90th Congress, the farmer

has been subjected to an unreasonable amount of delay and inconvenience. Lending institutions are presently required to treat farmers seeking production and expansion loans as consumers subject to unnecessary rigid disclosure rules, unlike businessmen who are specifically exempted from these provisions. Yet, in today's modern agriculture industry, credit has become a working tool with which farmers and ranchers are as skilled as any businessman. It seems unfair that farmers should be treated differently from the guy who owns the corner grocery store and wants a loan to expand his business. Many of my constituents have voiced their resentment to that differentiation.

The disclosure requirements of the act have created difficulties with respect to many farm loans, especially irregular and seasonal loans. The provision for a 3-day right of rescission causes delays in disbursements and hardships to many agricultural producers. The unnecessary bookkeeping forced by these rules results in higher credit costs being passed on to the farmer.

I have reintroduced H.R. 790 today with 30 cosponsors in an effort to remedy this situation. The bill would remove all credit transactions for agricultural purposes from the scope of the act. This would be accomplished by simply changing the definition of the term "consumer" in the act so that the words "household, or agricultural purposes" would read "or household purposes." Let me emphasize that this bill is not intended to remove from the scope of the act any loan obtained for personal or household purposes.

Last week, the Senate passed S. 2101, amendments to the Truth-in-Lending Act, which included a section stating that an agricultural loan primarily for agricultural purposes over $25,000 would be exempted from the various provisions. This was in line with the Federal Reserve Board recommendation. Yet, I feel that this would not be sufficient to avoid the problems of many rural area creditors since many agricultural credit transactions are less than $25,000. This is documented by figures released by the U.S. Farm Credit Administration. The FCA surveyed 884 new borrowers in 1971 and found that the average advance from the Production Credit Association to new borrowers was $24,732. This indicates that many transactions would still not be exempted by the Senate bill. The Farm Credit Administration acknowledges this and recommends a reduction of the exemption to $5,000. But I feel that to remove all the inconsistencies and redtape, a total agricultural exemption should be adopted. As a recent letter from the Farm Credit Administration stated:

> Because of the difficulties of technical compliance with Truth-in-Lending on complex agricultural loans with flexible rate spreads and variable interest rates, delays in agricultural business credits associated with the banks obligations under borrower rights of rescission, and widespread feelings of inequity in recognition or treatment of agriculture as business rather than consumer credit, the banks and associations under FCA supervision generally favor complete removal of agriculture from Truth-in-Lending as proposed in H.R. 790.

I therefore urge my colleagues to support H.R. 790 in an effort to eliminate an undue burden placed on the farmer's shoulders. Agriculture technology's great advancements in recent years has prompted an ever-increasing need for capital which we can not afford to have hampered by an unfair and unnecessary application of the Truth-in-Lending Act.

CONGRESSMAN WILLIAM D. FORD INTRODUCES FEDERAL EMPLOYEE LABOR MANAGEMENT ACT OF 1973

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. WILLIAM D. FORD) is recognized for 5 minutes.

Mr. WILLIAM D. FORD. Mr. Speaker, today I am introducing the Federal Employee Labor Management Act of 1973.

The scope and depth of labor legislation in the United States has and continues to be a model and inspiration for all nations of the world. Our workers enjoy protections, rights, and benefits which give substance to the noble principles laid down by the Founding Fathers. Yet, as venerable and sincere as this Nation's concern for the working man may be, there exists a conspicuous omission which cries out for rectification. It is this inconsistency which the legislation I am introducing today proposes to end.

There are over 2.5 million Federal employees in this country who do not enjoy the basic protections, rights, and benefits which private sector workers have taken for granted for almost 40 years since the enactment of the Wagner Act in 1935. Federal employees have been excluded from virtually all of the benefits of collective bargaining that have enabled other workers to prosper and grow. As a matter of fact, it was not until 1962 when President Kennedy issued Executive Order 10988, that a labor relations program was even recognized by the Federal Government.

Since that time, there have been two more Executive orders, which, in all fairness, have had their positive effects. However, these are far overshadowed by the inherent limitations of the present program. What little right Federal employee unions have to sit down with agency management and collectively bargain on those matters which are of crucial importance to the worker is either denied entirely or begrudgingly conceded in piecemeal fashion by the Federal Labor Relations Council or the Civil Service Commission.

As things stand now, Federal employee unions are prohibited by statute and Executive Order 11491 from negotiating on pay, classification, workweek, retirement benefits, health and life insurance, and a host of other bread-and-butter issues. They are also statutorily forbidden from exercising the right to strike or even seek third-party binding arbitration in such matters as disciplinary proceedings.

In other areas of equal importance to Federal employees, the Civil Service Commission, through the Federal Personnel Manual, holds an absolute veto. Under the Executive order, negotiations cannot be held on any proposal deemed inconsistent with the Federal Personnel Manual—FPM. As a result, the Commission may preempt from negotiations anything it chooses simply by publishing the management position in the FPM. In effect, the Commission can determine the areas of negotiability for both parties at the bargaining table, while neither party is entitled to negotiate with the Commission on the contents of the FPM.

The dichotomy is jarring. Rights and benefits considered essential and good for the overwhelming majority of workers in this country are banned for the Federal employee. There is no tenable defense of this discriminatory treatment. What is necessary and beneficial to the worker in private industry is similarly so to his Federal counterpart.

Federal Employee Labor Management Act would provide full collective bargaining rights for Federal employees and thus allow them to join the great majority of American workers in the enjoyment of well-earned rights and benefits. My bill would establish a five-member Federal Employee Labor Relations Board, similar to the National Labor Relations Board, which would have full authority to interpret, apply, and enforce the provisions of the statute.

Each department, agency, bureau, or other unit would be obligated to negotiate with the employees' duly elected union representative over such matters as pay, classification, fringe benefits and other "conditions of employment." In addition, unions would be empowered to negotiate agency shop provisions and to seek binding arbitration in such matters as grievances, disciplinary proceedings, and equal employment opportunity complaints.

My legislation would also grant Federal employees the right to strike. When a negotiation impasse is reached, the bill provides for the appointment of a mediator. If the mediator fails to resolve the dispute, the parties would select a fact-finder with power to make findings of fact and to recommend terms of settlement. Before the fact-finder's report is issued, the union would decide whether the recommendations of the fact-finder are to be binding or only advisory. If they are to be binding, the union would be prohibited from engaging in a strike. If only advisory, the union could strike. However, Federal district courts would be authorized to issue a "restricting order or temporary or permanent injunction" when "the commencement or continuance of a strike poses a clear and present danger to the public health or safety which in light of all relevant circumstances it is in the best public interest to prevent."

The Federal Employee Labor Management Act provides further that exclusive representation would be recognized after the demonstration of majority support for a union through appropriate evidence, either an election or a showing of membership cards. The bill also

calls for separate bargaining units for professionals and nonprofessionals, unless a majority of each desired a single unit.

Quite simply, this legislation provides for Federal employees the same rights and benefits which have existed in the private sector for nearly four decades. The bill has the unqualified support of the Coalition of Public Employees, which is composed of the National Association of Internal Revenue Employees, the American Federation of State, County, and Municipal Employees, the National Education Association, and the International Association of Fire Fighters.

Mr. Speaker, I urge my colleagues from both sides of the aisle to join me and these unions in redressing the flagrant injustice that has denied Federal employees basic rights that were long ago granted by Congress to their private sector counterparts.

GUGLIELMO MARCONI

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. PODELL) is recognized for 5 minutes.

Mr. PODELL. Mr. Speaker, I am today introducing legislation calling upon the Postal Service to issue a postage stamp commemorating the centennial of the birth of Guglielmo Marconi. The inventor of radio was born on April 25, 1874, and my bill would authorize the Postal Service to issue the commemorative stamp on April 25, 1974. I am hopeful that the Postal Service will take advantage of this opportunity to honor a man whose accomplishments continue to enrich our lives every day.

Marconi displayed the very essence of genius—he used the wisdom of the ages, mixed it with his own brilliant insights into science to solve the universal and pressing problem of communications in a growing world.

The success of his efforts are almost beyond comprehension. It has materially affected everyone now living on earth. He made it possible for the word of man to circle the globe with the speed of light. It was the miracle of miracles. He gave all men the means to communicate instantly, thus providing the tool that one day may bring true peace to the world.

Indeed, it was Marconi's genius that put man on the Moon, and will one day bring us together with other worlds.

The man and his achievements should be memorialized, that is most important. They should not be forgotten and allowed to decay as have the steel towers and other artifacts used in his first broadcasts, which are now fallen and overgrown with bull rushes on a New Jersey tidal basin.

DR. IRVING BENNETT NAMED OPTOMETRIST OF THE YEAR

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. CLARK) is recognized for 5 minutes.

Mr. CLARK. Mr. Speaker, I am very proud to commend a constituent of mine upon his being named optometrist of the year by the American Optometric Association at its recent congress. Dr. Irving Bennett of Beaver Falls, Pa., has served in his community as an outstanding health care practitioner and has served his community in a civic sense as well, as a man who cares what course his home charts in its person-to-person relationships.

As Dr. J. C. Tumblin, outgoing president of the 17,800-member association, said in presenting the award to Dr. Bennett:

> He is a kind of person who is not satisfied with superficial volunteerism. His life of public services does not overflow with one-year terms of office. Rather it is built solidly with years of the steadfact determination needed to accomplish worthwhile endeavors.

This concerned optometrist has not set about to compile a long impressive list of committee memberships and trusteeships. His contributions are impressive, nonetheless, for their impact upon the community life of Beaver Falls.

For 17 years, including 10 as president, Dr. Bennett has served on the city's board of education. During this period, the community built two new school buildings, merged school districts for more efficient operation, instituted a revolutionary merit system for teacher pay increases.

Dr. Bennett's 10-year tenure on the recreation commission, including 5 years as chairman, also was a period of accomplishment for Beaver Falls. The community swimming pool was desegregated, three new city playgrounds were built, as well as a city ice skating rink. He played a significant part in uniting the local Jewish community to build a community center.

He has been a prime organizer and president of the Beaver Falls human relations commission. He has served as vice president of the local community action committee of the Office of Economic Opportunity; member of the policy advisory committee for the local Head Start program; profession division chairman for the local United Fund; chairman of the United Jewish Appeal.

Dr. Bennett has served the interests of constantly updating and upgrading his profession. He has served as president of his county branch of the State association for the blind. He has been active in the movement of optometrists, eye physicians and the local Parent-Teacher Association working for a 6-year school vision screening program.

During his 25 years of service to optometry, Dr. Bennett has served for 5 years as volunteer executive secretary of the Pennsylvania Optometric Association. He worked to develop and served as secretary of the Society of Optometric Association Executives. Former editor of the Journal of the American Optometric Association. Dr. Bennett now edits Optometric Management.

This long record, with meaningful accomplishments, is hard to match. Dr. Bennett epitomizes concern for his profession and for his home community. He has not sought out glamour jobs. He has seen what needed to be done and set about doing just that. My congratulations to him on this national recognition as optometrist of the year.

AN INTERVIEW BY CONGRESSMAN JOHN BRADEMAS WITH FORMER SECRETARY OF STATE DEAN RUSK AND COLUMNIST MARQUIS CHILDS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BRADEMAS) is recognized for 5 minutes.

Mr. BRADEMAS. Mr. Speaker, I conduct a monthly television interview with outstanding figures in our national life for showing on station WSJV-TV, the ABC affiliate in South Bend-Elkhart, Ind.

I am pleased that the two distinguished Americans appearing on this month's "Washington Insight" program, tonight, Wednesday, August 1, are the former Secretary of State, the Honorable Dean Rusk, and the outstanding syndicated columnist and contributing editor of the St. Louis Post Dispatch, Marquis Childs.

Following is the transcript of the program, which was devoted to a discussion of the role of the United States in world affairs today:

Mr. BRADEMAS. Good evening. Welcome to another edition of "Washington Insight." I'm pleased to have as my guests tonight two distinguished Americans who can speak with great knowledge and insight about the role of the United States in the world today.

First is the Honorable Dean Rusk, Secretary of State of the United States from 1961 to 1969, under Presidents Kennedy and Johnson. But the experience of Mr. Rusk in the Department of States spans three decades, for he served in many other positions of responsibility before becoming Secretary. Mr. Rusk is now Sibley Professor of International Law in the Law School in the University of Georgia in his home state.

Marquis Childs is a widely respected, Washington-based, syndicated columnist and contributing Editor with the St. Louis Post Dispatch. Few journalists have so long been idetified with such distinction in the field of foreign affairs as Mr. Childs, who in 1969 won the first Pultizer Prize for Commentary. He has recently returned from a visit to the Peoples' Republic of China.

I want to talk with our guests, and I know you will enjoy this conversation, about some of the problems facing the United States in foreign policy today. Let's begin with Mr. Rusk. Mr. Secretary, what's it like being a college professor after having been a participant in decision-making at the highest levels of our government?

DEAN RUSK. Well, it's a great joy to be at home in Georgia where my roots are very deep. It's a great luxury to move from the world of decision to the world of opinion. Teaching International Law was what I wanted to do before World War II, and after a 30 year detour, I finally made it. So, I'm very happy these days and delighted to have this chance to spend the time that remains with me working with young people or the problems of International Law.

Mr. BRADEMAS. Mr. Childs, let me ask you what's perhaps the most obvious question in Washington, D.C., and across the country. How are the events of Watergate affecting our relations with other countries of the world?

WATERGATE: A CONCERN IN CHINA AND THE WORLD

Mr. CHILDS. I think they're bound to affect them. How greatly they'll affect them, I don't know. You spoke about my being in China. I had a three and a half hour discussion with Premier Chou En Lai. In the middle of it, he brought up Watergate. He said, "Now what about Watergate?"

I said, "Well, what do you think about it?"

He made this remark, which I think is very true. He said, "With so many other important things to talk about in the world, why should we have a Watergate?"

But it indicated to me a concern on the part of the government of the Peoples' Republic of China for the continuity and stability of their relationship with the United States. And I'm sure this is true probably around the world.

Mr. BRADEMAS. Mr. Secretary, what do you feel about Watergate and foreign affairs right now?

Mr. RUSK. Well, I think most other nations will not make moral political judgments about the merits of the issues raised in Watergate because for a lot of them this is routine practice, and, I suppose, the Soviets have been saying for 50 years that this is how we do things anyhow.

But what is important is that if it appears that the President is weakened as a spokesman for the American people and for the Congress in relations with other countries, then other Capitals cannot help but take that into account, and it is on that count that I think Watergate makes a difference in our relations with other nations.

WILL WHITE HOUSE TAPES AFFECT INTERNATIONAL RELATIONS?

Mr. BRADEMAS. A little more specifically, Mr. Secretary, what about the question of the tapes that the President apparently used of all his conversations in the White House and the Executive Office Building and at Camp David? How will that be seen, how will the taping be seen by foreign leaders who may have been taped?

Mr. RUSK. Well, there may be some who will lift an eyebrow, but in diplomacy, it is universal practice to have notetakers, memoranda of conversations, the most exact records made of diplomatic discussions. And so, I think, on that point, this is not as much of a problem as it might be here at home say as between Senators and Congressmen and the President, but in diplomacy, you just take for granted that everything you say is going to be a matter of record, and if you don't want it to be a matter of record, you'd better not say it.

Mr. BRADEMAS. Well, that leads me, Mr. Childs, to ask you a question about the famous phrase, "credibility gap," of several years ago that, with some of us, has become a "credibility chasm." Last week we learned that the United States in 1969 and 1970 was secretly bombing Cambodia, 3600 raids, and not only were the Members of Congress unaware of the raids—at least I'm one who didn't know anything about them—but even the Secretary of the Air Force said he didn't know anything about them. How can we in Congress and the American people generally make intelligent judgments about foreign policy when faced with that situation?

SECRET RAIDS WORSE THAN WATERGATE?

Mr. CHILDS. Well, I think it's a very, very serious thing. It's stupid, too. It's stupid to try to conceal this because we were just saying everything is bound to come out in one way or another. I think it has had a very serious effect here at home in terms of the "credibility gap." But it's also, I think, had a very serious effect in Asia where our word seems increasingly to have no weight, to be questioned invariably. This is one of the worst things that has happened in a long time. It's almost worse than Watergate. We still don't know exactly who issued this order and why it was issued, so I think the people around the country—you must be hearing from them in your District—must feel completely at sea about this kind of thing.

WILL RAIDS CONTRIBUTE TO ISOLATIONISM?

Mr. BRADEMAS. Well, Mr. Secretary, I've heard you express your concern about a rising tendency toward isolation in the United States and the kind of secret raids we've just been talking about may contribute to that kind of development. I wonder if you would comment on that concern, which I have heard you express in other areas?

Mr. RUSK. Well, I am concerned about a trend, or a move, a withdrawal, from foreign affairs among the American people which I sense from what I read and from some of my discussions in many parts of the country. Whether this is an understandable temporary reaction to the protracted agony of Vietnam or whether we are moving into a cycle of isolationism comparable to say the twenties or thirties, is a question to which I don't personally have the answer.

But great stakes are involved because we have in front of us a number of major questions such as the law of the sea, and limitations of the nuclear arms race and the prevention of nuclear war, the environment, the population explosion, race relations on an international basis, the problem of the possible exhaustion of some of the nonrenewable resources.

Now these are national problems that can only be solved through international agreement and action.

So when I look at not just the decision to get out of Southeast Asia or come what may, that's, when the American people make that decision, that's their right. But, if it calls for the withdrawal of our troops from NATO, the abolition of foreign aid or deep cuts in foreign aid, or high import quotas on imports or a general mood that we should forget the rest of the world and take care of our problems here at home, I must say that I am concerned because in the modern world, as you look ahead into the next few decades, there's no place to hide. And we have to take a responsible part in world affairs. Now that part will vary as circumstances vary. I think our part will not be as large as it has been since 1945 in some respects. But in other respects, it will have to be very large indeed.

Mr. BRADEMAS. Mr. Childs.

Mr. CHILDS. I was interested in your speaking of Vietnam as a factor in the trend toward isolationism. If it is a trend, you were a very important figure in the decision-making that led us into Vietnam. Do you, have you had, you spoke about the anguish of it. Have you anguished over those decisions yourself, Mr. Secretary?

THE LARGEST COST OF VIETNAM

Mr. RUSK. Well, I did at the time. Those of us who were responsible went through our agony and I think President Johnson made it very clear in his book that the principal disappointment of his Administration, and I fully subscribe to this, was that we were not able to bring that struggle to a conclusion while we were still in office. But I would have to say that if one of the costs of the Vietnam effort is a move of the American people into a protracted period of isolationism, that might be the largest cost of our struggle.

Mr. CHILDS. The costs were very heavy overall, but you wouldn't say that was one of the largest costs.

Mr. RUSK. That could well be the largest cost.

Mr. CHILDS. Was there a moment, you must have considered moments, I know you had Under-Secretary Ball prodding you, prodding the President, was there any moment when you said, "Well, we'd better bring an end to this"?

Mr. RUSK. Well, my responsibility under President Johnson was to try to find a way to bring an end to this struggle through negotiations at the earliest moment. And I made dozens and dozens of efforts to do that. But those did not succeed. Now, you'll find in the Pentagon Papers one or two telegrams that I sent to President Kennedy when I was overseas in the beginning where I was making an effort to be very sure President Kennedy fully understood that the commitment of any Americans in uniform to Southeast Asia was a very, very serious matter, and that such a decision should not be made lightly. Now, I'm not trying to weasel out. I did support the decisions made as far as the policy was concerned by President Kennedy and President Johnson, but I was under no illusions from the very beginning that this was a very serious matter.

SHOULD TROOPS BE REDUCED IN WESTERN EUROPE?

Mr. BRADEMAS. I've heard you speak also about your concern about collective security and I think you suggested that, if we lose the concept of collective security, that would be one of the highest prices that we would pay for Vietnam, and both you and Mr. Childs have alluded to troop cuts in Western Europe. I would ask Mr. Childs how, from his travels, he sees the troop cut issue because we in Congress are perhaps going to be faced with that question shortly.

Mr. CHILDS. I think the best argument against it is that it undermines the mutual negotiation with the Soviet Union over mutual balanced force reduction. I don't know if that is a real possibility or not. But I think if the resolution that Senator Mansfield put in a few days ago carries—I believe he proposes over a staging period to cut down by one-half—I think if this carries, that the mutual balanced force reduction negotiations probably will fall down. This is the best argument for it.

But it seems to me that the Nixon Administration has just waited too long to make some moves in this direction. They've just stuck to the present figure. You've got Deputy Secretary of State Rush who comes rushing up here and tries to make the case at a point when the dollar is sinking below zero and when, well you've improved the trade balance. All these factors enter into this very serious decision.

Mr. BRADEMAS. One of my colleagues, rather waspishly the other day suggested that perhaps we should urge the Germans to station some of their troops with lots of families and dependents in Texas and Mississippi and spend some of those Marks in the United States. But, more seriously, Mr. Secretary, what about the impact of our troops on the dollar problem? And can't we get our NATO allies to expend more money themselves to offset the cost to the United States of keeping those troops there?

TROOPS ARE ONLY ONE FACTOR IN BALANCE OF PAYMENTS PROBLEM

Mr. RUSK. Well, looking back on it, I feel now that it was a mistake back in the early fifties for us to put substantial numbers of American troops in Europe without agreed means for neutralizing the balance of payments burdens that would be placed upon us. But at that time we were trying to find ways and means of moving dollars to Europe. This was the time of the dollar gap, you will recall.

Now, I do believe that our European friends really ought to insure that the presence of American forces in Europe will not have an adverse balance of payments effect on us. But on this point, let me point out that the balance of payments increment of our forces in Europe may run to a few hundred millions of dollars at a time when we are exporting private capital at the level of $15 to

$17 billion a year. So I find it very hard when the issues are so grave to believe that the balance of payments problem ought to be concentrated on troops in Europe.

CHINA WANTS OUR TECHNOLOGY

Mr. BRADEMAS. Let me ask you, Mr. Childs, from your recent visit to China, how do you see Chinese-United States relations developing over the next decade?

Mr. CHILDS. I think we have the greatest opportunity in a very long time to cooperate with China in terms of trade, in terms of a variety of exchanges, particularly in the development of their offshore oil, which would be a way by which they could repay our efforts. I think that they want this. Chou En Lai said to me twice in the course of this talk, and others said the same thing, we need your equipment and we need your technology. We are a developing nation.

BUT THE GERMANS AND JAPANESE ARE A STEP AHEAD

I think if we miss this opportunity, and we may miss it, I think it will mean that we will be shut out from that part of the world for a long, long time to come, because you've got a lot of competitors. When we were there the Germans were there in mass seeking contracts. They've already built three or four petro-chemical plants. The top German industrialists and the Japanese are swarming over the place. I think we've got a great opportunity and I hope we don't muff it through political troubles here at home, after that long sterile period of 23 years of isolation when, under John Foster Dulles, we tried to pretend that the Mainland didn't exist. But this is a chance to make up for it.

Mr. BRADEMAS. Mr. Secretary.

Mr. RUSK. I rather agree with Mark Childs on this. I, when I look back on the dialogue with the Soviet Union that began in the early sixties, looking for possible points of agreements between two nuclear giants, and we start with the Nuclear Test Ban Treaty and look at the course of discussions with Moscow, which have become increasingly important, I would just enter a little word of caution that this is not going to happen overnight.

These discussions with China are likely to be difficult, protracted, and we will have to use a good deal of patience and persistence. It's still true, I think to some extent, that Taiwan is a bomb and can be thrown to both sides, and I doubt there will be any change in that so long as Mao Tse Tung and Chiang Kai Shek are still alive and they both have proved to be very sturdy people. So I just hope that we won't develop a premature euphoria so that we sort of lose hope. We must stay with it over a long period of time.

Mr. BRADEMAS. I want to ask you both for a comment on another subject to which you've referred. The House of Representatives has passed by only five votes a bill providing foreign aid to poor countries of the world. Mr. Childs, do we still need a foreign aid program, and, if so, what kind?

FOREIGN AID NEEDED, BUT NOT IN PRESENT FORM

Mr. CHILDS. I think we need a foreign aid program, but I'm not sure we need it in the form it's in today. But I've talked about this a great deal with people concerned with this, World Bank people and others, and the fact is, I think, we can't go on with six percent of the population of the world using 37% of the world's resources. How you strike a balance, how you correct the present imbalance, I don't know, but it seems to me that the AID program has been so abused over the years—increasingly it's military aid and we ship these very advanced weapons to countries where poverty exists on such a large scale—but I just think that we cannot turn foreign aid off entirely. I frankly, from what I've heard around the Hill and elsewhere, am amazed that the bill passed at all. I think five votes was a pretty good margin.

Mr. BRADEMAS. Mr. Secretary, what do you think about this?

Mr. RUSK. Well, I'm convinced that we cannot sit here as a voracious economy, with a trillion dollar a year gross national product, calling upon the rest of the world for tons of billions of vital resources which we need and asking them to take tons of billions of our products and our markets to pay for it and be indifferent to their desperate problem of economic and social development. It seems to me that, in the first place, we won't get away with it because were we to try, we would find increasing efforts by the developing countries to put their heads together and do some collective bargaining with us on the terms of trade. We're already seeing that among the oil countries on the Perian Gulf, and that idea is going to spread, so that I think that you gentlemen in Congress must make a determination on what is a reasonable amount.

CHANNEL FOREIGN AID THROUGH INTERNATIONAL AGENCIES

I am also inclined to channel a significant part of our foreign aid through international agencies. They are rather hard-headed and practical, almost cynical even. An international agency like the World Bank can be much more rigorous in demanding performance by the receiving country in terms of getting your money's worth than the United States Government can in purely bilateral relationships because of the political problems involved. An international agency isn't involved with those same political problems.

But you ask in what direction should our aid be directed? I would say in those directions we found in our own experience in developing our own country. Within my lifetime we found most productive public health, education, anything involved with increasing productivity. In starting at the base and be a little more reluctanct to get into prestige items such as a big steel mill for every little country, an airline for every little country, things of that sort.

So I think the present legislation is in the right direction.

Mr. BRADEMAS. Mr. Childs, I was brought up to believe that bipartisanship in foreign policy was a good thing, but what do you say to the proposition that we might not have got into the Vietnam war, for example, if there had been much more vigorous criticism of the Presidents in the earlier days of our involvement, more partisan criticism, if you will?

CONGRESS SHOULD BE IN ON THE TAKE-OFFS AS WELL AS THE CRASH LANDINGS

Mr. CHILDS. I think probably that's one of the reasons we got sunk so deep into it. You just had people sort of go along. I think bipartisanship has become a sort of passive acceptance of whatever a powerful Administration wants to do. I go back to the days of Senator Arthur Vandenberg when he used that expression, "We want to be on the take-off as well as the crash landings."

And I think this has been part of the tragedy of our time that Congress hasn't been in. The Congress has just sort of passively gone along. They've occasionally, and especially in the last two or three years, tried to stop appropriations, but that isn't a very effective way. In fact, I don't know of any effective way, really.

Mr. BRADEMAS. I was about to ask the Secretary if he could tell us what he thinks is an effective role for Congress in the field of foreign policy and especially for the House of Representatives.

Mr. RUSK. Well, I could get into a little bit of debate with Mark Childs on some of the remarks he just made because the problem is not what Senator Vandenberg called "the take-off." After all, only one Senator voted against the SEATO treaty. You've got a bill that is still in existence called the Captive Nations Resolution, which calls for the liberation of all these countries. That bill was passed in 1959 calling for Captive Nations Week every year. Only two Members of the entire Congress voted against the Tonkin Gulf resolution.

In general, the problem is not at the take-off. Most people were pretty gung-ho at that point; the problem is what happens later when people get out on the wings and start chopping off the wings with axes to insure a crash landing. And it is the problem of changes of mind. Now, I respect changes of mind because when you are in international negotiations you change your mind every week. But I think that's the problem, what happens at the very beginning.

Mr. CHILDS. I'd live to put in one note about that Tonkin Gulf Resolution. We seem to have had considerable reason to believe that the actual incidents that were cited were very doubtful incidents. And that is an understatement.

Mr. RUSK. Wait a minute, Mark. Wait a minute, Mark. There was no debate as far as I know about the first incident.

Mr. CHILDS. The debate came on. Senator Morse and Senator Gruening both took a very active part in that debate after they'd heard about it.

Mr. RUSK. Now, on the second incident, I've never heard any information that has led me to doubt that Hanoi thought there was an attack going on. But I must say, and this is a little self-serving, I won't take up your time, John, but if there's anyone who thinks that when I went in to testify on the Tonkin Gulf resolution that I felt one thing and said another, this is utterly false, utterly false.

WHAT IS THE APPROPRIATE ROLE FOR CONGRESS?

Mr. BRADEMAS. Let me come back to the question that's occupying a lot of us in Congress right now, and that is what is the appropriate role for Congress in foreign policy. The House has just passed a War Powers Bill that seeks to recover for Congress the constitutional right to declare war. I wonder if you could comment on how you see that particular measure, and, more broadly, is there any role for Congress in the field of foreign policy?

Mr. RUSK. Well, there's an enormous role for Congress in foreign policy. I came here hundreds of times to meet with Committees and Subcommittees of the Congress to consult on foreign policy matters. You can't read the Constitution without seeing that. Although the President may have the initiative in the morning, at the end of the day the Congress has the decisive power, if it's willing to exercise it because the President does not have a man or a dollar not provided by the Congress, just to cite one example.

Now I do believe that the House of Representatives ought to assert more initiative and a larger role in foreign policy matters. The advice and consent of the Senate is limited to two questions: the approval of treaties and the approval of certain nominations. On all other matters, the House of Representatives is a coordinate branch with the Senate, and I am glad to see some of these initiatives from the Congress.

WAR POWERS SHOULD BE SPELLED OUT

On the War Powers Bill, I'm fairly relaxed about it because I think it is true that a President cannot submit a significant number of Americans to combat for a significant period without the consent, support, cooperation of both the Congress and the American people so I don't mind seeing this spelled out.

What I would hope, and I haven't seen the text of the latest version of the bill, is that in whatever preliminary time whether it's 60 days or 120 days, the Congress be required to vote, a rollcall vote, up or down, and not exercise a veto through silence.

Mr. BRADEMAS. Mr. Childs, as the Secretary's been talking about the War Powers Bill, I'm moved to a question you may have

some comment on. Some of us are concerned that the power of the Department of State in making foreign policy has been declining in recent years under administrations of both parties at the expense, not only of the White House, but of the Department of Defense. What do you think about that?

THE $80 BILLION DEFENSE BUDGET MAKES PRESIDENT HARD TO CONTROL

Mr. CHILDS. Well, you've got a great crew. I ran across some quotes from Dulles the other day saying, suggesting that two Secretaries of State might be necessary: One, a man like Kissinger sitting in the White House—This was pre-Kissinger when he made this remark, of course—Another, a man who administers and carries on policy.

I think there is a very serious erosion. I hear friends of mine in the Department and others talking about the very low state of morale.

On the Defense Department, I was going to say in reference to some of Secretary Rusk's statements, about the War Powers Bill, that when a Commander in Chief has control in effect of the defense budget of $80 billion plus, it's very difficult to put restraints on what he does around the world. Thinking about the country of your family's origin, John, Greece, and the decision to make that a homeport, the Department of Defense does it by fiat, regardless of what seems to me to be a very dangerous political situation in Greece.

Mr. BRADEMAS. You might allow me, gentleman, to ask each of you for a comment on a very brief question. How do you feel about the role of the United States in world affairs? in the next ten years. Pessimistic or optimistic?

Mr. RUSK. Well, I am optimistic because I do believe the human race has the capacity to be rational at the end of the day even though in the early morning, we can all be pretty ridiculous. And I share Harry Truman's great faith in the judgment of the grass roots of the American people and their willingness to do what has to be done if they understand what it is and why. So I must confess that in the long-run, I am an optimist.

Mr. CHILDS. I'm afraid I'm a pessimist. It seems to me that a reading of history is persuasive of the folly of human beings who seem so often to go contrary to what should be their self-interest.

Mr. RUSK. Well, we have passed a long 27 years since a nuclear weapon has been fired, so, cheer up, Mark.

Mr. CHILDS. Weren't you in the middle of a war which involved 535,000 ground troops in Vietnam?

Mr. BRADEMAS. Well, on that note, a degree of difference on the part of our two distinguished visitors, I want to express my appreciation, as I know I express yours, to the former Secretary of State, Mr. Dean Rusk, and to a distinguished American journalist, Mr. Marquis Childs, for having joined us on this addition of "Washington Insight."

ENERGY SCIENCE DEVELOPMENT ACT OF 1973

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. GUNTER) is recognized for 5 minutes.

Mr. GUNTER. Mr. Speaker, a series of recent events has forcibly brought home to every American the recognition that the Nation faces a serious energy shortage.

Each of these events has in its own fashion, called into question the present ability of private industry and the Federal Government to deal with this problem.

These developments have included:

A Presidential recommendation for a Department of Energy and Natural Resources headed by an energy czar with Cabinet status.

Cutbacks by the Nation's major petroleum companies, and accusations by the Federal Trade Commission that there is a conspiracy afoot to reap windfall profits by exaggerating the seriousness of an already very serious problem.

And, subsequently, an announcement by the Cost of Living Council of a nationwide investigation of the petroleum industry from the refinery to the gas pump to determine whether prices have been increased illegally.

Little wonder, then, that a recent survey revealed that 77 percent of the American people take the "energy crisis" as a "serious" matter while many respondents expressed the view that "large companies are conspiring to raise prices through scaring the public."

I ask, Mr. Speaker, if the crucial missing point in the debate now raging on the seriousness of the energy problem is not the fact that the Government does not have adequate information upon which to form conclusions and initiate policy?

I say that not only in reference to the current discussions of gas and mineral shortages but in regard to a frightening ignorance of potential alternative sources of energy as well.

Some Members of this House may recall that a couple of decades ago there was within the Interior Department a small but earnest effort to get research and development of alternative energy sources underway, particularly the development of synthetic gases from coal. These programs were killed, however, at the behest of very powerful petroleum interests who did not want to see energy competition developed.

I have just returned from a very encouraging meeting with Soviet officials and scientists who wish to cooperate and, in effect, reopen American exploration into the development of magnetohydrodyamic—MDH—techniques to produce electric power to help alleviate future energy shortages.

This is not being presented by either government as any kind of energy elixir but as one of a wide range of potential sources of energy to meet future demands.

Such research is more than vital, it is imperative. Because there is no way that we can develop enough energy resources to meet the demands that are being projected in the next three decades from existing domestic supplies and foreign sources.

Assurances that there will be adequate energy resources can only come from an all-out Apollo like commitment now to the development of more compatible and more available alternatives. In addition to goal gasification and liquefaction, these include development of solar and wind power, use of the ocean's and the Earth's heat differentials to produce power through sea thermal gradients and geothermal heat and exploration of other potential sources as yet unknown and untapped.

This is an ambitious undertaking. It calls for nothing less than a coherent national program of energy research and development.

Today, my distinguished colleague from Ohio, CHARLES A. VANIK and I, are introducing a comprehensive energy research and development bill entitled the Energy Science Development Act of 1973.

Its purpose is clear—to catalog a total inventory of mineral fuel deposits in America, to make more economical use of present energy resources, and to develop alternative sources.

The act would establish a five-member Energy Research and Development Commission with the responsibility of promulgating a national policy of energy research and development.

The collection of information on mineral fuel deposits would become the function of a Research Data Base within the National Science Foundation. No longer would the Nation be misled by the estimates of oil and gas companies which instigated this summer's petroleum panic.

The Energy Research and Development Commission would publish semimonthly newsletters announcing grants as well as research developments. And there would be complete public access to the information and developments resulting from the expenditure of public funds.

This legislation should also solve some of the problems inherent in other energy research proposals submitted to the Congress. It creates an autonomous body to carry out in a sensible manner a job that at present is scattered and diffused among various departments and agencies.

Most important, it provides for the creation of a rational energy research policy which does not currently exist.

The Commission would be established in lieu of the Energy Research and Development Agency as outlined by the President in his most recent energy message proposing the creation of a Department of Energy and Natural Resources.

We favor an autonomous Commission, appointed by the President with the advice and consent of the Senate, because in an area so vital to the future economy of the Nation we believe the Congress must exercise some control. The Commission, therefore, is specifically required to submit an annual report to the legislative bodies.

Mr. Speaker, as a member of the Energy Subcommittee of the House Science and Astronautics Committee, I am confident after much thought and deliberation that the course Mr. VANIK and I are pursuing is the right way to proceed in the stimulation of energy research.

JEANNETTE RANKIN, A GREAT AMERICAN WOMAN

The SPEAKER pro tempore. Under a previous order of the House, the gentle-

woman from New York (Ms. ABZUG) is recognized for 5 minutes.

Ms. ABZUG. Mr. Speaker, in memory of the late Jeannette Rankin, the first woman to be elected to the House of Representatives, I am introducing, with 37 of my colleagues, a bill today asking that the Postal Service issue a Jeannette Rankin stamp, to commemorate her long and useful life.

A former social worker, Jeannette Rankin was sensitive to the inadequate social laws affecting women and children. She was a leader in the suffragist movement in the early 1900's and was the first woman to speak before the Montana Legislature. As a result of her efforts, a law was passed giving Montana women the right to vote 6 years before the constitutional amendment.

Campaigning as a Theodore Roosevelt progressive, Ms. Rankin was elected to the House of Representatives in 1916. While in Congress, she stood out on many issues including national women's suffrage, child welfare, tariff revision and protection of workers. Jeannette Rankin was also the only Member of Congress to vote against U.S. involvement in both World Wars.

Ms. Rankin introduced bills to give women U.S. citizenship rights independent of their husbands. She dared to step outside the "woman's place" and did what she felt was right. Recently she said:

If I had my life to live over again, I would do it all again, but this time I would be nastier.

Throughout her life she continued to work for an alternative, writing letters, making speeches, organizing citizens to work against war and discrimination. Whether or not one agrees, one must respect the consistency of her lifelong conviction that violence has never solved human disagreements.

Jeannette Rankin has been a source of strength and inspiration to all of us and will be sorely missed. In this year of rising awareness of women's contribution to society, I feel that it is particularly appropriate to honor this American woman's achievement and influence on a commemorative postage stamp. The text of the bill and list of cosponsors follows:

H.R. 9776

A bill to provide for the issuance of a special postage stamp in commemoration of the life and work of Jeannette Rankin.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Postmaster General is authorized and directed to issue, during calendar year 1973, a special postage stamp in commemoration of the life and work of Jeannette Rankin, the first woman to be elected to the House of Representatives, and a longtime advocate of peace.

LIST OF 36 COSPONSORS

Mr. Addabbo, Mr. Badillo, Ms. Burke of California, Ms. Chisholm, Mr. Conyers, Mr. Corman, Mr. Dellums, Mr. Derwinski, Mr. Edwards of California, Mr. Fraser, Mr. Frenzel, Mr. Gilman, Mrs. Green of Oregon, Mr. Hammerschmidt, Mr. Hansen of Idaho, Mr. Harrington, Ms. Heckler, Mrs. Holt, Ms. Holtzman, Mr. Hungate, Mr. Melcher, Mr. Metcalfe, Ms. Mink, Mr. Pepper, Mr. Rees, Mr. Reid, Mr. Roe, Mr. Rose, Mr. Rosenthal, Ms. Schroeder, Mr. Shoup, Mr. Smith of New York, Mr. Stark, Mrs. Sullivan, Mr. Symington, Mr. Waldie, and Mr. Wydler.

SUPREME COURT RULING ON STAY OF CAMBODIA BOMBING INJUNCTION

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York (Ms. HOLTZMAN) is recognized for 15 minutes.

Ms. HOLTZMAN. Mr. Speaker, as my colleagues know, in a historic decision Judge Orrin G. Judd declared last Wednesday in my lawsuit that our Cambodian bombing is unconstitutional because the President failed to seek prior congressional approval. Judge Judd issued an order to enjoin the bombing permanently. However, he also issued a 48-hour self executing stay to allow the Government an opportunity to appeal the decision to the U.S. Court of Appeals for the Second Circuit.

Last Friday on July 27, the Government asked the Court of Appeals to extend the trial judge's stay of the injunction until the second circuit hears the case on the merits.

The second circuit granted the Government's motion and ordered a stay of the injunction until August 13, 1973, the date originally scheduled by the Court of Appeals for the hearing.

I immediately appealed this ruling to Justice Thurgood Marshall, the Supreme Court Justice assigned to oversee proceedings in the second circuit. On Monday, there was a hearing on our motion to vacate the second circuit's stay in the Justice's Chambers. Today, we have received Justice Marshall's decision denying our motion to vacate.

I want to emphasize that this is not a ruling on the merits of our suit. It is merely a procedural decision relating to whether or not the injunction will become effective prior to a determination of the merits by the second circuit.

Of course, I am disappointed by Justice Marshall's ruling to uphold the stay of the District Court's injunction against the bombing in Cambodia.

I am, however, extremely heartened by the statements in Justice Marshall's opinion about the issues we raised in this lawsuit. Our lawsuit against the bombing was based on our contention that Congress had not authorized any bombing in Cambodia and that the President's actions were therefore unconstitutional. In his decision of today Mr. Justice Marshall explicitly stated:

A fair reading of Congress' actions may well indicate that—it has never given its approval to the war except to the extent it was necessary to extricate American troops and prisoners from Vietnam.

He also indicated that in directing that all bombing cease on August 15, Congress did not approve bombing prior to that date.

Although Mr. Justice Marshall's refusal to vacate the stay was premised on his reluctance to act on such a momentous matter as a single member of the nine-man Supreme Court, we cannot find in his decision any disapproval of our constitutional position. In fact, Mr. Justice Marshall emphatically stated:

Thus, if the decision were mine alone I might well conclude on the merits that continued military operations in Cambodia are unconstitutional.

He also stated:

When the final history of the Cambodia war is written, it is unlikely to make pleasant reading. The decision to send American troops "to distant lands to die of foreign fevers and foreign shot and shell," . . . may ultimately be adjudged to have not only been unwise but also unlawful.

Because, as Mr. Justice Marshall noted, continued bombing is going to involve the risk and possible loss of untold American and Cambodian lives, we will continue to press for an immediate halt to the bombing.

Accordingly we are preparing today to make an application to other members of the Supreme Court of the United States to exert their authority to restore the District Court's injunction pending appeal.

In addition, the Court of Appeals for the Second Circuit has granted our application for an accelerated hearing on the Government's appeal of the District Court's decision. The present date for the appeal is now August 8.

It is reassuring to me, to the three Air Force fliers who have joined me in bringing this suit, and to the American people to hear from a Justice of the U.S. Supreme Court that our President's unilateral Cambodian bombing policy may well be unconstitutional and that the issues we raise are of the "highest importance."

For the benefit of my colleagues I would like to introduce the full text of Justice Marshall's decision into the CONGRESSIONAL RECORD.

[Supreme Court of the United States, No. A–150]

ELIZABETH HOLTZMAN ET AL., v. JAMES R. SCHLESINGER

[August 1, 1973]

On Application to Vacate Stay.

Mr. Justice Marshall, Circuit Justice.

This case is before me on an application to vacate a stay entered by a three-judge panel of the United States Court of Appeals for the Second Circuit. Petitioners, a Congresswoman from New York and several air force officers serving in Asia, brought this action to enjoin continued United States air operations over Cambodia. They argue that such military activity has not been authorized by Congress and that, absent such authorization, it violates Article I, § 8, cl. 11 of the Constitution.[1] The United States District Court agreed and, on petitioners' motion for summary judgment, permanently enjoined respondents, the Secretary of Defense, the Acting Secretary of the Air Force, and the Deputy Secretary of Defense, from "participating in any way in military activities in or over Cambodia or releasing any bombs which may fall in Cambodia." However, the effective date of the injunction was delayed until July 27, 1973, in order to give respondents an opportunity to apply to the Court of Appeals for a stay pending appeal. Respondents promptly applied for such a

Footnotes at end of article.

stay, and the application was granted, without opinion, on July 27.[2] Petitioners then filed this motion to vacate the stay. For the reasons stated below, I am unable to say that the Court of Appeals abused its discretion in staying the District Court's order.

I

Since the facts of this dispute are on the public record and have been exhaustively canvassed in the District Court's opinion, it would serve no purpose to repeat them in detail here. It suffices to note that publicly acknowledged United States involvement in the Cambodian hostilities began with the President's announcement on April 30, 1970,[3] that this country was launching attacks "to clean out major enemy sanctuaries on the Cambodian-Vietnam border,"[4] and that American military action in that country has since met with gradually increasing congressional resistance.

Although United States ground troops had been withdrawn from the Cambodian theater by June 30, 1970, in the summer of that year, Congress enacted the so-called Fulbright Proviso prohibiting the use of funds for military support to Cambodia.[5] The following winter, Congress reenacted the same limitation with the added proviso that "nothing contained in this section shall be construed to prohibit support of actions required to insure the safe and orderly withdrawal or disengagement of U.S. Forces from Southeast Asia, or to aid in the release of Americans held prisoners of war." 84 Stat. 2037. These provisions have been attached to every subsequent military appropriations act.[6] Moreover, in the Special Foreign Assistance Act of 1971, Congress prohibited the use of funds to support American ground combat troops in Cambodia under any circumstances and expressly provided that "[m]ilitary and economic assistance provided by the United States to Cambodia . . . shall not be construed as a commitment by the United States to Cambodia for its defense." [7]

Congressional efforts to end American air activities in Cambodia intensified after the withdrawal of American ground troops from Vietnam and the return of American prisoners of war. On May 10, 1973, the House of Representatives refused an administration request to authorize the transfer of $175 million to cover the costs of the Cambodian bombing. See 119 Cong. Rec. pp. 15286, 15316–15317 (May 10, 1973). Shortly thereafter, both Houses of Congress adopted the so-called Eagleton Amendment prohibiting the use of any funds for Cambodian combat operations.[8] Although this provision was vetoed by the President, an amendment to the Continuing Appropriations Resolution was ultimately adopted and signed by the President into law which stated:

"Notwithstanding any other provision of law, on or after August 15, 1973, no funds herein or heretofore appropriated may be obligated or expended to finance directly or indirectly combat activities by United States military forces in or over or from off the shores of North Vietnam, South Vietnam, Laos or Cambodia." H.J. Res. 636, The Joint Resolution Continuing Appropriaions for Fiscal 1974, Pub. L. 93–52.[9]

II

Specifically, they argue that the President is constitutionally disabled in nonemergency situations from exercising the warmaking power in the absence of some affirmative action by Congress. See, *e.g., Bas* v. *Tingy*, 4 Dall. 37 (1800); *Talbot* v. *Seeman*, 1 Cranch (1801); *Mitchell* v. *Laird*, —— U.S. App. D.C. ——, 476, F. 2d 533, 537–538 (1973); *Orlando* v. *Laird*, 443 F. 2d 1039, 1042 (CA2 1971). Cf. *Youngstown Sheet & Tube Co.* v. *Sawyer*, 343 U.S. 579 (1952). In light of the Fulbright Proviso, petitioners take the position that Congress has never given its assent for military activity in Cambodia once American ground troops and prisoners of war were extricated from Vietnam.

With the case in this posture, however, it is not for me to resolve definitively the validity of petitioners' legal claims. Rather, the only issue now ripe for decision is whether the stay ordered by the Court of Appeals should be vacated. There is, to be sure, no doubt that I have the power, as a single Circuit Justice, to dissolve the stay. See *Meredith* v. *Fair*, 83 S. Ct. 10 (1962) (Black J., Circuit Justice); 28 U.S.C. §§ 1651, 2101(f). But at the same time, the cases make clear that this power should be exercised with the greatest of caution and should be reserved for exceptional circumstances. Cf. *Aberdeen & Rockfish Railroad Co.* v. *Students Challenging Regulatory Agency Procedures*, 409 U.S. 1207, 1218 (1972) (BURGER, C. J., Circuit Justice).

Unfortunately, once these broad propositions are recognized, the prior cases offer little assistance in resolving this issue, which is largely *sui generis*. There are, of course, many cases suggesting that a Circuit Justice should "balance the equities" when ruling on stay applications and determine on which side the risk of irreparable injury weighs most heavily. See, *e.g., Long Beach Federal Sav. & Loan Assn.* v. *Federal Home Loan Bank*, 76 S. Ct. 32 (1955) (DOUGLAS, J., Circuit Justice); *Board of Educ.* v. *Taylor*, 82 S. Ct. 10 (BRENNAN, J., Circuit Justice). *Socialist Labor Party* v. *Rhodes*, 89 S. Ct. 3 (1968) (STEWART, J., Circuit Justice).

But in this case, the problems inherent in attempting to strike an equitable balance between the parties are virtually insurmountable. On the one hand, petitioners assert that if the stay is not vacated, the lives of thousands of Americans and Cambodians will be endangered by the Executive's arguably unconstitutional conduct. Petitioners argue, not implausibly, that if the stay is not vacated, American pilots will be killed or captured, Cambodian civilians will be made refugees, and the property of innocent bystanders will be destroyed.

Yet on the other hand, respondents argue that if the bombing is summarily halted, important foreign policy goals of our government will be severely hampered. Some may greet with considerable skepticism the claim that vital security interests of our country rest on whether the Air Force is permitted to continue bombing for a few more days, particularly in light of respondents' failure to produce affidavits from any responsible government official asserting that such irreparable injury will occur.[10] But it cannot be denied that the assessment of such injury poses the most sensitive of problems, about which Justices of this Court have little or no information or expertise. While we have undoubted authority to judge the legality of executive action, we are on treacherous ground indeed when we attempt judgments as to its wisdom or necessity.[11]

The other standards utilized for determining the propriety of a stay are similarly inconclusive. Opinions by Justices of this Court have frequently stated that lower court decisions should be stayed where it is likely that four Members of this Court would vote to grant a writ of certiorari. See, *e. g., Edwards* v. *New York*, 76 S. Ct. 1058 (1956) (Harlan, J., Circuit Justice); *Appalachian Power Co.* v. *American Institute of C. P. A.*, 80 S. Ct. 16 (1959) (BRENNAN, J., Circuit Justice); *English* v. *Cunningham*, 80 S. Ct. 18 (1959) (Frankfurter, J., Circuit Justice). But to some extent, at least, this standard reflects a desire to maintain the status quo in those cases which the Court is likely to hear on the merits. See, *e. g., In re Bart*, 82 S. Ct. 675 (1962) (Warren, C. J., Circuit Justice); *McGee* v. *Eyman*, 83 S. Ct. 230 (1962) (DOUGLAS, J., Circuit Justice). This case is unusual in that regardless of what action I take, it will likely be impossible to preserve this controversy in its present form for ultimate review by this Court. Cf. *O'Brien* v. *Brown*, 401 U.S. 1, 9–10 (1972) (MARSHALL, J., dissenting). On August 15, the statutory ban on Southeast Asian military activity will take effect, and the contours of this dispute will then be irrevocably altered. Hence, it is difficult to justify a stay for purpose of preserving the status quo, since no action by this Court can freeze the issues in their present form.[12]

To some extent, as well, the "four-vote" rule reflects the policy in favor of granting a stay only when the losing party presents substantial contentions which are likely to prevail on the merits. See, *e. g., O'Brien* v. *Brown, supra; Rosenberg* v. *United States*, 346 U. S. 273 (DOUGLAS, J. Circuit Justice); *Railway Express Agency* v. *United States;* 82 S. Ct. 466 (1962) (Harlan, J., Circuit Justice); *Atlantic Coast Line R. Co.* v. *Brotherhood of Locomotive Engineers*, 396 U. S. 1201 (1969) (Black, J., Circuit Justice). In my judgment, petitioners' contentions in this case are far from frivolous and may well ultimately prevail. Although tactical decisions as to the conduct of an ongoing war may present political questions which the federal courts lack jurisdiction to decide, see, *e. g., DaCosta* v. *Laird*, 471 F. 2d 1146 (CA2 1973), and although the courts may lack the power to dictate the form which congressional assent to warmaking must take, see *e. g., Massachusetts* v. *Laird*, 451 F. 2d 26 (CA1 1971); *Mitchell* v. *Laird*, —— U. S. App. D. C. ——, 476 F. 2d 533 (1973), there is a respectable and growing body of lower court opinion holding that Art. I, § 8, cl. 11, imposes some judicially managable standards as to congressional authorization for warmaking, and that these standards are sufficient to make controversies, concerning them justiciable. See *Mitchell* v. *Laird, supra; DaCosta* v. *Laird, supra; Orlando* v. *Laird*, 443 F. 2d 1039 (CA2 1971); *Berk* v. *Laird*, 429 F. 2d 302 (CA2 1970).

Similarly, as a matter of substantive constitutional law, it seems likely that the President may not wage war without some form of congressional approval—except, perhaps in the case of a pressing emergency or when the President is in the process of extricating himself from a war which Congress once authorized. At the very beginning of our history, Mr. Chief Justice Marshall wrote for a unanimous Court that

"The whole powers of war being, by the Constitution of the United States, vested in Congress, the acts of that body can alone be resorted to as our guide in this inquiry. It is not denied . . . that Congress may authorize general hostilities, in which case the general laws of war apply in our situation, or partial hostilities, in which case the laws of war, so far as they may actually apply to our situation, must be noticed." *Talbot* v. *Seeman*, 1 Cranch 1, 18 (1801).

In my judgment, nothing in the 172 years since those words were written alter that fundamental constitutional postulate. Cf. *Youngstown Sheet & Tube Co.* v. *Sawyer*, 343 U. S. 579 (1952).

A fair reading of Congress' actions concerning the war in Cambodia may well indicate that the legislature has authorized only "partial hostilities"—that it has never given its approval to the war except to the extent that it was necessary to extricate American troops and prisoners from Vietnam. Certainly, this seems to be the thrust of the Fulbright Proviso.[13] Moreover, this Court could easily conclude that after the Paris Peace Accords, the Cambodian bombing is no longer justifiable as an extension of the war which Congress did authorize and that the bombing is not required by the type of pressing emer-

Footnotes at end of article.

gency which necessitates immediate presidential response.

Thus, if the decision were mine alone, I might well conclude on the merits that continued American military operations in Cambodia are unconstitutional. But the Supreme Court is a collegial institution, and its decisions reflect the views of a majority of the sitting Justices. It follows that when I sit in my capacity as a Circuit Justice, I act not for myself alone but as a surrogate for the entire Court, from whence my ultimate authority in these matters derives. A Circuit Justice therefore bears a heavy responsibility to conscientiously reflect the views of his Brethren as best he perceives them, cf. *Meridith* v. *Fair*, 83 S. Ct. 10, 11 (1962) (Black, J., Circuit Justice), and this responsibility is particularly pressing when, as now, the Court is not in session.

When the problem is viewed from this perspective, it is immeasurably complicated. It must be recognized that we are writing on an almost entirely clean slate in this area. The stark fact is that although there have been numerous lower court decisions concerning the legality of the War in Southeast Asia, this Court has never considered the problem, and it cannot be doubted that the issues posed are immensely important and complex. The problem is further complicated by the July 1, 1973, Amendment to the Continuing Appropriations Resolution providing that "on or after August 15, 1973, no funds herein or heretofore appropriated may be obligated or expended to finance directly or indirectly combat activities by United States Military forces in or over or from all the Shores of North Vietnam, South Vietnam, Laos or Cambodia." This, it is urged, is the crux of this case and there is neither precedent nor guidelines toward any definitive conclusion as to whether this is or is not sufficient to order the bombings to be halted prior to August 15.

Lurking in this suit are questions of standing, judicial competence, and substantive constitutional law which go to the roots of the division of power in a constitutional democracy. These are the sort of issues which should not be decided precipitously or without the benefit of proper consultation. It should be noted, moreover, that since the stay below was granted in respondents' favor, the issue here is not whether there is some possibility that petitioners will prevail on the merits, but rather whether there is some possibility that respondents will so prevail. In light of the uncharted and complex nature of the problem, I am unwilling to say that that possibility is nonexistent.

Finally, it is significant that although I cannot know with certainty what conclusion my Brethren would reach, I do have the views of a distinguished panel of the Court of Appeals before me. That panel carefully considered the issues presented and unanimously concluded that a stay was appropriate. Its decision, taken in aid of its own jurisdiction, is entitled to great weight. See, *e. g., United States ex rel. Knauff* v. *McGrath* (Jackson, J., Circuit Justice) (unreported opinion); *Breswick & Co.* v. *United States*, 75 S. Ct. 912 (1955) (Harlan, J., Circuit Justice). In light of the complexity and importance of the issues posed, I cannot say that the Court of Appeals abused its discretion.

When the final history of the Cambodian War is written, it is unlikely to make pleasant reading. The decision to send American troops "to distant lands to die of foreign fevers and foreign shot and shell," *New York Times* v. *United States*, 403 U.S. 713, 717 (1972) (Black, J., concurring), may ultimately be adjudged to have not only been unwise but also unlawful.

But the proper response to an arguably illegal action is not lawlessness by judges charged with interpreting and enforcing the laws. Down that road lies tyranny and repression. We have a government of limited powers, and those limits pertain to the Justices of this Court as well as to Congress and the Executive. Our Constitution assures that the law will ultimately prevail, but it also requires that the law be applied in accordance with lawful procedures.

In staying the judgment of the District Court, the Court of Appeals agreed to hear the appeal on its merits on August 13 and advised petitioners to apply to that panel for an earlier hearing before that date. It is, therefore, clear to me that this highly controversial constitutional question involving the other two branches of this Government must follow the regular appellate procedures on the accelerated schedule as suggested by the Court of Appeals.

In my judgment, I would exceed my legal authority were I, acting alone, to grant this application. The application to vacate the stay entered below must therefore be

Denied.

FOOTNOTES

[1] Article I, § 8, cl. 11 provides: "The Congress shall have power . . . To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water."

[2] At the same time, the Court of Appeals ordered an expedited briefing schedule and directed that the appeal be heard on August 13. In the course of oral argument on the stay, Acting Chief Judge Feinberg noted that either side could submit a motion to further advance the date of argument. Counsel for petitioners indicated during argument before me that he intends to file such a motion promptly. Moreover, the Solicitor General has made representations that respondents will not oppose the motion and that, if it is granted, the case could be heard by the middle of next week. This case poses issues of the highest importance, and it is, of course, in the public interest that those issues be resolved as expeditiously as possible.

[3] It appears, however, that covert American activity substantially predated the President's April 30 announcement. See, *e.g.*, of the New York Times, July 15, 1973, at 1, col. 1 ("Cambodian Raids Reported Hidden before '70 Foray.")

[4] The Situation in Southeast Asia, 6 Presidential Documents 596, 598.

[5] The Fulbright Proviso states:

"Nothing [herein] shall be construed as authorizing the use of any such funds to support Vietnamese or other free world forces in actions designed to provide military support and assistance to the Government of Cambodia or Laos. 84 Stat. 910.

[6] See 85 Stat. 423; 85 Stat. 716; 86 Stat. 734; 86 Stat. 1184.

[7] 84 Stat. 1943. See also 22 U.S.C. § 2416(g).

[8] The Eagleton amendment provided:

"None of the funds herein appropriated under this Act or heretofore appropriated under any other Act may be expended to support directly or indirectly combat activities in, over or from off the shores of Cambodia, or in or over Laos by United States forces."

[9] The President contemporaneously signed the Second Supplemental Appropriations Act of 1973, Pub L. 93—50, which contained a provision stating that

"[n]one of the funds herein appropriated under this Act may be expended to support directly or indirectly combat activities in or over Cambodia, Laos, North Vietnam and South Vietnam by United States forces, and after August 15, 1973, no other funds heretofore appropriated under any other Act may be expended for such purpose."

[10] While respondents offered to produce testimony at trial by high government officials as to the importance of the bombing, no affidavits by such officials alleging irreparable injury in conjunction with the stay application were offered.

[11] For similar reasons, it would be a formidable task to judge where the public interest lies in this dispute, as courts traditionally do when determining the appropriateness of a stay. See, *e.g., O'Brien* v. *Brown*, 409 U.S. 1, 3 (1972).

[12] I do not mean to suggest that this dispute will necessarily be moot after August 15. That is a question which is not now before me and upon which I express no views. Moreover, even if the August 15 fund cut-off does moot this controversy, petitioners may nonetheless be able to secure a Court of Appeals determination on the merits before August 15. See n. 2, *supra*.

[13] The Solicitor General vigorously argues that by directing that Cambodian operations cease on August 15, Congress implicitly authorized their continuation until that date. But while the issue is not wholly free from doubt, it seems relatively plain from the face of the statute that Congress directed its attention solely to military actions after August 15, while expressing no view on the propriety of on-going operations prior to that date. This conclusion gains plausibility from the remarks of the sponsor of the provision—Senator Fulbright—on the Senate floor:

"The acceptance of an August 15 cut off date should in no way be interpreted as recognition by the committee of the President's authority to engage U.S. forces in hostilities until that date. The view of most members of the committee has been and continues to be that the President does not have such authority in the absence of specific congressional approval." 119 Cong. Rec. p. 22305 (June 29, 1973).

See also *id.*, at p. 22307.

While it is true that some Senators declined to vote for the proposal because of their view that it did implicitly authorize continuation of the war until August 15, see *id.*, at p. 22331 (Remarks of Sen. Eagleton); p. 22309 (remarks of Sen. Bayh); p. 22317 (remarks of Sen. Muskie), it is well established that speeches by opponents of legislation are entitled to relatively little weight in determining the meaning of the act in question.

WIRETAPPING AND ELECTRONIC SURVEILLANCE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts (Mr. DRINAN) is recognized for 5 minutes.

Mr. DRINAN. Mr. Speaker, legislatures and courts unsuccessfully have tried to control wiretapping and other electronic surveillance almost since the invention of the telephone. The failure of these efforts to prevent widespread intrusion into individual privacy and abuse of constitutional rights, to keep interception of communications within precise legal bounds, and to prevent the use of interception for political purposes, testifies to the need for legislation creating an absolute prohibition on wiretapping and electronic surveillance.

The bill I introduce today will repeal those sections of the United States Code which authorize wiretapping and electronic surveillance.

HISTORICAL BACKGROUND OF WIRETAPPING

In response to the English colonial practice of general searches by officials granted unfettered discretion, the Founding Fathers adopted the fourth amendment.

The amendment protects individuals' privacy against "unreasonable searches and seizures":

[N]o warrants shall issue, but upon probable cause . . . and particularly describing the place to be searched, and the persons or things to be seized.

Wiretapping, and efforts to prevent it, began to be reported with the origin of the telephone. Although States sought to restrict wiretapping, they were reluctant to include law enforcement officers in the ban.

Wiretapping first came to the Supreme Court's attention as a constitutional issue in *Olmstead* v. *United States*, 277 U.S. 438 (1928). Olmstead had been convicted of conspiracy to violate the National Prohibition Act on the basis of evidence obtained by Federal agents who tapped Olmstead's phone. The Court held, by a 5 to 4 margin, that telephone conversations were not protected by the fourth amendment because a tap was neither a trespass nor a seizure of something tangible.

Mr. Justice Brandeis, who, together with Mr. Justice Holmes, dissented, argued:

The makers of our Constitution undertook . . . to protect Americans in their beliefs, their thoughts, their emotions and their sensations. They conferred, as against the Government, the right to be let alone—the most comprehensive of rights and the right most valued by civilized men. To protect that right, every unjustifiable intrusion by the Government upon the privacy of the individual, whatever the means employed, must be deemed a violation of the Fourth Amendment. Olmstead, supra, at 478–79.

In 1934, Congress enacted the Federal Communication Act. Section 605 of that act provided:

No person not being authorized by the sender shall intercept any communication and divulge or publish the existence, contents, substance, purport, effect or meaning of such intercepted communication to any person . . . 47 U.S.C. Sec. 605.

In *Nardone* v. *United States*, 302 U.S. 379 (1937), the Supreme Court held that section 605 prohibited Federal wiretapping and required the exclusion of evidence obtained by an unlawful tap. However, the Supreme Court declined to extend this holding to State proceedings. *Schwartz* v. *Texas*, 344 U.S. 199 (1952). In *Rathbun* v. *United States*, 355 U.S. 107 (1957), consent by one party to eavesdropping legalized a detective's listening in on an extension phone.

Court decisions distinguished between interceptions resulting from a trespass and nontrespassory interception till the late 1960's. See *Goldman* v. *United States*, 316 U.S. 129 (1942).

Section 605 of the Federal Communication Act was held applicable to the States in 1957, and later evidence obtained from illegal State wiretaps was held inadmissible in State trials. See *Benanti* v. *United States*, 55 U.S. 96 (1957), and *Silverman* v. *United States*, 365 U.S. 505 (1961), respectively.

The Supreme Court repudiated the nontrespassory distinction of Olmstead, supra, and Goldman, supra, in *Katz* v. *United States*, 389 U.S. 347 (1967). The Court said:

The Government's activities in electronically listening to and recording the petitioner's words violated the privacy upon which he justifiably relied while using the telephone booth and thus constituted a 'search and seizure' within the meaning of the fourth amendment. The fact that the electronic device employed to achieve that end did not happen to penetrate the wall of the booth can have no constitutional significance. Katz, supra, at 353.

While the interception of private communications was clearly brought within the scope of the fourth amendment in criminal cases by Katz, supra, two areas remained unsettled: so-called national security interceptions and cases in which one of the parties to the communication, generally an informer, agreed to the interception.

In early 1940, Attorney General—later Mr. Justice—Jackson announced on the basis of Nardone, supra, that the Government would no longer wiretap. President Roosevelt, however, found the ban inapplicable "to grave matters involving the defense of the Nation." Memorandum from President Roosevelt to Attorney General Jackson, May 21, 1940, printed in the *United States* v. *United States District Court* 407 U.S. 297 (1972). President Roosevelt's authorization was, however, carefully hedged by the requirements that Jackson personally oversee each tap and that he "limit [the taps], insofar as possible to aliens." President Roosevelt said:

Under normal circumstances wiretapping by Government agents should not be carried on for the excellent reason that it is almost bound to lead to abuse of civil rights.

Despite the President's caution, wiretapping came into common use with the Second World War and the subsequent "red scare."

No successful challenge to the President's claimed right to intercept communications without a warrant on grounds of national security was made until *United States* v. *United States District Court*, 407 U.S. 297 (1972). In that case, the Supreme Court held that in matters of domestic security, at least, the fourth amendment applied and a warrant was necessary to authorize a wiretap.

In contrast to the Court's increasing willingness to subject pure interceptions to the fourth amendment, the Supreme Court has continued to hold Constitutional the use of informers wired for sound. *United States* v. *White*, 401 U.S. 745 (1971).

Congress sought to codify protections against invasions of privacy through the interception of private communications, while establishing a judicially controlled process for authorizing use of electronic surveillance in specified cases. The restrictions appeared in the Omnibus Crime Control and Safe Streets Act of 1968. Title III prohibits the interception of private communications except under court order in specified criminal areas. The act left unsettled the question of so-called national security interceptions, which the Supreme Court has only partially resolved.

NEED FOR ANTIBUGGING LEGISLATION

Mr. Speaker, wiretapping cannot survive the test of the fourth amendment. The fourth amendment lays the foundation of our right to privacy "against unreasonable searches and seizures." Before the Government can intrude on an individual's privacy and conduct a search, a warrant must issue "particularly describing the place to be searched, and the persons or things to be seized." Wiretapping cannot pass that test: the things to be seized cannot be particularly described. While I concede that where probable cause exists, seizure of a particular conversation would not appear unreasonable on its face, wiretapping is by its nature not particular. It is, of necessity, all-hearing. In its dragnet are caught innocent and suspect alike. The fact that particularity cannot be achieved gives to any warrant purporting to authorize such a seizure the character of a general warrant, the oppressive effects of which the men who won our independence sought to prevent by adopting the fourth amendment. Wiretapping must, therefore, be considered repugnant to the Constitution.

Wiretapping also frustrates the underlying rationale of the fourth amendment: protection of privacy. There is a tendency to forget that wiretapping does not merely cause criminals to run the risk of having their conversations overheard. It subjects all of us to the risk of unknown eavesdroppers prying into our personal lives and business.

Even were the repugnance of wiretapping to the Constitution is not so clear, our experience with the evil of the practice of wiretapping should convince us that it cannot be reconciled with the right to privacy and liberty of Americans. In the Omnibus Crime Control and Safe Streets Act of 1968, Congress tried to carefully define areas in which wiretapping would be permissible and prescribed judicial procedures for instituting wiretapping. The law has not had a restraining influence on wiretapping, which has achieved epidemic proportions.

The number of authorized wiretaps since the last half of 1968, when the Omnibus Crime Control and Safe Streets Act took effect, increased by almost 250 percent in 1972; Federal wiretaps increased from none in the last year of the Johnson administration to 206 in 1972. Since 1968, only six applications to wiretap have been refused. The number of conversations intercepted by wiretaps increased over 400 percent up from approximately 63,000 in the last half of 1968 to some 513,000 in 1972. The costs of wiretapping are also skyrocketing, even though reported data understate the cost by ignoring the cost of the time of the courts and of Government officials and

lawyers. In 4½ years, costs have increased by over 1,000 percent—$200,000 in 1968 to more than $4,500,000 in 1972.

Shocking as these statistics are, they do not reveal the full extent or cost of wiretapping, since warrantless wiretapping is not reported. According to then Attorney General John Mitchell, in a June 11, 1971, address to the Virginia Bar Association:

It is our position that compelling considerations exist when the President, acting through the Attorney General, has determined that a particular surveillance is necessary to protect the national security and that under these circumstances the warrant requirement does not apply.

Mr. Emanuel Celler, my distinguished and former colleague, properly predicted that the Nation was headed toward a police state under such a policy. The Nixon administration's permissive attitude toward wiretapping and its abuse of Americans' constitutional liberties is demonstrated by the then Attorney General Mitchell's playing fast and loose with the truth about wiretapping. In 1969, Mr. Mitchell sought to relieve uneasiness about wiretapping by describing the care with which each case was considered. According to Mr. Mitchell, he "insisted that each application and full supporting papers be personally presented to me for my evaluation." Quoted in Elliff, Crime, Dissent and the Attorney General 68—1971. These assurances were demonstrated to be false when many 1969 and 1970 court orders for wiretapping were found illegal because it was discovered that despite the presence of both Mr. Mitchell's initials and then Assistant Attorney General Will Wilson's signature, the initials and signature were made by deputies—neither man had ever seen the applications.

In 1970, President Nixon approved a plan for widespread Government lawlessness. My colleague from California, Congressman McCLOSKEY, has informed this House that the President "deliberately elected to authorize the violation of the rights protected by the fourth amendment after carefully considering the fact that the actions he was authorizing were illegal. The recommendations the President received and considered before authorizing illegal conduct were explicit in defining the illegality involved." The 1970 domestic intelligence plan called for increased wiretapping of U.S. citizens, intensive electronic surveillance, illegal opening of mail, and illegal, surreptitious entry, that is, burglary.

It is easy to see, Mr. Speaker, how easily wiretapping lends itself to base aims, how easy Government access to such insidious means of gathering information contributes to an attitude of mind which is not content to conduct its activities within legal or constitutional bounds.

Mr. Justice Brandeis reminded us that—

Those who won our independence by revolution were not cowards. They did not fear political change. They did not exalt order at the cost of liberty. *Whitney v. California*, (Concurring Opinion), 274 U.S. 357, 377 (1927).

What conclusions are we to draw of men who are so fearful that they disbelieve CIA reports that domestic dissent has no significant ties to foreign foes, who plan systematic and pervasive violations of our liberties, and who resort to breaking in to the headquarters of their political opponents and then try to prevent discovery of their involvement by hiding behind claims of "national security" and "Executive privilege"?

The facts which have come to the surface about the abuses of wiretapping, require an absolute prohibition of wiretapping. The prohibition is based on wiretapping's inescapable constitutional infirmity and repugnance to a free society.

The Omnibus Crime Control and Safe Streets Act of 1968 also contains prohibitions permitting the recording of wire or oral communications without the consent of all the parties to the communication. This so-called consensual bugging where one party to a conversation, often an informer, is wired for sound and either records or transmits a verbatim record of his conservation with the victim of this exercise.

In these cases, no problems of the particularity of description of the person or thing to be seized is raised. But the practice of third-party bugging strikes at the root of our right to privacy. Mr. Justice Harlan in his dissent to *United States* v. *White*, 407 U.S. 297 at 787 (1971), discussed this question incisively:

The impact of the practice of third-party bugging, must, I think, be considered such as to undermine that confidence and sense of security in dealing with one another that is characteristic of individual relationships between citizens in a free society.

Authority is hardly required to support the proposition that words would be measured a good deal more carefully and communication inhibited if one expected his conversations were being transmitted and transcribed. Were third-party bugging a prevalent practice, it might well smother that spontaneity—reflected in frivolous, impetuous, sacreligious, and defiant discourse—that liberates daily life. Much off-hand exchange is easily forgotten and one may count on the obscurity of his remarks, protected by the very fact of a limited audience, and the likelihood that the listener will either overlook or forget what is said, as well as the listener's inability to reformulate a conversation without having to contend with a document record. All these values are sacrificed by a rule of law that permits official monitoring of private discourse limited only by the need to locate a willing assistant.

For these reasons, Mr. Speaker, I today introduce a bill to repeal those sections authorizing wiretaps and electronic surveillance embodied in title 18 of the United States Code. At a time when actions by and in the name of those in authority in our Government cause our citizens to wonder whether their Government respects their constitutional liberties, it is my hope that my fellow Members will join me in emphatically stating that we will put an end to the pernicious practice of subjecting Americans to wiretapping and electronic surveillance in gross violation of their right to privacy.

ARMS SALES REPORTS TO CONGRESS

(Mr. BINGHAM asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BINGHAM. Mr. Speaker, during House consideration last week of the Mutual Development and Cooperation Act of 1973, I introduced an amendment designed to give Congress a greater opportunity to monitor and, if necessary, directly to influence arms sales under the Foreign Military Sales Act—FMS. That amendment was not approved, mainly, I think, because of its complexity and the limited time available for its consideration.

In order to stimulate further consideration of this proposal, I am today introducing it as separate legislation.

Mr. Speaker, under existing law, estimates of government-to-government arms sales for cash, and estimates of such sales on credit, are required to be provided to Congress at the beginning of each fiscal year. They are provided on a country-by-country basis. In the case of cash sales, these estimates are classified. In the case of credit sales, they are public.

But Congress receives no notification of specific arms sales—regardless of their size or foreign policy implications. Congress is not even notified of specific sales which might exceed the annual estimate for a particular country.

Lest anyone suppose that the estimates are not exceeded, I submit for publication at this point in the RECORD tables showing arms sales estimates compared with actual sales for each fiscal year since 1968, when the annual estimates were first required by law. The tables cover total sales, and sales to selected countries. They show that for all countries, cash sales exceeded the estimates provided to Congress in every year except 1968. Actual cash sales exceeded the estimates by as much as 186 percent—in 1972. Credit sales have not significantly exceeded estimates, probably because they are subject to a specific legal limit which does not apply to cash sales.

TABLE 1.—ALL COUNTRIES

[In millions of dollars]

	FMS cash sales		FMS credit sales	
	Estimated (beginning of fiscal year)	Actual (end of fiscal year)	Estimated (beginning of fiscal year)	Acutal (end of fiscal year)
1968	887.4	732.4	262.3	262.9
1969	648.5	1,128.3	296.0	281.2
1970	631.9	840.8	350.0	70.0
1971	1,173.4	1,380.0	885.0	743.4
1972	1,563.6	2,912.4	582.0	550.0
1973	2,200.0	3,490.4	629.0	550.0

TABLE 2.—JORDAN

[In millions of dollars]

	FMS cash sales		FMS credit sales	
	Estimated (beginning of fiscal year)	Actual (end of fiscal year)	Estimated (beginning of fiscal year)	Actual (end of fiscal year)
1968	61.8	33.5	----	----
1969	2.0	13.1	14.0	14.0
1970	2.0	17.8	----	----
1971	2.0	6.3	15.0	30.0
1972	15.0	1.4	10.0	10.0
1973	3.0	10.0	10.0	----

TABLE 3.—SAUDI ARABIA

[In millions of dollars]

	FMS cash sales		FMS credit sales	
	Estimated (beginning of fiscal year)	Actual (end of fiscal year)	Estimated (beginning of fiscal year)	Actual (end of fiscal year)
1968	10.0	4.3	30.0	30.0
1969	10.0	3.9	20.0	----
1970	23.5	2.6	24.0	----
1971	21.0	59.9	35.0	13.2
1972	20.0	306.8	35.0	----
1973	69.2	60.6	45.0	----

TABLE 4.—ISRAEL

[In millions of dollars]

	FMS cash sales		FMS credit sales	
	Estimated (beginning of fiscal year)	Actual (end of fiscal year)	Estimated (beginning of fiscal year)	Actual (end of fiscal year)
1968	66.5	74.3	37.0	25.0
1969	70.0	34.1	31.0	85.0
1970	30.0	30.0	37.0	30.0
1971	150.0	126.1	575.0	545.0
1972	75.0	317.9	300.0	500.0
1973	139.0	162.4	300.0	307.5

TABLE 5.—IRAN

[In millions of dollars]

	FMS cash sales		FMS credit sales	
	Estimated (beginning of fiscal year)	Actual (end of fiscal year)	Estimated (beginning of fiscal year)	Actual (end of fiscal year)
1968	15.0	41.4	100.0	100.0
1969	15.0	107.9	100.0	104.3
1970	15.0	91.2	100.0	----
1971	70.0	445.9	100.0	----
1972	160.0	499.2	----	----
1973	293.0	2,053.7	----	----

From data on a sample of just four countries about which I asked the Defense Department for information, actual cash sales exceeded estimates by 1,534 percent in the case of Saudi Arabia in fiscal year 1972, 700 percent in the case of Iran in fiscal year 1973, and nearly 900 percent in the case of Jordan in 1970.

Mr. Speaker, whatever the reasons for these sales in excess of estimates provided to Congress—and there may have been perfectly valid reasons for some of them—the Congress should be informed of what is going on and should have an opportunity, if necessary, to veto particular sales. To have that opportunity, it must be notified of major sales at the time they are being made, not just after they have become history.

The fact that sales beyond the estimates provided to Congress are concentrated in the category of FMS cash sales is particularly disturbing because cash sales are by far the larger category of government-to-government arms sales under the Foreign Military Sales Act. That is illustrated by the following comparison of cash and credit sales under FMS:

FOREIGN MILITARY SALES ACTIVITIES[1]

[Thousands of dollars]

Country area	Fiscal year— 1950–63	1964	1965	1966	1967	1968	1969	1970	1971	1972	1950–72
Worldwide	4,526,525	698,875	1,191,538	1,720,581	1,107,575	995,268	1,409,508	910,801	2,123,449	3,462,426	18,146,546
FMS cash	4,111,789	623,875	1,081,152	1,403,574	784,332	732,383	1,128,347	840,801	1,380,037	2,912,426	14,998,717
FMS credit	414,736	75,000	110,386	317,007	323,243	262,884	281,160	70,000	743,412	550,000	3,147,827

[1] Excludes commercial sales, except those financed under FMS credit.

Mr. Speaker, these sales obviously have important foreign policy implications, and it is time the Congress seized the opportunity to include arms sales within the scope of its foreign policy responsibilities, and that in general it exert greater initiative in all aspects of our foreign policy.

The bill I am introducing today would provide a mechanism for achieving those goals with respect to foreign arms sales. It would require the President to report to Congress any single proposed sale of $25 million or more, and any sale which would exceed for a particular country the annual estimated sales aggregate already on file with the Congress. Such sales could be finalized 30 days after being reported to Congress unless either House of the Congress approved a veto resolution. Provision is made for expeditious handling of any such resolution of disapproval under the House and Senate rules.

Mr. Speaker, a similar provision introduced as an amendment by Senator NELSON, is contained in the Senate version of the Mutual Development and Cooperation Act of 1973. I am hopeful that the House conferees will look favorably on that provision, and that it will be retained in the final version of the Mutual Development and Cooperation Act. The data which I have just presented seems to me to make a strong case for this type of provision. If, however, it does not survive conference, I hope that both the Senate and House will give it further serious study for possible enactment in the near future, and as a member of the House Foreign Affairs Committee I would intend to press for such action.

RECOVER GOVERNMENT SALARIES PAID TO SCANDAL PARTICIPANTS

(Mr. BINGHAM asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BINGHAM. Mr. Speaker, the ongoing revelations of widespread administration corruption which the Senate Watergate investigation is bringing to light raise a host of fundamental questions about the functionings of government in this country.

One such question which I feel is appropriate for analysis by the Senate Select Committee is whether the Government salaries of the adminstration officials who participated in the criminal activities involved in Watergate and its related scandals should be recovered by the U.S. Treasury.

Various sections of the United States Code refer to the fact that Government money may be spent only for the purposes for which Congress appropriated the funds, and it is certain that the U.S. Congress never intended that the money appropriated for the salaries of high administration officials would be paid out for the planning of election frauds, soliciting of bribes, criminal conspiracy, and concealment of felonies.

Accordingly, I have written today to Senator SAM ERVIN, the chairman of the Senate Select Committee to suggest that the committee look into the question of recovering part or all of the Government salaries paid to those individuals who were involved in these criminal activities.

I insert my letter to Senator ERVIN at this point for the benefit of my colleagues:

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 31, 1973.

HON. SAM ERVIN,
Chairman, Select Committee on Presidential Campaign Activities, Washington, D.C.

DEAR MR. CHAIRMAN: The continued revelation of widespread malfeasance by former high Administration officials which the Select Committee is bringing to light raises the question of whether the U.S. government may seek repayment of salaries paid to these individuals during their terms in public office.

The United States Code contains at least two provisions which stipulate that government salaries shall be paid only for actual service rendered to the government.

31 U.S. Code 628 states that "sums appropriated for the various branches of expenditure in the public service shall be applied solely to the objects for which they are respectively made, and for no others."

5 U.S. Code 3103 provides that "An individual may be employed in the civil service in an Executive Department at the seat of government only for services actually rendered in connection with and for the purposes of the appropriation from which he is paid."

In view of the allegations and admissions of criminal conduct made by witnesses at

the Senate Watergate hearings thus far, I would urge the Select Committee to consider whether, under existing law, the Treasury may recapture part or all of the government salaries which were paid to the persons involved. Analogy for the recapture of these government funds may be found in state laws which provide for the recovery of corporate assets wasted by corporate officers and directors.

The U.S. Congress surely never intended that the money appropriated for the salaries of high Administration officials would be paid out for the planning of campaign espionage and sabotage, soliciting of illegal campaign contributions, criminal conspiracy, and concealment of felonies. It is an outrage that the U.S. taxpayer, who performs an honest day's work for an honest day's dollar, should have to pay the salaries of individuals whose activities while in office included such malfeasance.

If existing Federal law isn't tough enough to provide for the recovery of these salaries, then I urge the Senate Select Committee to formulate a legislative recommendation on this subject which the Congress can act upon.

Thank you for your kind attention and consideration, and I wish you success in your efforts.

With best wishes,

Sincerely,

JONATHAN B. BINGHAM.

TRADITION

(Mr. STAGGERS asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. STAGGERS. Mr. Speaker, an unusual type of address, delivered before a group of high school graduates, may be of interest to many Members of this body. It is a kind of address seldom heard in these days when a fissional interpretation of society seems more popular. I hope we may have more of them.

The speaker was Dr. A. Selman Garrision, head of the department of surgery of St. Agnes Hospital, Baltimore, Md. The occasion was the 70th anniversary of the first graduating class of Jarrettsville High School. Dr. Garrison calls his address: Tradition. The title printed on the program is: "From Generation to Generation."

Jarrettsville is a Maryland rural community a few miles below the Mason and Dixon line, within 25 miles of Baltimore. After some 300 years of existence, it remains determinedly agricultural and conservative. A century old map shows almost no change in its general layout. Two arterial highways cross in the central village. They were paved some years ago, but the bulldozer has not altered their width or their straightforward course through miles of their width. The network of feeder roads remains virtually the same. Dwelling houses stand on the same spot as they did a century ago. In many cases the names on today's mail boxes are the same as those on the map. Indeed, the houses themselves have withstood a century, maybe two centuries, of loving use. This is the result of initial structural soundness, fortified by diligent maintenance.

Durable, firmly established, conservative, yes, but not untouched by what is believed by some to be modern progress. The community has grown in numbers, but not at the beck of seductive construction enterprises. An unofficial selective process has permitted the acceptance of newcomers with tastes and mores similar to those of the earlier inhabitants. Generation after generation of dwellings and of their occupants seem to blend in harmonious integration and concord.

Obviously agriculture can no longer be the only, or even the dominant, interest of the community. Many are commuters. The cords which bind jobs to residences become stretched little by little as the days pass. A drive of 25 miles, or 50, or even 75, is not unacceptable. After job hours they return to their homes, and resume the life of their fathers. They are technicians, or engineers, or industrialists or professionals by trade, but farmers at heart.

Communities such as Jarrettsville can be found in my State, in your State. There are hundreds of them in America, forged out of the same metal—honest, durable, dependable. There are those who deplore the fact that many of these communities cannot offer satisfactory opportunities for all their children. This is an error in computing contributions to society. For these are the seed beds of America in its unparalleled productivity and in its social and moral commitments. They negate the soiled fringes of society which irritate the public eye. And they assure the continued existence of the true principles of justice and integrity.

About 1900 the citizens of the Jarrettsville community provided a high school for their children. That was in the van of the intellectual renaissance which swept over the Nation in the first quarter of this century, and which was accentuated by the First World War. The high school extended the bounds of the community. Students came on horseback, in buggies, and on foot over distances that would be considered prohibitive today. Further, it bound together the community in common interests. The first graduating class came in 1903 consisting of two girls and one boy. In succeeding years the classes grew in size and in the range of their academic achievements.

In 1949 Jarrettsville high school was consolidated with several other schools. By that time there was a total of 735 graduates. They formed a distinct group, apart from those who followed them in the consolidated school. Alas, consolidation does not necessarily mean integration, to the chagrin of social scientists.

In 1953, at a meeting of a number of these Jarrettsville graduates, a general reunion was set for June 23, 1973, to celebrate the 70th anniversary of the first class. The committee on arrangements did not forget their assignments, busy as they had been over 20 years of change and unrest. The event was planned with characteristic efficiency. It was carried out in perfection of detail which, unfortunately, no modern governmental agency can seem to match.

Seventy-five of the 735 graduates were known to be dead. The committee located all but three of the rest. They responded with enthusiasm. Approximately 600 people came, some of them from the most remote States of the Nation. They seemed to be drawn by an irresistible attachment to their old school. It was a sort of pilgrimage in tribute to the "ashes of their fathers and the temples of their gods."

They came to an evening of delighted greetings from old friends, of a dinner prepared locally, and a program of reminiscences, capped by the address of Dr. Garrison.

The doctor was introduced by his mother who, along with his father, was an earlier graduate of Jarrettsville. Jarrettsville mothers do not stand in awe of the achievements and the prestige of their sons, great as these may be. They expect their children to do well. After all, they have given them their best in loving care and in opportunities for self-improvement. And that best is a mighty heap.

Dr. Garrison's address was surgical in directness and sincerity, and stirringly eloquent in its appeal to the feelings of his audience. I believe many of you will read it with appreciation and approval.

The address follows:

TRADITION

(By Dr. A. Selman Garrison)

Up to this moment it has been a great pleasure to be here—to visit this school—and to see old faces and friends again.

It is apparent from the attendance tonight and the broad spectrum of age represented that few followed the advice of Bob Hope, who, speaking at graduation exercises at Duke University, said:

"To the members of this graduating class who are about to leave this institution and go into the outside world, I have three words of advice: Don't Do It."

When Margaret Watters called concerning tonight, my first impulse was to break a leg or leave town, but I wanted to come back here and I suppose this is my ticket of admission.

Karl and I were talking about this evening and his advice was to "keep it short . . . people come to eat the ice cream and strawberries . . . not listen to speeches." . . . He is undoubtedly correct. After dinner speakers are large in supply . . . short in demand.

An acquaintance of mine attended a luncheon-press meeting in Washington a few weeks ago. During the speech part the master of ceremonies and a previous speaker gave one of the guests a rough time. The guest, when his turn came, arose to say:

"I have always heard that M.C.'s and public speakers were born—not made. You have just heard several examples which explain my strong advocacy of birth control."

A few of you may know what I've been up to since leaving here in 1936. After I finish, there will be no doubt in your minds that I have not been touring the country making public speeches. I am pleased to be invited to speak as a former student. It is an honor to be asked, a devilish task to perform. Abraham Lincoln told a story which applies—of a man who, after being tarred and feathered, was being ridden out of town on a rail. He was reported by Mr. Lincoln to have said: "If it were not for the honor of the occasion, I would resent it."

I suppose speakers at such a gathering are supposed to be witty or funny. Not being either, I want to tell you of the underlying feeling that I carried with me from this school and to try to explain the one word which is a summation of experiences here. The word is Tradition.

We have all been aware or have had an uneasy feeling, these last few years, that tradition has been under constant attack from many quarters and that some erosion has occurred under these attacks.

Since this is a school . . . I suppose this is the time for a definition—Tradition is partially defined as:

"The transmission of knowledge, opinions, doctrines, customs, etc. from generation to generation . . . originally by word of mouth and example."

It follows from this definition that this school and its teachers, for 73 years, have been instrumental in the "transmission of knowledge, opinions and doctrines" . . . in providing its many students not only with a broad base of knowledge, but a firm foundation on which to build an adult future.

In this area children were fortunate . . . in that all forces and environment contributed to this traditional strength,

1. Family ties were strong. Parents were not shy in making their wishes known and children felt a security in the strength of their parents and knew what was expected of them . . . and knew what to expect if they didn't measure up. This justice was tempered though by love and respect for one another . . . and it grew stronger with the child.

Parents with children in this school grew up and attended school with each other. It was not a fragmented society and there was mutual respect not only from child to parent—but from all children to the adult community. Parents of our classmates were old friends of our families and we were expected to be civilized and respectful in our deportment towards them . . . as to our own parents.

2. The Puritan work ethic—or more simply that it is good to work—was a phrase that was understood and adhered to . . . not a base from which to spring cynical jokes. Most students attending this school were expected to do chores at home—and this contributed to the sense of belonging . . . of being a useful citizen, at an early age.

3. Church activities involved the young people and played a prominent part in their growing up. I'm not certain it was ecumenism that brought young members of all churches in the village to Bethel on Sunday evening—I suspect other motives.

Although the evening is dedicated to this school for its service to the community, the above illustrates that it did not function alone. It prospered in an environment of support and appreciation from the parents, the churches, the community and students. It drew from the established and accepted traditions in this area . . . added to . . . and reinforced them.

After age 6, teachers spend more time in hours per day in the formative years of a youngster's life than anyone aside from the immediate family, and during these many hours have a great impact and a greater responsibility in this formation than any other group.

It is in this area, during my time here that we were especially fortunate—because . . . the men and women who staffed this school did more than transmit to us those things found in books—although transmission of knowledge is tradition—their efforts did not end there. To country youth, they taught music, read Shakespeare with us—the foibles of human nature were revealed in French class short stories, . . . boys were taught to cook and girls were acquainted with 5-10-5. Classes were started with a prayer to the Almighty, and allegiance was pledged to the flag of the United States.

This place was the site for orchestra concerts, scout meetings, chicken judging, fireman's carnivals, village baseball and dances—all of which contributed to a happy childhood and instilled in its students a sense of belonging—a sense of security in their dealing with the adult community . . . and a positive sense of achievement in this school.

There was never a doubt where authority lay in this school. One didn't have to be here long before he understood what "going to the principal's office" denoted. He also knew that what was started in the principal's office was certain to be finished at home the same day . . . in that euphemistic courthouse called the "wood shed". There was never animosity in this transaction of justice . . . it was simply one way of learning . . . in joining the adult community.

For the older generations in this audience, time has gone rapidly; for the younger ones it proceeds more slowly. This is always so. The young are in a hurry to "get on with it" whereas the oldsters have learned to savor time—not squander it.

Jackie Leonard, an obese, caustic comic, who died recently, noted that time passage is relative and varies only in the eyes of the beholder. He told of being ordered by his wife to clean out a closet and get rid of some old coats. While cleaning the pockets he found a ticket for shoe repairs—17 years old. He took the ticket to the repair shop, presented it and said:

"I don't suppose you have these shoes."

Reply: "Yes, sir."

"Well, that's fine. I'll take them with me."

"Oh, no, sir. They won't be ready until Tuesday."

I doubt there is anyone in this auditorium tonight who is not thinking of some aspect of his time spent here. These may be short flashes of very personal and poignant memories. Or, perhaps, the entire experience is blended into a hazy picture of the total time without specific recall . . . I would suspect it is the former, not the latter.

I would further expect that these flashes of recall include a special young person (of the opposite sex) or one of our teachers with strong character who branded us with indelible markings which we carry with us to this day.

From this student's viewpoint the list is long of those who with firm or easy-going wisdom . . . nurtured tradition and contributed greatly to my life. . . .

Miss Hankins (Mrs. Wiley);

Fritz Fuller;

Frank R. (Davis);

Mrs. Jen Smith;

Bill Pyle; and many others.

Not just teachers, but:

Transmitters of knowledge;

Formers of Opinion;

Dispensors of Doctrine;

Caretakers of Custom—by word of mouth and by example.

They were true custodians of tradition.

I am sure you join me in appreciation of their efforts.

Thank you.

THE LATE HONORABLE WILLIAM O. MILLS

Mr. GERALD R. FORD. Mr. Speaker, I was unavoidably absent on the day and hour when tributes were paid in this Chamber to the memory of the late Honorable William O. Mills of Maryland, but I want to express my own sense of grief and loss at his untimely death. Bill Mills was one of the most promising and personable of the newer Members on my side of the aisle, a dedicated and hard-working spokesman for his constituents, and a loyal supporter of the Republican Party and of President Nixon's policies and programs for global peace and domestic progress. For nearly a decade he served as administrative assistant to our former colleague, Secretary of the Interior Rogers Morton, and successfully won a special election to succeed him in the House in 1970 as representative of his native Maryland's First District on the Eastern Shore. He won reelection in 1972, and I believed that he had a long and bright future as an outstanding legislator until I was shocked and saddened by news of his tragic passing. I extend to his wife Norma and their children the heartfelt sympathy of my wife Betty and me.

THE NEED FOR TRADE PREFERENCES

(Mr. FASCELL asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FASCELL. Mr. Speaker, a recent editorial in the Miami Herald underlines the need for early U.S. action to implement a meaningful scheme of trade preferences for the developing countries. Commenting on Latin America's growing concern over the region's sizable trade deficit with the United States, the editorial reviews recent Latin American efforts to enlarge its trade with the European Common Market.

With a continuing large deficit in our own trade balance the implications of the developments outlined in the editorial must be of serious concern to us for if we fail to increasingly open our own markets to Latin American products we face the very real prospect that a region that has been one of our very best customers may shop elsewhere.

The full text of the Miami Herald's July 27 editorial reads as follows:

EUROMART BECKONS LATIN AMERICA

Latin America, concerned about its trade imbalance with the United States, has turned toward the European Common Market and placed higher priority on intra-Latin trade.

According to a report made public in Europe last month, the Common Market there has opened negotiations with Brazil, Argentina, Uruguay and the six nations of the Andean Bloc.

Beef, agricultural products, cocoa and coffee are among the principal exports that Argentina, Brazil and Uruguay wish to promote in long-term agreements that would help stabilize prices.

The Andean Bloc, which also seeks generalized preferences for processed farm products, is said to be regarded by the European market as the most advanced example of regional economic cooperation outside Europe.

Reports suggest that present Europe-Latin agreements are regarded as a small beginning for the kind of cooperation and agreement now expected to develop.

Meanwhile, intra-Latin trade during 1972 increased by 20 percent, growing to a total of some $2.4 billion.

For the two previous years, according to figures from the United Nations Economic Commission for Latin America, the average was 6.6 per cent.

For 1972, that brings the intra-Latin trade up to 14.5 percent of over-all foreign trade of the Latin nations. That represents a slight increase over 1971.

Argentina and Brazil were leaders in this trend, with Argentina's Latin trade totalling 20 per cent of its over-all foreign trade and Brazil's totalling 15 per cent.

During 1972, according to the U.S. Department of Commerce, the United States had a trade surplus with Latin America of $626.3 million. Brazil and Mexico, for example, had U.S. trade deficits of at least $300 million each and Argentina's was about $200 million.

All of this, it seems to us, coming at a

time when the United States has serious trade imbalance problems of its own, should make more powerful the argument that U.S. trade preference for Latin America not only are appropriate but in fact would be mutually beneficial.

OIL FROM THE ALASKA'S NORTH SLOPE

(Mr. HOWARD asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HOWARD. Mr. Speaker, I would like to take this opportunity to commend the members of the House Interior and Insular Affairs Committee for their sincere and dedicated efforts to bring to the floor of this Chamber much needed legislation concerning the Alaska pipeline. This legislation is of the utmost importance to the people of the United States. I can think of no other recent legislation that contains as many far reaching ramifications. Not only does it affect the domestic problems associated with the supply, distribution, shipment, and price of oil, but it also touches on other areas of national concern. It is in these areas that we must exercise utmost caution lest we sacrifice important considerations in the light of haste.

Among the questions which arise are: What are the environmental problems inherent in the transportation of oil over great distances? Would a trans-Canadian route be most beneficial to the long-term and overall interests of the people of this Nation? And, what should be the restrictions placed by the Congress on the exportation of this valued commodity?

I believe that these and other questions must be addressed if we are to enact responsive and responsible legislation.

My feelings on the export control question are basically that this country has often followed a "drain America first" policy with regard to the export of its petroleum. This situation should not be allowed to be repeated in the development of the Alaskan oil potential. According to the provisions of H.R. 9130 approval of crude oil exportation must be preceded by a report to Congress from the President stating his finding that the authorization would be in the "national interest."

I believe that an absolute ban on the exportation of oil should be amended into the bill, and remain in effect until the present threat of shortages has passed. It makes no sense to export oil when schools are forced to close during the winter for lack of heating oil and when crops cannot be harvested for lack of fuel, not to mention the obvious gasoline squeeze. This tougher safeguard of our Nation's energy supplies is sorely needed.

Of even more importance than what we do with the oil, once it has been delivered to the "lower 48" States, is the method by which the oil is transported. The point of controversy is basically between the Trans-Alaskan Pipeline System—TAPS—and the so-called Canadian alternative. The arguments pro and con on both sides have been buzzing around Washington like hornets. Charges and countercharges have so blurred the issue that it is often difficult to separate the environmental and economic factors from the political ones. An excellent outline of the crucial questions involved in this legislation is contained in the following letters to the editor written by Secretary of the Interior Rogers C. B. Morton and my most able colleague from Arizona, the Honorable MORRIS K. UDALL, and I strongly recommend reading them as contained in the New York Times, May 26, 1973, entitled "Thirsting for the Alaskan Pipeline."

The main point that I believe should be gleaned from these articles is that while Mr. Morton advocates one alternative—the Alaskan route—Mr. UDALL on the other hand calls for, first, a study—recently changed from the 1 year quoted in his letter to 6 months; second, a definitive choice between the two routes by Congress; and third, a prohibition of further judicial review, on the completion of the prior two conditions. The Morton proposal seeks to make the decision for Congress. The Udall proposal gives Congress the choice. I have very grave misgivings about supporting legislation which denies Congress the opportunity to make an intelligent, informed and timely decision on this matter which is far too important to be decided with an incomplete and unbalanced compilation of evidence. Everyone concerned agrees that the North Slope oil is badly needed. In our haste, however, we cannot afford—both in environmental and economic terms—to ignore meaningful possible alternatives.

Another amendment which may be offered would strike from the bill the provision which declares that the Interior Department has complied with NEPA requirements—with its environmental impact statement in its present form—and that further judicial review of the Alaska pipeline under NEPA would be prohibited. I intend to support this amendment if the Udall substitute is not adopted. Circumventing NEPA standards, established by Congress, in such an important issue as the Alaskan oil pipeline would set a dangerous precedent. Deleting the NEPA requirements would not, as its supporters argue, save time by avoiding further litigation because a precedent such as this will most assuredly cause court action based on the constitutionality of such a congressional intrusion.

I would hope, however, that Congress would decide not to pass this politically hot issue on to the courts but would accept its responsibilties by making a choice based on an independent study of the entire question. This would put an end to the delay of the pipeline and would, at the same time, place the most representative body in the country—the U.S. House of Representatives—firmly on record. There may be grave doubts as to the source of the present energy shortage, but there is no doubt that the oil available in the North Slope of Alaska should not be allowed to remain dormant due to drawn out court suits. I urge support of the concept of choice—which is provided to Congress only through the Udall substitute.

THIRSTING FOR THE ALASKA PIPELINE

(By Rogers C. B. Morton)

WASHINGTON.—The United States was once a leading oil exporter. This year we will import about 5 million barrels a day, at a dollar outflow of more than $6 billion. By 1980 we will be importing about 11.6 million barrels a day, if we are still without North Slope Alaska oil, at a dollar outflow of about $16 billion a year. We can't avoid increasing oil imports for the next ten to fifteen years; but we can reduce our imports by increasing our domestic supply of oil.

The largest oil discovery ever made on this continent was made five years ago on the North Slope of Alaska. Its proven reserves are conservatively estimated at about 10 billion barrels. Yet the oil remains in the ground for lack of a way to bring it to market in the "lower 48" states.

In 1969 a group of oil companies sought a permit to build a pipeline to carry North Slope oil 789 miles southward to an ice-free port on Alaska's south coast where it would be loaded aboard tankers and carried to West Coast U.S. ports. An exhaustive technical, economic, and environmental study resulted in a six-volume environmental impact statement and a three-volume economic and national security study that convinced me it is in our national interest that this pipeline be built as soon as possible and that the pipeline can be built and operated compatibly with the Alaskan environment.

But lawsuits challenging my authority to issue the necessary permits and attacking the adequacy of the environmental studies have blocked pipeline construction. The latest court rulings have made it clear that no new major pipeline can be built anywhere in the United States, including Alaska, until Congress removes the narrow width limitations placed in the Mineral Leasing Act of 1920.

Congress now is considering necessary changes. There have been some proposals that any new legislation prohibit construction of the trans-Alaska pipeline until a study can be conducted of a trans-Canada oil line to the Midwest.

I have carefully considered the possibility of a trans-Canada oil pipeline and I am firmly convinced that it is not in our interest to pursue this alternative further at this time.

First, neither route is clearly superior environmentally. The trans-Alaska route crosses zones of earthquake probability, and its marine tanker leg involves some risk of oil spills at sea. But these risks are avoidable and I will impose stipulations on the permit that will control them. The U.S. tankers that will carry Alaskan oil to our West Coast will be environmentally safer than the foreign-flag vessels that will bring foreign oil to our ports if Alaskan oil is not available.

Second, a trans-Alaska tanker delivery route means more jobs for Americans, as organized labor has recognized. Building the Alaska line would create 26,000 construction jobs, at peak, for American workers, 73,000 man-years of tanker construction, and 770 man-years of work for U.S. maritime crews and maintenance. These jobs would be lost if the pipeline goes through Canada, because the Canadian Government has said it will give preference to Canadians.

Third, consider our balance of payments problem. Canada is a friendly nation, but big dollar outflows to Canada or any other country inevitably affect the strength of our economy and, thus, our efforts to control inflation.

Fourth, the time factor has crucial implications. The more we depend on foreign oil, the more our diplomats and strategists must take this dependency into their calculations to meet our national commitments. Alaskan oil will be no cure-all, but it can supply 10 to 12 per cent of our needs by 1985.

(By Morris K. Udall)

WASHINGTON.—In a democracy the way a decision is made is frequently as important as the decision itself. The beleaguered trans-Alaska pipeline is a case in point.

Four years ago some of the smartest heads in the oil industry and the Nixon Administration adopted a strategy to win approval of the controversial hot oil pipeline by avoiding public debate in the Congress. Despite our increasingly foreboding energy picture and the obvious national impact of the Alaska decision, it was to be treated like a gas line from Tucson to El Paso. A friendly Interior Secretary would issue boilerplate right-of-way permits, and if the "deep breathers" didn't like it they could go to court.

They did and the result has been deadlock and, for the oil industry, a hair-raising court decision returning the whole question to Congress in the sheepskin of the Mineral Leasing Act of 1920. That law permits rights-of-way on Federal land to 54 feet, far less width than is needed to build the Alaska line.

Now industry and the Administration, having apparently learned little from this four-year saga, are again seeking backdoor approval of the pipeline by camouflaging it in a needed amendment to the 1920 law that would widen all utility corridors to correspond with modern technology. Even if this tactic worked in Congress, a doubtful proposition, the pipeline could be bogged down in the courts for years on the environmental issue.

Opponents of this strategy fall currently into two groups. First are the conservationists, dead set against the Alaska route, but concerned that a wholly negative stance could set the conservationist movement up as the scapegoat for the petroleum shortages that are coming. Second is a growing group of Senators and Congressmen from the oil-thirsty Midwest who want an unbiased study of the Canadian alternative—a pipeline that takes a different route through Alaska into Canada's Mackenzie Valley and finally northern United States. The feasibility of such a project and the willingness of Canada have yet to be proved.

Recently, I introduced a third approach which will be loved by no one, but offers substantial concessions to all sides.

Its three basics are these:

A one-year crash study by the Office of Technology Assessment, Congress' new research arm, to determine once and for all which parts of the country will experience the greatest demand for the oil and how best to get it there. Tied to that would be Congressionally mandated negotiations by the Interior Department with Canada to explore our neighbor's posture on rights-of-way.

An up or down vote by Congress within sixty days of receipt of the reports by O.T.A. and Interior.

Language in the bill making this a final decision not subject to judicial review.

To industry it says: "Here's the decision you've been wanting; fourteen months from the passage of this bill you can start building. The study could go against you, but if you really believe the position of your industry and the Administration is correct, you have nothing to fear. You will be building the Alaska pipeline long before the courts would have decided the enviromental issue."

To the conservationists and the Midwest: "Here's the independent Canadian study you have wanted all along. You would have to abandon your courtroom strategy based on the National Environmental Policy Act, but in its place would get something better: A study that not only takes environmental factors into consideration, but for the first time puts them on an equal footing with economic cost and national security."

Finally, to the public: "Since 1968, when the oil find was made in Alaska, neither you nor the Congress, your agent, have played any role in the important national decisions relating to the recovery of this important resource. Those decisions to date have been made by political appointees serving the President and a handful of men in judicial robes; they have been influenced by industry committed to its plan and by established conservation groups determined to oppose it. My bill allows you to have an impact on a judgment which may well determine in the years immediately ahead the availability of gas for your automobile and oil to heat your home, as well as the risks to your beaches and waterways."

One hears much talk in Congress these days about the arrogance of the executive branch. One way to put the President on notice would be to adopt the kind of Congressional remedy I have proposed. I think the American people would welcome it and perhaps think a little more of the democratic system, which is taking such a beating these days.

TRANS-ALASKAN PIPELINE BILL AMENDMENTS

(Mr. SEIBERLING asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SEIBERLING. Mr. Speaker, when the Trans-Alaskan Pipeline Authorization Act comes before the House tomorrow, I intend to offer several amendments to the bill. These amendments will not operate to delay the construction and operation of the pipeline. If anything, they should help to avoid delay and help to promote the expeditious development of Alaska oil resources.

My first amendment is to delete section 203(f) of the bill. One effect of section 203(f) is to waive the right of the Government to seek forfeiture of the rights-of-way or permits granted by the Secretary of the Interior, even when the holders of the permits violate the express conditions thereof. The section would also amount to an unconstitutional denial of the right of private property owners to receive just compensation in eminent domain proceedings. It would operate to deny individuals their constitutional rights to due process of law in many other causes of action—such as those relating to personal injury, oil spillage, nuisance, and negligence—which may arise later than 60 days following the grant of the permit. The defects of section 203(f) are discussed in further detail in the dissenting views of the Honorable JOHN P. SAYLOR, at pages 73–76 of House Report 93–414, to accompany H.R. 9130.

The second amendment which I intend to offer would, in effect, require the oil companies to set up the trans-Alaskan pipeline company as an independent corporation in which no oil company has an ownership interest. This will insure development of Alaskan oil on a competitive basis, instead of on a monopolistic basis. This will not only expedite Alaskan oil development, but it will assure lower prices to the consumer of oil and gasoline. The reasons for this amendment are set forth in greater detail in the dissenting view of Honorable ROBERT W. KASTENMEIER and others, at pages 77–79 of House Report 93–414.

I also intend to introduce an amendment requiring the U.S. Attorney General to conduct a study and make a report to the Congress on antitrust aspects of the trans-Alaska pipeline. I believe that Congress needs such a study to perform its legislative and oversight duties.

Mr. Speaker, I place the text of the amendments which I shall offer, as well as a more detailed explanation of the first one, in the RECORD at this point.

Amendment No. 1 to H.R. 9130 offered by Mr. SEIBERLING:

Page 16, line 12, section 203(f): On page 16, strike subsection (f).

Amendment No. 2 to H.R. 9130, As Reported Offered by Mr. SEIBERLING:

Page 22, following line 21, insert a new section, as follows:

"SEC. 211(a). Notwithstanding any other provision of law, including the other provisions of this title, it shall be unlawful for any oil pipeline company, or affiliate thereof, to transport any crude oil or any product manufactured or refined from crude oil through the trans-Alaskan pipeline if such crude oil or product is produced, manufactured, or refined by such pipeline company or affiliate thereof.

"(b) For the purposes of this section, the term "oil pipeline company" means any person, association, corporation, or other entity owning, constructing, maintaining, or operating a pipeline or related facility under any right-of-way, permit, or other Federal authorization granted or issued under this title, or under any provision of law amended by this Act.

"(c) For purposes of this section, the term "affiliate" includes—

(1) any person, association, corporation, or other entity owned or controlled by a pipeline company;

(2) any person, association, corporation, or other entity which owns a substantial interest in or controls (directly or indirectly) a pipeline company by (A) stock interest, (B) representation on a board of director or similar body, (C) contract or other agreement with other stockholders, or otherwise; or

(3) any person, association, corporation, or other entity which is under common ownership or control with a pipeline company.

Amendment No. 3 to H.R. 9130 offered by Mr. SEIBERLING:

Page 22, following line 21 insert new section as follows:

SEC. —. The Attorney General of the United States is authorized and directed to conduct a thorough study of the antitrust issues and problems relating to the production and transportation of Alaska North Slope oil and, not later than six months following the date of enactment of this Act, to complete such study and submit to the Congress a report containing his findings and recommendations with respect thereto.

STATEMENT OF JOHN F. SEIBERLING, CONCERNING SECTION 203(f) OF H.R. 9130

On page 16 line 12 of the bill, subsection 203(f) requires that any actions or proceedings "involving any right-of-way, permit, or other form of authorization granted with respect to the construction of the trans-Alaskan pipeline, to which the United States . . . is a party" shall be commenced within 60 days following the date such a right-of-way, permit, or other form of authorization is issued.

The word "involving" creates several important constitutional difficulties, because it covers the entire spectrum of actions which might arise from any authorization regarding the pipeline. If you read the language literally, you will have to conclude that the subsection bars the courts from considering forfeiture proceedings brought by the government, eminent domain proceedings brought by landowners, and actions which may arise more than 60 days after the grant

of a permit, including those brought by private citizens and organizations against the pipeline company—or its contractors—where the United States is joined as a party. Nor does section 203(c) of the bill provide grounds for relief for it conflicts with section 203(f).

If the intent of the subsection is to limit the time for appeals from the Secretary of the Interior's decisions to grant rights-of-way or permits, the language should so indicate. While I might not agree with the wisdom of requiring appeals from agency actions within 60 days, I do recognize that such appeal periods have been upheld by the courts. My criticism now is not that the appeals must be commenced within 60 days, but rather that the subsection encompasses far more than appeals from administrative decisions granting permits.

The subsection in effect waives the right of the United States to seek forfeiture of the permits and rights-of-way, despite blatant or willful violations of the conditions of the grants. Currently, forfeiture of rights-of-way for pipelines involves a court determination. Section 28 of the Mineral Leasing Act of 1920 [section 185 of title 30 of the United States Code] provides in part: "Failure to comply with the provisions of this section or the regulations and conditions prescribed by the Secretary of the Interior shall be ground for forfeiture of the grant by the United States district court for the district in which the property, or some part thereof, is located in an appropriate proceeding."

I cannot believe that Congress is willing to have the government's hands bound by the initial grant of a permit to the extent that subsequent revocation for cause is impossible. Nonetheless, subsection 203(f) makes no exception for actions brought by the United States to correct situations it did not anticipate.

Mr. Chairman, section 203(c) requires the Secretary of the Interior to include in the permits the conditions of liability for the holders of the permits. But the language of subsection 203(f) extinguishes any rights arising under the issuance of the permits, or involving the permits, whenever the United States is a party. In other words, section 203(c) creates the rights, but section 203(f) denies the opportunity for any remedies in certain cases.

Along the proposed pipeline route, Mr. Chairman, there are 148 miles of non-federal lands. The owners of these properties may be precluded by this bill from being compensated justly in eminent domain proceedings. Normally, the grant of a right-of-way does not by itself give rise to a cause of action by a landowner. Instead, the action arises only when the property is entered or taken, or when the government and landowner are unable to agree on "just compensation." Subsection 203(f), however, has the effect of suspending the right of citizens to just compensation when their property is taken, because the subsection attempts to cut off all causes of action 60 days after the grant of a permit or right-of-way, even if there had been no entry or taking by the government, and even though the negotiations between the government and the landowner had not reached the point where a cause of action would normally. The concept of a right without a remedy is repugnant in any circumstances, but the effect of a statute barring the remedy of just compensation is a clear violation of the 5th Amendment.

Finally, the language of the subsection would appear on its face to extinguish certain other remedies before the causes of action arise. Read literally, the subsection might be interpreted in such a way as to bar claims which arise during the construction and operational phases of the pipeline. Personal injury claims, oil spillage actions, and nuisance actions relating to the construction of the pipeline may well arise from the construction permitted by the decisions of the Secretary of the Interior. Yet these actions would be barred if the claim were based on the alleged negligence of the United States or any officer or employee of the United States. In fact, the pipeline company could seek to escape liability for its actions by moving to join the United States as a party to the suit. Such a result would constitute a denial of an injured party's right to due process of law, in clear violation of the 5th Amendment to the Constitution.

The use of the word "issued" in the second sentence of the subsection would seem to indicate that the intent of the subsection is to limit the period for appealing the grants of permits. But the language of the first sentence goes far beyond what is necessary to achieve the result of merely limiting the appeals period. The first sentence encompasses any causes of action even remotely related to the grants or permits, not just appeals from issuance of permits and rights-of-way. The effect is to eradicate the right to judicial resolution of all sorts of causes of action arising later than 60 days following the decisions of the Secretary, so long as the United States or an officer or employee were named as a party.

Mr. Chairman, the House of Representatives should not leave to the courts the task of "cleaning up" the language of this bill to give it a meaning that would not violate the Constitution.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. PEPPER (at the request of Mr. O'NEILL) for today on account of necessary absence.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. DU PONT) and to revise and extend their remarks and include extraneous matter:)

Mr. MICHEL, for 5 minutes, today.

Mr. YOUNG of Illinois, for 1 minute, today.

(The following Members (at the request of Mr. DANIELSON) to revise and extend their remarks and include extraneous material:)

Mr. WILLIAM D. FORD, for 5 minutes, today.

Mr. GONZALEZ, for 5 minutes, today.

Mr. PODELL, for 5 minutes, today.

Mr. CLARK, for 5 minutes, today.

Mr. BRADEMAS, for 5 minutes, today.

Mr. GUNTER, for 5 minutes, today.

Mr. HOWARD, for minutes, today.

Ms. ABZUG, for 5 minutes, today.

Mr. ROGERS, for 15 minutes, today.

Miss HOLTZMAN, for 15 minutes, today.

Mr. DRINAN, for 5 minutes, today.

Mr. BINGHAM, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. KOCH and to include extraneous matter with his remarks to be made preceding final passage on H.R. 9590, Treasury-Postal Service appropriations for fiscal year 1974.

Mr. SNYDER, his remarks in the body of the RECORD following the remarks of Mr. MAHON earlier today in regard to the anniversary of Mr. NATCHER and his attendance record.

Mr. BENNETT to extend his remarks immediately succeeding the remarks made earlier today concerning Mr. NATCHER.

Mr. RIEGLE and to include extraneous matter notwithstanding the fact it exceeds two pages of the CONGRESSIONAL RECORD and is estimated by the Public Printer to cost $1,254.

Mr. MAHON to revise and extend his remarks in connction with conference report on HUD appropriation bill.

(The following Members (at the request of Mr. DU PONT) and to include extraneous matter:)

Mr. PRICE of Texas.

Mr. BIESTER.

Mr. HUNT in two instances.

Mr. MCKINNEY.

Mr. WINN.

Mr. HOSMER in two instances.

Mr. WIDNALL.

Mr. HARVEY.

Mr. MICHEL.

Mr. WYMAN in two instances.

Mr. SMITH of New York in two instances.

Mr. QUIE.

Mr. YOUNG of Illinois.

Mr. ASHBROOK in three instances.

Mr. HUBER in two instances.

Mr. VEYSEY in two instances.

Mr. WALSH.

Mr. SHRIVER.

Mr. FRENZEL.

Mr. DELLENBACK in two instances.

Mr. LENT.

Mr. DERWINSKI in two instances.

Mr. SHOUP in two instances.

(The following Members (at the request of Mr. DANIELSON) and to include extraneous matter):

Mr. BRINKLEY.

Mr. WOLFF in five instances.

Mr. YATRON.

Mr. HARRINGTON in six instances.

Mr. GONZALEZ in three instances.

Mr. RARICK in three instances.

Mr. DINGELL in two instances.

Mr. BLATNIK in five instances.

Mr. BRASCO in six instances.

Mr. DE LUGO.

Mr. ANDERSON of California in four instances.

Mrs. SCHROEDER.

Mr. HÉBERT.

Mr. GUNTER.

Mr. MOSS.

Mr. HELSTOSKI in three instances.

Mr. HAMILTON.

Mr. RANGEL in 10 instances.

Mr. BADILLO in three instances.

Mr. LONG of Maryland in 10 instances.

Mrs. GRASSO in 10 instances.

Mr. FUQUA in five instances.

Mrs. HANSEN of Washington in 10 instances.
Mr. BRADEMAS in six instances.
Mr. MAHON.
Mr. STUDDS in two instances.
Mr. VAN DEERLIN.
Mr. REUSS in six instances.
Mr. LONG of Louisiana.
Mr. EDWARDS of California.
Mr. DINGELL in two instances.
Mr. ECKHARDT.
Mr. FOLEY.
Mr. BRECKINRIDGE.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 628. An act to amend chapter 83 of title 5, United States Code, to eliminate the annunity reduction made, in order to provide a surviving spouse with an annuity, during periods when the annuitant is not married; to the Committee on Post Office and Civil Service.

S. 871. An act to amend title 5, United States Code, to correct certain inequities in the crediting of National Guard technician service in connection with civil service retirement, and for other purposes; to the Committee on Post Office and Civil Service.

S. 1560. An act to extend the Emergency Employment Act of 1971, to provide public service employment for disadvantaged and long-term unemployed persons, and for other purposes; to the Committee on Education and Labor.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1993. An act to amend the Euratom Cooperation Act of 1958, as amended.

ADJOURNMENT

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

The motion was agreed to; accordingly (at 7 o'clock and 1 minute p.m.), under its previous order, the House adjourned until tomorrow, Thursday, August 2, 1973, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1199. A letter from the Administrator, National Aeronautics and Space Administration, transmitting a report on the use of appropriated funds by NASA during fiscal year 1973 for the support of executive dining rooms, pursuant to section 1102 of Public Law 92-607; to the Committee on Appropriations.

RECEIVED FROM THE COMPTROLLER GENERAL

1200. A letter from the Comptroller General of the United States, transmitting a report on a study of health programs for health services in outpatient health centers in the District of Columbia; to the Committee on Government Operations.

1201. A letter from the Comptroller General of the United States, transmitting a report on an examination of the financial statements of the Government Printing Office for fiscal year 1972, pursuant to 44 U.S.C. 309; to the Committee on Government Operations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. PATMAN: Committee of conference. Conference report on S. 1672 (Rept. No. 93-428). Ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ANDERSON of California (for himself, Mr. ROSENTHAL, Mr. EILBERG, Mr. VIGORITO, Mr. RODINO, Mr. BURGENER, Mr. NIX, Mr. MELCHER, Mr. WALDIE, Mr. MITCHELL of Maryland, Mr. CONYERS, Mr. KOCH, Mr. LEHMAN, Mr. YATRON, Mr. SARBANES, Mr. PODELL, Mrs. CHISHOLM, Mr. PRICE of Illinois, Mrs. BURKE of California, Mr. Moss, and Mrs. GRASSO):

H.R. 9752. A bill to amend the Public Health Service Act to provide for the screening and counseling of Americans with respect to Tax-Sachs disease; to the Committee on Interstate and Foreign Commerce.

By Mr. ANDERSON of California (for himself, Mr. EDWARDS of California, Mr. HOGAN, Mr. METCALFE, Mr. PEPPER, Mr. GILMAN, Mr. PEYSER, Mr. HARRINGTON, Ms. ABZUG, Mr. FASCELL, Mr. RANGEL, Mr. DRINAN, Mr. RIEGLE, Mr. HORTON, Mr. Bingham, Mrs. COLLINS of Illinois, Mr. DANIELSON and Mr. REES):

H.R. 9753. A bill to amend the Public Health Service Act to provide for the screening and counseling of Americans with respect to Tay-Sachs disease; to the Committee on Interstate and Foreign Commerce.

By Mr. ASPIN:

H.R. 9754. A bill to strengthen and improve the protections and interests of participants and beneficiaries of employee pension and welfare benefit plans; to the Committee on Education and Labor.

By Mr. BROYHILL of North Carolina:

H.R. 9755. A bill to provide for the establishment of an American Folklife Center in the Library of Congress, and for other purposes; to the Committee on House Administration.

By Mr. DAVIS of South Carolina:

H.R. 9756. A bill to amend the Federal Trade Commission Act (15 U.S.C. 44, 45) to provide that under certain circumstances exclusive territorial arrangements shall not be deemed unlawful; to the Committee on Interstate and Foreign Commerce.

By Mr. FUQUA (for himself, Mr. FREY, Mr. HALEY, Mr. DICKINSON, Mr. BENNETT, Mr. SIKES, Mr. BAFALIS, Mr. FASCELL, Mr. GUNTER, Mr. PEPPER, Mr. GIBBONS, Mr. BLACKBURN, Mr. STEPHENS, Mr. LEHMAN, Mr. CHAPPELL, Mr. MIZELL, Mr. YOUNG of Florida, Mr. BURKE of Florida, Mr. ROGERS, and Mr. MANN):

H.R. 9757. A bill to authorize the Secretary of the Interior to conduct a study with respect to the feasibility of establishing the Bartram Trail as a national scenic trail; to the Committee on Interior and Insular Affairs.

By Mr. GOLDWATER:

H.R. 9758. A bill to amend the Federal Aviation Act of 1958 to require the installation of airborne, cooperative collison avoidance systems on certain civil and military aircraft, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. KOCH (for himself and Mr. MAZZOLI):

H.R. 9759. A bill to amend title 10 of the United States Code to establish independent boards to review the discharges and dismissals of servicemen who served during the Vietnam era, and for other purposes; to the Committee on Armed Services.

By Mr. LENT:

H.R. 9760. A bill to amend the Communications Act of 1934 for 1 year with regard to the broadcasting of certain professional home games; to the Committee on Interstate and Foreign Commerce.

By Mr. MICHEL (for himself, Mr. ARENDS, Mr. BROWN of California, Mr. BAKER, Mr. BURLESON of Texas, Mr. BURLISON of Missouri, Mr. COCHRAN, Mr. DAVIS of Georgia, Mr. DICKINSON, Mr. FISH, Mr. GILMAN, Mr. GRAY, Mr. HARSHA, Mr. KEATING, Mr. KETCHUM, Mr. LOTT, Mr. MADIGAN, Mr. MAYNE, Mr. MONTGOMERY, Mr. O'BRIEN, Mr. QUIE, Mr. RARICK, Mr. RAILSBACK, Mr. ROBINSON of Virginia, and Mr. SCHERLE):

H.R. 9761. A bill to amend the Truth-in-Lending Act to eliminate the inclusion of agricultural credit; to the Committee on Banking and Currency.

By Mr. MICHEL (for himself, Mr. SHIPLEY, Mr. SEBELIUS, Mr. SYMMS, Mr. WON PAT, Mr. WHITTEN, and Mr. YOUNG of Alaska):

H.R. 9762. A bill to amend the Truth-in-Lending Act to eliminate the inclusion of agricultural credit; to the Committee on Banking and Currency.

By Mr. MOORHEAD of California:

H.R. 9763. A bill to amend the Internal Revenue Code of 1954 to allow an individual an income tax deduction for the expenses of traveling to and from work by means of mass transportation facilities; to the Committee on Ways and Means.

By Mr. PETTIS (for himself, Mr. BROWN of California, Mr. DELLUMS, Mr. DINGELL, Mr. HAWKINS, Mr. HINSHAW, Mr. HOLIFIELD, Mr. HOSMER, Mr. KETCHUM, Mr. MCFALL, Mr. MOSS, Mr. REES, Mr. RIEGLE, Mr. ROYBAL, Mr. STEIGER of Arizona, Mr. TALCOTT, Mr. VEYSEY, and Mr. WALDIE):

H.R. 9764. A bill to provide for the establishment of the National Conservation Area of the California Desert and to provide for the immediate and future protection, development, and administration of such public lands; to the Committee on Interior and Insular Affairs.

By Mr. PODELL:

H.R. 9765. A bill to provide for the issuance of a commemorative stamp in honor of the centennial of the birth of Guglielmo Marconi; to the Committee on Post Office and Civil Service.

By Mr. RHODES (for himself, Mr. MYERS, Mr. PARRIS, Mr. ROBINSON of Virginia, Mr. SMITH of New York, Mr. SNYDER, Mr. STEIGER of Arizona, Mr. WARE, Mr. WHITEHURST, Mr. WIGGINS, Mr. WILLIAMS, Mr. WINN, and Mr. WON PAT):

H.R. 9766. A bill to provide for the establishment of a U.S. Court of Labor-Management Relations which shall have jurisdiction over certain labor disputes in industries substantially affecting commerce; to the Committee on the Judiciary.

By Mr. RHODES (for himself, Mr. ARCHER, Mr. BEARD, Mr. BURLESON of Texas, Mr. COLLIER, Mr. CONLAN, Mr.

DAVIS of Wisconsin, Mr. DERWINSKI, Mr. FRENZEL, Mr. HASTINGS, Mr. HENDERSON, Mr. HINSHAW, Mr. HOSMER, and Mr. MCCLORY):

H.R. 9767. A bill to provide for the establishment of a U.S. Court of Labor-Management Relations which shall have jurisdiction over certain labor disputes in industries substantially affecting commerce; to the Committee on the Judiciary.

By Mr. ROYBAL (for himself and Mr. HOLIFIELD):

H.R. 9768. A bill, authorizes financial assistance for Service Employment and Redevelopment (SER) Centers; to the Committee on Education and Labor.

By Mr. ROYBAL (for himself and Mr. ROSENTHAL):

H.R. 9769. A bill to amend the Public Health Service Act to provide assistance for research and development for improvement in delivery of health services to the critically ill; to the Committee on Interstate and Foreign Commerce.

By Mr. SARASIN:

H.R. 9770. A bill to authorize the disposal of copper and zinc from the national stockpile and the supplemental stockpile; to the Committee on Armed Services.

H.R. 9771. A bill to impose a 6-month embargo on the export of all nonferrous metals, including copper and zinc, from the United States; to the Committee on Banking and Currency.

By Mr. STAGGERS (for himself and Mr. DEVINE):

H.R. 9772. A bill to amend section 303(b) of the Interstate Commerce Act to remove certain restrictions upon the application and scope of the exemption provided therein, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. UDALL (for himself, Mr. ASPIN, Ms. BOGGS, Ms. BURKE of California, Mr. CULVER, Mr. KYROS, Mr. MITCHELL of Maryland, and Mr. WOLFF):

H.R. 9773. A bill to improve the conduct and regulation of Federal election campaign activities and to provide public financing for such campaigns; to the Committee on House Administration.

By Mr. WINN:

H.R. 9774. A bill to confer U.S. citizenship on certain Vietnamese children and to provide for the adoption of such children by American families; to the Committee on the Judiciary.

By Mr. WYATT:

H.R. 9775. A bill to amend the Federal Advisory Committee Act with respect to the availability of transcripts of agency proceedings; to the Committee on Government Operations.

By Ms. ABZUG (for herself, Mr. ADDABBO, Mr. BADILLO, Ms. BURKE of California, Ms. CHISHOLM, Mr. CONYERS, Mr. CORMAN, Mr. DELLUMS, Mr. DERWINSKI, Mr. EDWARDS of California, Mr. FRASER, Mr. FRENZEL, Mr. GILMAN, Mrs. GREEN of Oregon, Mr. HAMMERSCHMIDT, Mr. HANSEN of Idaho, Mr. HARRINGTON, Ms. HECKLER of Massachusetts, Mrs. HOLT, and Ms. HOLTZMAN):

H.R. 9776. A bill to provide for the issuance of a special postage stamp in commemoration of the life and work of Jeannette Rankin; to the Committee on Post Office and Civil Service.

By Ms. ABZUG (for herself, Mr. HUNGATE, Mr. MEEDS, Mr. MELCHER, Mr. METCALFE, Ms. MINK, Mr. PEPPER, Mr. REES, Mr. REID, Mr. ROE, Mr. ROSE, Mr. ROSENTHAL, Ms. SCHROEDER, Mr. SHOUP, Mr. SMITH of New York, Mr. STARK, Mrs. SULLIVAN, Mr. SYMINGTON, Mr. WALDIE, and Mr. WYDLER):

H.R. 9777. A bill to provide for the issuance of a special postage stamp in commemoration of the life and work of Jeannette Rankin; to the Committee on Post Office and Civil Service.

By Mr. BINGHAM:

H.R. 9778. A bill to provide for notification of Congress and, where necessary, congressional veto of major sales of arms to foreign nations; to the Committee on Foreign Affairs.

By Mr. CLARK:

H.R. 9779. A bill to amend title II of the Social Security Act so as to liberalize the conditions governing eligibility of blind persons to receive disability insurance benefits thereunder; to the Committee on Ways and Means.

By Mr. COUGHLIN:

H.R. 9780. A bill to amend the Social Security Act to eliminate the requirement that a recipient of disability insurance benefits under title II of such act must wait for 24 months before becoming eligible for coverage under medicare; to the Committee on Ways and Means.

By Mr. DRINAN (for himself and Mr. EDWARDS of California):

H.R. 9781. A bill to amend certain sections (authorizing wiretapping and electronic surveillance) of title 18 of the United States Code; to the Committee on the Judiciary.

By Mr. EDWARDS of California:

H.R. 9782. A bill to prohibit the introduction into interstate commerce of nonreturnable beverage containers; to the Committee on Interstate and Foreign Commerce.

H.R. 9783. A bill to regulate the collection, storage, and dissemination of information by criminal data banks established or supported by the United States; to the Committee on the Judiciary.

By Mr. WILLIAM D. FORD:

H.R. 9784. A bill to establish a Federal Employee Labor Relations Board to regulate Federal labor-management relations, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. GUNTER (for himself and Mr. VANIK):

H.R. 9785. A bill to provide for a coherent national program of energy research and development, to amend the National Science Foundation Act of 1950; to the Committee on Science and Astronautics.

By Mr. KOCH (for himself and Mr. BELL):

H.R. 9786. A bill to assure the constitutional right of privacy by regulating automatically processed files identifiable to individuals; to the Committee on the Judiciary.

By Mr. PATTEN:

H.R. 9787. A bill to authorize the Secretary of Health, Eduction, and Welfare to make grants to conduct special educational programs and activities designed to achieve educational equity for all students, men and women, and for other related educational purposes; to the Committee on Education and Labor.

By Mr. ROE:

H.R. 9788. A bill to amend the Communications Act of 1934 for 1 year with respect to certain agreements relating to the broadcasting of home games of certain professional athletic teams; to the Committee on Interstate and Foreign Commerce.

By Mr. WHALEN:

H.R. 9789. A bill to amend the Omnibus Crime Control and Safe Streets Act of 1968; to the Committee on the Judiciary.

By Mr. MOORHEAD of Pennsylvania:

H.J. Res. 696. Joint resolution to provide for a temporary extension of the authority of the Secretary of Housing and Urban Development with respect to the insurance of loans and mortgages, and for other purposes; to the Committee on Banking and Currency.

By Mr. OBEY:

H.J. Res. 697. Joint resolution proposing an amendment to the Constitution of the United States relating to the strengthening of the system of checks and balances between the legislative and executive branches of the Government as envisioned by the Constitution with respect to the enactment and execution of the laws and the accountability to the people of the executive as well as the legislative branches of the Government; to the Committee on the Judiciary.

By Mr. ROE:

H.J. Res. 698. Joint resolution, a national education policy; to the Committee on Education and Labor.

By Mr. BROTZMAN:

H. Con. Res. 282. Concurrent resolution expressing the sense of Congress with respect to the missing in action in Southeast Asia; to the Committee on Foreign Affairs.

By Mr. HOWARD:

H. Con. Res. 283. Concurrent resolution expressing the sense of Congress respecting measures to deal with possible shortages of No. 2 heating oil; to the Committee on Interstate and Foreign Commerce.

By Mr. HUBER (for himself, Mr. ROBERT W. DANIEL, Jr., Mr. PARRIS, Mr. WAMPLER, Mr. WYATT, and Mr. YOUNG of Illinois):

H. Con. Res. 284. Concurrent resolution expressing the sense of Congress with respect to the missing in action in Southeast Asia; to the Committee on Foreign Affairs.

By Mr. HARRINGTON (for himself, Mr. CLAY, Mr. DRINAN, Mr. MALLARY, Mr. STARK, and Mr. STOKES):

H. Res. 520. Resolution, an inquiry into the extent of the bombing of Cambodia and Laos, January 20, 1969, through April 30, 1970; to the Committee on Armed Services.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. GUDE:

H.R. 9790. A bill for the relief of Hendrika Koenders Lyne; to the Committee on the Judiciary.

By Mr. ROE:

H.R. 9791. A bill for the relief of Nenita Reyes Ramos and Benedicto F. Ramos; to the Committee on the Judiciary.

By Mr. RODINO:

H.R. 9792. A bill for the relief of Juliet Elizabeth Tozzi; to the Committee on the Judiciary.

By Mr. VEYSEY:

H.R. 9793. A bill for the relief of Earl Gilber, Larry Collins, Vern C. Parton, Alexander L. Adams, and John Kimm; to the Committee on the Judiciary.

By Mr. BOB WILSON:

H.R. 9794. A bill for the relief of Harry F. Armstrong; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,

259. The SPEAKER presented a petition of the village president and board of trustees, village of Park Forest, Ill., relative to the revision of tax laws and freight rates to make the use of recycled materials competitive with raw materials, which was referred to the Committee on Ways and Means.